

**Children and Young People's Overview
And Scrutiny Committee**

26 September 2019

Children and Young People's Service

**Revenue and Capital Outturn Forecast
– Quarter 1 - 30th June 2019**



Report of Corporate Directors

John Hewitt, Corporate Director of Resources

**John Pearce, Corporate Director Children and Young People's
Service**

Electoral division(s) affected: Countywide

Purpose of the Report

1. To provide details of the forecast outturn budget position for the CYPS service grouping, highlighting major variances in comparison with the budget for the year, based on the position to the end of June 2019.

Executive Summary

2. The CYPS service is forecasting a cash limit overspend of £2.124 million against a revised budget of £114.749m in 2019/20, which represents a c.1.86% overspend.
3. The projected capital outturn is a nil variance against a revised budget of £23.988 million.

Recommendations

4. Members of Overview and Scrutiny committee are requested to:
 - a. note the forecast CYPS revenue and capital outturn for 2019/20

Background

5. The County Council approved the Revenue and Capital budgets for 2019/20 at its meeting on 20 February 2019. 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 - £114.749m (original £118.039m)*
- *CYPS Capital Programme – £23.988m (original £25.873m)*

6. The original CYPS revenue budget has been revised to incorporate a number of budget adjustments as summarised in the table below:

Reason For Adjustment	£'000
Original Budget	118,039
Reason For Adjustment	
Transfer from Contingencies	1,292
Use of (+)/contribution to CYPS reserves (-)	426
Use of (+)/contribution to Corporate reserves (ERVR) (-)	600
Transfer from Other Services	87
Transfer to Other Services	-5,695
Revised Budget	114,749

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

Reserve	£'000
SEND Reform Grant Reserve	235
Tackling Troubled Families Reserve	153
Early Years Activity Reserve	41
Easington Sports Partnership	-3
Total	426

8. The summary financial statements contained in the report cover the financial year 2019/20 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

9. The CYPS service is forecasting a cash limit overspend of £2.124 million against a revised budget of £114.749m, which represents a c.1.86% overspend in 2019/20.
10. The tables below show the revised annual budget, actual expenditure to 30 June 2019 and the 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 analysis the outturn position by Head of Service.

Subjective Analysis (Type of Expenditure)

Children and Young Peoples Services	Revised Annual Budget	YTD Actual	Forecast Outturn	Variance
	£000	£000	£000	£000
Employees	72,507	17,456	70,640	-1,867
Premises	4,293	937	4,178	-115
Transport	17,059	3,059	18,085	1026
Supplies & Services	10,961	3,709	10,732	-229
Third Party Payments	30,756	6,029	33,158	2,402
Transfer Payments	2,116	293	1,589	-527
Capital	24,972	0	24,972	0
Central Support and Other Recharges	20,689	1,255	21,125	436
Grant	-19,940	-4,083	-19,921	19
Contributions	-3,272	-469	-3,354	-82
Sales	-79	-17	-74	5
Charges	-15,573	-2,720	-15,859	-286
Rents	-549	-100	-672	-123
Recharges	-29,075	-6,745	-27,544	1,531
Other Income	-116	-186	-182	-66
Total	114,749	18,418	116,173	2,124

Analysis by Head of Service Area

Children's Social Care	Revised Annual Budget	YTD Actual	Forecast Outturn	Variance
	£000	£000	£000	£000
Safeguarding and Professional Practice	1,336	342	1,259	-77
Families First North	8,877	1,565	8,818	-59
Families First South	4,370	939	4,323	-47
Recharges and Non-Target	6,687	175	6,687	0
Head of Children's Services	1,842	440	1,373	-469
Looked After Children and Permanence	8,020	1,736	7,201	-819
Looked After Children Resources	31,215	8217	35,102	3,887
Strategic Manager First Contact and Specialist	3,718	899	3,694	-24
Total	66,065	14,313	68,457	2,392

Education	Revised Annual Budget	YTD Actual	Forecast Outturn	Variance
	£000	£000	£000	£000
Build Schools For The Future	-1,011	-1,642	-1,011	0
Support and Development	1,299	-1,506	733	-566
Progression and Learning	973	2,263	911	-62
School Places and Admissions	36,445	3,082	37,316	871
Head of Education	-1,117	89	-1,117	0
Central Support	4,095	-2,150	4,095	0
Redundant Cost Centres	0	1	0	0
Total	40,684	137	40,927	243

Operational Support	Revised Annual Budget	YTD Actual	Forecast Outturn	Variance
	£000	£000	£000	£000
Childrens Services Operational Support DG1800	1,453	427	1,370	-83
Total	1,453	427	1,370	-83

Early Help Inclusion and Vulnerable Children	Revised Annual Budget	YTD Actual	Forecast Outturn	Variance
	£000	£000	£000	£000
Redundant Early Help and Childrens Services	0	30	0	0
Childrens and Central Support Recharges	0	0	0	0
SEN Disability and Inclusion EHVC	2,792	666	2,879	87
One Point & Think Family Service	2,924	2,034	2,628	-296
Head of Early Help Inclusion and Vulnerable Children	567	60	366	-201
Secure Services	-1,678	406	-1,678	0
Youth Offending Service	1,413	310	1,395	-18
Aycliffe Site and Price Training	529	35	529	0
Total	6,547	3,541	6,119	-428

Total	114,749	18,418	116,173	2,124
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11. 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 Childrens Social Care		
Safeguarding and Professional Practice	The forecast underspend is mainly from savings in vacant posts (£21K) in the IRO team together with savings on staff travelling (£9K) and surplus grant income (£47K) from the DfE for AYSE social workers .	(77)
Families First North	The forecast underspend mainly relates to savings on Direct Payments	(59)
Families First South	The forecast underspend mainly relates to savings on vacant posts	(47)
Looked After Provision, Permanence and Care Leavers	The forecast underspend mainly relates to forecast savings (£0.578 million) on inter agency adoption fees and (c £77,000) on in house adoption allowances together with (£0.146 million) on leaving care accommodation costs.	(819)
Looked After Children Resources	<p>The overspend in the LAC Resources is mainly as a result of the following contributing factors-</p> <ul style="list-style-type: none"> • £3.32 million overspend on LAC Placements including young people placed in welfare and high dependency beds in Secure accommodation offset by savings (£0.870 million) from delays in opening the new childrens home in Wingate and the two externally provided solo homes. • £0.534 million overspend on an increasing number of children placed under Special Guardianship and Child Arrangement orders. • £0.397 million shortfall against the income budget for joint CCG funded LAC placements. • Increased costs of in-house provided residential homes c£0.340 million mainly as a result of sickness and other absences. Some of these cover arrangements are being provided by staff recently appointed to run the new childrens home. • £0.047 million overspend on children remaining with carers post 18 in Staying Put Arrangements • The balance of the forecast over spend £0.119 million mainly relates to forecast overspends in transportation and supplies and services 	3,887
First Contact and Specialist	The underspend mainly relates to savings from vacant posts.	(24)
Head of Childrens Services	The underspend mainly relates to temporary growth monies for agency social work assistants and permanent growth funding for agency staff to cover staff turnover, sickness and maternity leave etc. The budget for this expenditure is held at Head of Service Level although the forecast expenditure is captured within the employee forecasts in the team budgets.	(469)
		2,392

Service Area	Description	Cash limit Variance £000
Head of Education		
Director/Head of Education	In line with budget.	-
BSF PFI	In line with budget	-
Progression and Learning	This under spend relates to an over achievement of income relating to the Think Family Grant.	(62)
School Places and Admissions	Home to school transport is forecast to be over budget by £1 million and this is partially offset by forecast under spends in Further and Higher Education Establishment Pension Liabilities of £100k and £29k additional income from fines relating to parents taking their children out of school during term time.	871
Support and Development	This underspend primarily relates to accessing of alternative funding for the previously base budget funded nursery sustainability of £455k. There is also a forecast under spend on employee budgets due to the early achievement of the Support and Development restructure.	(566)
		243

Service Area	Description	Cash limit Variance £000
Childrens Services Operational Support		
Childrens Services Operational Support	The under spend in this area relates previous year's restructure in Children Services Operational Support service.	(83)
		(83)

Service Area	Description	Cash limit Variance £000
Head of Early Help, Inclusion and Vulnerable Children		
Aycliffe Site and Price Training	No variance in budget	(0)
One Point and Think Family Service	The One Point Service is forecasting an underspend of (£0.136 million) on employees mainly from savings on vacant posts and one off savings on minor improvements and general repairs (£0.150 million) which is being held to meet known budget pressures in 2020-21. The balance of the forecast saving (£10K) is mainly from savings on transport and supplies and services.	(296)
Head of Early Help Inclusion and Vulnerable Children	The forecast underspend mainly relates to planned savings on the activity and premises budget previously held in the One Point Service, this saving is being held to meet known budget pressures in 2020-21.	(201)
Secure Services	Secure Services are forecasting to breakeven at Q1.	(0)
Youth Offending Service	The variance in CDYOS relates to a forecast overspend on employees of £52K as a result of no vacancies to cover the staff turnover savings budget off set by savings on supplies and services (£19k) , third party payments (£38K) and surplus income (£13K) from external bodies to cover salary costs.	(18)
SEN,Disability and Inclusion	The forecast overspend relates to an overspend on employees £35K to cover maternity leaves and a forecast shortfall in income from Communities of Learning £36K. The balance of the overspend £16K relates to an overspend on premises offset by savings on supplies and services.	87
		(428)

12. In summary, the service is forecast to overspend against its cash limit budget by £2.124m. The outturn position incorporates the MTFP savings built into the 2019/20 budgets, which for CYPS in total amount to £30,000. This has been achieved via a reduction in the early years sustainability budget within Support and Development

Schools

13. The council maintains 226 schools, including nursery, primary, secondary, special and Alternative Provision (AP) schools.
14. In 2019-20 schools are planning to spend £311 million, funded by income of £72 million, budget shares of £229 million, (from central government funding), and £10 million of accumulated surplus balances.

<i>Schools' delegated budgets (£ million)</i>	Nursery	Alternative Provision	Primary	Secondary	Special	Original Annual Budget
Employees	4.259	3.341	158.458	54.416	24.313	244.787
Premises	0.260	0.143	10.373	4.570	1.091	16.436
Transport	0.021	0.623	0.415	0.948	0.311	2.317
Supplies and Services	0.496	1.681	31.263	11.074	2.918	47.432
Income	-3.714	-1.329	-45.988	-15.960	-4.533	-71.523
Net expenditure	1.323	4.459	154.521	55.047	24.100	239.450
Budget share	-1.067	-4.459	-147.955	-52.990	-22.747	-229.218
Contribution from reserves	0.256	-	6.566	2.057	1.354	10.232

15. Schools carried forward balances of circa £18 million at 31 March 2019 and are currently planning to carry forward balances of circa £7 million at 31 March 2020.

16. A summary for each category of school is shown below:

School budget plans 2019-20 (£ million)	Gross expenditure	Gross income	Budget share	Transfer to / from accumulated balance	Balance at 31 March 2019	Balance at 31 March 2020
Nursery	5.036	-3.714	-1.067	0.256	-0.874	-0.618
AP	5.788	-1.329	-4.459	-	-	-
Primary	200.508	-45.988	-147.955	6.566	-18.200	-11.635
Secondary	71.007	-15.960	-52.990	2.057	3.645	5.702
Special	28.633	-4.533	-22.747	1.354	-2.285	-0.932
Total	310.973	-71.523	-229.218	10.232	-17.715	-7.484

17. The balances at 31 March 2019 represented 5.7% of planned gross expenditure for 2019-20, and the forecast balance at 31 March 2020 represents 2.4%.

18. Experience indicates actual final retained balances may be significantly higher than initial forecast final balances. This variance is a result of a cautious approach adopted by many schools which frequently prudently budget on a 'worst-case scenario' basis.

19. In practice schools will actively seek to reduce expenditure during the year to ensure they maintain a reserve balance for unforeseen demands in future years. This was illustrated in 2018-19 where original budgeted use of retained reserves indicated that the year end balance would be approximately £9.3 million compared to the actual retained reserve carried forward of £17.715 million. The impact on reserves is significant although

the actual variance of outturn from initial budget was small at 2.1%.

20. The table below provides a breakdown of the forecast balances compared to planned gross expenditure:

Forecast balances at 31 March 2020 (numbers of schools)		Nursery	Alternative Provision	Primary	Secondary	Special	Total
Deficit balance		-	-	7	5	1	13
Surplus balance compared to gross expenditure is less than:	2.5%	1	1	50	4	3	59
	5%	4	-	50	2	3	59
	10%	1	-	51	2	1	55
	15%	1	-	17	-	1	19
	25%	2	-	14	-	-	16
50%	2	-	3	-	-	5	

21. Note that around half of schools have surplus balances of less than 5% of planned gross expenditure and three-quarters of schools have balances of less than 10%.
22. The size of the forecast balance relative to gross expenditure is relevant to considering whether a balance is adequate to provide a school with sufficient contingency to cope with unexpected expenditure or loss of income. However, it is also relevant to consider the overall size of the reserves, because some costs are likely to be similar regardless of the size of the school, for example if a school needs to employ an additional teaching assistant (typical annual cost would be £25,000). The table below provides a breakdown of the forecast balances by the size of the forecast balance:

Forecast balances at 31 March 2020 (numbers of schools)		Nursery	Alternative Provision	Primary	Secondary	Special	Total
Schools with a forecast deficit balance		-	-	7	5	1	13
Forecast surplus balance is less than:	-£10,000	-	1	29	-	3	33
	-£20,000	4	-	14	-	-	18
	-£30,000	1	-	19	-	-	20
	-£40,000	-	-	22	1	-	23
	-£50,000	2	-	13	2	-	17
	-£100,000	1	-	50	1	-	52
	-£150,000	3	-	21	-	3	27
	-£300,000	-	-	6	3	2	11
	-£400,000	-	-	1	-	-	1
	-£500,000	-	-	-	-	-	-
->£500,000	-	-	-	1	-	1	

23. A total of 13 schools prepared budget plans that would result in a deficit balance at 31 March 2020, something that requires approval from the council's S.151 officer. Four of these schools were allowed to set a budget with a deficit balance, (known as a licensed deficit). The remaining schools have either been able to revise their budget plan to avoid a deficit or are reviewing their budget plans before the S.151 officer makes a final decision.

24. Schools with forecasts of deficit balances are shown below:

School budgets and forecast balances (£) (negative figures are surpluses)	Gross expenditure	Balance at 31 March 2019	Balance at 31 March 2020	Forecast change in balance
Tanfield School	4,145,000	513,000	503,000	-9,000
Wolsingham School	4,031,000	1,559,000	1,849,000	290,000
Wellfield School	4,958,000	3,365,000	3,265,000	-100,000
St. Bede's RC, Peterlee	4,348,000	481,000	1,353,000	872,000

25. The council will continue to monitor schools' spending plans and advise schools where they need to make savings. All schools will have a budget review in the autumn, which reviews current spending plans and also makes forecasts of budgets for the coming financial year.

Dedicated Schools Grant Centrally Retained block

26. In July 2019 the Department for Education provided an updated Dedicated Schools Grant allocation of £393.267 million, including temporary high needs block funding of £1.057 million. 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
	£ million	£ million	£ million	£ million	£ million
Original Allocation	306.075	52.503	31.833	2.856	393.267
Reason for adjustment					
Recoupment for academies	-103.858	0	0	0	-103.858
Recoupment for EFA direct funded places	0	-3.911	0	0	-3.911
Funding received by DCC	202.217	48.592	31.833	2.856	285.498
Delegated to Mainstream Schools	-201.611	0	0	0	-201.611

	Schools Block	High Needs Block	Early Years Block	Central School Services Block	Total
	£ million	£ million	£ million	£ million	£ million
Delegated to Alternative Provision Schools	0	-5.515	0	0	-5.515
Delegated to Special Schools	0	-23.862	0	0	-23.862
Transfer to Enhanced Mainstream Provision	0	-0.683	0	0	-0.683
Transfer to Maintained Nursery Schools	0	0.000	-1.068	0	-1.068
Centrally retained budget	0.606	18.532	30.765	2.856	52.759

27. The Quarter 1 financial forecasts for the DSG budget show an over spend of £6.659 million against a budget of £52.759 million to year end, which represents a 13% over spend.

DSG Block	Budget £ million	Outturn £ million	Over / (Under) Spend £ million
Schools de-delegated	0.606	0.606	0.000
High Needs	18.532	25.191	6.659
Early Years	30.765	30.765	0.000
Central Schools Services	2.856	2.856	0.000
Total	52.759	59.418	6.659

28. The forecast over spend position is driven by the High Needs Block, which is forecast to over spend by £6.308 million.
29. The table below shows the DSG earmarked reserve position as at 1 April 2017 and the projected position as at 31 March 2020 taking into account the projections in this report:

DSG Reserves	High Needs Block £ million	Early Years Block £ million	Schools Block £ million	Total DSG £ million
Balance as at 1 April 2017	6.070	2.361	2.728	11.159
Use [-] / Contribution [+] in 2017/18	-4.652	-0.286	-1.488	-6.426
Balance as at 1 April 2018	1.418	2.075	1.240	4.734
Use [-] / Contribution [+] in 2018/19	-7.411	-0.705	-0.231	-8.347
Transfer from COLs	0.384	0	0	0.384
Transfer from PFI re-financing	2.881	0	0	2.881
Balance as at 1 April 2019	-2.728	1.370	1.009	-0.348

Forecast Use [-] / Contribution [+] in 2019/20	-6.659	0.000	0.000	-6.659
Contribution from general reserves	5.600	0.000	0.000	5.600
Forecast balance as at 31 March 2020	-3.787	1.370	1.009	-1.407

30. The forecast over spend position on the High Needs Block will result in a deficit over and above available reserves of £3.787 million, which is offset by reserve balances in the other DSG blocks of £2.379 million, resulting in a cumulative deficit position of £1.407 million.

Capital Programme

31. The revised Budget is presented below together with actual expenditure to date. The budget may be amended further with approval from MOWG.
32. Summary financial performance to the end of June is shown below:

CYPS	Annual Budget	Actual Spend	Remaining Budget	Managers Forecast Outturn	Forecast Variance
	£'000	£'000	£'000	£'000	£'000
Education - LEP	515	48	467	515	0
Children's' Care	392	0	392	392	0
Early Years	181	24	157	181	0
School Devolved Capital	5,843	595	5,248	5,843	0
Education School Related	15,298	3,134	12,164	15,298	0
Planning & Service Strategy	1,753	24	1,729	1,753	0
Secure Services	6	-20	26	6	0
Total	23,988	3,805	20,183	23,988	0

Background papers

Cabinet Report

- 2019/20 Q1 Forecast of Outturn – 11 September 2019

Appendix 1: Implications

Legal Implications

The consideration of regular budgetary control reports is a key component of the council's Corporate and Financial Governance arrangements. This report shows the forecast spend against budgets agreed by Council in February 2019 in relation to the 2019-20 financial year. The forecasts contained within this report have been prepared in accordance with standard accounting policies and procedures.

Finance

Financial implications are detailed throughout the report which provides an analysis of the revenue and capital projected outturn position.

Consultation

None

Equality and Diversity / Public Sector Equality Duty

None.

Human Rights

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

None.

Risk

The figures contained within this report have been extracted from the General Ledger, and have been scrutinised and supplemented with information supplied by the Service Management Teams and budget holders. The projected outturn has been produced taking into consideration spend to date, trend data and market intelligence, and includes an element of prudence. This, together with the information supplied by Service Management Teams and budget holders, helps to mitigate the risks associated with achievement of the forecast outturn position.

Procurement

None.