

Children and Young People's Overview and Scrutiny

20 September 2024



Children and Young People's Services – Quarter 1: Forecast of Revenue and Capital Outturn 2024/25

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 June 2024.

Executive summary

- 2 The 2024/25 projected outturn for CYPS, based upon the position to 30 June 2024 is a cash limit overspend of £7.609 million, representing a 4% overspend against the total revised budget for CYPS.
- 3 The cash limit outturn projection excludes forecast use of contributions to earmarked reserves.
- 4 Forecast net reductions in energy costs (£0.107 million) have been excluded from the cash limit outturn position. Also funded corporately is £0.960 million of expenditure in EHIVC relating to additional costs being incurred to tackle the backlog of Education, Health and Care Plans assessments and £0.370 million of expenditure relating to external consultancy support to review Children Looked After forecasts and a review of the Councils Sufficiency Strategy and mitigation measures to address these pressures.
- 5 In addition, £0.320 million expenditure on surplus school sites and £0.302 million relating to backdated Community Homes Allowance payments to staff at Aycliffe Secure Centre are excluded and have been funded via corporate contingencies.
- 6 The forecast outturn position includes overspends within Social Care of £7.823 million and underspends within Early Help, Inclusion and Vulnerable Children of £0.167 million, Education and Skills of £34,000, and Operational Support of £19,000.

- 7 Details of the reasons for under and overspending against relevant budget heads are disclosed in the report.
- 8 The service capital budget 2024/25 is £98.204 million with expenditure of £13.362 million as at the end June 2024.

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 2024/25 at its meeting on 28 February 2024. 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 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	OCL / Inflation Pressures / Contingencies £m	Cash Limit Variance £m
Head of Social Care	117.420	125.585	8.165	-0.342	7.823
EHIVC	6.239	7.263	1.024	-1.191	-0.167
Education and Skills	45.187	45.472	0.285	-0.319	-0.034
Operational Support	0.734	0.715	-0.019	0	-0.019
Central Charges	18.040	18.001	-0.039	0.045	0.006
HoSC Excluded	0.049	0.049	0	0	0
Total	187.669	197.085	9.416	-1.807	7.609

- 12 The summary financial statements contained in the report cover the financial year 2024/25 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

- 13 The 2024/25 projected outturn for CYPS, based upon the position to 30 June 2024 is a cash limit overspend of £7.609 million, representing a 4% overspend against the total revised budget for CYPS.

- 14 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).
- 15 The forecast outturn position includes overspends within Social Care of £7.823 million and underspends within Early Help, Inclusion and Vulnerable Children of £0.167 million, Education and Skills of £34,000, and Operational Support of £19,000. Further details are provided below:
- (a) Children's Social Care is forecast to be a net £7.823 million over budget for the year, with the Service forecasting a net overspend of £6.033 million relating to the cost of placements for children looked after;
 - (b) The pressure on the budget in Children's Social Care has been evident for several years as the number of children in the care system has increased significantly and their needs have continued to become more complex. The budget for this area in 2024/25 is £76.574 million, which is an increase of £14.674 million on the previous year.
 - (c) The quarter one forecast reflects the continuing upward trend for CLA numbers between now and March 2025, and that there will also be an increased need for more expensive residential placement options (current average cost of an external residential placement is £0.351 million per annum). However, some of this demand for residential placements can be managed through an expanded in-house residential provision, meaning numbers in high-cost external residential provision will remain at current levels.
 - (d) The forecast overspend factors in the need to use ten expensive unregistered placements at an average cost of £0.686 million per placement per annum.
 - (e) The forecast overspend is also driven by ongoing challenges in recruiting enough in-house foster carers and having to place an increased reliance on more expensive Independent Fostering Agency placements.

- (f) In order to provide independent scrutiny of the forecasts developed for the MTFP(15) report, the council has engaged Newton Europe , an external consultancy and data analyst to validate the various assumptions and test against national and regional trends. They are also reviewing the CLA Sufficiency Strategy and will make recommendations on options the council should consider in tackling this issue. The outcome of this work will be considered in the MTFP(15) report to Cabinet in December 2024.
- (g) Other areas of the Social Care budget are forecast to overspend by a net £1.790 million, largely reflecting associated pressures linked to increased CLA numbers, including legal and professional expenses, supporting family time services and independent visitors. These pressures, together with the updated forecasts of CLA placement budget pressures, have been recognised as part of the MTFP planning process and budgets will be increased accordingly for the 2025/26 financial year.
- (h) Early Help, Inclusion and Vulnerable Children is forecasting an underspend of £0.167 million after adjusting for inflation pressures to be funded corporately. This underspend is mainly attributable to underspends in employee and activity budgets in the One Point and SEND service areas.
- (i) Expenditure of £0.960 million is included in the forecasts relating to additional resources to tackle the backlog of EHCP requests. These costs fall largely in Educational Psychology and SEND Casework teams and associated corporate funding is also included, so there is a net nil impact from this on the service position. These ongoing pressures have been reflected in the MTFP(15) budget estimates so that the base budget can be uplifted to reflect this ongoing need.
- (j) Aycliffe Secure Centre is currently forecast to be in line with budget, although the medium-term plan indicates surpluses will be generated from this service. Occupancy rates are currently lower than planning assumptions at this stage, however, it has been anticipated that these will increase later in the year.
- (k) The Education Service is reporting a broadly breakeven position after taking account adjustments for inflationary pressures and estimated pay awards. Within Education there a number of over and underspends as follows:

- i. A forecast overspend of £0.500 million reflecting the anticipated shortfall against income budgets of £4.8 million for service level agreements with schools. This reflects a continuing financial pressure for the service largely because of schools converting to academy status;
 - ii. A forecast overspend of £0.143 million relating to DCC run nursery provision across four settings.
 - (l) These overspends are offset by the following underspends:
 - i. £0.425 million due to underspends in the Early Years team relating to nursery outreach, sustainability and activity budgets.
 - ii. £0.190 million against employee budgets, largely because of a staffing restructure in Education Durham and School Places and Admissions, to be implemented this summer.
 - iii. £0.159 million of underspends across the service against employee budgets.
 - (m) The Home to School Transport budget was increased by £3.550 million in 2024/25, from £29.186 million in 2023/24 to £32.736 million in 2024/25. It is currently forecast that Home to School Transport expenditure will be in line with budget, however at the time the quarter one forecasts were prepared, a significant part of the tendering process for contracts for the 2024/25 academic year was in progress and the outcome of this will largely determine the position against budget.
 - (n) An updated forecast will be presented in the quarter two report to Cabinet in November, with work underway to forecast demand and cost pressures across the MTFP(15) planning period.
- 16 The forecast cash limit outturn shows the position after a net £2.856 million transfer / drawdown from reserves, the major items being:
- (a) £0.899 million drawdown from Progression and Learning Reserves to fund various NEET and employment support initiatives in year;
 - (b) £0.445 million drawdown from the Corporate ERVR reserve to fund Schools and Music Service forecasted redundancies;
 - (c) £0.400 million drawdown from the Emotional Wellbeing reserve to fund service developments; and

- (d) £0.221 million drawdown from the Integrated Rapid Response reserve to fund the service;
- 17 No budget transfers have been actioned in the first quarter.
- 18 Taking the forecast outturn position into account, there is a £7.609 million forecast overspend / deficit to 31 March 2025. This will, as in previous years, need to be funded corporately from the General Reserve due to the fact this Service has exhausted its cash limit reserves in previous years.

Dedicated Schools Grant

Schools Block

- 19 The council currently maintains 143 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 forecast position for these maintained schools at quarter one is shown in the table below:

Subjective Budget Heading	Original Budget £million	Quarter 1 Forecast £million	Forecast to Budget Variance £million
Employees	203.112	208.625	5.513
Premises	14.054	14.516	0.462
Transport	3.066	4.188	1.122
Supplies	34.018	35.887	1.869
Central Support & DRF	0.162	0.203	0.041
Gross expenditure	254.412	263.419	9.007
Income	-63.785	-69.418	-5.633
Net expenditure	190.627	194.001	3.374
School funding allocation	186.178	188.543	2.365
Use of reserves	4.449	5.458	1.009
Balance at 31 March 2024	26.192	26.192	-
Balance at 31 March 2025	21.744	20.735	-1.009

- 21 At quarter one, maintained schools are forecasting the use of £5.458 million of reserves to balance the in-year financial position. The required use of reserves has increased by £1.009 million from the initial planned use of reserves which were assumed for budget setting purposes.

- 22 The main reason for this is the proposed flat rate pay award of £1,290 for non-teaching staff, which if agreed, would be higher than the sums included within budgets where a planning assumption of a 4% increase was made. The proposed flat rate award would equate to an increase in non-teaching pay related costs above 5% for many schools.
- 23 On 29 July 2024 the Chancellor of the exchequer announced that the Government were minded to accept the Pay Review body recommendations for a 5.5% pay award to teachers and committed to fully funding the impact. The Trade Unions are yet to agree this and will be putting this to their members over the coming weeks. The impact of this pay award and additional funding will be factored into the quarter 2 forecast.
- 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 2025/26.
- 25 The council will work closely with schools over autumn term to support the financial planning process to set balanced budgets for 2025/26.

Centrally Retained Blocks

- 26 The forecast outturn position for the centrally retained DSG budgets shows a projected overspend of £7.873 million, as detailed below:

DSG Block	Budget £ million	Outturn £ million	Over / (Under) Spend £ million
High Needs	89.882	97.755	7.873
Early Years	54.318	54.318	-
Central Schools Services	3.319	3.319	-
TOTAL	147.519	155.392	7.873

- 27 The High Needs Block (HNB) budget for 2024/25 was set with a planned forecast deficit of £6.547 million, due to the significant recognised gaps between high needs funding levels and demand for high need educational placements and additional financial top-up funding to schools to manage such demand.

- 28 The quarter one forecast indicates that the overspend will be £7.873 million, £1.326 million higher, reflecting pressures across most areas of the HNB budget as demand continues to increase. The position at quarter two will include an early assessment of the impact of pupils needs in the 2024/25 academic year, which could increase pressure further on this budget.
- 29 An updated HNB Sustainability Plan was reported to Cabinet in December 2023. This report set out the implications of lower increases to HNB grant over the period 2024/25 to 2027/28 than have been received 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.
- 30 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, from which point thereafter, the cumulative HNB deficit would need to be funded by Council revenue reserves.
- 31 Phase one of the HNB Sustainability Programme which came to an end in the summer of 2023, focussed on nine key areas as agreed by Cabinet in 2019 and reported previously.
- 32 Phase two of our 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.
- 33 Planning is currently underway for engagement with all schools and settings in Durham in the first term of the new academic year to consider all areas of expenditure across the high needs block to determine where it may be possible to make savings and / or prioritise spending. However, despite all this work, it is becoming increasingly clear that without additional central government funding, there will be recurring overspends for High Needs Education Services due to continued increased demand.
- 34 For the Early Years Block, indications are that there is likely to be an underspend against grant allocation, however it is difficult to predict as the new entitlements are rolled out during the year.
- 35 The impact of the current forecast on the DSG reserves position is shown in the following table:

DSG Reserves	High Needs Block £million	Early Years Block £million	Schools Block £million	Total £million
Balance as at 1 April 2023	-8.635	0.722	0.781	-7.132
2022/23 Early Years Block Adj	-	-0.359	-	-0.359
Use - / Contribution in 2023/24	-1.960	0.434	0.330	-1.196
Balance as at 1 April 2024	-10.595	0.797	1.111	-8.687
2023/24 Early Years Block Adj	-	-	-	-
Forecast Use - / Contribution	-7.873	-	-	-7.873
Forecast Balance at 31 March 2025	-18.468	0.797	1.111	-16.560

36 The overall DSG reserve was in a deficit of £8.687 million at the start of the financial year, largely because of the accumulated deficit position of £10.595 million in relation to the high needs block. The overall deficit position is now forecast to increase to £16.560 million to the year end, however this is prior to any clawback of Early Years funding that is anticipated.

37 The HNB cumulative deficit is forecast to increase to £18.468 million to 31 March 2025. This deficit will be held in an unusable reserve, in line with the exceptional statutory override, which was introduced and continued by the previous government, and will run until 31 March 2026.

Capital Programme

38 The capital programme has been revised to take into account budget reprofiled from 2023-24 following the final accounts for that year and to take account of any revisions in the current year.

39 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 £million	Forecast Outturn £million	Variance £million	OCL £million	Contingen- cies £million	Cash Limit Variance £million
Employees	98.447	101.398	2.951	-0.155		2.796
Premises	5.316	6.104	0.788	0.107		0.895
Transport	40.431	40.688	0.257			0.257
Supplies and Services	16.042	25.082	9.040	-1.130		7.910
Third Party Payments	75.154	81.892	6.738			6.738
Transfer Payments	1.949	2.878	0.929			0.929
Capital	12.843	12.843	0			0
Central Support	29.869	27.744	-2.125		-0.629	-2.754
DRF	0	1.581	1.581			1.581
Sub-total Expenditure	280.051	300.210	20.159	-1.178	-0.629	18.352
Grant	-33.972	-40.829	-6.857			-6.857
Contributions	-4.759	-4.892	-0.133			-0.133
Sales	-0.050	-0.051	-0.001			-0.001
Charges	-20.162	-20.299	-0.137			-0.137
Rents	-0.342	-0.383	-0.041			-0.041
Recharges	-33.375	-33.462	-0.087			-0.087
Other Income	0.278	-3.209	-3.487			-3.487
Sub-total Income	-92.382	-103.125	-10.743	0	0	-10.743
Net	187.669	197.085	9.416	-1.178	-0.629	7.609

**potential rounding differences between this table and the summary table by Head of Service*

Appendix 3: CYPS Capital Budget 2024-25 as at 30 June 2024

CYPS	Actual 30/06/2024 £	Current 2024/25 Budget £	Budget Future Years £
Childrens Services-Childrens Care	58,981	4,891,452	250,000
Early Help Inclusion & Vulnerable Children-Inc SEN Capital	254,927	21,047,739	0
Education-School Devolved Capital	553,077	3,999,489	1,100,000
Education-School Related	12,448,928	67,847,201	22,686,741
Childrens Services-Secure Services	0	196,309	0
Childrens Services - Planning & Service Strategy	45,786	221,359	0
	13,361,698	98,203,549	24,036,741