

Children and Young People's Overview and Scrutiny

26 April 2023



Children and Young People's Services – Quarter 3: 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 December 2022.

Executive summary

- 2 Children and Young People's Services is reporting a cash limit overspend of £13.832 million against a revised budget of £145.162 million which represents a 9.53% overspend. This compares to a forecast overspend of £12.832 million, or 7.88%, at Q2.
- 3 In arriving at the cash limit position, inflation costs of £4.000 million in relation to Home to School transport and £0.102 million on energy have been excluded. Pay award costs of £2.381 million have also been excluded.
- 4 Expenditure on capital works as of the end of December is £10.523 million. The revised budget for 2022/23 is £18.048 million.

Recommendation(s)

- 5 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

6 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 - £18.048 million (original £37.802 million).

7 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	
Q2 Centralisation of Repairs and Maintenance		-£0.241
Q2 Transfer from AHS – Navigation Team	£0.083	
Sub-total permanent changes	£1.730	-£0.312
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	£0.00
Total changes	£3.160	-£0.312
Net budget change	£2.848	

- 8 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

- 9 The Children and Young People's Services service is reporting a cash limit overspend of £13.832 million against a revised budget of £145.162 million which represents a 9.53% overspend.
- 10 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	95.960	13.945	-1.602	-0.050	12.293
Education and Skills	38.838	44.093	5.255	-0.113	-4.230	0.912
EHIVC	6.368	7.865	1.497	-0.623	-0.159	0.715
Operational Support	1.915	1.956	0.041	-0.041	0	0
Central Charges	16.026	15.943	-0.083	0	-0.005	-0.088
Total	145.162	165.817	20.655	-2.379	-4.444	13.832

- 11 The outturn position incorporates the MTFP savings of £0.365 million built into the 2022/23 budgets.
- 12 The projection factors in forecast overspends within Social Care of £12.293 million, Education of £0.912 million and Early Help, Inclusion and Vulnerable Children of £0.715 million and further details on each area are provided below.

- 13 The Head of Children's Social Care is forecasting a net £12.293 million overspend for the year. A major part of this is a forecast overspend of £13.786 million against budgets for the cost of placements for children looked after, where demand and placement costs continue to rise. This compares to a forecast overspend of £13.256 million at Q2.
- 14 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. The budget for this area for 2022/23 has increased by £4.23 million, which is the sum of £2.29 million base budget growth, £1.16 million inflationary budget increase and £0.78 million internal budget transfers.
- 15 As of 31 December 2022 there were 1,034 Children Looked After (CLA), which continues a trend of growth in demand in this area as illustrated in the table below:

Date	Number of CLA
June 2021	943
September 2021	912
December 2021	924
March 2022	982
June 2022	983
September 2022	1,028
December 2022	1,034

- 16 The Head of Education is reporting an overspend of £0.912 million after taking account of inflationary pressures and estimated pay award adjustments of £4.158 million to be funded corporately.
- 17 An overspend of £4.971 million against the Home to School Transport budget is forecast (compares to £4.758 million at Q2). This has a CYPS cash limit impact of £0.971 million after taking account of £4.000 million as an agreed inflationary pressure to be covered corporately.
- 18 There is a forecast shortfall of £0.766 million against income budgets for Service Level Agreements with schools and a forecast shortfall of £0.481 million against income budgets relating to various income streams, such as Durham Leadership Centre lettings and course fee income.
- 19 An overspend of £0.133 million is forecast against general supplies and services and premises budgets.

- 20 These overspends are to some extent offset by a saving of £1.121 million against employee budgets, which is largely the result of staffing restructures in Support and Development and School Places and Admissions, implemented from 1 September 2022. There are also vacancies across the Education service that are contributing to this underspend.
- 21 Further savings of £0.318 million have been forecast against the budget for historical pension liabilities (£0.210 million) and activity budgets with the Early Years team (£0.108) million.
- 22 The Head of Early Help, Inclusion and Vulnerable Children (EHIVC) is reporting an overspend of £0.715 million.
- 23 The major factor is in relation to Aycliffe Secure Centre (ASC) where a cash limit overspend of £1.577 million is forecast. The cash limit overspend reported is after assuming the full use of the ASC reserve of £0.403 million to partially fund the overspend.
- 24 The overspend is largely attributable to a shortfall of £1.397 million against income budgets where it has not been possible to achieve the previously forecast level of occupancy due to difficulties with recruitment and retention of staff.
- 25 There is also an overspend of £0.216 million against premises budgets as a result of a combination of high energy costs and repair work to buildings.
- 26 The remaining service areas in EHIVC are reporting a combined underspend of £0.862 million mainly attributable to underspends against employee budgets of £1.066 million, due to the management of vacant posts, and £0.133 million resulting from low usage of remand beds. These underspends are partially offset by a shortfall against of SLA income budgets.
- 27 It is forecast that expenditure will be in line with budget for the Operational Support area of the service.
- 28 The forecast cash limit outturn shows the position after a net £3.541 million use of reserves. The main reserves used are as follows;
- (a) £1.665 million drawdown from the Corporate ER/VR Reserve to fund agreed redundancies across the service;
 - (b) £0.403 million drawdown from the Aycliffe Secure Centre Reserve;

- (c) £0.327 million drawdown from the Progression and Learning Reserve;
 - (d) £0.177 million use of the Integrated Rapid Response Reserve;
 - (e) £0.162 million Music Service reserve to fund inflationary pressures and equipment repairs;
 - (f) £0.153 million drawdown from the PAUSE Reserve;
 - (g) £0.135 million drawdown from the Mental Health Support reserve to fund the employee and support costs of the Mental Health Support project.
- 29 No budget transfers have been actioned in the third quarter.
- 30 Taking the forecast outturn position into account, there is a forecast £13.832 million deficit cash limit reserve balance at 31 March 2023. This will, as in previous years, need to be funded by the application of general reserves.

Dedicated Schools Grant and Schools

- 31 The council currently maintains 161 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.
- 32 The original budget for 2022/23 for 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

33 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.

34 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

35 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 3 is shown in the following table:

Subjective Budget Heading	Original Budget	Quarter 3 Forecast	Forecast to Budget Variance at Quarter 3
Employees	203.927	215.822	11.895
Premises	13.485	19.833	6.348
Transport	2.001	2.457	0.456
Supplies	35.948	39.547	3.599
Gross expenditure	255.361	277.659	22.298
Income	-62.014	-77.988	-15.974
Net expenditure	193.347	199.671	6.324
Budget share	186.026	191.826	5.800
Use of reserves	7.321	7.845	0.524
Balance at 31 March 2022	28.652	28.652	0
Balance at 31 March 2023	21.331	20.807	-0.524

- 36 In overall terms, this reflects an improved position from Q2 where schools were forecasting to require £12.637 million of reserves to balance the in-year financial position.
- 37 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 a more significant number of schools may not have sufficient reserves available to set a balanced budget in 2023/24. The former Durham Community Business College converted on 1 January 2023 and once the final deficit sum required to be written off is finalised this will be charged to the Schools Reserve in line with the Cabinet decision to support the conversion of this school.
- 38 The council will work closely with schools over the spring term to support the financial planning process to set balanced budgets for 2023/24.

Dedicated Schools Grant Centrally Retained Block

- 39 The forecast outturn position for the centrally retained DSG budgets shows a projected overspend of £0.798 million, relating to the high needs block, which compares to a £0.250 million overspend forecast at Q2, as detailed below:

DSG Block	Budgeted 2022/23 Budget	Forecast Outturn	Forecast Over / (Under) Spend
	£m	£m	£m
High Needs	76.452	77.250	0.798
Early Years	32.918	32.918	0
Central Schools Services	2.910	2.910	0
TOTAL	112.280	113.078	0.798

- 40 The forecast overspend position shown against the high needs block relates to the following main areas:
- (a) forecast overspend of £1.129 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 £0.211 million on Alternative Provision;
 - (c) forecast underspend of £0.331 million against the budget allocation for Investment Support Fund;
 - (d) forecast underspend of £0.224 million against the budget for Targeted Support Funding in mainstream schools.
- 41 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. The updated outturn position at Q3 shows that the recovery plan has not delivered the financial outcomes expected in 2022/23.
- 42 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.
- 43 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.
- 44 The impact of the current forecast on the DSG reserves position is shown in the following table:

DSG Reserves	High Needs Block (Unusable Reserve) £ million	Early Years Block £ million	Schools Block £ million	Total DSG £ million
Balance as at 1 April 2021	-8.047	1.375	2.749	-3.923
Use/ Contribution in 21/22	-0.796	-0.719	-0.348	-1.863
Balance as at 1 April 2022	-8.843	0.656	2.401	-5.786
Early Years Adjustment 21/22	0	0.594	0	0.594
Forecast Use / Contribution in 20/21	-0.798	0	0	-0.798
Forecast balance as at 1 April 2023	-9.641	1.250	2.401	-5.990

45 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 £5.990 million to the year end, of which the high needs block deficit is forecast to be £9.641 million.

Capital Programme

- 46 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.
- 47 The revised budget is presented in the table at Appendix 3 together with actual expenditure to date and the forecast outturn. The budget may be subsequently amended with approval from MOWG.

Recommendation

- 48 Overview and Scrutiny Committee are requested to note the detail within the report.

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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

	Revised Annual Budget	YTD Actual	Forecast Outturn	Variance	Pay Award	Inflationary Pressures	Cash Limit Variance
	£m	£m	£m	£m	£m	£m	£m
Employees	88,264	64,447	86,454	-1,810	-2.381	-	-4,191
Premises	4,187	3,254	5,436	1,248	-	-0.444	804
Transport	26,162	19,559	32,263	6,101	-	-4.000	2,101
Supplies and Services	10,713	14,423	14,534	3,821	-	-	3,821
Third Party Payments	45,061	40,487	58,511	13,450	-	-	13,450
Transfer Payments	1,573	2,167	2,016	443	-	-	443
Capital	20,482	-	20,482	-	-	-	-
Central Support	26,792	3,288	26,615	-177	-	-	-177
DRF	23	-	143	120	-	-	120
Income-Grant	-22,766	-18,031	-25,669	-2,903	-	-	-2,903
Income-Contributions	-4,155	-3,172	-5,426	-1,271	-	-	-1,271
Income-Sales	-71	-36	-68	3	-	-	3
Income-Charges	-16,876	-9,693	-13,761	3,116	-	-	3,116
Income-Rents	-316	-197	-286	30	-	-	30
Income-Recharges	-33,888	-21,163	-35,170	-1,282	-	-	-1,282
Income-Other	-23	-281	-256	-233	-	-	-233
Total	145,162	95,052	165,818	20,656	-2.381	-4.444	13,831

Appendix 3: Forecast of CYPS capital expenditure

CYPS	Actual 31/12/2022 £	2022/23 Budget £	2023/24 Budget £	2024/25 Budget £	2025/26 Budget £	Total Capital Prog. £
PFI	49,135	48,870	-	-	-	48,870
BSF	-	-	-	380,218	-	380,218
Support For Childs Homes	569,850	796,707	2,845,535	-	-	3,642,242
AAP Scheme	972	4,930	-	-	-	4,930
Planning & Service Strategy	100,933	597,313	120,000	-	-	717,313
Education-Early Years	-	-	-	-	-	-
30 Hours Free Childcare	13,000	19,435	-	-	-	19,435
School Devolved Capital	1,844,415	2,623,882	5,023,619	-	-	7,647,501
DFE School Capital Inc Basic Need	7,121,346	12,777,507	63,325,589	7,114,838	440,239	83,658,173
DFE Special Provision Capital Fund	-	-	627,893	-	-	627,893
CYPS - High Needs Capital Provision	15,068	15,068	7,096,032	-	-	7,111,100
Secure Services	808,284	1,164,481	427,106	-	-	1,591,587
Total	10,523,002	18,048,193	79,465,774	7,495,056	440,239	105,449,262