

Meeting: Children's Services Overview and Scrutiny Committee
Date: 21 December 2010
Subject: Budget Management Report Quarter ended 30 September 2010
Report of: Cllr Anita Lewis, Portfolio Holder for Children Services
Summary: The report sets out the projected full year forecast as at 30 September 2010

Contact Officer: Edwina Grant, Director of Children Services
Public/Exempt: Public
Wards Affected: All
Function of: Council

CORPORATE IMPLICATIONS

Council Priorities:

Sound financial management contributes to the delivery of the Council's value for money and enables the Council to successfully deliver priorities.

Financial:

The financial implications are set out in the report.

Legal:

None

Risk Management:

The key revenue risks of bringing spending in line with the approved budget is the predicted increase in referrals in Children's Social Care accompanying a demand for expensive placements during the year which can vary widely and are needs led. Appropriate management actions are being taken to mitigate against the projected overspend which include freezing discretionary spend, challenging high cost placements and bringing forward staff reorganisation to reduce costs.

Staffing (including Trades Unions):

Any staffing reductions as a result of compensatory efficiencies or Area Based Grant reductions will be carried out in accordance with the Council's Managing Change Policy and in consultation with the Trades Unions.

Equalities/Human Rights:

Equality Impact Assessments were undertaken prior to the allocation of the 2010/11 budgets and each Directorate was advised of significant equality implications relating to their budget proposals. Many of the pressures outlined in this report are in relation to those needs led services which support the most vulnerable children in our communities.

Community Safety:

Any savings of efficiency proposals and reduction in Area Based Grant that remove or change the level of service provided may have an impact on the community safety priorities and potentially result in an increase in crime, anti social behaviour, fear of crime and public confidence.

Sustainability:

None

RECOMMENDATION:

that the

- (a) **current projected full year forecast of £1.40M overspend is noted**
- (b) **Committee considers any issues from this report that could form part of their work programme**

Introduction

1. The report sets out the financial position to the end of September 2010 and the latest forecast position.

Executive Summary Revenue

2. There are pressures relating to the number of children requiring social care intervention and in out of authority placements for children with special educational needs. Savings in the PRU remain at risk and are subject to the on-going re-commissioning process. This process will take account of planned savings and will also seek to improve the quality of service delivery.
3. The ongoing pressures in Safeguarding and Children in Care relating to the increased numbers amount to circa £1M. This is a budget that is needs led and on-going modelling is taking place to provide better forecasting.
4. Management action continues to be taken to address overspend in the special educational needs budgets. This includes freezing discretionary spend and challenging high cost pupil placements. At their September meeting the School Forum agreed to contribute £0.35M in 2010/11 from the Special Educational Needs Contingency budget to fund the pressure on out of authority placements.

5. Children's Services have reduced budgets by £1.172M in line with the Coalition Government reductions and the current forecasts position is these in year cuts will be achieved. In those instances where schools received funding from the reduced ABG grants - schools have now been invoiced the 24%, being the pro rata cut, to enable recovery of the funds and "sharing of pain". Subject to all the staffing proposals in the 90 day consultation Children's Services will be able to absorb most of the full year effect but this will not be confirmed until the consultation ends on the 13 December.
6. The Government has indicated that it may review and reduce the Asylum Seekers Grant. At the time of writing notification is awaited. The estimated risk is in the order of £280k.
7. In year savings will be achieved in the Music Service against the Music Standards Fund (MSF). The future of this fund is subject to a national review "The Henley Review" which closed its call for evidence at the end of October 2010. The date of the outcome is not known. Management actions are ongoing to reshape the future of the Music Service and consultation on some posts at risk is on-going as the service will need to be full cost recovery in advance of 2013.
8. The planned children's services staffing reorganisation is subject to 90 day consultation, ending on 13th December 2010 although there is a considerable lead time on these savings.
9. Budget pressures are on going for PFI and this relates to a base budget build shortfall.
10. The full year forecast position has improved by £1M since the last quarter and is now forecast at £1.40M over budget.
11. The actual to date overspend (excluding schools) is £409k which is mainly accounted for by the freezing of discretionary spend.

12. **Children's Services Operations**

The key areas contributing to this overspend within the Children's Services Operations area of £1.90M:

- The number of children requiring social care intervention
- Out of county placements for children with special educational needs.

The budget build is currently being reviewed in the following areas to inform budget pressures;

- Special Educational Needs – Recoupment and Out of County Placements
- Children with Disabilities
- Safeguarding and Children in Care (excluding Asylum)
- Quality Assurance
- Asylum Seekers

These are needs led budgets and patterns of spend will not be equally spread throughout the year. However, all Heads of Services are undertaking a budget review exercise, with support from financial services to ensure as much consistency and rigour in monitoring and accuracy of forecasting as possible.

13. Learning and Strategic Commissioning

The key areas contributing to the under spend within Learning and Strategic Commissioning area of £0.40M are:

- Freezing of discretionary spend
- Held vacancies

Offsetting overspends relating to:

- Difficult to achieve efficiencies for the Pupil Referral Unit and Music Service both of which are being re-commissioned
- PFI shortfall

The budget build is currently being reviewed in the following areas to inform budget pressures;

- School Improvement
- Partnerships and Workforce Development
- Student Awards and Post 16 Learner Support
- School Organisation and Capital Planning

14. Table A below shows a summary revenue position, analysed by Assistant Director and the full year variance to budget. A more detailed table is shown at Appendix A. Appendix A1 reflects the change in forecast from Quarter One.

15. Table A Revenue Position Summary

AD	Budget £'000	Full Year Forecast (after Use of Reserves) £'000	Variance to Forecast £'000	Management Actions
AD -CSO	19,892	21,788	1,896	Para 16-24
AD – L & SC	5,633	5,234	(399)	Para 25-33
Director CS	185	185	0	
Transport	8,655	8,558	(97)	Appendix A
Total (excluding - unallocated DSG/YPLA & Schools)	34,365	35,765	1,400	

16. The full year projected forecast for Children Services Operations is £1.90M over budget. This is an increase on the 1st quarter by £0.39M mainly due to the increased workforce in Safeguarding and Children in care, offsetting an improved position for SEN and inclusion following the contribution from SEN Contingency.

17. The variance to date of £0.86M overspend is mainly accounted for by the trend of spend associated with Education funding. The activity for this budget normally follows the school academic year and therefore activity dips during the month of August.

The main areas making up for the forecast variance overspend at year end are as follows:

18. Children's Social Care

High demand for social care services to safeguard children and increased number of looked after children requiring agency placements are currently causing a £1.42M projected overspend (an increase from Quarter One of £1.14M). This assumes that the special circumstances grant claim of £0.28M in respect of unaccompanied asylum seeking children is settled by the Home Office, this constitutes a risk with the significant possibility of non payment. Overall case numbers remain high, and, although there are some indications of stabilisation the pressure on this budget may increase further as the year goes on.

19. Children with Special Educational Needs

Higher than budgeted numbers of pupils with assessed and stated special needs are being placed in out of authority specialist residential schools and are causing significant pressure on the budget, leading to a projected overspend of £0.51M. This was a budget where projections last year indicated that some savings could be made. This has proved not to be the case. The projected overspend is also a consequence of a number of pupils moving into the area for whom the authority has had to assume responsibility. Reduced capacity at Oak Bank School as a result of not being able to proceed with the planned capital programme has also had an impact. Discussions are ongoing with Bedford Borough about the impact of recharges and checks will occur that these charges can be validated.

20. Placement recoupment for children with special needs placed in other authorities

A net overspend of £0.18M is currently being projected for Special schools and placement recoupment due to more Central Bedfordshire pupils with Special Needs are being educated in other authorities, principally Bedford Borough, than those from other authorities being educated in Central Bedfordshire. This is due to a mismatch of the needs of the children and our internal capacity in Central Bedfordshire. There is a risk that this will increase if the recoupment rates cannot be agreed with Bedford Borough.

The School Forum agreed at their September meeting to contribute £0.35M from the Special Educational Contingency budget to Out of County placements. Although this is a base budget requirement dialogue occurs with the School Forum annually.

21. Early Years and Sensory Impairment

There is a risk that an overspend may occur as the recharge rates are yet to be agreed with Bedford Borough. Costs for the last quarter of 09-10 and the first two quarters of 10-11 are in dispute.

22. Assessment and Monitoring

Full year forecast is £0.1Mm under spend. This is as a result of held vacancy savings during the year subject to directorate reorganisation.

23. Quality Assurance

Agency staff covering maternity and sickness has resulted in a £0.08M over spend.

24. Youth Service

Full year forecast is £0.11M underspend. This is as a result of freezing discretionary spend.

25. The full year projected forecast for Learning and Strategic Commissioning is £0.40M underspend. This is a reduction on the Quarter One forecast by £1.4M mainly due to the freezing of discretionary spend, savings being achieved on the Music Service efficiency and the redundancy payments relating to the I-Tech SLA transferring to the Council's Redundancy Reserve.

26. The variance to date of £0.35M under spend is largely attributable to the timing of spend in a school year (minimal spend in school holidays) and the period relating to the freezing of discretionary spend.

The main areas making up for the forecast variance overspend at year end are as follows:

27. AD Learning and Strategic Commissioning

Full year forecast is £0.06M underspend. This is as a result of held vacancy savings during the year subject to directorate reorganisation.

28. Policy & Strategy

Full year forecast is £0.07M underspend. This is mainly as a result of held vacancy savings during the year subject to directorate reorganisation.

29. Strategic Commissioning

Full year forecast is £0.03M underspend. This is mainly as a result of held vacancy savings during the year subject to directorate reorganisation.

30. School Support Service

Full year forecast is £0.24M overspend due to the difficult to achieve efficiency savings budgeted within the PRU (£0.247M). The Director is currently working with Bedford Borough who host the SLA to ascertain confirmation of 2009/10 charges which are subject to dispute and to agree 2010/11 charges which had been the subject of agreed , but yet unconfirmed, reductions .

31. Partnership and Workforce Development

Full year forecast is £0.13M underspend mainly due to the freezing of discretionary spend.

32. School Improvement

Full year forecast is £0.35M underspend. These savings will be necessary to balance efficiencies that are at risk. This is mainly as a result of held vacancy savings during the year subject to directorate reorganisation and the freezing of discretionary spend.

33. School Organisation & Capital Planning

Full year forecast is £0.06M over budget. This is mainly made up of the following:

- £0.04M of the forecast overspend relates to an unpaid invoice for 2008/09 schools condition survey for which there is no budget provision.
- £0.03M due to a revenue budget shortfall in respect of the PFI scheme which has occurred due to the omission of additional charges during the budget build/preparation for 2010/11. This ongoing budget pressure is expected to be met by corporate reserves as this relates to the PFI scheme which was a legacy scheme from the previous authority.

34. **Director of Children Services**

The full year projected forecast for the Director is expected to be on budget, there are no significant issues to report.

35. **Transport**

The full year projected forecast for Transport is £0.10M underspend. A more detailed breakdown by service is shown in Appendix A.

36. **Schools**

The Revenue and Capital Reserves brought forward to 2010/11 for Central Bedfordshire Schools are £7.89M and £1.14M, respectively. This does not include the Devolved Formula Capital balance of £4.89M.

37. There are 14 schools with an approved licensed deficit, with a total value of £0.55M. There are a further 8 schools with which the finance team are currently working. Schools are being requested to submit a revised budget for 2010/11 during the Autumn term, after the pupil census date. Schools are also required by the Scheme for Financing Schools to submit a forecast out-turn during December. It is anticipated that the applications for License Deficits will rise in the Autumn term.

38. There is a shortfall between the budget model and the expected / actual Dedicated School Grant (DSG) income of approximately £0.31M. (£0.11m – Individual Schools Budget, £0.20m – Central Expenditure). This has arisen due to an incorrect budget build. The shortfall will be funded through the School Specific Contingency.

Executive Summary Capital

39. The revised 2010/11 budget is £3.49M and the full year forecast position is £3.52M.

Table B below shows the overall forecast capital position based on the profile of works to be carried out. A more detailed table, by scheme is shown at Appendix B.

40. **Table B Capital Position Summary**

AD	Budget	Full Year Forecast	Variance to Forecast
	£'000	£'000	£'000
Learning & Strategic Commissioning	3,361	3,394	33
Children's Services Operations	131	131	0
Net	3,492	3,525	33

41. The variance to date of £0.785M derives principally from a delayed start of 3 block schemes, namely Access Initiative, Asbestos Health & Safety and NDS Modernisation. It is expected that these schemes will still be completed within 2010/11.

Key Management Actions

42. A gradual reduction of discretionary services remains a key driver within the directorate in order to achieve the targeted level of efficiencies.
43. On needs led budgets, appropriate management actions are being taken including freezing any discretionary spend within that budget envelope, challenging high cost placements on a pupil by pupil basis and bringing forward staff reorganisation to reduce costs.
- Discussions are on-going with the Headteacher and Governors of Oak Bank regarding requests made by the Council for the admission of pupils where it may be possible to reduce the pressure on the out of authority residential budget.
- The review of special schools is being brought forward.
44. Close monitoring of the efficiency tracker is being undertaken to ensure efficiency targets are met and where these are at risk compensatory savings are planned.

45. The Music Service re-structure proposals are currently subject to statutory consultation. However, the required HR processes mean that savings will not be made before January 2011 when this will be reflected in the budget. The Music Service has been asked for an action plan to identify which activities could stop in-year to meet the budget shortfall.

Revenue Virements

46. For administrative purposes the following cost centres were transferred from AD Learning and Strategic Commissioning area to AD Children's Services area.

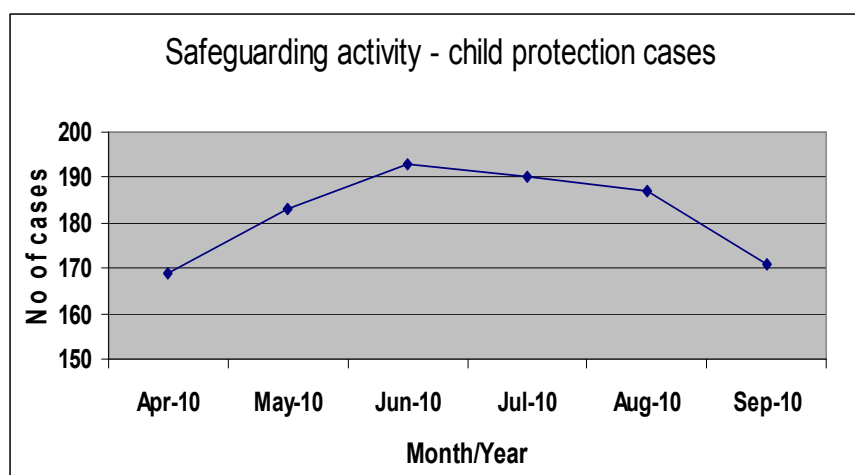
Profit Centre	Description	Net Budget (£)
446690	SEN – Learning & Inclusion	0

47. The following cross Directorates virements were posted in the month of September.

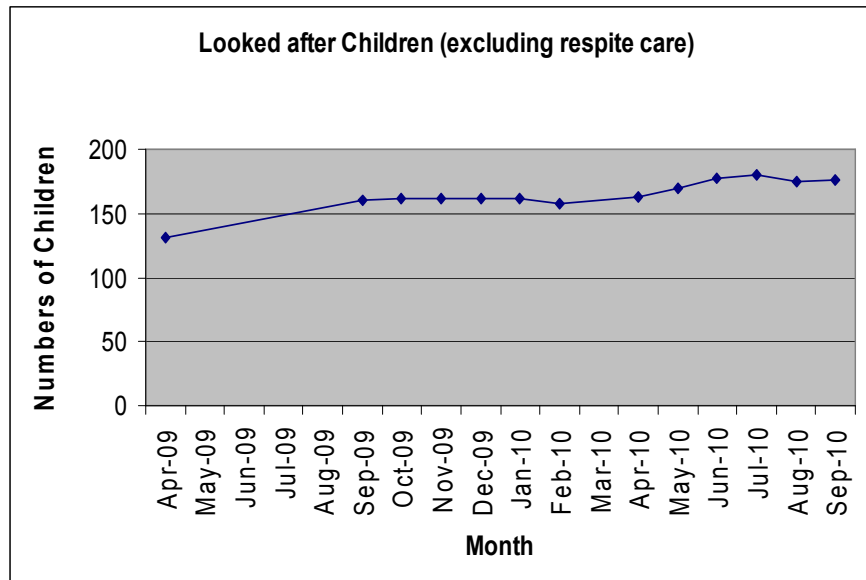
Virement from	Vired to	Net £'000	Reason
Office of the Chief Exec – Performance & Risk	Partnership & Workforce Development	134	Transfer of Performance Mgt Staff to Children Services
Sustainable Communities – Leisure Services	Integrated Process Service	78	Transfer of two Youth Participation Officers to Children Services
Other School Budgets – School meals	Customer & Shared Services – Facilities Maint. & Dev	111	Transfer of Schools meals/Catering budget to Facilities Mgt

48. Key Cost Drivers

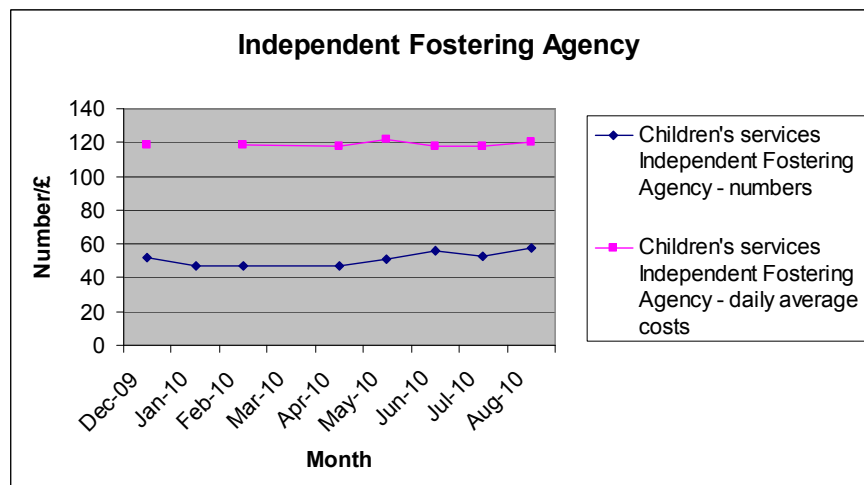
Children's Services -
Safeguarding activity



Children's Services –
Looked After Children
(excluding respite care)



Children's Services –
Independent Fostering



Efficiency Implementation

49. Total efficiency savings including Senior Management Review for 2010/11 is set at £2.932M. A total of £3,073k has been achieved at the time of this report (Appendix C).

Reserves position

50. Appendix D sets out the proposed reserves (closing balances for 09/10 to be brought forward into 10/11) and the use of Reserves to date.

Debt Outstanding

51. Appendix E shows outstanding debt over £10k

Appendices:

- Appendix A - Children Services Revenue Net Expenditure
- Appendix A1 - Movement in Revenue Forecast Variance
- Appendix B – Children Services Capital Net Expenditure
- Appendix C - Targeted Efficiency Savings Summary
- Appendix D - Reserves Closing / Opening balance
- Appendix E - Debtors over 10k