
Meeting: Children's Services Overview and Scrutiny Committee
Date: 29 March 2011
Subject: Budget Management Report Quarter ended 31st December 2010
Report of: Cllr Mrs Anita Lewis, Portfolio Holder for Children Services
Summary: The report sets out the projected full year forecast as at 31st December 2010

Contact Officer: Edwina Grant, Deputy Chief Executive / 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, enabling the Council to successfully deliver its 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 are being carried out in accordance with the Council's Managing Change Policy and in consultation with the Trade Unions.

Equalities/Human Rights:

Equality Impact Assessments were undertaken prior to the allocation of the 2010/2011 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(S):**1. that the**

- (a) The current projected full year forecast of £1.43M overspend is noted
- (b) Management actions proposed at paragraphs 43 - 45 are agreed
- (c) Budget virements as set out in paragraph 46 are noted.

Introduction

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

Executive Summary Revenue

2. The full year forecast position is £1.43M over budget at the end of December 2010 compared to an overspend of £1.40m at the end of September 2010.

3. The overspend mainly relates to the number of children requiring social care intervention and also out of county placements for children with special educational needs. The needs led pressure on the social care and special educational needs budgets remain and have been contained as much as possible by management action to challenge resource allocation on a case by case basis. The pressures are comparable to the pressures experienced by other Councils in this financial year, following the report into the events arising out of the death of baby Peter in Haringey. The Local Government Association has recently reported an 20 % increase in pressures. There is a major pressure regarding the recoupment charges with Bedford Borough, which is being discussed. Children with disabilities budget build errors are adding further pressure. Savings in the PRU remain at risk and are subject to the ongoing re-commissioning process however in year compensatory savings have been made. The commissioning process will take account of planned savings and will also seek to improve the quality of service delivery.
4. The forecasted overspend in Safeguarding and Children relating to the increased numbers amount to circa £2.12M.
5. Management action continues to be taken to address overspend in special educational needs budgets. At their September meeting the School Forum agreed to contribute £0.35M in 2010/11 from the Special Educational Contingency budget to fund the pressure on out of authority placements. In addition £191k of reserves originally set aside for Autistic Spectrum Disorder, which has not been required for that purpose, has also been used against this pressure.
6. Children's Services have reduced budgets by £1.172M (ABG) in line with the Coalition Government reductions and the current forecast position is that these in year cuts will be achieved. However, it has emerged following ministerial announcement that expectation exists that Connexions staff will need to be retained to fulfil some statutory requirement and therefore the full saving may not be achieved. A contingency of £175K will be set against the Early Intervention Grant in 2011/12. In those instances where schools received funding from the reduced ABG grants – schools have now been invoiced the 24%, being the pro-rated cut, to enable recovery of the funds and 'sharing of the reduced funds'. Subject to all the staffing proposals in the 90 day staffing consultation Children's Services will be able to absorb most of the full year effect.
7. At the time of writing this report the in year savings in the Music Service will be partly achieved against the Music Standards Fund (MSF). The future of this fund was subject to a national review 'The Henley Review' which closed its call for evidence at the end of October 2010.

It is now known that the Standards Fund for 2011/12 has been reduced by 10% to a figure of £0.39M. Therefore the future shape of the service can now be planned to fit the budget. 2011 will see the first phase of a four year commitment to music education funding. Proposals for the structure of the music service will now be developed.

8. The small change in forecast this quarter is due to a number of revisions across cost centres as forecasts are being refined and the effect of grant movements is rationalised.

9. To explain the actual to date overspend (excluding schools) of £571K, this is lower in the first part of the year due to the freezing of discretionary spend against unspent non-ringfenced grants and the use of reserves and provides a front-loading effect.

Children's Services Operations

10. The key areas contributing to this overspend within the Children's Services Operations area of £2.25M:
- The number of children requiring social care intervention
 - Out of county placements for children with special educational needs.
 - Children with disabilities
 - Asylum Children
- Offset by underspends relating to:
- Freezing of discretionary spend
 - Held vacancies pending reorganisation
11. 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)
 - Asylum Seekers
12. These are needs led budgets and patterns of spend will not be equally spread throughout the year.

Learning and Strategic Commissioning

13. The key areas contributing to the under spend within Learning and Strategic Commissioning area of £0.5M are:
- Freezing of discretionary spend
 - Held vacancies pending reorganisation
- Offsetting overspends relating to:
- Difficult to achieve efficiencies for the Pupil Referral Unit
 - Condition Survey shortfall
 - Music Service efficiencies
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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 the September report.

15. **Table A Revenue Position Summary**

AD	Budget £'000	Full Year Forecast & Use of Reserves £'000	Variance to Forecast £'000	Management Actions
AD -CSO	19,401	21,655	2,254	Para 16-25
AD – L & SC	5,987	5,492	(495)	Para 26-35
Director CS	185	140	(45)	Para 36
Transport	8,655	8,359	(296)	Appendix A
Total (excluding - Schools)	34,228	35,646	1,418	

Children Services Operations

16. The full year projected forecast for Children Services Operations is £2.25M over budget. This is mainly due to the decision by the Home Office not to direct funding for special circumstance on the unaccompanied asylum children, Special Educational Needs recoupment for children coming in to Central Bedfordshire and a saving on the St Christopher's contract that will not happen in this financial year.

The variance to date of £1.37M overspend is mainly accounted for by the use of reserves in relation to the year end position.

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

17. Children's Social Care

High demand for social care services to safeguard children and the number of children requiring social care intervention. The increased number of looked after children requiring agency placements are currently causing a £2.12M projected overspend.

The increase to the overspend primarily relates to Asylum Children. The Home Office have now confirmed that the Special Circumstances Grant that related to last financial year as well as the current financial year is not forthcoming. The Governments spending review has reduced the size of the Home Office budget for such occurrences. The other impact on this overspend has been the Home Offices move to use of the lower of the actual 2008/2009 rate or their standard rate.

18. Children with Special Educational Needs

Higher than budgeted numbers of pupils with assessed and statemented 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 £0.58M. 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.

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

A net overspend of £0.17M 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.

20. 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.

21. Assessment and Monitoring

Full year forecast is £0.11M underspend. This is as a result of held vacancy savings during the year subject to directorate reorganisation.

22. Children with Disabilities Service

Full year forecast is £0.14M overspend. This is as a result of the inability to apply the Aiming High grant against the recharge for respite care units which is generating a £265K pressure. This is being offset by a saving in Home Support for held vacancies.

23. Quality Assurance

Agency staff covering maternity and sickness has resulted in a £0.1M overspend.

24. Fostering and Adoption

Full year forecast is £0.03M underspend mainly accounted for by the review of placements and revised end dates.

25. Youth Service

Full year forecast is £0.2M underspend. This is as a result of freezing discretionary spend and held vacancies. There is a risk however associated with the agreement of costs for the YOS SLA.

Learning and Strategic Commissioning

26. The full year projected forecast for Learning and Strategic Commissioning is £0.5M underspend.

The underspend is mainly due to the freezing of discretionary spend, held vacancies, partial 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.

The variance to date of £0.49M under spend is mainly accounted for by the profile of spend relating to the front loading effect of underspends and the use of reserves

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

27. AD Learning and Strategic Commissioning

Full year forecast is £0.08M 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 £0.02M 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 is mainly 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 the 2010/11 charges which are subject to dispute.

31. Other School Budgets

Full year forecast is £0.04M underspend. This is as a result of an allocated budget which is no longer required.

32. Partnership and Workforce Development

Full year forecast is £0.18M underspend mainly due to the freezing of discretionary spend and held vacancies.

33. School Improvement

Full year forecast is £0.4M 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.

34. Music Service

Full year forecast is £0.11M overspend. This is due to the Music Service efficiencies being partly achieved against the Music Standards Fund (MSF) for which Bedford Borough will be entitled to share.

35. School Organisation & Capital Planning

Full year forecast is £0.02M over budget. This is mainly due to an unpaid invoice for 2008/09 schools condition survey for which there is no budget provision.

36. **Director of Children Services**

The full year projected forecast for the Director is £0.05 underspend mainly due to the freezing of discretionary spend

37. **Transport**

The full year projected forecast for Transport is £0.3M underspend. A more detailed breakdown by service is shown in Appendix A.

38. **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.

39. There are 15 schools with an approved licensed deficit, with a total value of £0.60M. There are a further 8 schools with which the finance team are currently working. It is anticipated that the applications for License Deficits will rise in the Autumn term.

Executive Summary Capital

40. The revised 2010/11 budget is £3.49m and the full year forecast position is £3.59m.

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.

41. Table B Capital Position Summary

AD	Budget	Full Year Forecast	Variance to Forecast
	£'000	£'000	£'000
Learning & Strategic Commissioning	3,361	3,458	97
Children's Services Operations	131	131	0
Net	3,492	3,589	97

42. The variance on actual of £40k derives principally from final invoices on pre 2010/11 schemes.

Work is ongoing to improve financial monitoring of a number of capital schemes to increase confidence in forecasting.

Key Management Actions

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 to the January Executive meeting.

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 management 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. The table below details the movement between AD Children Services Operations to AD Learning and Strategic Commissioning in Quarter ended 31st December 2010.

Profit Centre	Description	Net Budget transferred £'000	Variance Full Year Forecast £'000
423900	AD Learning & Strategic Commissioning	(40)	(78)
412900	AD Children's Services Operations	40	110
433100	Education Welfare – transfer to AD L&SC	353	22
446680	Extended Schools – transfer to AD CSO	0	52
412900	Education Welfare – transfer to AD L&SC	58	0

Details of virements between Childrens Services and other Directorates for Quarter ended 31st December 2010 are detailed in the following table;

Virement From	Virement To	£'000	Purpose
Corporate Performance Team	Partnership and Workforce Development	14	Recalculation of staff transfer
Corporate Performance Team	Partnership and Workforce Development	(59)	Transfer of ABG Income relating to Performance Team
Corporate Contingency	School Organisation and Planning	27	Fund the shortfall in PFI

47. Key Cost Drivers

Cost driver	Numbers/volumes
Safeguarding activity	Open cases: April 1306 May 1300 June 1333 July 1358 August 1335 September 1319 October 1323 November 1300
	Child Protection cases: April 175 May 183 June 193 July 191 August 190 September 171 October 166 November 173
Looked After Children (excluding respite care)	April 167 May 169 June 176 July 180 August 176 September 176 October 178 November 180
Residential placements	Nov - 11 children in LA residential care 10 in other residential placements 2 special education residential placements supported from Social Care budget because child is also looked after

SEN Out of Authority specialist residential School Placements	March 2010 - 25 pupils August 2010 25 pupils November 2010 24 Pupils December 2010 24 Pupils Total forecast cost £2.5m, against a budget of £1.8m.
Independent Fostering Agency	March 2010 – 55 Children April 2010 – 63 Children May 2010 – 65 Children June 2010 – 69 Children July 2010 – 71 Children August 2010 - 58 children September 2010 – 69 Children October 2010 – 72 Children November 2010 – 62 December 2010 - 65 The number of days forecast is 24081

Efficiency Implementation

48. Total efficiency savings including Senior Management Review for 2010/11 is set at £2.932M. A total of £3,052K has been achieved at the time of this report (Appendix C).

Reserves position

49. 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

50. Appendix F shows outstanding debt over £10k

Work is ongoing to improve the outstanding debt position. There has been an improvement since last quarter end in the over £10k debt of £1.9m.

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 - Workforce Data (not available)
- Appendix F - Debtors over 10k