

# Children and Young People's Overview and Scrutiny Committee



12 January 2015

## Quarter 2: Forecast of Revenue and Capital Outturn 2014/15 – Children and Adult Services

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

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#### Purpose of the Report

1. To provide the committee with details of the forecast outturn budget position for Children and Adult Services (CAS), highlighting major variances in comparison with the budget for the year, based on the position to the end of September 2014. The report focuses on the Children and Young People's services included in CAS.

#### Background

2. County Council approved the Revenue and Capital budgets for 2014/15 at its meeting on 26 February 2014. 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 - £268.779 (original £275.232m)
  - CAS Capital Programme – £73.805m (original £74.322m)
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	275,232
Transfers to other services	(903)
Purchase of annual leave reduction	(103)
Car mileage reduction	(89)
Use of (+)/contribution to Corporate reserves (-)	(6,915)
Use of (+)/contribution to reserves (-)	1,557
<b>Revised Budget</b>	<b>268,779</b>

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

<b>Reserve</b>	<b>£'000</b>
Corporate Demographics Reserve	(7,000)
Corporate other	85
Social Care Reserve	866
CPD Reserve	436
Special Reserve	23
Education Reserve	35
Public Health GRT Reserve	88
Public Health Redundancy Reserve	15
Secure Services Trading Reserve	205
Tackling Troubled Families Reserve	(111)
<b>Total</b>	<b>(5,358)</b>

5. The summary financial statements contained in the report cover the financial year 2014/15 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 reported a cash limit underspend of **£3.249m** against a revised budget of £268.779m at the end of Quarter 2, which represented a 1.2%-underspend. The cash limit outturn is net of a £7m in year contribution to the Demographics / Hyper Inflation Reserve to offset and delay MTFP pressures in future years.
7. The tables below show the revised annual budget, actual expenditure to 30 September 2014 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	111,822	56,340	108,953	(2,869)	-	(2,869)
Premises	8,272	2,492	8,193	(79)	-	(79)
Transport	18,302	6,064	17,695	(607)	-	(607)
Supplies & Services	20,725	13,395	18,976	(1,749)	-	(1,749)
Third Party Payments	198,771	82,237	187,712	(11,059)	-	(11,059)
Transfer Payments	12,055	4,978	11,189	(866)	-	(866)
Central Support & Capital	55,211	16,194	69,626	14,415	-	14,415
Income	(156,379)	(72,500)	(156,814)	(435)	-	(435)
<b>Total</b>	<b>268,779</b>	<b>109,200</b>	<b>265,530</b>	<b>(3,249)</b>	<b>-</b>	<b>(3,249)</b>

### 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
Adults Care	136,592	61,583	131,111	(5,481)	-	(5,481)
Central Charges	3,962	179	10,643	6,681	-	6,681
Central Charges (CYPS)	6,329	(1,423)	6,329	-	-	-
Childrens Services	62,773	27,830	60,498	(2,275)	-	(2,275)
Commissioning	8,425	10,000	7,098	(1,327)	-	(1,327)
Education	39,061	6,680	38,538	(523)	-	(523)
Planning and Service Strategy	11,179	4,682	10,855	(324)	-	(324)
Public Health	458	(364)	458	-	-	-
Redundant Cost Centres	-	33	-	-	-	-
	<b>268,779</b>	<b>109,200</b>	<b>265,530</b>	<b>(3,249)</b>	<b>-</b>	<b>(3,249)</b>

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
<b>Children's Services</b>		
Aycliffe Conference Centre & Site Wide Costs	This relates to projected shortfall on income at the Conference Centre on the Aycliffe site. Discussions are ongoing between Children's Services and the Quality & Development Team around the future operation of the Conference Centre.	10
Child Protection & Disability Services	Under the budgeted expenditure results from a reduction in expenditure on court fees and legal expenses for children in care.	(288)
Childrens Services Reform & LSCB	Relates to employee costs of the new recently appointed Strategic Manager for Children's Services Reform and Local Safeguarding Children's Board.	29
External Agency Placements Central Recharges & SLAs	Projected savings of £1.125m relate to Independent Foster Agencies (IFAs) payments. The balance is mainly from a reduction in transportation costs of children and young people following a review of journeys by volunteer drivers and taxis.	(1,660)
First Contact & Intervention	Minor savings on supplies and services are forecast to be achieved in this area.	(8)
Looked After & Permanence	The projected over budget position is related to fees and allowances paid to in house foster carers. Expenditure in excess of the budget is offset by savings on placements with IFAs(External Agency Placements Central Recharges & SLAs above) .The cost of a placement with an in house foster carer is approximately half of the cost of a child placed with an IFA.	203
One Point Service	A forecast under budget in staffing of £210k relates to vacancies held whilst restructures are carried out to deliver MTFP savings in 2015/16.  An MTFP saving in relation to the Children's Centre review is not anticipated to be achieved and therefore an over budget of £70k is anticipated against premises budgets.  Expenditure against activity areas is forecast to be under budget by £186k and there is also forecast to be income of £100k generated over and above budget levels.	(439)
Think Family Service	Vacancies across Family Pathfinder teams are forecast to deliver savings of £45k against staffing budgets.  Tackling Troubled Families expenditure and income is managed through an earmarked reserve and does not therefore impact on the cash limit position	(45)
Youth Offending Service	Staffing expenditure is anticipated to be lower than budget by £95k due to vacancies. There is also forecast to be additional income above budget of £22k.  These two areas help to offset a forecast overspend on remand costs of £40k.	(77)

Service Area	Description	Cash Limit Variance £000
<b>Commissioning</b>		
Adult Care - Other	<p>£4k over budget on employees            £106k under budget on car mileage and transport for service users            £33k under budget on supplies and services / other            £1,254k under budget on agency and contracted services, mainly in respect of under spends on non-assessed services            £192k under achievement on income mainly offset a reduction in associated expenditure above</p>	(1,197)
Financial Services	<p>£82k under budget on employees due to vacant posts            £27k under budget on transport, mainly in respect of a new assessment process            £24k over budget on supplies and services            £45k additional income mainly in respect of financial protection</p>	(130)
<b>Education</b>		
Progression and Learning	<p>Durham Education Business Partnership is forecast to be over budget by £108k as income levels are anticipated to fall below budget, however this will be funded from an earmarked reserve.</p> <p>The Adult Learning service is funded from grant that is allocated on an academic year basis. Any funds not used by the end of March 2014 will be rolled forward to support expenditure in the Summer Term of the 2014/15 academic year and therefore the forecast outturn is in line with budget.</p> <p>At present the Improving Progression for Young People team are forecasting to be over budget by £23k, however this relates to the appointment of a YEI Development Manager and these costs will be funded from the Special Projects reserve.</p>	-
School Places and Admissions	<p>There is an under budget forecast in the School Places and Admissions Team relating to vacancies created by the early release of staff in connection with MTFP savings for 2015/16.</p> <p>A review of Home to School transport provision in the Summer Term has forecast that expenditure will be in line with budget. Further work will be undertaken in this area at Quarter 3 when expenditure from the Autumn Term can be reviewed.</p>	(118)
SEN and Disability and Inclusion	<p>An under budget of £123k is projected against employee budgets due to vacancies held in advance of required MTFP savings and restructure in the SEN Placement and Provision team.</p>	(123)
Support and Development	<p><u>Curriculum and Professional Development (CPD)</u>            Planned use of £585k of CPD reserves in 2014/15 has been included in the outturn forecast, alongside savings from staff vacancies and a transfer of £100k from EDS.</p> <p><u>Education Development Service (EDS)</u>            There is forecast to be under budget related mainly to staffing vacancies of £67k.</p> <p><u>Early Years Team</u>            Vacancies created by the early release of staff in relation to 2015/16 and 2016/17 MTFP savings are anticipated to result in an under budget of £125k.</p>	(282)

Service Area	Description	Cash Limit Variance £000
	<p>Costs of £108k associated with the early release of pension are shown here, however this is funded from a corporate reserve.</p> <p><u>School and Governor Support Service</u> Income is anticipated to be in excess of budget as action has been taken to increase prices in advance of achieving MTFP savings of £100k for 2015/16.</p> <p><u>Durham Learning Resources</u> Income levels are anticipated to fall short of target by £43k, however expenditure on supplies and staffing has been reduced and the net over budget position is forecast to be £10k.</p>	
<b>Planning and Service Strategy</b>		
Performance & Information Mgt	<p>£50k under budget on employees due mainly to early achievement of MTFP savings £4k over budget on transport £15k under budget on supplies and services £21k under achievement of income</p>	(40)
Policy Planning & Partnerships	£33k under budget on employees due mainly to early achievement of MTFP savings	(33)
Service Quality & Development	<p>£153k under budget on employees mainly re early achievement of MTFP savings £10k under budget on supplies and services £2k over achievement of income</p>	(165)
Service Support	<p>£115k under budget on employees mainly re early achievement of MTFP savings £29k over budget on supplies and services/other budgets</p>	(86)

9. In summary, the service is on track to maintain spending within its cash limit. The outturn position incorporates the MTFP savings built into the 2014/15 budgets, which for CAS in total amount to £12.430m.

### Schools

10. The total delegated budget for maintained schools (including early years' providers) in 2014/15 is £249.045m. In addition, schools will receive around £19.690m in Pupil Premium income and £10.733m in other income, primarily grants and fees and charges linked to schools meals, breakfast and after school club income.
11. Where schools spend more than their delegated budgets, the over spend reduces their accumulated balance. At 31 March 2014, 6 schools had a deficit balance totalling £0.960m, 12 schools were holding a balance of less than 2.5% of their overall funding and 240 schools had balances of more than 2.5% of their overall funding. In

the period 1 April to 30 September 2014, three schools have closed and one has converted to an academy.

12. School reserves brought forward from 2013/14 were £24.684m. This balance is net of loans to schools and other balances not related to maintained schools. Maintained schools balances amounted to £25.280m, which has reduced to £25.022 following the closures and conversions. Based on updated budget plans approved by Governing bodies and updated forecasts, schools are currently planning to use £5.205m of these balances in 2014/15, compared to £5.446m at quarter one. The forecast balances at 31 March 2015 are £19.817m (£19.834m at quarter one) and a summary of this forecast position is provided below:

<b>Schools forecasting a surplus above 2.5% of funding</b>						
	<b>Nursery</b>	<b>PRU</b>	<b>Primary</b>	<b>Secondary</b>	<b>Special</b>	<b>Total</b>
Number	12	-	202	9	9	232
Forecast	(£792,451)	-	(£16,804,203)	(£1,936,743)	(£1,498,991)	(£21,032,388)
<b>Schools forecasting a surplus of less than 2.5% of funding</b>						
	<b>Nursery</b>	<b>PRU</b>	<b>Primary</b>	<b>Secondary</b>	<b>Special</b>	<b>Total</b>
Number	-	-	12	5	-	17
Forecast	-	-	(£198,003)	(£359,485)	-	(£557,488)
<b>Schools forecasting a deficit</b>						
	<b>Nursery</b>	<b>PRU</b>	<b>Primary</b>	<b>Secondary</b>	<b>Special</b>	<b>Total</b>
Number	-	1	1	3	-	5
Forecast	-	£182,319	£4,626	£1,585,312	-	£1,772,257
<b>Total</b>						
	<b>Nursery</b>	<b>PRU</b>	<b>Primary</b>	<b>Secondary</b>	<b>Special</b>	<b>Total</b>
Number	12	1	215	17	9	254
<b>Forecast</b>	<b>(£792,451)</b>	<b>£182,319</b>	<b>(£16,997,580)</b>	<b>(£710,916)</b>	<b>(£1,498,991)</b>	<b>(£19,817,619)</b>

13. The main cause for concern remains with the secondary schools forecasting deficit balances at the end of the year. Officers from CAS and Resources (Financial Services) are working with two of the schools to establish budget plans to clear their deficits. The third school is in this position because of a temporary reduction in pupil numbers and is expected to be in deficit for the next two financial years. One special school was forecasting a deficit, but is now forecasting a surplus.
14. Figures for the second quarter exclude one primary school, which became an academy on 1 September 2014.

## Capital Programme

15. The CAS capital programme was revised earlier in the year to take into account budget reprofiled from 2013/14 following the final accounts for that year. This increased the 2014/15 original budget. Further reports to MOWG in May, June, July, September and October have detailed further revisions to the CAS capital programme, adjusting the base for grant additions/ reductions, budget transfers and budget reprofiling into later years. The revised capital budget currently totals **£73.805m**.
16. Summary financial performance to the end of September is shown below.

CAS -Service Area	2014-15 Total Budget	Actual Expenditure (30-9-14) £000	Remaining Budget
	£000	£000	£000
CAS - Adult Care	5,903	0	5,903
CAS - Commissioning	101	25	76
Planning & Service Strategy	40	13	27
CAS - Social Inclusion	18	-	18
SCP - LEP	31,390	10,102	21,288
Childrens Care	71	1	70
Early Intervention and Involvement	-	(11)	11
Early Years	692	174	518
Public Health	425	1	424
School Devolved Capital	4,539	1,288	3,251
School Related	29,417	5,872	23,545
Free School Meals Support	1,209	889	320
<b>Total</b>	<b>73,805</b>	<b>18,354</b>	<b>55,451</b>
<b>% Annual Budget Expended to 30 September</b>		<b>24.9%</b>	

17. **Appendix 2** provides a more detailed breakdown of spend across the major projects contained within the CAS Children's capital programme.

### Recommendations:

18. 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.

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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 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.

## Appendix 2: CAS 2014-15 Capital Programme

<b>CAS -Service Area</b>	<b>2014-15 Total Budget £</b>	<b>Actual Expenditure (30-9-14) £</b>	<b>Remaining Budget £</b>
PFI	24,722,134	8,198,971	16,523,163
BSF	6,667,487	1,903,497	4,763,990
<b>SCP - LEP</b>	<b>31,389,621</b>	<b>10,102,468</b>	<b>21,287,153</b>
Support For Childs Homes	67,142	-	67,142
CAS AAP Scheme	3,623	609	3,014
<b>Children's Care</b>	<b>70,765</b>	<b>609</b>	<b>70,156</b>
PCT Co-Location	348	(10,623)	10,971
<b>Early Intervention and Involvement</b>	<b>348</b>	<b>(10,623)</b>	<b>10,971</b>
Increased Provision for Two Year Olds	691,846	174,383	517,464
<b>Early Years</b>	<b>691,846</b>	<b>174,383</b>	<b>517,464</b>
School Devolved Capital	4,539,182	1,287,585	3,251,597
<b>School Devolved Capital</b>	<b>4,539,182</b>	<b>1,287,585</b>	<b>3,251,597</b>
DFE School Capital Inc Basic Need	13,810,279	3,199,363	10,610,917
DSG Structural Maintenance	14,991,235	2,846,999	12,144,235
School Modernisation	244,676	25,630	219,045
Children's Access/Safeguarding	370,352	27,208	343,143
Prior Year Projects	-	(227,094)	227,094
<b>School Related</b>	<b>29,416,542</b>	<b>5,872,106</b>	<b>23,544,434</b>
Free School Meals Support	1,208,862	888,840	320,022
<b>Free School Meals Support</b>	<b>1,208,862</b>	<b>888,840</b>	<b>320,022</b>
<b>TOTAL</b>	<b>67,317,166</b>	<b>18,315,368</b>	<b>49,001,797</b>