

Children and Young People's Overview and Scrutiny

8 January 2024



Children and Young People's Services – Quarter 2: Forecast of Revenue and Capital Outturn 2023/24

Report of Paul Darby, Corporate Director of Resources

Purpose of the Report

- 1 To provide details of the forecast outturn position for Children and Young People's Services (CYPS), highlighting major variances in comparison with the budget for the year, based on the position at the end of September 2023.

Executive summary

- 2 The 2023/24 projected outturn for CYPS, based upon the position to 30 September 2023 is a cash limit overspend of £6.222 million, representing a 3.6% overspend against the total revised budget for CYPS. At quarter one the cash limit overspend was forecast to be £5.078 million, a 3% overspend.
- 3 The cash limit outturn projection excludes the forecast use of / contributions to earmarked reserves and items outside the cash limit such as redundancy costs which are met from corporate reserves.
- 4 Forecast reductions in energy costs of £0.185 million, inflationary increases re Fostering Allowances of £0.590 million and the 2023/24 Chief Officer and Apprentice pay award totalling £60,000 have been excluded from the cash limit outturn position.
- 5 Also excluded is £0.150 million forecasted expenditure on surplus schools, £0.717 million in relation to Educational Psychologists locum support costs (required to meet statutory assessment timeframes) which are to be funded from general contingencies along with £0.306 million relating to Aycliffe Secure Service.
- 6 The forecast outturn position includes overspends within Head of Social Care of £6.875 million and Education and Skills of £0.179 million, and underspends within CYPS Central of £0.547 million and Early Help, Inclusion and Vulnerable Children of £0.285 million.

- 7 Details of the reasons for under and overspending against relevant budget heads are disclosed in the report.
- 8 The service capital budget 2023/24 is £78.624 million with expenditure of £10.882 million as at the end September 2023.

Recommendation(s)

- 9 Members of Overview and Scrutiny committee are requested to are requested to:
 - (a) note the Children and Young People's Services overall revenue position.

Background

- 10 The County Council approved the Revenue and Capital budgets for 2023/24 at its meeting on 22 February 2023. These budgets have since been revised to account for grant additions/reductions, budget transfers, and budget re-profiling between years as well as corporately recognised budget pressures.
- 11 The summary financial statements contained in the report cover the financial year 2023/24 and show:
 - (a) the approved annual budget;
 - (b) the actual income and expenditure as recorded in the Council's financial management system;
 - (c) the variance between the annual budget and the forecast outturn;
 - (d) for the Children and Young People's Services revenue budget, adjustments for items outside of the cash limit to take into account such items as redundancies met from the strategic reserve, capital charges not controlled by services and use of / or contributions to earmarked reserves.

Revenue Outturn

- 12 The 2023/24 projected outturn for CYPS, based upon the position to 30 September 2023 is a cash limit overspend of £6.222 million, representing a 3.6% overspend against the total revised budget for CYPS. At quarter one the cash limit overspend was forecast to be £5.078 million, a 3% overspend.
- 13 The table below compares the forecast outturn with the budget by Head of Service. A further table is shown at Appendix 2 analysing the position by Subjective Analysis (i.e. type of expense).

Head of Service	Revised Annual Budget £m	Forecast Outturn £m	Variance £m	Pay award £m	Inflation / Contingencies £m	Cash Limit Variance £m
Head of Social Care	101.753	109.207	7.455	-0.032	-0.548	6.875
EHIVC	5.625	6.253	0.628	-0.011	-0.902	-0.285
Education and Skills	41.428	41.593	0.165	-0.007	0.021	0.179
Operational Support	2.455	2.458	0.003	-0.003	0	0
Central Charges	17.297	16.757	-0.540	-0.007	0	-0.547
HoSC Excluded	0.049	0.049	0	0	0	0
Total	168.607	176.317	7.710	-0.060	-1.429	6.222

14 The forecast outturn position includes overspends within Head of Social Care of £6.875 million and Education and Skills of £0.179 million, and underspends within CYPS Central of £0.547 million and Early Help, Inclusion and Vulnerable Children of £0.285 million. Further details of the main variances are provided below:

- (a) Childrens Social Care is forecast to be a net £6.875 million over budget for the year. The service is forecasting a net overspend of £7.143 million relating to the cost of placements for children looked after (CLA), net of costs relating to higher rates for fostering allowances that will be met corporately. This compares to the previous forecast of a net overspend of £5.795 million on placement costs in-year.
- (b) The pressure on the budget in children's social care has been evident for a number of years now, as the number of children in the care system has increased significantly and their needs have continued to become more complex and more expensive to accommodate. The budget for this area for 2023/24 is £62.288 million, an increase of £15.232 million on the previous year.
- (c) The total number of CLA increased by 45 between June 2023 and August 2023, from 1,090 to 1,135. One third of the increase (15) across this period relates to an increase in number of Unaccompanied Asylum Seeking Children (UASC) from 63 in June 2023 to 78 August 2023.
- (d) The costs of UASC CLA are fully funded via grant from central government and therefore there is no net increase to the forecast position.
- (e) The number of CLA in external high-cost placements (defined as those costing more than £100,000 per annum) has increased by 11 in the period between June 2023 to August 2023, however the overall average cost of high-cost placements has reduced to such

an extent that the overall forecast cost remains broadly the same as at quarter one.

- (f) The quarter two forecast assumes the number of high-cost external placements remains at the current level (both number and average cost), or that any increase in numbers is offset by a further reduction in average cost as was the case between quarter one and quarter two.
- (g) Costs for placements requiring intensive support and / or crisis intervention (including unregistered placements) has been estimated using an average of 8 placements at an average cost of £0.686 million per placement per annum.
- (h) The increase in the forecast overspend position is largely the result of the increase in volume of CLA, the majority of whom are placed in lower-cost placements.
- (i) The Education Service is reporting an overspend of £0.179 million to the year end. The main reasons for the overspend position are highlighted below:
 - i. A forecast shortfall of £0.460 million against income budgets due to a drop in levels of SLA income as schools convert to academy status.
 - ii. A forecast overspend of £0.141 million relating to council run Nursery provision.
 - iii. A forecast overspend of £0.211 million relating to the write off of aged pupil transfer debts relating to financial years 2018/19 and 2019/20. These debts were not pursued during the COVID pandemic when all debt collection management was paused. This overspend is offset by a reduction in the bad debt provision, which is reported under the Central CYPS budget heading.
 - iv. A forecast overspend of £0.126 million relating to the operation of Durham Leadership Centre due to a shortfall in lettings income.
 - v. A forecast overspend of £64,000 relating to the Virtual School Head, largely due to a reduction in de-delegated funding for this year.
 - vi. These overspends are offset to some extent by the following underspends:

- £0.220 million underspend against the Early Years Sustainability budget.
 - £0.179 million Pension Liabilities savings.
 - £0.160 million saving on DCC contribution towards the Maintained Nursery Schools.
 - £0.119 million against staffing budgets, largely as a result of a restructure in Education Durham effective from September 2023.
- vii. There is no anticipated cash limit impact for the Progression and Learning (P&L) service after the net use of £3.416 million of reserves.
- viii. A significant part of the service is funded by EU (ESF) grants that will end on 31 December 2023. There will be ongoing costs beyond this point and whilst it is uncertain at this stage how significant this will be, a prudent forecast of those staff continuing in post beyond 31 December 2023 has been made and an assumption included that P&L reserves will meet this cost.
- ix. An estimate of £200,000 has also been forecast for associated P&L redundancies, however these costs will be funded by the corporate ER/VR reserve.
- (j) A forecast underspend of £0.547 million against Central CYPS budgets is largely as the result of a forecast reduction in the bad debt provision for the year.
- (k) Early Help, Inclusion is forecasting an underspend of £0.285 million.
- (l) The Aycliffe Secure Service continues to struggle to realise budgeted income levels. This is particularly linked to problems in recruiting staff to ensure income targets can be achieved. In 2022/23 the shortfall was circa £1.448 million, however in 2023/24 the shortfall is expected to be circa £0.306 million, an improvement on the position forecast at quarter one. This has been treated as outside of the services cash limit in the current year, with this ongoing budget pressure being addressed in the 2024/25 base budget.

- (m) The remaining service areas in EHIVC are forecasting an underspend of £0.285 million mainly attributable to underspends against employee and activity budgets.
 - (n) It is forecast that expenditure will be in line with budget for the Operational Support area of the service.
- 15 The forecast cash limit outturn shows the position after a net £9.801 million movement to and from reserves, the major items being:
- (a) £3.410 million drawdown from Schools Reserves to write off School deficits as part of the academy transfer process.
 - (b) £3.219 million drawdown from Progression and Learning Reserves to fund the impact of ESF grant funding reductions from quarter four, with new UK Shared Prosperity Fund (UKSPF) grant allocations not being receivable until April 2024.
 - (c) £1.182 million drawdown from Childrens Social Care Reserves to fund the Holiday Activities and Food Programme, Homes for Ukraine, to fund service developments.in relation to Emotional Wellbeing and to support service delivery.
 - (d) £0.790 million drawdown from the Corporate ERVR reserve to fund Progression and Learning and Schools forecasted redundancies.
 - (e) £0.318 million drawdown from the Children’s Social Inclusion reserve to fund the Holiday Activities and Food Programme.
 - (f) £0.285 million drawdown from the UASC reserve to fund service delivery.
 - (g) £0.254 million drawdown from the Homes for Ukraine reserve to be utilised by 31 March 2024.
 - (h) £0.229 million drawdown from the Rapid Response reserve to fund the service.
 - (i) £0.136 million drawdown from the Emotional Wellbeing reserve to fund service developments.
- 16 The following budget transfer has been actioned in the second quarter:
- (a) £0.156 million from AHS in relation to the Homefinder Team

- 17 Taking the forecast outturn position into account, there is a £6.222 million deficit cash limit reserve balance at 31 March 2024. This will, as in previous years, need to be funded corporately from the General Reserve.

Dedicated Schools Grant and Schools

- 18 The council currently maintains 154 schools, including nursery, primary, secondary, special schools and a single Alternative Provision (AP) school. The AP school is for pupils who have been permanently excluded from other schools, or who are at risk of permanent exclusion.
- 19 The council had 161 maintained schools at the time of budget setting, however seven schools have since converted to academy status.
- 20 The table below shows the schools that have transferred to academy status and the balances that transferred in year. In the case of Wellfield School, the council agreed to write-off the deficit using the earmarked reserve established for this purpose:

School	Reserves at 1 April 2023 £ million
Wellfield School	-2.776
Vane Road Primary	0.382
Collierley Primary	0.123
Woodham Burn Primary	0.077
Easington C of E Primary	0.037
Awaiting transfer	0.239
Green Lane C of E Primary	0.070
Greenfield School	0.710
Net change due to academisation	-1.138

- 21 The recast reserve position for the remaining 154 maintained schools at quarter two is shown in the following table:

Subjective Budget Heading	Original Budget	Quarter 2 Forecast	Forecast to Budget Variance
	£ Million	£ Million	£ Million
Employees	209.736	210.751	1.015
Premises	15.959	16.828	0.869
Transport	1.841	1.944	0.103
Supplies	35.958	36.361	0.403
Central Support & DRF	0	0.113	0.113

Subjective Budget Heading	Original Budget	Quarter 2 Forecast	Forecast to Budget Variance
	£ Million	£ Million	£ Million
Gross expenditure	263.494	265.997	2.503
Income	-73.515	-80.261	-6.746
Net expenditure	189.980	185.736	-4.244
Budget share	183.069	183.578	0.509
Use of reserves	6.911	2.158	-4.753
Revised Balance at 31 March 2023	29.602	29.602	0
Forecast at 31 March 2024	22.691	27.444	-4.753

- 22 In overall terms, the quarter two forecast reflects an improved position from the original budget where schools were forecasting to require £6.911 million of reserves to balance the in-year financial position.
- 23 The updated position at quarter two is that the use of reserves figure will be £2.158 million, a reduction of £4.753 million against the original budget plans. At quarter one the forecasts indicated a use of reserves of £4.541 million, a reduction of £2.838 million against the original budget plans.
- 24 The forecast position at individual school level indicates that a small number of schools may be in deficit at the end of the current financial year and a more significant number of schools may not have sufficient reserves available to set a balanced budget in 2024/25
- 25 The council will work closely with schools over the autumn term to support the financial planning process to set balanced budgets for 2024/25.

Dedicated Schools Grant Centrally Retained Block

- 26 The forecast outturn position for the centrally retained DSG budgets shows a projected overspend of £1.667 million, as detailed below:

DSG Block	Budget £ Million	Outturn £ Million	Over / (Under) Spend £ Million
High Needs	85.892	88.010	2.118
Early Years	34.271	33.820	-0.451
Central Schools Services	2.898	2.898	0.000
TOTAL	123.061	124.728	1.667

- 27 The High Needs Block (HNB) budget at the start of the year included a planning assumption of a £1 million underspend that would result in a reduction to the cumulative HNB deficit position.
- 28 The updated position at quarter two is that expenditure will exceed grant allocation by £2.118 million, increasing the forecast cumulative deficit from £8.635 million to £10.753 million.
- 29 The main area of pressure is top up funding for pupils in mainstream schools and settings, where demand for both EHCP and SEN support top up funding has increased significantly at the start of this academic year.
- 30 Expenditure on mainstream top up funding is forecast to be £20.176 million against a budget of £16.739 million, resulting in a forecast overspend of £3.437 million (20%) against this element of the HNB budget.
- 31 These figures include £0.830 million to fund increases to top up funding rates that were implemented from September 2023. These increases cover top up funding in mainstream settings for pupils aged 0-16 and were required to meet the increasing cost of providing support, largely as a result of recent pay awards. The cost of this will be funded from the budget allocation for Investment Support Fund (ISF), reducing the net overspend to £2.607 million.
- 32 The net overspend of £2.607 million relates to increasing demand, with circa 37% more full time equivalent pupils forecast to require top up funding in 2023-24 in comparison to the previous year. Whilst the average cost of individual top up funding allocations is lower in 2023-24, this still results in a significant overspend position.
- 33 The other main area of pressure is in Independent and Non-Maintained Special School (INMSS) provision, where forecast expenditure of £8.141 million is forecast to exceed budget of £7.214 million by £0.927 million.
- 34 The overspends in mainstream top up funding and INMSS provision are partially offset by the planned underspend of £1 million relating to the deficit reduction.
- 35 The HNB Sustainability Programme phase 1 is nearing an end. Our commitment to monitor and review the projects continues, and we will work closely with Schools Forum and other key stakeholders to ensure this is done in partnership.
- 36 The Department for Education (DfE) identified Durham County Council amongst 55 local authorities to receive support towards improving their

HNB financial position and sustainability. The Authority was originally due to take part in the third tranche of the 'Delivering Better Value in SEND' Programme, commencing in the spring 2023, however were approached in December 2022 with an opportunity to join the second tranche, which we accepted.

- 37 As part of the DfE's Delivering Better Value (DBV) programme the council has now completed the diagnostic phase. A grant application has been submitted to the DfE and is currently being considered by a Board. We anticipate that implementation of the new plan will begin from October 2023 and will form a key part of the next phase of our HNB sustainability programme.
- 38 The Early Years Block is forecasting an underspend of £0.451 million. This is largely due to a reduction in the numbers of children forecasted to be eligible for funding, based on the actuals we have experienced in the Summer Term.
- 39 Forecasts for the Autumn and Spring terms assume similar levels of uptake as experienced in 2022/23, and if this were to be the position it is likely that DfE will clawback any excess of funding, it would therefore be unwise at this stage to assume any reserves could be utilised in year.
- 40 The impact of the current forecast on the DSG reserves position is shown in the following table:

DSG Reserves	High Needs Block (Unusable Reserve) £ Million	Early Years Block (Unusable Reserve) £ Million	Schools Block (Unusable Reserve) £ Million	Total DSG (Unusable Reserve) £ Million
Balance as at 1 April 2022	-8.843	0.656	2.401	-5.786
2021/22 Early Years Block Adj	0	0.594	0	0.594
Use/ Contribution in 2022/23	0.208	-0.528	-1.620	-1.940
Balance as at 31 March 2023	-8.835	0.722	0.781	-7.132
2022/23 Early Years Block Adj	0	-0.359	0	-0.359
Forecast Use / Cont in 2023/24	2.118	0.451	0	-1.667
Forecast as at 1 April 2024	-10.753	0.814	0.781	-9.158

- 41 The DfE announced provisional High Needs DSG allocations for 2024/25 on 17 July 2023 and Durham's allocation will increase by 4.5% from the 2023/24 level. This is significantly below the average increase of 15% that has been received over the previous four years and will present a challenging funding position next year, which could impact on the recovery plan.

- 42 Early Years Funding for 2022/23 has been retrospectively adjusted in 2023/24 to reflect the latest pupil numbers included on the early year's census in January 2023.
- 43 Notification was received on 28 July 2023 that Durham's allocation was to be reduced by £0.359 million, largely relating to lower numbers of 2-year-old pupils, and therefore reducing the Early Years Block reserve from £0.722 million to £0.363 million.
- 44 The overall DSG reserve was in a net deficit position of £7.132 million at the start of the financial year as a result of the accumulated deficit position in relation to the high needs block. The overall deficit position is now forecast to increase to £9.158 million to the year end. At quarter one the overall deficit position was forecast to be £7.246 million to the year end.

Capital Programme

- 45 The capital programme has been revised to take into account budget reprofiled from 2022-23 following the final accounts for that year and to take account of any revisions in the current year.
- 46 The revised budget is presented at Appendix 3 together with actual expenditure to date. The budget may be subsequently amended with approval from MOWG.

Author(s)

David Watchman, Finance Manager

Tel: 03000 268573

Appendix 1: Implications

Legal Implications

There are no implications associated with this report.

Finance

Financial implications are detailed throughout the report which provides an analysis of the revenue and capital projected outturn position.

Consultation

There are no implications associated with this report.

Equality and Diversity / Public Sector Equality Duty

There are no implications associated with this report.

Climate Change

There are no implications associated with this report.

Human Rights

There are no implications associated with this report.

Crime and Disorder

There are no implications associated with this report.

Staffing

There are no implications associated with this report. Any over or under spending against the employee budgets are disclosed within the report.

Accommodation

There are no implications associated with this report.

Risk

The management of risk is intrinsic to good budgetary control. This report forms an important part of the governance arrangements within Children and Young People's Services. Through routine / regular monitoring of budgets and continual re-forecasting to year end the service grouping can ensure that it manages its finances within the cash envelope allocated to it.

Procurement

There are no implications associated with this report

Appendix 2: CYPS Forecast position by subjective analysis

Subjective Budget Heading	Revised Annual Budget £million	Forecast Outturn £million	Variance £million	OCL £million	Cash Limit Variance £million
Employees	93.727	92.802	-0.925	-0.367	-1.292
Premises	5.479	5.701	0.222	0.184	0.406
Transport	36.749	36.707	-0.042		-0.042
Supplies and Services	12.185	19.033	6.848	-0.717	6.131
Third Party Payments	64.631	70.081	5.450	-0.590	4.860
Transfer Payments	3.964	3.962	-0.002		-0.002
Capital	13.962	13.962	0.000		0.000
Central Support	28.779	23.381	-5.398		-5.398
DRF		0.005	0.005		0.005
Sub-total expenditure	259.476	265.634	6.158	-1.490	4.668
Grant	-31.943	-29.970	1.973		1.973
Contributions Summary	-5.057	-5.262	-0.205		-0.205
Sales Summary	-0.053	-0.037	0.016		0.016
Charges	-18.797	-18.483	0.314		0.314
Rents	-0.312	-0.397	-0.085		-0.085
Recharges	-34.685	-34.902	-0.217		-0.217
Other Income Summary	-0.023	-0.265	-0.242		-0.242
Sub-total income	-90.870	-89.316	1.554	0	1.554
Total	168.606	176.318	7.712	-1.490	6.222

Appendix 3: CYPS Capital Budget 2023-24 as at 30 September 2023

Capital Service Area	Actual 2023/24 £million	Current Budget 2023/24 £million	Budget Future Years £million
Childrens Services-Childrens Care	0.468	3.255	1.800
Early Help Inclusion & Vulnerable Children-Inc SEN Capital	0.111	1.283	12.895
Education-School Devolved Capital	1.177	5.534	1.100
Education-School Related	8.743	67.462	46.507
Childrens Services-Secure Services	0.168	0.503	0.000
Childrens Services - Planning & Service Strategy	0.215	0.588	0.077
Total	10.882	78.624	62.379