

BUDGET PLANNING REPORT FOR CHILDREN, YOUNG PEOPLE AND LEARNING SERVICES POLICY OVERVIEW COMMITTEE 2014/15

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REASON FOR ITEM

This is the first opportunity for the Policy Overview Committee to discuss the current stage of development of budget planning work with regard to Children, Young People and Learning Services. Within the context of the Council's overall financial position, this paper sets out the main financial issues facing the Group's services and the work being undertaken to respond to them. This paper gives a strategic context in which the detailed proposals to be discussed at the Policy Overview Committee meeting in January 2014 will need to be considered.

OPTIONS AVAILABLE TO THE COMMITTEE

It is recommended that the Committee notes the development of the financial planning process undertaken to date, and comments as appropriate on the response to the issues being developed by the Group.

INFORMATION

- 1 This is the first of two opportunities within the planning cycle for the Policy Overview Committee to consider issues relating to budget planning for 2014/15. The focus of this report is the major issues that have been identified through the service and financial planning process for Children, Young People and Learning Services. The report to be considered in January 2014 will set out the detailed budget proposals for the Group, those proposals having been included in the report to Cabinet on the Medium Term Financial Forecast (MTFF) on 19 December 2013.

Corporate Summary

- 2 While the focus of the discussion for the Policy Overview Committee should be the specific services within its remit, it is important that this discussion is conducted in the context of the overall corporate financial position.
- 3 The Comprehensive Spending Review 2010 set out the financial challenge facing local government over the following four year period, the last of which is 2014/15. Whilst the initial assessment of the CSR suggested that the cuts were heavily front loaded in the first two years, it has since become apparent that the estimates on which the CSR was based were over optimistic and the period of austerity will continue for a significantly longer period, potentially until 2018 or later. The budget report to Council in February 2013 identified the savings requirement for 2014/15 as £17.0m and work is currently underway to refresh this figure. Whilst the finance settlement announced in December 2012 was for a two year period, the figures for

2014/15 were indicative rather than confirmed at that time. The budget in March introduced a further 1% cut for 2014/15, however, until the final settlement is announced towards the end of the year the final funding position will not be clarified.

- 4 In addition, there is significant other uncertainty within the budget for next year both from changes introduced in 2013 and from the ongoing welfare reforms:
- The responsibility of public health transferred to local government on 1 April 2013 and significant work remains outstanding in the allocation of that funding.
 - Council Tax benefit was abolished on 1 April 2013 and replaced with a local Council Tax Reduction scheme with a 10% cut in funding. The new scheme has only been in operation for just over 3 months and so the impact on Council Tax revenue is unclear.
 - The retention of business rates commenced in April 2013 giving local authorities a stake in the generation of additional business rates income. However, the system is sensitive to changes in the rateable value of the Borough and at this early stage of the year it is not easy to predict the impact on next year's funding.
 - Central Government is introducing significant Welfare Reforms including Universal Credit, under occupancy and the Benefit Cap all of which are forecast to impact significantly on Council services and on budgets. Early indications of budget pressures are starting to emerge in Month 2 monitoring.
 - A reform of education funding is also expected, but details on this scheme are not yet available.
- 5 Alongside this, any other emerging pressures which arise throughout this financial year will have to be provided for in next year's budget. The budget gap will be monitored throughout the year and the budget strategy adjusted accordingly to ensure that a balanced budget for 2014/15 can be set.

Strategy to deal with the budget gap

- 6 The Council remains strongly placed to deal with the challenges ahead. We have a good track record of coming in or under budget each year and have accumulated balances of £30.2m by the end of 2012/13. We have a well established HIP programme that has helped steer the Council from a position of having low balances to one of having healthy balances at the same time as dealing with significant external challenges. This has been enhanced by the development of the BID programme as the main vehicle for delivering the fundamental changes required to the Council's structure and ways of working in order to address the reductions in funding going forward.

MTFF process update

- 7 The timetable for the budget process was refreshed in February 2013 and the first MTFF sessions with Groups took place during late June and early July to review

the detailed budget proposals developed by each group. Progress on the development and delivery of these proposals will be monitored monthly by CMT and the Leader of the Council throughout the remainder of the year.

Timetable for 2014/15 Budget

8 The broad timetable is as follows:

Process	Timetable
Monthly BTB updates (March 13 to Feb 14)	Monthly
Monthly Leader MTFF updates (March 13 to Feb 14)	Monthly
Special Budget CMT to address opening 14/15 gap	Late February
MTFF BID Proposals – Firm up plans on cross cutting BID Initiatives	March
MTFF strategy report to Leader	May
MTFF Review – 1st Challenge Sessions	June/July
Initial MTFF 2014/15 Report to Leader	End July
POC Reviews – Context for 2014/15 Budgets	July
MTFF Review (2) – 2 nd Challenge Session	Sept/Early October
Updated MTFF Report to Leader	November
Joint CMT and Cabinet Awayday	November
Draft Local Government Finance Settlement	December
Draft MTFF reported to Cabinet	December
POC review of draft Group Plans and budget proposals	January
Council Tax setting	February

Budget Planning in Children, Young People and Learning Services

Summary of Key Financial Issues

Education Service

- 9 The Education Service has identified budget savings for 2013/14 totalling £1.369 million. These include efficiency savings from reviews of Discretionary expenditure across the service, the full year effect of the restructure of the School Improvement Service and the School Organisation and Resources Team, a further review of the Early Years Service external training budgets and a further review of the Educational Psychological Service. Additionally, further savings were required to address the impact of schools converting to Academy status.
- 10 The 2014/15 MTFF proposals will continue to focus on opportunities that arise through ongoing reviews of service expenditure and identifying any new opportunities for savings and efficiencies that are emerging from the work undertaken through the Council's now well established HIP and BID processes, which includes the Children's Pathway, the Special Educational Needs and Disabilities Pathway and the Education Service review. The emphasis continues to be on generating savings through service improvement based on process efficiency, use of technology and consolidation of provision.

- 11 Alongside the development of further savings proposals, the Group continues to review all contract-related and discretionary spend, within a robust process for controlling and challenging expenditure decisions.
- 12 The Education Service continues to respond to ongoing consultations relating to school funding, Dedicated Schools Grant funding and the roles and responsibilities of local authorities in light of more schools converting to academy status and the growth in the number of Free Schools, University Technical Colleges and Studio Colleges that are being agreed by the Department for Education. In the latest CSR review, the Government set out a commitment to put in place a national funding formula for 2015/16. To progress this, they have released the next stage of the School Funding Reform for 2014/15, which will require a further review of the schools funding formula. The Government are also continuing their review of 16-19 funding.
- 13 The SEN Green Paper has progressed to the next stage of its move towards becoming an Act, through the publication of the Children's and Families Bill 2013, which aims to make changes to adoption so as to speed up the process, provide support for looked after children by requiring every local authority to have a Virtual School Head, a review of the Family Justice system to speed up the decision making process, extending Special Educational Needs to cover the age range 0 to 25, introducing personalised budgets and introducing a single plan (the Education, Health and Care Plan) and improving childcare provision across the country.
- 14 Additionally, the Government are undertaking a major review of the Ofsted inspection framework, with the introduction of a more challenging regime, which will impact on all Education and Children's services (including schools). The main changes see the introduction of a local authority inspection as well as a single inspection of Looked After Children's services.
- 15 The consultation for a new Single Inspection Framework for Children in need of help, protection and children looked after and care leavers¹ closed on 12 July 2013 to which LBH prepared a response, which broadly agreed with the proposals, a copy of which is available on request.
- 16 The new framework will comprise of one of 4 "judgements" (Inadequate, Requires Improvement, Good and Outstanding). These will be applied to the following "performance areas":
 - Key judgement 1: The experiences and progress of children who need help and protection
 - Key judgement 2: The experiences and progress of children looked after and achieving permanence
 - Graded judgement 2a: The quality of an adoption service
 - Graded judgement 2b: The experiences and progress of care leavers
 - Key judgement 3: Leadership, management and governance

¹ <http://www.ofsted.gov.uk/consultations/inspection-of-services-for-children-need-of-help-and-protection-children-looked-after-and-care-leave>

Children's Social Care

- 17 The management team remains focussed on ensuring the delivery of the MTFF budget agreed at February Cabinet, the full year effect of which significantly contributes to balancing the 2014/15 budget. Progress against these objectives will be reported to each Cabinet as part of the monthly finance report.
- 18 Children Social Care were given a savings target for 2013/14 of £5,014k and whilst challenging the service are confident of delivering this amount; to date £293k (15.1%) has been banked. Budgets will continue to be monitored throughout the year to ensure that any expenditure is appropriate and essential and that controls are in place to challenge spend.
- 19 The initial monitoring for 2013/14 indicates a pressure of £1m in looked after children due to an additional 18 FTE placements in excess of the number expected when the MTFF was finalised in January. This cost pressure for Children Services is mainly driven by the number of Looked After Children (LAC) which is at risk of increasing due to the influx of children now arriving in the Borough. To minimise any potential impact of these increased numbers, management are addressing preventative measures to mitigate against a like-for-like increase. For example, the estimated average cost of a LAC is some £50k over the course of their 'stay'. There is anecdotal evidence [stories of personal experience] which demonstrate that families are being moved into the Borough by other Local Authorities that then require significant services from Hillingdon Council's Children's Services.
- 20 A recent report produced by the London Councils' Safeguarding Board on the numbers of LAC in inner-London boroughs showed a significant reduction against an increase nationally, and, more importantly, against outer London boroughs. It may be that inner London boroughs are more effective with their prevention services but one could also take the view it is because there is a movement of families away from inner London effected by welfare capping. It is too early to be confident about the impact of these changes for Hillingdon but increasing pressure from numbers of intentionally homeless families with no access to public funds is, and will continue to, place significant demands on the resources of Children Services.
- 21 There has also been a sharp increase recently in the need for C&F services (under s17 of the Children Act) to fund homeless families (e.g. with children) who have been evicted. At this stage it is not clear whether this is a one-off 'spike' or the beginning of a 'cost shunt' resulting from impending Welfare Benefit changes. However, the spend from January to May 2013 totals £47k and, if this continued, there could be an increase of £120k over last year's costs. Whilst this is not included in the budget forecast at this stage, the position will continue to be carefully monitored over the next few months.

Asylum Service

- 22 A renegotiation of the UKBA Gateway agreement is currently in progress in conjunction with the three other most affected councils. The four councils met with UKBA in May 2013 and these discussions were encouraging with broad agreement reached on several issues albeit subject to formalised agreements. In respect of

other issues raised by the councils the UKBA have not shut the door but have asked for evidence and further information to substantiate the council's argument.

- 23 The financial forecast does, though, indicate that the call on contingency for 2013/14 will be £495k less than that provided for in the Risk and Development Contingency; this is due to grant income being higher than the budget for 2013/14.

Next Steps

- 24 The Medium Term Financial Forecast setting out the draft revenue budget and capital programme will be considered by Cabinet on 19 December 2013 and issued for consultation during the remainder of December 2013 and January 2014. This will include detailed consideration by each of the Policy Overview Committees of the proposals relating to their respective services.

SUGGESTED COMMITTEE ACTIVITY

Consider whether there are comments or suggestions that the Committee wishes to make.

BACKGROUND PAPERS

The Council's Budget: General Fund Revenue Budget and Capital Programme 2013/14 – reports to Cabinet 14 February 2013 and Council 28 February 2013.