

Executive Member Decision Session for Children & Young People

14 September 2010

Report of the Director of Adults, Children and Education

The implications of recent Government announcements for certain Council-funded programmes

Summary

1. This report summarises the implications of recent Government announcements about in-year expenditure reductions for programmes that had been funded under the Early Intervention Fund (EIF) and the York Youth Community Action Project (YYCAP). It invites the Executive Member to approve officers' actions, which have sought to protect the Council's financial position whilst at the same time minimising so far as possible the impact on the third sector and on those whom they support.

Background

2. The *Children's Early Intervention Fund* replaced the fund previously known as the Children's Fund; it has existed in one or other form in York for nearly five years. It has supported vulnerable children (mostly aged 5-13) and their families through a programme of targeted preventative and early intervention work, predominantly but not exclusively involving projects in the third sector.
3. In the most recent funding period, York received £356k per year for two years from Government via the Area Based Grant mechanism in order to fund projects until March 2011. The Executive Member approved a multi-agency assessment panel's recommendations for distributing £286k (pa) of these funds (after allowing for administration costs) at her meeting on 19 January 2009.
4. The *York Youth Community Action Project* is a more recent innovation: a pilot scheme to promote youth community volunteering for all of York's 14-16 year olds. York was one of only five authorities to win funds to support this programme last December, in a partnership with York CVS and York Cares. The programme, which was originally worth £1.4 million, has been running since March of this year. The Executive Member approved a multi-agency assessment panel's recommendations for distributing part of these funds ("rounds one and two") at her meetings on 13 April and 8 June 2010. In all, £490k was allocated, again predominantly to the third sector, in these two funding rounds.

5. In both cases, recent announcements from Government have made in-year reductions in the amounts previously allocated to us, obliging us to take action to protect the Council's financial position whilst recognising that unexpected changes to the cash flow of third sector organisations could have serious consequences for them and those with whom they work.
6. This paper reports on the actions officers have taken in these difficult circumstances. Our approach has been slightly different in relation to the two programmes because in the case of the EIF, all funds had already been fully distributed, and Government has simply reduced the underlying Area Based Grant by a specified amount. In the case of the YYCAP, not all of the funds had yet been allocated or committed, and the Government's precise intentions in terms of the final financial position are not yet entirely clear.

Consultation

7. Given the above we have approached consultation slightly differently for the organisations affected by these changes. In the case of the projects funded by the EIF, we have written to all the organisations concerned at the same time as these papers were published, and have invited them to a meeting at CVS on 6 September. We can report back on this orally to the Executive Member. We have handled it this way because our proposal is to treat all of the projects in the same way.
8. In the case of the YYCAP projects, for the reasons explained below, we have needed to negotiate an individual exit strategy for each one. We have therefore spoken to each project separately, and this paper (supplemented as necessary by an oral update) represents a summary of those discussions.

Options and Analysis

Early Intervention Fund (EIF)

9. The reduction in the EIF grant was part of a total of just over £1million of in-year Area Based Grant (ABG) reductions affecting York. Similar reductions have been announced for all authorities. The Department of Education element of the ABG cuts was not allocated to the specific lines within the grant but was set as a total of the overall allocation (equivalent to a total cut of 24%). However, the Government made it clear that the final choices were for LAs to decide.
10. Officers took the view that it was not sustainable to immediately start the process of giving three months notice (as required by the Compact agreement) of cessation of funding to the organisations running EIF projects. This would have meant the third sector would be bearing a disproportionate element of the reduction, and would not have given them adequate time to adjust their plans. There was also the wider impact to consider: we conducted a desktop Equalities Impact Assessment of the options open to us, and it was immediately obvious that a reduction in grant would impact disproportionately on certain minority groups. This is because, by its very nature, the fund was

designed to target certain vulnerable groups, and four of the projects in particular (CANDI, supporting the parents of disabled children; the Ethnic Minority Service, promoting the inclusion of children from minority communities; the Young Travellers' Learning Project, supporting family work in the Traveller community; and Refugee Action, supporting families in the Turkish and Kurdish communities) support groups who are specifically covered by Equalities legislation.

11. For all of these reasons, officers took the view that the Council should protect the third sector (and their clients) for as long as possible.
12. However, it is clear that we will not be able to bring in a balanced budget this financial year without making at least some reductions in the EIF grant. We also have to assume that there will be no further Government funding under this heading in subsequent financial years – this has not been announced officially, but seems a reasonable presumption. So the issue is really about bringing this funding stream to a premature but complete close, and the speed with which we do so.
13. We believe we have no choice but to recommend a 25% reduction in the EIF grants originally allocated for the current financial year.
14. There is a subsidiary option as to whether to apply such a reduction equally across all EIF-funded projects, or to keep some going longer while curtailing others sooner. Given the short timescales involved, and the seeming inevitability of no further funding for subsequent years, we recommend that a 25% reduction be applied across *all* EIF projects, which in effect means not paying the final quarter's instalment to any of them. We have written to all of the projects to advise them of this, which is well within the timescales set out in the Compact. A list of the organisations, and the amount of the recommended reduction, is at **Annex A**.
15. This seems a balanced approach, in the circumstances. However, it does not address the longer term issues arising from the likely cessation of the fund. There is no doubt that many of these projects have played an invaluable role in helping vulnerable families and their children; this consideration, as well as the requirements of the Compact and the outcome of the Equalities Impact Assessment, would in normal times suggest that we should consider whether there is any longer term possibility of replacing the lost funding with resources from mainstream budgets. Unfortunately we are not at present in a position to do this, and we will not know about next year's budgets until after the comprehensive spending review in the Autumn. At that point, and in good faith, we will reassess the possibility of protecting some of these projects using mainstream funds. Such assessment will be informed by an updated evaluation of their effectiveness and impact which is already under way. We will bring the results of this to a subsequent Executive Member meeting. In the meantime, though, we believe it is only prudent to plan on the basis that continuation of funding beyond the third quarter of this year is unlikely. We will of course also continue to work with CVS to seek alternative funding sources for these projects. Many have been historically successful in

attracting resources from elsewhere and whilst again we are operating in changing financial times any such opportunities should not be missed.

York Youth Community Action Project (YYCAP)

16. As indicated above, the position in relation to the projects funded by the YYCAP is different. This was a pilot project which was only ever intended to last just over a year. Not all of the funds have yet been distributed, as we had originally envisaged three funding rounds. When the scale of the public expenditure problems became apparent, we offered to DfE not to run the third funding round which, together with other savings, would have meant foregoing just over £300k of the original project funding of £1.4 million. We hoped that this offer would have enabled us to continue running the remainder of the project on a somewhat scaled down basis.
17. However, DfE have now written to us asking us to terminate the project as quickly as possible, returning *all* unspent and uncommitted funds. Their letter to us is attached at **Annex B**. This is far from straightforward, not least because DfE have not told us exactly what scale of a reduction in expenditure they are expecting, although they have confirmed that they will make a final payment to us in September. Furthermore, in talking to the organisations running the projects, it rapidly became clear that each of their circumstances was different: some had already received all of their allocated funding from us; others were expecting a second instalment. Some had appointed staff, on a variety of notice periods ranging from one week to three months. Some had already delivered activities; others had barely begun.
18. Faced with this, the multi-agency Project Board decided the only way forward was to negotiate an individual exit strategy with each of the 21 grant funded projects, as well as with the core partners. In some cases this would mean them voluntarily agreeing to forego a second instalment of a contract previously signed; in others, it would mean returning unspent cash. The Project Board agreed a series of principles for conducting these discussions to ensure equitable treatment of all concerned; these included:
 - reassuring community organisations that all expenditure incurred to date, or to which they were contractually committed, would be reimbursed in full;
 - asking organisations to halt any recruitment procedures that were part way through, and giving notice to any staff employed solely on this project, unless their salary could be met from a different funding stream;
 - winding up all planned activities as soon as possible, and by 31 October at the latest, unless they were at such an advanced stage of planning that to do so would represent poor use of public funds;
 - ensuring that a final account can be prepared, alongside appropriate case studies and the means to take the legacy of the project forward, by the end of November.

After some debate, the Project Board agreed that the remaining school “taster” days planned for early in the Autumn term fell into the category of “already planned to such an extent they should go ahead”, so long as the schools in question were happy with this.

19. Officers would like to pay tribute to all concerned for the spirit in which these discussions have been conducted. Community organisations, though disappointed, have recognised that the position is not of the Council’s making. At the time of writing, 100% of those with whom we have made contact have agreed to forego some portion of their original contract; a summary of the position to date, which can be updated at the meeting, is at **Annex C**. It seems likely that, overall, we will be in a position to forego around £600k of the original £1.4 million project contract, provided DfE agree to a final claim of around £225k.
20. The Executive Member will wish to note that three organisations – York Boxing Club, Running Wild, and York CVS, will be affected by both the EIF and the YYCAP decisions. We will as described above offer advice to all parties as to possible alternative sources of funding, in conjunction with CVS – whose approach to these issues, and support, has been especially commendable in the circumstances, and has demonstrated the true spirit of partnership.
21. Finally, it should be noted the approach of many of the community organisations we have spoken to has been “how best can we now keep youth volunteering going in the longer term”. There is no question but that this project, which was only ever envisaged as a one-off pilot, will have achieved an enduring legacy. Some £800k will have been spent on youth volunteering in York, with over 10,000 volunteering hours generated. It is important that we maintain this momentum, especially in the year of volunteering, and officers are determined to do so.
22. We invite the Executive Member to approve officers’ actions.

Corporate Objectives

23. Both the EIF and the YYCAP projects were in line with corporate objectives to ensure that all citizens, regardless of race, age, disability, sexual orientation, faith or gender, feel included in the life of York. It is also part of our strategies to reduce crime, the impact of crime, and child poverty. The challenge now will be to continue to pursue those objectives through other means and with reduced funding.

Implications

24. **Financial** – The financial implications are covered in the body of the report.
25. **Human Resources** – A number of staff in the third sector are likely to be affected by these expenditure reductions, and each organisation will need to approach this in accordance with its own HR policies. So far as Council staff

is concerned, the position of those whose job descriptions includes (amongst many other things) responsibility for the EIF will be reviewed in the Autumn after the comprehensive spending review, in accordance with normal COYC procedures. The position of the one officer employed full time on the YYCAP project will similarly be reviewed again at that time; in the short term, he can be redeployed on a temporary basis to a different project.

26. **Equalities** – As indicated in the body of the report, many of these projects were specifically designed to support vulnerable or minority groups, so the reductions in expenditure will have a particular impact on them. We have sought to minimise this by not passing on immediately the full extent of the reduction in Area Based Grant, and we will review again in the Autumn the possibility of reviving some of the projects using mainstream funds.
27. **Legal** – The actions we have taken are consistent with our contractual position in relation to these programmes.
28. **Crime and Disorder** – Although some of the projects were targeted at young offenders, we do not consider that the expenditure reductions will have any significant impact on crime and disorder.
29. **Information Technology** - no significant implications.
30. **Property** - no significant implications.

Risk Management

31. There are some risks associated with this report in the sense that unforeseen expenditure reductions of this nature could affect the Council's reputation. However, as indicated above, the majority of external partners have recognised that the situation is not of the Council's making. There is also a risk, should the DfE not agree to our final claim under the YYCAP project, that we might overspend the amount allocated to us. We have minimised this risk through the actions we have taken to recover unspent funds, and believe our moderate final claim can be robustly defended.
32. Overall, we believe that the risks associated with this report are *moderate* and will need careful continued monitoring by officers.

Recommendation

33. The Executive Member is recommended to approve the actions officers have taken to handle the in-year expenditure reductions to the Early Intervention Fund and the York Youth Community Action Project, and which are summarised in Annexes A and C (supplemented as necessary by an oral update).

Reason: to protect the Council's financial position while at the same time minimising the impact, so far as possible, on third sector organisations and those whom they support.

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	Report Approved	✓	Date 31 August 2010
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Wards Affected:			All ✓
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Background Papers:

1. Executive Member and Advisory Panel Meeting of 19 January 2009
2. Executive Member Decision Session of 13 April 2010
3. Executive Member Decision Session of 8 June 2010

All documents can be downloaded from City of York Council's Website

Annexes

- Annex A – Early Intervention Fund Grants
- Annex B – Letter from DfE about the Community Action Pilot
- Annex C – York Youth Community Action Programme Grants