

Children and Young People's Overview and Scrutiny Committee

5 October 2015



Revenue and Capital Outturn 2014/15

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

Purpose of the Report

1. To provide the committee with details of the final budget outturn position for the CAS service grouping, highlighting major variances in comparison with the (revised) budget for the year, based on the position to the end of March 2015, as reported to Cabinet in July 2015. 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 - £252.133m (original £275.232m)
 - CAS Capital Programme – £46.894m (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 (-)	(15,523)
Use of (+)/contribution to reserves (-)	(6,475)
Revised Budget	252,133

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

Reserve	£'000
Corporate Demographics Reserve	(15,900)
Corporate other	377
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 (R&M)	360
Tackling Troubled Families Reserve	(916)
Total	(21,998)

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 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 **outturn was a cash limit under budget of £873k** against a revised budget of £252.133m. This compares with the quarter 3 forecast of a break-even position, after contributions to and from reserves in year. The cash limit outturn is net of a £15.15m 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 31 March 2015 and the variance 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	Outturn	Variance	Conts to/from Reserves / Items Outside Cash Limit	Cash Limit Variance
	£000	£000	£000	£000	£000
Employees	114,326	107,729	(6,597)	3,324	(3,273)
Premises	8,383	8,942	559	(1,122)	(563)
Transport	18,279	17,621	(658)	(11)	(669)
Supplies & Services	20,326	18,092	(2,234)	(1,655)	(3,889)
Third Party Payments	194,296	184,808	(9,488)	13	(9,475)
Transfer Payments	11,978	11,072	(906)	47	(859)
Central Support & Capital	49,661	33,605	(16,056)	29,409	13,353
Income	(165,116)	(171,396)	(6,280)	10,782	4,502
Total	252,133	210,473	(41,660)	40,787	(873)

Analysis by Head of Service Area

	Revised Annual Budget	Outturn	Variance	Conts to/from Reserves / Items Outside Cash Limit	Cash Limit Variance
	£000	£000	£000	£000	£000
Adult Care	137,856	132,166	(5,690)	(1,330)	(7,020)
Central/Other	(3,734)	8606	12,340	2,663	15,003
Commissioning	1,662	(2,410)	(4,072)	536	(3,536)
Planning & Service Strategy	11,342	10,131	(1,211)	96	(1,115)
Central Charges (CYPS)	6,375	2950	(3,424)	3,412	(13)
Childrens Services	59,817	52,908	(6,909)	3,662	(3,247)
Education	38,501	5,763	(32,739)	31,793	(945)
Public Health	314	359	45	(45)	0
	252,133	210,473	(41,660)	40,787	(873)

8. The table below provides a brief commentary of the 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
Central Charges (CYPS)		
Central Charges (CYPS)	£13k under spend re non-staffing costs	(13)
		(13)
Childrens Services		
Aycliffe Conference Centre & Site Wide Costs	Shortfall on income at the Conference Centre of £20k associated with lower than anticipated use of the Centre for training courses offset by lower than budget spend (£16k) on supplies and services etc. on the Aycliffe site.	4
Child Protection & Disability Services	Expenditure on legal fees was (£241k) less than the budget due to less care proceedings. Underspend on Direct Payments (£305k) resulting from an increase in refunds following audits of Direct Payments and recharges to the CCGs for agreed shared costs. Expenditure on the care element of the costs of children placed in external residential and special schools was (£247k) under budget. The above savings were offset by spend above budget on Special Guardianship Allowances £433k and transportation of children and young people to and from contact etc £92k and employee costs of £55k including agency staff to cover vacant posts.	(217)
Childrens Services Reform	Early appointment of the newly created Children's Services Reform Strategic Manager. This post is funded in full in 2015-16.	14
External Agency Placements Central Recharges & SLAs	Saving in connection with the Head of Safeguarding Services post of (£126k) in 2014-15 (NB The budget for this post is an MTFP saving in 2015-16). Transport under budget (£350k). This saving is offset by expenditure above budget on transportation of looked after children and children subject to Child Protection procedures. Saving (£89k) from lower budget activity in secure remand beds in 2014-15.	(550)
First Contact & Intervention	Under budget on vacant posts (£165k) including the 4 Real Service. NB this service will be undertaken as part of the Drug Recovery and Substance Misuse contract that has been recommissioned by Public Health in 2015-16.	(165)
Head of Service	Expenditure on supplies is lower than budget.	(29)
Looked After & Permanence	Saving on Employees of (£400k) from vacancies including the closure of 5 Brough Close at the end of 2014. Expenditure on transporting looked after children was £159k above budget and the cost of accommodation for young people leaving care was £99k over budget. Expenditure on a reduced number of external fostering and adoption placements was (£977k) under budget offset by	(1,077)

Service Area	Description	Cash limit Variance £000
	<p>£216k on less expensive fees for foster carers.</p> <p>There was a one off refund of (£200k) from an external adoption agency for non-compliance with a contract in 2014-15.</p>	
One Point Service	<p>Income levels exceeded budget by £526k. A large part of this (£440k) relates to recharges to County Durham and Darlington Foundation Trust for occupation of Children's Centres. Other recharge arrangements including those with Youth and Community groups and schools have generated £86k.</p> <p>Staffing expenditure was lower than budget by £123k due to vacancies.</p> <p>Costs associated with Children's Centre buildings came in under budget by £151k due in part to revised arrangements and additional use of community venues.</p> <p>Activity budgets were also under budget by around £177k.</p>	(977)
Secure Services	<p>Secure Services operates as a Trading Account, the net variance balances to zero but there was a deficit of £185k in 2014-15. The £185k will be transferred from the Secure Services Reserve at the end of 2014-15. Primarily the deficit in Secure Services related to an 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.</p> <p>There was an over recovery of income of £57k from the sale of welfare beds in 2014-15. Average welfare bed occupancy was 7.45 when compared to the budget of 7.2.</p>	-
Think Family Service	<p>Vacancies across Family Pathfinder teams delivered savings of £71k 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>	(71)
Youth Offending Service	<p>Staffing expenditure was £140k lower than budget and this was also the case on employee transport budget where expenditure was £54k lower.</p> <p>Partner contributions of £46k were rolled forward into 2015/16.</p>	(130)
Youth Service	<p>Expenditure on staffing was £49k lower than budget in this area.</p>	(49)
		(3,247)
Commissioning		

Service Area	Description	Cash limit Variance £000
Adult Care / Other	£157k over budget on employees £180k under budget on car mileage and transport for service users £218k under budget on supplies and services / other £3,001k under budget on agency and contracted services/transfer payments, mainly in respect of under spends on non-assessed services/one-off funds £169k net over achievement on income	(3,411)
Financial Services	£76k under budget on employees due to vacant posts £27k under budget on transport, mainly in respect of a new assessment process £13k over budget on supplies and services £35k additional income mainly in respect of financial protection	(125)
		(3,536)
Education		
Progression and Learning	Durham Education Business Partnership contributed a sum of £24k to their earmarked reserve this year bring the balance on the reserve to £345k. The Adult Learning service is funded from grant that is allocated on an academic year basis. The funds not used by the end of March 2015 have been rolled forward to support expenditure in the Summer Term of the 2014/15 academic year. The Improving Progression for Young People team outturn is in line with budget.	10
School Places and Admissions	There is an underspend of £167k 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. Higher education pension liabilities expenditure was £182k lower than budget and the Home to School Transport budget was also under budget by £22k. One-off expenditure of £253k relating to balance sheet write offs linked to academies that transferred in 2011 have incurred in year and charged here.	(118)
SEN and Disability and Inclusion	Expenditure on employees was £100k lower than budget due to vacancies held in advance of required MTFP savings and restructures in the SEN Placement and Provision team. The main Educational Psychology service has generated additional income of £178k above budget.	(278)
Support and Development	<u>Curriculum and Professional Development (CPD)</u> A sum of £42k was contributed to the CPD reserve in 2014/15. <u>Education Development Service (EDS)</u> Across EDS there was an under spend of £177k, achieved mainly through vacancies held in advance of MTFP savings.	(559)

Service Area	Description	Cash limit Variance £000
	<p>There is was also a transfer to the Primary Swimming Reserve of £48k.</p> <p><u>Durham Music Service (DMS)</u> Income levels in excess of budget provided an under spend in DMS of £46k.</p> <p><u>Early Years Team</u> The early release of staff in relation to MTFP has resulted in an under spend of £208k.</p> <p><u>School and Governor Support Service</u> Income levels were in excess of budget by £128k as action has been taken to increase prices in advance of achieving MTFP savings of 2015/16.</p> <p><u>Durham Learning Resources (DLR)</u> Reduced expenditure has resulted in a contribution to reserves of £19k by DLR.</p>	
		(945)
Planning & Service Strategy		
Performance & Information Mgt	<p>£71k under budget on employees due mainly to early achievement of MTFP savings</p> <p>£2k over budget on transport</p> <p>£21k under budget on supplies and services</p> <p>£9k under achievement of income</p>	(81)
Policy Planning & Partnerships	<p>£42k under budget on employees due mainly to early achievement of MTFP savings</p> <p>£29k under budget on supplies and services/other</p>	(71)
PSS Management	£19k under budget on supplies and services/other re early achievement of MTFP savings	(19)
Service Quality & Development	<p>£96k under budget on employees mainly re early achievement of MTFP savings</p> <p>£411k under budget on supplies and services/other</p>	(507)
Service Support	<p>£179k under budget on employees mainly re early achievement of MTFP savings</p> <p>£258k under budget on supplies and services/other budgets</p>	(437)
		(1,115)

9. In summary, the service has maintained 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.

Dedicated Schools Grant

10. The Dedicated Schools Grant (DSG) allocation for 2014/15 was £351.413m, however due to schools converting to academies and a reduction in high needs allocation for payments made direct by the

Education Funding Agency the budget was reduced by £70.140m in year to £281.273m. This includes both the delegated schools budget and the centrally retained DSG budget.

11. The total revised delegated budget for maintained schools (including early years' providers) was £255.179m.
12. Where schools spent more or less than their delegated budgets, the difference either reduces or increases their accumulated balance. Schools-related balances were £24.296m at 31 March 2015, a decrease of £0.389m from the previous year, which is significantly less than the planned for and previously forecast position, where a £7.351m use of reserves was planned for by schools.
13. The level of school balances continues to be closely managed, particularly those schools with a deficit balance and robust arrangements have been put in to place to monitor these in parallel with budget plans given the additional risks from schools that could potentially become a sponsored academy.
14. There has been greater scrutiny and challenge being put into schools budget plans to identify and address areas of concern and risk to the Council in 2013/14 and this is an ongoing process. Whilst the vast majority of schools continue to be well managed and are financially sound, termly updates have been required from all maintained schools on their projections for the year, with reports also provided to School Governors. The Council have worked constructively with schools to address any concerns and where appropriate take action to ensure the risk to the School and the Council is mitigated.
15. At 31 March 2015 there were 9 schools with a deficit balance carried forward totalling £1.779m, 16 schools holding a balance less than 2.5% of their overall funding and 229 schools with balances of more than 2.5% of their overall funding.
16. The pressure areas for the centrally controlled element of the DSG in 2014/15 have been within the post 16 high needs provision and capitalised repair and maintenance costs. This has been offset by underspends within early years provision; school improvement; High Needs Special Education Needs and Disabilities (SEND) children's placements in maintained, academy and independent special schools; and the Education Service Team dealing with SEND children;.
17. The overall outturn position for the centrally retained element of the DSG shows an underspend of £3.997m. The earmarked reserve relating to centrally retained DSG carried forward at 31 March is £10.364m, of which £1.493m is earmarked for Schools relating to the Growth Fund, school improvement and business rates, £3.296m relates to early years provision, £0.711m for outstanding commitments for the capital programme and the balance will support High Needs pressures.

Capital Programme

18. 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 during the year to MOWG 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 **£46.894m**.
19. Summary financial performance to the end of March is shown below.

CAS -Service Area	2014-15 Budget	Actual Expenditure (31-03-15)	2014/15 Remaining Budget
	£000	£000	£000
Adult Care	62	-	(62)
Commissioning	101	121	20
Childrens Care	71	14	(57)
Early Intervention & Involvement	-	(5)	(5)
Early Years	692	635	(57)
Free School Meals Support	1,126	1,067	(59)
Policy Planning & Performance	40	13	(27)
Public Health	469	233	(236)
SCP - LEP	23,379	22,786	(593)
School Devolved Capital	4,623	2,767	(1,856)
School Related	16,331	13,970	(2,361)
CAS Total	46,894	41,601	(5,293)
% Annual Budget Expended to 31 March		88.7%	

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

Recommendations:

21. It is recommended that Children and Young People's Overview and Scrutiny Members note the revenue and capital outturn included in the report, which are summarised in the outturn report to Cabinet in July.

Contact: Graham Stephenson – Finance Manager
Andrew Baldwin – Finance Manager

Tel: 03000 268 583
Tel: 03000 263 490

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

Childrens Services	2014-15 Total Budget	2014/15 Actual Expenditure	2014/15 Remaining Budget
	£000	£000	£000
Support For Childs Homes	67	14	54
CAS AAP Scheme	4	1	3
Childrens Care Total	71	14	56
PCT Co-Location	0	(5)	5
Early Intervention and Involvement Total	0	(5)	5
Increased Provision for Two Year Olds	692	635	57
Early Years Total	692	635	57
Free School Meals Support	1,126	1,067	60
Free School Meals Support Total	1,126	1,067	60
School Devolved Capital	4,623	2,767	1,856
School Devolved Capital Total	4,623	2,767	1,856
Childrens Access/Safeguarding	92	104	(12)
DFE School Capital Inc Basic Need	11,395	9,588	1,806
DSG Structural Maintenance	4,198	3,813	385
Prior Year Projects	-	116	(116)
School Modernisation	646	348	298
School Related Total	16,331	13,970	2,361
BSF	22,592	21,947	645
PFI	787	839	(52)
SCP - LEP Total	23,379	22,786	593
TOTAL	46,222	41,233	4,989