

Children and Young People's Overview and Scrutiny Committee



26th September 2018

CYPS – Revenue and Capital Quarter 1 Forecast Outturn 2018/19

Report of Paul Darby, Head of Finance (Financial Services)

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 2018.

Background

2. 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 - £110.156m (original £106.564m)*
 - *CYPS Capital Programme – £35.370m (original £23.983m)*
3. 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	106,564
Reason For Adjustment	
Transfer From Contingencies	891
Use of (+)/contribution to CYPS reserves (-)	2,212
Use of (+)/contribution to Corporate reserves (ERVR) (-)	973
Transfer from Other Services	0
Transfer to Other Services	(484)
Revised Budget	110,156

4. The use of / contribution to CYPS reserves consists of:

Reserve	£'000
SEND Reform Grant reserve	231
School and Governor Support reserve	70
Durham Learning Resources reserve	52
High Needs Strategic Review reserve	170
Tackling Troubled Families reserve	242
North East Social Work Alliance reserve	377
Schools Reserve	1,000
Early Years Activity reserve	70
Total	2,212

5. 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

6. The CYPS service is reporting a cash limit underspend of £0.429m against a revised budget of £110.156m, which represents a c0.4% underspend.
7. The tables below show the revised annual budget, actual expenditure to 30 June 2018 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 analyses 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	73,230	18,449	72,254	(976)	-	(976)
Premises	4,172	1,092	3,976	(196)	-	(196)
Transport	15,140	2,405	15,659	519	-	519
Supplies & Services	11,514	4,373	11,406	(108)	-	(108)
Third Party Payments	27,435	4,875	28,204	769	-	769
Transfer Payments	1,686	364	1,186	(500)	-	(500)
Central Support & Capital	43,431	824	43,625	194	-	194
Income	(66,452)	(22,586)	(66,583)	(131)	-	(131)
Total	110,156	9,797	109,727	(429)	-	(429)

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
Childrens Social Care						
Aycliffe Site and Price Training	628	216	639	11	-	11
Strategic MGR Families First North	8,142	1,035	8,608	466	-	466
Strategic MGR Families First South	9,680	2,494	10,369	689	-	689
Looked After Provision Permanence and Care Leavers	31,852	7,812	32,903	1,051	-	1,051
Efficiency and Improvement	131	26	127	(3)	-	(3)
Head of Service - LAC Permanence and Care Leavers	1,371	32	972	(399)	-	(399)
Childrens Services Reform	3,007	868	3,025	18	-	18
Sub Total	54,811	12,483	56,643	1,833	-	1,833

Education						
Building Schools For The Future	(957)	(1,742)	(957)	-	-	-
Support and Development	1,683	(1,383)	1,009	(673)	-	(673)
Progression and Learning	1,363	3,437	1,327	(36)	-	(36)
School Places and Admissions	33,327	2,373	33,097	(231)	-	(231)
Head of Education	(1,108)	122	(1,108)	-	-	-
Other Services	4,373	(2,016)	4,373	-	-	-
Sub Total	38,681	792	37,741	(940)	-	(940)
Operational Support						
Childrens Services Operational Support	6,384	1,887	6,064	(320)	-	(320)
Sub Total	6,384	1,887	6,064	(320)	-	(320)
Early Help Inclusion and Vulnerable Children						
Recharges and Non Target	7,520	180	7,501	(19)	-	(19)
One Point & Think Family Service	1,057	(5,752)	414	(642)	-	(642)
Head of Early Help Inclusion and Vulnerable Children	720	121	498	(222)	-	(222)
Secure Services	(1,678)	(88)	(1,678)	-	-	-
SEN and Disability and Inclusion	2,662	172	2,543	(119)	-	(119)
Sub Total	10,280	(5,365)	9,278	(1,002)	-	(1,002)
Totals	110,156	9,797	109,727	(429)	-	(429)

8. 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		
Aycliffe Site and Price Training	The over spend relates to ongoing premises costs on the Aycliffe site pending demolition of the remaining buildings.	11
Families First North	An overspend on unbudgeted agency staff costs in excess of savings accrued through vacancies is forecast to be £0.157m. Transportation costs mainly through the use of taxis and volunteer drivers is forecast to overspend by £0.239m. Interim fostering allowances and hardship payments to families are forecast to overspend by £34K. The balance £36K of the forecast overspend mainly relates to leaving care costs and office set up costs following the recent restructure and movement of staff in Childrens Services.	466
Families First South	An overspend on unbudgeted agency staff costs in excess of savings accrued through vacancies is forecast to be £0.226m. Legal costs including court and expert fees are forecast to overspend by £97K. Expenditure on LAC in residential school placements is forecast to overspend by £196K and there is also a forecast shortfall on income for joint funded placements in residential schools from the CCGs of £416K. The overspend position is being partly offset from forecast savings on shortbreaks and Direct Payments (£0.104m) and domiciliary care services (£0.130m).	689
Looked After Provision, Permanence and Care Leavers	The overspend in the LAC service is mainly as a result of the following contributing factors- <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. £0.288m as a result of sickness and other absences. • £0.162m on unbudgeted agency staff supporting young people in new external bespoke packages. • £67K on LAC Placements. NB this is in addition to the forecast overspend on LAC placements in residential schools highlighted in the Families First Section above. • £0.168m overspend on Staying Put placements over and above the grant allocation. • £0.118m on a secure welfare placement. • £0.202m on transportation costs mainly related to the cost of hired transport and volunteer drivers. • £52K on emergency supported lodgings payments. 	1,051
Efficiency and Improvement	Small forecast underspend on car allowances.	(3)
Childrens Services Reform	The forecast variance mainly relates to the cost of young people remanded to secure accommodation.	18
Head of Service LAC, Permanence and Care Leavers	The forecast underspend relates to growth funding for leaving care services pending reallocation of the budget (£413K) offset by expenditure on recruitment costs.	(399)
		1,833

Service Area	Description	Cash limit Variance £000
Head of Education		
Director	In line with budget	-
BSF PFI	In line with budget	-
Progression and Learning	Under spend relating to staffing vacancies.	(36)
School Places and Admissions	An under spend of £229k is forecast against the Home to School Transport budget due to the receipt of additional grant for extended rights, notified to local authorities in July 2018.	(231)
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 of £70k on employee budgets due to vacancies and £118k from income in excess of budgeted levels.	(673)
		(940)

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 for 2019/20.	(320)
		(320)

Service Area	Description	Cash limit Variance £000
Head of Early Help, Inclusion and Vulnerable Children		
Recharges and Non Target	There is a forecast underspend (£19K) on the advocacy contract following the reallocation of the costs between Childrens and Secure Services in the current financial year.	(19)
One Point and Think Family Service	The service is accessing additional non recurrent income amount of (£0.615m) in 2018/19. The One Point Service is forecasting savings of (£72K) on building repairs and minor improvements costs offset by a forecast overspend of £55K on car allowances.	(642)
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.	(222)
Secure Services	Secure Services are forecasting to breakeven at Q1, the forecast assumes no variance in budgeted income from the sale of welfare and high dependency beds.	-
SEN,Disability and Inclusion	There is a forecast under spend of (£119k) against budget, which relates to vacancies in the Education Psychology and SEND Casework Teams.	(119)
		(1,002)

9. In summary, the service is forecast to underspend against its cash limit budget by £0.429m The outturn position incorporates the MTFP savings built into the 2018/19 budgets, which for CYPS in total amount to £2.742m.

Schools

10. 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)

11. The Communities of Learning balance is unspent amounts allocated to clusters of schools to support collaborative provision for Special Educational Needs. This balance will be moved to the Local Authority balances during 2018-19.

12. Loans to Schools are the remaining 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.
13. In relation to maintained schools, the balances carried forward form part of the available resources available to school to fund future year's activity. The retained balances supplement the budget share determined by the current formal, Pupil premium and other income.
14. All schools have delegated budgets and carry forward under or over spends to the following financial year as either a surplus or deficit. 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.	£0
Nursery	1	10
Alternative provision	-	-
Primary	13	330
Secondary	5	5,220
Special	1	74
Total	20	5,634

15. With the exception of 3 schools where the section 151 officer has granted permission to set a deficit budget, all school are forecast to clear their deficit in 2018-19 and carry forward a surplus at 31 March 2019.
16. Since the start of the financial year four schools have converted to academies and balances held in respect of schools that converted in 2017-18 have been paid over to the academy trusts. Excluding the balances for these former maintained schools, the total maintained school balances brought forward to 2018-19 are £17.126 million.
17. Schools were notified of their budget shares at the end of February and set their budgets for the year during March and April. The table below summarises schools' original budget plans for 2018-19.

School budget plans (£ million)	Surplus / Deficit at 31 March 2018	Budget share	Pupil Premium	Other Income	Total Resources Available	Total Budgeted Gross Expenditure	Surplus / Deficit at 31 March 2019
Nursery	(700)	(1,059)	(32)	(3,687)	(5,479)	4,930	(548)
Alternative provision	-	(4,459)	(81)	(17)	(4,557)	4,557	-
Primary	(15,766)	(147,276)	(14,106)	(27,694)	(204,842)	193,634	(11,208)
Secondary	1,702	(55,478)	(3,552)	(11,077)	(68,406)	72,670	4,264
Special	(2,361)	(22,081)	(754)	(2,535)	(27,732)	26,575	(1,157)
Total	(17,126)	(230,353)	(18,525)	(45,011)	(311,016)	302,366	(8,650)

A (negative) balance in the surplus / deficit columns represents a surplus.

18. Alternative provision refers to The Woodlands, which is a pupil-referral unit for pupils permanently excluded from mainstream schools and also makes provision for pupils who are at risk of permanent exclusion.
19. The budget share consists of formula funding for mainstream nursery, primary and secondary schools, plus pupil-led funding for special schools and funding for places in Enhanced Mainstream Provision in mainstream primary and secondary schools.
20. Pupil Premium is currently an estimated as actuals are determined by the DfE and are not confirmed until later in the year.
21. Other income includes:

	£000
Grant income	(34,542)
Contributions	(220)
Sales	(6,490)
Lettings	(966)
Income from local authority	(1,135)
Other	(1,658)
Total Other Income	(45,011)

22. Grant income includes funding for Universal Infant Free School Meals and PE & Sport. Sales income is mainly from school meals and out-of-hours care (e.g. breakfast clubs). Income from the local authority is mainly funding for early years and special educational needs.
23. After accounting for the identified funding and budgeted activity at the end of Quarter 1, the forecast balances at 31 March 2019 are for an overall net surplus balance £9.306 million to be carried forward to 2019/20 as summarised in the tables below.

Forecasts of school balances at 31 March 2019 (£000)				
	Surplus balance of at least 2.5% of funding	Surplus balance below 2.5% of funding	Deficit balance	Total
Nursery	(545)	-	-	(545)
Alternative Provision	-	-	-	-
Primary	(11,249)	(290)	-	(11,539)
Secondary	(1,085)	(1,083)	6,192	4,024
Special	(1,093)	(154)	-	(1,246)
Total	(13,971)	(1,528)	6,192	(9,306)

24. 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	147	47	-	194
Secondary	5	7	4	16
Special	5	4	-	9
Total	167	60	4	231

25. 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.

26. 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

27. In June 2018 the Department for Education provided an updated Dedicated Schools Grant (DSG) allocation of £383.289m 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	50,074	31,805	2,828	383,289
Reason For Adjustment					
Recoupment for academies	(90,084)	-	-	-	(90,084)
Recoupment for EFA direct funded places	-	(4,366)	-	-	(4,366)
Funding received by DCC	208,498	45,714	31,805	2,828	288,839
Delegated to Mainstream Schools	(207,881)	-	-	-	(207,881)
Delegated to Alternative Provision Schools	-	(4,459)	-	-	(4,459)
Delegated to Special Schools	-	(22,946)	-	-	(22,946)
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	17,145	30,746	2,828	51,336

28. The Quarter 1 financial forecasts for the DSG budget show an over spend of £5.981m against a budget of £51.145m to year end, which represents a 12% over spend.

DSG Block	Budget [£'000]	Forecast [£'000]	Over / (Under) Spend [£'000]
Schools	617	1,067	450
High Needs	16,931	22,060	5,129
Early Years	30,769	31,171	402
Central Schools Services	2,828	2,828	-
Total	51,145	57,126	5,981

29. The forecast over spend position is largely driven by High Needs Block, which is forecast to over spend by £5.129m.
30. 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	2,36	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	(5,129)	(402)	(450)	(5,981)
Project balance as at 31 March 2019	(3,710)	1,673	790	(1,247)

31. The forecast over spend position on the High Needs Block will result in a deficit over and above available reserves of £3.710m.

Capital Programme

32. The CYPS capital programme has been revised earlier in the year to take into account budget reprofiled from 2017/18 following the final accounts for that year.
33. The revised Budget is presented below together with actual expenditure to date. The Budget may be subsequently amended with approval from MOWG.
34. Summary financial performance to the end of June is shown below:

CYPS	Actual	Current 2018-19 Budget	Budget 2019-20	Total Capital Prog.
	30/06/2018			
	£000	£000	£000	£000
Planning & Service Strategy	165,489	2,929,989	-	2,929,989
Childrens Care	-	38,508	-	38,508
Secure Services	4,473	270,320	-	270,320
Education-Early Years	176,806	778,587	-	778,587
Education-Free School Meals Support	-	5,925	-	5,925
Education-SCP - LEP	1,599	2,984,716	-	2,984,716
Education-School Devolved Capital	270,728	4,383,245	1,378,000	5,761,245
Education-School Related	3,116,993	23,978,504	6,834,014	30,812,518
	3,736,087	35,369,794	8,212,014	43,581,808

Recommendations

35. Members of Overview and Scrutiny committee are requested to note the detail within the report.

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Appendix 1: Implications

Finance

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

Staffing

There are no implications associated with this report. Any over or under spending against the employee budgets are disclosed within the 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.

Equality and Diversity / Public Sector Equality Duty

There are no implications associated with this report.

Accommodation

There are no implications associated with this report.

Crime and Disorder

There are no implications associated with this report.

Human Rights

There are no implications associated with this report.

Consultation

There are no implications associated with this report.

Procurement

There are no implications associated with this report.

Disability Issues

There are no implications associated with this report.

Legal Implications

There are no implications associated with this report.

