

APPENDIX 2



CHILDREN AND YOUNG PEOPLE'S SERVICE OVERVIEW AND SCRUTINY COMMITTEE

26 JANUARY 2010

JOINT REPORT OF THE DIRECTOR OF CHILDREN AND YOUNG PEOPLE'S SERVICE AND THE DIRECTOR OF CORPORATE RESOURCES

MEDIUM TERM FINANCIAL STRATEGY 2010/11 – 2013/14

Purpose

1. The purpose of this report is to:
 - a) provide information on the proposed 2010/11 to 2013/14 Medium Term Financial Strategy (MTFS) as it relates to the Children and Young People's Service (CYPS); and
 - b) ask the Committee to consider any issues as part of the consultation process and make any recommendations to the Cabinet accordingly.

Background

2. The County Council agreed the current MTFS in February 2009. This has been the subject of a comprehensive review and revision in light of the current economic circumstances. The draft MTFS for 2010/11 – 2013/14 was approved by the Cabinet on 12th January 2010 for consideration in the scrutiny process.
3. Reports such as this one are being presented to the relevant Overview and Scrutiny Committees. The views of this panel, together with the views of the two Scrutiny Committees will be reported to the Scrutiny Commission on 3rd February 2009. The Cabinet will consider the results of the scrutiny process before recommending a MTFS including a budget and capital programme for 2010/11 to the County Council on the 24th February.

Financial Strategy

4. The MTFS is set out in the report to Cabinet on 12th January, a copy of which has been circulated to all members of the County Council. This report highlights the implications for the Children and Young People's Service.

Proposed Revenue Budget

5. The table below summarises the proposed 2010/11 revenue budget and provisional budgets for the next three years. The proposed 2010/11 revenue budget is shown in detail in Appendix A.

Summary Proposed Budget 2010/11 and Provisional Budgets for 2011/12 to 2013/14

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
1. Updated original budget	49,249	58,842	56,477	54,267
2. Inflation to outturn	(140)	0	0	0
3. Previous years growth and savings (2009/10)	150	255	0	0
4. Other changes	11,283	0	0	0
5. Sub Total	60,542	59,097	56,477	54,267
6. Add proposed growth (Appendix B)	0	0	0	0
7. Less proposed savings (Appendix C)	(1,700)	(2,620)	(2,210)	(1,650)
Proposed/Provisional budget at outturn prices (Appendix A)	58,842	56,477	54,267	52,617

6. The 2010/11 budget includes inflation for pay awards of:

2.3% for Teachers and 0% for other staff. There was an overprovision for pay in 2009/10 which has been adjusted in 2010/11 resulting in -0.75% on other pay budgets. There is no inflation built into detailed budgets for running costs or income. A contingency is being held centrally

7. The figures for 2011/12, 2012/13 and 2013/14 are provisional.

8. Variations on growth and savings approved to commence in 2009/10 or earlier years are shown in line 3 of the above table. New proposals or those agreed in the current MTFs due to start in 2010/11 or later years are shown in lines 6 and 7.

Full Year Effect of Previous Year's Growth and Savings

9. The full year effect of 2009/10 growth and savings of £150,000 has been incorporated into the 2010/11 budget. This consists of:

	£,000
Building Schools for the Future – project costs	200
Transfer of Budget – Early Repayment of Capitalised Redundancy Costs	5
Management Information Systems – Time expired budget requirement	(40)
Artsmark – Time expired budget requirement	(15)

Transfers to Other Services

10. A number of budget transfers (£11.283m) were effected through the 2009/10 financial year that are now adjusted for in the updated original budget. These occur as a result of service alignment in respect of integrated services for Children and Young People in respect of In-house child care and Supporting People, and also as a result of changed management arrangements from projects within the change management programme where HR, Finance, Accommodation and Facilities Management budgets have been transferred to Corporate Resources.

The budget transfers also account for the transfer of Area Based Grant (ABG) of £12.372m to the Children and Young People's Service base budget which is no longer treated as a specific grant.

Growth

11. No growth has been included in the budget proposals other than the full year effect as detailed above.
12. It should be noted that the MTFs makes corporate provision of £4m in respect of the Building Schools for the Future Project and also £0.5m in respect of residual costs that may occur as a result of the Machinery of Government changes which will see local authorities assuming responsibility for post 16 education from April 2010 following the cessation of the Learning & Skills Council.

Savings

13. Details of savings requirements are set out in Appendix B.

Efficiency

14. The key elements of the savings for 2010/11 are summarised in the following table:

	£,000
<u>Efficiency Savings</u>	
Service reconfiguration – The reconfiguration of services through new working practices, resulting in efficiency savings or a reduction in posts whilst continuing service levels.	(590)
Service Reviews – Challenging the manner of delivery of services which is ensuring a focus on 'Core Business', reducing duplication and instilling revised ways of working	(340)
Reducing Service Subsidy – Ensuring the cost of services that are funded from grant do not exceed the grant received and that traded services are charged on a full cost recovery basis	(100)
Recharge to Grant Funding – As new grants are received in some areas where activities are already established that core expenditure has been able to be met from them	(200)
<u>Demand and Cost Decreases</u>	
Reduction in Overheads – New ways of working e.g. reduced use of external postage, the movement to electronic communications are leading to reduced costs	(270)

<u>Other Savings</u>	
'Passporting' efficiency targets – the requirement to achieve efficiency savings has been transferred to Connexions	(130)

15. The identification of efficiency savings for the period of the MTFS has been challenging. In particular, given the uncertainty of the shape of services for Children and Young People in the future, some unidentified savings remain for 2013/14. CYPS is committed to achieving the required savings.

Service Reductions

16. The 2010/11 budget proposals include the following service reductions over the four year period to 2013/14:

	£,000
Arts in Education – Reduce local authority subsidy for service, service delivery will be limited to the level of Standards Fund grant received	(420)
Adult Learning Service – Remove local authority subsidy for service, service will be restricted to the funding made available from the Skills Funding Agency	(80)
Targeting Services According to Need within the Youth Service	(1,000)
A reduction in posts supporting CYPS strategy and policy	(180)
A reduction in the number of posts supporting intervention in schools	(200)

In addition to these savings that directly impact upon the budget requirement for the Children and Young People's Service budget, proposals in relation to the policy governing the provision of special educational needs transport policy and the provision of historic exceptions are proposed which will generate a saving of £640,000 within the budget for the Passenger Transport Unit.

The phasing of these services reductions is provisional and is dependant upon the individual consultation requirements for each element, as such the scheduling may change as detailed project plans are established.

Specific Grants

17. The Children and Young People's Service is heavily dependent upon specific grants for service delivery. Appendix C provides the full details.

There are changes in terms of the funding for Post 16 education where grants will be made directly to the County Council from central government in respect of these functions rather than from the Learning & Skills Council. Within these arrangements, for the first time, the County Council will receive funding for 16-19 pupils within Further Education establishments within Leicestershire. The detail of these arrangements has yet to be fully confirmed.

18. Within the analysis of grants some are shown at provisional values where they are dependent upon January or September pupil numbers or performance data. These will be updated once the appropriate data has been collected and validated.
19. There have been no significant changes to the revenue grants received in 2010/11 which were announced within the Comprehensive Spending Review 2007, this is the final year of the three year settlement. There is no current information on the grant programme for 2011 onwards where significant changes will have a serious impact on the services delivered and the resources needed to support them.
20. There have been changes in the manner in which the Area Based Grant is shown within the budget, this is no longer a specific grant and is incorporated into the base budget for 2010/11.
21. The significant revenue grants for 2010/11 are;
 - Dedicated Schools Grant (£348.164m) to fund the Schools Budget which contains the individual budgets delegated to schools and other pupil led services such as special educational needs and Early Learning & Childcare. This is an estimate which will be confirmed after the national validation of the January pupil number count.
 - School Standards Grant (£19.215m) this funding is passed directly to schools.
 - Surestart, Early Learning and Childcare Grant (£12.996m) to fund the children's centre programme, develop early years outcomes and to ensure the sufficient supply of childcare places.
 - Young People's Learning Agency (£41.889m) to fund post 16 provision in school sixth forms and to meet the needs of post 16 pupils with special educational needs. Funding will also be received for 16-19 provision in Further Education Colleges, this is not reflected in the total here.
 - Asylum Seekers (£1.083m) to support unaccompanied asylum seekers children, this grant is variable and dependent upon the number of children requiring support.
22. The MTFs assumes the continuation of these grants to 2013/14. However there are risks that a new government will significantly change the shape of the grants programme. Any such changes will be reflected in revisions to the MTFs, as and when appropriate.

The Schools Budget

23. Information on the Schools Budget is presented for information. The Schools (Funding) Forum will consider the detailed budget proposals at its meeting on February 25th.

24. The proposals provide for the Schools Budget to be set at the level of Dedicated Schools Grant (DSG) received from the Department for Children, Schools and Families (DCSF), this is increased by the carry forward of DSG created by previous years underspend. No additional County Council resources are made available to support this budget. It should be noted that DSG supports Individual Schools Budgets and other pupil related budgets such as the provision for pupils with Special Educational Needs, Early Learning & Childcare services and provision for excluded pupils.
25. 2010/11 is the final year of a three year settlement, DSG remains on a 'Spend Plus' basis which is the level of spend measured in 2005/06 adjusted for inflation and funding made available to support Ministerial priorities. Grant is provided on a per capita basis. From 2011/12 DSG will be distributed on a formulaic basis and it is expected that the DCSF will release their proposals for consultation in January 2010.
26. The headline figures for Leicestershire are:

	2010/11
National Minimum per Pupil increase in DSG	2.9%
Leicestershire Per Pupil Increase In DSG	4.3%
Leicestershire DSG per Pupil	£3,887.56
Estimated 2010/11 DSG	£348.164m

It should be noted that the DSG is allocated using data from a number of pupil number counts taken in January, this data is subjected to local and national validation prior to final DSG allocations being issued in July. It is therefore necessary to set the Schools Budget on unvalidated information, mechanisms exist to address any issues that may arise from a reduced or increased final allocation. For 2010/11 Leicestershire continues to receive the lowest per pupil DSG settlement for English Authorities

27. The 2010/11 settlement maintains the Minimum Funding Guarantee (MFG) of 2.1% per pupil. The calculation undertaken by the DCSF highlights cost pressures of 3.1% but this is reduced by 1% to take account of the need for schools to deliver efficiency savings.

This same uplift is applied to the School Standards Grant, School Standards Grant and the School Development Grant.

MFG is a nationally prescribed calculation and is responsive to pupil number changes and in non-pupil related budget allocations, therefore schools may not see an overall increase in their budgets of 2.1%

Capital Programme

28. A summary of the proposed Capital Programme is set out in Table 3 below. The detailed programme is set out in Appendix D. The capital programme is funded by a combination of capital receipts, borrowing and external grants.
29. The key priorities within the Capital Programme are the completion of school reorganisation in Melton Mowbray and the Vale of Belvoir and the reorganisation of secondary education in Loughborough, Barrow and Quorn through Building Schools for the Future project.
30. Preparation for the Building Schools for the Future project is underway, the next stage of the process is the submission of a Readiness to Deliver Statement which sets the outline scope of the proposals. It is expected that an announcement on whether Leicestershire will be allowed to enter the scheme will be made in the summer.
31. No information is yet available on capital allocations post March 2011, so it has not been possible to predict with any level of certainty the shape of the capital programme from that point. The programme will be updated at such point information becomes available.

Summary Capital Programme

Project	2010/11 £000
School Reorganisation - Melton Mowbray and Vale of Belvoir	16,733
Primary Capital Programme	9,165
Children Centre programme – Phase 3	3,595
Early Years and Childcare Programme	3,797
School Accommodation – Basic Need and Mobile Replacement	3,248
Special Educational Need provision – South Leicestershire	1,000
School Kitchens and Dining Facilities	2,010
Contributions to school capital schemes	200
School Access Initiative	600
Youth Capital	382
Aiming High for Disabled Children	636
Development of Play Areas	620
Construction / Forward Design / Clerk of Works / Health & Safety	340
Schools Devolved Formula Capital	6,890
Total	49,216

Table 3

32. In addition to the schemes to be undertaken in 2010/11, current capital resources allow for the carry forward of funding into 2011/12 to complete the Primary Capital Programme (£1.0m) and to support the programme to support the transformation of learning in Leicestershire (£4.6m)

Details of Projects

33. The significant projects within the programme are;
- School Reorganisation – Melton Mowbray and the Vale of Belvoir – 2010/11 will see the completion of the capital works to complete the transformation of school buildings with the completion of the Post 16 centre.
 - Primary Capital Programme – Transformation of primary school buildings will be undertaken which include internal refurbishment and replacement of mobile accommodation at Quorn St Bartholomew's and Coalville All Saints; Internal reconfiguration and extension at Billesdon Parochial; major improvements at Glenfield and building replacement and refurbishment at Hinckley Richmond.
 - Children's Centres – Phase 3 – 13 Children's Centres will be developed in the final phase of the programme, this will take the total number of Centres in Leicestershire to 42.
 - School Accommodation & Mobile Replacement – Provision remains to meet the commitment to the mobile accommodation replacement programme and basic accommodation needs.
 - Schools Devolved Formula Capital – Schools continue to receive Devolved Formula Capital which is passed directly to schools for use at the discretion of their governing body.

Recommendation

34. The Committee are asked to consider the report and any views they may wish to make to report to the Scrutiny Commission.

Equal opportunities implications

35. There are no discernable equal opportunity implications as a result of the proposed MTFS. All capital projects undergo appropriate planning to ensure that the needs of all users are taken into account. This will include the intellectual as well as the physical access and cover both services provided as well as buildings they are provided from.

Background Papers

Medium Term Financial Strategy 2010/11 – 2013/14 – Report to the Cabinet 12th January 2010.

Circulation under local issues alert procedure

None.

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Appendices

Appendix A – Revenue budget 2010/11

Appendix B – Growth and Savings 2010/11 to 2013/14

Appendix C - Grants

Appendix D – Capital Programme 2010/11