

BUDGET PROPOSALS REPORT FOR CHILDREN, YOUNG PEOPLE AND LEARNING SERVICES 2016/17

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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 2016/17, this report sets out the draft revenue budget and Capital Programme of the Children, Young People and Learning Services for 2016/17, along with indicative projections for the following four years. Following consideration by Cabinet on 17 December 2015, 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 18 February 2016, and the report will include comments received from Policy Overview Committees. At the meeting on 18 February 2016 Cabinet will make recommendations to full Council regarding the budget and Council Tax levels for 2016/17, who will meet to agree the budgets and Council Tax for 2016/17 on 25 February 2016.

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 56% (£67m) in central government funding since 2010/11 and all indications are that funding will continue to decline. There remains significant uncertainty around funding forecasts for the remainder of the MTFF period, with November's Autumn Statement reaffirming the direction of travel of local government funding.
2. The draft budget presented to Cabinet in December does not include the impact of funding outlined within the recent Spending Review or Provisional Local Government Finance

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Settlement. However, the expectation is that the overall funding position for the next 4 years may have improved slightly from previous forecasts although the position in 2016/17 could well be worse than assumed because local government savings have been front loaded.

3. In order to provide a firm basis from which to respond to on-going funding reductions, there has been significant work undertaken to review and confirm the baseline position of demand-led service areas, with Looked After Children placements and the new permanent establishment for Children & Young People's Services being two examples. Alongside this work on demand-led budgets, monitoring of progress in the successful delivery of the 2015/16 savings programme has fed into development of the 2016/17 budget to ensure that the Council is not carrying forward issues into the new financial year.
4. Against this baseline position, groups have been developing savings proposals sufficient to meet the externally driven budget gap and respond to increases in cost pressures. In addition to this work across directorates, a comprehensive review of the corporate elements of the budget has been undertaken since February, capturing funding, inflation and capital financing. During the early summer and again in the autumn, a series of challenge sessions were held to affirm the budget position. Each session followed a similar format reviewing:
 - The 2014/15 outturn, particularly any on-going issues arising.
 - The current position in 2015/16 - both monitoring and savings delivery.
 - Existing and emerging pressures which need to be addressed in the 2016/17 budget and forecasts for future years.
 - Progress on the development of savings proposals for 2016/17.
 - Identification of any potential growth or invest-to-save bids.
 - Capital programme requirements.
5. The consultation budget collated the outputs from these sessions, with sufficient savings proposals having been developed to bridge the budget gap in 2016/17 while freezing Council Tax for all residents for an eighth successive year and funding the freeze for older persons into a twelfth year in 2018/19. A surplus of £1,251k is retained at this stage in the budget setting process in order to manage the risk of further reductions in funding once 2016/17 grant awards have been confirmed.

The Budget and Policy Framework Procedure Rules

6. The consultation on the budget proposals commenced on 18 December 2015 following decisions taken by Cabinet on 17 December 2015.
7. There will be a further consideration by Cabinet of the budget proposals on 18 February 2016, 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 25 February 2016, and if approved without further amendment they will be effective immediately.

Corporate Summary

8. 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.
9. The budget proposals included in this report represent Cabinet's budget strategy for 2016/17 and beyond. The revenue budget proposals have been developed to deliver a zero increase in Council Tax for 2016/17 whilst maintaining balances and reserves at well above the minimum recommended level. The final funding settlement for 2016/17 will not be available until February 2016 and so the budget has therefore been drafted on the latest estimated position.
10. The principal challenge in delivering a balanced budget for 2016/17 is the development of significant savings, with the savings requirement for 2016/17 originally being estimated at £20,276k. This was revised in the wake of the March 2015 Budget to £21,247k, with a planned £4,000k drawdown from balances to smooth the impact of front-loaded funding cuts reducing the outstanding budget gap to £17,247k. Following the reduction in funding cuts for 2016/17 signalled by the July 2015 budget and latest intelligence on core government funding, the budget gap stood at £14,079k.
11. The budget proposals presented to Cabinet in December are analysed below, with a £5,950k projected reduction in Government Grants being off-set by increased Council Tax and Business Rates receipts to reduce the budget requirement by £1,012k. Inflationary pressures and growth in demand continue to drive up the savings requirement, with savings proposals of £12,144k presented in this draft budget sufficient to generate a £1,251k surplus.

Table 1: Headline Budget Movements

	£'000
Funding Sources	
Council Tax Receipts	108,654
Retained Business Rate Receipts	47,435
Central Government Grant	46,851
Total Resources	202,940
Budget Requirement 2015/16	203,952
Inflation	3,439
Corporate Items	(1,890)
Contingency	8,862
New Priority Growth	(530)
Savings	(12,144)
Budget Requirement 2016/17	201,689
Surplus / (Deficit)	1,251

12. 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 £8,172k of the £10,034k 2015/16 savings being either already banked or on track in Month 7 monitoring.
13. The draft General Fund Capital Programme for the period 2016/17 – 2020/21 proposes significant capital investment of around £371,725k - containing funding to deliver a new Theatre, museum and bunker visitor centre in Uxbridge, three new Youth Centres, funding for a new playground renewal programme as well as bolstering investment in existing local infrastructure.

CHILDREN, YOUNG PEOPLE AND LEARNING SERVICES BUDGET PROPOSALS

Summary of Key Financial Issues

14. During 2015, the council agreed to provide significant additional resources for Children and Young Peoples Services in order to create the headroom for the service to reach an accurate understanding of demand and the resources required to meet it. This included a managed service for referral and assessment as well as the continued use of agency staff at all levels across the structure, including Senior Management, Head of Service and Service Managers to provide stability to the service whilst the service
15. The intention of the structural review was to ensure that there was sufficient capacity within all teams to be able to manage caseloads that are, on average, in line with recommended good practice and that there was a clear line of management control and accountability. This resulted in a flatter structure being proposed (resulting in the removal of the Deputy Team Manager role), which in most cases consists of a ratio of 1 Team Manager to 7 social work staff, the make up of which would consist of Advanced Social Work Practitioners, Social Workers and Newly Qualified Social Workers, where applicable, to ensure that there was scope for successful continuing professional development and succession planning.
16. The structure for Children's Services has now been agreed and is actively being recruited to. The service has taken a very measured approach to recruitment, starting with management posts. Indications are that this approach has been well received and is resulting in a high level of permanent recruitment. This includes the Senior Management Team, where the post of the Corporate Director of Social Care, the Assistant Director of Safeguarding and Children's Services Improvement and the Assistant Director Children's Services have all been recruited to. Additionally two new permanent Service Managers in Children's Resources and Children in Care Service will start on 25th January and the 1st March respectively, leaving only one Service Manager post to be filled (Referral and Assessment). This success continues where there are now only 6 vacancies remaining of the 23 Team Manager roles across Children's Services
17. The recruitment campaign for Social Workers started in October 2015 with the launch of phase 1, phase 2 will be launched early in the new year. Early indications are that the reputation of Hillingdon within the Social Work profession is positive and improving, which in turn may result in some more agency workers deciding to convert to permanent roles as it becomes apparent that the need for temporary workers will continue to diminish. The service has also developed a comprehensive induction and training programme for new starters to ensure that their initial impressions will be positive, that they will be well trained and to aid retention of new employees.
18. As there is a national shortage of Social Workers the service continues to look further afield and has recently entered into a contract for the recruitment of 8 experienced Social Workers from South Africa.

19. In parallel with this, the Early Intervention and Prevention Service is nearing the end of its transformation and is in the final stages of recruitment to the new structures. This has enabled the service to start the process of fully integrating into the Children and Young Peoples Service, providing new initiatives to support the prevention of children coming into the care system. This service will also support the delivery of the next phase of the Troubled Families Programme, which was launched in May 2015.
20. The number of Looked After Children is now within the range that would be expected for a Council the size of Hillingdon, however, approximately one third of these children are Unaccompanied Asylum Seekers, indicating that the underlying number of Looked After Children is comparatively low when compared to other Council's, but within this has a high proportion of teenagers. The service is currently experiencing significantly high levels of Residential placements (31 as at the end of December), with a high proportion having complex needs. The cost of these placements ranges from £3,400 per week to £6,000 per week (£176,800 per annum to £312,000 per annum).
21. Over the last year, there have been a number of changes across the service, including the extension of the 'Staying Put' legislation, which increases the age range for children up from 18 to 21 to stay in their current foster care placement, a significant move towards the issuing of Special Guardianship Orders and a court ruling requiring connected persons to be paid an allowance equivalent to an In-House Foster Carer. All of these changes have increased the cost of placements. They also remove a potential In-House Foster Carer from the system as in most cases the new arrangements restricts them from looking after new children.
22. In response to these challenges, the service recently launched an In-House Foster Carer recruitment campaign (the Fantastic 30), which has a focus on fostering teenagers and/or those with more complex needs. The first phase of the campaign has been successful and there are 24 new foster carers in the assessment process. These carers will come on line in Quarter 1 & 2 of next financial year and will reduce the need for Independent Foster Placements. The second phase of foster care recruitment will start in late January 2016.
23. In March 2015, the Council received notification from the Home Office of a reduction in the Unaccompanied Asylum Seeking Children Grant for under 16's and 16 to 17 year olds. In addition the grant received from the Home Office continues to fall, even though the numbers remain relatively constant, which relates to the change in the age profile of Asylum Seeking children as the growth in the over 18 population is projected to increase at a higher rate than the number of new Asylum Seekers below 18, where the grant is significantly higher (£114 per day for eligible under 16's and £91 per day for eligible 16 to 17 year olds, compared to £150 per week for eligible 18+).
24. There continues to be indications from other Councils that they are still experiencing growth in this provision, especially those with Sea Ports. There are ongoing discussions with the Home Office, who are being asked to consider fully funding the cost of support for

Asylum Seeking Children. The Home Office sent a letter to all Councils on 24 November 2015, setting out the proposed funding arrangements, which indicates that grant funding will be provided for these children at a rate of £114 per day for eligible under 16's, £91 per day for eligible 16 to 17 year olds and £200 per week for eligible 18+.

25. At present, Hillingdon is not experiencing a significant increase in the number of Asylum Seeking Children, however, Hillingdon is experiencing a growing over 18 population compared to the under 18 population.
26. The primary pupil population continues to grow, where between October 2014 and October 2015 school census dates, the primary pupil numbers increased by approximately 847.5 pupils, an increase of 3.2%. Additionally, the secondary school population is continuing to grow with an increase of approximately 122.5 pupils (equivalent to 0.8%). The Council is also starting the process for the development of secondary school expansions to ensure that places are available for the current growth in primary school numbers.
27. Schools continue to convert to Academy status where the current picture in Hillingdon is that 38 schools are now academies (17 Primary, 16 secondary, 4 special and 1 pupil referral unit), of which 3 schools (1 new basic need primary, 1 special and 1 pupil referral unit) converted in 2015/16. Based on the DfE website, 2 more schools are seeking to convert (all primary), but with no specific conversion date. The Borough also has 2 primary free schools, 2 Studio Colleges, 1 University Technical College and 1 special free school.
28. The Autumn Statement set out a number of major new initiatives that will have an impact across the Service:
 - There will be a national funding formula from April 2017. This will cover all funding streams, which includes Early Years, Schools and High Needs.
 - Free childcare for 3 and 4 year olds will be increased to 30 hours for working parents from September 2017.
 - The Education Services Grant will be significantly reduced by 75% from £800m to £200m, although it is not clear over what timeframe this will be introduced. The funding for 2016/17 has been announced which sees a slight reduction in the General Funding Rate per pupil as set out in the following table:

	Proposed 2016/17	Current 2015/16	Proposed Change
Retained Duties (based on total pupil population)	£15 per pupil	£15 per pupil	No change
General Funding Rate	£77 per pupil	£87 per pupil	-£10 per pupil

Group Revenue Budget 2016/17

29. The movement between the current year's budget and the draft budget for 2016/17 is summarised in Table 2 below. Each of the lines in Table 1 is set out in the following sections and in Appendix A.

Table 2: Group Revenue Budget 2016/17

	Children's and Young Peoples	Policy and Standards	Total
	£'000	£'000	£'000
Operating Budget 2015/16	26,941	4,982	31,923
Inflation	405	72	477
Corporate Items	0	0	0
Contingency	1,298	0	1,298
Priority Growth	0	(240)	(240)
Savings	(3,288)	(281)	(3,569)
Other Virements	0	0	0
Operating Budget 2016/17	25,356	4,533	29,889

Development and Risk Contingency

30. 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 £6,223k for 2016/17 for the Children, Young People and Learning Services, with more detail provided in Appendix 1.

31. Key items within this are:

- A provision of £2,212k for the funding shortfall of providing support to Asylum Seekers

- A provision of £3,734k to fund the re-basing of the placements budget, new Looked After Children placements and the impact of demographic growth.
- A provision of £277k to fund the additional cost of employing agency staff to cover posts in the establishment

Priority Growth

32. There is a negative adjustment to the budget relating to Growth of £240k for Children, Young People and Learning Services, which has been included in the draft budget for consultation. This relates to the removal of one off funding provided in 2015/16 for defibrillators based in schools (£90k) and the first time buyers initiative (£150k).

Savings

33. Savings proposals, focused on increased efficiency and effectiveness with no reduction in service provision, have been developed through the Council's BID Programme and associated workstreams. The savings have been adjusted to take account of rephrasing of 2015/16 proposals so the Council does not carry forward undeliverable savings in the refreshed MTF. These proposals fall into five broad themes: Zero Based Reviews; Preventing Demand; Service Transformation; Effective Procurement; and Maximising Income.

34. Savings proposals currently developed total £12,144k across the Council for 2016/17 including £2,865k of full year effects of prior year savings. The total savings included in the draft budget for Children, Young People and Learning Services total £3,569k and are included in Appendices 2a and 2b.

35. Key items within this are:

- The receipt of £717k of grant funding relating to the Troubled Families Phase 2 Programme, based on working with and supporting 437 families in each of the next four years.
- A saving of £415k relating to a review of externally commissioned services across the Early Intervention and Prevention Service.
- A saving of £1,342k in the cost of placements, with the main focus on reducing the number of residential placements and recruiting more In House Foster Carers.
- A saving of £392k relating to the review of external funding contributions.
- A saving of £178k reflecting the impact of the new Early Intervention and Prevention Service.
- A saving of £286k relating to a zero based review of budgets across the service, including the review of the Young Peoples Support, Information, Advice and Guidance Service contract.
- A saving of £239k relating to a review of the Business, Performance and Intelligence and School Improvement structures.

Fees and Charges

36. 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.
37. Schedules detailing the proposals relating to fees and charges for 2016/17 for the Children, Young People and Learning Services are attached at Appendix 3a and 3b.

Capital Programme

38. The capital programme for 2016/17 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.
39. 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.
40. 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 (£11,356k)
 - The beginning of the expansion of secondary schools (£14,498k)
 - The provision for a new build secondary school (£23,685k)

BACKGROUND PAPERS

Medium Term Financial Forecast 2016/17 - 2020/21 – report to Cabinet 17 December 2015.