

Children and Young People's Overview and Scrutiny

5th May 2022



Children and Young Peoples Services – Quarter 3 : Forecast of Revenue and Capital Outturn 2021-22

Report of Paul Darby, Corporate Director of Resources

Purpose of the Report

1. To provide details of the forecast outturn budget position for Children and Young Peoples Services (CYPS), highlighting major variances in comparison with the budget for the year, based on the position at the end of December.

Executive Summary

2. Children and Young Peoples Services is reporting a cash limit overspend of £2.210 million against a revised budget of £139.322 million which represents a 1.59% overspend. The revised position accounts for an in-year £4.5 million budget transfer from AHS.
3. In arriving at the cash limit position, Covid-19 related expenditure of £2.764 million, offset by Covid-19 related savings of £0.629 million within CYPS have been excluded from the forecasts. Covid-19 related costs are being treated corporately and offset by Government funding so far as is possible.
4. There is an overall anticipated net decrease in earmarked reserves including DSG and School reserves of c£3.709 million, leading to a revised balance of £40.322 million at the year end, of which £26.547 million are schools related.
5. The projected capital outturn is a nil variance against a revised budget of £16.893 million.

Recommendations

6. Members of Children and Young People's Overview and Scrutiny committee are requested to:
 - note the Children and Young Peoples Services overall revenue and capital position

Background

7. The County Council approved the Revenue and Capital budgets for 2021-22 at its meeting on 24 February 2021. These budgets have subsequently been revised to take account of transfers to and from reserves, grant additions/reductions, budget transfers between service groupings and budget reprofiling between years. This report covers the financial position for:

(a) Children and Young Peoples Services Revenue Budget - £139.322 million (original £133.876 million)

(b) CYPS – Capital Programme - £16.893 million (original £33.641 million)

8. The original Children and Young Peoples Services revenue budget has been revised to incorporate a number of budget adjustments as summarised in the table below:

Reason For Adjustment	£000s
Original Budget	133,876
Reason For Adjustment	
Transfer from Contingencies	10
Use of (+)/contribution to Children and Young Peoples Services reserves (-)	423
Use of (+)/contribution to Corporate reserves (ERVR) (-)	60
Use of (+)/contribution to Other Service reserves (ERVR) (-)	-
Transfer from Other Services	4,990
Transfer to Other Services	-37
REVISED BUDGET	139,322

9. The use of / contribution to Children and Young Peoples Services reserves consists of:

Reserve	£000s
Durham Music Service Reserve	-22
Durham Learning Resources Reserve	43
Early Years Activity Reserve	27
Liquid Logic – Enhance Performance Reserve	40
Aycliffe Secure	176
DSCP Reserve	126
National Supporting Families Programme Reserve	-49
DFE Holiday Activities and Food Grant	72
Vulnerable Young Learners Reserve	10
Total	423

10. In addition to the use of/contribution to reserves, £0.951 million of CYPS reserves have been transferred to fund corporate priorities

	£000s
Emotional Wellbeing Reserve	220
Movement Difficulties Service Reserve	40
Secure Services Capital Reserve	400
Supporting Vulnerable Learners Reserve	51
Durham Learning Resources Reserve	72
Easington Sports Partnership Reserve	52
Durham Sports Partnership Reserve	70
LL Engagement with Young People Reserve	46
Total	951

11. The summary financial statements contained in the report cover the financial year 2021-22 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 Peoples 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 (£000)

12. The Children and Young Peoples Services service is reporting a cash limit overspend of £2.210 million against a revised budget of £139.322 million which represents a 1.59% overspend.
13. The tables below show the revised annual budget, actual expenditure to 31st December 2021 and the updated forecast of outturn to the year end, including the variance forecast at year end. The first table is analysed by Subjective Analysis (i.e. type of expense) and shows the combined position for Children and Young Peoples Services, and the second table is by Head of Service.

Subjective Analysis (Type of Expenditure)

	Revised Annual Budget	YTD Actual	Forecast Outturn	Variance	Items Outside Cash Limit	Covid 19 related Costs	Cash Limit Variance
	£000	£000	£000	£000	£000	£000	£000
Employees	77,182	54,876	73,623	(3,559)	-	(268)	(3,291)
Premises	4,240	2,478	4,605	365	-	-	365
Transport	22,380	15,091	24,569	2,189	-	-	2,189
Supplies and Services	11,216	12,628	12,267	1,051	-	(24)	1,075
Third Party Payments	42,384	31,478	44,507	2,123	-	-	2,123
Transfer Payments	1,515	1,586	1,508	(7)	-	-	(7)
Capital	24,315	426	24,315	-	-	-	-
Central Support and Other Recharges	29,701	4,138	30,416	715	-	-	715
Income	(73,611)	(48,873)	(71,536)	2,075	-	3,034	(959)
TOTAL	139,322	73,828	144,274	4,952	-	2,742	2,210

Analysis by Head of Service Area

	Revised Annual Budget	YTD Actual	Forecast Outturn	Variance	Items Outside Cash Limit	Covid 19 related Costs	Cash Limit Variance
	£000	£000	£000	£000	£000	£000	£000
Youth Justice Service	1,066	428	781	(285)	-		(285)
One Point & Think Family Service	2,089	(2,198)	1,773	(316)	4		(316)
Head of Early Help Inclusion and Vulnerable Children	534	688	527	(7)	-		(7)
Aycliffe Site and Price Training	689	83	703	14	-		14
Secure Services	(1,590)	(334)	321	1,911		1,911	0
SEND Strategy & Assessment & Provision EHIVC	1,941	967	1,587	(354)		13	(367)
SEND Inclusion Support EHIVC	1,637	720	1,342	(295)		10	(305)
Head of Early Help Inclusion & Vulnerable Children.	6,366	354	7,034	668	4	1,934	(1,266)
CYPS Operational Support Service	1,738	1,116	1,751	12	-		12
Childrens Services Operational Support	1,738	1,116	1,751	12	0		12
Looked After Children and Permanence	8,107	6,042	8,331	224	-		224
Looked After Children Resources	44,072	35,319	47,098	3,026	-		3,026

Families First North	5,654	4,042	5,595	(59)	-	60	(119)
Families First East DG1520	3,852	2,882	3,866	14	-	60	(46)
First Contact and Specialist Services	3,679	2,278	3,318	(361)	-		(361)
Strategic Manager Families First South	5,111	3,668	4,931	(179)	-	80	(259)
Head of Childrens Services	18,136	807	16,785	(1,350)	-		(1,350)
Safeguarding and Professional Practice	1,961	1,475	1,954	(7)	-		(7)
Head of Childrens Social Care	90,572	56,513	91,878	1,308	0	200	1,108
Durham Safeguarding Childrens Partnership	175	181	175	0	0		0
Head of Childrens Social Care - Excluded Services	175	181	175	0	0		0
Other Services	1,031	(1,040)	1,031	0	0		0
Central Charges (CYPS)	1,031	(1,040)	1,031	0	0		0
Build Schools For The Future-Summ	(1,215)	(865)	(1,215)	0	0		0
Support and Development	269	957	1,049	780	3	437	343
Progression and Learning	1,009	1,966	1,090	81	0	81	0
School Places and Admissions	39,376	13,447	41,613	2,237	0		2,237
Head of Education	(810)	339	(970)	(159)	0		(159)
Performance and Standards DG2850	812	859	839	26	0	90	(64)
Head of Education and Skills	39,441	16,703	42,406	2,965	3	608	2,357
TOTAL	139,323	73,827	144,275	4,953	7	2,742	2,210

14. The table below provides a more detailed commentary of the forecast cash limit variances against the revised budget, analysed by Head of Service. The table identifies variances in the core budget only and excludes items outside of the cash limit (e.g. central repairs and maintenance) and technical accounting adjustments (e.g. capital charges):

Service Area	Description	Cash Limit Variance £000
Head of Early Help Inclusion & Vulnerable Children.		
Youth Justice Service	The forecast underspend relates mainly to vacant posts in the service	(285)
One Point & Think Family Service	The forecast underspend relates mainly to vacant posts in the service	(316)

Head of Early Help Inclusion and Vulnerable Children	The forecast underspend relates mainly to a forecast overspend of £77,000 relating to MTFP savings offset by savings of £80,000 on employees, transport, supplies and services and support recharges.	(7)
Aycliffe Site and Price Training	The minor forecast overspend relates to building utility charges.	14
Secure Services	Secure Services are forecasting to breakeven at Q3. The forecast at Q3 assumes the estimated shortfall in income (£2.452 million) from the sale of beds to other local authorities and delays in opening the new Transition Unit (£87,500) will be classed as outside the cash limit as Covid 19 related. The forecast savings on employees etc (£0.629 million) are being classed as a Covid related underspend in the current financial year.	0
SEND Strategy & Assessment & Provision EHVC	The forecast underspend mainly relates to savings from vacant posts in the first 5 months of the financial year following an increase in the budget for additional staffing in this service.	(367)
SEND Inclusion Support EHVC	The forecast underspend relates to Virtual School income and underspend on Supplies and Services	(305)
		(1,266)
Children's Services Operational Support		
CYPS Operational Support Service	The forecast overspend relates mainly to a shortfall in staff recharges income within the Systems and Data team.	12
		12
Head of Children's Social Care		
Looked After Children and Permanence	The overspend is mainly related to supplies and services (£0.492 million), Supported Lodging Accommodation (£0.177 million) and employees (£0.264 million) offset by savings on transport costs (£0.242 million), and over achievement of income (£0.517 million)	224
Looked After Children Resources	The forecast overspend is mainly due to Supported Lodging and Accommodation (£0.724 million), Bespoke Support Services (£1.477 million), Secure placements (£1.048 million) and Independent Fostering Agencies (£0.759 million) offset by over achievement of income (£0.433 million) and underspend in relation to Child Arrangement Orders (£0.375 million)	3,026

Families First North	The forecast underspend mainly relates to forecast savings on vacant posts (£0.122 million) including newly created posts in the Disability Team, underspend on reduced travel costs (£0.132 million) a forecast saving (£0.123 million) on Direct Payments and offset by an overspend on short breaks (£0.141 million) and Supplies and services (£81,000)	(119)
Families First East DG1520	The forecast underspend relates mainly to transport costs (£0.156 million), offset by an overspend on employees (£0.139 million)	(46)
First Contact and Specialist Services	The forecast underspend mainly relates to underspends on employees (£0.261 million) and on transport costs (£0.105 million)	(361)
Strategic Manager Families First South	The forecast underspend mainly relates to savings on car allowances and transportation costs for children and young people (£0.201 million) and underspends on employee costs (£68,000)	(259)
Head of Children's Services	The forecast underspend relates mainly to employee budgets, including £0.880 million aligned to the LAC Restructure and agency staff budget where expenditure is charged to the social work teams	(1,350)
Safeguarding and Professional Practice	The forecast underspend mainly relates to transport costs (£44,000) and additional grant income (£34,000) for newly qualified social workers offset by overspends on Employee costs (£30,000) and Supplies and Services (£40,000)	(7)
		1,108
Head of Education and Skills		
Build Schools For The Future-Summ	There is no forecast under or overspend attributable to this service.	0
Support and Development	The forecast overspend mainly relates to £0.298 million shortfall in school contributions income, £0.288 million shortfall in SLA income, £0.156 million shortfall in other income (in particular Daycare Nursery and CPD income streams). There is also a forecast underspend of £0.118 million on Supplies & Services budgets (mainly DLR/CPD subsistence), an £82,000 under spend on the Sustainability budget, £70,000 on employees from savings on vacant posts and other pay budgets, £63,000 underspend on car allowances, £60,000	343

	underspend on staff recharges, and £6,000 underspend on premises costs.	
Progression and Learning	There is no forecast under or overspend attributable to this service.	0
School Places and Admissions	The forecast overspend is mainly attributable to a projected overspend of £2.272 million on Home to School Transport, £35,000 overspend which is due to the inability to achieve staff turnover savings, £10,000 overspend on Printing and Postages partially offset with an underspend of £80,000 due to a reduction in pension liabilities.	2,237
Head of Education	This forecast underspend relates to a saving on Other Pay of £0.195 million (budget that is usually retained for incremental drift purposes) and a small underspend of £3,000 on Employees. This is partially offset with an overspend of £39,000 relating to professional fees.	(159)
Performance and Standards DG2850	This forecast overspend mainly relates to a £0.337 million shortfall in SLA income and a £55,000 overspend on hired services. There are also forecast underspends of £0.353 million on employees from savings on vacant posts and other pay budgets, a £66,000 underspend relating to staff recharges and an underspend on staff travelling and car allowances of £37,000.	(64)
		2,357
TOTAL		2,210

15. The council has faced significant additional costs in relation to the Covid-19 outbreak and significant loss of income. In many areas the costs and loss of income for the first quarter is known. The likely impact over the remainder of the year however is much more uncertain. All additional costs and loss of income, net of Covid-19 related underspending, is being treated corporately and is therefore excluded from the cash limit.
16. The areas of forecast additional cost and loss of income in respect of CYPS are as follows:
- (a) Secure Services – it is forecast that there will be a shortfall in income of £2.540 million from the sale of bed nights to other local authorities and from delays in opening the new Step Down facility.
 - (b) Additional experienced agency staffing costs £0.200 million in Children’s Social Care in order to meet increase in demand.

- (c) Shortfall in income of £10,000 from delays in programmes and the sale of courses provided to schools by the Educational Psychology Service.
- (d) Shortfall in income of £12,950 from schools between April and July for advice and guidance from SEND Advisory Officers
- (e) Daycare Nurseries – it is forecast that there will be a shortfall in income of £38,000 as a result of less parental income due to parents working from home etc during the pandemic.
- (f) Daycare Nurseries – additional staffing costs and resources required to manage staff isolation issues amounting to £0.161 million.
- (g) Durham Leadership Centre (DLC) – it is forecast that there will be a shortfall of £0.156 million in lettings income at DLC due to employees / other organisations continuing working from home during the pandemic.
- (h) Curriculum and Professional Development – it is forecast that there will be a shortfall of £0.102m in courses and lettings income due to face to face courses continuing not to take place during the pandemic.
- (i) Fixed Penalty Notices – it is forecast that there will be a shortfall in parental fine income of £48,000 as the Government has prohibited fining parents for pupil's non-attendance at school.
- (j) Training Course Income – it is forecast that there will be a shortfall of income of £42,000 relating to training courses and reduced support provided to schools.
- (k) Adult Learning Income – it is forecast that there will be a shortfall of income of £81,000 relating to grant income received for adult learners.
- (l) Education Lettings income at Stanley Teachers Centre – it is forecast that there will be a shortfall of £4,167 relating to room lettings income.

17. The major areas of forecast Covid-19 related savings in respect of CYPS are as follows:

- (a) Savings relating to catering costs of £24,000 for Durham Leadership Centre due to less/no lettings taking place during the pandemic.
 - (b) £0.629 million from staff vacancies in the Secure Centre.
18. In summary the Children and Young Peoples Services service is reporting a cash limit overspend of £2.210 million against a revised budget of £139.323 million which represents a 1.59% overspend.
19. The outturn position incorporates the MTFP savings built into the 2021-22 budgets, which for Children and Young Peoples Services in total amount to £1.265 million.

Dedicated Schools Grant and Schools

20. The council currently maintains 176 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.
21. The forecast outturn for 2021/22 for these 176 maintained schools is £266 million, funded by income of £72 million, budget shares of £193 million (from central government funding), and a forecast £1 million use of accumulated schools' reserves. The table below summarises the forecasts.

	Nursery	Primary	Secondary	Special & AP	Current Annual Budget
	(£ million)	(£ million)	(£ million)	(£ million)	(£ million)
Employees	4.615	145.177	30.479	30.852	211.123
Premises	0.298	10.359	2.424	1.269	14.349
Transport	0.001	0.312	0.406	1.187	1.905
Supplies and Services	0.505	27.884	5.967	4.717	39.073
Gross Expenditure	5.418	183.731	39.276	38.025	266.451
Income	(4.103)	(46.478)	(13.647)	(7.853)	(72.081)
Net expenditure	1.315	137.253	25.629	30.173	194.370
Budget share	(1.072)	(135.659)	(25.751)	(30.524)	(193.007)
Contribution to/(from) reserves	0.243	1.594	(0.123)	(0.352)	1.363

Balance at 31 Mar 21	(1.034)	(22.599)	(1.060)	(3.216)	(27.910)
Balance at 31 Mar 22	(0.791)	(21.005)	(1.183)	(3.568)	(26.547)

22. The balance at 31 March 2021 in the table above is the balance for the schools that are currently maintained. The total balance at 31 March 2021, including schools that have now converted to academies was £31.174 million. For schools that have now converted to academies, the balances at 31 March 2021 were £3.264 million. These balances are paid over to academies unless the council has agreed to write-off deficit balances, which it has done this year for St Thomas More RC primary, which converted on 1 September and had a deficit balance of £58,000 on conversion.

	Nursery	Primary	Secondary	Special / AP	Total
	£ million	£ million	£ million	£ million	£ million
Balance at 31 March 2021	(1.034)	(25.721)	(1.273)	(3.216)	(31.174)
Less academy convertors	-	3.052	0.212	-	3.264
Less use of reserves	0.243	1.594	(0.123)	(0.352)	1.363
Balance at 31 March 2022	(0.791)	(21.075)	(1.183)	(3.568)	(26.547)

23. At quarter two it was highlighted that schools were reforecasting their budgets with the School Funding Team as part of the autumn term review. At that stage schools had budgeted for retained

balances of £17.926 million. It was noted that past experience had shown that schools usually underspend significantly against their initial budgets and forecasts at quarter one. This has proved to be the case once again, with the quarter three forecasts indicating a £26.547 million improvement (increase) in the retained schools balances. A comparison of the quarter two budget and quarter three forecasts is summarised in the table below:

	Nursery	Primary	Secondary	Special / AP	Total
	£ million	£ million	£ million	£ million	£ million
Q2 Budgeted Balance at 31 March 2022	(0.731)	(14.789)	(0.498)	(1.909)	(17.926)
Q3 Forecast Balance at 31 March 2022	(0.791)	(21.075)	(1.183)	(3.568)	(26.547)
Change QTR2 to QTR3	(0.061)	(6.286)	(0.685)	(1.659)	(8.621)

24. Note that the budgeted balance is different to that quoted at Quarter 2, (£19.560 million), because of the conversion of more primary schools to academies.
25. Four schools were given approval to set deficit budgets where planned expenditure during 2021/22 would result in a deficit balance at 31 March 2022 (known as a licensed deficit). One of the schools has now converted and the forecast outturn for the remaining three schools is summarised in the table below.

School Name	Phase	Deficit at 31 March 2021	Planned in-year use of reserves	Licensed deficit agreed 2021/22	Forecast 2021/22 as at (31 December 2021)
		£ million	£ million	£ million	£ million
Ferryhill Station	Primary	(0.045)	0.026	(0.019)	(0.009)
Wellfield	Secondary	(3.114)	0.200	(2.914)	(2.788)
Durham Community Business College	Secondary	(0.504)	(0.310)	(0.814)	(0.770)

26. St Thomas More RC Primary converted to an academy in September 2021. This was expected and a licensed deficit of £65,000 to conversion was approved. To facilitate the conversion of this school the council agreed to write-off the deficit balance at the point of conversion. This will limit the council's exposure to having to write-off a larger deficit in the future if the school was to convert as a sponsored academy. The final balance upon conversion was a deficit of £58,000, so within the licensed deficit.

27. The School funding Team is monitoring the budget position for these schools and will work with them to identify further savings.

Dedicated Schools Grant Centrally Retained block

28. The quarter three financial forecasts for the centrally retained DSG budgets show an overspend of £1.678 million against a total expenditure budget of £102.827 million to year end, which represents a 1.63% overspend.

DSG Block	Budgeted Expenditure £ million	Budgeted Income £ million	Net Budget £ million	Forecast Outturn £ million	Forecast Over / (Under) Spend £ million
Schools de-delegated	0.352	(0.352)	-	-	-
High Needs	67.424	(65.746)	-	1.678	1.678
Early Years	31.935	(31.935)	-	-	-
Central Schools Services	3.026	(3.026)	-	-	-
TOTAL	102.827	(101.059)	-	1.678	1.678

29. The forecast overspend position relates to a forecast overspend against the High Needs Block (HNB), which is forecast to overspend by £1.678 million.
30. This forecast overspend largely relates to Top Up Funding for mainstream Nursery, Primary and Secondary pupils and the Local Authority Pupil Referral Unit and associated income.
31. All areas of HNB expenditure will be kept under close review in light of continuing COVID-19 issues, with particular attention on the impact of schools returning where it is possible we will see an upward trend in the volume of requests for additional support for high needs pupils.
32. 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 DSG £ million
Balance as at 1 April 2020	(5.726)	1.275	0.644	(3.806)
Early Years adjustment 2019/20	-	0.097	-	0.097
Use [-] / Contribution [+] in 2020/21	(2.321)	0.003	2.105	(0.213)
Balance as at 1 April 2021	(8.047)	1.375	2.749	(3.923)
Use [-] / Contribution [+] in 2021/22	(1.678)	-	-	(1.678)
Forecast balance as at 1 April 2022	(9.725)	1.375	2.749	(5.601)

33. The overall DSG reserve was in deficit of £3.923 million at the start of the financial year as a result of the accumulated deficit position in relation to the high needs block.
34. A five-year plan for high needs block funding and expenditure, including recovery of the accumulated deficit by the end of the five-year period, was approved by Cabinet in January 2020. An updated version of the plan was reported to Cabinet in July 2020.
35. Following a funding announcement from Government on 21 July 2021, further information is now available about HNB funding levels in 2022/23. The provisional position for Durham is better than forecast in the previous version of the five-year plan and the process of updating the plan to reflect this change, as well as the revised forecast outturn position for 21/22, is underway.

Capital Programme

36. The capital programme has been revised to take into account budget reprofiled from 2020-21 following the final accounts for that year and to take account of any revisions in the current year.
37. The revised budget is presented below together with actual expenditure to date and the forecast outturn. The budget may be subsequently amended with approval from MOWG.
38. Summary financial performance to the end of Qtr 3 is shown below:

CYPS	Original (MAY MOWG) Budget 2021/22 £000	Revised Annual Budget 2021/22 £000	Actual Spend 31/01/22 £000	Forecast Outturn £000	Forecast Variance £000
Education-SCP - LEP	45	81	40	81	-
Childrens Services-Childrens Care	1,333	244	13	244	-
Planning & Service Strategy	1,616	1,430	1,088	1,430	-
Early Help Inclusion and Vulnerable Children- One Point	21	21	47	21	-
Education-Early Years	115	66	55	66	-
Education-School Devolved Capital	3,858	3,072	2,390	3,072	-
Education-School Related	22,128	10,229	6,396	10,229	-
SEN Capital	4,404	1,305	1,438	1,305	-
Childrens Services-Secure Services	121	445	163	445	-
Total	33,641	16,893	11,630	16,893	-

Contact: A.Baldwin Children and Young People's Services – Finance Manager

Appendix 1: Implications

Finance

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

Staffing

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

Equality and Diversity / Public Sector Equality Duty

There are no implications associated with this report.

Accommodation

There are no implications associated with this report.

Climate Change

There are no implications associated with this report.

Crime and Disorder

There are no implications associated with this report.

Human Rights

There are no implications associated with this report.

Consultation

There are no implications associated with this report.

Procurement

There are no implications associated with this report.

Disability Issues

There are no implications associated with this report.

Legal Implications

There are no implications associated with this report