

Children and Young People's Overview and Scrutiny Committee



2 April 2015

Quarter 3: Forecast of Revenue and Capital Outturn 2014/15 – Children and Adult Services

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

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 December 2014, as reported to Cabinet 18 March 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 - £251.732 (original £275.232m)
 - CAS Capital Programme – £62.976m (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	(909)
Purchase of annual leave reduction	(103)
Car mileage reduction	(89)
Use of (+)/contribution to Corporate reserves (-)	(15,990)
Use of (+)/contribution to CAS earmarked reserves (-)	(6,475)
Revised Budget Excluding Sums OS Cash Limit	251,666
Sums Treated as Outside the Cash Limit	66
Revised Budget	251,732

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

Reserve	£'000
Corporate Demographics Reserve	(15,900)
Corporate other	(24)
Social Care Reserve	(4,830)
CPD Reserve	5
Special Reserve	23
Education Reserve	(1,262)
Public Health GRT Reserve	88
Public Health Assets Reserve	42
Public Health Redundancy Reserve	15
Secure Services Trading Reserve	360
Tackling Troubled Families Reserve	(916)
Total	(22,399)

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 balanced cash limit position against a revised budget of £251.732m at the end of quarter 3. The cash limit outturn is net of a £15.15m contribution to the Corporate 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 31 December 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	113,922	82,290	110,627	(3,295)	-	(3,295)
Premises	8,318	3,723	8,177	(141)	(66)	(207)
Transport	18,279	11,568	17,440	(839)	-	(839)
Supplies & Services	20,326	21,232	18,359	(1,967)	-	(1,967)
Third Party Payments	194,296	134,379	184,914	(9,382)	-	(9,382)
Transfer Payments	11,981	8,935	11,118	(863)	-	(863)
Central Support & Capital	49,662	22,880	66,636	16,974	-	16,974
Income	(165,118)	(118,100)	(165,539)	(421)	-	(421)
Total	251,666	166,907	251,732	66	(66)	-

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
Adult Care	137,856	101,884	131,357	(6,499)	-	(6,499)
Central/Other	(4,035)	381	10,849	14,884	-	14,884
Commissioning	1,663	(1,085)	(1,624)	(3,287)	-	(3,287)
Planning & Service Strategy	11,342	7,398	10,775	(567)	-	(567)
Central Charges (CYPS)	6,375	(707)	6,375	-	-	-
Childrens Services	59,716	41,408	56,385	(3,331)	-	(3,331)
Education	38,435	18,702	37,301	(1,134)	(66)	(1,200)
Public Health	314	(1,074)	314	-	-	-
	-	-	-	-	-	-
	251,666	166,907	251,732	66	(66)	-

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
Childrens Services		
Aycliffe Conference Centre & Site Wide Costs	Projected shortfall on income at the Conference Centre of £18K associated with lower than anticipated use of the centre for training courses.	23
Child Protection & Disability Services	Expenditure on court fees is projected to be (£227K) less than budgeted due to less care proceedings than forecast. Under budget on Direct Payments resulting from an increase in projected refunds of following audits of Direct Payments .	(339)
Childrens Services Reform	Early appointment of the newly created Children's Services Reform Strategic Manager. This post is funded in full in 2015-16.	31
External Agency Placements Central Recharges & SLAs	Savings on management / staffing costs, linked to MTFP saving in 2015-16). Transport forecast under budget (£350K) resulting from reduced demand as a consequence of successful implementation of the LAC Reduction Strategy. Saving from lower budget activity in secure remand beds in 2014-15.	(533)
First Contact & Intervention	Primarily vacancies from the 4 Real Service. NB this service will be undertaken as part of the Drug Recovery and Substance Misuse contract which has been recommissioned by Public Health in 2015-16.	(107)
Head of Service	There is an anticipated under spend on supplies budgets in this area.	(20)
Looked After & Permanence	<p>Projected saving on Employees of (£237K) from vacancies and the closure of 5 Brough Close at the end of 2014.</p> <p>Expenditure on Supplies and Services is projected to be over budget by £199K including approved additional expenditure on advertising for foster carers in the last Quarter of the financial year.</p> <p>Net saving resulting from successfully caring for children in lower cost in house foster provision as opposed to IFA's.(£799K).</p> <p>Income is forecast to over recover by (£313K) including a one off refund of £200K from an external adoption agency for non-compliance with a contract –combined with additional income from the sale of fostering and adoptive placements in 2015-16.</p>	(1,048)
One Point Service	Income levels are expected to exceed budget by £500k, primarily linked to shared accommodation costs and recharges to County Durham and Darlington Foundation Trust for occupation of Children's Centres and to Youth and Community	(1,111)

Service Area	Description	Cash limit Variance £000
	<p>groups and with schools.</p> <p>Staffing expenditure will be lower than budget by approximately £230k due to vacancies</p> <p>Costs associated with Children's Centre are anticipated to come in under budget by £190k due in part to revised arrangements and additional use of community venues.</p> <p>Activity budgets will also be under budget by around £190k.</p>	
Secure Services	<p>Secure Services operates as a Trading Account, the net variance balances to zero but there is a projected deficit of £360K expected in 2014-15. The budget has been revised to reflect the deficit and the £360K will need to be transferred from the Secure Services Reserve at the end of 2014-15 primarily the deficit in Secure Services relates to outstanding payment for repairs and maintenance for the 2 years following the opening of the new Secure Services building, additional management costs and agency staff costs. Welfare bed occupancy has increased since quarter 2 and is expected to be in line with budget at outturn.</p>	-
Think Family Service	<p>Vacancies across Family Pathfinder teams are forecast to deliver savings of £44k against staffing budgets.</p> <p>Tackling Troubled Families, is grant funded, expenditure and income is managed through an earmarked reserve and does not therefore impact on the cash limit position.</p>	(44)
Youth Offending Service	<p>Staffing expenditure is anticipated to be lower than budget by £117k due to vacancies. There is also an under spend relating to staff travel of £32k.</p> <p>There is also forecast to be additional income above budget of £22k.</p> <p>These two areas help to offset a forecast overspend on remand costs of £40k.</p>	(131)
Youth Service	<p>There is an under spend against budget relating to staffing vacancies.</p>	(51)
		(3,330)
Commissioning		
Adult Care / Other	<p>£4k over budget on employees</p> <p>£145k under budget on car mileage and transport for service users</p> <p>£187k under budget on supplies and services / other</p> <p>£2,795k under budget on agency and contracted services, mainly in respect of under spends on non-assessed services/one-off funds</p> <p>£9k net over achievement on income</p>	(3,132)

Service Area	Description	Cash limit Variance £000
Financial Services	<p>£71k under budget on employees due to vacant posts</p> <p>£29k under budget on transport, mainly in respect of a new assessment process</p> <p>£6k over budget on supplies and services</p> <p>£60k additional income mainly in respect of financial protection</p>	(154)
		(3,286)
Education		
Progression and Learning	<p>Durham Education Business Partnership is now forecast to be on target with an improved forecast of income levels in comparison with Q2.</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>The Improving Progression for Young People team are forecasting spend in line with budget.</p>	-
School Places and Admissions	<p>There is an under budget forecast of £152k 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 indicates an under spend of £215k for the financial year, mainly in respect of lower than anticipated expenditure on SEN contracts.</p> <p>A budget in relation to higher education pension liabilities also reports in this area and is expected to under spend by £100k.</p>	(467)
SEN and Disability and Inclusion	<p>An under budget of £111k 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> <p>The main Educational Psychology service is anticipated to under spend by £190k due to increased income levels and the individual trading areas within EPS are forecast to produce a combined surplus of £84k, which will be held in a separate reserve.</p>	(295)
Support and Development	<p><u>Curriculum and Professional Development (CPD)</u></p> <p>At quarter 2 there was planned use of £585k of CPD reserves. The latest forecast indicates £210k of this will be spent in 2014/15 and, alongside savings from staff vacancies and additional income of £200k, will produce a net overspend position of £5k, which will be funded from the CPD reserve.</p> <p><u>Education Development Service (EDS)</u></p> <p>The forecast is to be under budget by £130k relating mainly to staffing.</p>	(438)

Service Area	Description	Cash limit Variance £000
	<p>There is also forecast to be a transfer to the Primary Swimming Reserve of £42k.</p> <p><u>Music Service</u> The corporate 3% turnover target of £63k will not be achieved and in addition weekend ensemble sessions costing £36k. These costs however are offset to some extent by other staff changes that will save £65k, resulting in an over spend against employee budgets of £34k.</p> <p>Income levels are expected to exceed budget by £35k, which should mean the service remains within budget.</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 position of £135k.</p> <p>There is also expected to be an under budget position of £68k across DCC Nursery providers.</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 £109k 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 spend is forecast to be £6k.</p>	
		(1,200)
Planning & Service Strategy		
Performance & Information Mgt	<p>£69k under budget on employees due mainly to early achievement of MTFP savings £3k over budget on transport £16k under budget on supplies and services £22k under achievement of income</p>	(60)
Policy Planning & Partnerships	<p>£34k under budget on employees due mainly to early achievement of MTFP savings</p>	(34)
Service Quality & Development	<p>£179k under budget on employees mainly re early achievement of MTFP savings £15k over budget on transport £194k under budget on supplies and services/other £3k over achievement of income</p>	(361)
Service Support	<p>£80k under budget on employees mainly re early achievement of MTFP savings £33k under budget on supplies and services/other budgets</p>	(113)
		(568)

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 are estimated to receive around £19.690 in Pupil Premium income and £10.733m in other 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. Since then, five 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 in year. Based on updated budget plans approved by Governing bodies and updated forecasts, schools are currently planning to use £7.043 of these balances in 2014/15, compared to £5.205m as reported at quarter two.
13. The reduction in forecast balances reflects the fact that many schools do not make a full allocation of their budget at the start of the year and allocate funding as needs arise during the year. In addition, schools that have saved funding from previous years for capital projects may not allocate this until the project has been confirmed as proceeding. Around £800,000 of the change in forecasts relates to capital projects.
14. The forecast balances at 31 March 2015 are £17.980m (£19.817m at quarter two) and a summary of this forecast position is provided below:

Schools forecasting a surplus above 2.5% of funding						
	Nursery	PRU	Primary	Secondary	Special	Total
Number	12	-	195	9	7	223
Forecast	(£713,544)	-	(£15,360,989)	(£1,674,377)	(£1,491,241)	(£19,240,151)
Schools forecasting a surplus of less than 2.5% of funding						
	Nursery	PRU	Primary	Secondary	Special	Total
Number	-	-	15	4	1	20
Forecast	-	-	(£203,678)	(£316,812)	(31,877)	(£552,367)
Schools forecasting a deficit						

	Nursery	PRU	Primary	Secondary	Special	Total
Number	-	1	2	3	1	7
Forecast	-	£249,562	£98,719	£1,431,494	32,696	£1,812,471
Total						
	Nursery	PRU	Primary	Secondary	Special	Total
Number	12	1	212	16	9	250
Forecast	(£713,544)	£249,562	(£15,465,948)	(£559,695)	(£1,490,422)	(£17,980,047)

15. The main cause for concern remains with the secondary schools forecasting deficit balances at the end of the year. Officers from CAS and 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.

Capital Programme

16. 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 Member Officer Working Group in year have detailed further revisions to the CAS capital programme, adjusting the base for grant additions/ reductions, budget transfers and budget profiling into later years. The revised capital budget currently totals **£62.98m**.
17. Summary financial performance to the end of December is shown below.

CAS -Service Area	2014-15 Total Budget	Actual Expenditure (31-12-14) £000	Remaining Budget
	£000	£000	£000
CAS - Adult Care	5,903	-	5,903
CAS - Commissioning	101	83	18
Planning & Service Strategy	40	13	27
CAS - Social Inclusion	18	-	18
SCP - LEP	23,379	15,572	7,807
Childrens Care	71	1	70
Early Intervention and Involvement	-	(5)	5
Early Years	692	227	465
Public Health	2,610	11	2,599
School Devolved Capital	4,619	2,281	2,338
School Related	24,268	8,652	15,616
Free School Meals Support	1,275	998	277
Total	62,976	27,833	35,143
% Annual Budget Expended to 31 December		44.2%	

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

Recommendations:

19. 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 3 forecast of outturn report to Cabinet in March.

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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.

Appendix 2: CAS 2014-15 Capital Programme

CAS -Service Area	2014-15 Total Budget	Actual Expenditure (31-12-14)	Remaining Budget
	£	£	£
Adult Care	5,903,212	-	5,903,212
CAS - Adult Care	5,903,212	-	5,903,212
Commissioning	100,700	83,054	17,647
CAS - Commissioning	100,700	83,054	17,647
Planning & Service Strategy	40,000	12,799	27,201
Planning & Service Strategy	40,000	12,799	27,201
Social Inclusion	17,673	-	17,673
CAS - Social Inclusion	17,673	-	17,673
PFI	786,870	828,808	(41,937)
BSF	22,592,158	14,743,250	7,848,909
SCP - LEP	23,379,028	15,572,057	7,806,971
CAS - Support For Childs Homes	67,142	-	67,142
CAS AAP Scheme	3,623	697	2,926
Childrens Care	70,765	697	70,068
PCT Co-Location	348	(4,582)	4,930
Early Intervention and Involvement	348	(4,582)	4,930
Increased Provision for Two Year Olds	691,846	227,389	464,458
Early Years	691,846	227,389	464,458
Public Health	1,860,180	1,406	1,858,774
Drugs Commissioning DACT	65,000	-	65,000
Drug & Alcohol Premises Upgrade	685,000	9,134	675,866
Public Health	2,610,180	10,540	2,599,640
School Devolved Capital	4,618,933	2,280,575	2,338,358
School Devolved Capital	4,618,933	2,280,575	2,338,358
DFE School Capital Inc Basic Need	18,573,218	5,763,053	12,810,165
DSG Structural Maintenance	4,486,171	3,020,014	1,466,157
School Modernisation	807,957	44,294	763,663
Childrens Access/Safeguarding	400,352	45,155	355,197
Prior Year Projects	-	(220,076)	220,076
School Related	24,267,698	8,652,440	15,615,258
Free School Meals Support	1,275,221	997,524	277,697
Free School Meals Support	1,275,221	997,524	277,697
	62,975,605	27,832,493	35,143,112

