

# Children and Young People's Overview and Scrutiny

9 January 2023



## Children and Young People's Services – Quarter 2: Forecast of Revenue and Capital Outturn 2022/23

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### 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 September 2022.

#### Executive summary

- 2 Children and Young People's Services is reporting a cash limit overspend of £12.832 million against a revised budget of £145.162 million which represents an 8.9% overspend. This compares to a forecast overspend of £4.865 million, or 3.3%, at Q1.
- 3 In arriving at the cash limit position, inflation costs of £4.000 million in relation to Home to School transport and £0.233 million on energy have been excluded. Pay award costs of £2.746 million (£1.537 million following general contingencies provision) have also been excluded along with £0.161 million in respect of the reversal of the increase to National Insurance rates.
- 4 There is an overall anticipated net use of earmarked reserves of £15.245 million, leading to a revised balance of £37.122 million at the year end, of which £16.015 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 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 - £145.162 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
<b>Permanent</b>	<b>£m</b>	<b>£m</b>
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	
Q2 Centralisation of Repairs and Maintenance		-£0.241
Q2 Transfer from AHS – Navigation Team	£0.083	
<b>Sub-total permanent changes</b>	<b>£1.730</b>	<b>-£0.312</b>
<b>Temporary</b>	<b>£m</b>	<b>£m</b>
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	
<b>Sub-total temporary changes</b>	<b>£1.430</b>	<b>£0.00</b>
<b>Total changes</b>	<b>£3.160</b>	<b>-£0.312</b>
<b>Net budget change</b>	<b>£2.848</b>	

- 9 The summary financial statements contained in the report cover the financial year 2022/23 and show:
- the approved annual budget;
  - the actual income and expenditure as recorded in the Council's financial management system;
  - the variance between the annual budget and the forecast outturn;
  - 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 £12.832 million against a revised budget of £145.162 million which represents an 8.9% 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	Forecast Outturn	Variance	Pay Award	Inflation Pressures	Cash Limit Variance
	£m	£m	£m	£m	£m	£m
Head of Social Care	82.015	94.352	12.337	-0.804	-0.076	11.457
Education and Skills	39.052	44.701	5.649	-0.064	-4.029	1.556
EHIVC	6.368	6.720	0.352	-0.321	-0.240	-0.209
Operational Support	1.915	1.963	0.048	-0.020	0	0.028
Central Charges	15.811	15.818	0.007	0	-0.007	0
<b>Total</b>	<b>145.162</b>	<b>163.554</b>	<b>18.393</b>	<b>-1.209</b>	<b>-4.352</b>	<b>12.832</b>

- 12 The outturn position incorporates the MTFP savings of £0.365 million built into the 2022/23 budgets.
- 13 The projection factors in forecast overspends within Head of Social Care of £11.457 million, Education of £1.556 million and Operational Support of £28,000, and an underspend in Early Help, Inclusion and Vulnerable Children of £0.209 million, with further details provided below.

- 14 Head of Social Care is forecast to be a net £11.457 million over budget for the year. A major part of this is a forecast overspend of £13.253 million against budgets for the cost of placements for children looked after where demand continues to rise.
- 15 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. As at 26 September 2022 there were 1,028 Children Looked After, which is an increase of 45 on the figure of 983 at the end of June 2022.
- 16 Education is reporting an overspend of £1.556 million after taking account of inflationary pressures and estimated pay award adjustments of £4.095 million to be funded corporately.
- 17 An overspend of £0.758 million against the Home to School Transport budget is forecast, after taking account of £4.000 million as inflationary pressures to be funded corporately. In addition to inflationary pressures affecting contract prices, there has also been an increase in the number of contracts reflecting changes in demand.
- 18 A forecast shortfall of £2.041 million against income budgets, of which £0.752 million relates to Service Level Agreements with schools.
- 19 These overspends are to some extent offset by a saving of £1.131 million against employee budgets, which results in the main from staffing restructures designed to address income shortfalls and implemented from 1 September 2022, along with other vacancies across the service.
- 20 There is a forecast overspend of £28,000 for Operational Support resulting from a shortfall in recharge income.
- 21 Early Help, Inclusion and Vulnerable Children is reporting an underspend of £0.209 million, which reflects an underspend of £0.570 million against employee budgets across the service, offset by an overspend of £0.359 million for Aycliffe Secure Centre.
- 22 The overspend for Aycliffe Secure Centre is the result of an underachievement of income of £0.932 million and an overspend against energy budgets of £0.153 million, offset by underspends in employees of £0.323 million and the use of £0.403 million of reserves.
- 23 The forecast cash limit outturn shows the position after a net £2.257 million use of reserves. The main reserves used are as follows;

- (a) £0.542 million drawdown from the Corporate ER/VR reserve to fund agreed redundancies across the service
- (b) £0.403 million drawdown from Aycliffe Secure Centre reserve to fund increased service delivery costs and under recovery of income.
- (c) £0.252 million drawdown from the Durham Enable reserve to part fund the Durham Enable employment initiative.
- (d) £0.238 million drawdown from the Emotional Wellbeing Reserve to fund projects in 2022/23 and increased employee costs
- (e) £0.184 million drawdown from the PAUSE reserve to fund the programme in 2022/23.
- (f) £0.173 million drawdown from the Integrated Rapid Response Service reserve to fund additional staffing resources.
- (g) £0.168 million drawdown from the Music Service reserve to fund additional staffing resources.
- (h) £0.132 million drawdown from the Mental Health Support reserve to fund the employee and support costs of the Mental Health Support project.
- (i) £0.110 million drawdown from the Supporting Solutions reserve to fund additional staffing resources to increase referral capacity.
- (j) £0.108 million drawdown from the Mental Health Counselling reserve to fund service delivery and increased employee costs

24 Taking the forecast outturn position into account, there is a forecast £12.832 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**

- 25 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.
- 26 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
<b>Gross expenditure</b>	<b>5.226</b>	<b>177.407</b>	<b>32.309</b>	<b>40.419</b>	<b>255.361</b>
Income	-3.883	-43.804	-6.290	-8.037	-62.014
<b>Net expenditure</b>	<b>1.343</b>	<b>133.603</b>	<b>26.019</b>	<b>32.382</b>	<b>193.347</b>
Budget share	1.072	128.305	25.390	31.259	186.026
<b>Reserves</b>	<b>0.271</b>	<b>5.298</b>	<b>0.629</b>	<b>1.123</b>	<b>7.321</b>
Balance at 31 Mar 2022	0.833	21.260	3.842	2.717	28.652
<b>Balance at 31 Mar 2023</b>	<b>0.562</b>	<b>15.962</b>	<b>3.194</b>	<b>1.597</b>	<b>21.331</b>

27 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.

28 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

29 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 2 is shown in the following table:

Subjective Budget Heading	Original Budget	Quarter 2 Forecast	Forecast to Budget Variance
	£ million	£ million	£ million
Employees	203.927	221.541	17.614
Premises	13.485	18.061	4.576
Transport	2.001	2.340	0.339
Supplies	35.948	39.585	3.637
<b>Gross expenditure</b>	<b>255.361</b>	<b>281.527</b>	<b>26.166</b>
Income	-62.014	-77.064	-15.050
<b>Net expenditure</b>	<b>193.347</b>	<b>204.463</b>	<b>11.116</b>
Budget share	186.026	191.826	5.800
<b>Use of reserves</b>	<b>7.321</b>	<b>12.637</b>	<b>5.316</b>
Balance at 31 March 2022	28.652	28.652	0
<b>Balance at 31 March 2023</b>	<b>21.331</b>	<b>16.015</b>	<b>-5.316</b>

- 30 In overall terms, the forecast use of reserves of £12.637 million is worse than the original budget position, however it does reflect an improved position from quarter one, when schools were forecasting to require £17.673 million of reserves to balance the in-year financial position.
- 31 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) increased electricity and gas provided via NEPO estimated outcomes (based on limited known detail regarding support to businesses on government announced energy cap);
  - (d) impact of inflation on supplies and provisions (particularly food products) has been considered with individual schools;
  - (e) income forecasts have been reviewed and updated to include the latest available information, particularly for SEND funding;
  - (f) no additional grant income is included in the forecast to cover costs associated with pay awards at this stage;
  - (g) budget share increase of £5.800 million from original budget as a result of the finalisation of The Woodlands Pupil Referral Unit

budget for this year (£3 million higher) and increases for the vast majority of schools for the allocation of NNDR charges.

- 32 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.
- 33 The council 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**

- 34 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:

<b>DSG Block</b>	<b>Budgeted 2022/23 Budget</b>	<b>Forecast Outturn</b>	<b>Forecast Over / (Under) Spend</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
High Needs	76.267	76.517	0.250
Early Years	29.374	29.374	0
Central Schools Services	2.860	2.860	0
<b>TOTAL</b>	<b>108.501</b>	<b>108.296</b>	<b>0.250</b>

- 35 The forecast overspend position shown against the high needs block relates to the following main areas:
- (a) forecast overspend of £0.668 million against the budget for Special School provision, which largely results from the provision of additional places across the school's sector during the year;
  - (b) forecast overspend of £0.249 million against the budget for placements in Independent and Non-Maintained Special Schools;
  - (c) forecast underspend of £0.380 million against budgets for Early Years Provision;
  - (d) forecast underspend of £0.180 million against the budget allocation for Investment Support Fund;
  - (e) forecast underspend of £0.100 million against the budget for Targeted Support Funding in mainstream schools.



- 36 An updated five-year plan 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.
- 37 This plan is now being updated to include the latest forecast of outturn position, revised inflation forecast for future years, and the recent funding announcements.
- 38 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.
- 39 A review of the current programme of work is also 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.
- 40 The impact of the current forecast on the DSG reserves position is shown in the following table:

<b>DSG Reserves</b>	<b>High Needs Block (Unusable Reserve) £ million</b>	<b>Early Years Block £ million</b>	<b>Schools Block £ million</b>	<b>Total DSG £ million</b>
<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 21/22	-0.796	-0.719	-0.348	-1.863
<b>Balance as at 1 April 2022</b>	<b>-8.843</b>	<b>0.656</b>	<b>2.401</b>	<b>-5.786</b>
Forecast Use / Contribution in 20/21	-0.250	0	0	-0.250
<b>Forecast balance as at 1 April 2023</b>	<b>-9.048</b>	<b>0.656</b>	<b>2.401</b>	<b>-5.991</b>

- 41 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 increase to £5.991 million to the year end.

### **Capital Programme**

- 42 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.
- 43 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 Quarter 2 is shown below:

<b>CYPS</b>	<b>Actual 31/08/2022 £</b>	<b>2022/23 Budget £</b>	<b>2023/24 Budget £</b>	<b>2024/25 Budget £</b>	<b>Total Capital Prog. £</b>
PFI	46,050	-	-	-	-
BSF	-	44,985	335,233	-	380,218
Support For Childs Homes	323,705	1,951,678	1,645,875	-	3,597,553
AAP Scheme	693	4,930	-	-	4,930
Planning & Service Strategy	156,240	617,313	100,000	-	717,313
Increased Provision for Two Year Olds	-	-	-	-	-
EHIVC-One Point	-	-	-	-	-
Early Intervention & Involvement	-	-	-	-	-
Education-Early Years	-	582	-	-	582
30 Hours Free Childcare	3,000	19,435	-	-	19,435
School Devolved Capital	872,670	3,503,349	1,200,000	-	4,703,349
DFE School Capital Inc Basic Need	3,750,546	35,163,864	37,783,662	2,710,000	75,657,526
DSG Structural Maintenance	-	-	-	-	-
DFE Special Provision Capital Fund	-	627,893	-	-	627,893
CYPS - High Needs Capital Provision	14,793	2,314,122	-	-	2,314,122
Secure Services	454,489	1,127,236	427,106	-	1,554,342
<b>Total</b>	<b>5,622,187</b>	<b>45,375,387</b>	<b>41,491,876</b>	<b>2,710,000</b>	<b>89,577,263</b>

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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	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
<b>Total</b>	<b>145.321</b>	<b>21.558</b>	<b>151.821</b>	<b>6.500</b>	<b>0</b>	<b>-1.635</b>	<b>4.865</b>