

NORTH YORKSHIRE COUNTY COUNCIL

YOUNG PEOPLE'S OVERVIEW AND SCRUTINY COMMITTEE

7TH DECEMBER 2018

CYPS FINANCIAL POSITION

1.0 PURPOSE OF REPORT

- 1.1 This paper highlights the areas presenting with the most significant financial pressures facing CYPS as at October 2018 and the management action that has been taken in response to the pressures.

2.0 CYPS FINANCIAL PRESSURES

- 2.1 At its meeting on 14 August 2018, the Executive received the Quarterly Performance and Budget Monitoring Report for Q1, 2018. The report highlighted a projected overspend in Children and Young People's Services which, at Q1, was forecasting to overspend by £10,848k.
- 2.2 The updated forecast outturn position for the Directorate at Q2 shows a slight improvement in the position with an overall projected net overspending position of £10,319k.
- 2.3 A summary of the main variances are shown in the table below:

Table 1: Summary of Variances

Service Area	2018/19 Budget (£k)	Net Projected Outturn Error! Reference source not found. (£k)	Variance to Budget Error! Reference source not found. (£k)	Net Projected Outturn As at Q1 (£k)	Variance to Budget Q1 (£k)
Disabled Children's Service	5,118	6,005	887	5,800	682
Inclusion	690	1,026	336	843	153
Assessment & Reviewing Officers	651	737	86	733	82
Home to School Transport	21,700	24,052	2,352	23,992	2,292
Children & Families	34,007	34,239	232	35,007	1,000
CYPS Pooled Budget	1,389	2,139	750	2,226	837
Education & Skills	2,180	2,211	31	2,361	181
Finance & Management Support	(677)	(643)	34	(559)	118
Pension Enhancements	889	871	(18)	873	(16)

CYPS Commissioning	1,401	1,326	(75)	1,351	(50)
Director's Unit	222	203	(19)	203	(19)
Safeguarding Unit	1,108	1,216	108	1,142	34
High Needs Commissioning	-	4,053	4,053	3,904	3,904
Sponsored Academy Deficits	-	520	520	520	520
Early Years Review	-	229	229	450	450
School Redundancies	-	534	534	400	400
CYPS Insurances	145	424	279	425	280
Total	68,823	79,141	Error! Reference source not found.	79,471	10,848

2.4 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 relates to SEN within the High Needs Block of the Dedicated Schools Grant (DSG). In 2018-19, the Directorate is projecting an underlying overspend of £5.7m which is offset, in part, by the application of £1.66m which was agreed with Schools Forum (following consultation with schools). This funding represents a transfer of 0.5% from Schools Block funding to the High Needs Block and is a temporary transfer. The transfer was agreed following recognition of an unprecedented increase in the numbers of requests for Education, Health and Care Plans (EHCPs) and the level of financial pressure in the High Needs system. The transfer occurred on the basis that plans would be developed to address the financial pressure as any transfer is a temporary measure. The transfer has not been adequate to counter new cost pressures for a number of reasons:

- High Needs Block funding provided by the Department of Education is simply insufficient. Although there was a notional uplift to the North Yorkshire area allocation, the actual cash amount for the local authority has actually decreased when compared with 2017/18.
- There has been an unprecedented increase in Education, Health and Care Plans (EHCPs). Since 2014, there has been a 46% rise in EHCPs and this trend has continued throughout 2018 and currently stands at 50%+. This is an unfunded burden on schools and the local authority.
- Tackling the financial pressure requires a system-wide approach to the development of plans and will not provide immediate relief in sustainable savings.

3.2 The number of EHCPs has been the major driver of the financial pressure above. Demand for special school places has risen significantly - locally and nationally - since 2014. In North Yorkshire, this means an increase of 24% more young people requiring

special school provision. In response to this, an additional 147 places have been commissioned in maintained special schools or special academies. 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.

3.3 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.
- The funding formula for High Needs operated by the Department for Education puts North Yorkshire on the “funding floor”. Effectively, this means that the Department for Education consider North Yorkshire to have too much money and an increase in funding is only achieved after a “top-up” is applied to avoid any authority receiving less than 0.5% increase in funding.
- 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.

3.4 There has been an unprecedented increase in demand as a direct consequence of the 2014 SEND legislative reforms. The number of Education, Health and Care Plans (EHCPs) have risen by approximately 50% since 2014 from c.1,700 to c.2,650 plans and is expected to continue to rise by c.250-300 plans each financial year.

3.5 As the SEN Code of Practice has extended the duty on the LA to maintain Education Health and Care plans up to 25, this has increased the requirement to commission more post-16 and post-19 provision. This currently stands at 170 places in FE and 6th Form colleges from 55 places in 2014.

3.6 Commissioning of places in Alternative Provision (AP) has consistently been at 88 places per year in North Yorkshire. However, this was increased to 110 during 2018/19 and it is proposed to be increased further under a different funding arrangement, subject to the outcome of the consultation. Funding for AP places accounts for over 10% of the High Needs Block spend (currently at £5.2m when including provision for young people who are not able to attend school due to medical needs).

3.7 To assist in meeting continued demand and to reduce spend in the independent sector, NYCC has submitted a bid for a Free School and are currently consulting on plans for a satellite of Mowbray School. There are also actions to be 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.

3.8 Executive Members approved the Strategic Plan for SEND in early September 2018. This sets out 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, the bid for a free special school and ways of working, collaboration and governance. This is a comprehensive strategy aimed at improving the offer for children and young people within the budget available. The projected rate of increase of EHCPs shows that there is a medium-term financial pressure of £10-13M if left unchecked. At this point in time, the LA does not have costed plans 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. Further plans will be brought to the Schools Forum for consideration and there will be further consultations with schools, parents, carers and young people.

- 3.9 Phase 1 of the Plan covers the majority of the actions in the plan, which will be delivered through existing resources across staffing, High Needs Budget and capital funding (including the Special Provision Capital Funding.) The intention is also that progress will be made to reduce the overspend on the High Needs Budget.
- 3.10 Key to the delivery of phase 1 is the strengthening of early identification of the needs of children and young people, and appropriate interventions to meet their needs. Actions in respect of universal and targeted provision in the Strategic Plan aim to achieve this by:
- Increasing the capacity of schools to support children and young people with a range of SEND
 - Developing the post 16/19 offer for young people
 - Developing targeted provision linked to mainstream schools to meet the needs of children and young people requiring a high level of specialist staffing support but not requiring special school provision. This type of provision is not currently available in North Yorkshire.
 - Revising the alternative provision offer across the county, including the offer from pupil referral services/alternative provision commissioned by the LA.
 - Developing SEND locality based multi-disciplinary teams to support early identification and intervention.
- 3.11 The anticipated impact of meeting the needs of children and young people through universal and targeted provision is that there should be reduced pressure on the special school places in the county. Our forecasting indicates, however, that this will not be enough to meet need in the longer term; therefore there are also actions in the Plan to increase special school capacity. These include:
- Work at the Dales School, Springhead School and Springwater School to increase capacity, funded by the Special Provision Capital Funding from DfE. This will increase places by 18 overall.
 - Work at the Forest School to increase capacity by 25 places, funded by Schools Condition Grant.
 - The development of a satellite site for Mowbray School in Ripon. This would be at the Moorside Infants School site and would be dependent on the successful amalgamation of the infant and junior schools. Consultation is currently underway on the development of the satellite provision, which would be primary provision for up to 60 pupils.
 - The submission of an expression of interest for a free special school in the Selby area. This was submitted to the DfE on 12th October 2018 and the outcome is expected early in 2019. The expression of interest was for a 100 place special school.

- 3.12 The local authority will be seeking Secretary of State approval for a transfer from Schools funding to High Needs Budgets in 2019-20. Based on current information, the local authority will have a c.£4m accumulated deficit on High Needs by 31st March 2019 with a provisional projected shortfall in 2019-20 of a further £4m. The projection of a £4m in-year shortfall in 2019-20 is based on assumptions of further increases in demand and the delivery of all savings plans outlined in the recent consultation – there is, therefore, some risk attached to these assumptions and figures will be further refined as part of the budget setting process and outcome of the recent consultations.
- 3.13 Using these assumptions, there would be an £8m accumulated deficit by 31st March 2020 if no further plans are brought forward. A transfer of 1.0% would reduce the £8m by c. £3.3m leaving an accumulated deficit of £4.7m. As demand is expected to continue to rise beyond 2019-20 and given the scale of the financial pressure, it is likely that the local authority would seek Schools Forum approval for subsequent transfers. It should be noted, however, that the view of the local authority is that there needs to be additional funding into the North Yorkshire system rather than recycling funding within the county. We will continue to lobby DfE and MPs on this point.

4.0 SEN TRANSPORT

- 4.1 Linked with the pressures arising from the increase in Education, Health and Care Plans, the local authority is also seeing 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. There is a projected in-year financial pressure of £2.3m. This has been mitigated, in part, by a number of measures introduced from September 2018 including the introduction of post-16 charging for pupils with SEN and the option for some families to receive a personal transport allowance.

5.0 DfE POLICIES IMPACTING ON LOCAL AUTHORITY BUDGETS

- 5.1 There are a number of funding pressures impacting on the local authority budget which are a result of Department for Education policy. These include:
- **sponsored academy deficits/ closing school deficits** – sponsored academy deficits relating to Northalton School and 6th Form and Easingwold School are projected along with the closing school deficit for Burnt Yates. The projected net cost is after the application of DSG reserve but there still remains a significant bottom line impact.
 - **school redundancies** – changes to the redundancy policy mean that from September 2018, only compulsory redundancies will be paid. Schools will still be able to offer voluntary redundancies but will have to pay the excess. Despite this tightening of criteria, the local authority – which is statutorily obliged to cover the cost of school redundancies – is projected a cost of £534k. Previously, these costs have been covered by reserve but with a depletion of reserves, this now impacts on the net bottom line.

6.0 OTHER CYPS BUDGET AREAS

- 6.1 Other CYPS areas with financial pressure include:
- **Early Years** – the delayed implementation of the restructure of Early Years gives rise to a non-recurring overspend of £229k. There remains a recurring shortfall of

£250k. There has been a 220k improvement for Early Years Review since the Q1 position as more of the savings are now expected to be achieved in the current financial year.

- **Children and Families**- delayed implementation of a planned restructure, due in part to the timing of the Ofsted inspection, has led to a potential non-recurring overspending. In addition, as the numbers of children looked after have started to rise in 2018 following high levels of child protection plans and children in need, projected costs have risen accordingly.

7.0 SUMMARY

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

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