

# Children and Young People's Overview and Scrutiny

23 September 2022



## Children and Young People's Services – Final Outturn Revenue and Capital Outturn 2021/22

### Report of Paul Darby, Corporate Director of Resources

#### Purpose of the Report

- 1 To provide details of the final outturn position for Children and Young People's Services (CYPS), highlighting major variances in comparison with the budget for the year.

#### Executive summary

- 2 The revenue outturn for 2021/22 was a cash limit overspend of £3.771 million for the year, representing circa 2.8% of the total net revenue budget for CYPS. This compares to a forecast cash limit overspend at quarter three of £2.210 million.
- 3 The final position takes into account the in-year £4.5 million budget transfer from AHS. Had this not been actioned the outturn would have been a £8.271 million overspend when compared to the original budget approved by Council in February 2021.
- 4 In arriving at the outturn position, £2.955 million of additional costs, and lost income relating to COVID-19 and £0.840 million of COVID-19 related underspends were excluded from the CYPS cash limit. The net impact of these is £2.115 million, which has been financed corporately by utilising Central Government grants.
- 5 The cash limit outturn reported is the position after a net £3.322 million use of CYPS reserves in year.
- 6 The council's financial procedure rules state that where a service groupings cash limit reserve is in deficit, the relevant service is required to make savings/ underspends the following year to bring the reserve back into balance. In this case, given the financial pressures and issues facing CYPS a further transfer from general reserves has been actioned this year end to retain the CYPS cash limit reserve at zero.

## Recommendation(s)

- 7 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

- 8 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 People's Services Revenue Budget - £136.004 million (original £133.876 million);
- (b) CYPS – Capital Programme - £14.525 million (original £33.641 million).
- 9 The original Children and Young People's Services revenue budget has been revised to incorporate various permanent and temporary budget adjustments as summarised in the table below:

Reason For Adjustment	£m
Original Budget	133.876
Budget Build - Use of Children and Young Peoples Services Reserves	-0.455
<b>Original Budget Excluding Reserves</b>	<b>133.421</b>
<b>Reason For Adjustment</b>	
Transfer From Contingencies	0.010
Use of (+)/contribution to (-) Children and Young Peoples Services reserves	-2.931
Use of (+)/contribution to (-) Corporate reserves (ERVR)	0.505
Use of (+)/contribution to (-) Corporate reserves (Insurance Reserve)	0.043
Transfer from Other Services	4.990
Transfer to Other Services	-0.036
<b>Revised Budget</b>	<b>136.004</b>

- 10 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 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

- 11 The revenue outturn for 2021/22 was a cash limit overspend of £3.771 million for the year, representing circa 2.8% of the total net revenue budget for CYPS. This compares to a forecast cash limit overspend at quarter three of £2.210 million.
- 12 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	Items Outside Cash Limit £m	COVID-19-related £m	Cash Limit Variance £m
Head of Social Care	90.342	94.309	3.967	0.043	0.200	3.724
HoSC Excluded	0.175	0.177	0.002	0.003	0	-0.001
EHIVC	5.032	5.755	0.723	0.680	1.537	-1.494
Operational Support	1.738	1.922	0.184	0.217	0	-0.033
Education and Skills	37.537	83.839	46.302	44.448	0.378	1.476
Central Charges	1.180	0.971	-0.209	-0.308	0	0.099
<b>Total</b>	<b>136.004</b>	<b>186.973</b>	<b>50.969</b>	<b>45.083</b>	<b>2.115</b>	<b>3.771</b>

- 13 The outturn position incorporates the MTFP savings of £1.861million built into the 2021/22 budgets.
- 14 The outturn consists of an overspend of £2.232 million in Children's Services (Social Care and Early Help, Inclusion and Vulnerable Children) and £1.476 million in Education. Further details are shown below.
- 15 The Children's Services outturn was a net £2.232 million overspend for the year. These services had an overspend of £4.263 million in relation to children looked after placements and £2.733 million in relation to Bespoke Placements.

- 16 These overspends were partially offset by an underspend of £2.141 million on employee budgets, £0.993 million on transport budgets, £0.687 million on Special Guardianship, Child Arrangement and Adoption allowances, £0.333 million on other care related activity and third-party payments, £0.203 million on Direct Payment budgets, and £0.407 million additional income from SLA arrangements.
- 17 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. There are now 950 looked after children, compared to an average of 877 in 2019/20.
- 18 The budget was increased by £5.5 million in 2018/19 and by a further £6.5 million in 2019/20 to cover the escalating care costs, as well as additional costs for staffing in order to meet the expected challenges and pressures identified in 2019/20. The 2020/21 budget included an additional increase for placement costs of £3.417 million.
- 19 The Children's Social Care and Early Help, Inclusion and Vulnerable Children 2021/22 budget included base growth of £6.14 million, further base growth of £4.50 million following an in-year transfer from Adult and Health Services and investment of £0.821 million temporary one off-funding in order to meet the challenges and pressures being experienced by the service. In setting the 2022/23 budget the Council agreed further growth of £4.51 million in the current year in these budgets.
- 20 Within the Education Service there was a net cash limit overspend of £1.539 million, consisting of an overspend of £2.072 million on Home to School Transport, a shortfall in school and academy SLA income of £0.464 million, a shortfall on other income (contributions from schools, course income etc) of £0.374 million and an overspend due to bearing the costs of non-MTFP related early retirement costs of £0.119 million.
- 21 These overspends were partially offset by underspends of £0.449 million in employee costs, mainly due to vacant posts and other pay budgets, an underspend on Early Years Administrative costs of £0.385 million, an underspend of £0.233 million on Early Years Sustainability / Activity budgets, an underspend of £0.195 million on 'Other Pay' related activity a £0.172 million underspend relating to an underspend on the SEN Inclusion Fund and general Supplies & Service saving of £56,000.
- 22 The 2021/22 budgets also included additional budget growth of £1.7 million to recognise the financial pressures experienced in delivering home to school transport, which had seen costs increase by 35% over the preceding two years. Additional growth of £2.6 million was built into

the 2022/23 budget to reflect the continuing pressure in the home to school transport budget.

- 23 In arriving at the outturn position, £2.955 million of additional costs, and lost income relating to COVID-19 and £0.840 million of COVID-19 related underspends were excluded from the CYPS cash limit. The net impact of these is £2.115 million, which has been financed corporately by utilising Central Government grants.
- 24 The cash limit outturn reported is the position after a net £3.322 million use of CYPS reserves in year. There are a number of transfers to and from earmarked reserves, cash limits and contingencies which have been applied with the main areas detailed below:
- (a) A £119,142 use of the Schools Reserve to cover costs of deficits associated with schools who have academised in year.
  - (b) A £108,641 contribution to the Swimming Reserve mainly derived from venue hire savings to go towards future running costs of the service.
  - (c) A £106,451 contribution to the Early Years Activity reserve linked to Early Years Professional Development unspent grant funds.
  - (d) A £145,158 use of the Adult Learning reserve to support payments to delivery partners.
  - (e) A £897,568 contribution to the PFI Lifecycle reserve.
  - (f) A £191,075 contribution to Durham Enable linked to unspent grant funds.
  - (g) A £598,776 contribution to the Durham Directions reserve relating to unspent grant funds.
  - (h) A £110,326 contribution to the Kickstart reserve relating to unspent grant funds.
  - (i) A £284,490 contribution to the Mental Health Support reserve relating to unspent grant funds.
  - (j) A £368,714 contribution to Emotional Wellbeing Reserve from surplus income and funding received for future project.
  - (k) A £489,632 contribution to Holiday Activities with Food Reserve from grant income which will be repaid to DfE.
  - (l) A £310,500 contribution to Aycliffe Secure Centre Transitions Home Reserve as a contingency related to the capital programme

- (m) A £409,487 use of Corporate ER/VR reserve to fund redundancies in relation to MTFP savings (relating to the Education Service).
- (n) A £148,804 use of Corporate Insurance reserve
- 25 Taking the 2021/22 outturn position into account, there is a £3.771 million deficit cash limit position at the year end.
- 26 The council's financial procedure rules state that where a service groupings cash limit reserve is in deficit, the relevant service is required to make savings/ underspends the following year to bring the reserve back into balance. In this case, given the financial pressures and issues facing CYPS a further transfer from general reserves has been actioned this year end to retain the CYPS cash limit reserve at zero.

## Dedicated Schools Grant and Schools

- 27 Taking into account academy transfers during the year, the council currently maintains 174 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.
- 28 The original budget for 2021/22 for these 174 maintained schools was £259.582 million, funded by income of £60.069 million, formula funding budget shares of £191.850 million (from central government funding) and a budgeted £7.663 million use of accumulated schools' reserves. The table below summarises the schools' initial budgets that were set for these 174 maintained schools.

	Nursery	Primary	Secondary	Special / AP	Total
	£ million	£ million	£ million	£ million)	£ million
Employees	4.384	141.206	30.572	30.210	206.371
Premises	0.272	9.471	2.348	1.294	13.385
Transport	0.001	0.347	0.385	1.141	1.874
Supplies and Services	0.432	27.042	5.592	4.887	37.953
Income	-3.804	-37.799	-12.594	-5.872	-60.069
<b>Net expenditure</b>	1.285	140.267	26.302	31.660	199.513
Budget share	-1.072	-134.503	-25.751	-30.524	-191.850
Contribution (to)/ from reserves	0.213	5.764	0.551	1.135	7.663

	Nursery	Primary	Secondary	Special / AP	Total
	£ million	£ million	£ million	£ million)	£ million
Balance at 1 April 2021	-1.034	-22.444	-1.085	-3.216	-27.779
<b>Balance at 31 March 2022</b>	<b>-0.822</b>	<b>-16.680</b>	<b>-0.534</b>	<b>-2.081</b>	<b>-20.116</b>

29 The forecasts prepared by schools at Quarter 3 indicated that they would use of £1.436 million of their accumulated schools' reserves in 2021/22. This was significantly less than the budgeted use of balances and was consistent with the cautious approach adopted by schools over recent years.

30 The final outturn was that rather than there being a draw on reserves, there was a contribution to reserves of £1.929 million, a difference of £3.365 million from the Quarter 3 forecast, representing 1.3% of the original budgeted gross expenditure.

31 The table below summarises the schools' outturn position:

	Nursery	Primary	Secondary	Special / AP	Total
	£ million	£ million	£ million	£ million	£ million
Employees	4.593	143.698	30.706	31.986	210.982
Premises	0.292	10.407	2.578	1.530	14.807
Transport	0	0.369	0.427	1.152	1.948
Supplies and Services	0.484	27.240	5.419	4.823	37.966
Income	-4.094	-47.032	-16.112	-7.383	-74.621
<b>Net expenditure</b>	<b>1.274</b>	<b>134.682</b>	<b>23.017</b>	<b>32.109</b>	<b>191.082</b>
Budget share	-1.073	-134.554	-25.774	-31.610	-193.011
Cont (to)/ from reserves	0.201	0.128	-2.757	0.499	-1.929
Balance at 1 April 2021	-1.034	-22.374	-1.085	-3.216	-27.709
<b>Balance at 31 March 22</b>	<b>-0.833</b>	<b>-22.246</b>	<b>-3.842</b>	<b>-2.717</b>	<b>-29.638</b>

32 In setting the 2021/22 budgets, the council's S151 officer (Corporate Director of Resources) gave approval for four schools to set deficit budgets. A deficit budget arises where planned expenditure during 2021/22 results in a deficit balance at 31 March 2022 (known as a licensed deficit). One of these schools (St. Thomas More RC Primary) subsequently converted to academy during 2021/22. The remaining three schools budgeted, and outturn positions are summarised in the following table:

School Name	Phase	Deficit at 31 March 2021	Planned in-year use or contribution to reserves	Licensed deficit at 31 March 2022	Outturn in-year use or contribution to Reserves	Deficit at 31 March 2022
		£ million	£ million	£ million	£ million	£ million
Ferryhill Station	Primary	0.045	-0.026	0.019	-0.024	0.021
Wellfield	Secondary	3.114	-0.200	2.914	-0.208	2.906
Durham Community Business College	Secondary	0.504	0.310	0.814	0.166	0.670

33 All of these schools have complied with the terms of their licensed deficit. The council will continue to support and work with schools causing concern to help them resolve their financial concerns, and the s151 officer (Corporate Director of Resources) will consider requests for a licensed deficit for 2022/23. A report summarising the school budget plans for 2022/23 will be presented to Cabinet in September.

34 During 2021/22 the council wrote off £75,000 of accumulated deficits in respect of St Thomas More, RC primary. This was agreed to facilitate the conversion.

### Dedicated Schools Grant Centrally Retained Block

35 The 2021/22 outturn for centrally retained DSG budgets is an overspend of £1.863 million against a total budget of £98.705 million at year end, which represents a 1.89% overspend.

DSG Block	Budgeted £ million	Outturn £ million	Over / (Under) Spend £ million
Schools de-delegated	0.257	0.645	0.388
High Needs	65.746	66.542	0.796
Early Years	29.676	30.395	0.719
Central Schools Services	3.026	2.986	-0.040
<b>TOTAL</b>	<b>98.705</b>	<b>100.568</b>	<b>1.863</b>



- 36 The overspend position relates to overspends on Schools de-delegated, High Needs Block, the Early Years Block partially offset with an underspend against the Central School Services Block.
- 37 The Schools De-delegated funds overspend of £0.388 million relates to overspends on Behaviour Support, Contingencies and Trade Union Support.
- 38 The overspend of £0.796 million on High Needs mainly relates to Top Up Funding for mainstream Nursery, Primary and Secondary pupils, Special Schools Pupil and Banding Top Up and a shortfall in Turnaround and Permanent Exclusions income.
- 39 The overspend of £0.719 million on Early Years largely relates to the reduction of £902 million in funding experienced in year due to funding being allocated on a termly basis and numbers at the beginning of the year being particularly low due to COVID. It is expected that this funding will be recouped in the summer of 2022/2023 when funding allocations are returned to being allocated on an annual basis against the January 2022 census where pupil numbers had fully recovered.
- 40 The small underspend of £40,000 on the Central School Services Block largely relates to an underspend against the former 'Team around the School' service which has now ceased operation.
- 41 The impact of the outturn on the DSG reserves position is shown in the following table.

<b>DSG Reserves</b>	<b>High Needs Block £ million</b>	<b>Early Years Block £ million</b>	<b>Schools Block £ million</b>	<b>Total DSG £ million</b>
<b>Balance as at 1 April 2020</b>	<b>-5.726</b>	<b>1.275</b>	<b>0.644</b>	<b>-3.806</b>
Early Years adjustment 2019/20	0	0.097	0	0.097
Use (-) / Contribution in 2020/21	-2.321	0.003	2.105	-0.213
<b>Balance as at 1 April 2021</b>	<b>-8.047</b>	<b>1.375</b>	<b>2.749</b>	<b>-3.923</b>
Use (-) / Contribution in 2021/22	-0.796	-0.719	-0.348	-1.863
<b>Balance as at 31 March 2022</b>	<b>-8.843</b>	<b>0.656</b>	<b>2.401</b>	<b>-5.786</b>

- 42 The overall DSG reserve position was a net deficit balance of £3.923 million at the start of the financial year, which increased to a net accumulated deficit balance of £5.786 million at 31 March 2022. The

accumulated deficit position is dominated by the high needs block position.

- 43 The latest five-year plan for high needs block funding and expenditure, including recovery of the accumulated deficit was considered by Cabinet in April 2022. The financial forecasts indicate that the accumulated budget deficit on the high needs grant will be recovered by the end of the 2023/24 financial year. The position for Durham is better than forecast in the previous version of the five-year plan, reflecting the increased HNB funding levels in 2022/23 and 2023/24.

## Capital Programme

- 44 The capital programme has been revised to take into account budget reprofiled from the previous financial year following the final accounts for that year and to take account of any revisions in the current year.
- 45 The revised budget is presented below together with actual expenditure.
- 46 Summary financial performance to the end of the financial year is shown below:

Service Area	Original Budget 2021/22	Revised Budget 2021/22 Q3	Outturn 2021/22	Variance 2021/22
Education-SCP - LEP	44,985	81,095	44,889	(36,206)
Childrens Services-Childrens Care	1,333,093	244,385	23,088	(221,297)
Childrens Services - Planning & Service Strategy	1,616,259	1,429,659	1,301,954	(127,705)
Early Help Inclusion and Vulnerable Children	20,663	20,663	64,281	43,618
Early Years	114,701	66,010	59,163	(6,847)
School Devolved Capital	3,857,688	3,072,082	3,952,896	880,814
School Related	22,128,331	10,228,737	7,280,700	(2,948,037)
SEN Capital	4,403,737	1,305,164	1,461,722	156,558
Secure Services	121,442	444,946	336,240	(108,707)
<b>CYPS Total</b>	<b>33,640,899</b>	<b>16,892,741</b>	<b>14,524,932</b>	<b>(2,367,809)</b>

### Author(s)

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## **Appendix 1: Implications**

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### **Legal Implications**

There are no implications associated with this report.

### **Finance**

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

### **Consultation**

There are no implications associated with this report.

### **Equality and Diversity / Public Sector Equality Duty**

There are no implications associated with this report.

### **Climate Change**

There are no implications associated with this report.

### **Human Rights**

There are no implications associated with this report.

### **Crime and Disorder**

There are no implications associated with this report.

### **Staffing**

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

### **Accommodation**

There are no implications associated with this report.

### **Risk**

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

### **Procurement**

There are no implications associated with this report

## Appendix 2: CYPS Forecast position by subjective analysis

Subjective Budget Heading	Revised Annual Budget £m	Outturn £m	Variance £m	Items Outside Cash Limit £m	Covid 19 related Costs £m	Cash Limit Variance £m
Employees	77.016	74.371	-2.645	0.501	0.616	-2.530
Premises	4.139	4.896	0.757	0.429	0.000	0.328
Transport	22.382	24.626	2.244	0.000	0.000	2.244
Supplies and Services	11.569	13.791	2.222	0.001	0.024	2.245
Third Party Payments	42.403	49.611	7.208	0.000	0.000	7.208
Capital	1.515	2.523	1.008	0.000	0.000	1.008
Central Support and Other Recharges	51.304	111.200	59.896	58.391	0.000	1.505
<b>Gross expenditure</b>	<b>210.328</b>	<b>281.018</b>	<b>70.690</b>	<b>59.322</b>	<b>0.640</b>	<b>12.008</b>
Income	-74.324	-94.142	-19.818	-14.335	-2.754	-8.237
<b>Total</b>	<b>136.004</b>	<b>186.876</b>	<b>50.872</b>	<b>44.987</b>	<b>-2.114</b>	<b>3.771</b>