

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

REVENUE BUDGET ESTIMATES - 2010/11

Purpose of Report

- 1 This report presents the 2010/11 budget proposals for Children & Young People's Services. It includes:
 - The revenue budget for 2009/10 (Annex 1) to show the original budgets.
 - The base budget for 2010/11 including the 2009/10 budget rolled forward and adjusted.
 - The cost of pay and price increases, increments and settlement of pay and grading appeals for the portfolio.
 - Budget service pressure costs 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 25 February 2010 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 February 2010 to consider the preferences identified by the individual portfolio Executive Members and the results of the consultation exercise.
- 3 The Executive Member is therefore asked to consider the budget proposals included in this report and identify their preferences, including the proposals in Annexes 2 and 3 that will be considered by the Executive as part of the intended budget. The Executive Member is invited to provide comments on the budget proposals in this report.

Background

- 4 The Council's 2010/11 budget is being developed within the constraints of an extremely challenging financial climate. An extensive transformational programme has begun which will promote efficient delivery of services whilst at the same time ensuring funding is available for investment in key areas across the Council.
- 5 The 2009/10 revenue budget monitoring process has identified areas of activity that currently have insufficient capacity to deal with the increased demands on those services. In addition consideration has been given to the Council's top priorities, and the need to ensure that key front line areas of activity, particularly those in respect of

adults and children, can continue to be provided. From this analysis, specific areas of investment will be proposed within the Councils 2010/11 budget, in particular within the following areas:

- Adult Social Care
- Children's Social Care
- Waste Management

- 6 The proposed budget for 2010/11 reflects the need to direct investment into these areas in order that planning and monitoring of service delivery and improvement can take place against an adequate resourcing platform.
- 7 In addition, the Council recognises that adequate provision needs to be created within the budget to ensure that the continuing financial impact of the economic downturn can be contained effectively. Following detailed review of economic pressures both on front line services and the Council's Treasury Management function, it is proposed that in the region of £3m will be set aside within the budget to contain the impact of these pressures.
- 8 In order to create the financial capacity to enable adequate investment in these priority areas the budget strategy has been based around certain key financial management principles. A fundamental maxim of the strategy is that Directorates have been made clearly responsible for the robust and effective self-management of their existing financial resources and that restraint has been expected in putting forward for additional growth in budget to be funded corporately
- 9 Directorates have been expected to contain their net expenditure within clearly defined and strictly enforced cash limits with a clear expectation that Directorates self manage all non-exceptional budget pressures within this cash limit. These pressures include the anticipated cost of the pay award and any incremental increases due in year. Explicitly linked to self-management within defined cash limits has been the requirement for directorates to demonstrate the re-allocation of budgets in order to contain internal financial pressures.
- 10 As part of the development of the budget, the council's transformation programme has also been robustly reviewed in view of the need to create capacity to invest in priority areas. A realistic acceleration of efficiency savings will be included within the corporate budget proposals in order to ensure that the additional financial capacity introduced in this budget is based around a challenging but realistic approach to driving out efficiency savings across the organisation. However, it must be stressed that achievement of these efficiencies will not be easy to deliver, but they are essential in order to deliver investment into priority areas. The scale and pace of the transformation process in coming years will be critical to the council maintaining financial stability. In addition, clearly with the future pressures on public spending, combined with known forecast increased pressures in children's care, adult care and waste management, the council will face the need to both achieve significant transformational change, and review the overall type and level of service provision in coming years.
- 11 In particular, the Executive Member will be aware of significant pressures within the Children's Social Care, Home to School Transport and Grant Income budgets. It is however recognised that reviews of service activity need to take place in order to

develop and implement mitigation plans that will constrain the impact of these financial pressures.

- 12 The Director of Resources' report '2010/11 Budget Strategy and Medium Term Financial Planning 2011/12 to 2013/14' was adopted by the Executive on 15 December 2009. This paper is the result of ongoing work against this agreed framework.

Local Government Finance Settlement

- 13 The Local Government Finance settlement for 2008/09 also included indicative figures for 2010/11 that enabled the Council to consider future budget issues. The provisional settlement for 2010/11 gives an increase in formula grant of £1.090m (+2.51%).

Schools Funding Settlement

- 14 For schools funding through the Dedicated Schools Grant (DSG), 2010/11 is the third year of a DCSF three-year budget period. For 2010/11, therefore, the DSG allocation for York will be based on the December 2007 announcement, updated for changes in pupil numbers.
- 15 The DSG is ring-fenced for funding the provision of education for pupils in schools (maintained, PRUs, PVI nurseries or externally purchased places). As such it covers funding delegated to individual LA maintained schools through the LMS Funding Formula and funding for other pupil provision which is retained centrally by the LA (e.g. SEN, Early Years, PRUs etc.). It is distributed according to a formula that guarantees a minimum per pupil increase for each authority (2.9% in 2010/11). Additional funding is then allocated based on Ministers' priorities. For 2010/11 personalised learning was identified as a priority.
- 16 The LA 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.
- 17 There are also strict limits (Central Expenditure Limits) on the amount of the DSG that the LA can retain to fund pupil costs outside mainstream schools e.g. SEN, Out of City Placements, Early Years, PRUs, Behavioural Support etc.
- 18 The headline figures from the DSG settlement show that for 2010/11 York's increase in DSG is estimated at £4.307m (+4.4%) giving a sum of £4,103 per pupil (+4.2%). For 2010/11 this includes additional funding (above the minimum 2.9% per pupil) of £1,145k that has been allocated to York for Personalised Learning at KS3 and in primary schools.

- 19 Despite these increases though, York's actual funding level is still at the lower end nationally, 23rd lowest out of 149 LAs. This means that if York received the national average funding in 2010/11 there would be an extra £295 for every pupil or £6.630m in total. This would be enough to give an extra £292k to every secondary school and £62k extra to every primary school. This is also the equivalent of an additional 168 teachers or 306 additional classroom assistants.

Budget Proposals for Children & Young People's Services

- 20 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: Proposed Children & Young People's Services Budget 2010/11	Para Ref	Schools Budget (DSG) £000	General Fund £000	Children's Services Total £000
2009/10 Original Budget (see Annex 1)		87,865	29,855	117,720
2009/10 In Year Recurring Amendments:				
Transition Team Co-ordinator			+ 20	+20
Sanderson Court Caretaking			- 4	- 4
Area Based Grant Income Transfer			+ 4,173	+ 4,173
Pay Award Budget Allocation			+ 310	+ 310
One-Off Growth in 2009/10 Budget:				
YPO Dividend			- 79	- 79
Home to School Transport			- 50	- 50
Full Year Effect of 2009/10 Growth:				
Personalised Learning in Schools		+ 1,145		+ 1,145
Nursery Education Funding		+ 230		+ 230
Full Year Effect of 2009/10 Savings:				
Adult Education Centre Relocation			- 4	- 4
Finance Team Staffing Efficiencies			- 7	- 7
TDU Management Responsibilities			- 15	- 15
Early Years SLAs		- 6		- 6
Venture Fund Repayments		- 121		- 121
2010/11 Base Budget	21	89,113	34,199	123,312
Schools Minimum Funding Requirement	22-24	+ 2,928		+ 2,928
Provision for Pay Increases (not schools)	25	+ 193	+ 1,043	+ 1,236
Provision for Price Increases (not schools)	26	+ 114	+ 47	+ 161
Fees & Charges Increases	27-28		- 53	- 53
Service Pressure Proposals (Annex 2)	29-31	+ 350	+ 2,468	+ 2,818
Savings Proposals (Annex 3)	32-34	- 688	- 1,359	- 2,047
2010/11 Total Proposed Budget		92,010	36,345	128,355
Funding Available within the DSG	35	91,905		
DSG Budget Gap	36	105		

2010/11 Base Budget (£123,312k)

- 21 This represents the latest 2009/10 budget approved by and reported to Members, updated for the full year effect of decisions taken in the 2009/10 budget and amendments during 2009/10, e.g. supplementary estimates.

Schools Minimum Funding Requirement (+£2,928k)

- 22 The DCSF have confirmed that the MFG will continue to deliver a minimum per pupil increase for all schools until at least 31 March 2011. They have estimated average school level pay and price inflation over the 2008-11 period at 3.1% per year. The DCSF have then assumed that each school can make an efficiency gain of 1% for each of the years, reflecting the substantial improvement in efficiency they expect to be achieved across the schools sector and the public sector as a whole. The result is an MFG for all schools set at 2.1% for 2010/11. The estimated amount required to deliver the MFG for all York schools is £2,928k in 2010/11.
- 23 The minimum guarantee applies to the funding provided by the council 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).
- 24 Central Expenditure Limit (CEL) regulations determine the minimum total size of the Individual Schools Budget¹ (ISB). For 2010/11 an additional £1,145k will need to be allocated to schools over and above the £2,928k required to deliver the MFG in order to meet the CEL limit. In setting the 3-year Schools Budget strategy in 2008/09 it has already been agreed to target this additional sum at Personalised Learning in schools and the LMS Funding Formula for 2010/11 reflects this.

Provisional Pay Increases (excluding schools) (+£1,236k)

- 25 These calculations are based on a pay increase for Local Government staff of 1.0% (from 1 April 2010) and Teaching staff of 2.3% (from 1 September 2010) at a cost of £275k. The teaching staff increase has already been agreed but negotiations for the 2010/11 Local Government settlement have not yet started, although there is pressure from the Treasury that increases are kept to a minimal level. In addition, growth of £347k is included for the net costs of staff increments after allowing for new starters at the lower point of the grade, £250k for the estimated cost of successful pay & grading appeals, and £364k for the previously reported shortfall on the allowances budget.

Provisional Price Inflation (excluding schools) (+£161k)

- 26 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 is net of any inflationary allowance included in on-going grants supporting core services. The proposed budget specifically includes an allowance for a 2.0% increase in Nursery Education Funding that was agreed as part of the 3-year strategy, and is funded from the DSG.

¹ The ISB is the total amount of funding available to distribute to schools through the LMS Funding Formula

Increases in Foster & Adoption allowances of between 1.0% and 2.8% are also proposed (see paragraphs 37-49 for more details).

Fees & Charges and Traded Services (-£53k)

- 27 The budget proposes that most Fees & Charges are increased by 2.5%, except where there are nationally set charges. These are then rounded up or down as appropriate to create sensible figures. The majority of internal services that trade with schools are also increasing their charges by 2.5%. Where increases in charges (external or school traded services) are proposed in excess of 2.5% the additional income is either reflected in the savings totals offered or being used to address existing budget shortfalls.
- 28 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 2010/11 have been set based on a 2.5% increase plus any specific savings targets set out in Annex 3. If necessary, further details will be presented to the Executive Member prior to September 2010.

Service Pressure Proposals (+£2,818k)

- 29 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 Annexes 2a and 2b are included as the preferred options for Children & Young People's Services. The proposals put forward are the result of a rigorous assessment process, which included looking at the risk to customers, schools and staff, legislative requirements, proven customer demand and the council's corporate objectives.
- 30 Members should note that even if all of the items identified at Annex 2a are funded the directorate will still need to manage some significant budget pressures in 2010/11, in particular:
- Music service income, where pupil numbers have fallen significantly and the impact of the current financial climate is being felt.
 - Resourcing the potentially significant project management and associated revenue costs of a bid for Building Schools for the Future (BSF) capital funding.
 - Managing within reduced government grant allocations for services such as School Improvement, Adult Education and the Children's Fund.
 - Resourcing the additional workload involved in handling the transfer of c£20m of post 16 pupil funding from the LSC to the council from April 2010.
- 31 The Executive will decide on 16 February 2010 whether or not to set a general contingency to provide possible funding for such items for 2010/11.

Savings Proposals (-£2,047k)

- 32 Members will be aware that the 2009/10 budget savings were significant, and that all directorates are operating within a tight financial environment. The council has also engaged in an efficiency programme, More For York, which had an initial target of generating £15m of budget savings over three years. In addition to those savings

included in the efficiency programme directorates have looked at other areas within their control.

- 33 In seeking to achieve savings for the 2010/11 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, and are not already included in the blueprints for More For York. 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.
- 34 Annexes 3a and 3b show the full list of savings proposals for Children & Young People's Services.

Funding Available within the DSG (£91,905k)

- 35 The funding available includes an initial estimate of the 2010/11 DSG allocation of £92,259k less an estimated deficit carry forward from 2009/10 of £354k (based on the 2nd budget monitor for 2009/10 reported in December). This estimate will be updated once the provisional results of the annual schools and early years census are known later this month.

Balancing the Schools Budget & DSG

- 36 Table 1 at paragraph 20 shows that there is still a budget gap within the Schools Budget of £105k at the time of writing this report. Further work will be undertaken in consultation with the Schools Forum to identify options for bridging this gap. At its budget meeting on 25 February the Executive will be updated on the outcome of the discussions with and comments of the Schools Forum.

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

- 37 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, residence order and special guardianship weekly allowances for 2010/11.

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

- 38 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.

- 39 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)

- 40 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. The Government sets statutory minimum weekly allowances for foster carers. The weekly allowances set out at Annex 5b have all been increased by 1% or higher if necessary to match the national minimum levels. In practice this has led to rises of between 1% and 2.8%.
- 41 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 1%.
- 42 The Placement Strategy for Looked After Children established a specialist scheme that 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 1%. This is incorporated into the shaded area at the foot of the lower table in Annex 5b.

Additional Foster Carers Weekly Allowances (Annex 5c)

- 43 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 1%.

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

- 44 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 DCSF suggested assessment model.
- 45 A small number of children in our care are subject to residence orders that 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.

Sharing Care & Sitting Service Allowances (Annex 5e)

- 46 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. The sitting service provides for temporary carers to look after children in their own homes. It is proposed to increase sharing care and sitting service allowances by 1%. Annex 8e shows the revised allowances for 2010/11.

Special Guardianship Allowances (Annex 5f)

- 39 47 A Special Guardianship Order allows carers to gain parental responsibility and enables them 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. The allowances for Special Guardians are set at the same rate as the Foster Care weekly allowances; however, an amount equivalent to the Child Benefit entitlement will be deducted from the allowance before it is paid. Annex 8f shows the revised allowances for 2010/11.

Care Leavers Weekly Accommodation Allowance

- 48 In addition to the allowances shown in Annex 5, a weekly accommodation allowance is paid to Care Leavers. The 2009/10 allowance was £51 per week; increasing this by 1% and rounding up would result in a revised allowance of £52 per week for 2010/11. However, this may change as the allowance must be higher than the Job Seeker's allowance, which has not yet been confirmed for 2010/11.

Rounding

- 49 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

- 50 This paper forms part of the council's budget consultation. The other streams being undertaken include a public consultation leaflet circulated city wide (results should be known prior to the meeting of the Executive), a public meeting where participants debated savings and growth proposals attended by the Leader of the Council and the Chief Executive, and a further session with the business communities of the city. The budget proposals have been discussed with affected key staff and in meetings with Trade Union representatives.
- 51 In relation to the specific proposals within this report that affect schools, there have been regular reports to the Schools Forum and updates for headteachers as budget issues have developed. In addition, this report has been circulated to members of the Schools Forum and any further comments received will be made available at least prior to the meeting of the Executive on 16 February.

Options

- 52 As part of the consultation process the Executive Member is asked for their comments or alternative suggestions on the proposals shown in Annexes 2, 3, 4 and 5.

Analysis

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

Corporate Priorities

- 54 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

- 55 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, the savings proposed in Annex 3 equate to the loss of 18 fte posts, although some of these are part time posts and a number are currently vacant. In addition some proposals may lead to reduced hours or changes to patterns of work. The service pressure proposals at Annex 2 include 2 fte of additional posts. Where requested HR has been involved in the development of the budget proposals and has worked with local managers to identify the HR implications of the proposals. HR implications will be managed in accordance with established council change management procedures.
- Equalities – An equalities impact assessment has been carried out for the items included within the proposed budget. The results of this assessment have been used in the prioritisation of both the savings and the growth proposals.
- 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

- 56 Key reporting mechanisms to Members on budget matters will continue to be through mid-year monitoring reports and the final Revenue Outturn report for the year. The format/timing of these reports has recently been considered by the Council's Management Team but as a minimum they will report on forecast out-turn compared to budgets and will also address the progress made on investments and savings included within the budgets.
- 57 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 monitor reports during the year.

Recommendations

- 58 The Executive Member is invited to consider whether the budget proposals are in line with the council's priorities.
- 59 The Executive Member is asked to consider the budget proposals which have been prepared by Officers for Children & Young People's Services for 2010/11 contained in this report and listed below, and provide comments to be submitted to the Budget Executive on 16 February 2010.
- 2010/11 Base Budget as set out in paragraphs 20 to 26
 - 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: As part of the consultation on the Children & Young People's Services budget for 2010/11.

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Wards Affected:		All	√
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Annex 1 - 2009/10 Original Budgets

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**

Background Papers

2010/11 Budget Files

Provisional Local Government Finance Settlement - December 2007

Dedicated Schools Grant Settlement 2008-11 – December 2007