

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

16 February 2011



- (i) School Funding 2011/2012 and Beyond**
- (ii) A New Early Intervention Grant and
CYPS Revenue Budget Plans
2011/2012**
- (iii) Forecast of Out-turn 2010/2011 –
Quarter 3**

**Report of Phil Barclay, Head of Finance, Children and Young People's
Services**

Purpose of Report

- 1 At the request of Scrutiny members there will be a brief presentation in relation to School Funding and CYPS Revenue Budget Plans, including the new Early Intervention Grant, for the 2011/2012 financial year and beyond.
- 2 The routine part of the report provides the Committee with details of the Children and Young People's Services revenue and capital out-turn forecast for 2010/2011, based on information at the end of the third quarter of the financial year.
- 3 The report follows the standard reporting style used by all Services and replicates information previously prepared for CMT and Cabinet.

Executive Summary

- 4 The first reporting period of the financial year was significantly affected by an in year cut to the level of Area Based Grant (ABG) that was announced by the Government on 10 June 2010. ABG forms part of the base CYPS revenue budget of £89m, managed by the Director of CYPS and £2.758m of reduced spending has been necessary to match the value of grant reduction. A range of strategies were reported to Cabinet on 21 July 2010. Work is on target to deliver the necessary savings.
- 5 Additional DfE grant loss has also lead to reduced activity and this has been reflected in spending plans.

- 6 Throughout the year CYPS managers have continue to work on a package of in year savings, because of the continuing pressures on Safeguarding and Specialist Services (i.e. the number of Looked After Children and referrals) are expected to generate a budget overspend of more than £2m by the financial year end. The demand on Safeguarding and Specialist Services is expected to attract a base budget increase of £1.8m in the 2011/2012 Medium Term Financial Plan (MTFP).
- 7 Clearly all this activity means that comparison against original budget will show there are variations against most standard expenditure lines. However, sufficient steps have been taken, in the main by utilising one off reserves and balances to suggest an out-turn position that is £0.7m below budget.
- 8 This is the first year that CYPS has been operating against a “cash limit” and the MTFP for 2011/2012 assumes an operating balance will be used to set a balanced budget.

CYPS Budget

Type of Expenditure

Employees – Forecast to underspend by £1.18m

- 9 The CYPS Employees budget is considerable at £78.3m. The estimated underspend will arise because of several reasons:-

Non filling of posts funded by ABG; end of other Government grants; redirection of Sure Start grant; delayed appointments and non-filling of vacancies; redirection of budget to meet independent fostering costs. At this stage no allowance has been made for significant redundancy costs which will arise from the end of national, grant funded, School Improvement strategies, at March 2011.

Premises – Forecast to underspend by £0.08m

- 10 Minor underspends expected on the running costs of premises.

Transport – Forecast to overspend by £1.2m

- 11 The £13.9m Home to School and College transport budget is on target to overspend by £0.4m. The additional overspend relates to Children in Need travel costs.

Supplies and Services – Forecast to underspend by £0.1m

- 12 There is a general reduction in spending across all parts of the service.

Agency and Contracted Services – forecast to overspend by £2.8m

- 13 This is most significant pressure area in the CYPS budget as it records spend on independent fostering agencies and fostering allowances, and spend has increased considerably in line with referrals and caseloads.

Transfer Payments – Forecast to underspend by £0.36m

- 14 The expenditure on Direct Payments to those parents who elect to care for children with a disability at home is recorded here. Some costs in 2010/2011 will be offset by a separate grant stream.

Central Support Costs – Forecast to underspend by £0.2m

- 15 Internal recharges reduce in line with grant funded activity.

Income – Forecast to be over recovered by £2.7m

- 16 Income from the sale of excess residential places is expected to be low because accommodation is at DCC capacity but there are a variety of grant income sources that will be deployed to reduce overall spend.

Medium Term Financial Plan Efficiency Savings

- 17 In January 2010, 45 separate savings measures were approved as part of the Medium Term Financial Plan with a total value of £1.875m. By the end of November 2010, all but 2 are delivered. The outstanding items have an aggregate value of £62,000, of these £42,000 rental costs in relation to Millennium Place will not be realised and this instead will be met via the Connexions trading balance; plans to relocate Investing in Children from Moor Chambers at Framwellgate Moor have yet to be finalised and the expected savings of £20,000 will not all materialise.

Earmarked Reserves

- 18 At this stage in the financial year, several reserves and trading account balances totalling £1.669m have been identified to assist with managing the ABG cut and to meet Safeguarding and Specialist pressures:- EBLO reserve - £450,000; Connexions trading balance - £478,077; Children's Fund reserve - £406,000; Teenage Pregnancy carry forward balance - £195,000; £50,000 Aycliffe Secure trading reserve; £150,000 from corporate contingencies for Consett and North Durham (Stanley) Academies development.

Dedicated Schools Grant (DSG)

- 19 There are no significant areas of concern on spending funded via DSG (£288.5m) by the end of the third quarter of the financial year.

CYPS Capital Budget

- 20 The CYPS Capital budget has a number of significant components that are available for different purposes. From previous financial years there has been £40.6m of “slippage”, largely on new primary schools and Aycliffe Secure Unit building projects. [School devolved capital is included in this total].
- 21 Most of the activity is funded via Government grant and as a consequence budget monitoring is undertaken against specific project areas e.g.:-
- BSF (Grant & Revenue)
 - Aycliffe Secure New Building (Grant & Revenue)
 - Extended Schools (Grant)
 - Sure Start and Youth Capital (Grant)
 - Primary Capital and Modernisation (Grant)
 - Harnessing Technology (Grant)
 - Basic Need (Revenue)
 - Schools Access Initiative (Revenue)
 - Schools Devolved Capital (Grant)
 - Structural School Building R&M – DSG (Grant)
 - 14 to 19 Diploma Course Developments (Grant)
 - Co-Location Fund – Durham Integrated Project (Grant)

This report includes commentary on the most significant aspects of the programme:-

Primary Capital and Modernisation – 2010/11 Budget £14,395,391

- 22 This part of the capital budget is predominantly focused on new build. Ongoing schemes are expected to incur about £3.5m of costs in the current year, most of the project spend on new schools at Esh Winning, Brandon, Finchale and Green Lane is scheduled to occur in the 2011/12 financial year.

Basic Need – 2010/11 Budget of £1,100,000

- 23 This budget is to enable primary schools to be provided with enough classroom capacity to meet demands from their locality. At present there are 12 schools where projects are in various stages of development and are being integrated with other building works where appropriate. The budget is fully committed but around £417,000 is expected to be spent in the next financial year.

School Access Initiative – 2010/11 Budget £948,590

- 24 This budget is funding a range of projects in schools that allow improved pupil and visitor access and movement within the premises. Demand is high (34 projects) and schools are supplementing projects via their Devolved Capital budgets. It is anticipated the full budget will be deployed by March 2011. This is a part of the capital budget where actual spend exceeded the available budget in 2009/10 and this reduces available funds in 2010/11.

Structural Maintenance – DSG – 2010/2011 Budget £3,592,900

- 25 From within a grant (Dedicated Schools Grant) provided for school running costs and certain support functions, a budget is set aside for “lumpy” building repair and maintenance costs such as roof replacements, electric rewiring, boiler plant replacement and asbestos removal. A full schedule of works has been drawn up and it is expected that the budget will be fully spent by the year end.

Schools Devolved Capital - £9,142,270

- 26 Amounts are delegated to schools each year to meet the cost of Capital Repair and Maintenance works and ICT purchases. Decisions on priorities and management of these funds, over a 3 year period, are matters for each school Governing Body. The 2010/2011 budget including a previous year balance is £14.9m and schools are on target to spend around £9.9m in 2011/2012.

Aycliffe Secure Premises – New Build

- 27 The original 2009/2010 capital budget for this project was established at £13.6m, but it was February 2010 before construction started. Most of the project expenditure will be incurred in the current financial year.
- 28 The scale of the Project and level of grant contributions received has changed since it was originally set up and a detailed report on the funding strategy for the Aycliffe project was approved by Cabinet in October 2010.

Building Schools for the Future (BSF)

- 29 BSF funding implications are complex, depending on whether the PFI route or traditional design and build option is being utilised. In some cases, capital expenditure is incurred, in others PFI contractor payments will feature in the revenue budget.
- 30 Government decisions mean that the full Wave 6 Programme for County Durham will not go ahead. The Capital Budget has been revised to reflect the reduction in the Programme and imminent decisions on Consett Academy will determine whether there is an issue of abortive fees to address.
- 31 During 2010/2011 over £25m capital budget is scheduled to be spent on construction and ICT costs at the schools in Wave 3: Dene Community School of Technology, Durham Johnson Comprehensive School (complete and open); Easington Community Science College (complete January 2011); Glen Dene; Peterlee St Bede’s Catholic Comprehensive and Wellfield Community School.
32. There are 3 new schools opening this year that have been constructed via a PFI contract and this will show as revenue spend in the County Council’s

accounts from January 2011. (Shotton Hall Primary, Shotton Hall and Sedgfield Community College schools.)

Catchgate Children's Home Replacement – £748,245 (slippage) from 2009/10

- 33 Initial negotiations to purchase and develop a property fell through in late 2009 and a new build option is now being planned in the Spennymoor area.

Extended Schools 2010/11 Original Budget £476,529; reduced after Government Cuts to £217,546

- 34 This grant is being used to supplement other primary school building projects and to fund developments in primary schools that will assist schools to fulfil the DfE Extended Schools Agenda. The expectation is that the reduced level of grant will be fully utilised.

Harnessing Technology 2010/11 £2,240,820 Original Budget; reduced after Government Cuts to £1,125,500

- 35 75% of this grant is devolved to schools and they use it to pay for Broadband and other school connectivity costs. The balance is managed by the County Council's Head of ICT to resource the Broadband infrastructure across the Council that links up with schools. The expectation is the grant will be fully utilised, especially as it has been cut by about 50% in year.

Sure Start and Youth Capital 2010/11 £3,222,408 original budget; reduced after Government Cuts to £3,088,308

- 35 A number of grants are provided to extend and construct Children's Centres, to support the work of private Early Years Providers, facilities and equipment for disabled children and for Youth projects. A range of projects are in progress and by the year end, it is anticipated most of the budget will be utilised. (The Youth element has been affected by the Government in year budget cuts and will be reduced from £268,200 to £134,100).

Diploma Exemplar and Rural Capital £3,407,744 (+ slippage from 2009/10 £685,184)

- 36 DfE has provided capital grant that will over 2 years allow the development of a manufacturing facility at Newton Aycliffe and extended diploma facilities in the west of the County.

Co-Location Fund – Durham Integrated Project - £5, 155,450 (+ slippage from 2009/10 £1,550,021)

- 37 DfE announced £6.7m of capital grant last year for developing integrated, co-located locality teams within County Durham and development of service hubs for Children and Young People aged 5 – 19. DfE has confirmed that plans in County Durham will continue to be supported, allowing projects at Seaham, Stanley, Bishop Auckland, Newton Aycliffe, Barnard Castle, Peterlee

Appendix 1: Implications

Finance

Financial implications are outlined throughout the report.

Staffing

Future financial planning could impact upon staffing. Safeguarding pressures require some agency staff employment.

Equality and Diversity

None.

Crime and disorder

None.

Sustainability

None.

Human rights

None.

Localities and Rurality

None.

Young people

None.

Consultation

None.

Health

None.