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To: Children, Families & Education Policy Overview Committee  
16 January 2009

Subject: Budget 2009/10 and Medium Term Financial Plan 2009/12

Classification: Unrestricted

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Summary: The purpose of this report is to consult the Committee on the budget proposals for the Children, Families & Education Directorate, with reference to the KCC published budget consultation paper issued on 7 January 2009. The report also reflects our response to a number of the issues raised at the IMG of this Committee, created in November 2008 to discuss detailed budget issues.

Members are invited to comment on the key issues on the proposed funding changes for the services provided by the Children, Families & Education Directorate.

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## 1. Introduction

- 1.1 The Autumn Budget Statement report by the Leader, Cabinet Member for Finance, Chief Executive and Director of Finance to Cabinet on 15 September 2008 set out the national and local context for KCC's Medium Term Plan (MTP) for the period 2009-10 to 2011-12. The report to Cabinet on 12 January 2009 set out the provisional Local Government Finance Settlement, which confirmed that the level of Formula Grant was precisely as announced this time last year.
- 1.2 We reported the national and local context to the last Policy Overview Committee meeting and outlined the existing MTP priorities. The Committee discussed the policy issues from that report, and used an IMG to look at the budget details. The IMG met on 20 November and questioned a number of budget headings and pressures and offered areas for possible budget savings. The notes of this meeting are reported under item A5 earlier on this committee meeting's agenda.

- 1.3 Since the November meetings, there have been a number of further developments that have resulted in the budget proposals being presented for consultation. Members are invited to comment on the key issues for the services provided by the Children, Families & Education Directorate, in order that these can be taken into account at the budget meetings of Cabinet on 2 February 2009 and County Council on 19 February 2009.
- 1.4 Members are asked to read this report in conjunction with the draft Medium Term Plan and Budget Book, issued on 7 January 2009.

## **2. Background**

- 2.1 The budget consultation papers include an overall summary of the proposed Portfolio budgets for 2009-10, showing the amounts proposed for each service within the portfolios. This identifies the gross expenditure, income and net expenditure.
- 2.2 The papers also include the proposed capital investment programme and the medium term revenue and capital plan for 2009-10 to 2011-12. All MTP entries and budget book pages are presented in as consistent a format as possible for each Portfolio.
- 2.3 Copies of the draft Budget Book and Medium Term Plan have been distributed to all Members (on 7 January). You are asked to ensure you bring those to this meeting.
- 2.4 The MTP and Budget Book reflect the 'Delegation of Corporate Budgets' which impacts on all directorates. Further information is provided in Section 5 of this report.

## **3. Revenue Budget**

- 3.1 The overall direction for the CFE directorate is now well established, and the current Medium Term Service Priorities for CFE are included in Appendix B of the draft MTP.
- 3.2 Areas of spending priority in 2009/10 for which significant additional funding is required are:

**Transport Price Pressure £1.519m** (ORS Portfolio) – This pressure relates to the projected increase in pupil transport costs (Mainstream, SEN and College). The increase relates to re-contracting and increased fuel costs. Failure to fund this pressure will lead to an inability to deliver our statutory requirement resulting in possible intervention by the DCSF and/or major claims from parents through courts.

**Academy Central Recoupment £0.410m** (ORS Portfolio) – Under the new DCSF arrangements, when a maintained school transfers to academy status, the Local Authorities DSG settlement is reduced for a proportion of the central services. This deduction affects a number of different service units. There is

no linear relationship between the number of schools and the budgets of central services so this pressure will mean cuts to front line and back office services. These reductions will not affect just centrally managed services but also the very services we are moving out to the Local Children's Services Partnerships (LCSPs). The vast majority of these reductions will be on statutory services. The rhetoric that we could recover such costs through selling such services to academies is not based in reality given the nature of the services concerned.

**LAC Pledge and Personal Education Allowances £1.300m** (CFEA Portfolio) – Following the announcement of the Care Matters Grant funding for the 2008/11 CSR period in 2008/09, this pressure reflects the projected shortfall in funding required to fully satisfy the commitments contained within the “pledge” and the personal education allowances (PEAs). Failure to fund this pressure would mean that the Directorate will need to significantly scale back the public commitments made to Looked After Children.

**Common Assessment Framework (CAF) £0.575m** (CFEA Portfolio) – This pressure relates to the recruitment of dedicated CAF co-ordinators in local partnership areas to ensure local co-ordination of CAF and ContactPoint accreditation in order to meet statutory requirements. Resisting this pressure would place a significant burden on the LCSPs to deliver a key initiative and no effective co-ordination of the CAF process. This would lead to a lack of integrated working for vulnerable children and young people. Failure to support ContactPoint accreditation process in schools and other organisations will seriously jeopardise the Local Authority's fulfilment of statutory requirements and delivery of benefits.

**Independent Sector Residential Care £1.540m** (CFEA Portfolio) – This pressure has been highlighted through the 2007/08 outturn and the 2008/09 quarterly monitoring returns. It relates to a continuing demand for this service and for an increasing proportion of children being placed in higher cost placements, some of which being secure accommodation directed by the courts. There are no measurable improvements from funding this pressure as it reflects the current demand for this service.

**Legal Services £0.551m** (CFEA Portfolio) – Like independent sector residential care, the pressure on this service has been reported through last years outturn and this year's monitoring returns. Legal services have also indicated there is no scope to reduce CFE costs in future years. The service implications of resisting this pressure would result in delays in taking appropriate steps to protect children from harm which may result in increased numbers of children in care. There is also a future risk of claims of damages from children who have been left at home suffering harm.

**SEN Home to School Transport £0.600m** (ORS Portfolio) – This pressure reflects our latest estimate of the base pressure on this service which has reduced from the figure previously forecast in the 2008/09 second quarterly monitoring return. It relates in the main to an increased demand in the number of SEN pupils requiring assistance with home to school transport.

**Payments to Early Years PVI Providers £2.109m** (CFEA Portfolio) – This pressure relates to the government policy to increase the free entitlement to early years education for 3 and 4 year olds from 12.5 hours to 15 hours per week. This pressure is being fully funded from a new standards funding grant from the DCSF.

**Pay £1.599m** in 2009/10 – this reflects a provision for the 2009 cost of living pay award

3.3 The position on budget increases can be summarised as follows:

Table 1: Summary of value of base budget adjustments and budget pressures

	2009/10	2010/11	2011/12
	£'000	£'000	£'000
Base adjustments	12,684	-1,829	-215
Budget increased for:			
Pay	1,599	3,076	3,137
Prices	4,893	5,518	5,625
Legislative	7,205	7,812	1,330
Demand	4,366	452	100
Dedicated Schools Grant & New Grant for early years entitlement	-7,748	-14,793	-22,787
Schools Budgets	2,351	6,295	19,054
Service Improvements	4,786	372	40
<b>Total Pressures and base adjustments</b>	<b>30,136</b>	<b>6,903</b>	<b>6,284</b>

3.4 Provisional cash limits for each Portfolio have been set, and therefore to balance to those cash limits, given the pressures outlined above, we will need to deliver savings, efficiencies and new income streams to deliver a balanced budget. The three-year financial plans, shown in Appendix A of the MTP, detail the proposed savings required in 2009/10. The major items are explained in the following paragraphs

### 3.5 Savings and Income generation

3.5 (a) The total of the proposed savings and income generation required in order to meet the indicative cash limits, is £13.002m.

(b) Of the £13.002m, £12.600m is proposed to come from savings. These are all detailed within the draft Medium Term Plan. Some of the more significant savings are:

- Impact of Freedom Pass: £1.167m
- Reduction in schools unallocated DSG budget: £0.800m
- Staffing, pay budgets, transport and vacancies: £3.740m
- Review of ABG funded services: £0.695m
- Reduction in Mainstream Home to School transport: £0.600m
- Review of Publicity costs: £0.170m

DSG savings are included in the above total; further information is set out in section 6 below.

(c) A further £0.402m of net income is to be generated by CFE Units in 2009/10.

(d) The proposed net position is therefore as follows

Table 2: Total proposed base budget for CFE

	2009/10	2010/11	2011/12
	£'000	£'000	£'000
Base budget	192,983	210,117	207,680
Total Pressures and base adjustments (from Table 1 above)	30,136	6,903	6,284
Savings	-12,600	-9,340	-6,881
Income Generation	-402	0	0
Revised base budget	210,117	207,680	207,083

#### **4 The Committee's IMG to discuss budget issues**

4.1 The IMG met on 20 November and asked for a number of issues to be considered when setting the draft budget proposals for this Directorate. The notes of this meeting are reported under item A5 earlier on this committee meeting's agenda.

#### **5 Delegation of Corporate Budgets**

5.1 Staff in the Chief Executive's Directorate have been working very closely with the Resource Directors and Heads of Finance in all directorates, to determine how best to engage in a debate about support services' delivery and the resulting budget setting each year. The result is that the budget for services that are provided by CED Units directly to service directorates are being delegated to directorates. This has a number of advantages which, when aggregated, far outweigh the disadvantages in doing so.

5.2 Of the £46.5m base budget for CED Units in 2008/09 (excluding Financing Items), some £27.8m has now been formally delegated to directorates. The allocation to CFE is £9.3m (This figure is reflected within the base adjustments total for 2009/10 shown in table 1, section 3.3 above). In doing so, a list of protocols have been drawn-up to ensure that proper and timely business decisions are taken about service levels, including quantity and quality, and that these decisions are properly reflected in the budgets and business plans.

5.3 The vast majority of the budget is delegated on the basis that directorates have to make unanimous decisions with regard to service provision. For example, one directorate cannot suddenly choose to buy their payroll service from an external provider. Nor can another directorate, alone, choose to have an IT help-desk provided by anyone other than ISG. The Resource Directors'

Group, on behalf of the Chief Officer Group, will manage these delegated budgets and make collective recommendations as appropriate.

## **6. Dedicated Schools Grant (DSG)**

6.1 The overall increase in DSG was originally assessed as being £10.226m short of meeting all identified pressures. As reported to the previous committee meeting on this subject, £6.815m related to schools and PVI provider budgets. Following consultation with the Schools' Funding Forum, the following adjustments are proposed in order to close the funding gap:

- Delete the pressure arising from the Designated units review (£1.167m), as the introduction of the new system based on Lead School provision is now to be trialled in pilot areas before full implementation, leading to a postponement of the added cost pressure;
- Delete the pressure of £4.000m for increases in payments to PVI providers to support better qualified staff. This issue is being addressed through the development of a new common formula for Early Years and any consequent overall increase in costs will not apply until 2010. In the meantime some additional support will be made available to providers, including up to £1.500m of one off DSG Reserve to be applied to support training for Early Years staff.
- Reduce the pressure for additions to school energy funding to take account of the more recent abatement in the level of energy prices. The Schools' Funding Forum has offered to put in some additional one-off funding of up to £2m if the pressure on energy prices seen in the autumn of 2008 continues into 2009/10.

6.2 The remaining shortfall of £3.411m related to centrally retained budgets, and has been closed by applying savings in the following areas:

- Schools unallocated DSG: £0.800m
- Various staffing reductions, reduced provision for pay increases and increases in vacancies;

## **7 Capital Budget**

7.1 The starting point for the capital programme is the existing published capital programme for 2008-11. This is adjusted for re-phasing of schemes from 2008/09, changes to the total cost or funding of schemes, and new schemes. The detail of the proposed capital programme is provided in the draft budget book on pages 10 to 13 for ORS portfolio and page 21 for the CFEA portfolio.

7.2 The most significant influence upon the revised programme has been the impact of the "credit crunch" and the reduction in capital receipts used to support the programme.

7.3 Members will be aware that in order to minimise the scale of the impact of the reduction in actual and anticipated receipts, the County Council established

the Property Enterprise Fund 2 (PEF2). Without this the proposed programme would have been severely reduced.

7.4 The new proposed programme includes the following sizeable additions:

- The assumption that the Modernisation Programme can be reinstated from 2011-12. This is dependent on the continuation of government policy.
- Grange Park Special School - where a new school is to be built on the Wrotham secondary school site.
- Academies – where the new programme reflects the finalised investment proposals. Most of this is government funding.
- Practical cooking spaces – this is being funded by government grants and relates to specific schools.

7.5 The proposed programme also contains a number of schemes that due either to the loss of receipts or increased estimated costs have been deferred or reduced. These include:

- Kennington Primary – this has been put on hold
- Special schools – the decision has been taken to defer major investment in the six schools where work has not yet been committed and to await the arrival of Building Schools for the Future funding.

## **8. Recommendations**

8.1 Members are asked to note and comment on the revenue and capital budget proposals, and note the issues raised by the IMG.

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### *Background documents:*

- Autumn Budget Statement; Cabinet, 15 September 2008
- Medium Term Financial Plan 2009-10 to 2011-12 for the CFE POC, 19 November 2008
- Provisional Local Government Finance Settlement; Cabinet, 12 January 2009
- Draft Budget Book and Medium Term Plan 2009-12 (issued on 7 January 2009)

### *Other Useful Information:*

None

