

Children and Young People's Overview and Scrutiny

22 September 2023



Children and Young People's Services – Final Outturn Revenue and Capital Outturn 2022/23

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 2022/23 was a cash limit overspend of £14.252 million for the year, representing circa 9.8% of the total net revenue budget for CYPS. This compares to a forecast cash limit overspend at quarter three of £13.832 million.
- 3 The final position takes into account sums outside the cash limit, including redundancy costs which are met from the corporate reserve, capital accounting entries and use of / contributions to earmarked reserves. Inflationary pressures on energy (£0.102 million) and transport contract prices (£3.000 million) have been excluded from the cash limit outturn. In addition, the 2022/23 pay award costs of £2.380 million have also been excluded from the cash limit outturn.
- 4 Other costs outside the cash limit including central support, accommodation costs, capital entries and additional items funded via corporate contingencies totalling £18.751 million have also been excluded.
- 5 The outturn position includes overspends within Head of Social Care (£13.930 million), Early Help, Inclusion and Vulnerable Children (£0.358 million) and Central Charges (£24,000) budgets and underspends within Education and Skills of £38,000 and Operational Support of £23,000.
- 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 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 2022/23 at its meeting on 23 February 2022. These budgets have since been revised to account for grant additions/reductions, budget transfers, and budget re-profiling between years as well as corporately recognised budget pressures.
- 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:

	Transfers in	Transfers out
Permanent changes	£1.730	-£0.312
Temporary changes	£1.430	£0
Total changes	£3.160	-£0.312
Net budget change	£2.848	

- 10 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

- 11 The revenue outturn for 2022/23 was a cash limit overspend of £14.252 million for the year, representing circa 9.8% of the total net revenue budget for CYPS. This compares to a forecast cash limit overspend at quarter three of £13.832 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 £million	Final Outturn £million	Variance £million	OCL £million	Pay Award £million	Inflation Pressures £million	Cash Limit Variance £million
Head of Social Care	82.015	98.120	16.105	-0.497	-1.660	-0.019	13.929
EHIVC	6.368	7.935	1.567	-0.509	-0.625	-0.073	0.360
Education and Skills	38.838	45.526	6.688	-3.362	-0.113	-3.252	-0.039
Operational Support	1.915	2.178	0.263	-0.245	-0.041	0	-0.023
Central Charges	15.977	14.477	-1.500	1.530	-0.001	-0.004	0.025
HoSC Excluded	0.049	0.049	0	0	0	0	0
Total	145.162	168.285	23.123	-3.083	-2.440	-3.348	14.252

- 13 The final position takes into account sums outside the cash limit, including redundancy costs which are met from the corporate reserve, capital accounting entries and use of / contributions to earmarked reserves. Inflationary pressures on energy (£0.102 million) and transport contract prices (£3.000 million) have been excluded from the cash limit outturn. In addition, the 2022/23 pay award costs of have also been excluded from the cash limit outturn.
- 14 Other costs outside the cash limit including central support, accommodation costs, capital entries and additional items funded via corporate contingencies have also been excluded.
- 15 The outturn position includes overspends within Head of Social Care (£13.930 million), Early Help, Inclusion and Vulnerable Children (£0.358 million) and Central Charges (£24,000) budgets and underspends within Education and Skills of £38,000 and Operational Support of £23,000. Further details are shown below:
- (a) The final outturn against the Head of Social Care budget is an overspend of £13.930 million. The main factor being an overspend of £15.247 million against the budget for placements for children looked after, which compares to a forecast overspend of £13.786 million in this area at quarter three.

- (b) As at 31 March 2023 there were 1,067 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 2022	982
June 2022	983
September 2022	1,028
December 2022	1,034
March 2023	1,067

- (c) 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.
- (d) Underspends of circa £1.300 million across other Social Care budgets partially offset the overspend position on the placement budget and these relate mainly to employee budgets as a result of vacant posts within the service.
- (e) Early Help, Inclusion and Vulnerable Children (EHIVC) had an overspend of £0.358 million against budget.
- (f) The major factor relates to Aycliffe Secure Centre where there was a cash limit overspend of £1.448 million. This overspend is after full use of Aycliffe Secure Centre's earmarked reserve of £0.403 million.
- (g) The overspend is largely attributable to a shortfall of £1.526 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. An additional £1.013 million shortfall against income budget is attributable to Maple House, which could not be opened as scheduled due to delays in construction works and Ofsted registration.
- (h) The shortfall against budgeted income is partially offset by reduced staffing costs, which were £0.434 million under budget for the main centre and £0.553 million under budget for Maple House.
- (i) There is also an overspend of £0.291 million against premises budgets as a result of a combination of high energy costs and repair work to buildings.

- (j) The remaining service areas in EHIVC had an underspend of £1.040 million, mainly attributable to underspends against employee budgets of £1.240 million, due to the management of vacant posts, and £0.144 million as a result of low usage of remand beds. These underspends are partially offset by a shortfall against of SLA income budgets.
- (k) Education had an underspend of £38,000 after taking account of inflationary pressures and the pay award adjustment of £3.118 million which was funded corporately.
- (l) The Home to School Transport budget overspend was £3.846 million, which is an improvement on the £4.971 million overspend anticipated at quarter three, which has a CYPs cash limit impact of £0.846 million after taking account of £3.000 million as an agreed inflationary pressure to be funded corporately.
- (m) There was a shortfall of £0.797 million against income budgets for Service Level Agreements with schools and a shortfall of £0.549 million against income budgets relating to various income streams, such as Durham Leadership Centre lettings and course fee income.
- (n) These overspends were however offset by a saving of £1.104 million against employee budgets, which is largely as a result of staffing restructures in Education Durham, implemented from 1 September 2022. There were also vacancies across the wider Education service that contributed to this underspend.
- (o) Further savings against budget of £1.126 million have been achieved against various areas across the service, including in Early Years Service where there is an underspend of £0.504 million against activity and sustainability budgets, in Education Durham as a result of additional one-off income streams of £0.413 million and an underspend of £0.187 million against pension liability budgets across the service.
- (p) Operational Support is reporting an underspend of £23,000 against employee budgets due to vacancies within the service.
- (q) Central Charges is reporting an overspend of £24,000 relating to an increase in the provision for bad debt.

16 In arriving at the outturn position and further to the quarter three forecast of outturn report, a net £2.800 million relating to contributions to and from reserves has been excluded from the cash limit outturn.

- 17 Taking the outturn position into account, including the transfers to/from reserves in year, the cash limit reserve balance for CYPS is a £14.252 million deficit as at 31 March 2023
- 18 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

- 19 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.
- 20 As with the council, during 2022/23 schools faced a range of unfunded inflationary pressures, for pay awards and energy costs which have outstripped the initial budget planning assumptions.
- 21 The final position for all maintained schools for 2022/23 is shown in the following table:

Subjective Budget Heading	Original	Final	Variance
	£ million	£ million	£ million
Employees	203.927	215.355	11.428
Premises	13.485	16.822	3.337
Transport	2.001	2.732	0.731
Supplies	35.948	38.624	2.676
Central Support & Other	0.000	0.325	0.325
DRF	0.000	0.512	0.512
Gross expenditure	255.361	274.370	19.009
Income	-62.014	-82.121	-20.107
Net expenditure	193.347	192.249	-1.098
Budget share	186.026	191.826	5.800
Use of reserves	7.321	0.423	-6.898
Balance at 31 March 2022	28.652	28.652	-
Balance at 31 March 2023	21.331	28.229	-6.898

- 22 The final position has improved since the quarter three forecasts, when schools were forecasting, they would need to use £7.746 million of their

reserves. The final position has resulted in the use £0.423 million of reserves, which is an improvement on the original budget figure of £6.898 million.

- 23 The original budget included five schools which have converted to academy during the financial year. One of these schools was The Durham Academy (formerly Durham Community Business College) which had a deficit of £0.662 million upon conversion. The other four schools converted with combined reserves totalling £0.790 million.
- 24 The use of £0.423 million reserves within the year relates to the 161 schools maintained as at 31 March 2023.
- 25 The positive change in the financial position between the quarter three forecast and final outturn reflects:
 - (a) Significant work carried out by council teams working closely with schools to provide advice and guidance on the management of budgets and to support action that schools have taken to balance their financial position in year;
 - (b) Energy cost being below previously forecasted amounts;
 - (c) Additional levels of income received by schools from fees and charges;
 - (d) Interest income of circa £0.700 million across all schools with a surplus balance. This income was higher than the level received in previous years due to higher interest rates;
 - (e) Additional grant income received by schools
- 26 The position at individual school level shows that 11 of the 161 maintained schools are in a deficit position at the end of the financial year. The cumulative deficit for these 11 schools is £3.371 million, of which £2.777 million relates to Wellfield School which converted to academy status on 1 June 2023 and was previously the subject of a Cabinet report in March 2023. The deficit at the point of transfer will be written off by utilising the earmarked Schools Reserve, which has a balance of £5.244 million at 31 March 2023.
- 27 Whilst the overall use of reserves for the 161 maintained schools was £0.423 million, the majority of schools needed to use some reserves to balance their financial position in 2022/23. This is illustrated in the tables below:

Number Schools	Nursery	Primary	Secondary	Special	Total
Use of reserves	8	81	2	3	94
Contribution to	3	55	3	6	67
Total	11	136	5	9	161
Use of reserves	-0.174	-2.930	-0.368	-0.838	-4.309
Contribution to	0.130	1.899	0.891	0.970	3.886
Net (Use) of or	-0.044	-1.031	0.523	0.132	-0.423

- 28 Given that 94 schools (circa 60%) needed to cumulatively use £4.309 million of reserves during the 2022/23 financial year to balance their financial position, it is not surprising that the budget setting process for 2023/24 was challenging for many schools.
- 29 Schools can set a budget with an in-year deficit, providing that they have enough surplus retained balances (reserves) carried forward to do so without this resulting in the school having a net deficit balance at the end of the financial year.
- 30 Where a school cannot do this and therefore wishes to set a licensed deficit, it must have permission from the council's Corporate Director of Resources – the statutory Responsible Financial Officer (s.151 officer) to do so.
- 31 There are six schools that have set a licensed deficit budget for 2023/24 and these are detailed below:

School	Reserve balance at 31-Mar-23	Forecast reserve balance at 31-Mar-24	Forecast reserve balance at 31-Mar-25
Oxclose Nursery School	-£65,633	-£33,722	£43,283
Peases West Primary School	-£58,758	-£32,011	£30,587
Ferryhill Station Primary	-£26,896	-£24,050	-£19,500
Horndale Infant School	-£17,238	-£17,001	-£11,850
Langley Moor Nursery	£4,119	-£16,663	£1,118
The Meadows	-£290,722	-£92,772	£20,728
Total	-£455,128	-£216,219	-£64,366

Dedicated Schools Grant Centrally Retained Block

32 The 2022/23 outturn for centrally retained DSG budgets was a net overspend of £1.346 million as shown in the table below:

DSG Block	Budget £ million	Outturn £ million	Over / (Under) Spend £ million
High Needs	76.418	76.210	-0.208
Early Years	31.847	31.781	-0.066
Central Schools Services	2.910	2.824	-0.086
De-delegated	0.283	0.569	0.286
Schools	-	1.420	1.420
TOTAL	111.458	111.411	1.346

- 33 The underspend on the High Needs Block is in contrast to the quarter three forecast, where a £0.798 million overspend was anticipated and relates to the following main areas:
- (a) An overspend of £1.509 million against the budget for Special School provision, which reflects the provision of additional places across schools in Durham in excess of those provided for in the budget;
 - (b) An underspend of £0.898 million against central service budgets of £4.266 million, including an underspend of £0.709 million against the Investment Support Fund budget of £1.077 million;
 - (c) An underspend of £0.473 million against the budget of £10.723 million for provision in independent and non-maintained special schools and further education colleges; and
 - (d) An underspend of £0.364 million against the budget of £17.728 million for provision in mainstream settings.
- 34 This is the first year that there has been an underspend against the High Needs Block allocation in Durham since 2015/16. The underspend will be used to reduce the cumulative deficit position.
- 35 A five-year plan for high needs block funding and expenditure, including reducing the accumulated deficit by the end of the five-year period, was approved by Cabinet in April 2022.
- 36 This plan is now being updated to reflect the final outturn position and changes to future year forecasts, which are being developed as part of the DfE's Delivering Better Value Programme (DBV).

- 37 A review of the current programme of work is also taking place in the autumn and this follows a workshop with Schools Forum in the autumn.
- 38 The underspend of £66,000 on the Early Years Block relates to a combination of the following three elements:
- (a) Additional funding received in 2022/23, relating to 2021/22 of £0.594 million;
 - (b) The planned distribution of £0.846 million of accumulated Early Years Block Reserve to Early Years providers, which was distributed in the Autumn term, to Early Years settings on the basis of children accessing Early Years Pupil Premium and eligible two-year-olds; and
 - (c) An in-year underspend of £0.291 million largely relating to two-year-old entitlements where the DSG allocation has exceeded current funded hours.
- 39 Local authorities DSG Early Years National Funding Formula is calculated on the basis of the number of hours children are taking up during census week in the January prior to the beginning of the financial year (in this instance January 2022), creating an assumption of uptake. Therefore, the grant received is based on indicative hours.
- 40 This is followed by an adjustment in the following July (in this case July 2023) should there be any movement in the number of places reported in the next annual census (January 2023 census). This is to cover any additional expenditure where the number of eligible children increase beyond the original census allocation (for example new settings or an increase in numbers at an original setting) or conversely a reduction due to the closure of settings or changes to the demographics.
- 41 Any variations are picked up by DfE in the proceeding census and may result in an adjustment in the form of clawback of unused funding or additional payments for new childcare places.
- 42 The underspend of £86,000 on the Central Schools Service Block relates to an underspend against the Copyright Licences budget.
- 43 The overspend of £0.285 million on de-delegated funding relates to a planned use of reserves of £0.217 million in relation to behavioural support services, £34,000 of carried forward school contingencies expenditure and £34,000 under recovery of Trade Union duties expenditure.

- 44 The overspend of £1.393 million on the schools' block relates to a planned use of reserves in relation to school funding formula from previous years.
- 45 The impact of the outturn 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 2022	-8.843	0.656	2.401	-5.786
2021/22 Early Years Block Adjustment	-	0.594	-	0.594
Use (-) / Contribution in 2022/23	0.208	-0.528	-1.620	-1.940
Transfer to DSG Adjustment Account	8.635	-0.722	-0.781	7.132
Balance as at 31 March 2023	0.000	0.000	0.000	0.000

- 46 The overall DSG reserve was in deficit of £5.786 million at the start of the financial year, largely as a result of the accumulated deficit position in relation to the High Needs Block. The overall deficit position has increased to £7.132 million at the end of the financial year.
- 47 The movement is the net effect of planned reserves usage in relation to the school funding formula and de-delegated sums of £1.593 million, offset by underspends against the high needs and early years blocks.
- 48 Statutory override regulations now require the local authority to assess the deficit across the schools' budget. Under these regulations, it is not permissible to split up the schools' budget into its component parts, and report a surplus on the schools, central services or early years block against the deficit on the high needs block. As, collectively there was an overspend on DSG, reserve balances in their totality require transfer to the DSG unusable reserve.
- 49 The sums shown in the table above under Early Years Block and Schools Block, which previously would have been available for use have now been aligned to unusable reserves to reduce the HNB deficit position. This has the effect of artificially increasing the schools' reserves position at year end.

Capital Programme

- 50 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.

51 The revised budget is presented at Appendix 3 together with actual expenditure.

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 final outturn by subjective analysis

Subjective Heading	Revised Annual Budget £million	Outturn £million	Variance £million	OCL £million	Pay Award £million	Inflationary Pressures £million	Contingencies £million	Cash Limit Variance £million
Employees	88.266	84.233	-4.033	1.769	-2.440			-4.704
Premises	4.187	6.248	2.061	-0.808		-0.102	-0.374	0.777
Transport	26.162	30.596	4.434			-3.000		1.434
Supplies and Services	10.713	15.718	5.005				-0.005	5.000
Third Party Payments	45.061	63.394	18.333					18.333
Transfer Payments	1.573	3.318	1.745					1.745
Capital	20.482	24.974	4.492	-4.491				0.001
Central Support	26.792	31.411	4.619	-0.132				4.487
DRF	0.023	0.011	-0.012					-0.012
Expenditure sub-total	223.259	259.903	36.644	-3.662	-2.440	-3.102	-0.379	27.061
Grant	-22.766	-30.296	-7.530					-7.530
Contributions	-4.155	-5.119	-0.964					-0.964
Sales Summary	-0.071	-0.059	0.012					0.012
Charges	-17.156	-20.635	-3.479					-3.479
Rents	-0.316	-0.396	-0.080				0.132	0.052
Recharges	-33.608	-34.048	-0.440					-0.440
Other Income	-0.025	-1.061	-1.036	0.575				-0.461
Income sub-total	-78.097	-91.614	-13.517	0.575	0.000	0.000	0.132	-12.810
Total	145.162	168.289	23.127	-3.087	-2.440	-3.102	-0.247	14.252

Appendix 3: CYPS Capital final outturn

CYPS	2022/23 Capital Budget £million	2022/23 Final Outturn £million	2022/23 Variance £million	2023/24 Budget £million	2024/25 Budget £million	2025/26 Budget £million	Total Capital Prog £million
Childrens Care	0.802	0.648	-0.153	3.255	1.800	0	5.703
Planning & Service Strategy	0.597	0.343	-0.254	0.588	0.077	0	1.009
EHVC (inc. SEN Capital)	0.015	0.006	-0.009	11.446	0	0	11.452
Education-School Devolved Capital	2.624	3.614	0.990	5.410	1.100	0	10.123
Education-School Related	12.846	10.598	-2.247	63.591	33.804	9.081	117.074
Secure Services	1.164	1.000	-0.165	0.744	0	0	1.744
CYPS Total	18.048	16.210	-1.839	85.033	36.781	9.081	147.105