

Report to: Children's Services, Young People,
and Sport Scrutiny Committee

Date: 31 January 2008

Report of: Director Of Corporate Resources
Director of Children's Services

Report No: 6

Contact Officer: Carol Davies

Tele No: 332032

Report Title: **Children's Services Portfolio Allocation 2008/09**

Non Confidential:

This report does not contain information which warrants its consideration in the absence of the press and members of the public.

Purpose:

The purpose of the report is to inform Committee members of the strategic budget options in respect of Children's service portfolio for 2008/09.

Recommendations:

Members are asked to consider and comment on the contents of this report.

Decision:

Signed:

Leader/Executive Member

Monitoring Officer

Date:

Summary:

This report outlines the budget pressures and options available to enable Members to consider the resource allocation in respect of services for children and young people for 2008/09.

As part of the Corporate Business Planning Process the Council evaluates its financial requirements for the following three years. Following this evaluation, the Executive has provided financial guidance to services to set the parameters for the consideration of Strategic Resources options for 2008/09 and subsequent years. Based on this guidance, the Department has identified a range of savings options to meet the savings target set by the Executive.

Wide consultation with schools and the Schools Forum regarding the strategic budget options has been undertaken from November 2007 to January 2008. This report reflects the recommendations of the Schools Forum in relation to breaching the Central Expenditure Limit (CEL) in respect of the school centrally held funding block.

2. BUDGET GUIDANCE

These estimates have been prepared based on the budget guidance given by the Executive and the indicative Dedicated Schools Grant (DSG) settlement as announced by the DCSF.

As part of the strategic budget consultation process, having received information regarding the budget settlement from the DCSF a paper was presented to the Children's services policy development group on 4th December 2007, the Schools Forum on 6th December 2007 and the Executive Member for Children's services on 12th December 2007 regarding the strategic budget options for 2008/09. Since those meetings there have been some further developments in respect of the potential budget for 2008/09. This report incorporates these changes together with some further details regarding the budget options.

3. ASSUMPTIONS WITHIN THE BUDGET ESTIMATES

The enclosed budget options in respect of Children's services portfolio have been prepared based on:

- i. the full passporting of the DSG to the Children's services portfolio
- ii. cashable savings of 4% be sought in respect of the non schools element of the Children's services portfolio
- iii. the DSG base will be adjusted in 2008/09 to reflect the transfer of the Bolton Muslim Girls School into the maintained sector from September 2007.
- iv. Council investment of £ 500,000 in the school improvement service and provision for front line youth services.
- v. Council investment of £ 500,000 in support of the BSF (Building Schools for the Future) programme. This funding is held within corporate resources.

4. SCHOOLS BUDGETS

In April 2006 the Government introduced new funding arrangements for schools for 2006-07 and 2007/08. These changes were complex and wide ranging and included:

- the introduction of a ring-fenced grant for schools; known as the Dedicated Schools Grant (DSG);
- the provision of multi-year budgets for schools; and
- the streamlining of specific grants.

These changes were introduced in the second year of the comprehensive spending review; as such the information on the multi year budget only covered the 2 years to March 08.

a) Dedicated schools grant (DSG)

The DSG covers the individual school departmental budgets and a budget for other provision for pupils held centrally, (e.g. some Special Educational Needs (SEN) provision, Pupil Referral Units, centrally held schools meals and insurance). The DSG must only be spent on schools budget items; however with agreement of the Schools Forum this funding may be

combined with budgets of other local authority services and other agencies.

b) Multi-year Budgets for schools

School budgets are aligned to the pattern of the national spending review cycle. As such, before April 2008 schools will be notified of their budget allocation for 2008/09 and of their indicative budgets for the three years 2009-10 to 2010-11.

5. BUDGET SETTLEMENT

a) Schools budgets

In terms of schools budgets, the recent DCSF announcements indicate DSG will increase as below:

2008/09	4.4% increase per pupil
2009/10	3.7% increase per pupil
2010/11	4.2% increase per pupil

Over the three years this is an increase of 12.9% per pupil.

The national average increase in DSG for 2008/09 is 4.6% per pupil and ranges from an increase of 3.8% per pupil to 5.6% per pupil. LAs with the average increase of 4.6% and above have received within their allocation targeted funding for disadvantaged pupils and areas for schools in pockets of deprivation in more affluent areas. Bolton has and continues to receive funding for deprivation within the base allocation, and as such has not attracted this new element of funding.

Comparisons with Bolton's statistical neighbours show of these 11 LAs; Bolton has received the largest percentage increase per pupil, with the average increase across statistical neighbours being 4.3%. The average percentage increase across the North West is 4.5%, with only 6 out of 22 LAs having received a percentage increase slightly greater than Bolton.

The DCSF are undertaking a review of the DSG formula methodology over this spending cycle. The aim of the review is to develop a fairer and more transparent method for distributing DSG nationally. The LA will assess the potential financial impact of this review in April 2011 budgets and beyond.

The DCSF have also now announced the majority of standards fund grants. The grant allocation for Bolton has increased by 5.9% for 2008/09 compared to the current year. This is a total increase of both devolved and non-devolved grants of £ 1.2 million.

b) Departmental budgets

The Children's services department is required to generate savings equal to 4% of the non-schools budget, this represents slightly less than £ 1.6 million savings requirement against a budget of just over £ 43 million. For the following two years the department anticipates being required to generate savings of 3% - equal to a further £ 1.2 million in each of those years.

The estimated budget increases and summary financial position for 2008/09 are given in the table below:

Summary	LA Block	Centrally Held Schools Block	Delegated Schools Block	Total all Children's services
Net Budget increase	3,868,600	577,900	5,228,020	9,674,520

Demographic and inflationary changes	1,291,300	635,100	3,567,886	5,494,286
Target savings 4%	1,579,000	-	-	1,579,000
Balance b/f from 06/07 in one-off savings to underpin base	1,420,600			1,420,600
Identified budget pressures	250,000	297,000	603,000	1,150,000
Total savings identified	-1,172,300	-354,200	-	-1,526,500
Total growth / policy options identified	500,000	-	1,057,134	1,557,134

A variation analysis for the 3 year period 2008/09 to 2010/11 is given in Appendix A.

6. UNAVOIDABLE COMMITMENTS and DEMAND LED PRESSURES

The estimated total unavoidable commitments across the whole portfolio (including inflation and legislative pressures) is £ 6.6 million. Whilst, having met these pressures, there is growth of £ 1 million within the delegated schools block.

a. Inflationary pressures

The initial budget for 2008/09 has been prepared including an allowance to cover the impact of inflation.

The following rates have been incorporated within the budget proposals:

All pay awards and those budgets which are predominately based upon employee related costs such as cleaning contracts, have been estimated as 2.5%

Gas has been estimated as 33%.

All other price increases (non-pay items) have been estimated as 3%

Income budgets have been estimated as increasing by 4%.

The impact of changes in the level of the employer's pension contributions of an additional 1% per annum over next 3 years and the revenue consequences of capital allocations are included within the budget proposals. The additional funding anticipated through the DSG as a consequence of the change in status of the Muslim Girls schools has also been included within the budget growth.

The costs of meeting inflationary, superannuation pressures, capital debt costs and pupil number changes are £ 5.5 million across the whole portfolio.

b. Legislative growth / strategic options /existing budget pressures / efficiencies

A number of existing budget pressures which are currently being faced in 2007/08 have been identified together with a range of pressures which will impact on the budget for the portfolio next year. These are identified in Appendix B.

In addition to these pressures, as strategically planned the department identified funding of £ 1.4 million to support the financial position in 2007/08. As this was only available for one year (07/08) the department has also identified efficiencies to cover this within the base budget.

In order to fund the required savings and identified pressures the department has identified a range of cashable savings. Some of the processes adopted by the department include analysis of the potential to generate efficiencies through business process re-engineering, benchmarking exercises to indicate areas of higher than average spend to be investigated, value for money reviews and maximising the use of external funding.

Given the estimated resources available the department has considered the relative priorities of each of the options in light of statutory duties, issues identified through the

annual performance assessment and the strategic big issues facing the department. Information regarding the proposed savings is given in Appendix C.

c. CEL (Central Expenditure Limit)

Funding within the centrally held block is subject to the central expenditure limit regulations (CEL). These regulations provide that centrally held resources cannot increase any faster than the delegated funding to schools. However the CEL may be breached with the approval of the Schools Forum.

During the consultation regarding the budget setting for 2007/08, given the significant financial pressures against the centrally held block (and LA block), the Schools Forum was asked to consider breaching the CEL limit for 2007/08 in order to allow a number of the policy option proposals to be supported.

At the Schools Forum meeting on 10th January 2007 the Forum made the resolution that the Central Expenditure Limit be breached for 12 months only, to support the following policy options: -

- (i) known existing budget pressures in the sum of £103,000; (covering inflationary pressure, school meals, and FMSiS introduction)
- (ii) central support for the Music Service in the sum of £103,000; and
- (iii) support for ESW provision in the sum of £ 91,200.

Given this breach was for only 1 year an adjustment has been incorporated within the budget estimates for April 2008 to reflect the temporary breach in 2007/08.

d. School funding position

Whilst the available funding would be insufficient to meet all the demands in the centrally held schools block, there is still over £ 1.6 million funding available for growth within the delegated schools block.

As part of the consultation process schools have given consideration as to the distribution of this funding within the delegated schools block, the potential to fund activities within the centrally held block which are supporting schools, and to continue the roll out of the needs led formula.

a) Budget pressures within delegated schools block

An anticipated budget pressure of £ 900,000 in respect of the potential impact of the pay and grading review has been reflected against the delegated schools block.

b) Growth within delegated schools block

At the meeting of the Schools Forum on 10th January 2008 the Schools Forum recommended using the remaining budget growth to support:

• A formula factor to support International new arrivals

Following discussion earlier in the year by the Formula Review Group and presentation to the Schools Forum, the Schools Forum recommended the introduction of a new formula element to fund international new arrivals on the following basis from April 2008:

- (i) Funding on a unit value per child with no weightings.
- (ii) The unit value to equate to a Teaching Assistant Level 2 for 1 day a week for 6 months (current value £1,538)
- (iii) No differential in funding for key stages
- (iv) No Transfer of funding if the child transfers school.
- (v) Funding would be allocated at the start of the following financial year – based on data collected during the previous 12 months (i.e. funding would

be received retrospectively by schools).

(vi) Nursery aged children within schools should be included within the allocation

(vii) A review of this process and impact of the change to the formula in respect of international new arrivals is undertaken following its introduction.

- **Music Service**

The Schools Forum made the resolution that the Central Expenditure Limit be breached for 12 months only in respect of central support for the Music Service to the value of £103,000.

- **ESW (Education Social Work) Service**

The Schools Forum made the resolution that the Central Expenditure Limit be breached for 12 months only in respect of central support for the ESW Service to the value of £ 91,200.

- **Pooled resources to support integrated working**

The Schools Forum made the resolution that the Central Expenditure Limit be breached to create a resource of £ 100,000 to support integrated working across Children's services and within schools to improve outcomes for children.

- **A formula factor to support attainment of Looked After Children**

Following discussion earlier in the year by the Formula Review Group, the Schools Forum recommended the introduction of a new formula element from April 2008 to fund support for Looked after children within schools (equal to approx £ 262,000) based on the actual number of looked after children within each school.

The impact of these recommendations is shown in Appendix D

7. RISKS

The Department has undertaken an assessment of risk. Having reviewed the assessment of risk, the management of the Department have determined that there is no overall significant impact but as outlined in the Strategic plan a detailed report will be presented to the Executive Member in future.

8. STRATEGIC BUDGET CONSULTATION

a. Consultation Process / Timetable

The strategic budget options have been subject to the following consultation process:

4th December 2007

Children's Services Policy Development Group consideration of the initial strategic budget options

6th December 2007

Schools Forum meeting to consider the initial proposed budget options

12th December 2007

Children's Services Executive Member consideration of the initial strategic budget options

15th December 2007

Letter to all schools outlining the initial proposed options and requesting comments

10th January 2008

Schools Forum meeting to make recommendations to the Executive Member for Children's services regarding the proposals

21st January 2008

Children's Services Policy Development Group consideration of the strategic budget options. (An update of the views of the Policy Development Group will be provided at the Executive meeting on 22nd January 2008)

22nd January 2008

Children's Services Executive Member meeting to recommend budget options

31st January 2008

Children's Services Scrutiny committee to consider the recommended budget options

20th February 2008

Full Budget Council Meeting to determine the Council budget for 2007/08.

9. CAPITAL PROGRAMME

The total resources available in 2008/09 are £ 18.5 million. The schemes currently included within the Capital Programme together with the funding sources to support the programme are outlined in Appendix F.

10. SOCIAL and ENVIRONMENTAL IMPACT

The budget proposals contain a number of efficiency options which are intended to continue and improve the service delivery for the community of children in the Borough. The strategic budget options in respect of school improvement and youth provision are directed to improve the outcomes for children across all sectors. Some of the budget options for the use of available growth funding are directed towards particular vulnerable groups e.g. children who are international new arrivals and looked after children. These will have a positive impact in terms of narrowing the gap between the most well off and most disadvantaged communities. The budget proposals do not pose a negative environmental impact.

11. EQUALITY IMPACT ASSESSMENT

This report does not require an EIA as it does not require a decision on policy change from the Formal Executive Members.

There has been an EIA conducted for Looked After Children who are placed in Agency Placements outside Bolton. No adverse impacts were identified.

12. RECOMMENDATIONS

The Executive Member for Children's services is asked to consider and comment on the report in relation to:

- a) The strategic budget 2008/09.
- b) The capital programme of £ 18.5 million

	Total Children Services		
	New Estimate 2008-09 £000's	New Estimate 2009-2010 £000's	New Estimate 2010-2011 £000's
Original Budget	209,776	209,776	209,776
Less			
Asset Rentals	0	0	0
Depreciation	4,413	4,413	4,413
Recharges In	3,098	3,098	3,098
Add			
Recharges Out	330	330	330
Base Budget	202,595	202,595	202,595
Teachers Pay Inflation	3,044	6,580	10,208
Pay Inflation	1,108	2,272	3,493
Prices	1,765	3,644	5,577
Employee Related inflation	197	400	607
Gas	229	257	285
Electricity	48	97	148
Income	-311	-635	-971
sub total Inflation	6,081	12,616	19,347
Legislative pressures	363	726	1,088
Debt	158	316	474
Demand Led Changes	0	0	0
Existing budget pressures	1,150	1,150	1,150
Virements	462	462	462
Policy options	750	750	750
Demographic changes	-952	-1506	-1506
Add growth within schools budgets	1,057	0	0
Savings	-1,527	-1,527	-1,527
Total budget	210,137	215,582	222,833

Budget pressures

		LA Block	Centrally Held Schools Block	Delegated Schools Block	Total all Children's services
Notes					
Foster care / kinship allowances	Phased introduction of national minimum allowance	250,000			250,000
Pay and grading within schools	Estimated 5% of non teaching pay costs			900,000	900,000
Breach of CEL			297,000	-297,000	0
Total Known budget pressures		250,000	297,000	603,000	1,150,000

Savings for consideration

LA Block	Centrally Held Schools Block	Delegated Schools Block	Total all Children's services
----------	------------------------------	-------------------------	-------------------------------

Efficiencies

Agency placements	Reduction in number of children requiring to be placed in agency placements	-50,000		-50,000
Integrated youth offer review	Savings generated through VFM review	-500,000		-500,000
Early start and children's social care	Reconfiguration of management layers	-157,500		-157,500
Finance unit	Process review /integration of school finance systems managed by vacancies	-20,000		-20,000
Departmental management realignment and capacity building	Risk of dispute resolution costs to be managed within the department, plus remodelling and capacity building across staffing in access & inclusion division - managed by existing vacancies.	-135,000		-135,000
Children's Trust	Children & Young people working party to be embedded within Children's Trust arrangements	-59,800		-59,800
Children's services departmental expenditure reductions	Reduced expenditure in respect of general equipment	-250,000		-250,000
Behaviour support	Managed efficiencies through redesigning provision		-60,000	-60,000
Schools centrally held Contingency	Improved forward planning of in year requirements in respect of SEN pupil placements		-100,000	-100,000
Other				
Music service	Schools Forum decision to support Music Service for one year (Central Expenditure Limit 07/08)		-103,000	-103,000
ESW	Schools Forum decision to support ESW service for one year (Central Expenditure Limit 07/08)		-91,200	-91,200
Total potential savings		-1,172,300	-354,200	0

		LA Block	Centrally Held Schools Block	Delegated Schools Block	Total all Children's services
Policy options / Budget growth					
International new arrivals	Proposed new element within formula allocation to schools			500,000	500,000
Looked after children (LAC) support	Proposed new element within formula allocation to schools to raise attainment of LAC			262,934	262,934
General growth in delegated schools budgets - see table below *				294,200	294,200
School improvement / Youth provision		500,000			500,000
Total growth		500,000	0	1,057,134	1,557,134

The Schools Forum approved breach of CEL as below *

<i>Music Service</i>	<i>103,000</i>	<i>-103,000</i>	<i>0</i>
<i>ESW service</i>	<i>91,200</i>	<i>-91,200</i>	<i>0</i>
<i>Resource to support integrated working</i>	<i>100,000</i>	<i>-100,000</i>	<i>0</i>

Capital programme 2008-2011

Scheme	2008-2009	2009-2010	2010-2011
	£	£	£
Kitchens	169,000	169,000	169,000
Building Maintenance Programme	2,000,000	481,400	3,981,439
Primary Capital Programme		4,012,900	6,391,000
14-19 Diploma's, SEN and disabilities - TCF		2,000,000	6,000,000
Extended Schools	486,700	515,600	266,500
Harnessing Technology	887,900	965,800	1,047,200
Other ICT	391,500		
AMP Priorities	1,481,400	0	0
Schools Capital Support Fund	200,000	200,000	200,000
Access - Main programme	457,500	457,500	457,500
Devolved Capital - Main	3,920,000	3,870,000	3,870,000
Withins, Firwood developments	6,000,000	3,500,000	
Youth Centres	120,000	210,000	210,000
Targeted Capital Fund (Hayward)			10,982,961
ICT Refresh	350,000	350,000	350,000
Page 12 of 13			
Children Centres - Phase 3	304,400	627,300	391,900
Early Years	1,159,000	1,159,000	1,159,000

Re-location of Children's Homes	196,000		
Re-provision Residential	142,300		
Integration - joint teams	50,000		
Semi-independence Unit	100,000		
Children Social Care - DFG	90,000	90,000	90,000
Total	18,505,700	18,608,500	35,566,500
Financing			
Corporate Borrowing Approval - Supported	4,270,500	3,878,900	1,833,900
- Unsupported	2,284,100	650,000	650,000
Primary Capital Programme		4,012,900	6,391,000
Capital Receipts - Corporate	1,000,000		
Corporate Resources - supported	60,000		
Corporate Resources	338,300		
Standards Fund Grant - Devolved	3,920,000	3,870,000	3,870,000
Standards Fund Grant - NDS Modernisation	474,700	474,700	2,519,739
Standards Fund Grant - Previously Advanced Modernisation	-474,700	-474,700	-474,600
Extended Schools	486,700	515,600	266,500
Harnessing Technology	887,900	965,800	1,047,100
14-19 Diploma's, SEN and disabilities - TCF		2,000,000	6,000,000
Hayward TCF			10,982,961
Revenue Contributions to Capital	3,794,800	929,000	929,000
Children Centres/Extended Schools - Phase 3	304,400	627,300	391,900
Early Years	1,159,000	1,159,000	1,159,000
Total	18,505,700	18,608,500	35,566,500
- Under/Over financing	0	0	0