

Children and Young People's Overview and Scrutiny Committee

11 January 2019

Children and Young People's Service –
Quarter 2: Forecast of Revenue and
Capital Outturn 2018/19



Report of Corporate Directors

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People's Service

Electoral division(s) affected: Countywide

Purpose of the Report

- 1 To provide details of the forecast outturn budget for this service area highlighting major variances in comparison with the budget, based on the position to the end of quarter 2 (30 September 2018)

Executive summary

- 2 This report provides an overview of the updated forecast of outturn, based on the position at quarter two, 2018/19. It provides an analysis of the budgets and forecast outturn for the service areas falling under the remit of this Overview and Scrutiny Committee and complements the reports considered and agreed by Cabinet on a quarterly basis
- 3 CYPS is reporting a cash limit overspend of £2.303 million against a revised budget of £110.724million, which represents a 2.1% overspend. The forecast Cash Limit balance for CYPS as at 31 March 2019 is £0.515 million overdrawn.
- 4 Details of the reasons for under and overspending against relevant budget heads is disclosed in the report.
- 5 Schools are reporting a net use of retained balances of £9.628 million with a forecast total net retained balance at the year-end of £8.886 million
- 6 Eleven schools are forecasting to have a negative balance at the year-end, totalling £5.634 million.

- 7 The centrally retained DSG Budget is forecasting an overspend £5.891 million resulting in a forecast overdrawn DSG retained balance of £1.157 million.
- 8 Expenditure to date on Capital is £9.149 million compared with a current 2018-19 Capital Budget of £25.364 million.

Recommendation

- 9 Members of Overview and Scrutiny committee are requested to:
- (a) note the detail within the report

Background

- 10 The County Council approved the Revenue and Capital budgets for 2018/19 at its meeting on 21 February 2018. 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:
- *CYPS Revenue Budget - £110.724m (original £106.564m)*
 - *CYPS Capital Programme – £25.364m (original £23.983m)*
- 11 The original CYPS revenue budget has been revised to incorporate a number of budget adjustments as summarised in the table below:

	£'000
Original Budget	106,564
Reason For Adjustment	
Transfer From Contingencies	994
Use of (+)/contribution to CYPS reserves (-)	2,171
Use of (+)/contribution to Corporate reserves (ERVR) (-)	1,513
Transfer from Other Services	0
Transfer to Other Services	(518)
Revised Budget	110,724

- 12 The use of (+) / contribution to (-) CYPS reserves consists of:

Reserve	£'000
SEND Reform Grant reserve	231
Emotional Wellbeing reserve	(149)
Mental Health Counselling reserve	47
School and Governor Support reserve	70
Durham Learning Resources reserve	33
CPD Reserve	80
High Needs Strategic Review reserve	170
Tackling Troubled Families reserve	242
North East Social Work Alliance reserve	377
Schools Reserve	1,000
Early Years Activity reserve	70
Total	2,171

- 13 The summary financial statements contained in the report cover the financial year 2018/19 and show:
- The approved annual budget together with 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 CYPS 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

- 14 The CYPS service is reporting a cash limit overspend of £2.303m against a revised budget of £110.724m, which represents a 2.1% overspend.
- 15 The tables below show the revised annual budget, actual expenditure to 30 September 2018 and the updated forecast of outturn to the year end, including the variance forecast at year end. The first table provides a Subjective Analysis (i.e. type of expense) and shows the combined position for CYPS, and the second analyses the outturn position by Head of Service.

Subjective Analysis (Type of Expenditure)

	2018/19 Budget £'000	YTD Actual £'000	Forecast of outturn £'000	Variance (under) / over spend £'000	Items Outside Cash Limit – £'000	Cash Limit Variance QTR2 £'000	MEMO: Cash Limit Variance QTR1 £'000
Employees	75,075	30,984	74,316	(759)	-	(759)	(976)
Premises	4,211	1,514	4,048	(163)	-	(163)	(196)
Transport	15,153	5,180	16,198	1,045	-	1,045	519
Supplies & Services	12,135	7,259	12,491	356	-	356	(108)
Third Party Payments	27,493	9,969	29,249	1,756	-	1,756	769
Transfer Payments	1,686	636	1,244	(442)	-	(442)	(500)
Capital	43,498	1,463	43,736	238	-	238	194
Other Income Summary	(68,527)	(27,546)	(68,254)	272	-	272	(131)
Total	110,724	29,459	113,028	2,303	-	2,303	(429)

Analysis by Head of Service Area:

Childrens Social Care	2018/19 Budget £'000	YTD Actual £'000	Forecast of outturn £'000	Variance (under) / over spend £'000	Items Outside Cash Limit – £'000	Cash Limit Variance QTR2 £'000	MEMO: Cash Limit Variance QTR1 £'000
Aycliffe Site and Price Training	628	148	638	10	-	10	11
Families First North	8,171	2,664	8,595	424	-	424	466
Families First South	9,674	4,093	10,989	1,315	-	1,315	689
Efficiency and Improvement Childrens Service and Early Help	131	43	122	(9)	-	(9)	(3)
Head of Childrens Services	1,468	223	1,145	(323)	-	(323)	(399)
Looked After Provision Permanence and Care Leavers	31,802	13,893	34,470	2,669	-	2,669	1,051
Childrens Services Reform	1,160	589	1,174	14	-	14	18
Total	53,034	21,654	57,134	4,100	-	4,100	1,833

Education	2018/19 Budget £'000	YTD Actual £'000	Forecast of outturn £'000	Variance (under) / over spend £'000	Items Outside Cash Limit – £'000	Cash Limit Variance QTR2 £'000	MEMO: Cash Limit Variance QTR1 £'000
Build Schools For The Future-Summ	(991)	(571)	(991)	-	-	-	-
Support and Development	1,742	(14)	1,191	(551)		(551)	(673)
Progression and Learning	1,830	5,084	1,816	(14)	-	(14)	(36)
School Places and Admissions	33,419	4,288	33,416	(3)	-	(3)	(231)
Head of Education	(1,108)	191	(1,060)	48	-	48	-
Other Services	4,290	(1,426)	4,290	-	-	-	-
Total	39,182	7,552	38,662	(520)	-	(520)	(940)

Operational Support	2018/19 Budget £'000	YTD Actual £'000	Forecast of outturn £'000	Variance (under) / over spend £'000	Items Outside Cash £'000	Cash Limit Variance QTR2 £'000	MEMO: Cash Limit Variance QTR1 £'000
Childrens Services Operational Support	6,414	2,739	6,104	(309)	-	(309)	(320)
Total	6,414	2,739	6,104	(309)	-	(309)	(320)

Early Help Inclusion and Vulnerable Children	2018/19 Budget £'000	YTD Actual £'000	Forecast of outturn £'000	Variance (under) / over spend £'000	Items Outside Cash £'000	Cash Limit Variance QTR2 £'000	MEMO: Cash Limit Variance QTR1 £'000
Redundant Early Help and Childrens Services	-	7	-	-	-	-	-
Childrens and Central Support Recharges	7,520	219	7,518	(2)		(2)	(19)
SEN Disability and Inclusion EHIVC	2,561	969	2,713	152	-	152	(119)
One Point & Think Family Service	1,088	(4,506)	329	(759)	-	(759)	(642)
Head of Early Help Inclusion and	720	133	333	(387)	-	(387)	(222)

Vulnerable Children							
Secure Services	(1,678)	(377)	(1,678)	-	-	-	-
Youth Offending Service	1,887	1,071	1,909	22	-	22	-
Total	12,097	(2,485)	11,124	(973)	-	(973)	(1,002)

Total	110,724	29,459	113,028	2,303	-	2,303	(429)
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The table below provides a brief commentary of the forecast cash limit variances against the revised budget, analysed by Head of Service. The table identifies variances in the core budget only and excludes items outside of the cash limit (e.g. central repairs and maintenance) and technical accounting adjustments (e.g. capital charges).

Service Area	Description	Cash limit Variance £000
Head of Children's Social Care		
Aycliffe Site and Price Training	The over spend relates to ongoing premises costs on the Aycliffe site pending demolition of the remaining buildings which is now due to commence in October.	10
Families First North	An over spend on unbudgeted agency staff costs in excess of savings accrued through vacancies is forecast to be c£43,000. Transportation costs mainly through the use of taxis is forecast to overspend by c£0.293 million. Interim fostering allowances are forecast to overspend by £37,000. The balance £51,000 of the forecast overspend mainly relates to leaving care , activity costs and office set up costs following the restructure and movement of staff in Childrens Services.	424
Families First South	An over spend on unbudgeted agency staff costs in excess of savings accrued through vacancies is forecast to be £0.334 million. Transportation of children mainly through the use of taxis is forecast to overspend by c£0.191 million .Legal costs including court and expert fees are forecast to overspend by £0.158 million. Expenditure on LAC in residential school placements is forecast to overspend by £58,000 and there is also a forecast shortfall on income for joint funded placements in residential schools from the CCGs of £0.517 million. Expenditure on an increasing number of children placed under Special Guardianship and Child Arrangement Order arrangements is forecast to overspend by £0.206 million.	1,315

Service Area	Description	Cash limit Variance £000
	The overspend position is being offset from forecast savings on domiciliary care for children with a disability £0.123 million and surplus grant income for NQSWs £20,000.	
Looked After Provision, Permanence and Care Leavers	<p>The overspend in the LAC service is mainly as a result of the following contributing factors-</p> <ul style="list-style-type: none"> • Increased costs of DCC employed staff at the in-house provided residential homes has led to significant levels of overtime c£0.224 million as a result of sickness and other absences. • An over spend on unbudgeted agency staff costs in excess of savings accrued through vacancies is forecast to be £0.135 million. • £0.879 million overspend on LAC Placements .NB this is in addition to the forecast overspend on LAC placements in residential schools highlighted in the Families First South section above. • £0.780 million overspend on permanent adoption placements with external voluntary organisations and other local authorities • £0.202 million overspend on young people choosing to remain in Staying Put placements when they turn 18 years old • £0.198 million overspend on a secure welfare placement at Aycliffe. • £0.246 million overspend on transportation costs mainly related to the cost of hired transport. 	2,669
Efficiency and Improvement	The forecast underspend is mainly as a result of savings on staff travelling.	(9)
Childrens Services Reform	The forecast overspend mainly relates to expenditure over budget on car allowances and supplies and services.	14
Head of Childrens Services	The forecast underspend relates to growth funding for leaving care services pending reallocation of the budget.	(323)
		4,100
Head of Education		
Director/Head of Education	There is an estimated overspend of £48k in this area as a result of recruitments exercises for the Head of Education post, plus higher cost associated with the interim Head of Education until the end of December.	48

Service Area	Description	Cash limit Variance £000
BSF PFI	In line with budget	-
Progression and Learning	Under spend relating to staffing vacancies.	(9)
School Places and Admissions	Home to school transport is forecast to be in line with budget, however it is a volatile area, particularly in relation to transport of SEN pupils, and the position will remain under regular review.	(3)
Support and Development	This underspend primarily relates to accessing of alternative funding for the previously base budget funded nursery sustainability of £485k. There is also an under spend of £66k on employee budgets due to vacancies.	(551)
		(515)
Childrens Services Operational Support		
Childrens Services Operational Support	The under spend in this area relates to vacancies across Locality Support teams, which are currently being held in advance of MTFP savings for 2019/20.	(309)
		(309)
Head of Early Help, Inclusion and Vulnerable Children		
Childrens and Central Support Recharges	There is a forecast underspend (£2,000) on the advocacy contract following the reallocation of the costs between Childrens and Secure Services in the current financial year.	(2)
One Point and Think Family Service	The service is accessing additional non recurrent income of (£0.615m) in 2018/19. The One Point Service is also forecasting savings of (£0.216 million) on building repairs and minor improvements costs offset by a forecast overspend of £78,000 on car allowances.	(759)
Head of Early Help Inclusion and Vulnerable Children	The forecast underspend mainly relates to planned savings on the activity budget previously held in the One Point Service.	(387)
Secure Services	Secure Services are forecasting to breakeven at Q2, the forecast assumes surplus income of £0.108 million offset by additional expenditure on premises and supplies and services.	-
Youth Offending Service	The main variance in CDYOS relates to the overspend on young people on remand £47,000 offset by an underspend of £25,000 mainly as a result of less than expected expenditure on the Belmont premises.	22

Service Area	Description	Cash limit Variance £000
SEN, Disability and Inclusion	The overspend projected relates to the funding of ER/VR costs released as part of a recent restructure and which are not associated with delivering MTFP savings.	153
		(973)

- 16 In summary, the service is forecast to overspend against its cash limit budget by £2.303m. The outturn position incorporates the MTFP savings built into the 2018/19 budgets, which for CYPS in total amount to £2.742m.

Schools

- 17 Maintained schools budgets and carry forward accumulated surpluses and deficits from one year to the next. At the end of 2017/18 the net balances carried forward by schools totalled £18.415 million:

	31 March 2018 £000
Maintained Schools	(18,063)
Communities of Learning	(384)
Loans to Schools	32
Total	(18,415)

- 18 The Communities of Learning balance is unspent amounts allocated to clusters of schools to support collaborative provision for Special Educational Needs. This balance was moved to the Local Authority balances at Q1 in 2018-19.
- 19 Loans to Schools are the remaining loans made to schools under the old loan scheme, which ended in 2013. Schools are now able to obtain loans from a new scheme, financed by the Council.
- 20 In relation to maintained schools, the balances carried forward form part of the available resources available to school to fund future year's activity. The retained balances supplement the budget share determined by the current formal, Pupil premium and other income.
- 21 All schools have delegated budgets and carry forward under or over spends to the following financial year as either a surplus or deficit. At 31 March 2018, 20 schools had a deficit balance, where their spending had exceeded their accumulated balances, totalling £5.634 million:

	Schools with deficits at 31 March 2018	
	No.	£000
Nursery	1	10
Alternative provision	-	-

	Schools with deficits at 31 March 2018	
	No.	£000
Primary	13	330
Secondary	5	5,220
Special	1	74
Total	20	5,634

- 22 With the exception of 3 schools where the section 151 officer has granted permission to set a deficit budget and the nursery school, all of these schools are forecast to clear their deficits in 2018-19.
- 23 Since the start of the financial year five schools have converted to academies. Excluding the balances for these former maintained schools, the total maintained school balances brought forward to 2018-19 are £16.420 million.
- 24 After accounting for the identified funding and budgeted activity at the end of Quarter 2, the forecast balances at 31 March 2019 are for an overall net surplus balance £8.886 million to be carried forward to 2019/20 as summarised in the tables below.

Forecasts of school balances at 31 March 2019 (£m)				
	Surplus balance of at least 2.5% of funding £000	Surplus balance below 2.5% of funding £000	Deficit balance £000	Total £000
Nursery	(0.545)	-	0.009	(0.536)
Alternative Provision	-	-	-	-
Primary	(11.674)	(0.278)	0.137	(11.815)
Secondary	(0.540)	(1.083)	6.209	4.585
Special	(1.093)	(0.108)	0.080	(1.121)
Total	(13.852)	(1.469)	6.435	(8.886)

A (negative) balance in the surplus / deficit columns represents a surplus.

- 25 The numbers of schools in each category are shown below:

Forecasts of school balances at 31 March 2019 (no of schools)				
	Surplus balance of at least 2.5% of funding	Surplus balance below 2.5% of funding	Deficit balance	Total
Nursery	10	-	1	11
Alternative Provision	-	1	-	1
Primary	150	39	5	194
Secondary	4	5	4	13
Special	5	3	1	9
Total	169	48	11	228

- 26 The significance of balances above or below 2.5% of funding is that the Council views a balance of at least 2.5% as being appropriate in terms of the ability of schools to cope with unforeseen expenditure during the year.
- 27 The forecast use of schools reserves is based on estimates provided by individual schools on the likely demand on these retained balances. Currently the schools are indicating a £7.534 million use of their retained balances in 2018-19. The School Funding Team assist the schools in determining realistic outturn forecasts based on the schools planned activity, providing constructive challenge where the schools forecast of activity and associated expenditure appear to be inconsistent with in-year activity to date and previous years activity. However, it is for schools to make the final decision about what they want to include in their revised budget plans to the end of the year. Based on a previous experience the use final use of these reserves could be 35-40% lower than that forecast at Quarter 2.
- 28 The School Funding Team continues to work with schools to support and provide advice about budget issues, and will be reviewing budgets in the autumn in preparation for budget-setting in spring 2019. Where there are concerns about a school's financial viability this is shared with the Education Service so that a joined-up approach to resolving these issues can be adopted.

Dedicated Schools Grant Centrally Retained block

- 29 In July 2018 the Department for Education provided an updated Dedicated Schools Grant (DSG) allocation of £383.087m for Durham. The original DSG retained block budgets have been revised to

incorporate a number of budget adjustments as summarised in the table below:

	Schools Block	High Needs Block	Early Years Block	Central School Services Block	Total
	£'000	£'000	£'000	£'000	£'000
Original Allocation	298,582	50,074	31,603	2,828	383,087
Reason For Adjustment					
Recoupment for academies	(90,084)	-	-	-	(90,084)
Recoupment for EFA direct funded places	-	(4,366)	-	-	(4,366)
Funding received by DCC	208,498	45,708	31,603	2,828	288,637
Delegated to Mainstream Schools	(207,881)	-	-	-	(207,881)
Delegated to Alternative Provision Schools	-	(4,459)	-	-	(4,459)
Delegated to Special Schools	-	(23,160)	-	-	(23,160)
Transfer to Enhanced Mainstream Provision	-	(776)	-	-	(776)
Transfer to Nursery Outreach schools	-	(382)	-	-	(382)
Transfer to Maintained Nursery Schools	-	-	(1,059)	-	(1,059)
Centrally retained budget	617	16,931	30,544	2,828	50,920

- 30 The Quarter 2 financial forecasts for the DSG budget show an over spend of £6.275m against a budget of £50.920m to year end, which represents a 12% over spend.

DSG Block	Budget [£'000]	Forecast [£'000]	Over / (Under) Spend [£'000]
Schools	617	1,067	450
High Needs	16,931	22,215	5,284
Early Years	30,544	31,085	541
Central Schools Services	2,828	2,828	-
Total	50,920	57,195	6,275

- 31 The forecast over spend position is largely driven by High Needs Block, which is forecast to over spend by £5.284m.
- 32 The table below shows the DSG earmarked reserve position as at 1 April 2018 and the projected position as at 31 March 2019 taking into account the projections in this report and the transfer of £384k from school reserves in relation to Communities of Learning funding:

DSG Reserves	High Needs Block [£'000]	Early Years Block [£'000]	Schools Block [£'000]	Total DSG [£'000]
Balance as at 1 April 2017	6,070	2,361	2,728	11,159
Use [-] / Contribution [+] in 2017/18	(4,652)	(286)	(1,488)	(6,426)
Balance as at 31 March 2018	1,418	2,075	1,240	4,734
Planned Use [-] / Contribution [+] in 2018/19	(4,900)	(541)	(450)	(5,891)
Projected balance as at 31 March 2019	(3,482)	1,534	790	(1,157)

- 33 The forecast over spend position on the High Needs Block will result in a deficit over and above available reserves of £3.482m.

Capital Programme

- 34 The CYPS capital programme was revised earlier in the year to take into account budget reprofiled from 2017/18 and has been revised further following changes agreed by the Member Officer Working Group and Cabinet.

- 35 The revised Budget is presented below together with actual expenditure to date, based on the position to the end of September:

CYPS	Actual 30/09/2018	Current 2018-19 Budget	Budget 2019-20	Total Capital Prog.
	(£)	(£)	(£)	(£)
Planning & Service Strategy	291,858	2,929,989	-	2,929,989
Childrens Care	1,290	-	38,508	38,508
Secure Services	9,237	270,320	-	270,320
Education-Early Years	214,251	637,164	-	637,164
Education-Free School Meals Support	3,009	5,925	-	5,925
Education-SCP - LEP	5,239	514,809	1,261,355	1,776,164
Education-School Devolved Cap	1,083,815	3,800,215	1,885,851	5,686,066
Education-School Related	7,540,735	17,205,311	16,048,402	33,253,713
	9,149,434	25,363,733	19,234,116	44,597,849

Background papers

- Cabinet Report - 2018/19 Forecast of Outturn – 14th November 2018

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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.

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 CYPS. 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.