

# Children and Young People's Overview and Scrutiny

22 September 2023



## Children and Young People's Services – Quarter 1: Forecast of Revenue and Capital Outturn 2023/24

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

#### Purpose of the Report

- 1 To provide details of the forecast outturn 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 2023.

#### Executive summary

- 2 The 2023/24 projected outturn for CYPS, based upon the position to 30 June 2023 is a cash limit overspend of £5.078 million, representing a 3% overspend against the total revised budget for CYPS.
- 3 The cash limit outturn projection excludes forecast use of / contributions to earmarked reserves and items outside the cash limit such as redundancy costs which are met from corporate reserves. Forecast reductions in energy costs (£0.170 million), inflationary increases re Fostering Allowances (£0.590 million) and the 2023/24 Chief Officer and Apprentice pay award (£60,000) have been excluded from the cash limit outturn position.
- 4 Also excluded is £0.150 million forecasted expenditure on surplus school sites, which is to be funded from general contingencies, and £0.720 million relating to Aycliffe Secure Service unrealised income which is also being funded corporately.
- 5 The forecast outturn position includes overspends within Head of Social Care of £5.836 million and in Education and Skills of £0.220 million, with underspends forecast within CYPS Central of £0.668 million and Early Help, Inclusion and Vulnerable Children of £0.309 million.
- 6 Details of the reasons for under and overspending against relevant budget heads are disclosed in the report.

- 7 The service capital budget 2023/24 is £91.450 million with expenditure of £4.803 million as at the end June 2023.

### **Recommendation(s)**

- 8 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**

- 9 The County Council approved the Revenue and Capital budgets for 2023/24 at its meeting on 22 February 2023. 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.
- 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).
- 11 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**

- 12 The 2023/24 projected outturn for CYPS, based upon the position to 30 June 2023 is a cash limit overspend of £5.078 million, representing a 3% overspend against the total revised budget for CYPS.
- 13 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	Forecast Outturn £million	Variance £million	Pay award £million	Inflation Pressures / Use of Contingencies £million	Cash Limit Variance £million
Head of Social Care	101.441	107.899	6.458	-0.032	-0.590	5.836
EHIVC	5.656	5.749	0.093	-0.011	-0.391	-0.309
Education and Skills	41.428	41.750	0.322	-0.007	-0.095	0.220
Operational Support	2.455	2.458	0.003	-0.003	0	0
Central Charges	17.421	16.760	-0.661	-0.007	0	-0.668
HoSC Excluded	0.049	0.049	0	0	0	0
<b>Total</b>	<b>168.450</b>	<b>174.665</b>	<b>6.215</b>	<b>-0.060</b>	<b>-1.076</b>	<b>5.079</b>

14 The forecast outturn position includes overspends within Head of Social Care of £5.836 million and in Education and Skills of £0.220 million, with underspends forecast within CYPS Central of £0.668 million and Early Help, Inclusion and Vulnerable Children of £0.309 million. Further details are provided below:

- (a) Childrens Social Care is forecast to be a net £5.836 million over budget for the year. The Service is forecasting a net overspend of £5.795 million relating to the cost of placements for children looked after, after taking account of costs relating to higher rates for fostering allowances that will be met corporately.
- (b) The pressure on the budget in children's social care has been evident for a number of years now, as the number of children in the care system has increased significantly and their needs have continued to become more complex and more expensive to accommodate. The budget for this area for 2023/24 is £62.285 million, an increase of £15.232 million on the previous year.
- (c) The total number of CLA increased by 126 between June 2022 and June 2023, from 964 to 1,090 (+13%). Approximately one third of the increase (41) across this period relates to the number of Unaccompanied Asylum Seeking Children (UASC).
- (d) The costs of UASC CLA are fully funded via grant from central government and therefore there is no net increase to the forecast position due to this increase.
- (e) The increase in non-UASC placements of 85 over the period has been broadly equally split between an increase in high-cost placements (those costing over £100,000 per placement per annum) and those in lower cost placements.

- (f) The Education Service is forecast to have an overspend of £0.220 million to the year end. The main reasons for the overspend position are highlighted below:
- i. A forecast shortfall of £0.495 million against income budgets due to a drop in levels of SLA income as schools convert to academy status and reductions in lettings / courses income.
  - ii. A forecast overspend of £0.194 million relating to council run Nursery provision.
  - iii. A forecast overspend of £0.192 million relating to the write off of invoices dated prior to 2019/20, which are now deemed unlikely to be recovered. As these aged debts have previously been provided for as part of the service bad debt provision, there is an equivalent offsetting underspend reported in the Central CYPS budget.
  - iv. A forecast overspend of £64,000 relating to the Virtual School Head, largely due to a reduction in de-delegated funding for this year.
  - v. A forecast overspend of £42,000 relating to the operation of Durham Leadership Centre due to a shortfall in lettings income.
  - vi. These overspends are offset by a saving of £0.177 million against employee budgets, largely resulting from a staffing restructure in Education Durham that will be implemented from September 2023, as well as other vacancies across the Education service.
  - vii. There are also further underspends in the following areas of the Education budget:
    - £0.220 million against the Early Years Sustainability budget;
    - £0.219 million against Pension Liabilities budgets;
    - £0.160 million saving on against Early Years administration budgets.
  - viii. There is no anticipated cash limit impact for the Progression and Learning service after the net use of reserves.

- ix. A significant part of this service is funded by European (ESF) grants that will end on 31 December 2023. There will be ongoing costs beyond this point and a prudent forecast of those staff continuing in post beyond 31 December 2023 has been made and an assumption included that Progression and Learning reserves will meet this cost.
  - x. An estimate of £0.200 million has also been included in the forecast for associated redundancies and these costs will be met by the corporate ER/VR reserve.
- (g) A forecast underspend of £0.668 million against Central CYPS budgets is largely as the result of a forecast reduction in the bad debt provision for the year.
  - (h) Early Help, Inclusion is forecasting an underspend of £0.309 million.
  - (i) Aycliffe Secure Centre is reporting a forecast overspend of £0.720 million however this has been classed as outside of the CYPS cash limit and will be met corporately. The overspend is largely due to difficulties with recruitment and retention of staff, which means fewer young people can be accommodated and results in reduced income levels.
  - (j) The remaining service areas in EHIVC are forecasting an underspend of £0.309 million mainly attributable to underspends against employee and activity budgets.
  - (k) It is forecast that expenditure will be in line with budget for the Operational Support area of the service.
- 15 The forecast cash limit outturn shows the position after a net £8.819 million movement to and from reserves, the major items being:
- (a) £3.410 million drawdown from Schools Reserves to write off School deficits as part of the academy transfer process.
  - (b) £3.219 million drawdown from Progression and Learning Reserves to fund the impact of ESF grant funding reductions from quarter four, with new UK Shared Prosperity Fund (UKSPF) grant allocations not being receivable until April 2024.
  - (c) £1.182 million drawdown from Childrens Social Care Reserves to fund the Holiday Activities and Food Programme, Homes for Ukraine, to fund service developments in relation to Emotional Wellbeing and to support service delivery.

- (d) £0.790 million drawdown from the Corporate ERVR reserve to fund Progression and Learning and Schools forecasted redundancies as the service is restructured to meet UKSPF grant funding levels.
  - (e) £83,000 drawdown from the AHS Social Care Reserve relating to Children’s Social Care Services.
  - (f) £75,000 million drawdown from Education Reserves in relation to various education projects; and
- 16 No budget transfers have been actioned in the first quarter.
- 17 Taking the forecast outturn position into account, there is a £5.078 million deficit cash limit reserve balance at 31 March 2024. This will, as in previous years, need to be funded corporately from the General Reserve.

### **Dedicated Schools Grant and Schools**

- 18 The council currently maintains 156 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.
- 19 The council had 161 maintained schools at the time of budget setting, however five schools have since converted to academy status.
- 20 The retained school reserves at the start of the year were a net £28.463 million, which included the five schools that have since converted and £0.239 million for schools awaiting transfer having previously converted.

<b>School</b>	<b>Reserves at 1 April 2023 £ million</b>
Wellfield School	-2.776
Vane Road Primary	0.382
Collierley Primary	0.123
Woodham Burn Primary	0.077
Easington C of E Primary	0.037
Awaiting transfer	0.239
<b>Net change due to academisation</b>	<b>-1.919</b>

- 21 The recast reserve position for the remaining 156 maintained schools at quarter one is shown in the following table:

Subjective Budget Heading	Original Budget	Quarter 1 Forecast	Forecast to Budget Variance
	£ Million	£ Million	£ Million
Employees	215.988	216.675	0.687
Premises	16.402	16.512	0.110
Transport	1.983	1.978	-0.005
Supplies	36.872	36.950	0.078
Central Support & DRF	0	0.122	0.122
<b>Gross expenditure</b>	<b>271.245</b>	<b>272.237</b>	<b>0.992</b>
Income	-74.850	-78.466	-3.723
<b>Net expenditure</b>	<b>196.395</b>	<b>193.771</b>	<b>-2.731</b>
Budget share	189.016	189.230	0.214
<b>Use of reserves</b>	<b>7.379</b>	<b>4.541</b>	<b>-2.838</b>
Revised Balance at 31 March 2023	30.382	30.382	0
<b>Forecast at 31 March 2024</b>	<b>23.003</b>	<b>25.841</b>	<b>2.838</b>

- 22 As with the council, schools are facing a range of unfunded and volatile inflationary pressures. Pay awards, for instance are forecast to outstrip the initial budget planning assumptions.
- 23 In overall terms, the quarter one forecast reflects an improved position from the original budget where these schools were forecasting to require £7.379 million of reserves to balance the in-year financial position. The updated position at quarter one is that the use of reserves figure will be £4.541 million, a reduction of £2.838 million against the original budget plans.
- 24 The quarter one position shown in the table above includes a provisional estimate of the impact on maintained primary and secondary schools of the teachers' pay award offer (6.5% from September 2023), offset by additional associated grant allocations, which were announced on 17 July 2023. Forecasts for individual schools will be updated with this information at quarter two.
- 25 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 2024/25
- 26 The council will work closely with schools over autumn term to support the financial planning process to set balanced budgets for 2024/25.

## Dedicated Schools Grant Centrally Retained Block

- 27 The forecast outturn position for the centrally retained DSG budgets shows a projected underspend of £0.245 million, as detailed below:

DSG Block	Budget £ Million	Outturn £ Million	Over / (Under) Spend £ Million
High Needs	85.751	85.506	-0.245
Early Years	34.881	34.881	0.000
Central Schools Services	2.898	2.898	0.000
<b>TOTAL</b>	<b>123.530</b>	<b>123.285</b>	<b>-0.245</b>

- 28 The forecast High Needs block (HNB) position 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 and special school places will only become clearer once the new academic year begins.
- 29 All areas of HNB expenditure will continue to be kept under close review, with particular attention on top-up funding as we move into the new academic year, and it is probable that we will continue to see an upward trend in the volume of requests for additional support for high needs pupils.
- 30 A five-year recovery 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. A review of the current programme of work is taking place alongside work with DfE through the Delivering Better Value (DBV) programme.
- 31 The DfE announced provisional High Needs DSG allocations for 2024/25 on 17 July 2023 and Durham's allocation will increase by 4.5% from the 2023/24 level. This is significantly below the average increase of 15% that has been received over the previous four years and will present a challenging funding position next year, which could impact on the recovery plan.
- 32 Early Years Funding for 2022/23 has been retrospectively adjusted in 2023/24 to reflect the latest pupil numbers included on the early year's census in January 2023.
- 33 Notification was received on 28 July 2023 that Durham's allocation was to be reduced by £0.359 million, largely relating to lower numbers of 2-year-old pupils, and therefore reducing the Early Years Block reserve from £0.722 million to £0.363 million.



34 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 (Unusable Reserve) £ Million</b>	<b>Schools Block (Unusable Reserve) £ Million</b>	<b>Total DSG (Unusable Reserve) £ Million</b>
<b>Balance as at 1 April 2022</b>	<b>-8.843</b>	<b>0.656</b>	<b>2.401</b>	<b>-5.786</b>
2021/22 Early Years Adjustment	-	0.594	-	0.594
Use/ Contribution in 2022/23	0.208	-0.528	-1.620	-1.940
<b>Balance as at 31 March 2023</b>	<b>-8.835</b>	<b>0.722</b>	<b>0.781</b>	<b>-7.132</b>
2022/23 Early Years Adjustment	-	-0.359	-	-0.359
Forecasted Use / Cont in 2023/24	0.245	-	-	0.245
<b>Balance as at 1 April 2024</b>	<b>-8.390</b>	<b>0.363</b>	<b>0.781</b>	<b>-7.246</b>

35 The overall DSG reserve was in a net deficit position of £7.132 million at the start of the financial year as a result of the accumulated deficit position in relation to the high needs block. The overall deficit position is now forecast to increase to £7.246 million to the year end.

### **Capital Programme**

36 The capital programme has been revised to take into account budget reprofiled from 2022-23 following the final accounts for that year and to take account of any revisions in the current year.

37 The revised budget is presented at Appendix 3 together with actual expenditure to date. The budget may be subsequently amended with approval from MOWG.

### **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 Heading	Revised Annual Budget £million	Forecast Outturn £million	Variance £million	OCL £million	Contingencies £million	Cash Limit Variance £million
Employees	93,479	92,830	-649	-780	0	-1,429
Premises	5,129	5,637	508	170	-241	437
Transport	36,357	36,464	106	0	0	106
Supplies and Services	12,168	17,554	5,386	0	0	5,386
Third Party Payments	63,228	68,624	5,396	-590	0	4,806
Transfer Payments	1,814	1,865	51	0	0	51
Capital	13,962	13,962	0	0	0	0
Central Support	28,686	23,936	-4,750	0	0	-4,750
DRF	-	-	-	-	-	-
<b>Expenditure sub-total</b>	<b>254,823</b>	<b>260,872</b>	<b>6,048</b>	<b>-1,200</b>	<b>-241</b>	<b>4,607</b>
Grant	-28,090	-27,298	792	0	0	792
Contributions Summary	-5,057	-5,139	-81	0	0	-81
Sales Summary	-53	-32	21	0	0	21
Charges	-18,614	-17,914	700	0	0	700
Rents	-312	-431	-119	0	130	11
Recharges	-34,223	-35,008	-785	0	0	-785
Other Income Summary	-23	-273	-249	64	0	-185
<b>Income sub-total</b>	<b>-86,372</b>	<b>-86,095</b>	<b>279</b>	<b>64</b>	<b>130</b>	<b>473</b>
<b>Total</b>	<b>168,451</b>	<b>174,777</b>	<b>6,327</b>	<b>-1,136</b>	<b>-111</b>	<b>5,078</b>

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**Appendix 3: CYPS Capital Budget 2023-24 as at 30 June 2023**


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<b>CYPS</b>	<b>Actual 30/06/2023 £million</b>	<b>Current 2023/24 Budget £million</b>	<b>Budget Future Years £million</b>
Childrens Care	0.454	3.255	1.800
EHIVC (Inc. SEN Capital)	0.006	14.178	0.000
Education-School Devolved Capital	0.768	5.466	1.100
Education-School Related	3.313	67.462	44.507
Secure Services	0.099	0.503	0.000
Planning & Service Strategy	0.163	0.588	0.077
	<b>4.803</b>	<b>91.450</b>	<b>47.484</b>