

Children and Young People's Overview and Scrutiny Committee

28 March 2019

Children and Young People's Service –
Quarter 3: Forecast of Revenue and
Capital Outturn 2018/19



Report of Corporate Directors

John Hewitt, Corporate Director of Resources

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People's Service

Councillor Olwyn Gunn, Cabinet Portfolio Holder for Children and
Young Peoples Services

Electoral division(s) affected: Countywide

Purpose of the Report

- 1 To provide details of the updated forecast outturn for Children and Young People's Services (CYPS) highlighting any major variances in comparison with the budget, based on the position to the end of quarter 3 (31 December 2018)

Executive summary

- 2 This report provides an overview of the updated forecast of outturn, based on the position at quarter 3 2018/19 (31 December 2018). It provides an analysis of the CYPS 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 In summary, CYPS is reporting a cash limit overspend of £2.663 million against a revised budget of £109.317 million, which represents a 2.4% overspend. The previously forecast position (at quarter 2) was a cash limit overspend of £2.303 million.
- 4 On 13 March 2018 Cabinet approved transfers from General Fund Balances of £0.9 million and the application of CYPS earmarked reserves of £1.763 million to clear what would have been a negative cash limit reserve carried forward at 31 March 2019. The CYPS Cash

Limit balance to be carried over at 31 March 2019 is therefore a zero balance.

- 5 Details of the reasons for under and overspending against relevant budget heads is disclosed in the report.
- 6 The report provides an updated forecast on maintained schools budgets, their retained balances and details relating to High Needs spending and centrally held Dedicated Schools Grant (DSG) reserves.
- 7 Schools are reporting a net use of retained balances of £7.070 million with a forecast total net retained balance estimated at the year-end of £11.345 million. The forecast use of schools reserves is based on estimates provided by individual schools.
- 8 Thirteen schools are forecasting to have a negative balance at the year-end, with the cumulative deficit balances for these schools totalling £6.472 million.
- 9 The report identifies the continuing challenges and significant overspends that have occurred against the High Needs DSG budgets. These centrally retained DSG Budgets are forecast to overspend by £8.758 million, resulting in a forecast overdrawn / negative DSG retained balance of £2.881 million at 31 March 2019.
- 10 Finally, the report provides an update on the capital programme expenditure within CYPS, where expenditure to 31 December was £11.9 million compared against the revised Capital Budget of £18.995 million for 2018/19. At 31 December 63% of the annual capital budget had been expended.

Recommendation

- 11 Members of Overview and Scrutiny committee are requested to:
 - (a) note the updated financial forecasts in relation to the CYPS revenue and capital budgets for 2018/19

Background

12 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 - £109.317m (original £106.564m)*
- *CYPS Capital Programme – £18.995m (original £23.983m)*

13 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	1,501
Use of (+)/contribution to CYPS reserves (-)	165
Use of (+)/contribution to Corporate reserves (ERVR) (-)	1,605
Transfer from Other Services	0
Transfer to Other Services	-518
Revised Budget	109,317

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

Reserve	£'000
Drawdown from SEND Reform Grant reserve	219
Contribution to Emotional Wellbeing reserve	(178)
Drawdown from Mental Health Counselling reserve	47
Drawdown from School and Governor Support reserve	70
Drawdown from Durham Learning Resources reserve	33
Drawdown from CPD Reserve	480
Drawdown from High Needs Strategic Review reserve	70
Drawdown from Tackling Troubled Families reserve	242
Drawdown from North East Social Work Alliance reserve	377
Drawdown from Schools Reserve	1,000
Drawdown from Adult Learning reserve	1,000
Drawdown from Education ESF 18-21 reserve	141
Contribution to Secure Services Capital reserve	(564)
Drawdown from Durham Music Service reserve	39
Drawdown from Early Years Activity reserve	70

Reserve	£'000
Contribution to DSG High Needs Block reserve	(2,881)
Total	165

- 15 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

- 16 The CYPS service is reporting a cash limit overspend of £2.663m against a revised budget of £109.317m, which represents a c.2.4% overspend. The previously forecast position (at quarter 2) was a cash limit overspend of £2.303 million
- 17 The tables below show the revised annual budget, actual expenditure to 31 December 2018 and the updated forecast of outturn to the year end, including the variance forecast at year end.
- 18 The first table provides a Subjective Analysis (i.e. by 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 QTR3 £'000	MEMO: Cash Limit Variance QTR2 £'000
Employees	75,564	55,292	73,603	(1,961)	-	(1,961)	(759)
Premises	4,211	2,394	4,190	(21)	-	(21)	(163)
Transport	15,154	10,376	16,161	1,007	-	1,007	1,045
Supplies & Services	12,157	12,848	12,300	143	-	143	356
Third Party Payments	27,726	20,279	30,133	2,407	-	2,407	1,756
Transfer Payments	1,746	1,204	1,607	(139)	-	(139)	(442)
Capital	44,068	3,164	44,394	326	-	326	238
Other Income Summary	(71,309)	(49,740)	(70,408)	901	-	901	272
Total	109,317	55,817	111,980	2,663	-	2,663	2,303

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 QTR3 £'000	MEMO: Cash Limit Variance QTR2 £'000
Safeguarding and Professional Practice	1,274	936	1,301	27	-	27	14
Families First North	8,188	5,850	8,573	385	-	385	424
Families First South	9,445	6,966	10,346	901	-	901	1,315
Efficiency and Improvement Childrens Service and Early Help	131	89	130	(1)	-	(1)	(9)
Head of Childrens Services	1,541	696	1,209	(331)	-	(331)	(323)
Looked After Provision Permanence and Care Leavers	32,328	25,932	36,124	3,796	-	3,796	2,669
Total	52,907	40,469	57,684	4,777	-	4,777	4,090

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 QTR3 £'000	MEMO: Cash Limit Variance QTR2 £'000
Build Schools For The Future	(3,872)	(3,588)	(3,872)	-	-	-	-
Support and Development	2,184	2,284	1,420	(764)	-	(764)	(551)
Progression and Learning	3,031	2,950	3,023	(8)	-	(8)	(14)
School Places and Admissions	33,428	9,379	33,617	190	-	190	(3)
Head of Education	(1,108)	292	(1,120)	(12)	-	(12)	48
Other Services	4,222	(535)	4,222	-	-	-	-
Total	37,885	10,782	37,291	(594)	-	(594)	(520)

Operational Support	2018/19 Budget £'000	YTD Actual £'000	Forecast of outturn £'000	Variance (under) / over spend £'000	Items Outside Cash Limit – £'000	Cash Limit Variance QTR3 £'000	MEMO: Cash Limit Variance QTR2 £'000
Childrens Services Operational Support	6,420	4,925	6,117	(303)	-	(303)	(309)
Total	6,420	4,925	6,117	(303)	-	(303)	(309)

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 Limit – £'000	Cash Limit Variance QTR3 £'000	MEMO: Cash Limit Variance QTR2 £'000
Redundant Early Help and Childrens Services	-	2	-	-	-	-	-
Childrens and Central Support Recharges	7,520	239	7,544	24	-	24	(2)
SEN Disability and Inclusion EHVC	2,419	2,101	2,590	171	-	171	152
One Point & Think Family Service	1,106	(2,671)	37	(1,069)	-	(1,069)	(759)
Head of Early Help Inclusion and Vulnerable Children	720	211	315	(404)	-	(404)	(387)
Secure Services	(2,242)	(1,483)	(2,242)	-	-	-	-
Youth Offending Service	1,954	1,042	1,985	32	-	32	22
Aycliffe Site and Price Training	628	202	657	29	-	29	
Total	12,105	(357)	10,886	(1,217)	-	(1,217)	(973)

Total	109,317	55,817	111,980	2,663	-	2,663	2,303
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- 19 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		
Safeguarding and Professional Practice	Overspend in this area relates to the cost of a new Strategic Manager with no budget provision in the current financial year. The Service have identified funding for this post in 2019-20.	27

Service Area	Description	Cash limit Variance £000
Families First North	<p>Transportation costs mainly through the use of taxis is forecast to overspend by c£0.200 million.</p> <p>Supplies and Services mainly associated with accommodation assistance, short term benefit cover and office set up costs following the restructure and movement of staff in Childrens Services are forecast to overspend by £0.050million.</p> <p>Short term interim fostering allowances are also forecast to overspend by £0.134 million.</p>	385
Families First South	<p>An over spend on unbudgeted agency staff costs in excess of savings accrued through vacancies is forecast to be £0.265 million.</p> <p>Transportation of children mainly through the use of taxis is forecast to overspend by c£0.075 million and court and expert fees are also forecast to overspend by £0.255 million.</p> <p>Expenditure on an increasing number of children placed under Special Guardianship and Child Arrangement Order arrangements is forecast to overspend by £0.242 million.</p> <p>Overnight short breaks for children with a disability are forecast to overspend by £0.312 million although this is being offset by savings (£0.178 million) on short breaks during the day and domiciliary care (0.107 million).</p>	901
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£0.261 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 £0.134 million. • £1.983 million overspend on LAC Placements including young people placed in welfare beds in Secure accommodation. • £0.895 million net overspend on permanent adoption placements with external voluntary organisations and other local authorities 	3,796

Service Area	Description	Cash limit Variance £000
	<ul style="list-style-type: none"> £0.200 million overspend on young people choosing to remain in Staying Put placements when they turn 18 years old £0.217 million overspend on transportation costs mainly related to the cost of hired transport. 	
Efficiency and Improvement	The small forecast underspend is mainly as a result of savings on staff travelling.	(1)
Head of Childrens Services	The forecast underspend mainly relates to savings on recruitment and retention payments (£0.145m) and the temporary Q3 budget adjustment (£0.202m) for Social Work Assistant agency staff is initially held at this level although the forecast expenditure is captured within the employee forecasts in the team budgets.	(331)
	Forecast Over / (Under) Budget 2018/19	4,777
Head of Education		
Director/Head of Education	There is an estimated underspend of £12k in this area as a result of savings made from the Head of Education post vacancy for a period.	(12)
BSF PFI	In line with budget	-
Progression and Learning	There is a small forecast under spend relating to staffing vacancies.	(8)
School Places and Admissions	Home to school transport is forecast to be over budget by £250k and this is offset by forecast under spends in the school places and admissions team.	190
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 on employee budgets due to vacancies in the early years team.	(764)
	Forecast Over / (Under) Budget 2018/19	(594)
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.	(303)
	Forecast Over / (Under) Budget 2018/19	(303)

Service Area	Description	Cash limit Variance £000
Head of Early Help, Inclusion and Vulnerable Children		
Childrens and Central Support Recharges	The overspend relates to a payment to HMRC following a change in the treatment of taxable benefits relating to car leases, and covers staff across the whole service.	24
Aycliffe Site and Price Training	The over spend relates to ongoing premises costs on the Aycliffe site pending demolition of all the remaining buildings.	29
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 (£0.107 million) from vacant posts. The balance of the saving (£0.347 million) is mainly from savings on building repairs , minor improvements and office expenses.	(1,069)
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.	(404)
Secure Services	Secure Services are forecasting to breakeven at Q3. The budget has also been reduced by £0.563m at Q3 to account for the transfer of the estimated surplus (mainly from the sale of welfare beds) at the year end to the Secure Services earmarked reserve.	-
Youth Offending Service	The variance in CDYOS relates to the overspend on young people on remand £0.049 million offset by savings on premises and supplies mainly as a result of less than expected expenditure on the Belmont premises.	32
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.	171
	Forecast Over / (Under) Budget 2018/19	(1,217)
	Total Forecast Over / (Under) Budget 2018/19	2,663

- 20 In summary, the service is forecast to overspend against its cash limit budget by £2.663m. The outturn position incorporates the MTFP savings built into the 2018/19 budgets, which for CYPS in total amount to £2.742m.
- 21 On 13 March 2018 Cabinet approved transfers from General Fund Balances of £0.9 million and the application of CYPS earmarked reserves of £1.763 million to clear what would have been a negative cash limit reserve carried forward at 31 March 2019. The CYPS Cash

Limit balance to be carried over at 31 March 2019 is therefore a zero balance.

Schools

- 22 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

- 23 The Communities of Learning balance relates to unspent amounts allocated to clusters of schools to support collaborative provision for Special Educational Needs. This balance was moved to centrally held DSG reserves in Q1 2018-19.
- 24 Loans to Schools are the amounts outstanding for 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.
- 25 In relation to maintained schools, the balances carried forward form part of the resources available to the school to fund current or future year's activity. The retained balances supplement the budget share determined by the schools funding formula, pupil premium and other income generated by the school.
- 26 All schools have delegated budgets and carry forward any under or over spends to the following financial year as either a surplus or deficit retained balance. 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	-	-
Primary	13	330
Secondary	5	5,220
Special	1	74
Total	20	5,634

- 27 With the exception of 3 (secondary) schools where the section 151 officer (Corporate Director, Resources) has granted permission to set a deficit budget and the nursery school, all of these schools were forecast to clear their deficits in 2018-19.
- 28 Since the start of the financial year five schools have converted to academies. Excluding the balances for these former maintained schools, the total adjusted maintained school balances brought forward to 2018-19 is £16.420 million.
- 29 After accounting for the identified funding and budgeted / forecast activity based on the position to 31 December 2018, the forecast balances at 31 March 2019 are for an overall net surplus balance £11.345 million to be carried forward to 2019/20, as summarised in the tables below.

Forecasts of school balances at 31 March 2019 (£million)				
	Surplus balance of at least 2.5% of funding	Surplus balance below 2.5% of funding	Deficit balance	Total
Nursery	0.572	-	-	(0.572)
Alternative Provision	-	-	-	-
Primary	14.171	0.213	(0.153)	(14.230)
Secondary	0.659	0.573	(6.213)	(4.981)
Special	1.614	0.016	(0.106)	1.524
Total	17.017	0.801	(6.472)	11.345

- 30 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	161	26	7	194
Secondary	4	4	5	13
Special	7	1	1	9
Total	182	33	13	228

- 31 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.
- 32 The forecast use of schools reserves is based on estimates provided by individual schools on the likely demand on these retained balances.
- 33 Currently the schools are indicating a £7.070 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 by the schools at Quarter 3.
- 34 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

- 35 In July 2018 the Department for Education provided an updated Dedicated Schools Grant (DSG) allocation of £384.144m 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	51,131	31,603	2,828	384,144
Reason For Adjustment					
Recoupment for academies	(90,084)	-	-	-	(90,084)
Recoupment for EFA direct funded places	-	(4,400)	-	-	(4,400)
Funding received by DCC	208,498	46,731	31,603	2,828	289,660
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)

	Schools Block	High Needs Block	Early Years Block	Central School Services Block	Total
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	17,954	30,544	2,828	51,943

- 36 The Quarter 3 financial forecasts for the centrally retained DSG budgets shows a forecast over spend of £8.728million to year end, which represents a 16% over spend. The Quarter 2 forecast previously indicated a £6.275 million over spend. Details of where the overspending is occurring is provided in the table below:

DSG Block	2018/19 Budget [£'000]	2018/19 QTR3 Forecast [£'000]	Forecast Over / (Under) Spend [£'000]
Schools	617	1,067	450
High Needs	17,954	24,962	7,008
Early Years	30,544	31,364	820
Central Schools Services	2,828	2,828	0
Total	51,943	60,221	8,278

- 37 The forecast over spend position is largely driven by spending against the High Needs Block, which is forecast to over spend by £7.008 million in 2018/19.
- 38 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	(7,008)	(820)	(450)	(8,278)
Transfer from COLs	384	-	-	384
Transfer from PFI re-financing	2,881	-	-	2,881
Projected balance as at 31 March 2019	(2,325)	1,255	790	(279)

- 39 The forecast over spend position on the High Needs Block will result in a deficit over and above available reserves of £2.325 million carried forward at 1 April 2019.

Capital Programme

- 40 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 considered by the Member Officer Working Group and agreed by Cabinet.
- 41 The revised capital budget is presented below together with actual expenditure to date, based on the position to the end of December:

CYPS	Annual Budget	Actual Spend	Remaining Budget	Managers Forecast Outturn
	(£)	(£)	(£)	(£)
	£'000	£'000	£'000	£'000
Review of SSID Database	1,598	458	1,140	1,598
Support for Children's Homes	1	1	0	1
Secure Services	270	66	205	270
Early Years Provision	637	435	202	637
Free School Meals Support	6	3	3	6
Education LEP	154	22	132	154
School Devolved Capital	4,177	1,582	2,595	4,177
School Capital inc. Basic Need	11,784	9,107	2,676	11,784
Other School-related	367	225	142	367
Total	18,995	11,900	7,095	18,995

Background papers

- Cabinet Report
 - 2018/19 Q2 Forecast of Outturn – 14th November 2018

Contact: Andrew Baldwin – Finance Manager

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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.