

# Children and Young People's Overview and Scrutiny Committee



5 October 2015

## Quarter 1: Forecast of Revenue and Capital Outturn 2015/16 – 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 June 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 2015/16 at its meeting on 25 February 2015. 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 - £251.484 (original £252.931)
  - CAS Capital Programme – £50.723m (original £45.453)
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	251,450
Transfers to other services	(61)
Energy Efficiency Reduction	(148)
Transfer From Contingency - Soulsbury Pay award	111
Contribution To Capital	(1,002)
Use of (+)/contribution to CAS reserves (-)	26
Use of (+)/contribution to Corporate reserves (ERVR) (-)	2,555
<b>Revised Budget</b>	<b>252,931</b>

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

<b>Reserve</b>	<b>£'000</b>
Social Care	87
EBP	120
Emotional Wellbeing	(5)
Mental Health Counselling	18
Movement Difficulties Service	(13)
Re-Profiling Activity	(175)
SEND reform Grant	239
Swimming	(66)
Secure Services Capital	1,002
Tackling Troubled Families	281
Transformation	(1,528)
Remodelling of Health Improve Service	(300)
Accumulated fund CPD	366
<b>Total</b>	<b>26</b>

5. The summary financial statements contained in the report cover the financial year 2015/16 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 is reporting a cash limit under budget of £7.613m against a revised budget of £252.931m which represents a 3.0% underspend.
7. The tables below show the revised annual budget, actual expenditure to 30 June 2015 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	Contribution To From Reserves £000	Cash Limit Variance £000
Employees	115,938	31,317	112,511	(3,427)	-	-	(3,427)
Premises	7,002	648	7,095	93	-	-	93
Transport	17,360	2,896	16,994	(366)	(76)	-	(442)
Supplies & Services	19,176	1,808	18,345	(831)	-	-	(831)
Third Party Payments	238,673	47,680	232,468	(6,205)	-	-	(6,205)
Transfer Payments	13,069	1,876	12,789	(280)	-	-	(280)
Central Support & Capital	64,389	2,471	65,018	629	-	-	629
Income	(222,677)	(79,746)	(219,827)	2,850	-	-	2,850
<b>Total</b>	<b>252,930</b>	<b>8,950</b>	<b>245,393</b>	<b>(7,537)</b>	<b>(76)</b>	<b>-</b>	<b>(7,613)</b>

### Analysis by Head of Service Area

	Revised Annual Budget £000	YTD Actual £000	Forecast Outturn £000	Variance £000	Items Outside Cash Limit £000	Contribution To From Reserves £000	Cash Limit Variance £000
Head of Adults	124,305	27,802	119,733	(4,572)	(9)	-	(4,581)
Central/Other	8,847	86	8,643	(204)	-	-	(204)
Commissioning inc Supporting People	10,141	(27,255)	8,416	(1,725)	(3)	-	(1,728)
Planning & Service Strategy	11,689	2,765	11,202	(487)	(4)	-	(491)
Central Charges (CYPS)	4,393	(2,204)	4,393	-	-	-	-
Childrens Services	53,156	14,655	53,414	258	(48)	-	210
Education	39,699	(2,845)	38,893	(806)	(13)	-	(819)
Public Health	701	(4,055)	701	-	-	-	-
<b>Total</b>	<b>252,931</b>	<b>8,949</b>	<b>245,395</b>	<b>(7,536)</b>	<b>(77)</b>	<b>-</b>	<b>(7,613)</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>Central Charges (CYPS)</b>	In line with budget	-
		-
<b>Childrens Services</b>		
Aycliffe Conference Centre & Site Wide Costs	Energy and water costs are £13K above budget on the Aycliffe site and a projected shortfall in income of £20K from lower than anticipated rechargeable usage of the Conference Centre.	33
Child Protection & Disability Services	Employees and car allowances are forecast to be over budget by a total of £230K in the Child Protection Teams including expenditure on agency staff employed to cover vacancies and increased workloads. Legal fees are forecast to be under budget by £88K. Expenditure on the care element of the costs of children placed in external residential and special schools is forecast to be £37K over budget. Cost associated with children placed with families and foster carers is also forecast to be over budget by £296K.	475
Childrens Services Reform	Small overspend on employees from savings on vacancies offset by the cost of the new Project Officer post with no currently identified budget provision in 2015-16.	9
External Agency Placements Central Recharges & SLAs	The cost of hired transport and volunteer drivers is forecast to be under budget by £300k, this saving if recurring could be used towards future MTFP savings relating to Supervised Contact and LAC.	(300)
First Contact & Intervention	Expenditure on agency staff in the Assessment and Information (A&I) teams covering vacancies and maternity leave etc is forecast to be £574k over budget offset by savings on vacant posts of (£262K). £90k of the agency staff costs specifically relate to the backfilling of posts of staff employed in A&I Teams that are to be included in Families First Phase 2 scheduled for February 2016.  The budget has been revised at Quarter 1 to take into account the first phase of the new Families First Service and the establishment of the 3 new teams in the east of the County.	339
Head of Service	Investing in Children SLA is forecast to be under budget.	(46)
Looked After & Permanence	Savings on employees of (£590K) from the early closure of 5 Brough Close and the planned closure of 12 Brough Close. Car allowances are forecast to be over budget by £45k mainly in the Looked After and Young Peoples Services Teams. Expenditure on a reduced number of external fostering	(3)

Service Area	Description	Cash limit Variance £000
	and adoption placements was (£281K) under budget offset by £784K on less expensive fees for in house foster carers. The balance of the variance - £45K - relates to the accommodation costs of young people leaving care.	
One Point Service	Additional income from County Durham & Darlington Foundation Trust in relation to occupancy of council buildings (MTFP 16/17) and reduced expenditure on One Point Service outreach buildings is contributing to the position.	(241)
Secure Services	Secure Services operates as a Trading Account ,the net variance balances to zero. In the first quarter of 15-16 welfare bed average occupancy was 6.07 against a budget of 7.2. The shortfall in income for this period is £81K. At Quarter 1 welfare bed income is forecast to breakeven in 2015-16 with an anticipated increase in the sale of welfare beds expected following remedial works due to be completed later this year.	-
Think Family Service	Stronger Families plans will be funded from earmarked reserves	-
Youth Offending Service	Expenditure against staffing and mileage budgets are forecast to be below budget.	(56)
Youth Service		-
		210
<b>Commissioning</b>		
Commissioning Management	Under budget mainly in respect of future MTFP savings, particularly agency and contracted services budgets held.	(1,630)
Financial Services	Mainly in respect of under budgets on employees, (£55k) due to effective vacancy management, and associated travel costs (£25k). £17k over budget on supplies and services. Additional income receivable of £35k.	(98)
		(1,728)
<b>Planning &amp; Service Strategy</b>		
Performance & Information Mgmt	£83k under budget on employees re future MTFP savings.	(83)
Policy Planning & Partnerships	£78k under budget on employees re future MTFP savings. £8k under budget on transport/supplies and services/other budgets. £24k under achievement of income.	(62)
Service Quality & Development	Future MTFP savings linked in the main to employees (£134k) and supplies and services (£88k). £7k under budget on other areas.	(229)
Service Support	£99k under budget on employees re future MTFP savings. £18k under budget on transport/supplies and services/other budgets.	(117)
		(491)
<b>Education</b>		
Progression and Learning	Durham Education Business Partnership is forecast to overspend by £120k as income levels are anticipated to fall below budget, however this will be funded from an earmarked reserve.  The Adult Learning service is funded from grant that is allocated on an	(1)

Service Area	Description	Cash limit Variance £000
	<p>academic year basis and funds not used by the end of March 2016 will be rolled forward.</p> <p>At present the Improving Progression for Young People team are forecasting to be in line with budget although this includes funding of £37k from the Special Projects reserve to fund the YEI Development Manager post.</p>	
School Places and Admissions	<p>A review of the Home to School Transport budget will take place over the next month following the end of the summer term and the forecast will be reported at Quarter 2.</p> <p>It is anticipated that there will be an under spend on staffing in the School Places and Admissions team due to vacancies held in advance of delivering 16/17 MTFP savings.</p> <p>There is also anticipated to be an under spend of £100k in relation to pension liabilities.</p>	(129)
SEN and Disability and Inclusion	<p>The forecast outturn position in this area relates mainly to additional SLA income in Education Psychology (£231k) and vacancies in the same area (£55k).</p> <p>Additionally in the SEN Placement and Provision team there is a saving of £84k relating to staffing.</p>	(381)
Support and Development	<p>Curriculum and Professional Development (Use of reserve £566k) The forecast anticipates use of reserves of £674k in line with that reported to MTFP Project Board in June 2015 offset by savings in staffing and additional SLA income totalling £108k.</p> <p>Education Development Service £75k Under There is anticipated to be a contribution to the Primary Swimming Reserve of £65k. An under spend of £75k across the rest of EDS relates to a vacant Sports Development post (MTFP saving for 16/17) and a forecast under spend on school health budget and outdoor education in advance of 16/17 MTFP savings.</p> <p>Early Years Team £145k under The main factor in the Early Years Team contributing to the forecast position is an under spend on employee budgets due to a vacant Operational Lead post (MTFP 16/17). In addition the in-house nursery provision is expected to be £65k under budget.</p> <p>Music Service £61k under The under spend position is a combination of reduced staffing costs and increased income levels.</p> <p>School and Governor Support Service £27k under The forecast under spend relates mainly to a pension augmentation budget for which the final year of costs was 2014/15. This budget is earmarked for MTFP savings in 16/17.</p>	(308)
		(819)

9. The following is a breakdown of items outside of the cash :
- Adjustment for delayed reduction in Car Mileage allowance rate 48p to 45p per mile - £76,434
10. In summary, the service is on track to maintain spending within its cash limit. The outturn position incorporates the MTFP savings built into the 2015/16 budgets, which for CAS in total amount to £8.590m.

## Schools

11. The total delegated budget for maintained schools (including early years' providers) in 2015-16 is £258.382m. In addition, schools are estimated to receive around £20.751m in Pupil Premium income and £18.231m in other income. Other income consists of:

	£000
Grant Income	9,360
Sales	5,339
Lettings	903
Income from local authority	1,370
Other	1,259
<b>Total</b>	<b>18,231</b>

12. Grant income includes funding for Universal Infant Free School Meals, PE and infant class sizes. Sales income is mainly from school meals and out-of-hours care (e.g. breakfast clubs). Income from the local authority is mainly funding for early years funding and funding from Communities of Learning budgets, (which are used to support provision for special educational needs).
13. All schools have delegated budgets and most have earmarked reserves / accumulated balances arising from underspending in previous years. Where schools spend more than their delegated budgets in any one year, the over spend reduces their accumulated balance carried forward to the following year. At 31 March 2015, 9 schools had a deficit balance, where their spending had exceeded their delegated budget / resources, totalling £1.779m, 16 schools were holding a balance of less than 2.5% of their overall annual funding and 229 schools had balances of more than 2.5% of their overall annual funding. The Council encourages schools to have a retained balance of at least 2.5% of their overall annual funding to provide a contingency sum against unforeseen budget pressures.
14. Cumulative school reserves brought forward from 2014-15 were £24.245m. This balance is net of loans to schools and other balances not related to maintained schools. Maintained schools balances amounted to £24.098m. Based on budget plans approved by Governing bodies and the latest updated forecasts, schools are

currently planning to use £6.355m of these balances in 2015-16. The forecast balances at 31 March 2016 are therefore £17.743m and a summary of this forecast position is provided below:

	Nursery	PRU	Primary	Secondary	Special	Total
<b>Schools forecasting a surplus balance above 2.5% of annual funding</b>						
Number	12	-	187	6	9	214
Forecast Balances	(£724,948)	-	(£16,519,060)	(£1,247,125)	(£1,822,784)	(£20,313,917)
<b>Schools forecasting a surplus balance of less than 2.5% of annual funding</b>						
Number	-	-	22	7	-	29
Forecast Balances	-	-	(£275,529)	(£488,999)	-	(£764,527)
<b>Schools forecasting a deficit balance</b>						
Number	-	1	2	3	-	6
Forecast Balances	-	£322,346	£14,975	£2,997,649	-	£3,334,969
<b>Total</b>						
Number	12	1	211	16	9	249
<b>Forecast Net Balances</b>	<b>(£724,948)</b>	<b>£322,346</b>	<b>(£16,779,614)</b>	<b>£1,261,525</b>	<b>(£1,822,784)</b>	<b>(17,743,475)</b>

15. The Council is working with the schools in deficit and has strengthened its financial monitoring of schools over the last few years. There is a more integrated approach in place now, with officers in the Education Service being supported by Finance and HR to determine appropriate action to support these schools in the context of their financial position and any wider education / performance concerns.

### Capital Programme

16. The CAS capital programme was revised earlier in the year to take into account budget reprofiled from 2014/15 following the final accounts for that year. This increased the 2015/16 original budget. Further reports to MOWG in May and July 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 **£50.723m**.



17. Summary financial performance to the end of June is shown below.

CAS -Service Area	2015-16 Total Budget	Actual Expenditure (30-6-15) £000	Remaining Budget
	£000	£000	£000
Adult Care	901	-	901
Commissioning	-	-	-
Social Inclusion	-	-	-
Childrens Care	58	2	56
Early Intervention and Involvement	-	2	(2)
Early Years	48	(7)	55
Free School Meals Support	190	70	120
Secure Services	1,002	21	981
Planning & Service Strategy	132	94	38
Public Health	1,396	36	1,360
School Devolved Capital	4,529	203	4,326
School Related	25,193	2,695	22,498
SCP - LEP	17,274	7,286	9,988
<b>Total</b>	<b>50,723</b>	<b>10,402</b>	<b>40,321</b>

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 1 forecast of outturn report to Cabinet in July.

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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 2015-16 Capital Programme

Children and Young People Services	Revised Annual Budget 2015/16 £000	Actual Spend 30/06/15 £000	Remaining Budget £000
Support For Children's Homes	54	-	54
CAS AAP Scheme	4	2	2
<b>Childrens Care Total</b>	<b>58</b>	<b>2</b>	<b>56</b>
PCT Co-Location	-	2	(2)
<b>Early Intervention and Involvement Total</b>	<b>-</b>	<b>2</b>	<b>(2)</b>
Increased Provision for Two Year Olds	48	(7)	55
<b>Early Years Total</b>	<b>48</b>	<b>(7)</b>	<b>55</b>
Free School Meals Support	190	71	120
<b>Free School Meals Support Total</b>	<b>190</b>	<b>71</b>	<b>120</b>
School Devolved Capital	4,529	203	4,326
<b>School Devolved Capital Total</b>	<b>4,529</b>	<b>203</b>	<b>4,326</b>
Childrens Access/Safeguarding	15	-	15
DFE School Capital Inc Basic Need	23,952	3,025	20,927
DSG Structural Maintenance	888	225	663
Prior Year Projects	-	(334)	334
School Modernisation	338	(221)	559
<b>School Related Total</b>	<b>25,193</b>	<b>2,695</b>	<b>22,498</b>
BSF	17,267	7,271	9,996
PFI	7	15	(8)
<b>SCP - LEP Total</b>	<b>17,274</b>	<b>7,286</b>	<b>9,988</b>
Secure Service	1,002	21	981
<b>Secure Services Total</b>	<b>1,002</b>	<b>21</b>	<b>981</b>
<b>TOTAL</b>	<b>48,294</b>	<b>10,273</b>	<b>38,022</b>