

Children and Young People's Overview and Scrutiny Committee

26 September 2019

Children and Young People's Service –
Revenue and Capital Outturn 2018/19



Report of Corporate Directors

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Service

Electoral division(s) affected: Countywide

Purpose of the Report

- 1 To provide details of the 2018/19 revenue and capital outturn for Children and Young People's Services (CYPS) highlighting any major variances in comparison with the budget as at 31 March 2019.

Executive summary

- 2 This report provides an overview of the revenue and capital outturn 2018/19. It provides an analysis of the CYPS budgets and 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 had a cash limit overspend of £3.386 million against a revised budget of £107.865 million in 2018/19, which represented a 3.1% overspend. The previously in-year forecast position (at Quarter 3) was a cash limit overspend of £2.663 million.
- 4 On 13 March 2019 Cabinet approved transfers from General Fund Balances of £0.9 million to the CYPS earmarked reserves of £1.763 million to ensure the previously forecast overspend position of £2.663 million would not lead to a negative cash limit reserve carried forward at 31 March 2019.
- 5 Following an increase in the CYPS overspend position at outturn, Cabinet (10 July 2019) approved a further transfer from the Council's General Reserve of £0.723 million to the CYPS Cash limit to avoid a negative cash limit position being carried forward to 2019/20.

- 6 Details of the reasons for under and overspending against relevant budget heads are disclosed in the report.
- 7 The report provides details of the 2018/19 outturn for maintained schools budgets, their retained balances and details relating to High Needs spending and centrally held Dedicated Schools Grant (DSG) reserves last year.
- 8 Schools had a net contribution to retained balances of £1.354 million in 2018/19, with a total net retained balance at the year-end of £17.744 million.
- 9 Twenty-one schools had a negative retained balance at the year-end, with the cumulative deficit balances for these schools totalling £6.723 million.
- 10 The report identifies the continuing challenges and significant overspends that occurred against the High Needs DSG budgets in 2018/19.
- 11 Centrally retained DSG budgets overspent by £8.347 million in total, resulting in a forecast net overdrawn / negative DSG retained balance of £0.348 million at 31 March 2019.
- 12 The High Needs Block element of the retained DSG activity overspent by £7.411 million in 2018/19 and has an associated £2.728 million deficit, contributing to the overall retained deficit position of £0.348 million at 31 March 2019.
- 13 Finally, the report provides an update on the outturn spending against the capital programme within CYPS, where actual expenditure for 2018/19 totalled £16.193 million against the revised Capital Budget of £18.994 million for 2018/19.

Recommendation

- 14 Members of Overview and Scrutiny committee are requested to:
 - (a) note the CYPS revenue and capital outturn for 2018/19

Background

- 15 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:
- (a) CYPS Revenue Budget - £107.865 million (original £106.564 million)
 - (b) CYPS Capital Programme – £18.994 million (original £28.819 million)
- 16 The original CYPS revenue budget were revised to incorporate a number of budget adjustments in year 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 (-)	-971
Use of (+) / contribution to Corporate reserves (-)	1,289
Transfer from other services	0
Transfer to other services	-518
Revised Budget	107,865

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

Reserve	£'000
SEND Reform Grant reserve	219
Emotional Wellbeing reserve	-95
Mental Health Counselling reserve	47
Movement Difficulties reserve	-7
School and Governor Support reserve	64
Durham Learning Resources reserve	14
CPD Reserve	615
High Needs Strategic Review reserve	13
Tackling Troubled Families reserve	164
YOS Development reserve	6
Extended Personal Advisor reserve	-19
National Assessment and Accreditation reserve	-197

Reserve	£'000
North East Social Work Alliance reserve	378
Schools Reserve	760
School Condition Survey reserve	73
Adult Learning reserve	250
Education ESF 15-18 reserve	142
Education ESF 18-21 reserve	55
Secure Services Capital reserve	-672
Durham Music Service reserve	36
Swimming Pool reserve	3
Easington Sports Partnership reserve	2
Durham Sports Partnership reserve	30
Early Years Activity reserve	29
DSG High Needs Block reserve	-2,881
Total	-971

- 17 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 actual 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

- 18 The CYPS service had a cash limit overspend of £3.386 million against a revised budget of £107.865 million in 2018/19 which represents a 3.1% overspend. The previously forecast position (at quarter 3) was a cash limit overspend of £2.663million
- 19 The tables below show the revised annual budget, actual expenditure and the variance at the year end. The first table is analysed by Subjective Analysis (i.e. type of expense) and shows the combined position for CYPS, and the second is by Head of Service area.

Subjective Analysis (Type of Expenditure)

	2018/19 Budget £'000	2018/19 outturn £'000	Variance (under) / over spend £'000	Items Outside Cash Limit – £'000	Cash Limit Variance £'000	MEMO: Cash Limit Variance QTR3 £'000
Employees	74,715	73,732	-983	57	-926	(1,961)
Premises	4,088	4,354	266	-224	42	(21)
Transport	15,136	16,730	1594	0	1594	1,007
Supplies & Services	11,669	12,069	400	-455	-55	143
Third Party Payments	30,187	33,176	2,989	0	2,989	2,407
Transfer Payments	1,748	1,667	-81	0	-81	(139)
Capital	43,349	30,953	-12,396	13,604	1,208	326
Other Income Summary	-73,027	-74,813	-1,786	401	-1,385	901
Total	107,865	97,868	-9,997	13,383	3,386	2,663

Analysis by Head of Service Area:

	2018/19 Budget £'000	2018/19 outturn £'000	Variance (under) / over spend £'000	Items Outside Cash Limit – £'000	Cash Limit Variance £'000	MEMO: Cash Limit Variance QTR3 £'000
Head of Childrens Services	1,541	1,161	-380	-3	-383	-331
Looked After Provision Permanence and Care Leavers	32,310	36,779	4,469	-316	4,153	3,796
Efficiency and Improvement	131	131	0	0	0	-1
Secure Services	-2,341	-2,072	269	-269	0	-
Aycliffe Site and Price Training	628	469	-159	163	4	29
Head of Education	-1,108	-1,102	6	0	6	-12
Progression and Learning	2,345	2,346	1	-20	-19	-8
School Places and Admissions	29,588	17,597	-11,991	12,870	879	190
SEN and Disability and Inclusion	2,439	2,705	266	-100	166	171
Support and Development	2,346	1,515	-831	19	-812	-764
Childrens Services Operational Support	6,534	6,241	-293	-69	-362	-303
Safeguarding and Professional Practice	1,135	1,139	4	11	15	27
One Point and Think Family	966	-149	-1,115	1	-1,114	-1,069
Childrens and Central Support Recharges	7,261	6,645	-616	640	24	24
Families First North	8,186	8,563	377	144	521	385
Families First South	9,444	10,251	807	37	844	901
Head of Early Help, Inclusion and Vulnerable Children	720	271	-449	-2	-451	-404
Youth Offending Service	1,959	1,931	-28	-26	-54	32

	2018/19 Budget £'000	2018/19 outturn £'000	Variance (under) / over spend £'000	Items Outside Cash Limit – £'000	Cash Limit Variance £'000	MEMO: Cash Limit Variance QTR3 £'000
Central Charges	3,781	3,447	-334	303	-31	0
Total	107,865	97,868	-9,997	13,383	3,386	2,663

20 The table below provides a brief commentary of the 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	Overspend in this area related to the cost of a new Strategic Manager with no budget provision in the current financial year offset by surplus income from the ASYE programme. The Service have identified funding for the management post in 2019-20.	15
Families First North	An over spend on unbudgeted agency staff costs in excess of savings accrued through vacancies totalled £0.188 million. An over spend on transportation costs mainly through the use of taxis totalled £0.187 million. 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 was overspent by £0.028 million. Expenditure on short term interim fostering allowances with no budget provision totalled £0.118 million in 2018-19.	521
Families First South	An over spend on unbudgeted agency staff costs in excess of savings accrued through vacancies totalled £0.307 million. Transportation of children mainly through the use of taxis was overspent by £0.066 million and legal costs associated with child care cases overspent by £0.205 million. Expenditure on an increasing number of children placed under Special Guardianship and Child Arrangement Order arrangements resulted in an overspend of £0.324 million. There was a net underspend of (£0.089m) on direct payments, short breaks and home care for children with a disability. Expenditure on short term interim fostering allowances with no budget provision totalled £0.031 million in 2018-19.	844

Service Area	Description	Cash limit Variance £000
Looked After Provision, Permanence and Care Leavers	<p>The overspend in the LAC service was 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£0.215 million as a result of sickness and other absences. £2.624 million overspend on LAC Placements including young people placed in welfare and high dependency beds in Secure accommodation. £0.751 million net overspend on permanent adoption placements with external voluntary organisations and other local authorities £0.373 million shortfall against the income budget for joint CCG funded placements. £0.190 million overspend on transportation costs mainly related to the cost of hired transport. 	4,153
Efficiency and Improvement		(0)
Head of Childrens Services	The underspend mainly relates to the budget for recruitment and retention payments and temporary agency Social Work Assistants being held at this level although the actual expenditure was captured within the employee team budgets.	(383)
		5,150

Service Area	Description	Cash limit Variance £000
Head of Education		
Director/Head of Education	There is an overspend of £6k in this area linked to the appointment of an interim Head of Education during 2018/19.	6
Progression and Learning	There is a small forecast under spend relating to staffing vacancies.	-19
School Places and Admissions	The over spend in this area relates to additional expenditure on Home to School transport and in particular transport relating to pupils with SEN.	879
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.	-812
Central charges	There is an under spend in this area due to the change in bad debt provision.	-25
		29

Service Area	Description	Cash limit Variance £000
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.	(362)
		(362)

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 small over spend relates to ongoing premises costs on the Aycliffe site pending demolition of all the remaining buildings.	4
One Point and Think Family Service	The service accessed additional non recurrent income of (£0.615m) in 2018/19. The One Point Service also saved (£0.148 million) from vacant posts. The balance of the saving (£0.351 million) is mainly from savings on building repairs, minor improvements, activities and office expenses.	(1,114)
Head of Early Help Inclusion and Vulnerable Children	The underspend mainly relates to planned savings on the activity budget and on minor building improvements, these budgets were previously held in the One Point Service.	(450)
Secure Services	Secure Services made a net surplus of £0.672m mainly from the sale of welfare beds, the surplus was transferred to the Secure Services earmarked reserve at the year end.	0
Youth Offending Service	The saving in CDYOS relates mainly to savings on premises and supplies partly as a result of less than expected expenditure on the Belmont premises.	(54)
SEN, Disability and Inclusion	The overspend relates to the funding of ER/VR costs released as part of a recent restructure and which are not associated with delivering MTFP savings.	167
		(1,423)

- 21 In summary, the service overspent its cash limit budget by £3.386m in 2018/19. The outturn position incorporates the MTFP savings built into the 2018/19 budgets, which for CYPS in total amounted to £2.742m.
- 22 On 13 March 2019 Cabinet, based on the Quarter 3 forecast of outturn, 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.
- 23 Following the increase in the CYPS overspend position at outturn, Cabinet (10 July 2019) approved a further transfer from the Council's General Reserve of £0.723 million to the CYPS Cash limit to avoid a negative cash limit position carried forward to 2019/20.
- 24 The CYPS Cash Limit carried over at 31 March 2019 is therefore a zero balance.

Schools

- 25 Maintained schools¹ approved original budgets in March and April of 2018. These budgets took account of funding allocated from the Dedicated Schools Grant, based on formula allocations and band funding for special schools, as well as income from grants and other sources. Budgets were subsequently revised to take account of changes made by the schools, to take account of changes in income, (including SEN funding) and revised spending plans. This report covers the financial position for:
- *Schools Revenue Budget - £234 million (original £233 million)*
- 26 The original and final schools' revenue budgets are summarised in the table below:

Schools' delegated budgets (£000s)	
Original Budget	232,260
In-year adjustments	1,373
Revised Budget	233,633

- 27 The summary financial statements contained in the report cover the financial year 2018/19 and show: -

¹ Figures in the report exclude schools that converted to academies at the start or during the year, but include Our Lady of the Rosary RC Primary, which converted to an academy on 1 May 2019.

- 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 outturn position;

28 Overall, schools underspent by £8.959 million against a revised budget of £233.633 million which represents a 3.8% underspend.

29 The table below show the revised annual budget, actual expenditure and the variance at the year end. The table is analysed by Subjective Analysis (i.e. type of expense).

Subjective Analysis (Type of Expenditure)

<i>Schools' delegated budgets (£000s)</i>	Original Annual Budget	Revised Annual Budget	Final Outturn	Variance (Final Outturn to Revised Annual Budget)	MEMO: Forecast at Quarter 3	Variance (Final Outturn to Forecast at Quarter 3)
Employees	196,964	199,163	199,206	43	198,051	1,155
Premises	13,137	13,577	13,177	(400)	13,443	(266)
Transport	1,537	1,616	1,755	139	1,746	9
Supplies and Services	37,598	41,150	41,000	(150)	39,725	1,275
Income	(53,848)	(59,636)	(66,475)	(6,839)	(59,477)	(6,998)
Other	36,871	37,763	36,011	(1,752)	37,585	(1,574)
Total	232,259	233,633	224,673	(8,960)	231,073	(6,399)

30 Schools underspent by £8.959 million compared to their Revised Budget, an increase in under spend of £6.399 million compared to the forecasts at Quarter 3. This resulted in the retained balances held by schools at 31 March 2019 totalling £17.744 million.

2018/19 outturn Impact on Schools retained Reserves

Reserves Position as at 31 March 2018

31 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

- 32 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.
- 33 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.
- 34 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.
- 35 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

- 36 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.

Developments in 2018/19 - Academisation

- 37 In 2018/19 five schools converted to academies. Excluding the balances for these former maintained schools, the total adjusted maintained school balances brought forward to 2018-19 was £16.420 million.

2018/19 outturn Impact on Schools retained Reserves

- 38 Maintained schools have delegated budgets and carry forward accumulated surpluses and deficits from one year to the next. At the 31 March 2019 there was an overall net surplus balance £17.774m to be carried forward to 2019/20. A summary is shown below:

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	(0.874)	-	-	(0.874)
Alternative Provision	-	-	-	-
Primary	(18.510)	(0.034)	0.315	(18.230)
Secondary	(2.438)	-	6.082	3.645
Special	(2.611)	-	0.325	(2.285)
Total	(24.433)	(0.034)	6.722	(17.744)

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

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	11	-	-	11
Alternative Provision	-	1	-	1
Primary	176	3	14	193
Secondary	7	-	6	13
Special	8	-	1	9
Total	202	4	21	227

- 40 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.

- 41 All schools were expected to either recover the deficit by the end of the current financial year or have submitted requests for permission to set a deficit budget. Tanfield, Wolsingham, Wellfield and St Bede's will not be able to recover their deficit during the current year and have been granted permission to set a deficit budget in 2019/20 based on an agreed recovery plan. All four of these schools are exploring options for academy conversion, which would require the council to write-off their deficit balances on conversion.

Dedicated Schools Grant Centrally Retained block

- 42 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 were 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)
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	51,942

- 43 The centrally retained DSG budgets over spent of £8.347 in 2018/19 million to year end, which represents a 16% over spend. Details of where the overspending is occurring is provided in the table below:

DSG Block	Budget	Provisional Outturn	Over / (Under) Spend
	£'000	£'000	£'000
Schools	617	904	287
High Needs	17,953	25,364	7,411
Early Years	30,544	31,249	705
Central Schools Services	2,828	2,772	-56

DSG Block	Budget	Provisional Outturn	Over / (Under) Spend
	£'000	£'000	£'000
Total	51,942	60,289	8,347

- 44 The over spend position was largely driven by spending against the High Needs Block, which overspent by £7.411 million in 2018/19.
- 45 The table below shows the DSG earmarked reserve position as at 1 April 2018 and the position as at 31 March 2019, taking into account 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	(7,411)	(705)	(231)	(8,347)
Transfer from COLs	384	0	0	384
Transfer from PFI re-financing	2,881	0	0	2,881
Balance as at 31 March 2019	(2,728)	1,370	1,009	-348

- 46 The over spend position on the Retained element of the DSG reserves (including the High Needs Block) resulted in a deficit over and above available reserves of £0.348 million carried forward at 1 April 2019.

Capital Programme

- 47 The CYPS capital programme was revised early in 2018-19 to take into account budget reprofiled from 2017/18 and was revised further following changes agreed by MOWG and Cabinet in year.
- 48 The revised budget is presented below together with actual expenditure in 2018/19:

Capital Budget	Revised Budget 2018/19 £'000	Actual Expenditure 2018/19 £'000	Variance 2018/19 £'000
SCP - LEP	154	82	-72
Childrens Care	1	1	0
CYPS-Childrens Services - PSS	1,598	1162	-436
Early Intervention & Involvement	0	0	0
Early Years	637	456	-181
School Devolved Capital	4,177	2,327	-1,850
School Related	12,151	11,916	-235
Free School Meals Support	6	3	-3
Secure Services	270	246	-24
CYPS Total	18,994	16,193	-2,801

49 The £2.8million Capital underspend has been reprofiled into the 2019/20 capital budget to enable completion of the capital plans following approval at Cabinet (10 July 2019).

Background papers

Cabinet Report

- 2018/19 Q2 Forecast of Outturn – 14 November 2018
- 2018/19 Q3 Forecast of Outturn – 13 March 2019
- 2018/19 Outturn Report – 10 July 2019

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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 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.