

Children and Young People's Overview and Scrutiny

23 September 2022



Children and Young People's Services – Quarter 1: Forecast of Revenue and Capital Outturn 2022/23

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 People's Services (CYPS), highlighting major variances in comparison with the budget for the year, based on the position at the end of June.

Executive summary

- 2 Children and Young People's Services is reporting a cash limit overspend of £4.865 million against a revised budget of £145.321 million which represents a 3.3% overspend.
- 3 In arriving at the cash limit position, inflation costs of £1.283 million in relation to Home to School transport and £0.352 million on energy have been excluded. Pay award costs of £2.746 million (£1.537 million following general contingencies provision) have also been excluded.
- 4 There is an overall anticipated net use of earmarked reserves of £1.230 million, leading to a revised balance of £36.574 million at the year end, of which £13.546 million is for delegated schools.
- 5 The projected capital outturn is nil variance against a revised budget of £45.375 million.

Recommendation(s)

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

Background

7 The County Council approved the Revenue and Capital budgets for 2022/23 at its meeting on 23 February 2022. 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 - £145.321 million (original £142.315 million);
- (b) CYPS – Capital Programme - £45.375 million (original £37.802 million).

8 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:

Description	Transfer in	Transfer out
Permanent	£m	£m
Q1 Workforce Development Officer to Resources		-£0.050
Q1 Transfer from AHS – Navigation Team	£0.840	
Q1 TF Trainer to Resources		-£0.021
Q1 Pay Award	£0.807	
Sub-total permanent changes	£1.647	-£0.071
Temporary	£m	£m
Q1 Recovery Support Reserve	£0.633	
Q1 Holiday Activities and Food Reserve	£0.490	
Q1 Young Parents Programme Reserve	£0.107	
Q1 RAA Early Permanence Project	£0.050	
Q1 Durham Learning Resources Reserve	£0.040	
Q1 Early Years Activities Reserve	£0.011	
Q1 Easington Sports Partnership	£0.009	
Q1 Durham Sports Partnership	£0.053	
Q1 Sessional Employment	£0.036	
Sub-total temporary changes	£1.430	-
Total changes	£3.077	-£0.071
Net budget change	£3.006	

9 The summary financial statements contained in the report cover the financial year 2022/23 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

- 10 The Children and Young People's Services service is reporting a cash limit overspend of £4.865 million against a revised budget of £145.321 million which represents a 3.3% overspend.
- 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	Items Outside Cash Limit £m	Inflationary Pressures £m	Cash Limit Variance £m
Head of Social Care	96.614	100.613	3.999	-	-0.076	3.923
HoSC Excluded	0.049	0.049	0	-	0	0
EHIVC	6.597	6.819	0.222	-	-0.240	-0.018
Operational Support	1.915	1.875	-0.040	-	0	-0.040
Education and Skills	39.053	41.365	2.312	-	-1.312	1.000
Central Charges	1.093	1.100	0.007	-	-0.007	0
Total	145.321	151.821	6.500	0	-1.635	4.865

- 12 The outturn position incorporates the MTFP savings of £0.365 million built into the 2022/23 budgets.
- 13 The forecast outturn position factors in forecast overspends within Children's Services of £3.923 million and Education of £1.000 million, with further details provided below:
- (a) Children's Services is forecast to be a net £3.923 million over budget for the year. The Service is forecasting an overspend of £5.39 million relating to the cost of placements for children looked after where demand continues to rise;

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 for 2022/23 was increased by £4.230 million, consisting of £2.29 million base budget growth, £1.160 million inflationary budget increase and £0.780 million internal budget transfers.

As at 30 June 2022 there were 983 Children Looked After, which continues a trend of growth in demand in this area as illustrated in the table below:

Date	Number of CLA
March 2021	946
June 2021	943
September 2021	912
December 2021	924
March 2022	982
June 2022	983

The budget associated with the Transitions Navigation team cases transferred from AHS to CYPS in Quarter 1 along with associated expenditure. A review of activity data is underway to align budget with expenditure across CYPS Social Care prior to reporting at Quarter 2 and, at this stage an underspend of £1.255 million is reported. There is also an underspend of £0.311 million on budgets relating to Adoption Services.

- (b) Education is forecasting an overspend of £1.000 million against budget after adjusting for inflationary pressures to be funded corporately.

The main reasons for the overspend position are an income shortfall of £1.586 million and an overspend of £0.350 million on Home to School transport (after adjusting for inflation costs funded corporately). Of the total income shortfall, £0.894 million relates to courses fees, charges and lettings, and £0.692 million is a direct result of lost SLA income following schools converting to academy status;

This overspend is partially offset by an underspend of £1.092 million against employee budgets, which largely results from a planned restructure to address budget pressures which comes into place from September 2022.

- 14 The forecast cash limit outturn shows the position after a net £1.430 million use of reserves. The main reserves used are as follows;
- (a) £0.633 million budget transfer from the Recovery Support Reserve to fund committed expenditure in 2022/23;
 - (b) £0.490 million transfer from reserves in relation to the Holiday Activities and Food Programme;
 - (c) £0.107 million transfer from the Young Parents Programme Reserve to fund the programme in 2022/23;
- 15 Taking the forecast outturn position into account, there is a forecast £4.865 million deficit cash limit reserve balance at 31 March 2023. This will be funded from general reserves as CYPS has no cash limit balance to call on.

Dedicated Schools Grant and Schools

- 16 The council currently maintains 164 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.
- 17 The original budget for 2022/23 for these 164 maintained schools was £255 million, funded by income of £62 million, formula funding budget shares of £186 million (from central government funding) and a budgeted circa £7 million use of accumulated schools' reserves. The table below summarises the schools' initial budgets.

Subjective Budget Heading	Nursery £m	Primary £m	Secondary £m	Special / AP £m	Original Annual Budget £m
Employees	4.523	141.327	25.354	32.723	203.927
Premises	0.311	9.543	1.881	1.750	13.485
Transport	0.001	0.366	0.445	1.189	2.001
Supplies and services	0.391	26.171	4.629	4.757	35.948
Gross expenditure	5.226	177.407	32.309	40.419	255.361
Income	-3.883	-43.804	-6.290	-8.037	-62.014
Net expenditure	1.343	133.603	26.019	32.382	193.347
Budget share	1.072	128.305	25.390	31.259	186.026
Reserves	0.271	5.298	0.629	1.123	7.321
Balance at 31 Mar 2022	0.833	21.260	3.842	2.717	28.652
Balance at 31 Mar 2023	0.562	15.962	3.194	1.597	21.331

- 18 Seven maintained schools had deficit balances at 31 March 2022, however, for five of these the budget plans for 2022/23 sought to fully recover the position in year.
- 19 Two schools (Durham Community Business School and Wellfield) have been given approval to set deficit budgets in 2022/23 – where planned expenditure during 2022/23 would result in a deficit balance at 31 March 2023 (known as a licensed deficit). Both schools have been required to set budgets with an in-year surplus so that the accumulated deficit is reduced, as summarised in the table below:

School Name	Phase	Deficit at 31 March 2022	Planned movement of reserves	Planned deficit at 31 March 2023	Licensed deficit (i.e., balance) at 31 March 2023
		£m	£m	£m	£m
DCBC	Secondary	-0.670	0.093	-0.577	-0.577
Wellfield	Secondary	-2.906	0.203	-2.703	-2.703

- 20 Like the Council, schools are facing a range of unfunded inflationary pressures, for pay awards and energy costs in year which are forecast to outstrip the initial budget planning assumptions. The forecast position for all maintained schools for quarter 1 is shown in the following table:

Budget Heading	Original Budget	Quarter 1 Forecast	Forecast Variance
	£m	£m	£m
Employees	203.927	220.624	16.697
Premises	13.485	16.233	2.748
Transport	2.001	2.081	0.080
Supplies	35.948	38.580	2.632
Gross expenditure	255.361	277.518	22.156
Income	-62.014	-73.819	-11.805
Net expenditure	193.347	203.699	10.351
Budget share	186.026	186.026	0
Use of reserves	7.321	17.673	10.351
Balance at 31 March 2022	28.652	28.652	0
Balance at 31 March 2023	21.331	10.979	10.351

- 21 The forecasts are based on the following main assumptions:
- (a) pay award for teachers at 5% for Upper Pay Scales (UPS) grades and higher levels for Main Pay Scales (MPS) – compared to the budgeted assumptions of a 2% increase in year;
 - (b) pay award of £1,925 per employee per annum for non-teaching support staff – compared to a flat 2% pay award budget assumption;
 - (c) electricity costs are 63% higher than the 21/22 outturn figures – around 10% higher than the 22/23 budgeted amounts;
 - (d) gas costs 96% higher than the 21/22 outturn figures – around 40% higher than the 22/23 budgeted amounts;
 - (e) impact of inflation on supplies and provisions (particularly food products) has been considered with individual schools;
 - (f) income forecasts have been reviewed and updated to include the latest available information, particularly for SEND funding;
 - (g) no additional grant income is included in the forecast to cover costs associated with pay awards at this stage.

- 22 The forecast at quarter 1 indicates schools will be required to utilise £17.673 million of reserves in comparison to £7.321 million included in original budget plans. The change relates to the following:
- (a) employees – an increase of £16.697 million, the majority of which relates to the forecast of staff pay awards of £7.8 million for non-teaching support staff and £3.5 million for teaching staff (7/12ths impact in 22/23);
 - (b) premises – an increase of £2.748 million due to updated energy and repairs and maintenance forecasts;
 - (c) supplies – an increase of £2.632 million due to updated forecasts reflecting latest inflation figures;
 - (d) income – increase in income of £11.8 million, mainly relating to £9.75 million of grant funding plus SEN funding and increases in fees and charges.
- 23 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 (this is in addition to the two schools given permission to set a licensed deficit) and a more significant number of schools may not have sufficient reserves available to set a balanced budget in 2023/24.
- 24 The School Funding Team will work closely with schools over the autumn term to support the financial planning process in the current and future financial years.

Dedicated Schools Grant Centrally Retained Block

- 25 The forecast outturn position for the centrally retained DSG budgets shows a projected underspend of £0.205 million, relating to the High Needs block, as detailed below:

DSG Block	Budgeted 2022/23 Budget	Forecast Outturn	Forecast Over / (Under) Spend
	£m	£m	£m
High Needs	76.267	76.062	-0.205
Early Years	29.374	29.374	0
Central Schools Services	2.860	2.860	0
TOTAL	108.501	108.296	-0.205

- 26 The forecast underspend position shown against the High Needs block reflects the continuing effort to reduce the High Needs Block cumulative deficit, however it should be noted that a fuller understanding of

pressures linked to top-up funding will only become clearer once the new academic year begins. The council continues to work towards reducing the high needs block deficit position.

- 27 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.
- 28 The impact of the current forecast on the DSG reserves position is shown in the following table:

DSG Reserves	High Needs Block (Unusable Reserve)	Early Years Block	Schools Block	Total DSG
	£m	£m	£m	£m
Balance as at 1 April 2021	-8.047	1.375	2.749	-3.923
Use / Contribution in 2021/22	-0.796	-0.719	-0.348	-1.863
Balance as at 1 April 2022	-8.843	0.656	2.401	-5.786
Use / Contribution in 2022/23	0.205	0.000	0.000	0.205
Forecast balance as at 1 April 2023	-8.638	0.656	2.401	-5.581

- 29 The overall DSG reserve was in a net deficit position of £5.786 million at the start of the financial year – primarily due to the accumulated £8.843 million deficit position in relation to the high needs block. The overall deficit position is forecast to decrease slightly to £5.581 million to the year end.
- 30 An updated 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 April 2022.
- 31 The latest financial forecasts indicate significant increased expenditure across top-up funding, Pupil Referral Unit and Educational Health Needs areas compared to that include in the five-year plan in April. It is however, anticipated that these pressures can be managed within the funding available for the current financial year, although this will impact on the timing of the recovery of the HNB deficit.
- 32 A review of the current programme of work is taking place in the autumn and this will also include a workshop with Schools Forum. In addition, Durham is identified as one of the 55 local authorities with HNB deficits to work with the DfE on its Delivering Better Value programme.

Capital Programme

- 33 The capital programme has been revised to take into account budget reprofiled from 2021-22 following the final accounts for that year and to take account of any revisions in the current year.
- 34 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. Summary financial performance to the end of Qtr. 1 is shown below:

CYPS	Actual 30-Jun- 22 £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m	2025/26 Budget £m	Total Capital Prog. £m
PFI	-0.001	0	0	0	0	0
BSF	0	0.045	0.335	0	0	0.380
Support For Childs Homes	0.313	1.952	1.646	0	0	3.598
AAP Scheme	0	0.005	0	0	0	0.005
Planning & Service Strategy	0.021	0.617	0.100	0	0	0.717
Education-Early Years	0	0.001	0	0	0	0.001
30 Hours Free Childcare	0.003	0.019	0	0	0	0.019
School Devolved Capital	0.535	3.503	1.200	0	0	4.703
DFE School Capital Inc Basic Need	1.177	35.164	37.784	2.710	0	75.658
DFE Special Provision Capital Fund	0	0.628	0	0	0	0.628
CYPS - High Needs Capital	0	2.314	0	0	0	2.314
Secure Services	0.321	1.127	0.427	0	0	1.554
Total	2.369	45.375	41.492	2.710	0	89.577

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

Subjective Budget Heading	Revised Annual Budget £m	YTD Actual £m	Forecast Outturn £m	Variance £m	Items Outside Cash Limit £m	Inflationary Pressures £m	Cash Limit Variance £m
Employees	87.169	19.786	84.376	-2.793			-2.793
Premises	4.411	1.240	4.861	0.450		-0.352	0.098
Transport	25.415	4.103	26.855	1.440		-1.283	0.157
Supplies and Services	11.299	4.525	12.367	1.068			1.068
Third Party Payments	45.284	8.744	49.289	4.005			4.005
Transfer Payments	1.560	0.628	1.311	-0.249			-0.249
Capital	20.482	0	20.482	0			0
Central Support	25.653	1.221	26.336	0.683			0.683
DRF	0.023	0	0.023	0			0
Grant	-21.194	-6.642	-21.072	0.122			0.122
Contributions Summary	-4.001	-0.595	-4.302	-0.301			-0.301
Sales Summary	-0.071	-0.011	-0.081	-0.010			-0.010
Charges	-16.862	-2.564	-15.664	1.198			1.198
Rents	-0.560	-0.084	-0.372	0.188			0.188
Recharges	-33.264	-8.686	-32.417	0.847			0.847
Other Income Summary	-0.023	-0.107	-0.171	-0.148			-0.148
Total	145.321	21.558	151.821	6.500	0	-1.635	4.865