

Joint report of the Director of Learning, Culture and Children's Services and the Director of Resources

REVENUE BUDGET ESTIMATES - 2007/08

Purpose of Report

- 1 This report presents the 2007/08 budget proposals for Children's Services. It includes:
 - The Budget Book Service Plans for 2006/07 (Annex 1) to show the original budgets.
 - The base budget for 2007/08 including the 2006/07 budget rolled forward and adjusted.
 - The allocation of pay and price increases for the portfolio.
 - Budget service pressure proposals and savings proposals for the portfolio area (Annexes 2 and 3)
 - Fees and charges proposals (Annex 4).
 - Residential Homes, Foster Carers, Sharing Care, Adoption and Residence Order Weekly Allowances (Annex 5)
- 2 Budget Council will be held on 21 February 2007 and will make decisions on the overall budget for the Council. In order to facilitate the decision making process the Executive are meeting on 16 January to consider the preferences identified by the individual portfolio Executive Members and the results of the consultation. The Children's Services Executive Members are therefore asked to consider the budget proposals and identify their preferences which will be considered by the Executive following consultation. The Executive Members' Advisory Panel (EMAP) is invited to provide comments on the budget proposals in this report.

Background

- 3 The Council's Medium Term Financial Strategy was adopted by the Executive on 11 July 2006. This paper is the result of ongoing work against this agreed framework.

Local Government Finance Settlement

- 4 The provisional Local Government Finance settlement for 2007/08 was included in the settlement papers for 2006/07 received in January 2006, which alongside the 2006/07 settlement provided indicative figures for 2007/08. A consultative draft settlement for 2007/08 is expected by early December. However, it is not expected that there will be anything other than minor changes from the figures currently used.

- 5 The figures in the 2006/07 settlement indicated that the increase in government funding in 2007/08 nationally would be 4.0% but for York the figure is 3.2% or an additional £1.192m. However, there is no guarantee that this allocation will not change when the final grant settlement is announced in late January 2007, although any changes are expected to be minor.

Schools Funding Settlement

- 6 For schools funding through the Dedicated Schools Grant (DSG), 2007/08 is the second and final year of the DfES's first multi-year budget period. For 2007/08 therefore the DSG allocation for York will be based on the December 2005 announcement, updated for changes in pupil numbers.
- 7 The DSG is ring-fenced for funding the provision of education for pupils in schools (maintained, PVI nurseries or externally purchased places). As such it covers funding delegated to individual LEA maintained schools through the LMS Funding Formula and funding for other pupil provision which is retained centrally by the LEA (e.g. SEN, Early Years, PRUs etc.). It is distributed according to a formula which guarantees a minimum per pupil increase for each authority (5% in 2007/08). Additional funding is then allocated based on Ministers' priorities. For 2007/08 personalised learning and practical options for 14-16 year olds have been identified as priorities.
- 8 The LEA itself cannot use the DSG for any purpose other than schools block funding, although with the permission of the Schools Forum limited contributions can be made to the following areas:
- Combined budgets supporting Every Child Matters objectives where there is a clear educational benefit.
 - Prudential borrowing, where overall net savings to the Schools Budget can be demonstrated.
 - Some SEN transport costs, again only when there is a net Schools Budget saving.
- 9 There are also strict limits (Central Expenditure Limits) on the amount of the DSG that the LEA can retain to fund pupil costs outside mainstream schools e.g. SEN, Out of City Placements, Early Years, PRUs, Behavioural Support etc.
- 10 Annex 6 sets out headline figures from the DSG settlement showing that for 2007/08 York's increase in DSG is estimated at £3.785m (+4.7%) giving a sum of £3,614 per pupil (+6.4%).
- 11 Annex 6 also shows that additional funding (above the minimum 5% per pupil) has been allocated to York for a number of government priorities namely:
- Personalised Learning at KS3 and in primary schools (£879k)
 - 14-16 Practical Learning Options / Vocational Training (£215k)
- 12 Although at face value the increases appear generous, they are at the lower end of the increases nationally and certainly below the average for all authorities. This can also be seen in the per pupil cash increase with the highest increase nationally of £419 per pupil in 2007/08 almost double the increase in York which is £217. If York

were to only receive the average national funding per pupil in 2007/08 then this would result in an extra £6.3m in total above the sums set out in Annex 6. This would mean extra funding for an average primary school of about £50k pa and for an average secondary school of about £300k pa.

Budget Proposals for Children's Services

- 13 A summary of the budget proposals is shown in table 1 below. Further details on individual elements are presented in the subsequent paragraphs.

Table 1	Para Ref	DSG £000	General Fund £000	Children's Services Total £000
2006/07 Original Budget (see Annex 1)		79,544	23,139	102,684
2006/07 In Year Recurring Amendments:				
Transfer of Youth Service from Leisure & Culture Portfolio			+ 1,459	+ 1,459
Transfer of Youth Offending Team from Chief Executive's Department			+ 181	+ 181
MIS posts transferred from Leisure and HASS			+ 37	+ 37
Safeguarding Children's Grant - Supplementary Estimate			+ 79	+ 79
Realign Broadband contract budgets			- 52	- 52
Easy@York Contribution transferred to Resources			- 18	- 18
Establish PFI Revenue Budgets			- 6	- 6
NNDR Adjustments			+ 3	+ 3
One-Off Growth in 2006/07 Budget:				
Teacher's Workload Reforms		- 5	- 5	- 10
2007/08 Base Budget	14	79,539	24,817	104,356
Schools Minimum Funding Requirement	15-18	+ 2,722		+ 2,722
Provision for Pay Increases (not schools)	19	+ 235	+ 461	+ 696
Provision for Price Increases (not schools)	20	+ 217	+ 314	+ 531
Fees & Charges Increases	21-22		- 20	- 20
Service Pressure Proposals (Annex 2)	23-24	+ 1,394	+ 388	+ 1,782
Savings Proposals (Annex 3)	25-26	- 220	- 624	- 844
2007/08 Total Proposed Budget		83,887	25,336	109,223
Funding Available within the DSG	27	83,835		
DSG Budget Gap	28	52		

2007/08 Base Budget (£104,356k)

- 14 This represents the latest 2006/07 budget approved by and reported to Members, updated for the full year effect of decisions taken in the 2006/07 budget and amendments during 2006/07, e.g. supplementary estimates.

Schools Minimum Funding Requirement (+£2,722k)

- 15 The DfES have estimated average school level pay and price inflation for 2007/08. The detail is shown in the table 2 below. For teacher's pay the figure includes an allowance for the increase in teacher's pension costs and for support staff the relatively high figure reflects a continuing recognition of the impact of job evaluation.

DfES School Level Inflation Calculation 2007/08:

Table 2	% of Schools' Spend	% Pressure in 2007/08	Weighted Increase
Teachers' Pay	63%	3.2%	2.02%
Support Staff Pay	20%	6.0%	1.20%
Energy	1%	15.0%	0.15%
Other Costs	16%	2.0%	0.32%
TOTAL	100%		3.69%

- 16 Based on this calculation the DfES have set the Minimum Funding Guarantee (MFG) at 3.7% per pupil for all schools in 2007/08. The estimated amount required to deliver the MFG for all York schools is £1,796k in 2007/08.
- 17 The minimum guarantee applies to the funding provided by the LEA to schools via the LMS funding formula. The actual way the guarantee is calculated for an individual school varies depending on the type of school (primary, secondary or special) and the size of the school (separate arrangements apply to schools with fewer than 75 pupils).
- 18 Central Expenditure Limit (CEL) regulations determine the minimum total size of the Individual Schools Budget (ISB). For 2007/08 an additional £926k will need to be allocated to schools over and above the £1,796k required to deliver the MFG in order to meet the CEL limit.

Pay Increases (excluding schools) (+£696k)

- 19 These calculations are based on a pay increase for APT&C and Teaching staff of 2.5% and a 0.6% increase in teacher's pensions at a cost of £488k. The negotiations for the 2007/08 settlement have not yet concluded, although there is pressure from the Treasury that increases are kept under 2%. In addition, under the national pay scheme employees are entitled to an annual increment where they are not at the top of the agreed pay scale. Growth of £208k is included for the net costs after allowing for new starters at the lower point of the grade.

Price Inflation (excluding schools) (+£531k)

- 20 The budget proposes that, due to the underlying low rate of inflation, there is a general price freeze on most budgets. The amount allowed for price inflation is to fund known price increases, e.g. contract payments and fuel bills.

Fees & Charges (- £20k)

- 21 Fees and charges are generally increasing by 2.3% except where there are nationally set charges. These are then rounded up or down as appropriate to create sensible figures. Where increases are proposed in excess of this the additional income is either reflected in the savings totals offered or being used to address existing income budget shortfalls.
- 22 A schedule of proposed Youth Service fees and charges is shown at Annex 4. For Adult Education and the Music & Performing Arts Service, charges are set for each academic year. The budgets for 2007/08 have been set based on a 2.3% increase plus any specific savings targets set out in Annex 3. Further details will be presented to EMAP prior to September 2007.

Service Pressure Proposals (+£1,782k)

- 23 In the Finance Strategy report to the Executive on 11 July 2006 a sum of £7.291m was included as the estimated amount that would be needed to meet increasing demand for services and to allow for reprioritisation of service provision within the General Fund. Schools pressures have to be funded from within the DSG.
- 24 A range of options for service pressure proposals has been considered and in view of the overall available resources it is proposed that only those proposals shown in Annex 2a and 2b are included in the consultation list as the preferred options for Children's Services. The proposals put forward are the result of a rigorous assessment process, which included looking at the risk to schools, customers and staff, legislative requirements, proven customer demand and the Council's corporate objectives.

Savings Proposals (-£844k)

- 25 Members will be aware that the 2006/07 budget savings were significant and that all Directorates are operating within a tight financial environment. In seeking to achieve savings for the 2007/08 budget Directorates have examined budgets with a view to identifying savings that have a minimum impact on the services provided to the public, schools, customers and the wider Council. They have therefore concentrated on initiatives that:
- reflect directorate priorities and plans;
 - improve quality and efficiency;
 - take advantage of ongoing service and/or Best Value reviews;
 - generate income;
 - address budgetary underspends;
 - improve cash flow and interest earnings;
 - generate savings from the technical and financial administration functions of the Council.
- 26 Annex 3a and 3b shows the full list of savings proposals for Children's Services.

Funding Available within the DSG (£83,835k)

- 27 The funding available includes the estimated 2007/08 DSG allocation of £83,582k plus a carry forward from 2006/07 of £253k because of an underestimation of pupil numbers in 2006/07.

Balancing the Dedicated Schools Grant

- 28 Table 1 at paragraph 13 shows that there is still a budget gap within the DSG of £52k at the time of writing this report. Further work will be undertaken in conjunction with the Schools Forum to identify options for bridging this gap. At its budget meeting on 16 January the Executive will be updated on the outcome of the discussions with and decisions of the Schools Forum.

Standard charges for the use of Residential Homes and Foster Carers, Sharing Care, Adoption and Residence Order Weekly Allowances

- 29 Annex 5 sets out the proposed level of charges to other local authorities for the use of services within the Children and Families portfolio for residential care homes. The annex also lists proposed foster care, sharing care, adoption and residence order weekly allowances for 2007/08.

Standard Weekly Charges For Residential Care Homes (Annex 5a)

- 30 A source of income for Children & Families is derived from charges to other local authorities for purchasing services e.g. North Yorkshire Social Services Department who purchase residential and day care places for individuals who continue to be their responsibility. Many of this group of people are either resident in, or regular users of, residential and non-residential services.
- 31 There is a requirement for the directorate to set these standard charges both to charge other authorities and to set the maximum charge payable by residents.

Minimum Payment For Foster Carers (Annex 5b)

- 32 A basic allowance is paid for each child/young person in a placement. Payments are calculated on a weekly basis according to the age of the child. Following national consultation the DfES has recently announced minimum statutory weekly allowance levels for foster carers. The weekly allowances set out at Annex 5b have all been increased to at least match the new minimum levels, leading to rises of between 3% and 14%. The additional cost of this over and above a normal inflationary increase has been provided for in the growth proposals at Annex 2.
- 33 Foster carers are also paid a weekly carer's skill premium. These premiums are calculated with reference to an appraisal of the carer's skill level. It is proposed to increase these premiums by 3%.
- 34 The Placement Strategy for Looked After Children established a specialist scheme which enhances the recruitment and retention of foster carers, who look after young people with exceptional needs in relation to their emotional and behavioural difficulties or severe disability. Foster carers are specifically selected for the new scheme to be matched with specific young people. It is also proposed that the

weekly carer fee for the care of the young people on this scheme be increased by 3%. This is incorporated into the shaded area at the foot of the lower table in Annex 5b.

Additional Foster Carers Weekly Allowances (Annex 5c)

- 35 In addition to the allowances detailed above further allowances are paid to foster carers. A further weeks allowance is payable for birthdays and Christmas, and a further three weeks allowance will be payable for holidays taken during the year. Additional allowances are shown in Annex 5c. Again it is proposed that the allowances are uplifted by 3%.

Weekly Adoption Allowances and Residence Order Allowances (Annex 5d)

- 36 A weekly allowance is not paid in all cases of adoption, only in certain financial circumstances, or when a disabled child is adopted or possibly to encourage the adopter to take a sibling of a child already adopted. To determine whether an allowance should be paid to an adopter a financial assessment is carried out, using the DfES suggested assessment model.
- 37 A small number of children in our care are subject to residence orders which replaced custodianship in 1991. A residency order means that the birth parents retain parental responsibility but the carer gains parental rights. As with adoption, a financial assessment of the carer is undertaken to determine whether an allowance should be given.
- 38 *There is a legal order, a Special Guardianship Order, that carers can apply for, by which they gain parental responsibility and are able to override the parental responsibility of others (such as the child's birth parent) in day to day matters. Under legislation, Special Guardians must be offered support services, including financial support, if requested, subject to the same financial assessment as adopters. It is proposed to increase adoption and residence order allowances by 3%. Annex 5d shows the revised allowances for 2007/08.*

Sharing Care Allowances (Annex 5e)

- 39 Sharing care is provided for disabled children who attend a temporary carer on either a day care or overnight basis, in order to give the parent or regular carer a break. It is proposed to increase sharing care allowances in line with the average increases in weekly fostering allowances of 6%. The additional cost of this over and above a normal inflationary increase has been provided for in the growth proposals at Annex 2. Annex 5e shows the revised allowances for 2007/08.

Rounding

- 40 The figures shown for all weekly allowances contained in Annex 5 have been rounded to the nearest figure in whole pence that can be divided exactly by 7. This is done so that the weekly allowances can easily be converted into daily amounts when processing payments.

Consultation

- 41 This paper commences the Council's budget consultation, both in terms of formal discussions with the Business / Voluntary sectors and organisations such as the York Area Foster Carers' Association, but also as a mechanism for the public to comment on the proposals made in the report.
- 42 In relation to the specific proposals within this report for Education and Schools there have been updates for Headteachers as budget issues have developed. In addition the Schools' Forum will meet on 8 December for a detailed consideration of the Schools Budget.

Options

- 43 Members of EMAP are asked for their comments or alternative suggestions on the investment and savings proposals shown at Annexes 2 and 3. For information Annex 7 lists savings proposals that were worked up by officers but are not recommended to be put forward into the consultation process.

Analysis

- 44 All the analysis is provided in the body of the report and the annexes.

Corporate Priorities

- 45 The budget represents the opportunity to reprioritise resources towards corporate priority areas. In formulating savings and growth proposals the directorate has paid particular attention to the impact that each proposal will have on the delivery of corporate priorities.

Implications

- 46 The implications are:
- Financial - The financial implications are dealt with in the body of the report.
 - Human Resources - Implications are identified against each of the individual savings and service pressure proposals listed in annexes 2 and 3 where appropriate. In summary though, there are 11 potential redundancy situations included in Annex 3 (although many of these are part time posts) and some proposals which may lead to reduced hours or changes to patterns of work. Consideration is being given as to how to deal with these issues, which may lead to proposals for dismissal of staff by reason of redundancy. In this situation the authority's policy and procedure for dealing with Management of Change, which incorporates redundancy and redeployment procedures must be adhered to. These procedures ensure compliance with the relevant employment legislation including statutory periods for consultation, measures for minimising compulsory redundancy and observance of agreed criteria for fair selection. The Director, Assistant Directors and Service Managers, supported by HR staff, have already begun meeting with the Directorate's Union representatives and the staff potentially affected by these proposals to discuss the potential effect on staffing resulting from any growth and savings proposals. NB This meeting of the EMAP is considered to be a suitable forum for representatives of those who may be affected by these proposals to make representation or submit their views and

these should be given full consideration, should any be presented either in written form or by attendance at the meeting where “registration to speak” has been requested.

- Equalities - there are no equality implications to this report.
- Legal - The standard weekly charges for residential care homes as shown in Annex 5a must be amended in line with the National Assistance Act 1948. The Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Information Service book shows that “residents in accommodation managed by the local authority are expected to pay at the maximum, the ‘standard’ charge fixed by the local authority (section 22(2) of the 1948 Act), or where the resident satisfies the authority that he/she is unable to pay the standard fixed rate, a lower rate based upon the resident’s ability to pay.” The relevant items of legislation regarding the allowances paid to carers as shown in Annexes 5b to 5e are The Foster Placement (Children) Regulations 1991 and The Adoption Support Services Regulations 2005.”
- Crime and Disorder - there are no specific crime and disorder implications to this report.
- Information Technology - there are no information technology implications to this report.
- Property - there are no property implications to this report.

Risk Management

- 47 Key reporting mechanisms to Members on budget matters will continue to be through two mid-year monitoring reports and the final Revenue Outturn report for the year. These reports will also address the progress made on investments and savings included in the budgets.
- 48 The budget setting process always entails a degree of risk as managers attempt to assess known and uncertain future events. This year has demonstrated the difficulty of achieving this. As with any budget the key to mitigating risk is prompt monitoring and appropriate management control. As such, updated figures and revised corrective actions will be monitored via Directorate Management Teams, Corporate Management Team and the monitoring reports during the year.

Recommendations

- 49 The Executive Members’ Advisory Panel is invited to provide comments on the budget proposals for consultation for 2007/08 contained in this report, which will be considered by the Budget Executive on 16 January 2007.

50 The Executive Members are asked to consider and comment on the budget proposals for Children's Services for 2007/08 contained in this report and recommend the following to be put forward for consultation prior to the Budget Executive on 16 January 2007:

- 2007/08 Base Budget as set out in paragraphs 14 to 20
- Service Pressure Proposals as set out in Annex 2
- Savings Proposals as set out in Annex 3
- Fees and Charges as set out in Annex 4
- Residential Homes and Foster Carers, Sharing Care, Adoption and Residence Order Weekly Allowances as set out at Annex 5

Reason: To begin consultation on the Children's Services budget for 2007/08.

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Report Approved



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Wards Affected:

All



For further information please contact the author of the report

Annex 1 - Budget Book Service Plans for 2006/07

Annex 2 - Service Pressure Proposals

Annex 3 - Savings Proposals

Annex 4 - Fees & Charges Schedules

Annex 5 - Residential Homes, Foster Carers, Sharing Care, Adoption and Residence Order Weekly Allowances

Annex 6 - Dedicated Schools Grant Settlement Headlines

Annex 7 - Alternative Savings Proposals

Background Papers

2007/08 Budget Files

Local Government Finance Settlement - January 2006

Dedicated Schools Grant Settlement – December 2005