

Children and Young People's Overview and Scrutiny

20 September 2024



Children and Young People's Services – Final Outturn Revenue and Capital Outturn 2023/24

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 2023/24 was a cash limit overspend of £8.390 million for the year, representing circa 4.9% of the total net revenue budget for CYPS. This compares to a forecast cash limit overspend at quarter three of £8.104 million (4.7%).
- 3 The outturn takes into account net adjustments for sums outside the cash limit outturn such as redundancy costs which are met from corporate reserves, capital accounting entries and the use of / contributions to earmarked reserves. Inflationary adjustments in relation to energy reductions of £0.196 million, Fostering Allowance increases of £0.590 million and Pay Award budgets linked to vacancies of £0.283 million are also included in the net cash limit adjustments.
- 4 The outturn position includes overspends within Social Care of £10.670 million and underspends within Early Help, Inclusion and Vulnerable Children of £1.022 million, Education and Skills of £0.652 million, and Central of £0.604 million.
- 5 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)

- 6 Members of Overview and Scrutiny committee 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 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.
- 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	Transfer
Permanent	£m	£m
Q2 Transfer from AHS - Homefinder Team	£0.157	
Q3 Pay Award	£2.924	
Total Changes	£3.081	£0

- 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 revenue outturn position for CYPS is a cash limit overspend of £8.390 million for the year, representing a 4.9% overspend against the total revised budget for CYPS. This compares the forecast quarter three cash limit overspend forecast of £8.104 million (4.7%).
- 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	Outturn	Variance	OCL Variance	Pay award/ Pension deficit	Inflation / Contingencies	Cash Limit Variance
	£m	£m	£m	£m	£m	£m	£m
Social Care	103.815	114.774	10.960	0.047	0.205	-0.542	10.670
EHIVC	6.322	3.778	-2.544	1.650	0.069	-0.197	-1.022
Education & Skills	41.536	5.190	-36.346	36.018	0.009	-0.333	-0.652
Operational Supp	2.505	1.516	-0.989	0.989	0	0	0
Central Charges	17.304	14.774	-2.530	1.926	0	0	-0.604
Excluded	0.049	0.049	0	0	0	0	0
Total	171.531	140.081	-31.450	40.630	0.283	-1.072	8.392

- 12 The outturn takes into account net adjustments for sums outside the cash limit outturn such as redundancy costs which are met from corporate reserves, capital accounting entries and the use of / contributions to earmarked reserves. Inflationary adjustments in relation to energy reductions of £0.196 million, Fostering Allowance increases of £0.590 million and Pay Award budgets linked to vacancies of £0.283 million are also included in the net cash limit adjustments.
- 13 Other costs outside the cash limit including central support, accommodation costs, capital entries and additional items funded via corporate contingencies have also been excluded.
- 14 The outturn position includes overspends within Social Care of £10.670 million and underspends within Early Help, Inclusion and Vulnerable Children of £1.022 million, Education and Skills of £0.652 million, and Central of £0.604 million.
- 15 Social Care is a net £10.670 million over budget for the year. The Service had a net overspend of £10.749 million relating to the cost of placements for children looked after (CLA), after taking account of costs of £0.394 million relating to higher rates for fostering allowances that were met corporately.
- 16 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 in 2023/24 was £62.288 million, which is an increase of £15.230 million on the previous year.

- 17 Across the year the number of CLA increased by 147 (14%) from 1,049 to 1,196 and the number of CLA in external high-cost placements (those costing more than £100,000 per annum) increased by 15 from 105 to 120. The average cost of External Residential placements has increased from £0.316 million at April 2023 to £0.332 million in March 2024.
- 18 The Education and Skills service had an underspend of £0.652 million in year. The main reasons for the underspend position are highlighted below:
- (a) The Home to School Transport (HTST) budget was increased by £9.6 million to £29.1 million in 2023/24 and an underspend of £0.536 million, or 1.8% was achieved against this revised budget;
 - (b) An overspend of £0.413 million relating to an aggregated budget shortfall across the service due to reductions in SLA income from schools;
 - (c) An overspend of £0.206 million relating to the write off of aged AWPU Pupil Transfer invoices. These invoices mainly relate to financial years 2018/19 and 2019/20. This overspend is offset by a reduction in the bad debt provision, which is reported under the Central CYPS budget heading;
 - (d) An overspend of £93,000 relating to DCC-run Nursery provision;
 - (e) An overspend of £66,000 relating to the operation of Durham Leadership Centre due to a shortfall in lettings income; and
 - (f) There is an underspend of £0.147 million against employee budgets, which results from a staffing restructure in Education Durham effective from September 2024 that was implemented in response to falling SLA income levels referenced in paragraph 98(b) above.
- 19 There are also further underspends in the following areas:
- (a) £0.270 million due to underspends on the Early Years Sustainability and associated activity budgets;
 - (b) £0.162 million Pension Liabilities saving;
 - (c) £0.160 million saving on the council contribution towards Maintained Nursery Schools.

- 20 There is no cash limit impact for the Progression and Learning Service after the net use of £3.158 million of reserves to fund the continuation of the service for January 2024 to March 2024, which is the period between European Social Funding (ESF) ending on 31 December 2023 and UK Shared Prosperity (UKSPF) beginning in April 2024.
- 21 There was an underspend of £0.604 million against budget in the Central CYPS budgets resulting from a change in debt provision for the year. This is a one-off impact in the current financial year and reflects that relatively high levels of debts over four years old have been written off this year, thus reducing the bad debt provision requirement.
- 22 Early Help, Inclusion and Vulnerable Children had an underspend of £1.022 million, relating to:
- (a) The One Point Service had an underspend of £0.591 million, largely attributable to underspends in employee and activity budgets due to the management of vacant posts in advance of delivering MTFP savings of circa £0.300 million in 2024/25.
 - (b) SEND and Inclusion are reporting a £0.268 million underspend after the application of £0.200 million funding from contingencies provided to tackle the backlog of statutory assessments 2023/24. This underspend is largely attributable to underspends in employee budgets due to the management of vacant posts and recruitment delays.
 - (c) Aycliffe Secure Centre (ASC) is reporting a nil cash limit variance after a contribution to reserves of £679,000. The forecast at quarter three was a contribution of £70,000 and the change is largely attributable to recruitment delays and savings on premises expenditure.
 - (d) The remaining service areas in EHIVC are reporting an overspend of £0.163 million.
- 23 Operational Support is reporting a nil variance against budget.
- 24 A net £7.565 million relating to contributions to and from reserves are also included in the net adjustments for sums outside the cash limit and therefore excluded from the service outturn. The major items being:
- (a) £3.544 million drawdown from Schools Reserves to write off School deficits as part of the academy transfer process;
 - (b) £0.927 million drawdown from the Corporate ER/VR reserve to fund Schools and Progression and Learning redundancies as the service is restructured to meet UKSPF grant funding levels;

- (c) £0.921 million drawdown from the Adult Learning reserve being the use of grant carried forward from the previous year;
- (d) £0.823 million contribution to the PFI Lifecycle reserve relating to estimates of replacement of furniture and equipment;
- (e) £0.725 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;
- (f) £0.679 million contribution to Aycliffe Secure Services reserve to fund future projects at the centre;
- (g) £0.533 million drawdown from the Multiply Funding reserve to fund service delivery;
- (h) £0.490 million drawdown from the Homes for Ukraine reserve to fund service delivery;
- (i) £0.428 million contribution to the Supporting Families Programme reserve to fund the programme in future years;
- (j) £0.472 million drawdown from the Family Hubs Programme reserve to fund service delivery;
- (k) £0.314 million drawdown from the Emotional Wellbeing reserve to fund service developments;
- (l) £0.314 million drawdown from the Youth Futures reserve to fund service delivery;
- (m) £0.287 million drawdown from the Children's Social Inclusion reserve to fund the Holiday Activities and Food Programme;
- (n) £0.285 million drawdown from the Unaccompanied Asylum Seeking Children reserve to fund service delivery;
- (o) £0.248 million drawdown from the Durham Enable reserve to fund service delivery;
- (p) £0.240 million contribution to the Delivering Better Value reserve to fund future service delivery;
- (q) £0.238 million drawdown from the Rapid Response reserve to fund the service; and

- (r) £0.236 million drawdown from the Music Service reserve to fund service delivery;
- 25 Taking the year end outturn position into account, there is a £8.392 million deficit cash limit position at year end. As the service has no cash limit reserves this overspend is funded from general reserves.
- 26 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

- 27 The council currently maintains 145 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.
- 28 The council had 161 maintained schools at the time of the 2023/24 budget setting and 16 schools have converted to academy status since that point.
- 29 The table below shows the schools that have converted to academy status within the year, the balance of reserves at 1 April 2023 and final balance transferred for schools who have been finalised.
- 30 In the case of Wellfield School, the Cabinet agreed at its meeting on 15 March 2023 to write-off the deficit using the earmarked reserve established for this purpose.

Reserves at 1 April 2023 (-/- surplus)	School	Balance Written off via Earmarked Reserve	Balance Transferred ((-) surplus)
£ Million		£ Million	£ Million
2.776	Wellfield School	2.992	-
-0.382	Vane Road Primary	-	-0.408
-0.123	Collierley Primary	-	-0.132
-0.077	Woodham Burn Primary	-	-0.125
-0.037	Easington C of E Primary	-	-0.035
-0.070	Green lane C of E Primary	-	-0.114
-0.710	Greenfield School	-	-0.595
-0.113	St Helens Auckland Primary	-	-
-5.118	Durham Sixth Form Centre	-	-5.512
0.059	Peases West Primary	-	-
-0.018	Castleside Primary	-	-
-0.145	Pelton Community Primary	-	-
-0.038	Beamish Primary	-	-
-0.423	Catchgate Primary	-	-
0.013	Deaf Hill Primary	-	-
-0.047	Kelloe Primary	-	-
-4.453	Net change due to academisation	2.992	-6.921

- 31 Should Peases West Primary and Deaf Hill Primary schools still have deficit reserve balances following the finalisation of balances, the academy trust will be invoiced for such balances.
- 32 The total amount of reserves movement relating to academisation within the year was £4.077 million, this included balances of £0.148 million for schools which converted in quarter four of 2022/23.
- 33 The reserve position for the 145 maintained schools at final outturn is shown in the following revenue outturn table:

Subjective Budget Heading	Original Budget	Final Outturn	Outturn to Budget Variance
	£ Million	£ Million	£ Million
Employees	193.907	196.750	2.843
Premises	14.448	14.907	0.459
Transport	1.789	2.374	0.585
Supplies	33.046	34.418	1.372
Central Support & DRF	0.060	0.211	0.151
Gross expenditure	243.250	248.660	5.410
Income	-58.814	-73.760	-14.946
Net expenditure	184.436	174.900	-9.536
Budget share	176.643	177.802	0.752
Use of reserves	7.793	-2.902	-10.695
Balance at 31 March 2023	-23.770	-23.770	-
Balance at 31 March 2024	-15.977	-26.672	-10.695
Balance for academies not yet transferred	-	-0.559	-0.559
Revised Balance at 31 March 2024	-15.977	-27.231	-11.254

- 34 The final position has improved since budget setting when it was forecast that the 145 schools would need to use £7.793 million of reserves. The final outturn shows that the schools will contribute £2.902 million to reserves.
- 35 The change in the position largely relates to an increase in income at final outturn compared to previous forecasts. The following table shows the main areas of income which has increased to improve the final position of the schools.

Income	£ Million
Additional Government Grant	3.200
Fees and Charges	2.600
External Concs/Services to other schools	2.300
Staff Insurance Claims	1.800
Early Years Funding	1.700
SEN Funding	1.600
Interest payable on reserves	1.200

- 36 The reserve position reflects 99 schools (68%) contributed £5.782 million to their reserves and 46 schools (32%) utilised £2.880 million of their reserves to balance their in-year financial position.
- 37 In October 2023, the DfE announced additional funding to support individual schools that find themselves in financial difficulties. An overall sum of £20 million was allocated nationally and Durham's share is £0.582 million. Local authorities had significant flexibility about how to use this funding and sums ranging between £2,000 and £85,000 were provided to 23 schools to support them in moving to a more sustainable financial position.
- 38 This grant allocation has positively impacted on the need for schools to request a licensed deficit in 2024/25, however whilst this is welcomed as the grant allocation is one-off and therefore will not be available next year there is a strong likelihood that some schools will require licensed deficits in 2025/26.
- 39 A separate paper on the July Cabinet agenda sets out an overview of the maintained schools budget plans for 2024/25.

Dedicated Schools Grant Centrally Retained Block

- 40 The outturn position for the centrally retained DSG budgets is an overspend of £1.196 million as detailed below:

DSG Block	Budget £ Million	Outturn £ Million	Variance £ Million
High Needs	89.917	91.877	1.96
Early Years	34.271	33.837	-0.434
Central Schools Services	2.898	2.347	-0.551
De-delegated	0.201	0.422	0.221
TOTAL	127.287	128.483	1.196

- 41 For the High Needs Block (HNB), the budget at the start of the year included a planning assumption of a £1 million underspend that would result in a reduction to the cumulative HNB deficit position.
- 42 The outturn position is an overspend against grant allocation by £1.960 million (forecast overspend of £2.391 million at quarter three), therefore increasing the HNB cumulative deficit from £8.635 million to £10.595 million.

- 43 The main area of pressure is top up funding in mainstream schools and settings, where expenditure on mainstream top up funding was £19.135 million against a budget of £16.739 million, thus resulting in an overspend of £2.396 million (14%) against budget.
- 44 There are circa 27% more full time equivalent pupils receiving top up funding in 2023/24 in comparison to the previous year. Whilst the average cost of individual top up funding allocations is broadly similar to last year, this still results in a significant overspend position.
- 45 The other main areas of pressure are in Independent and Non-Maintained Special School (INMSS) provision, where expenditure of £9.126 million exceeded budget of £7.214 million by £1.912 million, and in Alternative Provision (AP) where net expenditure of £10.552 million against a net budget of £10.354 million, results in an overspend of £0.198 million. Much of this is due to increased numbers of excluded pupils moving the Pupil Referral Unit at The Woodlands School during the autumn and spring terms.
- 46 An updated HNB Sustainability Plan was reported to Cabinet in December 2023. The report set out the implications of lower increases to HNB grant over the period 2024/25 to 2027/28 than received in recent years, set against continuing increases in cost and demand and resulting in a forecast increasing cumulative deficit position that could reach £67 million by the end of 2027/28.
- 47 The significant and increasing HNB deficit position is a serious concern for the Council and many other local authorities. The exceptional accounting override that allows councils to exclude HNB deficits from their main council general revenue funding position and hold this cumulative deficit in an unusable reserve on the Balance Sheet, is due to end in on 31 March 2026. After this point, the HNB deficit may need to be funded by council resources from 2026/27.
- 48 Phase one of the HNB Sustainability Programme came to an end in the summer of 2023, which focussed on nine key areas as agreed by Cabinet in 2019.
- 49 Phase two of our HNB Sustainability Programme commenced in September 2023, with a major element being implementation of the DfE supported Delivering Better Value in SEND work along with further work on Social, Emotional Mental Health and Early Years Funding.

50 The Early Years Block expenditure of £34.196 million was £0.434 million lower than the grant allocation, however we await the final grant adjustment in July 2024 (based on January 2023 pupil numbers), which is likely to result in a clawback of funding.

51 The impact of the outturn on the DSG reserves position is shown in the following table:

DSG Reserves	High Needs Block £ 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
Balance as at 31 March 2023	-8.635	0.722	0.781	-7.132
2022/23 Early Years Block Adjustment	-	-0.359	-	-0.359
Use / Contribution in 2023/24	-1.960	0.434	0.330	-1.196
Balance as at 1 April 2024	-10.595	0.797	1.111	-8.687

52 The overall DSG reserve was in deficit 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 £8.687 million to the year end, however this is prior to any clawback of EY funding.

53 The in-year increase in the Schools Block Reserve largely reflects the timing of a payment of £0.582 million in relation to copyright licenses from the Central School Services Block, offset by a planned use of the de-delegated reserves of £0.221 million.

54 The balance of £1.111 million on the Schools Block reserve is held to support in-year movements in relation to school funding formula and potential PFI costs in relation to schools funded by PFI, pending a change in the application of funding formula guidance which is currently under review.

Capital Programme

- 55 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.
- 56 The revised budget is presented at Appendix 3 together with actual expenditure.

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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

Budget Heading	Revised Annual Budget	Outturn	Variance	OCL Variance	Pay Award / Pension Deficit	Inflation / Contingencies	Cash Limit Variance
	£m	£m	£m	£m	£m	£m	£m
Employees	97.507	93.177	-4.330	0.012	0.283	-0.208	-4.243
Premises	5.479	6.367	0.888	-0.600	0	-0.219	0.069
Transport	36.742	36.681	-0.061	0	0	0	-0.061
Supplies and Services	12.17	22.593	10.423	0.00	0	-0.207	10.216
Third Party Payments	64.631	79.792	15.161	0	0	-0.590	14.571
Transfer Payments	3.728	5.735	2.007	0	0	0	2.007
Capital	13.962	2.837	-11.125	11.125	0	0	0
Central Support	28.764	22.688	-6.076	1.830	0	0	-4.246
DRF	0	0.052	0.052	0	0	0	0.052
Sub-total expenditure	262.983	269.922	6.939	12.367	0.283	-1.224	18.365
Grant	-32.568	-38.239	-5.671	0	0	0	-5.671
Contributions Summary	-4.668	-4.137	0.531	0	0	0	0.531
Sales Summary	-0.053	-0.031	0.022	0	0	0	0.022
Charges	-18.877	-20.788	-1.911	0	0	0	-1.911
Rents	-0.314	-0.441	-0.127	0	0	0.152	0.025
Recharges	-34.948	-36.536	-1.588	0	0	0.001	-1.587
Other Income Summary	-0.023	-1.405	-1.382	0	0	0	-1.382
Capital	0	-23.676	-23.676	23.676	0	0	0
Sub-total income	-91.451	-125.253	-33.802	23.676	0	0.153	-9.973
Net Total	171.532	144.669	-26.863	36.043	0.283	-1.071	8.392

**potential rounding differences between this table and the summary table by Head of Service*

Appendix 3: CYPS Capital final outturn

Head of Service	2023/24 Actual £	2023/24 Budget £	Future Years Budget £
Social Care	2,213,396	2,213,396	5,141,452
EHIVC	267,586	267,586	21,047,739
Education-School Devolved Capital	4,092,461	4,092,461	5,244,321
Education-School Related	35,321,640	35,321,640	89,983,992
EHIVC-Secure Services	306,236	306,236	196,309
Planning & Service Strategy	470,718	470,718	197,854
Total	42,672,036	42,672,036	121,811,667