

Children and Young People's Overview and Scrutiny Committee

11 January 2016



Quarter 2: Forecast of Revenue and Capital Outturn 2015/16 – 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 September 2015, as reported to Cabinet in November 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 - £253.011m (original £251.450m)
 - CAS Capital Programme – £48.769m (original £45.453m)
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	£m
Original Budget	251.450
Transfers to other services (Financial Services / Assessments to Resources)	(1.459)
Energy Efficiency Reduction	(0.147)
Transfer From Contingency - Soulsbury Pay award	0.111
Transfer From Contingency - Cost Associated with Closed School Buildings	0.091
Transfer From Contingency - Reversal Of Car Mileage Deduction	0.076
Transfer to Capital (Aycliffe Secure Services)	(1.002)
Use of (+) / (contribution) to CAS reserves	0.735
Use of (+) / (contribution) to Corporate Reserves (ERVR Costs)	3.156
Revised Budget	253.011

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

Reserve	£'000
Social Care Reserve	202
Cash Limit	1,908
Innovations and YEI Redundancy Reserve	(1,000)
Secure Services Capital Reserve	1,202
Tackling Troubled Families Reserve	188
Transformation Reserve	(1,596)
Accumulated fund CPD Reserve	256
Durham Learning Resources Reserve	(8)
EBP Reserve	120
Emotional Wellbeing Reserve	(20)
Mental Health Counselling Reserve	18
Movement Difficulties Service Reserve	(13)
Re-Profiling Activity Reserve	(175)
SEND reform Grant Reserve	98
Swimming Reserve	(67)
School Condition Survey Reserve	(450)
Public Health Reserves	72
Total In service use by CAS	735
External Contribution to Schools Condition Survey Reserve	(450)
Net Use of Reserve	285

5. The summary financial statements contained in this 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 – Updated Forecast Q2 2015/16

6. The CAS service is now reporting a cash limit underspend of £7.181m against a revised budget of £253.011m, which represents a 2.8% underspend. This compares with a previously reported underspend position of £7.613m at quarter 1.
7. The tables below show the revised annual budget, actual expenditure to 30 September 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	Cash Limit Variance QTR2 £000	MEMO – Variance at QTR1 £000
Employees	116,073	57,713	111,656	(4,416)	(3,427)
Premises	7,087	2,191	7,289	202	93
Transport	17,398	6,239	17,479	81	(442)
Supplies & Services	19,004	7,090	17,572	(1,432)	(831)
Third Party Payments	239,312	101,067	231,601	(7,711)	(6,205)
Transfer Payments	13,069	4,664	12,797	(272)	(280)
Central Support & Capital	64,289	19,881	64,986	697	629
Income	(223,221)	(126,977)	(217,550)	5,671	2,850
Total	253,011	71,868	245,829	(7,181)	(7,613)

Analysis by Head of Service Area

	Revised Annual Budget £000	YTD Actual £000	Forecast Outturn £000	Cash Limit Variance £000	MEMO – Variance at QTR1 £000
Head of Adults	124,882	53,668	120,006	(4,876)	(4,581)
Central/Other	8,847	142	8,654	(193)	(204)
Commissioning inc Supporting People	8,981	(16,836)	7,250	(1,731)	(1,728)
Planning & Service Strategy	11,639	5,510	10,954	(685)	(491)
Central Charges (CYPS)	4,360	(1,649)	4,360	-	-
Childrens Services	53,277	21,045	53,812	535	210
Education	39,952	3,414	39,721	(231)	(819)
Public Health	1,073	6,573	1,073	-	-
Total	253,011	71,867	245,830	(7,181)	(7,613)

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	Energy and water costs are £18K above budget on the Aycliffe site. A projected shortfall in income of £30K from lower than anticipated rechargeable usage of the Conference Centre together with the planned early closure of this facility at the end of December are offset by savings on supplies and services in the last quarter.	44
Child Protection & Disability Services	Employees are forecast to be over budget by a total of £357K mainly in the Child Protection Teams including expenditure on agency staff employed to cover vacancies and increased workloads. Costs associated with children placed under Special Guardianship Orders are forecast to be over budget by £526K. The forecast overspend is being offset by savings on Legal expenses (£96K) and additional income from the CCGs (£210K) towards the cost of joint funded placements.	550
Childrens Services Reform	Overspend on employees resulting from an additional resource to support Project officer.	39
External Agency Placements Central Recharges & SLAs	Primarily related to the costs of hired transport and volunteer drivers is forecast to be under budget by (£98k) combined with a forecast savings (£116k) following a reduction in the number of remand beds nights.	(221)
First Contact & Intervention	Expenditure on agency staff in the Assessment & Information (A&I) teams covering vacancies and maternity leave etc. is forecast to be £604k over budget offset by savings on vacant posts of (£291K). £145k 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 January/ February 2016.	412
Head of Service	Investing in Children SLA is forecast to be under budget.	(46)
Looked After & Permanence	Savings on employees of (£713K) from the early closure of 5 Brough Close and the planned closure of 12 Brough Close Increasing number of LAC placements in IFA's and In house fostering is leading to a forecast overspend of £191K and £1.012m respectively. The Adoption Invest to Save Project is forecast to cost £136K in 2015-16.	610
One Point Service	Income from County Durham and Darlington Foundation Trust in relation to occupancy of council buildings will exceed budget by £200k in 2015/16 (this is identified as an MTFP saving for 2016/17). Recharge to Public Health - £628k re Wider Determinants of Health.	(815)
Secure Services	Secure Services operates as a Trading Account, with a planned balanced budget. In the first half of 15-16 welfare bed average occupancy was 6.18 against a budgeted activity of 7.2. The shortfall in income for this period is £147K. At Quarter 2 welfare bed income is forecast to breakeven in 2015-16 with an anticipated increase in the sale of welfare beds expected following	-

Service Area	Description	Cash limit Variance £000
	remedial works due to be completed in November.	
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 and should more than offset a forecast in-year reduction in the YJB grant of £80k.	(36)
Youth Service	-	(2)
		535
Commissioning		
Commissioning Management / Other	Under budget mainly in respect of future MTFP savings, particularly agency and contracted services budgets held.	(1,731)
		(1,731)
Planning & Service Strategy		
Performance & Information Mgmt	£62k under budget on employees re future MTFP savings. £32k under budget on supplies and services budgets re future MTFP savings. £9k under achievement of income	(85)
Policy Planning & Partnerships	£94k under budget on employees re future MTFP savings. £19k under budget on transport/supplies and services/other budgets. £37k under achievement of income.	(76)
Service Quality & Development	Future MTFP savings linked in the main to employees (£112k) and supplies and services (£227k). £67k under budget on other areas.	(406)
Service Support	£43k under budget on employees re future MTFP savings. £74k under budget on transport/supplies and services/other budgets.	(117)
		(684)
Education		
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 academic year basis and funds not used by the end of March 2016 will be rolled forward. At present the Improving Progression for Young People team are forecasting to be in line with budget including use of £37k from the Special Projects reserve to fund the YEI Development Manager post.	-
School Places and Admissions	A review of the Home to School Transport budget by the Sustainable Transport Team has identified an over budget forecast of £680k. This is materialising in two separate areas; transport of pre-16 SEN pupils (£440k), and transport of pre-16 mainstream pupils. Further analysis is underway to further understand this position.	548

Service Area	Description	Cash limit Variance £000
	<p>It is anticipated that there will be an under budget position of £32k 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> <p>The liability re the tribunal legal case has now been finalised and an additional £0.385m is to be funded from the CAS Cash Limit.</p>	
SEN and Disability and Inclusion	<p>The forecast outturn position in this area relates mainly to additional SLA income in Education Psychology (£240k) and vacancies in the same area (£77k).</p> <p>Additionally in the SEN Placement and Provision team there is a saving of £42k relating to staffing.</p>	(359)
Support and Development	<p>Curriculum and Professional Development (Use of reserve £456k) The forecast anticipates use of £589k from reserves against original proposals of £674k, this is offset by savings in staffing and additional SLA income totalling £133k.</p> <p>Education Development Service £151k Under There is anticipated to be a contribution to the Primary Swimming Reserve of £67k.</p> <p>An under budget position of £151k across the rest of EDS relates to employee budgets in the Inspection Team and a vacant Sports Development post (MTFP 16/17), as well as a forecast under spend on school health budget and outdoor activities (MTFP 16/17).</p> <p>Early Years Team £136k under The main factor in the Early Years Team contributing to the forecast is an under budget position on employee budgets due to a vacant Operational Lead post (MTFP 16/17). In addition the in-house nursery provision is expected to be £77k under budget.</p> <p>Music Service £99k under The under budget position is a combination of reduced staffing costs and increased income levels.</p> <p>School and Governor Support Service £35k under The forecast under budget position relates mainly to a pension augmentation budget which is earmarked for MTFP savings in 16/17.</p>	(421)
		(232)

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 2015/16 budgets, which for CAS in total amount to £8.590m.

Schools

10. The current schools forecasts are summarised below:

Schools forecasting a surplus above 2.5% of funding						
	Nursery	PRU	Primary	Secondary	Special	Total
Number	12	-	187	7	9	215
Forecast	(£660,083)	-	(£16,082,016)	(£1,599,082)	(£1,772,679)	(£20,113,860)
Schools forecasting a surplus of less than 2.5% of funding						
	Nursery	PRU	Primary	Secondary	Special	Total
Number	-	-	18	6	-	24
Forecast	-	-	(£217,043)	(£308,875)	-	(£525,918)
Schools forecasting a deficit						
	Nursery	PRU	Primary	Secondary	Special	Total
Number	-	1	3	3	-	7
Forecast	-	£449,744	£21,535	£2,895,362	-	£3,366,641
Total						
	Nursery	PRU	Primary	Secondary	Special	Total
Number	12	1	208	16	9	246
Forecast	(£660,083)	£449,744	(£16,277,524)	£987,405	(£1,772,679)	(£17,273,137)

11. Compared to Quarter 1 there are three fewer primary schools reported above, because three have converted to academies.
12. After excluding the academy conversions, the overall change from Quarter 1 to Quarter 2 is a £381,000 (£470,000 including the previously included balances for the schools converting) reduction in the forecast net balances held by schools at 31 March 2016, when the retained balances were forecast to be £17,743,475.
13. One more school is forecasting a deficit at the end of 2015-16 than previously forecast and the total forecast deficit forecast has increased by £32,000, mainly because of an increase in the forecast deficit of the Pupil Referral Unit.
14. Of the remaining schools in deficit, the three primary schools are beginning re-structuring processes to address their financial position. The three secondary schools are closely monitoring their budgets, but the Council is mindful of the need to provide places for their pupils and these schools cannot address their deficits in the short-term without unacceptable impacts on the standard of education that they are able to offer to their pupils.
15. The School Funding Team are visiting all schools this term for autumn budget reviews and some schools will be facing significant financial pressures next year, including the effects of changes to employers' contributions for National Insurance and pensions. It is likely that there

will be a significant drawdown on school surpluses next year, in order to balance budgets, which will create a greater challenge for 2017-18.

16. The Schools will also be affected by planned changes to formula funding; subject to Council approval and any changes to statutory regulation, the primary lump sum will reduce from £175,000 to £167,500 in 2016-17 and then to £160,000 in 2017-18. A planned transfer of £1.5m from primary and secondary school funding to SEN provision in 2016-17 has been deferred and may need to be implemented in 2017-18.
17. Officers from CAS and Finance have met to discuss our approach to identifying schools causing concern, and how we address their issues in a strategic way. Consultation with the Schools Forum and schools about the reduction in the primary lump sum has highlighted the number of small schools in the County and the cost to formula funding in respect of the lump sum, which is paid to every school, regardless of size. The Council and schools will work more closely together to look at ways of re-organising schools to reduce the number of small schools and thus release more money for pupil-led funding.

Capital Programme

18. The CAS capital programme has been 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.
19. Further reports to MOWG in May, July 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 **£48.769m**.
20. Summary financial performance to the end of September is shown below.

CAS	Original Annual (MAY MOWG) Budget 2015/16 £000	Revised Annual Budget 2015/16 £000	Actual Spend 30/09/15 £000	Remaining Budget £000
Adult Care	841	60	-	60
Childrens Care	-	58	5	53
Early Intervention and Involvement	-	-	2	(2)
Early Years	-	408	(7)	415
Free School Meals Support	53	333	171	162

CAS	Original Annual (MAY MOWG) Budget 2015/16 £000	Revised Annual Budget 2015/16 £000	Actual Spend 30/09/15 £000	Remaining Budget £000
Secure Services	-	1,002	417	585
Planning & Service Strategy	105	132	94	38
Public Health	2,160	236	36	200
School Devolved Capital	1,424	4,574	1,576	2,998
School Related	22,762	24,642	10,521	14,121
SCP - LEP	18,108	17,324	9,022	8,302
Total	45,453	48,769	21,837	26,932

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

Recommendations:

22. 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

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

Childrens Services	Revised Annual Budget 2015/16 £000	Profiled Budget 2015/16 £000	Actual Spend 30/09/15 £000	Remaining Budget £000
Support For Childs Homes	54	21	3	51
CAS AAP Scheme	4	3	2	2
Childrens Care Total	58	24	5	53
PCT Co-Location	-	-	2	(2)
Early Intervention and Involvement Total	-	-	2	(2)
Increased Provision for Two Year Olds	408	199	(7)	415
Early Years Total	408	199	(7)	415
Free School Meals Support	333	159	171	162
Free School Meals Support Total	333	159	171	162
Secure Services	1,002	200	417	585
Secure Services Total	1,002	200	417	585
School Devolved Capital	4,574	1,888	1,576	2,998
School Devolved Capital Total	4,574	1,888	1,576	2,998
Childrens Access/Safeguarding	3	1	(2)	5
DFE School Capital Inc Basic Need	23,588	11,108	10,765	12,823
DSG Structural Maintenance	392	168	313	79
Prior Year Projects	-	-	(334)	334
School Modernisation	659	303	(221)	880
School Related Total	24,642	11,580	10,521	14,121
BSF	17,267	8,613	8,974	8,293
PFI	57	28	48	9
SCP - LEP Total	17,324	8,641	9,022	8,302
TOTAL	48,341	22,691	21,707	26,634