

# Public Document Pack

Supplementary information for Scrutiny Board (Children and Families) Thursday 12<sup>th</sup>  
December 2013 – Item 9: Financial Health Monitoring

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**Report of Head of Scrutiny and Member Development**

**Report to Scrutiny Board (Children and Families)**

**Date: 12 December 2013**

**Subject: Late Supplementary Information- Budget Update April - September 2013/14 and Budget Proposals for 2014/15**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

**Summary of main issues**

1. The Scrutiny Board (Children and Families) resolved to consider the budget of Children's Services at appropriate intervals. This is reflected in the work programme of the Scrutiny Board 2013/14. Updated information for period 7 will be considered at the Executive Board on the 18 December this is appended the this report as late supplementary information .
2. Initial budget proposals for 2014/15 are also due to be considered at the Executive Board meeting on 18 December 2013. The sections of the report relevant to this Scrutiny Board's portfolio are also appended. The Executive Board will be asked to agree the initial budget proposals and for them to be submitted to Scrutiny and also for the proposals to be used as a basis for wider consultation with stakeholders. Due to meeting schedules and to facilitate the process of providing comments and observations to the Scrutiny Board (Resources and Council Services) within required timescales, Scrutiny Board (Children and Families) is receiving this information in advance of the Executive Board meeting.

## **Recommendations**

3. Members are asked to:

- (a) note the financial position of Children's Services for period 7.
- (b) consider the initial 2014/15 budget proposals relevant to the Scrutiny Board's portfolio.

## **Background documents**

None<sup>1</sup>

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

## CHILDREN'S SERVICES DIRECTORATE

### FINANCIAL DASHBOARD - 2013/14 FINANCIAL YEAR

April to October - Month 7

**Overall**, the month 7 forecast variation for the Children's Services Directorate is an overspend of £2.7m, 2% against the net managed budget of £135m. This projection represents an adverse movement of £0.6m compared to the previous month 6 projections due mainly to increased forecasts around externally provided placements as well as increased semi-independent living placements and support for care leavers.

**Looked After Children** - the 2013/14 budget strategy recognised the strategic obsession around reducing the need for children to be in care with budget action plans totally £8m around safely reducing placement numbers [-£6m], increasing funding from partners [-£1m] and negotiating procurement savings [-£1.1m]. At this stage in the financial year, the forecast is that these significant budget savings will largely be achieved, but with some potential slippage. In terms of placement numbers, at the end of October 2013, there were 64 children & young people in externally provided residential placements [-2 compared to the financial model] and 276 children & young people in placements with Independent Fostering Agencies [+35 compared with the financial model]. Overall, these placement numbers translate into a potential pressure of £1.8m. In addition, discussions are continuing with partners around achieving the right balance of funding for the most complex placements. The month 7 projections continue to recognise some demand pressures around alternatives to care, including adoptions and special guardianship orders [£0.7m] and care leavers [£0.8m]. **Staffing** - at month 7 the overall staffing budgets are forecast to underspend by £2.8m across the combined general fund, grant funded and central schools budget functions which recognise the number of vacant posts across the Directorate and also the impact of the predominantly internal recruitment market. The month 7 budgets have been adjusted to recognise that a significant element of the staffing variation relates to ring-fenced central schools budget funding. The forecast spend on agency staffing is £5.7m and £1.3m on overtime. **Premises & Supplies & Services** - the projected variation confirms the intention to release the earmarked reserves to support the in-house residential review [£0.2m] and the relocation of the Youth Offending Service [£0.15] in addition to forecast savings from restricting all non-essential spend. **Transport** - the 2013/14 budget strategy included anticipated savings of £2.8m in the current year from reviewing the way all aspects of home to school transport is provided. The month 7 projections continue to reflect the Executive Board's decision to phase the implementation of the agreed changes to the home to school transport policies in addition to some continuing demand pressures, which are mitigated in part through the implementation of some provision changes in the current year, including transport for Looked after Children. **Income** - the forecast £0.1m favourable variation across the income and funding budgets reflects the budget adjustment in respect of the central schools budget funding. The projections also recognise a forecast variation [£0.44m] in respect of nursery fee income, mitigated by an additional £0.4m of performance by results funding in respect of the Families First (Leads) programme.



Budget Management - net variations against the approved budget

	Budget		PROJECTED VARIANCES											Total (under) / overspend £'000
	Expenditure £'000	Income Budget £'000	Latest Estimate £'000	Staffing £'000	Premises £'000	Supplies & Services £'000	Transport £'000	Internal Charges £'000	External Providers £'000	Transfer Payments £'000	Total Expenditure £'000	Income £'000		
Quarter 1	291,594	(190,433)	138,171	(3,248)	(227)	25	-48	97	994	181	(2,266)	1,398	1,150	
Month 4	291,338	(185,876)	135,463	(2,234)	(683)	(484)	2,192	818	1,226	(272)	(877)	1,591	1,614	
Month 6	290,242	(185,509)	134,735	(2,308)	(602)	(29)	2,136	803	1,370	45	449	1,542	1,901	
Month 8	290,560	(185,025)	134,735	(4,076)	(404)	51	2,443	495	717	13	(786)	2,300	2,140	
Month 7	290,135	(185,400)	134,735	(2,848)	(151)	18	2,440	195	1,526	(73)	2,051	1,614	2,744	

	Budget		PROJECTED VARIANCES											Outturn £'000
	Expenditure £'000	Income Budget £'000	Latest Estimate £'000	Quarter 1 £'000	Month 4 £'000	Month 5 £'000	Month 6 £'000	Month 7 £'000	Month 8 £'000	Month 9 £'000	Month 10 £'000	Month 11 £'000	Month 11 £'000	
Partnership, Development & Business Support	17,004	(7,570)	18,285	(410)	(851)	(114)	(920)	447						
Learning, Skills & Universal Services	79,364	(60,670)	17,581	(208)	(402)	(634)	(815)	682						
Self-referral, Targeted & Specialist Services	125,630	(11,324)	94,265	1,299	159	736	(363)	825						
Strategy, Performance & Commissioning	68,298	(55,504)	12,604	470	2,811	2,701	3,072	1,056						
<b>Total</b>	<b>290,135</b>	<b>(185,400)</b>	<b>134,735</b>	<b>1,150</b>	<b>1,614</b>	<b>1,901</b>	<b>2,140</b>	<b>1,744</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## **Initial Budget Proposals for 2014/15 – Children’s Services**

### **Extracted from report to Executive Board 18<sup>th</sup> December 2013.**

#### **8.0 THE SCHOOLS BUDGET**

- 8.1 The Schools Budget is funded by the Dedicated Schools Grant (DSG). The DSG is a ring-fenced grant and may only be applied to meet costs that fall within the Local Authority Schools Budget. Any under or over spend of grant from one year must be carried forward and applied to the Schools Budget in future years. The Schools Budget comprises of Individual School Budgets delegated to schools, the 15hrs of free early years education for 2, 3 and 4 year olds attending private, voluntary and independent settings, the cost of supporting pupils with high needs and a number of prescribed services and costs in support of education in schools. Funding for post 16 provision remains as a separate post 16 Grant and a small number of targeted grants remain, with the Pupil Premium being the largest of these. There are therefore 5 broad funding blocks covering five areas of expenditure.
- 8.2 The DSG for 2014/15 is funded as three separate blocks, known as The Early Years Block, The High Needs Block, and the Schools Block.
- 8.3 The Early Years Block will be used to fund the free early education of 3 and 4 yr olds, and the early education of vulnerable 2 yr olds in Schools, Academies and Private, Voluntary and Independent settings. The grant will be based on the number of 3 and 4 yr olds on the January 2014 and January 2015 census, multiplied by a figure of £3,883 per full time equivalent pupil. The funding for the 2014/15 financial year will therefore not be finalised until after the end of the year, but numbers are expected to increase due to the increase in the birthrate in Leeds. It is estimated that funding for 3 and 4 yr olds will increase by £750k yr on yr.  
Funding for 2yr old provision will be based on a DfE target for 2yr old places. In 2013/14 Leeds received £8.44m from a national total of £525m with a target of 2,190 2yr old places. The funding for 2014/15 has not yet been confirmed but national funding of £760m has previously been announced. Based on this national total the allocation for Leeds is estimated to increase by £3.78m.
- 8.4 The High Needs Block will be used to fund Special Schools, Resourced SEN places in Mainstream Schools, Pupil Referral Units and Education other than at School. The 2014/15 baseline for the High needs Block is £54.47m. The baseline will be adjusted for population changes and will be adjusted based on funding available to the DfE. The national grant total for 2014/15 has not been announced and the High Needs Block allocation will be finalised in March 2014.
- 8.5 The Schools Block funds the delegated budgets of Primary and Secondary Schools for pupils in reception to year 11, and a number of prescribed services and costs in support of education in schools. The grant for 2014/15 will be based on pupil numbers in Leeds (including those in Academies) as at October 2013, multiplied by a unit rate of £4,538. It is estimated that pupil numbers will increase by 1,920 year on year and the Schools Block will increase by £8.7m.
- 8.6 The delegated Schools Budget will be allocated to Primary and Secondary Schools including academies through the use of a simplified funding formula. The funding allocated to academies through the funding formula will be top sliced from the Schools Block paid to the City Council.

- 8.7 Funding for post 16 provision is allocated by the Education Funding Agency through a national formula. Historically school sixth forms have been funded at higher rates than FE Colleges and Sixth Form Colleges and the funding of sixth forms is reducing as this additional funding is withdrawn.
- 8.8 The DfE continues to provide separate ring fenced grant allocations to support national priorities. All of the grant allocations are paid to the School attended and the expenditure is not managed by the Local Authority. The pupil premium is paid to Schools and Academies based on the number of pupils aged 5 to 15 on roll in January each year who have been eligible for Free School Meals at any point in the previous 6 years of education. The pupil premium is paid at a national rate of £900 per qualifying pupil in 2013/14. It has been announced that the Pupil Premium for Primary pupils will increase to £1,300 per qualifying pupil in 2014/15. The Pupil Premium for Secondary pupils will increase to £935 in 2014/15. The pupil premium for Children Looked after will increase to £1,900. The Children Looked After Pupil Premium will be paid from the day children enter care and will also be paid where children are adopted from care and on behalf of those who leave care under a special guardianship order or residence order. The number of pupils qualifying for the Looked After Pupil Premium is estimated to increase by 25% year on year. The Pupil Premium is also paid based on pupils that are looked after or are Service Children. The grant for Service Children is paid at a lower rate of £300.

It is estimated that the pupil premium paid to Primary Schools and academies in Leeds will increase by over £7.6m, but the pupil premium paid to Secondary Schools and Academies will increase by only £440k.

The Primary PE Grant will be paid in the 2013/14 and 2014/15 academic years to all Primary Schools at a rate of £8,000 plus £5 per pupil.

The Yr 7 catch up premium will be paid in the 2013/14 and 2014/15 financial years at a rate of £500 for each pupil in year 7 who did not achieve at least level 4 in reading and/or mathematics (maximum £500 per pupil) at Key Stage 2.

#### 8.9 **Free School Meals for Under 7s**

The Government has announced that free school meals will be provided to all pupils in Reception, Year 1 and Year 2 from September 2014. The annual cost is estimated to be £600m. An announcement of the funding allocation method is expected in December. Based on the assumption that funding for the period September to March will be included in the 2014/15 budget it is estimated that this will produce funding in the order of £5.4m for Leeds Primary Schools

8.10 Schools Budget Summary (including Leeds Academies)

	2013/14 £m	2014/15 £m <b>(estimated)</b>	Yr on yr Change
Schools Block	431.95	440.66	8.71
Early Years Block (3 & 4yr olds)	30.06	30.81	0.75
Early years Block (2yr olds)	8.44	12.22	3.78
High Needs Block	54.47	54.47	0.00
EFA Post 16 Funding	19.16	18.11	-1.05
Pupil Premium – Deprivation	28.51	36.55	8.04
Pupil Premium – Looked after	0.58	1.22	0.64
Pupil premium – Service Children	0.04	0.04	0.00
PE & Sport Grant	1.81	1.81	0.00
Yr 7 Catch up Premium	0.54	0.54	0.00
Free School Meals under 7's	0.00	5.40	5.40
<b>Total Schools Budget</b>	<b>575.56</b>	<b>601.83</b>	<b>26.27</b>



## INITIAL BUDGET PROPOSALS 2014/15 CHILDREN'S SERVICES DIRECTORATE

### Service Context

The Council has a statutory duty and responsibility to safeguard and promote the welfare of the 180,000 children and young people across Leeds. Working in partnership with families, communities, schools, businesses and Children's Trust Board partners, there is a clear and agreed vision to improve outcomes for children and families and for Leeds to be a truly child friendly city. Our ambition is for Leeds to be the best city in the country for children to be born, grow-up, learn and have fun.

Children's Services continues to face significant pressures with a 32% increase in the birth rate over the last decade and a changing demographic mix. This has increased demand across all the services that we provide and fund and will present significant challenges in respect of the supply of school places, the number of referrals and potentially increase the cost of high level services such as children in need, special educational needs and children in the care of the authority. Despite this increase in demand and in contrast to the national picture, Leeds has successfully, and safely, reduced the number of looked after children by 76, or 5.3% over the last year. Our budget strategy for 2014/15 is guided by our requirements to help ensure that children and young people are kept safe, receive good quality education and any additional support needs are identified and addressed. We are also guided by our priority to create better life chances for children and young people across the City. This increasing demand, in conjunction with the renewed national focus on child protection resulting from serious case reviews in other local authorities, together with the strengthening of the unannounced inspection framework, will all combine to create significant tensions across the system as the resources we at our disposal continues to reduce. The significance of our duty to safeguard and promote the welfare of children continues to be recognised in the results of the budget consultation with children's social care services and services for children with SEN/children with disabilities identified as the top two spending priorities.

The budget challenges facing the Council over the coming years necessitate a transformational re-design of services for children, young people and families. Over recent financial years, the prioritisation of resources to support vulnerable children and families has seen huge improvement in our 3 strategic obsessions. The medium-term budget strategy must be based on sustaining these improvements and continuing to support the strategy around protecting the service around child protection and safeguarding whilst at the same time continuing to invest in preventative and early intervention services. The budget proposals for 2014/15 are a stepping stone to a longer-term vision for children and family services which will be underpinned by the new Citizens@Leeds integrated approach across the whole Council. It will include;

- A new geographically targeted service for young people at a level which is affordable from the perspective of the 2015/16 budget. The scope of the new service design to include: the targeted youth work service, attendance service and the Youth Offending Service. Consideration will also be given to including the personal advisers for children in care, Signpost and ASB. The service would also be responsible for the commissioning of information advice and guidance, youth work and other more targeted services.

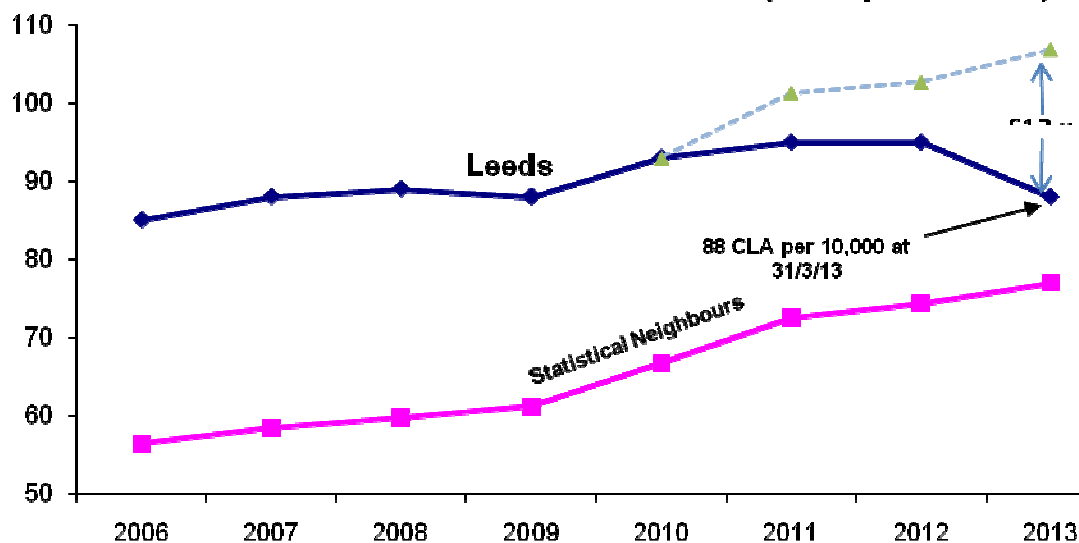
- An all age, locality based information, advice and guidance service to support the Citizen@Leeds Helping People into Work proposition. Children's Services have been developing the concept of destinations teams which include schools, colleges, IGEN and other learning providers to review and challenge the learning offer to young people. Complementing these teams with capacity from Employment and Skills, DWP, VCFS will enable us to plan and respond together at an individual and family level. The 3 community hub pilots offer an immediate opportunity to test out the approach.
- A new child and family service based around 'Family Zones building on the Best Start that focuses on improvement through the empowerment of families. The service re-design would include a fundamental re-design of our children's centres. The re-design would include the possibility of transferring assets where the sustainability of services for children and families could be secured.

This vision and associated partnership refresh would support a rise in children deemed 'ready for school (better speech, nutrition and social skills), reductions in 'toxic' adult behaviours harmful to the child's development (e.g., substance abuse and domestic violence), significant rises in take up of childcare, early years development and learning, improved parenting skills, significant support for child poverty and family debt issues, stronger social and community capital and also develop a new Learning Improvement Service which will secure our statutory responsibilities.

The 2014/15 budget proposals are set in the context of the vision outlined above. In 2014/15 Children's Services face pressures of £18m, including £2.4m of inflationary pressures, £5.3m of grant funding reductions and £4m in respect of the one off use of School balances to support the 2013/14 budget.

The budget strategy recognises £1.2m of demand pressures in respect of home to school transport and direct payments as well as almost £4m of additional investment into alternatives to care, for example adoptions, special guardianship orders, semi-independent living, etc. These are key parts of our strategy to safely reduce the number, and consequential cost, of the children in care. The budget also includes almost £2m of investment to expand the key preventative services such as multi-systemic therapy and restorative practice where there is clear invest to save evidence. In terms of our looked after children population, the graph below clearly demonstrates how we have stabilised what was a rising trend in the numbers of children in care in Leeds and have managed to 'turn the curve' which, in budgetary terms, is already avoiding costs of £12m per year.

### Number of Looked After Children (Rate per 10,000)



Recognising the significant financial challenges, the 2014/15 budget proposals include savings and efficiency proposals of some £22.3m. As mentioned above, the programme of activity around safely reducing the total number of children in care whilst also changing the mix of placement provision has already delivered significant savings across recent financial years with savings of over £6m forecast to be achieved in 2013/14 across the externally provided placement budgets. This is contrary to the national position and comparisons with our statistical neighbour authorities where there have been increases the children in care population since March 2009 (an increase of 12% nationally). As mentioned, if Leeds had followed a similar trend then we be spending an additional £12m in 2013/14 on our looked after children. The 2014/15 budget continues to reflect this strategic obsession and 'Budget Plus Strategy' with proposed savings of £5.8m included from reducing the number of externally provided fostering and residential placements.

In addition, the 2014/15 proposals include a £1.9m reduction in the funding for children's centres which includes an additional £0.2m of income (above inflation) from increasing nursery fees by £3/day (8.3%) to £39/day, together with a saving of £1.7m from reviewing the patterns of provision and by continuing to review overheads, staffing ratios and working patterns across all children's centres.

In 2014/15 there will be £4.6m of savings achieved following from the previous decision by Executive Board around the home to school transport policies and provision including £1.25m savings from the provision of transport for children in care. The budget proposals also recognise the full-year impact from the Youth Offer with further savings of £0.4m in addition to savings from transferring the provision for the South Leeds hub, £0.16m of savings by reviewing the Council's support for the Duke of Edinburgh Award, savings of £0.166 by reducing the subsidy for Herd Farm (£0.15m) and Lineham Farm (£0.07m) and savings of £0.09m (£1.8m full-year effect) from the proposal to review with stakeholders the governance of the Armley LAZER centre from September 2014. In addition, the proposals include potential savings of £0.7m from reviewing the provision and governance of services and also the range of contracts across the Directorate.

In terms of Education Support Services, the proposals recognise a £0.75m reduction in the Education Services grant in 2014/15. In addition, Government has already

announced a £200m national reduction in funding from April 2015 (a further cut of £2.5m for Leeds) on top of the impact of academy conversions. This will necessitate a fundamental restructure of our education support services in 2014/15 to take effect from April 2015.

### **Key Risks**

The number of children and young people in the city is increasing which places greater demand for services for children and families. In particular, the wider financial and economic climate can have a significant impact and requests for service/contacts have already increased by 8.2% in 2013 with a rise of 14% in the referrals for social care services. The combination of rising demand and reducing resources will place significant pressures across the system.

In addition to the risks around demand and resources it should be highlighted that the statutory duties to safeguard and promote the welfare of children and young people mean that Children's Services are the only element of the Council that is the subject of an unannounced inspection regime. As a result of national concerns around child protection and safeguarding, Government has recently strengthened the inspection framework and increased its duration from two to four weeks.

The implementation of the range of proposals within the Children and Families Bill will also present challenges in 2014/15 and beyond, specifically around Special Educational Needs (SEN) where the Bill will extend the SEN system from birth to 25 alongside the requirement by September 2014 that all new statutory assessments will result in an integrated Education, Health and Care Plan with extended rights and protections for young people in further education and training, in addition to offering families personal budgets.

The budget proposals for 2014/15 include £26m of savings/efficiencies by March 2014. The need to deliver this significant programme of in-year savings at the same time as developing the transformational re-design proposals for 2015/16 onwards will require significant leadership and programme management capacity, at a directorate and corporate level.

## Children's Services

Pressures/Savings	2014/15	2014/15	Is this relevant to Equality & Diversity
	£m	FTEs	Y/N
<b>Budget Pressures:</b>			
<b>Inflation</b>			
Pay	1.35	0.00	N
Price	1.09	0.00	N
Income	(0.37)	0.00	N
<b>Full Year Effects of previous decisions</b>			
Review of provision at the City Learning Centres	(0.45)	0.00	N
Expansion of the Multi-systemic Therapy Capacity	0.12	0.00	N
<b>Demand/Demography</b>			
Home to school transport	1.07	0.00	N
Direct Payments	0.12	0.00	N
<b>Other</b>			
Net changes in funding - including cessation of the adoption reform grant [£2.6m], Health Transformation [£1.5], School Balances [£4m], Education Services Grant [£0.75m], Youth Offending Service [£0.5m]	9.32	0.00	N
Investment into services for children in care and prevention and intervention - including Special Guardianship Orders, Adoptions, Family Group Conferencing, Semi-independent living and Leaving Care	3.92	15.10	Y
Multi-systemic therapy licencing, social work capacity, investment in Leeds Learning Network and Infobase, Workforce Development and Restorative Practice	2.03	18.43	N
<b>Total Pressures</b>	<b>18.20</b>	<b>33.53</b>	
<b>Savings Proposals:</b>			
<b>Procurement</b>	(0.68)	0.00	N
<b>Building a child friendly city - Looked After Children</b>			
Reduced reliance on externally provided residential and fostering placements	(5.77)	0.00	Y
<b>Becoming an efficient and enterprising Council:</b>			
Support Services - Organisational Development, Business Management Review and additional Vacancy Management savings	(1.76)	(49.71)	Y
<b>Income, charging and trading</b>			
Nursery Fees - £3/day increase (8.33%)	(0.22)	0.00	Y
Additional traded income/cost reductions	(0.85)	(4.17)	Y
<b>Public Health</b>			
Public Health Funding	(0.77)	0.00	N
<b>Other efficiencies/savings proposals</b>			
Review of Children's Centre activity and sustainability	(1.64)	(12.07)	Y
Youth Offer - implementation (net)	(0.44)	(24.50)	Y
Families First Programme - Payment by Results	(0.75)	0.00	N
Home to school transport - policy & provision savings	(1.83)	0.00	Y
Review of in-house residential provision	(0.90)	(18.57)	Y
Culture - review of music support services, music centre provision	(0.20)	(5.00)	Y
Youth Offending Service - mitigate grant reductions and reduction in LCC contribution	(0.67)	(16.10)	Y
Child & Adolescent Mental Health Services - funding review	(0.50)	0.00	N
Education Services Grant - review of Education Welfare Services	(0.50)	(12.60)	Y
Semi-independent living and Leaving Care - permanency planning	(0.25)	0.00	N
Social Care Legal Costs - Public Law Outline	(0.20)	0.00	N
Review of Contracts and Commissioned Services	(0.73)	0.00	Y
Education/Activity Centres - Armley LAZER centre, Herd Farm, Lineham Farm, South Leeds Hub	(0.39)	(4.85)	Y
Review of Intensive Family Support Services and Family Placement Budgets	(0.30)	0.00	Y
Duke of Edinburgh Awards - additional income/cost reductions	(0.16)	(3.00)	Y
Review of the Gypsy, Roma Traveller Achievement Service	(0.10)	(3.33)	Y
Voice & Influence and the Family Hub - review and reduce costs	(0.25)	(8.00)	Y
Range of other savings & efficiencies	(2.46)	(25.66)	Y
<b>Total Savings</b>	<b>(22.30)</b>	<b>(187.56)</b>	
<b>Overall net cost / (saving)</b>	<b>(4.10)</b>	<b>(154.03)</b>	

