

# **Committee: Children & Young People Overview & Scrutiny Panel**

**Date: 16 April 2013**

Agenda item: **9**

Wards: All

**Subject: Budget Monitoring Update**

Lead officer: Yvette Stanley

Lead member: Cllrs Maxi Martin and Martin Whelton

Forward Plan reference number:

Contact officer: Marius Karsten, Service Financial Adviser CSF

---

## **Recommendations:**

A. That members of the panel note this report.

---

### **1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1. To inform members of the panel of the budget monitoring position for CSF.
- 1.2. As at the end of January individual CSF managers forecast overspending to the value of £514,000. This was reported to CMT and Cabinet.

### **2 DETAILS REPORTED AS AT THE END OF JANUARY 2013**

- 2.1. Members of the panel have requested updating on the financial position for the CSF department. In common with other LBM departments, CSF managers monitor and report on their budgets on a monthly basis, and this information is summarised for reporting to CMT and Cabinet.
- 2.2. This report is based on the most recent budget report to Cabinet.
- 2.3. Detailed analysis of budgets as at the end of January 2013 by departmental budget managers show a number of over and underspends that combine to forecast a net overspend of £514k on local authority funded services for 2012/13. This includes £343k and £61k (£404k) of once off non-recurrent spend detailed further below.
- 2.4. DSG funded services are forecast to underspend but these budgets are not within the council's general fund and such underspends cannot be offset against overspends on local authority funded budgets.
- 2.5. The table on the following page shows the divisional position as most recently reported to CMT and Cabinet.

Children, Schools and Families (Non-DSG)	2012/13 Current Budget	Full year Forecast (as at Jan)	Forecast Variance at yearend (as at Jan)	Forecast Variance at yearend (as at Dec)	2011/12 Variance at year-end
	£000	£000	£000	£000	£000
Commissioning, Strategy and Performance	7,645	7,948	303	381	(135)
Education	10,061	10,145	84	135	(11)
Social Care and Youth Inclusion	11,517	11,656	139	149	(1,115)
PFI	6,941	6,941	0	0	22
Redundancy costs	2,019	2,007	(12)	(12)	150
<b>Total excluding overheads</b>	<b>38,183</b>	<b>38,697</b>	<b>514</b>	<b>653</b>	<b>(1,089)</b>

## 2.6. Local Authority Funded Services

2.6.1 Heads of service across all three divisions of CSF manage a number of volatile budgets, which require continuous and careful demand management. Significant cost pressures and underspends identified to date are detailed below.

### Commissioning, Strategy and Performance Division

2.6.2 Pressure on fostering and residential placement costs continue as a result of the nature of cases. The net position includes on-going pressures in independent agency fostering and placements for looked after children, offset by underspends on in-house fostering and mother and baby budgets, the residual overspend amounting to some £56k.

2.6.3 In order to comply with the relevant accounting code of practice, the council identified £343k of once-off capital expenditure that was reclassified as revenue resulting in an overall overspend of £385k. CSF and Corporate Finance officers are looking further at the implications of the reclassification for future schemes.

2.6.4 There are various other small over and underspends predicted across the division totalling £138k underspend. This, combine with the items described above, equals the reported divisional overspend forecast of £303k.

### Education Division

2.6.5 The SEN and Disability integrated service is forecasting overspends of £209k on their direct; discretionary; and Section 17 payments, due to increased numbers of clients reflecting rising numbers of children with complex needs being supported in this way. These payments, however often prevent higher cost interventions being required.

- 2.6.6 SEN and FE transport cost are expected to overspend by £100k due to the increased number of service users, although work continues to ensure the most cost effective routing for individual young people and a revised policy is proposed for 2013.
- 2.6.7 The nursery grant payments for two year olds are estimated to underspend by £80k as a result of lower than expected take-up. This budget will transfer to DSG in 2013/14 when the grant funding moves from Early Intervention Grant (EIG) to Dedicated Schools Grant (DSG).
- 2.6.8 There are various other small over and underspends predicted across the division totalling £145k underspend. This, combine with the items described above, equals the reported divisional overspend forecast of 84k.

#### Children's Social Care and Youth Inclusion

- 2.6.9 Regarding allowances including SGOs, this figure includes the sum of £131k relating to a court required increase as a result of a judicial review, which was backdated to 6 August 2010, therefore at this time we estimate £61k of this overspend will be one-off. Work continues to undertake individual assessments to firm up the historic and recurrent figures.
- 2.6.10 The Section 17 budgets are forecast to overspend by £98k for the current financial year. This is due to increased demand in the Access and Assessment, Children in Need, and 16 Plus teams. These costs include "no recourse to public funds" (NRTPF) cases.
- 2.6.11 The Children and Adolescent Mental Health Service (CAMHS) is expecting toe underspend by £139k due to vacancies. This service is being re-negotiated and is expected to run at full capacity from next financial year.
- 2.6.12 Cost pressures of £103k were identified during 2011/12 relating to maternity cover. Funding for this one-off cost was budgeted for through reserves, but it is more appropriate for these costs to be met from in-year resources if possible. The director of Corporate Services will review reserves at year-end.
- 2.6.13 Commissioning savings at Leyton Road are expected to result in an overall underspend for the year of £60k.
- 2.6.14 Adoption allowance costs have increased to secure appropriate placements for young people with complex needs, resulting in an expected overspend of £40k.
- 2.6.15 The Connexions budget is expected to underspend by £54k as a result of delay in program take-up. Legal action is being pursued by the Connexions contractor against the six boroughs within the arrangement. There are possible financial consequences but at this stage amounts cannot be estimated. Any legal costs and redundancies resulting from these changes will be funded from the corporate contingency budget.
- 2.6.16 There are various other small over and underspends predicted across the division (including 4 to 7 above) totalling £77k underspend. This, combined with the significant item 1 to 3 described above, equals the reported divisional overspend forecast of £139k.

## **2.7. Dedicated School Grant**

- 2.7.1 Based on current client costs, independent residential SEN placements are expected to underspend by £864k. The current client costs do not build in contingencies for new assessments towards the end of the financial year or the possibility of any tribunal cases.
- 2.7.2 Implementing the strategy to increase in-borough SEN provision is delivering reduced spend on out of borough placements, and increased income from other boroughs, by charging for out of borough children placed in Merton schools. The current forecasts indicate a net underspend on recoupment activities of £884k. The Government is changing the SEN recoupment system from 13/14 and introducing a new funding model for special schools.
- 2.7.3 There are various other small over and underspends predicted across the DSG totalling £67k overspend. This, combine with the items described above, equals a underspend forecast of £1,680k. At their meeting on 5 February 2013, Schools forum agreed how this underspend would be used which included allocations to schools of just over one million pounds with the rest allocated to reserves to mitigate risks in 2013/14 due to funding changes implemented by central government.
- 2.7.4 Bishopsford Arts College was registered as Harris Academy Morden on 1<sup>st</sup> March 2013. Harris has notified LBM of a potential deficit which will be confirmed once the accounts are closed. The deficit would be a once off cost that is expected to be funded from the DSG underspend detailed in the paragraphs above. Redundancy and legal costs resulting from the Academy transfer will be funded from Education Funding Agency grant and Merton corporate contingency funding.

## **2.8. Management Action**

- 2.8.1 CSF DMT regularly review spend across the board and have deep dive reviews of volatile budgets such as SEN Transport and C&YP placements budgets across education and social care. Our ART service is working hard to negotiate down the costs of Individual placements and our work with our consortium partners continues including piloting the care cost calculator.
- 2.8.2 We are targeting our work even more sharply to prevent high cost interventions where possible and are reshaping our early intervention and prevention services to ensure maximum impact and best use of the resources available.
- 2.8.3 CSF managers are working closely with finance staff to continue to make forecasting more robust, and will continue to reduce spend where possible to address cost pressures that arise throughout the year.

## **3 ALTERNATIVE OPTIONS**

- 3.1. This section is not applicable to the contents of this report.

## **4 CONSULTATION UNDERTAKEN OR PROPOSED**

- 4.1. This section is not applicable to the contents of this report.

## **5 TIMETABLE**

- 5.1. Budget monitoring is done monthly and reported CMT, DMT, LSG and cabinet.

**6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS**

6.1. Financial implications are detailed in the main body of this report.

**7 LEGAL AND STATUTORY IMPLICATIONS**

7.1. This section is not applicable to the contents of this report.

**8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS**

8.1. This section is not applicable to the contents of this report.

**9 CRIME AND DISORDER IMPLICATIONS**

9.1. This section is not applicable to the contents of this report.

**10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS**

10.1. Budget monitoring is a key part of financial management and internal control. There are no H&S implications.

**11 BACKGROUND PAPERS**

Budget preparation and approval papers.

Service plans and Business Plan.

Previous budget monitoring reports.