

Children and Young People's Overview and Scrutiny

26 April 2024



Children and Young People's Services – Quarter 3: Forecast of Revenue and Capital Outturn 2023/24

Joint Report of Paul Darby, Corporate Director of Resources and John Pearce, Corporate Director of Children and Young People's Services

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 December 2023.

Executive summary

- 2 The 2023/24 projected outturn for CYPS, based upon the position to 31 December 2023 is a cash limit overspend of £8.102 million, representing a 4.7% overspend against the total revised budget for CYPS. The quarter two forecast was a £6.222 million cash limit overspend to the year end.
- 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 award in relation to vacancies totalling £0.283 million which have been excluded from the cash limit outturn position.
- 5 Also excluded is £0.160 million forecasted expenditure on surplus schools, £0.200 million in relation to Educational Psychologists locum support costs to support meeting statutory assessment timeframes, and £0.112 million relating to backdated allowances at Aycliffe Secure Centre which have all been funded corporately.
- 6 The forecast outturn position factors in forecast overspends within Head of Social Care of £9.414 million and underspends within Education and

Skills of £0.391 million, CYPS Central of £0.672 million and Early Help, Inclusion and Vulnerable Children of £0.247 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 £59.193 million with expenditure of £29.822 million as at the end December 2023.

Recommendation(s)

- 9 Members of Children and Young People's Overview and Scrutiny committee 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 31 December 2023 is a cash limit overspend of £8.102 million, representing a 4.7% overspend against the total revised budget for CYPS. The quarter two forecast was a £6.222 million cash limit overspend to the year end.

- 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/ Pension deficit £m	Inflation / Contingencies £m	Cash Limit Variance £m
Social Care	103.815	113.572	9.757	0.205	-0.548	9.414
EHIVC	6.322	6.196	-0.126	0.069	-0.19	-0.247
Education & Skills	41.536	41.116	-0.420	0.009	0.021	-0.391
Operational Supp	2.505	2.505	0	0	0	0
Central Charges	17.304	16.677	-0.627	-0.045	0	-0.672
HoSC Excluded	0.049	0.049	0	0	0	0
Total	171.531	180.115	8.584	0.238	-0.717	8.102

- 14 The forecast outturn position factors in forecast overspends within Head of Social Care of £9.414 million and underspends within Education and Skills of £0.391 million, CYPS Central of £0.672 million and Early Help, Inclusion and Vulnerable Children of £0.247 million.

- 15 Further details of the main variances are provided below:

- (a) Childrens Social Care is forecast to be a net £9.414 million over budget for the year. The service is forecasting a net overspend of £9.050 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 £7.143 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 £62.952 million, an increase of £15.896 million on the previous year.
- (c) The total number of CLA increased by 32 between August 2023 and December 2023, from 1,152 to 1,184. The number of Unaccompanied Asylum Seeking Children (UASC) increased by 5, from 78 to 83, across the same period.

- (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 4 (or 5%) in the period between August 2023 to December 2023.
- (f) Over the same period, the number of children within in-house children's homes reduced from 28 to 25. This is primarily due to the planned movement of young people to transition into 16-plus accommodation allowing the service to care plan across several homes and effectively match younger children, who are of a similar age into each in house vacancy. The reduction in in-house occupancy will provide capacity to assist in managing any increase in the number of young people requiring external residential provision in the future.
- (g) The quarter three forecast assumes the number of high-cost external placements remains at the current level (both number and average cost) for the remainder of the financial year, or that any increase in numbers is offset by a reduction in average cost as was the case over the previous quarters.
- (h) 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.
- (i) 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.
- (j) The Head of Education is reporting an underspend of £0.391 million to the year end after taking account of adjustments of £30,000 for inflationary pressures and estimated pay awards. The main reasons are highlighted below:
 - (i) A forecast £0.459 million loss of income from schools due to conversions to academy status during the year and those schools ceasing Service Level Agreements with the council.
 - (ii) A forecast overspend of £0.219 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 and, following various discussions with the schools and/or Multi Academy Trusts

- concerned, it has been agreed to write-off the charges. This overspend is offset by a reduction in the bad debt provision, which is reported under the Central CYPS budget heading.
- (iii) A forecast overspend of £0.117 million relating to DCC-run Nursery provision.
- (iv) A forecast overspend of £83,000 million relating to the operation of Durham Leadership Centre due to a shortfall in lettings income.
- (v) These overspends are offset by the following underspends:
- £0.453 million on Early Years activity budgets
 - £0.190 million Pension Liabilities savings
 - £0.160 million saving on DCC contribution towards the Maintained Nursery Schools
 - £0.138 million against staffing budgets, largely as a result of a restructure in Education Durham effective from September 2023.
- (vi) There is forecast underspend of £0.237 million on the Home to School Transport (HTST) budget. The HTST budget was increased by £9.6 million this year and now stands at £29.1 million.
- (vii) The HTST forecast is based on contract data as at 11 December 2023 and therefore reflects the latest information following a significant tendering and procurement exercise over the summer for transport starting in September 2023.
- (viii) There is no anticipated cash limit impact for the Progression and Learning service after the net use of £3.467 million of reserves.
- (ix) A significant part of the service is funded by EU (ESF) grants ended 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. An estimate of £0.200 million has also been forecast for associated redundancies, however these costs will be funded by the corporate ER/VR reserve.

- (k) There is a forecast underspend of £0.672 million against Central CYPS budgets, largely as the result of a forecast reduction in the bad debt provision for the year.
 - (l) The Head of Early Help and Inclusion budget forecasts are showing an underspend of £0.247 million to year end, with the main reasons being as follows:
 - (i) Aycliffe Secure Centre is reporting a contribution to reserves of £70,000, after accounting for an estimate of £0.112 million relating to backdated payments for Community Homes Additional Allowance that is to be funded from contingencies. This is an improved position from quarter two when a cash limit overspend of £0.306 million was forecast.
 - (ii) Educational Psychology locum support costs of £0.200 million has been included in the forecast with funding to be provided via corporate contingencies agreed in 2023/24 to complete statutory assessments.
 - (iii) The One Point Service is forecasting an underspend of £0.321 million, which is mainly attributable to underspends in employee and activity budgets.
 - (iv) The remaining service areas in EHIVC are reporting an overspend of £73,000.
 - (m) It is forecast that expenditure will be in line with budget for the Operational Support area of the service.
- 16 The forecast cash limit outturn shows the position after a net £10.330 million movement to and from reserves, the major items being:
- (a) £3.821 million drawdown from the Schools Reserves to write off School deficits as part of the academy transfer process;
 - (b) £3.331 million drawdown from Progression and Learning Reserves to fund the impact of ESF grant funding reductions from January impacting on quarter four, with new UK Shared Prosperity Fund (UKSPF) grant allocations not being receivable until April 2024;
 - (c) £0.889 million drawdown from the Corporate ERVR reserve to fund Progression and Learning and Schools forecasted redundancies as the service is restructured to meet UKSPF grant funding levels;

- (d) £0.613 million drawdown from the Homes for Ukraine reserve to be utilised by 31 March 2024;
 - (e) £0.359 million drawdown from the Family Hubs Programme reserve to fund service delivery;
 - (f) £0.318 million drawdown from the Children's Social Inclusion reserve to fund the Holiday Activities and Food Programme;
 - (g) £0.285 million drawdown from the Unaccompanied Asylum Seeking Children reserve to fund service delivery;
 - (h) £0.275 million drawdown from the Emotional Wellbeing reserve to fund service developments;
 - (i) £0.259 million drawdown from the Music Service reserve to fund service delivery;
 - (j) £0.247 million drawdown from the Rapid Response reserve to fund the service; £3.410 million drawdown from Schools Reserves to write off School deficits as part of the academy transfer process.
- 17 The following budget transfer has been actioned in the third quarter:
- (a) £2.924 million from general contingencies in relation to the 2023/24 Pay award that was agreed in November 2023.
- 18 Taking the forecast outturn position into account, there is a £8.102 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

- 19 The council currently maintains 152 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.
- 20 The council had 161 maintained schools at the time of budget setting, however seven schools have since converted to academy status. There are now 114 academy schools in County Durham.
- 21 The table below shows the schools that have transferred to academy status since 1 April 2023 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 to facilitate the transfer:

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
Green Lane C of E Primary	0.070
Greenfield School	0.710
St Helen Auckland Primary	0.113
Durham Sixth Form Centre	5.118
Awaiting Transfer	0.179
Net change due to academisation	4.033

22 The recast reserve position for the remaining 152 maintained schools at quarter two is shown in the following table:

Subjective Budget Heading	Original Budget	Quarter 3 Forecast	Forecast to Budget Variance
	£ million	£ million	£ million
Employees	199.712	201.285	1.573
Premises	15.017	15.726	0.709
Transport	1.805	2.309	0.504
Supplies	34.013	35.415	1.402
Central Support & DRF	0.000	0.224	0.224
Gross expenditure	250.547	254.959	4.412
Income	-60.963	-70.345	-9.382
Net expenditure	189.584	184.614	-4.970
Budget share	-181.576	-182.328	-0.752
Use of reserves	8.008	2.286	-5.722
Balance at 31 March	24.429	24.429	0.000
Balance at 31 March	16.421	22.143	-5.722

23 In overall terms, the quarter three forecast reflects an improved position from the original budget where these schools were forecasting to require a net £8.008 million of reserves to balance the in-year financial position. The updated position at quarter three is that the use of reserves figure will be a net £2.286 million, a reduction of £5.722 million against the original budget plans. At quarter two the forecasts indicated

a net use of reserves of £2.158 million, a reduction of £4.753 million against the original budget plans.

- 24 Within the updated net position there are 84 schools drawing a forecast £5.729 million from their retained reserves in year (to offset in-year overspending) and 68 schools forecasting a £3.443 million addition to their reserves (reflecting in-year underspending).
- 25 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.
- 26 In October 2023, the DfE announced additional funding to support individual schools that find themselves in financial difficulties. An overall sum of £20 million was allocated nationally and Durham's share is £0.582 million. Local authorities have significant flexibility about how to use this funding, although it should be allocated in the current financial year.
- 27 Work is currently ongoing between Finance, Education and individual schools to determine how to allocate the funding. The overriding principle in distributing the funding is to ensure that it will support schools at risk of deficit move to a more financially sustainable position.
- 28 The council will work closely with schools over the spring term to support the financial planning process to set balanced budgets for 2024/25.

Dedicated Schools Grant Centrally Retained Block

- 29 The forecast outturn position for the centrally retained DSG budgets shows a projected overspend of £1.940 million, as detailed below:

DSG Block	Budget £ Million	Outturn £ Million	Over / (Under) Spend £ Million
High Needs	85.892	88.283	2.391
Early Years	34.271	33.820	-0.451
Central Schools Services	2.898	2.898	0.000
TOTAL	123.061	125.001	1.940

- 30 The High Needs Block (HNB) budget at the start of the year included a planning assumption of a £1 million underspend that would have resulted in a reduction to the cumulative HNB deficit position.

- 31 The updated position at quarter three is that this expenditure will exceed grant allocation by £2.391 million, an increase from the forecast overspend reported at quarter two and increasing the forecast cumulative deficit from £8.635 million to £11.026 million instead of reducing it.
- 32 The main area of pressure relates to top up funding in mainstream schools and settings, where demand for both EHCP and SEN support top up funding has increased significantly at the start of the academic year.
- 33 Expenditure on mainstream top up funding is forecast to be £19.818 million against a budget of £16.739 million, resulting in a forecast overspend of £3.079 million (18%) against this element of the High Needs DSG budget.
- 34 The figures include £0.830 million to fund increases to top up funding rates that took effect from September 2023. These increases cover top up funding in mainstream settings from 0-16 and were required to meet the increasing cost of providing support to pupils, 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 £2.249 million.
- 35 The net overspend of £2.249 million is largely demand driven, with a 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 based on the increase in pupils attracting these payments.
- 36 The other main areas of pressure are in Independent and Non-Maintained Special School (INMSS) provision, where forecast expenditure of £8.225 million is forecast to exceed budget of £7.214 million by £1.011 million, and in Alternative Provision (AP) where forecast net expenditure is £11.100 million against a net budget of £10.354 million, resulting in an overspend of £0.746 million. Much of this is due to increased numbers of excluded pupils moving the Pupil Referral Unit at The Woodlands school during the autumn term.
- 37 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 that was factored into the original budget proposals.
- 38 The updated HNB Sustainability Plan reported to Cabinet in December 2023 highlighted the implications of lower increases to the HNB grant over the period 2024/25 to 2027/28 when compared to the increases in recent years, set against continuing increases in cost and demand,

resulting in an increasing cumulative deficit position that is forecast to reach £67 million by the end of 2027/28.

- 39 The significant and increasing HNB deficit position is a serious concern for the Council and many other local authorities. The exceptional accounting override that allows councils to exclude HNB deficits from their main council general revenue funding position is due to end in 2025/26, at which point the HNB deficit may need to be funded by council resources.
- 40 Phase one of the HNB Sustainability Programme came to an end of the summer of 2023, which focussed on 9 key areas as agreed by Cabinet in 2019 and reported in previous reports and a review of the progress has taken place and is detailed in the report.
- 41 Phase two of the HNB Sustainability Programme commenced in September 2023, with a major part of it being implementation of the DfE supported Delivering Better Value in SEND work along with further work on Social, Emotional Mental Health and Early Years Funding. The main area of pressure is top up funding in mainstream schools and settings, where demand for both EHCP and SEN support top up funding has increased significantly at the start of the academic year.
- 42 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 Autumn Term.
- 43 Forecasts for the Spring term assumes similar levels of uptake as experienced in 2022/23, and if this were to be the position it is likely that this will result in an adjustment to funding in the 2024/25 financial year when the pupil numbers used for funding purposes are updated.
- 44 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 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 at 1 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 / Contribution	-2.391	0.451	0	-1.940
Forecast Balance at 1 April 2024	-11.026	0.814	0.781	-9.431

45 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 £9.431 million to the year end (prior to any clawback of EY funding). At quarter two the overall deficit position was forecast to be £9.158 million to the year end.

Capital Programme

46 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.

47 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)

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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

Budget Heading	Revised Annual Budget	Forecast Outturn	Variance	OCL	Cash Limit Variance
Employees	97.507	95.459	-2.048	0.126	-1.922
Premises	5.479	5.946	0.468	0.185	0.652
Transport	36.742	36.308	-0.434	0	-0.434
Supplies and Services	12.170	20.985	8.815	0	8.815
Third Party Payments	64.631	75.293	10.662	-0.590	10.072
Transfer Payments	3.728	4.431	0.703	0	0.703
Capital	13.962	13.962	0	0	0
Central Support	28.764	21.079	-7.685	-0.200	-7.885
DRF	0	0.005	0.005	0	0.005
Expenditure sub-total	262.983	273.468	10.486	-0.479	10.006
Grant	-32.568	-34.567	-1.999	0	-1.999
Contributions Summary	-4.668	-4.660	0.008	0	0.008
Sales Summary	-0.053	-0.035	0.018	0	0.018
Charges	-18.877	-19.508	-0.630	0	-0.630
Rents	-0.314	-0.448	-0.133	0	-0.133
Recharges	-34.948	-33.776	1.172	0	1.172
Other Income Summary	-0.023	-0.362	-0.339	0	-0.339
Income sub-total	-91.451	-93.356	-1.903	0	-1.903
Total	171.532	180.112	8.583	-0.479	8.102

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

Head of Service	Actual to 31 December 2023	Budget 2023/24	Budget Future Years
	£	£	£
Childrens Services-Childrens Care	1,592,828	1,971,126	3,983,723
Early Help Inclusion & Vulnerable Children-Inc SEN Capital	171,097	1,282,839	12,894,858
Education-School Devolved Capital	3,323,385	3,837,062	2,960,549
Education-School Related	24,133,490	51,011,210	62,959,534
Childrens Services-Secure Services	228,086	502,544	0
Childrens Services - Planning & Service Strategy	372,973	587,955	77,220
Total	29,821,859	59,192,736	82,875,884