

Children and Young People's Overview and Scrutiny Committee

1 April 2016



Quarter 3: Forecast of Revenue and Capital Outturn 2015/16 – Children and Adult Services

Report of Paul Darby, Head of Financial & HR Services

Purpose of the Report

1. To provide the committee with details of the updated 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 2015, as reported to Cabinet in March 2016.

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 - £251.770 million (original £251.450 million)
 - CAS Capital Programme – £40.682 million (original £45.453 million)
3. The original CAS revenue budget has been revised to incorporate a number of budget adjustments actioned in year, as summarised in the table below:

Reason For Adjustment	£m
Original Budget	251.45
Transfers to other services (Financial Services / Assessments to Resources)	(1.456)
Energy Efficiency Reduction	(0.147)
Transfer From Contingency - Soulsbury Pay award	0.157
Transfer From Contingency - Cost Associated with Closed School Buildings	0.138
Transfer From Contingency - Reversal Of Car Mileage Deduction	0.076
Transfer to Capital (Aycliffe Secure Services/ DACT Estate)	(0.668)
Use of (+) / (contribution) to CAS earmarked reserves	(0.994)
Use of (+) / (contribution) to Corporate Earmarked Reserves (ERVR Costs)	3.214
Revised Budget	251.77

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

Reserve	£'000
Social Care Reserve	916
Cash Limit	(1,970)
Innovations and YEI Redundancy Reserve	1,000
Secure Services Capital Reserve	(868)
Tackling Troubled Families Reserve	(188)
Transformation Reserve	1,265
Accumulated fund CPD Reserve	(134)
Durham Learning Resources Reserve	8
EBP Reserve	(81)
Emotional Wellbeing Reserve	33
Mental Health Counselling Reserve	(7)
Movement Difficulties Service Reserve	13
Re-Profiling Activity Reserve	175
SEND reform Grant Reserve	(15)
School Condition Survey Reserve	450
Swimming Reserve	67
Public Health Reserves	330
Total In service use by CAS	994

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 as at 31 December 2015;
 - The variance between the annual budget and the forecast outturn, based on projections as at 31 December 2015;
 - 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 Q3 2015/16

6. The updated forecast at quarter 2 shows that the CAS service is projecting a cash limit underspend of £10.364 million in year against a revised budget of £251.770 million, which represents a 4.0% underspend. This compares with a previously reported forecast underspend position of £7.181 million at quarter 2.

7. The tables below show the revised annual budget, actual expenditure to 31 December 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 £'000	MEMO – Cash Limit Variance at QTR2 £000
Employees	116,577	83,473	111,479	(5,098)	(4,416)
Premises	7,146	3,110	6,927	(219)	202
Transport	17,399	11,804	17,958	559	81
Supplies & Services	18,950	12,227	17,218	(1,732)	(1,432)
Third Party Payments	238,806	165,501	228,805	(10,001)	(7,711)
Transfer Payments	13,069	8,720	13,227	158	(272)
Central Support & Capital	63,235	21,021	65,495	2,260	697
Income	(223,412)	(176,403)	(219,703)	3,709	5,671
Total	251,770	129,453	241,406	(10,364)	(7,181)

Analysis by Head of Service Area

	Revised Annual Budget £'000	YTD Actual £'000	Forecast Outturn £'000	Cash Limit Variance £'000	MEMO – Cash Limit Variance at QTR2 £000
Head of Adults	124,839	90,512	118,815	(6,024)	(4,876)
Central/Other	8,935	321	8,677	(258)	(193)
Commissioning inc Supporting People	7,858	(6,206)	3,854	(4,004)	(1,731)
Planning & Service Strategy	11,624	8,117	10,718	(906)	(685)
Central Charges (CYPS)	4,269	(820)	4,269	-	-
Childrens Services	53,767	35,297	54,637	870	535
Education	39,807	10,982	39,765	(42)	(231)
Public Health	671	(8,750)	671	-	-
Total	251,770	129,453	241,406	(10,364)	(7,181)

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 are forecast to be circa £11,000 under budget on the Aycliffe site following the relocation of teams off the site and the closure of 2 children's homes and the Conference Centre. A projected shortfall in income of circa £30,000 from lower than anticipated rechargeable usage of the Conference Centre following the closure of this facility in December are offset by savings on supplies and services in the last quarter.	13
Child Protection & Disability Services	Employees are forecast to be over budget by a total of circa £488,000 mainly in the Child Protection Teams including expenditure on agency staff employed to cover vacancies and increased workloads. It is anticipated that the implementation of the new structure from 1 March 16 will address this budget pressure in 2016/17. Costs associated with children placed under Special Guardianship Orders are forecast to be over budget by circa £723,000. The forecast overspend is being offset by savings on Legal expenses (circa £107,000) and additional income from the CCGs (circa £210,000) towards the cost of joint funded placements.	863
Childrens Services Reform	Over budget on the cost of a support post	21
External Agency Placements Central Recharges & SLAs	Primarily relates to the costs of volunteer drivers, which is forecast to be under budget by (circa £98,000) combined with a forecast savings (circa £93,000) following a reduction in the number of remand beds nights expected to be required.	(197)
First Contact & Intervention	Expenditure on agency staff in the Assessment & Information (A&I) teams covering vacancies and maternity leave etc. is forecast to be circa £590,000 over budget, partially offset by savings on vacant posts of (circa £250,000). Circa £90,000 of the agency staff costs specifically relate to the backfilling of posts of staff employed in A&I Teams that are included in Families First Phase 2 scheduled for January/ February 2016. It is anticipated that the implementation of the new structure from 1 March 16 will address this budget pressure in 2016/17. There is an unbudgeted contract payment due for a Child Sexual Exploitation service of circa £55,000 included in the projected outturn.	378
Head of Service	Planned reduction in Investing in Children SLA is forecast to be under budget by circa £50,000.	(46)
Looked After & Permanence	Savings on employees of (circa £697,000) from the early closure of 5 Brough and 12 Brough Close on the Aycliffe site. Increasing number of LAC placements in IFA's and In house fostering is leading to a forecast overspend of circa £366,000 and circa £950,000 respectively. The Adoption Invest to Save Project is forecast to cost circa £149,000 more than budgeted in 2015-16 but plans are in place to address the potential budget	761

Service Area	Description	Cash limit Variance £'000
	pressure in 2016/17.	
One Point Service	Income from County Durham and Darlington Foundation Trust in relation to occupancy of council buildings is projected to exceed the budget by circa £200,000 in 2015/16. Additional unbudgeted income related to the recharge to Public Health – circa £628,000 re Wider Determinants of Health is also included in the outturn.	(865)
Secure Services	Secure Services operates as a Trading Account, with a planned balanced budget. In the first three quarters in 2015-16 welfare bed average occupancy was 6.19 against a budgeted activity of 7.2. The shortfall in income to 31 December is circa £215,000. The service expects to recover this position in quarter 4.	-
Think Family Service	Additional activity related to Stronger Families plans will be funded from earmarked reserves	-
Youth Offending Service	Expenditure against employees, transport and supplies budgets are forecast to be below budget by circa £136,000 partially offset by a forecast in-year reduction in the YJB grant of circa £80,000.	(56)
Youth Service		(2)
		870
Commissioning		
Commissioning Management / Other	Under budget mainly in respect of future MTFP savings, particularly agency and contracted services budgets, including former Supporting People Grant funded contracts, held in this area. A review of short term monies has added to an increased under spend during the year. The majority of this relates to Adults Services contracts Circa £1.1 million of short term funds have been carried forward to support future preventative projects.	(4,004)
		(4,004)
Planning & Service Strategy		
Performance & Information Mgmt	Circa £97,000 under budget on employees relating to future MTFP savings. Circa £50,000 under budget on supplies and services budgets relating to future MTFP savings. Circa £7,000 under achievement of income	(140)
Policy Planning & Partnerships	Circa £118,000 under budget on employees relating to future MTFP savings. Circa £30,000 under budget on transport/supplies and services/other budgets. Circa £46,000 under achievement of income.	(102)
Service Quality & Development	Relates to future MTFP savings linked in the main to employees (circa £123,000) and supplies and services (circa £219,000). Circa £134,000 under budget on other areas.	(476)
Service Support	Circa £70,000 under budget on employees relating to future MTFP savings, plus Circa £118,000 under budget on transport/supplies and services/other budgets.	(188)
		(906)
Education		

Service Area	Description	Cash limit Variance £'000
Progression and Learning	<p>Durham Education Business Partnership, which operates as a trading account, is forecast to overspend by circa £81,000 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 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 including use 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 has identified an over spend forecast of circa £945,000. This is materialising in two separate areas; transport of pre-16 SEN pupils (circa £643,000), and transport of pre-16 mainstream pupils (circa £302,000). A working group has been established to review the processes within home to school transport to identify any efficiencies that may mitigate this pressure. Funding has been reallocated to the Home to School Transport area of the budget to enable a balanced budget to be set in 2016/17 whilst a full review of commissioning of SEND travel is undertaken.</p> <p>It is anticipated that there will be an under budget position of circa £78,000 on staffing in the School Places and Admissions team due to vacancies held in advance of delivering 2016/17 MTFP savings.</p> <p>There is also anticipated to be an under budget position of circa £100,000 in relation to pension liabilities.</p>	766
SEN and Disability and Inclusion	<p>The forecast outturn position in this area relates mainly to additional SLA income generated in Education Psychology (circa £280,000) and vacancies in the same area (circa £118,000).</p> <p>In the SEN Placement and Provision team there is also savings circa £41,000 anticipated relating to employee budgets.</p>	(441)
Support and Development	<p>Curriculum and Professional Development operates as a trading account, and the forecast anticipates use of circa £502,000 from the earmarked reserves. There have been savings in employee related costs and additional SLA income generated in year totalling circa £130,000.</p> <p>The Education Development Service is forecast to be circa £153,000 under budget and there is anticipated to be a contribution to the Primary Swimming Reserve of circa £67,000 at year end.</p> <p>An under budget position of circa £153,000 across the rest of EDS relates to employee budgets in the main Inspection cost centre and a vacant Sports Development post (MTFP saving in 2016/17), as well as a forecast under spend on school health budget and outdoor activities (again, a MTFP saving in 2016/17).</p> <p>The Early Years Team is forecast to be circa £133,000 under budget. This primarily relates to an under budget position on employee budgets due to a vacant Operational Lead post (MTFP saving in 2016/17) and the fact that</p>	(364)

Service Area	Description	Cash limit Variance £'000
	<p>the in-house nursery provision is expected to be circa £14,000 under budget.</p> <p>The Music Service is forecast to be circa £26,000 under budget, which is a combination of reduced staffing costs and increased income levels.</p> <p>The School and Governor Support Service is forecast to be circa £35,000 under budget, which 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 2016/17.</p>	
		(42)

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	-	186	8	9	215
Forecast	(£602,811)	-	(£16,500,253)	(£1,628,640)	(£1,886,427)	(£20,618,131)
Schools forecasting a surplus of less than 2.5% of funding						
	Nursery	PRU	Primary	Secondary	Special	Total
Number	-	-	17	4	-	21
Forecast	-	-	(£203,874)	(£205,788)	-	(£409,662)
Schools forecasting a deficit						
	Nursery	PRU	Primary	Secondary	Special	Total
Number	-	1	5	4	-	10
Forecast	-	£456,677	£87,226	£2,921,897	-	£3,465,800
Overall Total						
	Nursery	PRU	Primary	Secondary	Special	Total
Number	12	1	208	16	9	246
Forecast	(£602,811)	£456,677	(£16,616,901)	£1,087,469	(£1,886,427)	(£17,561,993)

11. The overall change from Quarter 2 to Quarter 3 is a £288,856 increase in the forecast net balances held by schools at 31 March 2016, when the net retained balances were previously forecast to be £17,273,137.

12. The number of schools forecasting a deficit at the end of 2015-16 has increased by three; two primary schools and one secondary school.
13. The financial position of schools was reviewed during the autumn budget reviews ahead of budget-setting for 2016-17. Where appropriate schools have initiated staffing reduction processes in order to be able to balance their budgets for next year.
14. 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.
15. Schools will also be affected by changes to formula funding 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.
16. 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 as a key issue. The Council and schools will work more closely together to look at ways of re-organising schools to reduce the number of very small schools and thus release more money for pupil-led funding and help sustain all schools.

Capital Programme

17. 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.
18. Further reports to MOWG in May, July, October, November, December and January 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 **£40.682 million**.
19. Summary financial performance to the end of December is shown below.

CAS	Original Annual (MAY MOWG) Budget 2015/16 £000	Revised Annual Budget 2015/16 £000	Actual Spend 31/12/15 £000	Remaining Budget £000
Adult Care	841	60	(4)	64
Childrens Care	-	58	11	47
Early Intervention and Involvement	-	-	2	(2)
Early Years	-	408	92	316
Free School Meals Support	53	214	204	10
Secure Services	-	799	876	(77)
Planning & Service Strategy	105	132	104	28
Public Health	2,160	236	37	199
School Devolved Capital	1,424	4,532	2,259	2,273
School Related	22,762	20,943	14,376	6,567
SCP - LEP	18,108	13,300	11,243	2,057
Total	45,453	40,682	29,200	11,482

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 updated financial forecasts included in the report, which are summarised in the Quarter 3 forecast of outturn report to Cabinet in March 2016.

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 2015-16 Capital Programme

	Revised Annual Budget 2015/16	Profiled Budget 2015/16	Actual Spend To 31/12/15	Remaining Budget 2015/16
Childrens Related Services	£'000	£'000	£'000	£'000
Support For Childs Homes	54	38	9	45
CAS AAP Scheme	4	3	2	2
Childrens Care Total	58	41	11	47
PCT Co-Location	-	-	2	(2)
Early Intervention and Involvement Total	-	-	2	(2)
Increased Provision for Two Year Olds	408	304	92	316
Early Years Total	408	304	92	316
Free School Meals Support	214	160	204	11
Free School Meals Support Total	214	160	204	11
School Devolved Capital	4,533	3,203	2,259	2,274
School Devolved Capital Total	4,533	3,203	2,259	2,274
Childrens Access/Safeguarding	-	-	(2)	2
DFE School Capital Inc Basic Need	19,704	14,523	14,366	5,338
DSG Structural Maintenance	432	312	341	91
Prior Year Projects	-	-	(334)	334
PSBP - Additional Works Not Covered by EFA	200	140	-	200
School Modernisation	607	441	5	602
School Related Total	20,943	15,416	14,376	6,567
BSF	13,240	9,925	11,180	2,060
PFI	60	45	62	(2)
SCP - LEP Total	13,300	9,970	11,242	2,058
Secure Services	799	760	876	(77)
Secure Services Total	799	760	876	(77)
TOTAL	40,255	29,854	29,062	11,194