



CHILDREN AND YOUNG PEOPLE'S SERVICE OVERVIEW AND SCRUTINY COMMITTEE

23rd JANUARY 2012

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

MEDIUM TERM FINANCIAL STRATEGY 2012/13 – 2015/16

Purpose

1. The purpose of this report is to:
 - a) provide information on the proposed 2012/13 to 2015/16 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 2011. This has been the subject of a comprehensive review and revision in light of the current economic circumstances. The draft MTFS for 2012/13 – 2015/16 was considered by the Cabinet on 17 January 2012.
3. Reports such as this one are being presented to the relevant Overview and Scrutiny Committees. The views of this Committee will be reported to the Scrutiny Commission on 1 February. The Cabinet will consider the results of the scrutiny process before recommending a MTFS including a budget and capital programme for 2012/13 to the County Council on the 22 February 2012.
4. National policy and funding in respect of services for children and young people have continued to be subject to change for 2012/13. The MTFS report sets the financial context of the funding available to the Children and Young People's Service. Cabinet received a report on 20 December 2011 which presented how national and local policy will impact on the future of the Service; this report will result in a number of actions over the medium term to realign services to the new model and also to ensure that the Service is delivered within the resources set out within the MTFS. As a result of this process the details presented within this report will be amended and subject to further Cabinet and Scrutiny reports as appropriate.

Financial Strategy

5. The MTFS is set out in the report to Cabinet on 17 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 and recognises the issues referred to in paragraph 4 above.

Proposed Revenue Budget

6. The table below summarises the proposed 2012/13 revenue budget and provisional budgets for the next three years. The proposed 2012/13 revenue budget is shown in detail in Appendix A. This budget is set in the context of the financial target for the Children and Young People's Service, further changes may be made as the detailed implications of the redesign of CYPS are fully identified. Any subsequent changes arising from service redesign will be reported at the appropriate point in time.

Summary Proposed Budget 2012/13 and Provisional Budgets for 2013/14 to 2015/16

	2012/13	2013/14	2014/15	2015/16
	£000	£000	£000	£000
1. Updated original budget	46,031	43,914	40,509	39,174
2. Other changes	-942	135	135	135
3. Sub Total	45,089	44,049	40,644	39,309
4. Add proposed growth (Appendix B)	2,405	100	-30	-45
5. Less proposed savings (Appendix B)	-3,580	-3,640	-1,440	-1,300
Proposed/Provisional budget (Appendix A)	43,914	40,509	39,174	37,964

7. Detailed budgets for 2012/13 have been compiled on the basis of no pay or price inflation, a central contingency will be held which will be allocated to services as necessary. The budget also includes provision for an increase in the employers' contribution to the Local Government Pension Scheme in 2012/13 and the following three years based upon the triennial actuarial revaluation of the pension fund.
8. The proposed net budget for 2012/13 totals £43,913,771 is set out below:

	£
Employees	289,733,644
Running Costs	<u>172,015,948</u>
Gross Costs	461,749,612
Income	<u>417,835,841</u>
Net Budget	43,913,771

The detailed budget shows the overall budget for the Children and Young People's Service including schools and services funded through Dedicated Schools Grant (DSG).

Other Changes and Transfer

9. A number of budget transfers (£1.077m) were affected through the 2011/12 financial year that are now adjusted for in the updated original budget. These occur as a result of the transfer of budgets to Corporate Resources in respect of support services being brought into common management arrangements such as ICT, Health and Safety and Premises.

10. Growth and savings have been categorised in the appendices under the following classification;

- * item unchanged from previous MTFS
- ** item included in the previous MTFS, but amendments have been made
- No stars - new item

This star rating is included in the descriptions set out for growth and savings below.

Growth

11. Details of growth are set out in Appendix B and summarised below;

G2 Increased Numbers of Children in Care £2.5m

In the months and years following national safeguarding children tragedies reported in 2008, there has been a national increase in safeguarding children work in local authorities, this position is replicated in Leicestershire. Whilst growth approved for 2011/12 addressed the issue of an historic shortfall in placement budgets, the current trend is one of increasing numbers of referrals to Specialist Services and child protection plans. Since September 2009, the number of children subject to a child protection plan has risen by 116% and the number of children in care by 37%. Resources will be used to address the growth in business through;

- Having sufficient staff to address the present and predicted number of children's cases being identified. The growth bid will establish 60 new posts.
- Putting in place a succession planning framework by re-establishing a 'grow your own' scheme to replenish the qualified social worker establishment.
- Ensuring additional capacity to reinforce the approaches aimed at preventing children coming into care, or subject to a child protection plan.
- Meeting existing and new statutory obligations which were introduced in April 2011 which have previously been unfunded.
- Putting in place a service dedicated to drive up excellence in children's social care by offering more professional challenge and support to the operational business.
- Further reinforcing placement capacity to deal with the numbers for kinship placements and the increased numbers of children being approved for adoption.

G3 Information Management System – Frameworki £0.1m

Deliver the Frameworki system within Specialist Services and is required to ensure that the system is able to respond to operational changes within the service and fully support service delivery.

Savings

12. Details of savings are set out in Appendix B and total £3.58m. Efficiency savings for 2012/13 are £1.69m rising to £5.57m in 2015/16. Savings arising from service reductions are £1.89m in 2012/13 rising to £4.39m in 2015/16.

Efficiency

13. The elements of the CYPs efficiency programme are;

Ref		2012/13 £,000
**S1	<u>Service Reconfiguration</u> – the full year effect of previous year’s savings on policy and strategy posts removed during 2011/12.	-70
*S2	<u>Service Reviews</u> – the next phase of savings arising from the on-going review, rationalisation and consolidation of the administration function across the Service.	-70
*S3	<u>Connexions</u> – the on-going passporting of the annual efficiency target to Connexions has been agreed within the MTFS. This saving is further discussed in paragraph 20	-120
**S5	<u>Departmental Restructure</u> – Cabinet considered a report on 20 December on the future of the Children and Young People’s Service. As a result of this report, action plans are currently subject to consultation, the outcome of these consultations will inform the exact nature and location of these savings and will be subject to further reports.	-1,000
S6	<u>Inflation Contingency</u> – this budget was a centrally retained provision for 2011/12 but is not required in 2012/13.	-170
S7	<u>Criminal Records Checks</u> – schools are now responsible for meeting the costs of these checks resulting in the ability to reduce budget provision for the direct costs of the CRB check. Schools received additional funding in April 2010 for this change.	-230
S8	<u>Premises Savings</u> – premises linked savings available as a result of former service transformation and the relocation of teams within County Hall as a result of the accommodation strategy.	-30

14. The identification of efficiency savings for the period of the MTFS has again been challenging given the rapid and on-going changes in national policy. In particular, given the uncertainty of the future shape of services for Children and Young People, some savings for 2012/13, 2013/14 and 2014/15 will only be clearly identified once the future service structure and service delivery model have been agreed.

Service Reductions

15. The MTFS budget proposals include the following major service reductions for 2012/13:

Ref		2012/13 £,000
**S9	<u>Arts in Education</u> – this is the final saving arising from the restructure of the arts service to limit the service to the level of traded and grant income.	-110
*S10	<u>Youth Service</u> – the final phase of the delivery of previously agreed savings within this area.	-1,280
S11	<u>Other Service Reductions</u> – the loss of funding associated with the national academies programme requires additional savings within CYPS of £3m of which £0.5m is currently unidentified and will need to be outlined alongside **S5 detailed above.	-500

Specific Grants

16. The significant revenue grants for 2012/13 are;

- Dedicated Schools Grant (£401.275m). This funds the Schools Budget which contains the individual budgets delegated to schools and other pupil led services such as special educational needs and early learning and childcare. This is an estimate which will be confirmed after the national validation of the January pupil number count and will also be subject to academy recoument.
- Education Funding Agency (EFA) (£37.78m) for schools sixth forms, this grant is passed directly to schools. This is a provisional amount which will only be confirmed when the EFA has concluded its negotiations with individual schools.
- Asylum Seekers (£0.8m) to support unaccompanied asylum seekers children, this grant is variable and dependent upon the number of children requiring support.
- Early Intervention Grant (EIG) (£19.48m). The grant funds the Children's Centre programme, Connexions, early family and parenting support services and the two year old nursery education offer for disadvantaged two year olds. The grant for 2012/13 is an increase of £1.31m from 2011/12 as a result of increased funding for nursery placements for disadvantaged 2 year olds. It should be noted that the national settlement EIG figure for Leicestershire includes a further £0.5m allocated by the Department for Education (DfE) for specific projects and allocated to the Community Budgets programme.

17. Early Intervention Grant of £1.236m remains unallocated within the 2012/13 budget pending the outcome of the CYPS service redesign. Further allocations will be made to support early intervention and family support, taking into consideration the additional nursery education offer for disadvantaged two year olds, as services are realigned to the new vision and structure for CYPS and will be focused upon preventative and early intervention services.

Connexions

18. Connexions services are provided through a Local Authority company jointly owned by the County and Leicester City Councils. Cabinet considered a report on the future of the Connexions service on 15 November 2011. Further reports will be presented on the proposed structure of the new service in the spring.
19. Funding for Connexions is within EIG. From September 2012 the responsibility for providing careers information, guidance and advice transfers to schools: it is uncertain whether a funding transfer will take place to support these changes. The Local Authority, however, remains responsible for services to support young people Not in Education, Employment or Training (NEET) and services supporting vulnerable young people.
20. The budget proposals (*S3) continue to passport a 3% efficiency saving to Connexions for the MTFS period. In light of the changes to service delivery scheduled for 2012/13 these savings will need to be delivered through the planned re-procurement of a new service from September. Additionally, transitional costs may arise from the current contractual arrangements with the Connexions Company to the new model of service; as such a buffer of £1m is retained within EIG.

The Schools Budget

21. Information on the Schools Budget is presented for information. The Schools Forum will consider the detailed budget proposals at meetings scheduled for 22 February and 15 March 2012. The proposals will incorporate savings approved by Cabinet on 15 November.
22. The DfE have issued a one year settlement for 2012/13 for both capital and revenue for the second successive year. Reform of the school funding system and movement to the 'National Funding Formula' are expected in 2013/14 and further consultations are expected in February and July 2012.
23. DSG remains at its 2010/11 cash value for the second year and, for 2012/13, Leicestershire continues to receive the lowest per pupil DSG settlement for English Authorities. The per pupil and projected grant allocation are:

	2012/13
Leicestershire DSG per Pupil	£4,428.70
Estimated 2012/13 DSG	£401.275m

24. The total value of the settlement will be based upon January 2012 pupil numbers. It includes pupils from academies to which deductions are then made to recoup delegated budgets for each academy and the DSG element of Local Authority Central Service Equivalent Grant (LACSEG); the cash value of the grant is estimated to be £401.275m from which academy funding will be recouped.
25. It should be noted that the DSG is allocated using data from a number of pupil number counts taken in January including the schools annual census. 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.

26. It should also be noted that the Individual Schools Budget and the academies recoupment figures included in Appendix A are also provisional. The School Finance Regulations require that school budgets are calculated on the basis on pupil numbers from the January immediately preceding the financial year. As such, both figures will be recalculated once the school census information is available.
27. The Minimum Funding Guarantee for schools is set at -1.5% per pupil, unchanged from 2011/12. However it must be recognised that any movement in pupil numbers will affect the cash budget of a school and schools may see cash reductions within their budget in excess of this percentage.
28. Nationally Pupil Premium is increased to £600 per pupil (from £488) for pupils eligible for free school meals and for pupils that have been 'looked after' continuously for more than six months. For pupils of service families the premium increases by £50 to £250. This is paid in addition to the delegated budget. The driver for the funding is changed from a one off count of pupils from the January census to a mechanism that allocates funding for all pupils that have been registered eligible at any point in the previous 6 years. Nationally funding is scheduled to increase from £625m in 2012/13 to £2.5bn in 2014/15, there is no information to show how that increase will be phased over this period.
29. For the first time since its introduction in 2006 the Schools Budget, which is funded by Dedicated Schools Grant (DSG) is overspending in 2011/12. The following table summarises the position to 2013/14 which is detailed within Appendix C;

	2011/12 £,000	2012/13 £,000	2013/14 £,000
Overspend b/f		1,000	-400
Projected DSG Reduction arising from Academy Conversion #		2,000	6,400
Projected Overspend	3,100		
DSG Position to be Recovered	3,100	3,200	6,000
Growth / Increased Costs		7,000	8,900
Savings	-2,100	-10,600	-12,600
DSG Cumulative Over / - Underspend carry Forward	1,000	-400	2,300

For 2011/12 DSG recoupment is offset against Rates changes for schools converting to academy status.

30. The proposals provide for the Schools Budget to be set at the level of Dedicated Schools Grant (DSG) received from the Department for Education (DfE) and recoup the 2011/12 overspend. No additional County Council resources are made available to support the Schools 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 and Childcare services and provision for excluded pupils.

31. The Government has not responded to a number of funding consultations on school funding reform for 2013/14 which is expected to herald the movement to the widely anticipated national funding formula. The Council responded to consultations in April and July on the proposals for school funding reform and also consultations on the treatment of the topslice on the Revenue Grant settlement to fund academies in both April and December. Whilst no formal response has been received it is expected that there will be further consultations in February and July 2012.

Special Educational Needs

32. The overspend projections contained within Appendix C do not include any savings from projects under development to reduce the current level of SEN spend, neither do they take account of any recommendations that may be made as a result of the Scrutiny Review Panel considering a wide range of Special Educational Needs (SEN).
33. Currently 5 projects are being evaluated that aim to reduce the level of SEN spend;
 1. Expansion of intensive autism outreach support
 2. Enhancement of local support services for pupils with behavioural, emotional and social difficulties
 3. Development of additional provision for high attaining pupils with complex autism
 4. Development of additional provision for pupils with severe learning difficulties and complex autism
 5. Consideration of specific provision for pupils with behavioural, emotional and social difficulties that cannot be met within maintained schools.
34. Business cases for projects 1 and 2 are close to completion with those for projects 3, 4 and 5 due to be completed by March 2012. Business cases will be received by the CYPS Departmental Management Team and will be subject to the County Council's approval as appropriate. The savings arising from these business cases will be assessed by their ability to deliver the required reduction in anticipated SEN expenditure.

Academies

35. At present the County Council has 41% of pupils either in academies, in schools in the process of converting or schools that are expressing an interest in converting.
36. When schools convert and leave local authority control Dedicated Schools Grant for central services reduces and a loss of grant in the region of £6m to £7m is anticipated and is based upon the assumption that 80% of Leicestershire children will be educated in academies by April 2014. Measures are being implemented within CYPS and central departments to reduce the cost of services accordingly.
37. In terms of Formula Grant a topslice of £3m (£1.7m 2011/12 and £1.3m 2012/13) has been made. The Department for Education (DfE) are currently consulting on this position; there will be no retrospective changes for 2011/12 and it is unlikely that the County Council will receive any adjustment in 2012/13.

38. In 2013/14, following a further DfE consultation, there is expected to be a transfer of funding from Formula Grant to DSG, the impact of which will largely be dependent upon the academy conversion rate. For authorities with large numbers of conversions this will amount to a significant loss of funding.
39. The MTFs assumes that 80% of Leicestershire's pupils will transfer to academies within the next two years. The resulting reduction in Formula Grant could be in the region of £9m. This reduction has a wider impact than just CYPS as the measure of expenditure is taken from local authorities' Section 251 budget statements that aggregates all expenditure on education services whether within CYPS or in other departments. The Local Government Association (LGA) has calculated that for every pupil that transfers to an academy an authority can save £50. However, the Government proposes to reduce funding for Leicestershire by c.£150 per pupil as the transfer is based upon spend rather than ability to deliver savings.

Reshaping the Children and Young People's Service

40. National policy continues to influence changes within CYPS, including the Academies Act 2010 and the Education Act 2011, which have changed the relationship between local authorities and their schools and also introduced new expectations on the role of the children's services to which the Authority must respond.
41. Paragraph 39 refers to the recovery of funding for the LACSEG grant paid to academies but additionally there is an expectation that schools become the commissioner of services rather than these being directly provided by the Local Authority. In order to respond to this changing environment the Director of CYPS, in consultation with the Cabinet Lead Member, has been authorised to undertake preliminary work to achieve the savings required of the MTFs proposals.
42. Consultations on service transformation have now begun and affect the following services:
 - School Improvement
 - Attendance and Improvement Service
 - Ethnic Minority and Traveller Achievement Service
 - Music Service
 - Locality Support Service and Key Stage 4 Personalised Programmes and Commissioning
 - Anti Bullying
 - Parent Partnership.

Reports are due to be presented to Cabinet on 6 March and again on 8 May 2012 and to Scrutiny on 5 March and 2 May.

Capital Programme

43. As with the revenue settlement, the capital settlement for CYPS is for one year only, pending a wider review of capital priorities and funding allocations by the DfE. The DfE has not yet responded to the consultation on the response to the James Review which closed in October 2011.

44. The capital settlement continues to provide funding for basic need (the need to deliver school places where needed) for maintained schools, academies and free schools. The national basis of allocation for basic need funding has been amended and is now based both on pupil numbers and school capacity data; the Leicestershire allocation shows a reduction from 2011/12 of £1.148m to £5.610m as a result of those changes. Projects in Leicestershire are prioritised through the analysis of the basic need for school places taking into account pupil forecasts which is combined with building data which considers the lifespan of current building and information collected on the condition of school buildings. Information from these sources is combined to produce a list of graded priorities on which the programme is generated.
45. Funding remains for capital maintenance, nationally this has been top-sliced by the DfE by £276m in order to meet the maintenance needs of academies: as a result of this reduction, Leicestershire's allocation reduces from that for 2011/12 by £2.025m to £10.466m. The allocations across schools are prioritised on the basis of a condition survey undertaken on a 5 year rolling programme that covers the building fabric, and electrical and mechanical elements based upon urgency for the works to be completed. There is some flexibility within the programme to allow reprioritisation if emergency works become necessary.
46. The autumn 2011 budget statement confirmed a further £600m basic need funding nationally, this capital has not been allocated within the finance settlement.
47. Devolved Formula Capital (DFC) which goes directly to schools is a provisional allocation of £1.997m. Rates of funding are £4,000 per school, £11.25 per primary pupil, £16.875 per secondary pupil and £33.75 for SEN pupils. Allocations will be finalised in April 2012 as academy conversions are confirmed.
48. A summary of the proposed Capital Programme is set out in the following table. The detailed programme is set out in Appendix D. The capital programme is funded by external grants.

	2012/13 £,000
<u>Charnwood Area Special School</u> – Work on locating a site for the Charnwood Special School is progressing; Loughborough Burleigh College has been identified and preliminary discussions regarding the best position on site are underway with the heads/chairs of governors of Burleigh and Garendon. Design and planning of the new school has started as it is likely the site will be approved. A further assessment of the capital requirement will be completed as the site is confirmed. The project is estimated to be completed in 2013/14 and total provision of £9.15m is made within the MTFS for the project	3,850
<u>Other works</u> – completion of highways access works at school sites and other works commencing in 2011/12 that will be completed during 2012/13	165
<u>School Accommodation</u> – new schemes for 2012/13 to address the need for school places	11,676

Capital Maintenance – new schemes for 2012/13 to address maintenance issues 5,200

SEN Provision – completion of provision in South Leicestershire 786

49. Reports will be released to members quarterly on a retrospective basis to provide information of the schemes underway and / or completed in the previous period throughout 2012/13.

Recommendation

50. 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

51. Many aspects of the County Council's MTFs budget are directed towards the needs of disadvantaged people. Where proposed savings are likely to have an adverse impact on service users protected under equalities legislation, Equality Impact Assessments must be undertaken at a formative stage of developing proposals prior to all final decisions being made. Assessments are being undertaken in light of the potential impact of proposals and the timing of the proposed changes.

Background Papers

Medium Term Financial Strategy 2012/13– 2015/16 – Report to the Cabinet 17 January 2012.

Future Direction of Children and Young People's Service – Report to Cabinet 20 December 2011

Dedicated Schools Grant 2011/12 – Report to Cabinet 17 November 2011

Future Developments in the LeicesterShire Connexions Service Limited – Report to Cabinet 17 November 2011

Circulation under local issues alert procedure

None.

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Appendices

Appendix A – Revenue budget 2012/13

Appendix B – Growth and Savings 2012/13 – 2014/15

Appendix C – Dedicated Schools Grant 2011/12 – 2013/14

Appendix D – Capital Programme 2012/13