

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



**13 January 2020**

### **Children and Young People's Service Revenue and Capital Outturn Forecast – Quarter 2 - 30 September 2019**

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#### **Report of Corporate Directors**

**John Hewitt, Corporate Director of Resources**

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

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

**Electoral division(s) affected: Countywide**

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#### **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 at the end of September 2019.

#### **Executive Summary**

- 2 The updated forecasts, based on the position to 30 September, 2019 shows that the CYPS service is reporting a cash limit overspend of £2.637 million against a revised budget of £114.911 million, which represents a c.2.29% overspend. The position at the end of quarter 1 was a forecast cash limit overspend of £2.124 million.
- 3 The projected capital outturn is nil variance against a revised budget of £25.433 million.

#### **Recommendations**

- 4 Members of Overview and Scrutiny committee are requested to:
  - a. note the updated forecast of revenue and capital outturn for CYPS 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 - £114.911m (original £118.039m)*
- *CYPS Capital Programme – £25.433m (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:

<b>Reason For Adjustment</b>	<b>£'000</b>
Original Budget	118,039
<b>Reason For Adjustment</b>	
Transfer from Contingencies	1,418
Use of (+)/contribution to CYPS reserves (-)	719
Use of (+)/contribution to Corporate reserves (ERVR) (-)	962
Transfer from Other Services	(203)
Transfer to Other Services	(6,024)
<b>Revised Budget</b>	<b>114,911</b>

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

<b>Reserve</b>	<b>£'000</b>
SEND Reform Grant Reserve	235
Tackling Troubled Families Reserve	153
National Assessment and Accreditation System	86
Secure Services	100
Early Years Activity Reserve	41
Easington Sports Partnership	(3)
Progression and Learning 18-21	21
Adult Learning	13
North East Social Work Alliance	73
<b>Total</b>	<b>719</b>

- 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 reporting a cash limit overspend of £2.637 million against a revised budget of £114.911 million, which represents a c.2.29 % overspend. The position at the end of quarter 1 was a forecast cash limit overspend of £2.124 million.
- 10 The tables below show the revised annual budget, actual expenditure to 30 September 2019 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 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	Items Outside Cash Limit	Cash Limit Variance
	£000	£000	£000	£000	£000	£000
Employees	72,604	35,208	69,486	(3,118)	-	(3,118)
Premises	4,294	1,625	4,167	(127)	-	(127)
Transport	17,080	6,810	19,307	2,227	-	2,227
Supplies & Services	10,748	7,792	10,683	(65)	-	(65)
Third Party Payments	30,756	14,556	33,076	2,320	-	2,320
Transfer Payments	2,400	743	1,810	(590)	-	(590)
Capital	24,972	-	24,972	-	-	-
Central Support and Other Recharges	21,140	2,018	21,816	676	-	676
Income	(69,083)	(31,602)	(67,769)	1,314	-	1,314
<b>Total</b>	<b>114,911</b>	<b>37,150</b>	<b>117,548</b>	<b>2,637</b>	<b>-</b>	<b>2,637</b>

### Analysis by Head of Service Area

CYPS	Revised Annual Budget	YTD Actual	Forecast Outturn	Variance	Items Outside Cash Limit	Cash Limit Variance
	£000	£000	£000	£000	£000	£000
Children's Social Care	66,312	29,380	68,293	1,981	-	1,981
Education	40,898	7,121	42,483	1,585	-	1,585
Operational Support	1,512	787	1,481	(31)	-	(31)
Early Help Inclusion and Vulnerable Children	6,189	(180)	5,291	(898)	-	(898)
<b>Total</b>	<b>114,911</b>	<b>37,150</b>	<b>117,548</b>	<b>2,637</b>	<b>-</b>	<b>2,637</b>

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
<b>Head of Children's Social Care</b>		
Safeguarding and Professional Practice	The forecast underspend mainly relates to the receipt of surplus grant income from the DfE for AYSE social workers.	(45)
Families First North	The forecast overspend mainly relates to an overspend on court fees £0.190 million and transportation costs £0.150 million for children and young people and interim fostering allowances £0.083 million offset by savings on direct payments, short breaks and domiciliary care for children with a disability (£0.321 million)	102
Families First South and East	The forecast underspend mainly relates to savings on vacant posts (£0.206 million) and transportation costs for children and young people (0.091 million) offset by overspending on supporting families in need through contact, short term benefit and accommodation assistance etc. £0.045 million and interim fostering allowances £0.122 million.	(130)
Looked After Provision, Permanence and Care Leavers	The forecast underspend mainly relates to forecast savings on inter agency adoption fees (£0.479 million) and on leaving care accommodation and support costs (£0.432 million).	(911)
Looked After Children Resources	<p>The overspend in the LAC Resources was mainly as a result of the following contributing factors-</p> <ul style="list-style-type: none"> <li>• £2.174 million net overspend on LAC Placements including young people placed in welfare and high dependency beds in Secure accommodation The gross forecast overspend on LAC placements is £3.206 million but this forecast overspend is being offset by savings (£1.032 million) from delays in opening a new children's home and two externally provided solo homes.</li> <li>• £0.672 million overspend on an increasing number of children placed under Special Guardianship and Child Arrangement orders.</li> <li>• £0.452 million shortfall against the income budget for joint CCG funded LAC placements.</li> <li>• £0.250 million forecast for agency staff to provide support staff to care for and support children and</li> </ul>	3,756

Service Area	Description	Cash limit Variance £000
	<p>young people who are already in placements and need some additional support or to children and young people on the edge of care whose families require outreach support during the day.</p> <ul style="list-style-type: none"> <li>• £0.208 million for increased costs of in-house provided residential homes 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 children's home.</li> </ul>	
First Contact and Specialist	The underspend mainly relates to savings from vacant posts.	(122)
Head of Children's Services	Forecast underspend (£0.490 million) relating 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. There is also a forecast underspend of (£0.179 million) on social work recruitment and retention payments..	(669)
		<b>1,981</b>
<b>Head of Education</b>		
Director/Head of Education	This over spend relates to unbudgeted pension costs relating to the recently appointed Corporate Director for CYPS.	13
BSF PFI	In line with budget.	-
Progression and Learning	In line with budget.	-
School Places and Admissions	Home to school transport is forecast to be over budget by £2.2 million and this is partially offset by forecast under spends in Further and Higher Education Establishment Pension Liabilities of £100k and £44k additional income from fines relating to parents taking their children out of school during term time.	2,056
Support and Development	This under spend primarily relates to accessing of alternative funding for the previously base budget funded nursery sustainability of £455k and a forecasted shortfall in income of £73k relating to DCC Nurseries. There is also a forecast under spend of £73k on employee budgets due to the early achievement of the Support and Development restructure.	(484)

Service Area	Description	Cash limit Variance £000
		1,585
<b>Children's Services Operational Support</b>		
Operational Support	The under spend in this area relates previous year's restructure in Children Services Operational Support service.	(31)
		(31)
<b>Head of Early Help, Inclusion and Vulnerable Children</b>		
One Point and Think Family Service	The One Point Service is forecasting an underspend of (£0.260 million) on employees mainly from savings on vacant posts. There are also savings on minor improvements and general repairs (£0.170 million) and activities (£0.090 million) which are being held to meet known budget pressures in 2020-21.	(526)
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.	(213)
Secure Services	Secure Services are forecasting to breakeven at Q2 following a transfer of £0.1 million from the earmarked reserve to fund an estimated shortfall in income from the sale of high dependency beds.	-
Youth Justice Service	The variance in CDYJS relates to a forecast underspend on remand beds as a result of less activity in the current financial year.	(67)
SEN Disability and Inclusion	The forecast saving is a result of the Psychology Service forecasting to exceed income generation targets.	(92)
		(898)
	<b>CYPS QTR2 Forecast Outturn</b>	<b>2,637</b>

- 12 In summary, the service is forecast to overspend against its cash limit budget by £2.637 million. 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 currently maintains 223 schools, including nursery, primary, secondary, special schools and a single Alternative Provision (AP) school. The one AP school is for pupils who have been permanently excluded from other schools, or who are at risk of permanent exclusion. Since the quarter one report was prepared three schools have converted to academies and these schools have been excluded from the analysis below.
- 14 The initial budget for 2019/20, for the current maintained schools was £305 million, funded by income of £71 million, budget shares of £224 million (from central government funding), and £10 million of accumulated surplus balances.

Schools' delegated budgets (£000)	Nursery	Alternative Provision	Primary	Secondary	Special	Original Annual Budget
Employees	4,259	3,341	157,155	50,887	24,313	239,955
Premises	260	143	10,292	4,268	1,091	16,054
Transport	21	623	412	886	311	2,253
Supplies and Services	496	1,681	30,974	10,455	2,918	46,525
Income	(3,714)	(1,329)	(45,648)	(15,457)	(4,533)	(70,680)
Net expenditure	1,323	4,459	153,185	51,039	24,100	234,107
Budget share	(1,067)	(4,459)	(146,649)	(49,068)	(22,747)	(223,989)
Contribution (to)/from reserves	256	-	6,537	1,972	1,354	10,118

- 15 Schools carried forward balances of £17.5 million at 31 March 2019 and at the start of the 2019/20 financial year were forecasting to carry forward balances of £7.3 million at 31 March 2020.
- 16 A summary for each category of school is shown below:

School budget plans 2019-20 (£000)	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)	256	(874)	(618)
AP	5,788	(1,329)	(4,459)	-	-	-
Primary	198,833	(45,648)	(146,649)	6,537	(18,078)	(11,542)
Secondary	66,496	(15,457)	(49,068)	1,972	3,778	5,749
Special	28,633	(4,533)	(22,747)	1,354	(2,285)	(932)
<b>Total</b>	<b>304,787</b>	<b>(70,680)</b>	<b>(223,989)</b>	<b>10,118</b>	<b>(17,460)</b>	<b>(7,343)</b>

- 17 At 30 September, the School Funding team were in the process of conducting autumn budget reviews with each school, which will help schools to determine if they need to start a restructuring process in anticipation of needing to make savings to balance their budgets in the coming financial year (2020/21). As part of this, the team agrees an updated forecast to the end of the current financial year, however in practice schools tend to look at worst-case scenarios and forecasts have been consistently more pessimistic than the final outturn in recent years.
- 18 The forecast reported in quarter three of last year indicated that school balances would reduce by £5.0 million, but the actual change was an increase of £1.3 million. The final net expenditure by schools last year was 4.1% less than the net expenditure in their original budget plans. If schools underspend their original budget plans for the current year, then the final balances for the year are likely to be in the region of £17.1 million, a reduction of £0.400 million rather than the £10.1 million included in the original budget plans:

	<b>Revised Annual Budget</b>	<b>YTD Actual</b>	<b>Forecast Outturn</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Employees	240,353	120,746	234,843	5,510
Premises	16,386	9,070	16,879	(493)
Transport	2,321	973	2,390	(69)
Supplies and Services	48,362	29,083	49,848	(1,486)
Income	(296,431)	(269,374)	(303,560)	7,129
<b>Total</b>	<b>(10,991)</b>	<b>(109,502)</b>	<b>(400)</b>	<b>(10,591)</b>

- 19 The forecast outturn takes account of expenditure and income to date and past experience of outturns compared to budgets.
- 20 At the start of the financial year all except four schools prepared budget plans that could be delivered within available funding. Four schools have had to seek approval of the council's S.151 officer to set deficit budgets where planned expenditure during 2019/20 would result in a deficit balance at 31 March 2020 (known as a licensed deficit).
- 21 Schools with licensed deficits are shown below:

<b>School budgets and forecast balances (£000) (negative figures are surpluses)</b>	<b>Gross expenditure</b>	<b>Deficit Balance at 31 March 2019</b>	<b>Deficit Balance at 31 March 2020</b>	<b>Forecast change in Year</b>
Tanfield School	4,145	513	503	(9)
Wolsingham School	4,031	1,559	1,849	290
Wellfield School	4,958	3,365	3,363	(3)
St. Bede's RC, Peterlee	4,348	481	1,353	872

- 22 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**

- 23 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:

	<b>Schools Block</b>	<b>High Needs Block</b>	<b>Early Years Block</b>	<b>Central School Services Block</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Original Allocation	306,075	52,503	31,833	2,856	<b>393,267</b>
<b>Reason for adjustment</b>	-	-	-	-	-
Recoupment for academies	(103,858)	-	-	-	<b>(103,858)</b>
Recoupment for EFA direct funded places	-	(3,911)	-	-	<b>(3,911)</b>
<b>Funding received by DCC</b>	<b>202,217</b>	<b>48,592</b>	<b>31,833</b>	<b>2,856</b>	<b>285,498</b>
Delegated to Mainstream Schools	(201,611)	-	-	-	<b>(201,611)</b>
Delegated to Alternative Provision Schools	-	(5,515)	-	-	<b>(5,515)</b>
Delegated to Special Schools	-	(23,862)	-	-	<b>(23,862)</b>
Transfer to Enhanced Mainstream Provision	-	(683)	-	-	<b>(683)</b>
Transfer to Maintained Nursery Schools	-	-	(1,068)	-	<b>(1,068)</b>
<b>Centrally retained budget</b>	<b>606</b>	<b>18,532</b>	<b>30,765</b>	<b>2,856</b>	<b>52,759</b>

- 24 The Quarter 2 financial forecasts for the DSG budget show an overspend of £7.342 million against a budget of £52.759 million to year end, which represents a 14% overspend.

<b>DSG Block</b>	<b>DSG Budget £'000</b>	<b>DSG Forecast Outturn £'000</b>	<b>Over / (Under) Spend £'000</b>
Schools de-delegated	606	606	-
High Needs	18,532	25,874	7,342
Early Years	30,765	30,765	-
Central Schools Services	2,856	2,856	-
<b>Total</b>	<b>52,759</b>	<b>60,101</b>	<b>7,342</b>

- 25 The forecast over spend position is driven by the High Needs Block, which is forecast to overspend by £7.342 million.
- 26 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:

<b>DSG Reserves</b>	<b>High Needs Block £'000</b>	<b>Early Years Block £'000</b>	<b>Schools Block £'000</b>	<b>Total DSG £'000</b>
<b>Balance as at 1 April 2017</b>	<b>6,070</b>	<b>2,361</b>	<b>2,728</b>	<b>11,159</b>
Use [-] / Contribution [+] in 2017/18	(4,652)	(286)	(1,488)	(6,426)
<b>Balance as at 1 April 2018</b>	<b>1,418</b>	<b>2,075</b>	<b>1,240</b>	<b>4,734</b>
Use [-] / Contribution [+] in 2018/19	(7,411)	(705)	(231)	(8,347)
Transfer from COLs	384	-	-	384
Transfer from PFI re-financing	2,881	-	-	2,881
<b>Balance as at 1 April 2019</b>	<b>(2,728)</b>	<b>1,370</b>	<b>1,009</b>	<b>(348)</b>
Forecast Use [-] / Contribution [+] in 2019/20	(7,342)	-	-	(7,342)
Contribution from general reserves	5,600	-	-	5,600
<b>Forecast balance as at 31 March 2020</b>	<b>(4,470)</b>	<b>1,370</b>	<b>1,009</b>	<b>(2,090)</b>

- 27 The forecast over spend position on the High Needs Block will result in a deficit over and above available reserves of £4.470 million, which is offset by reserve balances in the other DSG blocks of £2.379 million, resulting in a cumulative deficit position of £2.090 million.

## **Capital Programme**

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

CYPS	Annual Budget	Actual Spend	Remaining Budget	Managers Forecast Outturn	Forecast Variance
	2019/20	Sep-19			
	£'000	£'000			
Education - LEP	854	62	792	854	-
Children's' Care	392	-	392	392	-
Early Years	183	24	159	183	-
School Devolved Capital	5,600	1,377	4,223	5,600	-
Education School Related	16,445	6,904	9,541	16,445	-
Planning & Service Strategy	1,753	214	1,539	1,753	-
Secure Services	206	(20)	226	206	-
<b>Total</b>	<b>25,433</b>	<b>8,561</b>	<b>16,872</b>	<b>25,433</b>	<b>-</b>

## Background papers

### Cabinet Report

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

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## **Appendix 1: Implications**

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### **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.

### **Climate Change**

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.