

In preparing this report the relevance of the following factors has been considered: prevention of crime and disorder, equality of opportunity; and legal, financial, environmental, health, respect for human rights, human resources, property and transport considerations.

Agenda Item No 5

DERBYSHIRE COUNTY COUNCIL

CABINET MEMBER FOR CHILDREN AND YOUNG PEOPLE

5 August 2014

**Joint Report of the Strategic Director for Children & Younger Adults
and the Director of Finance**

REVENUE OUT-TURN 2013/14 - CHILDREN & YOUNGER ADULTS

1. Purpose of Report

To report the final revenue out-turn position for 2013/14 for the Children & Younger Adults department.

To identify significant variations of expenditure from the budget and assess the impact of growth items approved as part of the 2013/14 budget settlement.

To report on progress against achievement of budget reductions.

To make proposals for the use of any underspends and approve the transfers to and from reserves.

To identify the impact of the 2013/14 out-turn on future years and any action proposed.

To report the final out-turn of the 2013/14 Dedicated Schools Grant (DSG).

2. Information and Analysis

2.1 Summary

Attached as Appendix 1 to this report is a summary statement setting out the final controllable out-turn position for Children and Younger Adults (CAYA) for 2013/14.

Net controllable expenditure in 2013/14 was £109,620k compared with a budget of £107,746k after transfers to and from reserves, resulting in a controllable overspend of £1,874k. This will be covered by a drawdown from CAYA's earmarked reserves and is already reflected in the reserves analysis within Appendix 2. The main variances on controllable expenditure are itemised below.

The spending on Schools' Budget financed by the Dedicated Schools Grant was £427,801k compared with grant income of £434,527k, a surplus of £6,726k.

2.2 Explanation of Major Variances - CAYA Budget

CAYA was allocated budget reductions of £7,725k for 2013/14 and the report to Cabinet in January 2013 stated that £4,284k would be met from underspends brought forward from the previous years. The out-turn of £1,874k is before drawdown from previous years' underspend, and therefore, the department has overachieved against its savings target for 2013/14 by £2,410k. The significant additional savings are analysed below.

The Catering Service has achieved a surplus of income over expenditure of £1,257k against a budget projection of breakeven. The service is now fully traded with individual schools following the changes to School Funding regulations introduced with effect from 1 April 2013. The surplus is mostly due to an increase in the recorded number of meals served and the income received resulting from this increase. Although a significant surplus, the service will have to cover increased costs in 2014/15 due to the introduction of the living wage rate which affects many catering staff and due to the introduction of free school meals for all pupils in years reception, 1 and 2, and therefore a surplus at this level is unlikely to continue into 2014/15.

The department is operating controls on the recruitment of staff to vacancies and there has been lower spend across many services due to the holding of vacancies including Business Services (£345k) and the 0-19 Multi-Agency Teams including children's centres (£544k).

The number of children in care has remained broadly steady throughout the year leading to a reduction in the amount of spend on internal foster care compared with 2012-13 and the budget. Numbers of children in this type of provision were higher in 2012-13 and the 2013-14 budget was set assuming that the number of placements was higher than it actually was.

Expenditure in the year was also lower than expected, by £288k, due to the Authority no longer being required to contribute to the costs of the Family Nurse Partnership.

2.3 Growth items

At its meeting on 29 January 2013, Cabinet agreed the following major increases to the 2013/14 budget (excluding inflation and single status additional increments):

Increase in numbers of Children in Care £1,100k

The £1,100k allocation was allocated to independent fostering agency placements the costs of which exceeded the budget allocated by £1,081k in 2012-13. The overspend against this budget was reduced to £41k following this increased allocation.

2.4 Progress against budget reductions and outlook for future years

Since 2011-12, budget reductions of £26.4m have been applied to the CAYA budget and for 2014-15, a further £6.0m cut has been allocated.

Specific identified reductions in this period totalled £16.4m and not all of the identified potential reductions have been progressed. The shortfall has been met by other underspends arising from actions such as vacancy controls and the surplus generated by the Catering Service and one-off cash such as the release of the Broadband reserve.

Of reductions agreed in years prior to 2013/14, the following have not been achieved:

Increased targeting of Youth Service activities – budget reduction £799k in 2012-13. The decision was made by Elected Members not to proceed with future proposals as originally envisaged following consultation.

Savings in Transport costs – although these are in the process of being delivered e.g. increased charges for travel and reduced staff travel, not all of the reductions in spend have yet been achieved due to changes in policy being introduced in line with academic years.

Of reductions agreed for 2013/14, these have generally been achieved by maintaining services with lower spending levels on both staff and consumables.

Budget reductions for 2014/15 total £6m and it is likely that around £3m to £3.5m will be delivered in-year. This is due to slower progress than anticipated in completing the required steps to enable services to be reduced which can take up to a year from the initial proposals and consultation being approved by Cabinet. In the short-term, the likely overspend can be covered by the use of a one-off earmarked reserve, however progress has to be made on reducing spend in line with allocated resources to avoid the department exceeding its budget allocation in future years.

2.5 Transfers to/from Reserves and Provisions

Provisions

As at 1/4/2013	£1,161k
As at 31/3/2014	£ 928k
Decrease	£ 233k

An analysis of the provisions and the movements is contained at Appendix 2.

Reserves (excluding Dedicated Schools Grant and School Balances)

As at 1/4/2013	£26,647k
As at 31/3/2014	£24,467k
Decrease	£2,180k

The principal reason for the decrease is the funding of the 2013-14 overspend from the CAYA prior year accumulated underspend.

An analysis of the reserves and the movements is contained at Appendix 2.

2.6 Outlook for future years

In addition to the pressures of reducing resources, the number of children in Derbyshire is increasing and, if early help services are withdrawn, the pressure and demand for more costly specialist services is likely to increase.

September 2014 sees the introduction of reform in services for children with disabilities and/or additional educational needs. This will also include the provision of personal budgets for parents/carers/young people to access and will involve more joint working with health professionals within Clinical Commissioning Groups.

There are a number of schools actively looking at converting to academy status. The impact on the Authority is that there is a loss of Education Services Grant for each academy that converts, not all of which can be recovered by trading services previously provided for free to schools. Further, the number of schools supported by the Authority reduces which affects the ability of those services to respond flexibly to schools' needs.

2.7 Dedicated Schools Grant

The DSG is a ring-fenced grant which is allocated either for the direct expenditure of schools (the Individual Schools' Budget – ISB) or for other educational expenditure under the control of the LA (the Central Budget). Any underspend or overspend on the grant can be carried forward to future years.

The amount of 2013/14 Schools Budget funding which was unspent in 2013/14, was £6,726k. The table below shows the areas in which this underspend arose and the later paragraphs provide a brief narrative on the reasons for the key variances.

	Allocated Resources £k	Expenditure £k	(Under)/over spend in year £k
High Needs Block	53,119	48,715	(4,404)
Central Early Years	2,038	1,870	(168)
Other central budgets	6,287	6,100	(187)
Schools' pooled budgets	3,809	3,205	(604)
Rates	6,450	6,414	(36)
Schools' Individual School Budgets	364,909	364,909	0
2 year old provision	5,641	2,427	(3,214)
3 & 4 year olds in Private Voluntary and Independent (PVI) settings	11,800	12,319	519
Unallocated Post 16 threshold grant	131	0	(131)
DSG + post 16 grant	(454,184)	(452,685)	1,499
Total	0	(6,726)	(6,726)

2.7.1 High Needs Block

The underspend on central DSG budgets was £4,404k of which £2,393k was on payments for high needs places and top-ups in schools. Top-up payments for pupils in mainstream schools was £1,333k below the allocation and this is thought to be related to schools now having to contribute up to £6,000 to each high needs student at their school.

2.7.2 Central Early Years

The underspend is mainly due to lower staffing costs than anticipated when the budget was set due to vacancies not being filled.

2.7.3 Schools' pooled budgets

The budget is resourced by contributions from maintained schools for items which the Schools' Forum has determined shall be paid for centrally, such as

maternity cover and insurance. The underspend has been carried forward and will be used to offset the cost of pooled budget contributions in future years.

2.7.4 2 year old provision

Resources were allocated by the DfE within the DSG to fund the provision of free early years education to the most deprived 20% of two year olds and from September 2014, this rises to cover the most deprived 40% of two year olds. Within Derbyshire, take-up of this offer by eligible families is increasing.

2.7.5 3 and 4 year old provision

The overspend is due to an increase in the number of children accessing this provision in the Spring term 2014 compared to the previous year. The 2014-15 DSG, payable by the Government, will include any adjustment between actual and estimated attendance but this will not be calculated until July 2014.

2.7.6 Unallocated Post-16 threshold grant

The Authority received Post-16 threshold grant for those schools which have converted in-year to become academies. The Authority has been advised that academies are receiving the correct funding from the Education Funding Agency (EFA) so this funding is being held unallocated in-year in anticipation of a recovery by EFA at some point in the future.

2.8 **Proposals for underspend Dedicated Schools Grant (DSG)**

The 2014-15 budget for the DSG has already been set and it is not permissible to make changes during the year.

It is therefore proposed to retain the underspend unallocated until the next budget setting period in October – December 2014 covering 2015-16 when recommendations will be put to the Schools Forum and Cabinet for consideration.

2.9 **Individual Schools' Balances**

Individual School Budgets underspent in-year by a total of £3,776k.

The following table shows an analysis of schools' balances as at 31 March 2014 compared with the position at 31 March 2013.

	Nurs £000's	Prim £000's	Sec £000's	Spec £000's	PRU £000's	Total £000's
Balance as at 31 March 2014	398	21,477	12,165	1,162	268	35,470
Balance as at 31 March 2013	304	18,226	11,584	1,734	0	31,847

Net Increase/(Decrease) £000's	94	3,251	581	(572)	268	3,623
March 2014 surplus balances £000's	398	21,830	12,607	1,226	314	36,375
March 2013 surplus balances £000's	330	18,485	12,408	1,778	0	33,000
March 2014 deficit balances £000's	0	354	442	63	46	905
March 2013 deficit balances £000's	26	260	824	43	0	1,153

	Nurs	Prim	Sec	Spec	PRU	Total
March 2014 number of schools with surplus	8	329	29	8	9	383
March 2013 number of schools with surplus	7	325	28	9	0	369
March 2014 number of schools with deficit	0	18	2	2	2	24
March 2013 number of schools with deficit	1	23	3	1	0	28

In addition to the £35,470k held by schools, £2,167k was held in the Schools' Capital Reserve account (up from £2,084k at 31 March 2013). This reserve holds earmarked funds for future capital developments at individual schools in order to minimise the distorting effect of holding these funds within their school balances.

Schools have been encouraged to hold separate earmarked reserves pending the impact of Single Status on school staff. As at 31 March 2013, the total reserve was £364k and this was released to schools during 2013/14 when Single Status was introduced.

Schools have also separately identified funds that they are holding on behalf of a cluster of schools. The value of this earmarked reserve at 31 March 2014 was £901k, down from £1,393k at 31 March 2013.

3. Background Papers

Files held in CAYA Resources - Accountancy section.

4. Key Decision

Yes

5. OFFICERS' RECOMMENDATIONS

5.1 That the out-turn position and other financial information in this report be noted;

Subject to Cabinet approval, that:

- 5.2 Transfers to/from reserves outlined in the report be approved, and;
- 5.3 The CAYA overspend be covered by a drawdown from the earmarked reserve for CAYA prior year underspend.

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Children and Younger Adults Department Out-turn 2013/14

[Excluding expenditure funded by Dedicated Schools Grant]

	Controllable outturn £000s	Controllable budget £000s	variance - (under) /overspend £000s
Strategic Director			
SMT	554	554	0
Allocations from Grants	-6,087	-6,087	0
Unallocated budget reductions	0	-4,907	4,907
Joint Projects	95	95	0
Grant Income	-8,235	-8,300	65
Finance	838	915	-77
HR & Workforce Dev	1,852	1,836	16
School Related	18	8	10
Improving Social Work practice	205	205	0
Transformation Projects	238	238	0
On-going Teachers' Pensions, redundancy payments and pension shortfalls	6,960	6,997	-37
Safeguarding & Specialist Services			
Aftercare	3,374	3,366	8
Agency Fostering	4,527	4,486	41
Agency Residential	4,607	4,576	31
Internal Foster Care	3,450	4,083	-633
Children's Homes	4,877	4,747	130
Contract Care	1,513	1,559	-46
Special Guardianship	1,928	1,737	191
Child Protection	415	391	24
Disabled Children Services	6,860	6,936	-76
Fostering & Adoption	4,923	4,923	0
Children in Care Health	113	130	-17
Legal Charges & other	2,112	2,154	-42

	Controllable outturn £000s	Controllable budget £000s	variance - (under) /overspend £000s
Safeguarding Children's Board	146	156	-10
Asylum Seeking Children	15	12	3
Safeguarding District Teams	10,971	11,020	-50
Schools & Learning			
Advisory Service	2,186	2,213	-27
Music Partnership	-104	-35	-69
Access & Inclusion	292	273	19
Adult Education	6,989	6,976	13
Catering	-1,257	0	-1,257
Early Years & Childcare	1,029	1,095	-66
Ed Psychologists	1,716	1,772	-56
Home to School Transport	12,852	12,736	116
Virtual School for Children in Care	48	81	-33
Development	576	450	126
Special Educational Needs (not funded by Dedicated Schools Grant)	859	890	-31
Parent Partnership	215	252	-37
Performance & Quality			
Child & Adolescent Mental Health	726	716	10
Pooled Budget for children with Complex needs	-45	-45	0
Information Unit	1,164	1,198	-34
Quality Assurance	1,057	1,069	-12
Business Services	9,546	9,891	-345
E-Development	434	434	0
Commissioning Team	572	860	-288
Preventative Services	522	593	-71

	Controllable outturn £000s	Controllable budget £000s	variance - (under) /overspend £000s
Universal & Targeted Services			
0-19 Multi-Agency Teams & Children's Centres	19,961	20,504	-544
14-19	848	726	122
Education Welfare	166	187	-21
Family Intervention	260	261	-1
Sport & Outdoor	891	918	-27
Youth Service	1,849	1,901	-52
Total – CAYA	109,620	107,746	1,874

Appendix 2.**Children & Younger Adults – Provisions 2013/14**

	Opening Balance £000s	Increase / (Decrease) £000s	Closing Balance £000s
Clawback of Skills Funding Agency grant for Adult Education	14	96	110
Carbon Reduction Commitment (schools)	483	(45)	438
Special Guardianship (Lewisham judgement)	68	(68)	0
Recoupment of hospital tuition costs	270	(270)	0
Redundancies of School based staff announced pre 31/3/2013	325	(325)	0
Post 16 element 3 (High Needs) payments to general FE colleges	0	335	335
	1,160	(277)	883

Children & Younger Adults Reserves 2013/14**(excluding Dedicated Schools Grant)**

	Opening Balance £000s	Increase / (Decrease) £000s	Closing Balance £000s
Schools Accounting System replacement	566	(335)	231
Complex Case Pooled Budget	232	1,591	1,823
Ring-fenced LAA grant 07/08	1,060	(292)	768
PSA 1 Reward Grant	908	0	908
IT Equipment – Foster Carers	239	(102)	137
Special Schools Sickness Pool Premium Reserve	59	5	64
Primary Teachers Sickness Pooled Premium Reserve	301	(1)	300
Primary Non Teachers Sickness Pooled Premium Reserve	19	(2)	17
Primary SEN Teaching Assistant Sickness Pooled Premium Reserve	26	(1)	25
Potentially repayable Grant Income	859	(859)	0

Other unspent ring-fenced grant income	167	(167)	0
Youth Opportunity Fund	48	(48)	0
Foster Carer Adaptations	510	(10)	500
Single Children's System	966	387	1,353
Income in advance – Lea Green/White Hall	227	(170)	57
YPLA threshold funding	559	131	690
Learning Platform accumulated surplus	154	(154)	0
Teaching Assistant funding pre statement	95	(23)	72
Further education funding for children in care	25	(8)	17
Co-location Multi-Agency Teams	2,394	0	2,394
Ozbox	310	(149)	161
Substance Misuse	38	(38)	0
Hope Valley College Post-16	120	(120)	0
Social Worker Training	750	(250)	500
Higher Education of Children in Care	34	0	34
Contact pilot	200	(28)	172
Kitchen Conversions	641	(641)	0
Catering equipment	284	(144)	140
Catering – urgent Health & Safety issues	200	0	200
Multi-Systemic therapy pilot	900	(242)	658
Transport Access	41	(16)	25
Family Literacy	71	(5)	66
Unifi	1,105	(66)	1,039
Gamesley Community	126	(62)	64
PC/Laptop replacement	238	0	238
HR Single Status in schools team	155	(94)	61
Breakfast Clubs	0	65	65
Catering – online payments	0	100	100
Troubled Families	0	390	390
Citizens Advice	0	119	119
Tibshelf School – demolition	0	250	250
Schools Causing Concern	0	300	300
Support & Aspiration project	0	75	75

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Prior Year underspend	12,020	(1,874)	10,146
Secondary School Improvement project	0	100	100
Supporting various music grant bids	0	35	35
Supporting Children in Care – education	0	117	117
Every Child a Talker – training	0	56	56
	26,647	(2,180)	24,467