

Children and Young People's Overview and Scrutiny Committee

9 April 2018

CYPS – Quarter 3: Forecast of Revenue and Capital Outturn 2017/18



Report of Paul Darby, Head of Finance and Transactional Services

Purpose of the Report

1. To provide details of the updated 2017-18 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 December 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 re-profiling between years. This report covers the financial position for:
 - *CYPS Revenue Budget - £104.945m (original £97.897m)*
 - *CYPS Capital Programme – £19.826m (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
Reason For Adjustment	-
Transfer From Contingencies	903
Use of (+)/contribution to CYPS reserves (-)	(893)
Use of (+)/contribution to Corporate reserves (ERVR) (-)	724
Transfer from Other Services	6,462
Transfer to Other Services	(148)
Revised Budget	104,945

4. The use of (+) / contribution to (-) CYPS reserves consists of:

Reserve	£'000
EDU-EBP Reserve	273
EDU-SEND reform Grant Reserve	372
EDU-CPD Reserve	(107)
EDU-ESF 2018-21 Reserve	(667)
EDU-High Needs Review	(170)
EDU-Durham Learning Resources Reserve	(11)
EDU-Emotional Wellbeing Reserve	(208)
EDU-Mental Health Counselling	7
EDU-Movement Difficulties Reserve	(1)
EDU-Re-profiling reserve	8
EDU-Music Service	(76)
EDU-School and Governor Support	3
CHS-Secure Services Capital Reserve	130
CHS-Tackling Troubled Families Reserve	(446)
Total	(893)

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 updated financial forecasts for the CYPS service show a cash limit overspend of £3.781m against a revised budget of £104.945m to year end, which represents a 3.6% overspend. This compares to the previously forecast position at Quarter 2 of a £3.911 million overspend.
7. The tables below show the revised annual budget, actual expenditure to 31 December 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 Service area.

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	73,770	57,605	70,124	(3,646)	(1)	(3,647)
Premises	4,370	2,535	4,445	75	(2)	73
Transport	14,891	11,080	15,119	228	-	228
Supplies & Services	10,691	11,482	10,791	100	-	100
Third Party Payments	22,013	21,551	26,992	4,979	-	4,979
Transfer Payments	1,692	1,300	1,693	1	-	1
Central Support & Capital	43,652	3,523	44,835	1,183	-	1,183
Income	(66,134)	(49,562)	(65,270)	864	-	864
Total	104,945	59,514	108,729	3,784	(3)	3,781

Analysis by 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	1,264	2,009	(87)	-	(87)
One Point	1,312	(257)	1,291	(21)	-	(21)
Think Family Service	(593)	(1,444)	(593)	-	-	-
HOS - Early Help Assessment and Safeguarding & IIC	903	195	302	(601)	-	(601)
Families First	17,333	15,036	19,400	2,067	-	2,067
Childrens Services Reform	1,553	1,257	1,530	(23)	-	(23)
Recharges and Non Target	6,930	223	6,933	3	-	3
Aycliffe Site and Price Training	685	237	700	15	-	15
Secure Services	(1,060)	(462)	(1,060)	-	-	-
Looked After Provision Permanence and Care Leavers	27,153	25,765	31,231	4,078	(1)	4,077
Head of Service - LAC Permanence and Care Leavers	165	97	111	(54)	-	(54)
Efficiency and Improvement	64	59	65	1	-	1
Other Services	4,320	(105)	4,320	-	-	-
Build Schools For The Future	(957)	263	(957)	-	-	-
Progression and Learning	923	362	883	(40)	-	(40)
Support and Development	2,752	1,621	2,111	(641)	(3)	(644)
SEN and Disability and Inclusion	2,804	1,509	2,406	(398)	-	(398)
School Places and Admissions	34,430	9,448	34,226	(204)	-	(204)
Head of Education	(1,108)	275	(1,131)	(23)	-	(23)
Childrens Services Operational Support	5,240	4,171	4,952	(288)	1	(287)
Total	104,945	59,514	108,729	3,784	(3)	3,781

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:

Service Area	Description	Cash limit Variance £000
Head of Service - LAC Permanence	Savings from the Head of Service post which was vacant in Q1 (£21K) and the remaining budget (£33K) from vacant residential team manager post.	(54)
Looked After Provision Permanence and Care Leavers	The budget for fostering, external residential care and supported lodgings for looked after children is forecast to be £3.701m overspent. (nb The budget and forecast variance £0.841m for Children Looked After in external residential schools is reflected in the Families First section of the Table. The balance of the forecast overspend primarily relates to leaving care accommodation costs, university and activity expenses.	4,077
Efficiency and Imp	Slight overspend on employees budget.	1
Secure Services	Secure Services are forecasting to breakeven at Q3 although the Secure earmarked reserve has been fully utilised in 2017-18 following the delay in the opening of the 5 th Unit.	0
Aycliffe Site and Price	The forecast overspend relates to residual premises costs for 2017-18 pending the delayed demolition of buildings on the Aycliffe site.	15
Head of Service - LAC Permanence		4,039
Head of Education	Expenditure on employee costs is expected to be below budget.	(23)
Build Schools For The Future	In line with budget	-
Progression and Learning	An under spend is projected on employee budgets due to vacancies	(40)
School Places and Admissions	The under spend relates to reduced costs against historical further education pension liability budgets, staffing vacancies and income over and above budget.	(204)
SEN and Disability and Inclusion	The under spend in this area relates to vacant posts in the Education Psychology team, where Educational Psychologist posts are difficult to recruit to.	(398)
Support and Development	The forecast under spend relates to vacant posts in the Early Years and Education Development Service teams due to early achievement of MTFP savings, as well as additional one-off income of £310k in excess of budget.	(644)
Head of Education		(1,309)
Childrens Services Operational Support		
Childrens Services Operational Support	The forecast under spend relates to savings against staff budgets due to vacant posts held vacant in advance of a review of business support services.	(287)
Childrens Services Operational Support		(287)

Service Area	Description	Cash limit Variance £000
Childrens Services Reform	The forecast saving mainly relates to an underspend on employees due to vacant posts.	(23)
One Point Service	The forecast underspend includes in year savings on employees from vacant posts offset by a reduction in ESF income as a result of a reduction in income for vacant grant funded posts.	(21)
Think Family Service	Stronger Families plans are funded from grant income and earmarked reserves and the Service is currently forecast to be on budget	-
Recharges and Non Target	Small overspend on advocacy contract	3
Families First	<p>Employees are forecast to be over budget by a total of £398K mainly as a result of expenditure on agency staff offset by savings on vacancies.</p> <p>Expenditure on placements costs of looked after children with a disability in external residential schools is forecast to be £0.841m 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 £420K.</p> <p>Expenditure on hired transport by the Teams is also forecast to overspend at Q3 by £163K.</p> <p>In addition the Service is forecast to overspend by £125K as a result of the extension to the domestic violence contract in 2017-18. Childrens Services contribution to the contract ends on 31st March 2018.</p> <p>Forecast overspends of £78K on legal expert fees and £44K on short term benefit cover payments are also contributing to the forecast overspend in the Families First Teams.</p>	2,067
HOS - Early Help Assessment and Safeguarding & IIC	<p>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.</p> <p>The forecast underspend is mainly being offset by additional forecast expenditure on case file audits £15K and a contribution to the Police and Crime Commissioner of £20K for ERASE administrative support.</p>	(601)
Youth Offending Service	<p>Expenditure on remand bed nights is forecast at Q3 to be over budget by £43K offset by in year savings on vacant posts (£140K).</p> <p>The balance of the variance mainly relates to a contribution to Public Health for a nurse for 9 months.</p>	(87)
Head of Early Help Assessment and Safeguarding		1,338
Central Charges (CYPS)		
Other Services	In line with budget	-
		-
		3,781

9. In summary, the service is forecast to overspend the cash limit budget by £3.781m. The outturn position incorporates the MTFP savings built into the 2017/18 budgets, which for CYPS in total amount to £4.729m.

Schools

10. Maintained schools budgets and carry forward accumulated surpluses and deficits from one year to the next. At the end of Quarter 2, the forecast balances at 31 March 2018 were for an overall net surplus balance £10.559 m to be carried forward to 2018/19.
11. Since Quarter 2, schools have completed their mid-year budget reviews, with advice and support from the Schools Finance Team, Resources. Based on these reviews many schools have adjusted their forecasts and the forecast overall net surplus balance to be carried forward has now increased to £12.553m.
12. A breakdown of the quarter 3 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 surplus balance above 2.5% of annual funding		Schools forecasting a surplus balance of less than 2.5% of annual funding		Schools forecasting a deficit balance		Total	
	No.	Forecast Balances £	No.	Forecast Balances £	No.	Forecast Balances £	No.	Forecast Balances £
Nursery	10	483,000	-	-	1	(10,000)	11	473,000
Alternative Provision	-	-	1	-	-	-	1	-
Primary	162	12,627,000	31	310,000	6	(171,000)	199	12,766,000
Secondary	5	1,733,000	6	993,000	4	(5,056,000)	15	(2,330,000)
Special	7	1,539,000	2	105,000	-	-	9	1,644,000
Total	184	£16,382,000	40	1,408,000	11	(5,237,000)	235	12,553,000

13. At Quarter 2, eight schools were forecasting that they would have a deficit balance carried forward at 31 March 2018, totalling an estimated £5.106 m, one of which has now converted to an academy. The current position is that 11 schools are forecasting deficits totalling £5.237m.
14. In setting the 2017/18 budgets 6 schools had been given permission to set deficit budgets by the Corporate Director Resources:
- The Sacriston Primary was due to convert to an academy in September and did convert. The deficit balance at the point of conversion was £0.036m and this has been charged to the Earmarked Reserve that was established to offset these costs;
 - Aclet Close Nursery was planning on undertaking a re-structuring in the autumn to allow it to balance its budget. The school is still forecasting a deficit at the end of this year, but is planning to be in surplus by the end of 2018-19;

- (c) Peterlee St Bede's was expected to progress discussions and have a plan in place to join a Multi-Academy Trust in the year, but this has not materialised. The updated forecasts show that it will not have a deficit balance carried forward at 31 March 2018, despite a significant in-year deficit in terms of its spending commitments vs its in year funding. This school is in significant financial difficulties and discussions are ongoing with the leadership of the school and the Diocese in terms of a long term solution to these issues as the forecasts for future years show that the school will not be able to balance its budgets and will accrue significant deficits which will accumulate in future years; and
- (d) the Council was taking steps to address longer-term issues with the remaining three schools (Tanfield, Wolsingham and Wellfield secondary schools). Wellfield has seen an increase in pupil numbers and funding (an increase of 16 pupils and £410,000) and will be expected to set a balanced in-year budget for 2018-19. As part of the Review of Schools Provision, longer term solutions with regards to the financial position in terms of the accumulated deficit built up by Wellfield are being considered.

Tanfield is expected to bring its budget back into balance over the next two to three years and solutions for the ongoing financial difficulties within Wolsingham are being developed as part of the Review of Schools Provision.

15. The other schools with deficits are all either confident of clearing their deficit by the end of 2018-19 or are working towards doing so and will be confirming their position at budget-setting.
16. The Schools Finance Team, Resources continues to work with schools to support and provide advice about budget issues, and is currently reviewing budgets 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 there is a joined-up approach to resolving these issues.

Capital Programme

17. The CYPS capital programme has been revised earlier in the year to take into account budget re-profiled from 2016/17 following the final accounts for that year.
18. The revised Budget is presented below together with actual expenditure to date:

CYPS	Actual Spend to 31/12/17	Current 2017-18 Budget	Current 2018-19 Budget	Total Capital Programme
	£000	£000	£000	£000
Support For Childrens Homes	4	8	-	8
CYPS - Childs Homes	-	160	-	160
Early Years	1,364	2,413	-	2,413
Free School Meals Support	63	94	-	94
Planning & Service Strategy	155	1,000	2,471	3,471
Secure Services	169	213	-	213
SCP - LEP	830	1,032	3,113	4,145
School Devolved Capital	1,267	3,689	1,888	5,577
School related	7,466	11,217	16,512	27,729
	11,318	19,826	23,984	43,810

Recommendations

19. Overview and Scrutiny are requested to note the detail within the report, a summary of which was included in the CMT / Cabinet Quarter 3 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. Income and expenditure incurred is in line with the necessary statutory regulations.