

Children and Young People's Overview and Scrutiny

7 January 2025



Children and Young People's Services – Quarter 2: 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 September 2024.

Executive summary

- 2 The 2024/25 projected outturn for CYPS, based upon the position to 30 September 2024 is a cash limit overspend of £9.517 million, representing a 5% overspend against the total revised budget for CYPS. This compares to a forecast overspend of £7.609 million (4%) at quarter one.
- 3 The cash limit outturn projection excludes forecast use of / contributions to earmarked reserves.
- 4 Forecast net reductions in energy costs (£0.151 million), have been excluded from the cash limit outturn position. Also funded corporately is £0.960 million of expenditure 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 in Care forecasts and a review of the Council's Sufficiency Strategy and mitigation measures to address these pressures.
- 5 In addition, £0.530 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 factors in forecast overspends within Social Care of £10.220 million and underspends within Education and Skills of £0.493 million and Early Help, Inclusion and Vulnerable Children of £0.223 million.
- 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 £91.792 million with expenditure of £27.844 million as at the end September 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 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

- 12 The 2024/25 projected outturn for CYPS, based upon the position to 30 September 2024 is a cash limit overspend of £9.517 million, representing a 5% overspend against the total revised budget for CYPS. This compares to a forecast overspend of £7.609 million (4%) at quarter one.
- 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 £million	Forecast Outturn £million	Variance £million	OCL / Inflation Pressures £million	Cash Limit Variance £million
Head of Social Care	117.443	127.993	10.550	-0.330	10.220
EHIVC	6.246	7.166	0.920	-1.143	-0.223
Education and Skills	45.192	45.263	0.070	-0.564	-0.493
Operational Support	0.736	0.732	-0.004	0	-0.004
Central Charges	18.045	18.048	0.003	0.015	0.018
HoSC Excluded	0.049	0.049	0	0	0
Total	187.711	199.250	11.539	-2.021	9.517

- 14 The forecast outturn position factors in forecast overspends within Social Care of £10.220 million and underspends within Education and Skills of £0.493 million and Early Help, Inclusion and Vulnerable Children of £0.223 million.
- 15 Further details are provided below:
- (a) Social Care is forecast to be £10.220 million over budget for the year. This compares to a forecast overspend of £7.823 million at quarter one. The largest part of the overspend relates to the budget for Children in Care (CiC) where an overspend of £7.475 million is forecast, up from £6.033 million at quarter one.
 - (b) The pressure on the budget in children's social care has been evident for a number of 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) Between quarter one and quarter two the number of CiC in an external residential placement has remained stable, resulting in a relatively modest increase of £0.230 million in the forecast for this area of the CiC budget from £34.948 million at quarter one to £35.178 million at quarter two.
 - (d) The main area of pressure on the CiC budget is in relation to placements providing crisis intervention and intensive support. The budget for this area was estimated on the basis of an average of 10 placements with an average cost of £0.686 million per placement per annum.
 - (e) The evidence from the first half of the year is that both the number and average cost of these placements is running higher than the budgeted level and therefore the forecast has been amended to assume for the remainder of 2024/25 there will be an average of 12 placements at an average cost of £0.707 million per placement per annum. Significant work is being undertaken by the Service to reduce the reliance on these crisis intervention placements as part of a refreshed Placement Sufficiency Strategy.
 - (f) As a result, the forecast for crisis intervention placements is £9.141 million against a budget of £6.860 million, resulting in a forecast overspend of £2.281 million. The forecast overspend on this part of the Children in Care budget has increased by £1.685 million since quarter one and is the major reason behind the increased overspend forecast against the CiC budget.

- (g) The Council has received a detailed diagnostic assessment of its medium-term financial forecasts of this position and is developing a number of plans to manage these budget pressures. These plans include investment in more edge of care provision, measures to enhance the number and resilience of foster care provision and more effective market intervention in external placements.
- (h) Other areas of the Social Care budget are forecast to overspend by a net £2.745 million, largely reflecting associated pressures linked to increased Children in Care numbers, including legal and professional expenses, supporting family time services and independent visitors. These pressures have been recognised as part of the MTFP planning process and budgets will be increased accordingly for the 2025/26 financial year.
- (i) Education is reporting an underspend of £0.493 million after taking account of adjustments for inflationary pressures and estimated pay awards.
- (j) The main reasons for the underspend position are highlighted below:
 - i. £0.892 million due to underspends against Early Years activity budgets.
 - ii. £0.349 million against employee budgets, largely as a result of a staffing restructure in Education Durham and School Places and Admissions, to be implemented this summer.
 - iii. £97,000 underspend against the budget for Further Education Pension Liabilities in advance of MTFP savings for 2025/26.
 - iv. These underspends are offset by the following overspends:
 - v. 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 as a result of schools converting to academy status.
 - vi. A forecast overspend of £0.187 million relating to DCC-run nursery provision across four settings.

- vii. A forecast overspend of £0.140 million for the Progression and Learning service relating to the anticipated clawback of grant funding in relation to the provision of Adult Learning services.
 - (k) The Home to School Transport budget has increased by £3.550 million, from £29.186 million in 2023/24 to £32.736 million in 2024/25 and it is forecast that net expenditure will be in line with budget at this stage.
 - (l) Early Help, Inclusion and Vulnerable Children is reporting an underspend of £0.223 million after adjusting for inflation pressures to be funded corporately.
 - (m) This underspend is mainly attributable to underspends in employee and activity budgets in the One Point and SEND service areas.
 - (n) Expenditure of £0.960 million is included in the forecast for 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. Increased budgetary provision for these costs has been reflected in MTFP (15) updates.
 - (o) Aycliffe Secure Centre is forecast to generate a surplus of £0.169 million, which will contribute to their reserves position. Occupancy levels are currently lower than previous planning assumptions however it is anticipated these will increase later in the year.
 - (p) Expenditure of £0.302 million has been included in the forecast for backdated costs associated with Community Homes Allowance payments for staff at Aycliffe Secure Centre and this is funded from corporate resources, so there is a net nil impact on the service position.
- 16 The forecast cash limit outturn shows the position after a net £2.484 million transfer / drawdown from reserves, the major items being:
- (a) £0.838 million drawdown from Progression and Learning reserves to fund various NEET and employment support initiatives;
 - (b) £0.471 million drawdown from the Corporate Early Retirement and Voluntary Redundancy Reserve to fund Schools and Music Service forecasted redundancies;

- (c) £0.399 million drawdown from the Family Hubs Reserve to fund the programme;
 - (d) £0.243 million drawdown from the Integrated Rapid Response Reserve to fund the service;
 - (e) £0.200 million contribution to the Social Inclusion Reserve for future service delivery
- 17 Taking the forecast outturn position into account, there is a £9.517 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

- 18 The council currently maintains 137 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 143 maintained schools at the time of budget 5 schools have converted to academy status and 1 maintained nursery has amalgamated with a primary school.
- 20 The forecast position for the 137 maintained schools at quarter two is shown in the table below:

Subjective Budget Heading	Original £ million	Quarter 2 £ million	Forecast to £ million
Employees	198.222	205.381	7.159
Premises	13.682	11.837	-1.845
Transport	3.050	3.592	0.542
Supplies	33.289	36.111	2.822
Central Support & DRF	0.162	0.412	0.250
Gross expenditure	248.405	257.333	8.928
Income	-58.519	-73.891	-15.372
Net expenditure	189.886	183.442	-6.444
Budget share	185.381	180.548	4.833
Use of reserves	4.505	2.894	-1.611
Balance at 31 March 2024	26.192	26.192	-
Balance at 31 March 2025	21.687	23.298	-1.611

- 21 At quarter two, maintained schools are forecasting the use of £2.894 million of reserves to balance their in-year financial position. The required use of reserves has reduced by £1.611 million from the initial planned use of reserves which were assumed for budget setting purposes.
- 22 The main reason for this is additional grant income which has been received since the original budget setting process. This includes the Teachers' Pension Grant and the Core Schools Additional Grant.
- 23 The budget share has changed as NNDR costs have been removed as these will not be allocated through the school budgets going forward.
- 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 that 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 the autumn term to support the financial planning process to set balanced budgets for 2025/26, however it is likely that consideration will need to be given to approving licensed deficits for several schools next year due to cost challenges in schools and falling pupil roll numbers in some rural-based schools.

Centrally Retained Blocks

- 26 The forecast outturn position for the centrally retained DSG budgets shows a projected overspend of £11.572 million, as detailed below:

DSG Block	Budget £ million	Outturn £ million	Over / (Under) Spend £ million
High Needs	89.703	101.275	11.572
Early Years	53.402	53.402	-
Central Schools Services	3.319	3.319	-
TOTAL	146.424	157.996	11.572

- 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 forecast at quarter two is for an overspend of £11.572 million against grant allocation for 2024-25. This compares to a forecast overspend of £7.873 million at quarter one.

- 29 The main areas for forecast overspend of £5.025 million (over and above the budgeted deficit already assumed, of £6.547 million) are detailed below along with the change from the quarter one forecast position:

Budget Heading	Quarter 2			Change	
	Budget £million	Forecast £million	Over / (Under) Spend £million	Quarter 1 Over / (Under) Spend £million	Q1 to Q2 movement £million
Special Schools	39.334	41.684	2.350	0.299	2.051
Independent Special Schools	8.389	9.727	1.338	0.571	0.767
Mainstream provision (0-16)	28.101	28.592	0.491	0.402	0.089
Mainstream provision (post-16)	6.463	6.463	0	0	0
Central provision	4.395	4.364	-0.031	-0.174	0.143
Alternative Provision (including PRU)	13.691	14.568	0.877	0.228	0.649
Total	100.373	105.398	5.025	1.326	3.699
Grant	93.826	93.826	0	0	0
Surplus / Deficit (-)	-6.547	-11.572	-5.025	-1.326	-3.699

- 30 The cost of provision for pupils in special schools in Durham is forecast to be £41.684 million against a budget of £39.334 million, resulting in a forecast overspend of £2.350 million.
- 31 Of the overspend forecast of £2.350 million, £1.617 million is for additional places in special schools over and above those planned in the budget, and £0.674 million is for additional top up funding support for individual pupils (including £0.349 million of backdated support relating to 2023/24).
- 32 The budget for supporting pupils in Independent and Non-Maintained Special Schools (INMSS) for 2024/25 was set at £8.389 million based on the 2023/24 Q3 forecast, however final 2023/24 outturn position was significantly higher at £9.126 million. The budget for 2024/25 was therefore set at a level that is circa £0.750 million lower than it would have been if the final outturn was known.
- 33 Based on current placement register information the Q2 forecast position is £9.727 million, resulting in a forecast overspend of £1.338 million over budget.

- 34 The Woodlands school is funded from the high needs budget and operates as a local authority Pupil Referral Unit (PRU) and also supports pupils with Education Health Needs (EHN). The budget for The Woodlands for 2024/25 is £11.835 million.
- 35 The forecast outturn for The Woodland is £12.712 million, resulting in a forecast overspend of £0.877 million. This net overspend figures reflects a larger overspend of £1.578 million on PRU activities, offset by an underspend of £0.701 million for EHN provision.
- 36 Expenditure on mainstream top up funding is forecast to be £24.381 million against a budget of £23.723 million, resulting in a forecast overspend of £0.658 million.
- 37 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 High Needs Block deficits from their main council general revenue funding position is due to end in 2025/26, from which point thereafter, the cumulative High Needs Block deficit would need to be funded by Council revenue reserves from 2026/27.
- 38 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.
- 39 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.
- 40 Engagement with all schools and settings in Durham is underway 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.
- 41 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.
- 42 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	-	-0.413	-	-0.413
Forecast Use - / Contribution	-11.572	-	-	-11.572
Forecast Balance at 31 March 2025	-22.167	0.384	1.111	-20.672

43 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 £20.672 million to the year end, however this is prior to any clawback of Early Years funding that is anticipated.

44 The HNB cumulative deficit is forecast to increase to £22.167 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

45 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.

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)

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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	98.607	99.350	0.743	-0.186		0.557
Premises	5.316	6.165	0.849	0.151		1.000
Transport	40.419	41.048	0.629			0.629
Supplies and Services	15.993	25.247	9.255	-1.130		8.125
Third Party Payments	74.970	85.457	10.487			10.487
Transfer Payments	2.091	2.523	0.432			0.432
Capital	12.843	12.843	0			0
Central Support	30.035	29.246	-0.789		-0.856	-1.645
DRF	0	1.581	1.581			1.581
Expenditure sub-total	280.274	303.460	23.187	-1.165	-0.856	21.166
Grant	-33.928	-40.882	-6.954			-6.954
Contributions Summary	-4.734	-5.026	-0.292			-0.292
Sales Summary	-20.359	-19.898	0.461			0.461
Charges	-0.342	-0.338	0.005			0.005
Rents	-33.431	-34.631	-1.200			-1.200
Recharges	0.281	-3.384	-3.665			-3.665
Other Income Summary	-0.050	-0.052	-0.003			-0.003
Income sub-total	-92.563	-104.211	-11.648	0	0	-11.648
Total	187.711	199.249	11.539	-1.165	-0.856	9.517

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

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

Capital	Actual 30 September 2024 £million	2024/25 Current Budget £million	Future Years Budget £million
Childrens Services-Childrens Care	0.396	6.391	0.250
Early Help Inclusion & Vulnerable Children-Inc SEN Capital	1.048	12.430	8.617
Education-School Devolved Capital	1.308	4.143	1.100
Education-School Related	25.038	67.874	22.687
Childrens Services-Secure Services	0.001	0.732	0
Childrens Services - Planning & Service Strategy	0.051	0.221	0
Total	27.844	91.792	32.654