

# Children and Young People's Overview and Scrutiny Committee

16<sup>th</sup> January 2018



## Quarter 2: Forecast of Revenue and Capital Outturn 2017/18

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

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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 to the end of September 2017.

#### Background

2. The County Council approved the Revenue and Capital budgets for 2017/18 at its meeting on 22 February 2017. 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 - £105.474m (original £97.897m)*
  - *CYPS Capital Programme – £28.990m (original £28.819m)*
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	97,897
<b>Reason For Adjustment</b>	-
Transfer From Contingencies	300
Use of (+)/contribution to CYPS reserves (-)	132
Use of (+)/contribution to Corporate reserves (ERVR) (-)	692
Transfer from Other Services	6,462
Transfer to Other Services	(9)
<b>Revised Budget</b>	105,474

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

<b>Reserve</b>	<b>£'000</b>
CAS-EDU-EBP Reserve	24
CAS-EDU-SEND reform Grant Reserve	153
CAS-CPD-Accumulated fund CPD Reserve	(74)
CAS-EDU-Re-Profiling Activity Reserve	8
CAS-CHS-Secure Services Capital Reserve	130
CAS-CHS-Tackling Troubled Families Reserve	(109)
<b>Total</b>	<b>132</b>

5. The summary financial statements contained in the report cover the financial year 2017/18 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 overspend of £3.911m against a revised budget of £105.474m which represents a 3.71% overspend

7. The tables below show the revised annual budget, actual expenditure to 30 September 2017 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 CYPS, and the second is by Head of Service.

### 8. Subjective Analysis (Type of Expenditure)

	<b>Revised Annual Budget</b>	<b>YTD Actual</b>	<b>Forecast Outturn</b>	<b>Variance</b>	<b>Items Outside Cash Limit</b>	<b>Cash Limit Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Employees	73,291	34,394	69,891	(3,400)	-	(3,400)
Premises	4,305	1,560	4,332	27	-	27
Transport	14,889	4,847	15,453	564	-	564
Supplies & Services	10,815	6,265	11,071	256	-	256
Third Party Payments	22,151	12,765	26,538	4,387	-	4,387
Transfer Payments	1,683	788	1,671	(12)	-	(12)
Central Support & Capital	44,230	2,202	44,827	597	-	597
Income	(65,890)	(37,149)	(64,398)	1,492	-	1,492
<b>Total</b>	<b>105,474</b>	<b>25,672</b>	<b>109,385</b>	<b>3,911</b>	<b>-</b>	<b>3,911</b>

## Analysis by Head of Service Area

	Revised Annual Budget	YTD Actual	Forecast Outturn	Variance	Items Outside Cash Limit	Cash Limit Variance
	£000	£000	£000	£000	£000	£000
Youth Offending Service	2,096	422	2,025	(71)	-	(71)
One Point Service	1,419	(3,579)	1,283	(136)	-	(136)
Think Family Service	(255)	(947)	(255)	-	-	-
HOS - Early Help Assessment and Safeguarding & IIC	907	122	255	(652)	-	(652)
Child Protection & Disability Services	8,542	4,631	10,298	1,756	-	1,756
First Contact & Intervention	8,624	4,190	9,033	409	-	409
Childrens Services Reform	1,465	694	1,416	(49)	-	(49)
Recharges and Non Target	6,930	198	6,929	(1)	-	(1)
Early Intervention & Partnership Services	-	-	-	-	-	-
Redundant Centres	0	2	2	2	-	2
Aycliffe Site and Price Training	625	39	704	79	-	79
Secure Services	(1,060)	(177)	(1,008)	52	-	52
Looked After Provision Permanence and Care Leavers	27,421	14,931	30,786	3,365	-	3,365
Head of Service - LAC Permanence and Care Leavers	132	48	110	(22)	-	(22)
Efficiency and Improvement	64	35	65	1	-	1
Other Services	4,476	(1,436)	4,488	12	-	12
Build Schools For The Future-Summ	(957)	(834)	(957)	-	-	-
Progression and Learning	1,306	(275)	1,267	(39)	-	(39)
Support and Development	2,821	567	2,540	(281)	-	(281)
SEN and Disability and Inclusion	2,893	765	2,562	(331)	-	(331)
School Places and Admissions	33,887	3,529	33,908	21	-	21
Head of Education	(1,108)	161	(1,131)	(23)	-	(23)
Childrens Services Operational Support	5,246	2,586	5,065	(181)	-	(181)
<b>Total</b>	<b>105,474</b>	<b>25,672</b>	<b>109,385</b>	<b>3,911</b>	<b>-</b>	<b>3,911</b>

9. The table below identifies significant 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 Service - LAC Permanence and Care Leavers</b>	Savings from the Head of Service post which was vacant in Q1.	(22)
Looked After Provision Permanence and Care Leavers	<p>The budget for fostering, external residential care and supported lodgings for looked after children is forecast to be £3.332m overspent .The budget and forecast variance £1.032m for Children Looked After in external residential schools is reflected in the Child Protection &amp; Disability Services section of the Table.</p> <p>Young people looked after is a volatile and high cost area of activity within CYPS and current external demographic demands are creating a strain on the service in terms of financial resource allocation. Work is actively being taken to try to address the placement mix, focusing on increasing the proportion of placements in higher quality low cost in house foster care.</p> <p>It was anticipated that numbers would have stabilised in the current year and that the budget would meet demand, having built c£2.735 million growth into the 2017/18 base, but in the short term further additional financial support will be required. These forecasts will be reviewed regularly to reflect the progress of the placement policy.</p>	3,365
Efficiency and Improvement		1
Secure Services	Secure Services are forecasting to be overspent at Q2 by £52K relating to the employment of residential agency staff to cover vacancies.	52
Aycliffe Site and Price Training	The forecast overspend relates to residual premises costs including business rates charges for 2017-18 pending the demolition of buildings on the Aycliffe site.	79
		<b>3,475</b>

<b>Service Area</b>	<b>Description</b>	<b>Cash limit Variance £000</b>
<b>Head of Education</b>		(23)
Build Schools For The Future	In line with budget	0
Progression and Learning	An under spend is projected on employee budgets.	(39)
School Places and Admissions	An over spend of £250k on the Home to School Transport budget is largely offset by reduced pension liability costs, savings from vacant posts and additional income.	21
SEN and Disability and Inclusion	The under spend in this area relates to vacant posts in the Education Psychology team.	(331)
Support and Development	The forecast under spend relates to vacant posts in the Early Years and Education Development Service teams.	(281)
		<b>(653)</b>
<b>Service Area</b>	<b>Description</b>	<b>Cash limit Variance £000</b>
<b>Childrens Services Operational Support</b>		
Childrens Services Operational Support	The forecast under spend relates to savings against staff budgets due to vacant posts.	(181)
		<b>(181)</b>
<b>Service Area</b>	<b>Description</b>	<b>Cash limit Variance £000</b>
<b>Childrens Services</b>		
<b>Head of Early Help Assessment and Safeguarding</b>		
Childrens Services Reform	The forecast saving relates to an underspend on employees due to vacant posts.	(49)
One Point Service	The forecast underspend includes in year savings on employees (£196K) from vacant posts offset by a reduction in ESF income of £60k as a result of a reduction in income for vacant grant funded posts.	(136)
Think Family Service	Stronger Families plans are funded from grant income and earmarked reserves and the Service is currently forecast to be on budget	0
Recharges and Non Target		(1)

Child Protection & Disability Services	Employees are forecast to be over budget by a total of £185K in the Child Protection Teams as a result of expenditure on agency staff £530K offset by savings on vacancies (£345K). Expenditure on placements costs of looked after children with a disability in external residential schools is forecast to be £1.032m over budget. Placement costs associated with children not looked i.e. in Child Arrangement or Special Guardianship arrangements is forecast to be over budget by £326K. Expenditure on hired transport by the Child Protection Teams is also forecast to overspend at Q2 by £213K.	1,756
HOS - Early Help Assessment and Safeguarding & IIC	The budget for agency staff (£450K) is held by the Head of Service although the costs of agency staff are charged directly to individual social work teams. In addition there is a forecast (£200K) saving in 17-18 on activities in One Point following the reallocation of the activities budget.	(652)
First Contact & Intervention	Employees are forecast to be over budget by a total of £339K as a result of forecast expenditure on agency staff £1.008m employed to cover vacancies etc.. offset by savings on vacancies (£669K) . In addition the Service is forecast to overspend by £125K as a result of the extension to the domestic violence contract in 2017-18. The forecast overspend is being offset by surplus income from capital of (£55K) for a manager employed on the development of the new IT system for Childrens Services.	409
Youth Offending Service	Expenditure on remand bed nights is forecast to be over budget by £93K offset by in year savings on vacant posts (£134K , the balance of the saving (£30K) is mainly from reduced premises , transport and supplies costs.	(71)
		<b>1,256</b>
<b>Service Area</b>	<b>Description</b>	<b>Cash limit Variance £000</b>
<b>Central Charges (CYPS)</b>		
Other Services		14
		14
		3.911

10. In summary, the service is forecast to overspend the cash limit budget by £3.911m. The outturn position incorporates the MTFP savings built into the 2017/18 budgets, which for CYPS in total amount to £4.729m.

### Schools

11. Maintained schools have delegated budgets and carry forward accumulated surpluses and deficits from one year to the next. At the end of Quarter 1, the forecast balances at 31 March 2018 were for an overall net surplus balance £10.502 million; at Quarter 2 this has now been revised to £10.559 million. A breakdown of these forecasts is shown below. 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.

	Schools forecasting a	Schools forecasting	Schools	Total
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	surplus balance above 2.5% of annual funding		a surplus balance of less than 2.5% of annual funding		forecasting a deficit balance			
	No.	Forecast Balances £	No.	Forecast Balances £	No.	Forecast Balances £	No.	Forecast Balances £
Nursery	9	(£427,000)	1	(£2,000)	1	£11,000	11	(£418,000)
AP	-	-	1	-	-	-	1	-
Primary	139	(£10,279,000)	57	(£448,000)	3	£80,000	199	(£10,647,000)
Secondary	6	(£1,633,000)	5	(£822,000)	4	£5,015,000	15	£2,560,000
Special	8	(£2,054,000)	1	-	-	-	9	(£2,054,000)
Total	162	(£14,393,000)	65	(£1,272,000)	8	£5,106,000	235	(£10,559,000)

12. Note that two schools (The Sacriston Primary and South Stanley Junior School) have converted to academies since Quarter 1.
13. The School Funding Team continues to work with schools to support and provide advice about budget issues, and is reviewing budgets this term in preparation for budget-setting in spring 2018. Where there are concerns about a school's financial viability this is shared with the Education Service so that we can take a joined-up approach to resolving these issues.

### Capital Programme

14. The CYPS capital programme has been revised earlier in the year to take into account budget reprofiled from 2016/17 following the final accounts for that year.
15. The revised Budget is presented below together with actual expenditure to date. The Budget may be subsequently amended with approval from MOWG.
16. Summary financial performance to the end of September is shown below.

CYPS	Actual	Current 2017-18 Budget	2018-19 Budget	Total Capital Prog.
	30/09/2017			
	£000	£000	£000	£000
Support For Childrens Homes	-	8	-	8
CYPS - Childs Homes	-	160	-	160
Increased Provision for Two Year Olds	10	81	-	81
30 Hours Free Childcare	1,115	2,332	-	2,332
Free School Meals Support	17	94	-	94
Planning & Service Strategy	20	1,000	2,471	3,471
Secure Services	5	202	-	202
School Devolved Capital	821	4,195	1,378	5,573
DFE School Capital Inc Basic Need	5,447	16,386	10,713	27,099
DSG Structural Maintenance	180	239	240	479
PSBP - Additional Works Not Covered by EFA	-	147	-	147
School Modernisation	1	-	-	-
BSF	461	4,117	-	4,117
PFI	20	29	-	29
	8,097	28,990	14,802	43,792

**Recommendations:**

17. Children and Young People's Overview and Scrutiny Committee are requested to note the detail within the report, a summary of which was included in the CMT / Cabinet Quarter 2 report.

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## **Appendix 1: Implications**

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### **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.

