

Children and Young People's Overview and Scrutiny Committee

16 January 2017

CAS – Quarter 2: Forecast of Revenue and Capital Outturn 2016/17



Report of Paul Darby, Head of Financial & HR 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 September 2016 as reported to Cabinet in November 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 - £252,817m (original £247,863m)
 - CAS Capital Programme – £29.406m (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	247,863
Reason For Adjustment	
Transfer From Contingency - Closed School Premises Cost	189
Transfer From Contingency - Pay award	772
Transfer From Contingency - Residential Care Fees	630
Transfer From Contingency - Auto Enrolment	121
Transfers to other services	(45)
Transfers From other services	15
Use of (+)/contribution to CAS reserves (-)	2,357
Use of (+)/contribution to Corporate reserves (ERVR) (-)	915
Revised Budget	252,817

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

Reserve	£'000
AWH- Social Care Reserve	1,644
AWH-Cash Limit	2,206
CHS-INNOVATIONS Cash Limit Support	(1,059)
CHS-NQSW Academy Reserve - 16&17 Academic year	(372)
CHS-Secure Services Capital Reserve	204
CHS-Tackling Troubled Families Reserve	(167)
CPD-Accumulated fund CPD Reserve	(70)
EDU-Durham Learning Resources Reserve	20
EDU-EBP Reserve	220
EDU-Emotional Wellbeing Reserve	(90)
EDU-Re-Profiling Activity Reserve	3
EDU-School Condition Survey	200
PHE-Grant Reduction Support Reserve	(382)
Total	2,357

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 £1.781m against a revised budget of £252.817m which represents a 0.7% underspend.
7. The tables below show the revised annual budget, actual expenditure to 30 September 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	114,680	54,544	111,354	(3,326)	-	(3,326)
Premises	6,955	2,160	6,846	(109)	-	(109)
Transport	17,814	6,415	17,587	(227)	-	(227)
Supplies & Services	17,913	7,446	17,893	(20)	-	(20)
Third Party Payments	238,716	107,482	241,950	3,234	-	3,234
Transfer Payments	13,698	5,195	13,019	(679)	-	(679)
Central Support & Capital	73,521	24,508	74,446	925	-	925
Income	(230,480)	(117,948)	(232,059)	(1,579)	-	(1,579)
Total	252,817	89,802	251,036	(1,781)	-	(1,781)

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	126,882	55,502	124,415	(2,471)	-	(2,471)
Central/Other	9,627	215	9,559	(68)	-	(68)
Commissioning inc Supporting People	5,780	(1,752)	5,027	(753)	-	(753)
Planning & Service Strategy	10,944	4,809	10,237	(707)	-	(707)
Central Charges (CYPS)	3,023	(1,280)	3,023	-	-	-
Childrens Services	50,618	17,839	53,579	2,961	-	2,961
Education	42,833	3,600	42,090	(743)	-	(743)
Public Health	3,109	10,870	3,109	-	-	-
Total	252,817	89,802	251,036	(1,781)	-	(1,781)

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
Children's Services		
Aycliffe Conference Centre & Site Wide Costs	Early MTFP Achievement of savings (17/18) from the relocation of teams off the Aycliffe site.	(30)
Child Protection & Disability Services	Employee related costs are forecast to be over budget by a total of £380K in the Child Protection Teams as a result of expenditure on agency staff employed to cover vacancies and increased workloads. Expenditure on placements costs of looked after children with a disability in external residential schools is forecast to be £115K over budget. Placement costs associated with children not looked after i.e. in Child Arrangement or Special Guardianship arrangements is forecast to be over budget by £653K- Direct Payments are forecast to be under budget by (£136K).	1,012
Childrens Services Reform	Total forecast (£121K) under budget as a result of vacancies and new arrangements for Business Support services and revised commissioning of domestic violence services with Public Health are forecast to generate in year savings.	(121)
External Agency Placements Central Recharges & SLAs	Primarily related to delivery under budget on Premises related expenses and Volunteer Drivers	(128)
First Contact & Intervention	Expenditure on agency staff in the Families First teams covering vacancies and maternity leave etc. is forecast to be £1.051m over budget offset by savings on vacant posts (£0.556m). Agency staff and managers are claiming for all hours worked (up to 60 hours per week) compared to employees paid for 37 hours per week.	495
Head of Service	The budget for auto enrolment in the Local Government Pension Scheme is held here before reallocation to services (£62K). The forecast also includes a one off (£56K) contribution from Health to build additional capacity	(118)
Looked After & Permanence	The budget for foster care and external residential placements is forecasting to be overspent by £2.270m. The outturn overspend forecast on LAC is partially offset by additional income including, Adoption Support Fund (£77K).	2,194
One Point Service	Underspend primarily as a result of Employees vacancies.	(363)
Secure Services	The Secure Centre has a revised pricing structure for welfare beds of £855 per night and is required to operate at 90% capacity (12.6 beds).For the period 1 April to 16 October the Centre has averaged the sale of 13.29 welfare beds generating surplus income of £117K. The forecast at Q2 assumes average occupancy of 13.1 and surplus income of £156K for the full financial year, which is transferred to the earmarked trading account reserve.	-
Think Family Service	Stronger Families plans are funded from earmarked reserves and the service is currently forecast to be on budget	-
Youth Offending Service	Expenditure on remand bed nights is forecast to be £156K over budget partially offset by savings on transportation costs (£22K), supplies and services (£71K) including activities (£38K) and additional income from the Police and Crime	21

Service Area	Description	Cash limit Variance £000
	Commissioner (42K).	
Youth Service	Expenditure on agency staff in the Families First teams covering vacancies and maternity leave etc. is forecast to be £1.051m over budget offset by savings on vacant posts (£0.556m). Agency staff and managers are claiming for all hours worked (up to 60 hours per week) compared to employees paid for 37 hours per week.	-
Total		2,962
Commissioning		
Commissioning	£404,000 under budget on employees in respect of early achievement of future MTFP savings. £349,000 under budget on non-staff costs in respect of early achievement of future MTFP savings.	(753)
Total		(753)
Education		
Progression and Learning	The current forecast for Durham Education Business Partnership is for expenditure to exceed income by £120k in the year, which will lead to a use of reserves of this figure. The Improving Progression of Young People service is expected to spend in line with budget.	-
School Places and Admissions	At this stage it is anticipated that expenditure on Home to School Transport will be in line with budget in overall terms, however there is a forecast over spend in Post 16 SEN transport offset by under spend across other areas of transport provision. Work is underway in the School Places and Admissions Team to develop a restructure to meet 2017/18 MTFP savings and some early savings will be achieved which, in addition to income from fines, is expected to lead to a cash limit under spend of £35k. Expenditure on pension liabilities is expected to be below budget by £100k and this is in advance of an MFTP savings target of £222k required in 2017/18.	(135)
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 spend of £46k. Within the Education Psychology Service savings from vacant posts will generate an under spend of £168k The SEN Reform grant is funding expenditure of £589k in 2016/17.	(214)
Support and Development	In the Early Years Team a restructure to deliver 2017/18 MTFP savings has been implemented and will therefore deliver an under spend in 2016/17 of £165k. A number of employees left the service at the end of August in advance of MTFP savings for 2017/18 and this will generate an under spend of £229k in the current year.	(394)

Service Area	Description	Cash limit Variance £000
	At this stage it is anticipated that there will be a use of £130k of the CPD reserve in 2016/17. Durham Learning Resources operates as a trading account and it is anticipated that expenditure in this year will exceed income by £20k due to an early retirement/voluntary redundancy as part of a restructure of the team. This will lead to a use of reserves in 16/17.	
Total		(743)
Planning & Service Strategy		
Performance & Information Mgmt	£62,000 under budget on employees re effective vacancy management/early achievement of future savings.	(62)
Policy Planning & Partnerships	£45,000 under budget on employees, mainly re future MTFP savings. £9,000 under budget on transport/supplies and services/other budgets. £6,000 under achievement of income.	(60)
Service Quality & Development	Managed and planned under-spending linked to early achievement of future MTFP savings linked in the main to employees.	(267)
Service Support	£148,000 under budget on employees, mainly re future MTFP savings. £170,000 under budget on transport/supplies and services/other budgets towards future MTFP savings.	(318)
Total		(707)

9. In summary, the CAS service is on track to maintain spending within its cash limit overall. The outturn position incorporates the MTFP savings built into the 2016/17 budgets, which for CAS in total amount to £17.326m.

Schools

10. Cumulative school reserves brought forward from 2015/16 were £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 £10.308 million of these balances in 2016/17. The forecast balances at 31 March 2017 are therefore £13.572 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	-	168	6	9	195
Forecast Balances	(£627,978)	-	(£13,106,792)	(£1,779,063)	(£1,441,788)	(£16,955,621)
Schools forecasting a surplus balance of less than 2.5% of annual funding						
Number	-	1	29	5	-	35
Forecast Balances	-	-	(£353,062)	(£313,176)	-	(£666,238)
Schools forecasting a deficit balance						
Number	-	-	9	5	-	14
Forecast Balances	-	-	£223,892	£3,825,815	-	£4,049,707
Total						
Number	12	1	206	16	9	244
Forecast Net Balances	(£627,978)	-	(£13,235,962)	£1,733,576	(£1,441,788)	(£13,572,152)

11. The School Funding Team is visiting all schools this term to review their budgets and forecasts of their year-end position, as part of preparation for budget-setting for 2017-18. Three of the secondary schools have long-term financial problems and these are the subject to detail review by CYPS management team. The other two secondary schools with forecast deficits are expected to have resolved their position at the end of the year, after completing staff re-structuring exercises and the forecasts will be updated at quarter three. The primary schools with forecast deficits are all expected to be able to alter their spending plans to avoid a deficit; where this is not now the case following budget reviews they are starting staff re-structuring exercises to address these base budget issues and the forecasts will be updated at quarter three.

Capital Programme

12. The CAS capital programme has been revised earlier in the year to take into account budget re-profiled from 2015/16 following the final accounts for that year. This increased the 2016/17 original budget.
13. Further reports to the Member Officer Working Group (MOWG) in May, July, September and October included revisions to the CAS capital programme. The revised capital budget currently totals £29.406m.
14. Summary financial performance to the end of September is shown below.

CAS	Actual Expenditure 30/09/2016 £000	Current 2016-17 Budget £000	Remaining 2016-17 Budget £000
LD Provider Services	51	62	11
Support For Childs Homes	-	43	43
Increased Provision for Two Year Olds	(28)	129	157
Free School Meals Support	1	75	74
Secure Services	71	210	139
Planning & Service Strategy	26	159	133
Drug & Alcohol Premises Upgrade	184	383	199
Drugs Commissioning DACT	9	72	63
Public Health	-	431	431
School Devolved Capital	1,141	4,419	3,278
DFE School Capital Inc Basic Need	12,294	20,949	8,655
DSG Structural Maintenance	-	2	2
PSBP - Additional Works Not Covered by EFA	27	182	155
School Modernisation	41	106	65
BSF	849	2,146	1,297
PFI	38	38	-
TOTAL	14,704	29,406	14,702

Recommendations:

15. 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 2 forecast of outturn report to Cabinet in November 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.