

Budget Proposals Report for Children, Young People and Learning Services 2015/16

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REASON FOR ITEM

To comply with the Budget and Policy Framework procedure rules as part of the agreed consultation process for the General Fund revenue budget, Housing Revenue Account budget and capital programme for 2015/16, this report sets out the draft revenue budget and capital programme of the Children, Young People and Learning Services for 2015/16, along with indicative projections for the following four years. Following consideration by Cabinet on 18 December 2014, these proposals are now under consultation, and the proposals for each Group are being discussed at the January cycle of Policy Overview Committees.

Cabinet will next consider the budget proposals on 12 February 2015, and the report will include comments received from Policy Overview Committees. At the meeting on 12 February 2015 Cabinet will make recommendations to full Council regarding the budget and Council Tax levels for 2015/16, who will meet to agree the budgets and Council Tax for 2015/16 on 26 February 2015.

The Committee needs to consider the budget proposals as they relate to Children, Young People and Learning Services, but within the corporate context and the constraints applying as a result of the aggregate financial position of the authority.

OPTIONS AVAILABLE TO THE COMMITTEE

It is recommended that the Committee notes the budget projections contained in the report, and comments as appropriate on the combined budget proposals put forward by the Children, Young People and Learning Services, within the context of the corporate budgetary position.

INFORMATION

Background

1. The Council continues to operate within the constraints of Government's deficit reduction programme, which has seen a reduction of 37% (£58m) in central government funding since 2010/11 and all indications are that funding will continue to decline. As reported to Council in February 2014, indicative sums for 2015/16 have been published by DCLG and indicate a further 13.8% reduction in that one year alone. When combined with the broad range of demographic and other service pressures impacting upon the Council's finances, this requires the Council to continue to identify savings and efficiencies to protect services to residents.

2. Since February, groups have been developing savings proposals sufficient to manage the overall funding reduction and to manage any increased cost pressures within their services. In addition, a comprehensive review of the corporate elements of the budget has been undertaken, including funding, inflation and capital financing. During June and early July, and then again during September and October, a series of budget challenge sessions were held at officer level covering Administration, Finance, Residents Services, Adult Social Care, Children and Young People, the Capital Programme, the Housing Revenue Account and Corporate Budgets. Each session followed a similar format reviewing:
 - The 2013/14 outturn, particularly any ongoing issues arising.
 - The current position in 2014/15 - both monitoring and savings delivery.
 - Existing and emerging pressures which need to be addressed in the 2015/16 budget and forecasts for future years.
 - Progress on the development of savings proposals for 2015/16.
 - Identification of any potential growth or invest-to-save bids.
 - Capital programme requirements.
3. Alongside these budget challenge sessions, Finance Managers have been leading a number of reviews focused on understanding and simplifying the Council's base budget position in order to ensure that budgets are fully aligned with management responsibility and to improve transparency around the existing cost base. These reviews have removed a significant number of notional internal charges and centralised a number of externally-set levies, enabling operational managers to focus on controllable expenditure and accountants to reduce unnecessary reworking of data.
4. The budget report presented to Cabinet in December 2014 collated the output from work undertaken and presents a balanced draft budget for consideration by Cabinet in December and wider consultation during January, prior to the final budget for 2015/16 being approved by Cabinet and Council in February 2015. Alongside the 2015/16 position, the report also considered the financial outlook for the Medium Term which considers the likelihood of sustained reductions in funding over the period from 2016/17.

The Budget and Policy Framework Procedure Rules

1. The consultation on the budget proposals commenced on 19 December 2014 following decisions taken by Cabinet on 18 December 2014.
2. There will be a further consideration by Cabinet of the budget proposals on 12 February 2015, including comments from Policy Overview Committees. These will be collated and reported back to Cabinet by the Corporate Services and Partnerships Policy Overview Committee. Council will be requested to approve the Cabinet's proposals on 26 February 2015, and if approved without further amendment they will be effective immediately.

Corporate Summary

3. 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.
4. The budget proposals included in this report represent Cabinet's budget strategy for 2015/16 and beyond. The revenue budget proposals have been developed to deliver a zero increase in Council Tax for 2015/16 whilst maintaining balances and reserves at well above the minimum recommended level. The final funding settlement for 2015/16 will not be available until late January / early February, and so the budget has therefore been drafted on the latest estimated position.
5. The principal challenge in delivering a balanced budget for 2015/16 is the development of significant savings, with the initial budget gap of £20,284k reported to Cabinet in February 2014 being managed through a drawdown of £5,000k from balances, £7,672k being secured by groups through savings and managed reductions in contingency and the balance being met through corporate and policy items such as the collection fund surpluses and capital financing costs.
6. The budget proposals presented to Cabinet in December are analysed below, with a reduction of £8,529k in funding - principally driven by reductions in government funding - and other budget movements resulting in £10,113k savings proposals. With £3,234k of this sum relating to the full year effect of previously agreed savings, £6,879k new proposals have been developed and outlined in the report to Cabinet.

Table 1: Headline Budget Movements

	£'000
Funding Sources	
Council Tax Receipts	104,196
Retained Business Rate Receipts	46,955
Central Government Grant	52,508
Total Resources	203,659
Budget Requirement 2014/15	212,188
Inflation	2,920
Corporate Items	(5,278)
Contingency	2,942
New Priority Growth	1,000
Savings	(10,113)
Budget Requirement 2015/16	203,659
Surplus / (Deficit)	0

7. The development of savings proposals has continued to concentrate on more efficient service delivery methods, the rolling out of the new Council operating model, focusing on core services and by not creating new pressures by providing services that are no longer funded by Central Government. As previously noted, the Council's Business Improvement Delivery Programme is now well established and able to drive the delivery of these savings - evidenced by £13,407k of the £16,491k 2014/15 savings being either already banked or on track in Month 7 monitoring.
8. The draft general fund capital programme for the period 2015/16 – 2019/20 proposes significant capital investment of around £336,290k, including the continuation of the Primary schools capital programme, the development of a new Secondary Schools capital programme, the provision of a new landmark theatre and museum, investment in roads and pavements, as well as investment in new Youth Centres and improvement work associated with the borough's highways, environmental and recreational facilities.

CHILDREN, YOUNG PEOPLE AND LEARNING SERVICES BUDGET PROPOSALS

Summary of Key Financial Issues

9. The Children's and Families Act 2014 came into force on 1 September 2014, which introduced significant changes as follows:
 - to adoption so as to speed up the process,
 - to provide support for looked after children by requiring every local authority to have a Virtual School Head,
 - to undertake a review of the Family Justice system to speed up the decision making process,
 - to extend Special Educational Needs to cover the age range 0 to 25, and introduce personalised budgets for children with a Statement of Special Educational Need,
 - to replace a Statement of Special Educational Need with a Education, Health and Care Plan and improve childcare provision across the country.

The Service has been working with partner agencies and relevant stakeholders including the Parents Forum to ensure that the new requirements are in place, within the given timescales.

10. The Service is in the final stages of implementing the Children's Pathway BID Review, which should be completed in 2015, following the agreement of the new Early Support structure. This will enable the Service to have a greater focus on early intervention, which should enable the Council to deliver savings in 2015/16.
11. The Service has a high level of vacancies at the Senior Management, Head of Service and Service Manager level, which is providing a significant challenge to the service, whilst it continues to finalise and implement the Children's Pathway transformation programme.

12. Additionally, the national shortage of Social Workers continues to provide a significant challenge to the Service, where there currently exists a high level of vacancies (in excess of 30%), the majority of which are covered by agency staff, which come at a premium in excess of £15k per post. The Council has continued to develop a number of strategies to try to influence the current employment market place for Social Workers, including undertaking a review of Social Worker pay scales and career progression, introducing a recruitment and retention payment, recruiting agencies to seek out good quality Social Workers from within the UK and across Europe and seeking to convert agency staff into permanent staff employment.
13. The high level of vacancies, staff turnover and use of agency staff has had a significant impact on the ability of the service to stabilise and move forward effectively, which has resulted in a number of workload strains across the service. The Council has responded to this by investing significant resources in a managed service solution in 2014/15 in both the child assessment process and the adoption and fostering service.
14. The number of Looked After Children is beginning to increase slightly to a level more reflective of the population size of the Borough, which will place a strain on the use of In-House Foster Carers and potentially require the Council to have to use more expensive Independent Fostering Agencies. To mitigate against this, strategies have been developed that will place children in permanent placements including adoption and special guardianship, which is in line with the proposals as set out in the Children's and Families Act 2014. However, this strategy could effectively reduce the number of In-House Foster Carers should they decide to adopt and in a number of cases a permanent placement will result in allowances being paid to families that adopt or where a child has a Special Guardianship Order.
15. Asylum Seekers continue to have a financial impact on the Council's budget, as the proportion of children over 18 continues to increase at a higher rate than the number under 18, which attracts less Home Office Grant Funding. The Home Office have also indicated that there is likely to be a significant drop in funding in 2015/16, although no firm proposals have been received on the likely reduction in funding.
16. The primary pupil population continues to grow, where between October 2013 and October 2014 school census dates, the primary pupil numbers increased by approximately 690 pupils, an increase of 2.8%. Additionally, children with a Statement of Special Educational Needs are increasing at a higher rate of 6.9%. This has required the Council to invest significantly in primary school expansions and the development of 3 new primary schools (even after taking into account Government Capital Grant funding), 2 of which include Special Resource Provisions for children that have an Education, Health and Care Plan (or Statement of Special Educational Need). Additionally the secondary school population is starting to grow with an increase of approximately 110 pupils (equivalent to 0.8%). The Council is also starting the development of secondary school expansions to ensure that places are available for the current growth in primary school numbers.

17. Schools continue to convert to Academy status where the current picture in Hillingdon is that 34 schools are now academies (15 Primary, 16 secondary (of which 2 are non-recoupment academies), and 3 special), of which 5 schools (2 primary, 2 new basic need primary and 1 secondary) converted in 2014/15. Additionally, 1 primary and 1 special school will convert before the end of the 2014/15 financial year. Furthermore, based on the DfE website, 3 more schools are seeking to convert in 2015/16 (all primary). There will also be one new basic need primary academy opening in September 2015. The Borough also has 2 primary free schools, 2 Studio Colleges, 1 University Technical College and 1 special free school.

18. For 2015/16, the Education Services Grant will be reduced significantly by 20% and affect the funding of both local authorities and academy schools, where in general terms the funding per pupil will drop as indicated in the following table:

	Proposed 2015/16	Current 2014/15	Proposed Change
Total ESG	£802 m	£1.02 b	–£200 m
Retained Duties (based on total pupil population)	£15 per pupil	£15 per pupil	No change
General Funding Rate	£87 per pupil	£113 per pupil	–£26 per pupil
Academies Top-up	£0	£27 per pupil	–£27 per pupil

Group Revenue Budget 2015/16

19. The movement between the current year's budget and the draft budget requirement for 2015/16 is summarised in Table 2 below. Each of the lines in Table 1 is set out in the following sections, except for the Inflation and Contingency items.

Table 2: Group Revenue Budget 2015/16

	Total £'000
Budget Requirement 2014/15	26,944
Inflation	347
Corporate Items	0
Contingency	1,860
Priority Growth	187
Savings	(1,226)
Other Virements	(457)
Budget Requirement 2015/16	27,655

Development and Risk Contingency

20. The Development and Risk Contingency provides for resources within the revenue budget that are unallocated at the beginning of the year, but that can be applied to issues as they arise during the year. The contingency is therefore used to budget for items where the probability or value of items is uncertain at the beginning of the year. The current draft Development and Risk Contingency includes items totalling £1,620k for 2015/16 for the Children, Young People and Learning Services, with more detail provided in Appendix 1.

21. Key items within this are:

- A provision of £1,272k for the funding shortfall of providing support to Asylum Seekers
- A provision of £465 to fund new Looked After Children placements and the impact of demographic growth.
- A negative provision of £117k to reflect the potential cost avoidance of effective early intervention following the implementation of the Early Support structure.

Priority Growth

22. Growth of £187k for Children, Young People and Learning Services Group has been included in the draft budget for consultation. This includes additional funding for the following proposals:

- £97k investment to improve ICT within the Adult Learning Service
- £90k to fund the purchase of a defibrillator for each school in the Borough

Savings

23. The savings proposals contained within this draft budget have been developed through the HIP Business Improvement Delivery programme (BID), the Council's response to Central Government's austerity programme.
24. Savings proposals currently developed total £10,113k across the Council for 2015/16 including £3,234k of full year effects of prior year savings. The total savings included in the draft budget for Children, Young People and Learning Services total £1,226k and are included in Appendix 2. The majority of the savings relate to the impact of changes that are proposed to take place within the Adoption and Fostering Service, which aims to speed up the process of permanency, including adoption and Special Guardianship Orders and recruit more in-house foster carers.

Fees and Charges

25. The Council is empowered to seek income from fees and charges to service users across a wide range of activities. Some of these fees and charges are set by the Government or other stakeholders, but many others are set at the discretion of the Council, based on Cabinet's recommendations.
26. Schedules detailing the proposals relating to fees and charges for 2015/16 for the Children, Young People and Learning Services are attached at Appendix 3.

Capital Programme

27. The capital programme for 2015/16 was approved by Cabinet and Council as a five-year capital budget that focused on maximising the use of identified funding in order to minimise the level of new borrowing that ultimately impacts on budget requirements funded through Council Tax.
28. The process of developing a capital programme has again focused on identifying and sustaining available funding streams whilst simultaneously managing the significant impact of increased demand for sufficient school places in the borough.
29. The draft capital programme may need to be revised once the final impact of the settlement is known as this may impact on the affordability of the programme. A summary of the draft capital programme for the Children, Young People and Learning Services is shown in Appendix 4. Key items within the draft capital programme are:
- The continued expansion of primary schools (£16,925k)
 - The beginning of the expansion of secondary schools (£2,188k)
 - The provision for new build secondary schools (£19,811k)

BACKGROUND PAPERS

Medium Term Financial Forecast 2015/16 - 2019/20 – report to Cabinet 18 December 2014.

Children, Young People and Learning Policy Overview Committee – 14 January 2015

PART 1 – MEMBERS, PUBLIC AND PRESS