

Children and Young People's Overview and Scrutiny Committee

29 September 2016

CAS – Quarter 1: Forecast of Revenue and Capital Outturn 2016/17



Report of Jeff Garfoot, Head of Finance (Financial Services)

Purpose of the Report

1. To provide the committee with details of the forecast outturn budget position for the CAS service grouping, highlighting major variances in comparison with the budget for the year, based on the position to the end of June 2016 as reported to Cabinet in September 2016.

Background

2. County Council approved the Revenue and Capital budgets for 2016/17 at its meeting on 24 February 2016. 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:
 - CAS Revenue Budget - £251.980 m (original £247,864m)
 - CAS Capital Programme – £31.351m (original £31.351m)
3. The original CAS revenue budget has been revised to incorporate a number of budget adjustments as summarised in the table below:

Reason For Adjustment	£'000
Original Budget	247,864
Transfer From Contingency - Closed School Premises Cost	16
Transfer From Contingency - Pay award	771
Transfers to other services	(45)
Use of (+)/contribution to CAS reserves (-)	2,497
Use of (+)/contribution to Corporate reserves (ERVR) (-)	879
Revised Budget	251,980

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

Reserve	£'000
AWH- Social Care Reserve	1,674
EDU-EBP Reserve	100
EDU-Re-Profiling Activity Reserve	3
CHS-Secure Services Capital Reserve	88
CHS-Tackling Troubled Families Reserve	39
PHE-Domestic Abuse-Harbour Support Reserve	(11)
PHE-W4L expansion Reserve	13
AWH-Cash Limit	1,146
PHE-Grant Reduction Support Reserve	(414)
EDU-School Condition Survey	200
PHE - CDDFT-Fresh Smoke Free NE	30
CHS-NQSW Academy Reserve - 16&17 Academic year	(371)
Total	2,497

5. The summary financial statements contained in the report cover the financial year 2016/17 and show: -
- The approved annual budget;
 - The 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 CAS 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 CAS service is reporting a cash limit underspend of £2.146 million against a revised budget of *£251.980 million* which represents a 0.85% underspend.
7. The tables below show the revised annual budget, actual expenditure to 30 June 2016 and the updated forecast of outturn to the year end, including the variance forecast at year end. The first table is analysed by Subjective Analysis (i.e. type of expense) and shows the combined position for CAS, and the second is by Head of Service.

Subjective Analysis (Type of Expenditure)

	Revised Annual Budget £000	YTD Actual £000	Forecast Outturn £000	Variance £000	Items Outside Cash Limit £000	Cash Limit Variance £000
Employees	114,501	32,918	111,788	(2,713)	-	(2,713)
Premises	6,775	580	6,632	(143)	-	(143)
Transport	17,774	3,035	17,615	(159)	-	(159)
Supplies & Services	17,838	3,080	17,400	(438)	-	(438)
Third Party Payments	238,365	49,151	240,020	1,655	-	1,655
Transfer Payments	13,161	2,102	12,773	(388)	-	(388)
Central Support & Capital	73,192	2,665	74,192	1,000	-	1,000
Income	(229,626)	(54,872)	(230,586)	(960)	-	(960)
Total	251,980	38,659	249,834	(2,146)	-	(2,146)

Analysis by Head of Service Area

	Revised Annual Budget £000	YTD Actual £000	Forecast Outturn £000	Variance £000	Items Outside Cash Limit £000	Cash Limit Variance £000
Head of Adults	126,108	25,601	123,499	(2,609)	-	(2,609)
Central/Other	9,598	3,913	9,538	(60)	-	(60)
Commissioning inc Supporting People	5,788	(2,043)	5,050	(738)	-	(738)
Planning & Service Strategy	10,929	1,932	10,426	(503)	-	(503)
Central Charges (CYPS)	3,198	2,127	3,198	-	-	-
Childrens Services	50,807	13,297	53,027	2,220	-	2,220
Education	42,475	(1,558)	42,019	(456)	-	(456)
Public Health	3,077	(4,609)	3,077	-	-	-
Total	251,980	38,660	249,834	(2,146)	-	(2,146)

8. The table below provides a brief commentary of the forecast cash limit variances against the revised budget, analysed by Head of Service for those areas which relate to the Children's area of the service, which is of specific interest to the Children's Overview and Scrutiny Committee. 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
Central Charges (CYPS)		
Other Services		-
		-
Childrens Services		
Aycliffe Conference Centre & Site Wide Costs	Forecast over budget of £9K relating to the boarding up and demolition costs of 1 Cedar Drive on the Aycliffe Young Peoples Centre site.	9
Child Protection & Disability Services	Employees are forecast to be over budget by a total of £362K in the Child Protection Teams as a result of agency staff employed to cover vacancies and increased workloads. £517K Expenditure placements costs looked after children with a disability (external residential and special schools) is forecast to be (£94K) under budget. Placement costs associated with children not looked i.e. in Child Arrangement or Special Guardianship arrangements is forecast to be over budget by £754K. Direct Payments are forecast to be under budget by (£191K). Income from the CCGs for the health element of the joint funded school placements is also forecast to be under budget by £86K.	893
Childrens Services Reform	Forecast (£29K) under budget as a result of vacancies and new arrangements for Business Support services.	(29)
First Contact & Intervention	Expenditure on agency staff mainly in the Families First teams covering vacancies and maternity leave etc. is forecast to be £665k over budget offset by savings on vacant posts and car allowances of (£297K). New arrangements for commissioning domestic violence services with Public Health are forecast to generate in year savings of (£107K).	279
Head of Service	A one off (£82K) contribution from Health to build additional capacity	(82)
Looked After & Permanence	The budget for all LAC placements within Looked After & Permanence is forecasting to be over budget by £1.730m. The outturn overspend forecast on LAC is partially offset by additional income including the CCGs for joint funded placements (£151K) , Adoption Support Fund (£160K) , Inter Agency Adoption Fee Grant (£27K) and Unaccompanied Asylum Seekers Grant (£151K) .	1,178
One Point Service	Employees are forecasting to be under budget by (£88K) as a result of savings from vacancies. Savings on premises costs	(142)
Secure Services	Secure Services operates as a Trading Account the net variance balances to zero. In the first quarter of 16-17 welfare bed average occupancy was 13.36 against a new budget of 12.6 beds. The surplus income for this period is £58K. At Quarter 1 welfare bed income is forecast to breakeven in 2016-17.	-

Service Area	Description	Cash limit Variance £000
Think Family Service	Stronger Families plans are funded from earmarked reserves and is currently forecast to be on Budget	-
Youth Offending Service	Expenditure on remand bed nights is forecast to be £145K over budget	145
Youth Service	Forecast in year saving of (£31K) as a result of early achievement of 17/18 MTFP savings	(31)
		2,220
Commissioning		
Commissioning	£287,000 under budget on employees in respect of early achievement of future MTFP savings. £452,000 under budget on non-staff costs in respect of early achievement of future MTFP savings.	(739)
		(739)
Education		
Progression and Learning	The Improving Progression of Young People service is expected to spend in line with budget.	-
School Places and Admissions	The Home to School Transport budget has been supported by additional temporary funding in 2016/17. There are changes to Post-16 and Exam Year Mover entitlement from September 2016 as well as additional work on Safe Walking routes, route optimisation, and re-tendering of a number of mainstream contracts, which are all expected to contribute towards MTFP savings targets. Further analysis will be carried out in advance of Q2 reporting to provide an estimated outturn position across each policy area. Expenditure on pension liabilities is expected to be below budget by £100k and this is in advance of an MFTP savings required in 2017/18.	(100)
SEN and Disability and Inclusion	In advance of 2017/18 MTFP savings there are two posts in the SEN Placement and Provision Team that are currently vacant and will generate an under budget of £91k in 2016/17. Within the Education Psychology Service additional SLA income above budget and savings from vacant posts will together generate an under budget of £100k. The SEN Reform grant is funding expenditure of £589k in 2016/17.	(191)
Support and Development	In the main Early Years Team a restructure to deliver 2017/18 MTFP savings has been implemented and will therefore deliver an under budget in 2016/17 of £164k.	(165)
		(456)
Service Area	Description	Cash limit Variance £000
Planning & Service Strategy		
Performance & Information Mgmt	£30,000 under budget on employees re effective vacancy management/early achievement of future savings.	(30)
Policy Planning & Partnerships	£47,000 under budget on employees, mainly re future MTFP savings. £2,000 under budget on transport/supplies and services/other budgets.	(43)

Service Area	Description	Cash limit Variance £000
	£6,000 under achievement of income.	
Service Quality & Development	Future MTFP savings linked in the main to employees.	(183)
Service Support	£79,000 under budget on employees, mainly re future MTFP savings. £168,000 under budget on transport/supplies and services/other budgets towards future MTFP savings.	(247)
		(503)

9. It should be noted that pressures within the Children's Services budget in relation to Looked after Children with respect to the level of caseloads and the additional cost of placements will need to be considered as part of the 2017/18 base budget build.
10. In summary, the service is on track to maintain spending within its cash limit. The outturn position incorporates the MTFP savings built into the 2016/17 budgets, which for CAS in total amount to £17.326m.

Schools

11. The total delegated budget for maintained schools (including early years' providers) in 2016-17 is £250.752 million. In addition, schools are estimated to receive around £20.11 million in Pupil Premium income and £29.134 million in other income. Other income consists of:

	£million
Grant Income	19.403
Contributions	0.135
Sales	5.704
Lettings	1.052
Income from local authority	1.086
Other	1.763
Total	29.143

12. Grant income includes funding for Universal Infant Free School Meals, PE and infant class sizes. 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 funding and funding from Communities of Learning budgets, (which are used to support provision for special educational needs).
13. All schools have delegated budgets and most have earmarked reserves / accumulated balances arising from underspending in previous years. Where schools spend more than their delegated budgets in any one year, the overspend reduces their accumulated balance carried forward to the following year. At 31 March 2016, 10 schools had a deficit balance, where their spending had exceeded their

accumulated balances, totalling £2.736 million, 13 schools were holding a balance of less than 2.5% of their overall annual funding and 221 schools had balances of more than 2.5% of their overall annual funding. The Council encourages schools to have a retained balance of at least 2.5% of their overall annual funding to provide a contingency sum against unforeseen budget pressures.

14. Cumulative school reserves brought forward from 2015-16 are £24.083 million. This balance is net of loans to schools and other balances not related to maintained schools. Maintained schools balances amounted to £23.880 million. Based on budget plans approved by Governing bodies and the latest updated forecasts, schools are currently planning to use £10.737 million of these balances in 2016-17. The forecast balances at 31 March 2017 are therefore £13.143 million and a summary of this forecast position is provided below:

	Nursery	PRU	Primary	Secondary	Special	Total
Schools forecasting a surplus balance above 2.5% of annual funding						
Number	12	-	163	6	9	190
Forecast Balances	(£617,995)	-	(£12,804,636)	(£1,779,063)	(£1,445,256)	(£16,646,950)
Schools forecasting a surplus balance of less than 2.5% of annual funding						
Number	-	1	34	5	-	40
Forecast Balances	-	-	(£377,064)	(£362,148)	-	(£739,212)
Schools forecasting a deficit balance						
Number	-	-	9	5	-	14
Forecast Balances	-	-	£259,656	£3,983,164	-	£4,242,820
Total						
Number	12	1	206	16	9	244
Forecast Net Balances	(£617,995)	-	(£12,922,044)	£1,841,953	(£1,445,256)	(£13,143,342)

15. The Council is working with the schools in deficit and has strengthened its financial monitoring of schools over the last few years. There is a more integrated approach in place now, with officers in the Education Service being supported by Finance and HR to determine appropriate action to support these schools in the context of their financial position and any wider education / performance concerns. Of the 14 schools with a deficit budget plan, 9 are working on restructuring proposals to eliminate the deficit and a further three will be subject to a further report to CMT. The Interim Corporate Director Resources will consider

whether to approve deficit budgets for the remaining two schools after receiving deficit recovery plans from these schools.

Capital Programme

16. The CAS capital programme has been revised earlier in the year to take into account budget reprofiled from 2015/16 following the final accounts for that year. This increased the 2016/17 original budget.
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18. Further reports to MOWG in May and July included revisions to the CAS capital programme. The revised capital budget currently totals £31.351m.
19. Summary financial performance to the end of June is shown below.

CAS	Actual Expenditure 30/06/2016 £000	Current 2016-17 Budget £000	Remaining 2016-17 Budget £000
LD Provider Services	41	62	21
Support For Childs Homes	-	43	43
Increased Provision for Two Year Olds	22	129	107
Free School Meals Support	1	75	74
Secure Services	-	210	210
Planning & Service Strategy	-	159	159
Drug & Alcohol Premises Upgrade	152	383	231
Drugs Commissioning DACT	-	72	72
Public Health	-	360	360
School Devolved Capital	445	4,348	3,903
Childrens Access/Safeguarding	-	-	-
DFE School Capital Inc Basic Need	4,842	20,188	15,346
DSG Structural Maintenance	-	2	2
PSBP - Additional Works Not Covered by EFA	-	182	182
School Modernisation	13	107	94
BSF	375	5,031	4,656
PFI	2	-	(2)
TOTAL	5,893	31,351	25,458

Recommendations:

20. It is recommended that Children and Young People's Overview and Scrutiny Members note the financial forecasts included in the report, which are summarised in the Quarter 1 forecast of outturn report to Cabinet in September 2016.

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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 CAS. 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.