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LATE ITEM OF BUSINESS

EXECUTIVE BOARD – 23RD SEPTEMBER 2010

‘REDUCTIONS IN FUNDING – CONTRACT/SLA/GRANT VARIATIONS’

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To Members of the Executive Board

Democratic Services

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Our Ref: A61/GW
Your Ref:
20th September 2010

Dear Councillor

EXECUTIVE BOARD – 23RD SEPTEMBER 2010 – LATE ITEM FOR CONSIDERATION

Please find attached to this letter a copy of a report entitled, 'Reductions in Funding: Contracts/SLA/Grant Variations'. The Chair has admitted this report to the agenda of the additional Board meeting scheduled for 23rd September 2010 as a late item of business, for the reasons provided at paragraphs 1.5 of the Executive Summary and 1.8 of the main report.

I would be very grateful if you could incorporate this report into your agenda papers for the meeting.

Yours sincerely

Gerard Watson
Governance Officer

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Report of the Director of Children’s Services

Executive Board

Date: 23rd September 2010

Subject: REDUCTIONS IN FUNDING - CONTRACT/SLA/GRANT VARIATIONS

Electoral Wards Affected:

All

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In
(Details contained in the report)

1.0 EXECUTIVE SUMMARY

- 1.1 As previously reported to the Board on the 22nd June and on the 25th August as part of the Government’s accelerated deficit reduction plan, details of reductions in grants to Local Authorities totalling £1.166 billion in the current financial year were announced on the 10th June 2010. The report on the 25th August outlined the service areas affected by the £15m in year revenue reduction to Leeds, with proposals on how this reduction would be managed.
- 1.2 Executive Board agreed to reduce the Children’s Services revenue budget (Early Years & Integrated Youth Support Services) by £2,489,235.
- 1.3 As a consequence of this previous decision to reduce the revenue budgets, there is now a need to reduce the payments to external and internal providers. Indicative proposals were included at Appendix 2 to the August report.
- 1.4 Although the report in August indicated that these decisions would be taken through the officer delegation scheme, it has subsequently been determined, in consultation with the Executive Members for Resources, Children’s Services and Learning, that it would be appropriate for these decisions to be made by the Executive Board.
- 1.5 Following the Government’s announcement of in-year funding reductions it is essential that the decisions necessary to manage the reductions in expenditure are made as efficiently as possible. Following political discussions around these funding reductions at Executive Board on 25th August, a Call-In Meeting on 15th

September and the Full Council Meeting on 15th September the Chair considers it appropriate to bring the items to Executive Board at the earliest available opportunity. This will support an open and consistent approach to making the necessary decisions to reduce the relevant contracts and/or agreements to external providers, it will also provide clarity for the benefit of organisations who will be affected, as many have expressed concern at the delay caused by the call-in of the decision.

2.0 RECOMMENDATIONS

- 2.1 Executive Board is recommended to approve the schedule of variations of contracts/SLAs/grants to external providers at Appendix 1.

1.0 BACKGROUND

- 1.1 As previously reported to Executive Board on 25th August, the impact of the Government announcement was to reduce the level of specific revenue grants to Leeds by £15.0m.
- 1.2 The scale of these grant reductions and the fact that they have been notified part way through the year does present the Council with a significant difficulty in managing them. Directorates were tasked with bringing forward proposals for dealing with the reductions and these were detailed in the previous report. The reduction in Children's Services /Education Area Based grants total £5.089m.
- 1.3 The report of 25th August provided outline proposals to deal with these. The potential impact on organisations funded by Children's Services was noted. The report contained information relating to the financial or business affairs of third parties and information which was subject to ongoing negotiations. As such it was considered that the release of such information would be likely to prejudice the interest of all the parties concerned and that, whilst there may be a public interest in disclosure, in all the circumstances of the case maintaining the exemption was considered to outweigh the public interest in disclosing this information at that time. It was therefore considered that details relating to individual organisations should be treated as exempt under Rule 10.4 (3) of the Access to Information Procedure Rules.
- 1.4 Further work has been completed to review each contract and to propose the contract variations outlined within this report. Discussions have taken place with all the organisations affected and this report provides details of the financial and service impact.
- 1.5 As a consequence of the reduced grants, Executive Board agreed to reduce the Children's Services revenue budget (Early Years & Integrated Youth Support Services) by £2,489,235
- 1.6 Given this previous decision to reduce the revenue budgets, there is now a need to reduce the payments to external and internal providers inline with the indicative proposals in the August report.
- 1.7 Although the report in August indicated that these decisions would be taken through the officer delegation scheme, it has subsequently been determined, in consultation with the Executive Members for Resources, Children's Services and Learning, that it would be more appropriate for these decisions to be made by the Executive Board.
- 1.8 Following the Government's announcement of in-year funding reductions it is essential that the decisions necessary to manage the reductions in expenditure are made as efficiently as possible. Following political discussions around these funding reductions at Executive Board on 25th August, a Call-In Meeting on 15th September and the Full Council Meeting on 15th September the Chair considers it appropriate to bring the items to Executive Board at the earliest available opportunity. This will support an open and consistent approach to making the necessary decisions to reduce the relevant contracts and/or agreements to external

providers, it will also provide clarity for the benefit of organisations who will be affected, as many have expressed concern at the delay caused by the call-in of the decision.

2.0 MAIN ISSUES

2.1 In response to the announcement of the in-year funding reductions in June 2010, the Chief Officer (Early Years & IYSS) developed an emergency budget strategy to manage the potential reduction of £2.49m of Area Based Grant Funding in respect of Connexions, Leeds Children's Fund, Positive Activities and Engage services.

2.2 This strategy was developed recognising a number of key underlying principles which included;

- That any reductions should be applied across all service delivery to dilute the impact and recognising the realism of making the necessary savings by March 2011. The strategy therefore sought to manage the reductions across the Early Years Service, Leeds Children's Fund, Integrated Youth Support Service and the Youth Offending Service.
- That any reductions should be applied equitably across all sectors – private, voluntary and in-house provision.
- That any reductions should be differential and progressive which means that the greatest impact should be felt in this financial year by universal services, thereby protecting as far as possible the targeted and specialist services for the most vulnerable.
- Recognition of the need to work in partnership with external providers to try to ensure the sustainability of provision.

2.3 This budget strategy and associated implementation plans were discussed and endorsed by the Children's Services Leadership Team and the Corporate Leadership Team in June 2010, pending a decision by the Executive Board in August 2010. The Executive and Lead Members for Children's Services and Learning have been briefed throughout.

2.4 As part of the Children's Services transformation programme and the need to make immediate and longer-term efficiencies, a framework has been put in place across all of Children's Services to ensure a consistent equitable and evidence based review process across all contracts and external agreements.

2.5 In line with the communications strategy, letters were sent to all external providers on the 13th July 2010 to highlight the Council's financial challenges and, as part of the wider efficiency review, to look at all areas of expenditure, including all contracted and commissioned services. This letter also served formal notice that over the 6-month period to January 2011 all contracts/agreements/grants would be reviewed and may be varied without further notice from the 14th January 2011. In addition, a follow-up letter was sent to all external providers on the 19th July highlighting the need to work in partnership with providers, to set up individual meetings and to invite providers to express concerns or ideas to their lead contract of commissioning officer. Meetings with the majority of individual providers were held in July and August and further meetings are planned as part of this ongoing process.

2.6 As mentioned at paragraph 2.2 above, an underlying principle of the budget strategy is to apply any reductions differentially and progressively, thereby mitigating the impact on targeted and specialist services. Specifically, this means that the annual contracts/SLAs/grants would be reduced by;

- Youth Work provision - 12.5%
- Connexions (Targeted) - 12.5%
- Connexions (Specialist) - 12.5%
- Leeds Children's Fund - 12.5%
- Sure Start - 12.5%
- Core Grants - 12.5%
- Connexions (Universal) - 19.0%
- Engage - 24.0%

It should be noted that a de-minimis level of £15,000 has been put in place so that contracts/grants/SLAs worth £15,000 or less in total are protected.

2.7 Appendix 1 to this report sets out the impact of these reductions on the individual external providers. Six months formal notice has already been given to providers and contracts can be varied with effect from the 14th January 2011, or earlier by mutual consent.

2.8 The separate economic assessment undertaken on each organisation, in terms of the overall impact of in-year grant reductions on the organisation, suggests that everything possible has been undertaken to mitigate the effect. However, as part of the action planning process, any individual organisational issue will be picked up and addressed.

2.9 Heads of Service are also undertaking a service audit review to understand the impact on services. This will be completed when the individual action plans have been received and the overall impact of the service reduction is fully understood.

2.10 This process will also help to ensure that we clarify the impact on service delivery. We are confident that all services are keen to minimize the impact on frontline delivery.

3.0 FINANCIAL IMPLICATIONS

3.1 Financial implications are contained in the body of this report.

4.0 LEGAL IMPLICATIONS

4.1 Letters were sent to all external providers on the 13th July 2010 giving 6-months formal notice that all contracts/agreements would be reviewed and may be varied without further notice from the 14th January 2011

4.2 The reduction in budget and the consequential reductions in service provision will have a negative impact on services for children, young people and families. An overall Equality Impact Assessment has been completed (including stakeholder representation) around the strategy to manage the reductions across Early Years,

IYSS and YOS and to apply them progressively. In addition, Equality and Organisational Impact Assessments are in place for each proposed reduction in the contract/grant/agreement.

5.0 CONCLUSION

- 5.1 Recognising the Government's decision to make in-year funding reductions, Executive Board made the decision to reduce the Children's Services (Early Years & IYSS) budget by £2,489,235.
- 5.2 A consequence of this decision is that there is now a need to make in-year variations to reduce externally provided contracts/SLAs/grants as set out in Appendix 1.
- 5.3 A clear and consistent process has been put in place to manage these reductions, including communication and discussions with the external providers. Equality and organisational impact assessments have been completed.

6.0 RECOMMENDATION

- 6.1 Executive Board is recommended to approve the schedule of variations of contracts/SLAs/grants to external providers at Appendix 1.

Background Documents

- 1) Report to Executive Board – 25th August 2010
- 2) Report to Executive Board – 22nd June 2010
- 3) 'Local Government's Contribution to £6.2bn efficiencies in 2010-11' – Letter from DCLG to Local Authority Chief Executives, 10th June 2010

APPENDIX 1

Reduction on Grants - Impact on External Providers

Area Based Grant for Integrated Youth Support Services	Total Funding	Grant Reduction	% reduction
Provider	£	£	
Connexions			
Prospects-IAG	3,409,000	647,710	19.0
IGEN Wedge	1,639,367	204,921	12.5
Prospects-CC/CW	412,370	51,546	12.5
Archway	73,400	9,175	12.5
Barnardos Willows	33,000	4,125	12.5
Genesis	35,000	4,375	12.5
Hamara	43,512	5,439	12.5
LEAP Project	36,449	4,556	12.5
Leeds GATE	34,256	4,282	12.5
People in Action	33,156	4,145	12.5
Reemap	33,955	4,244	12.5
Royal Mencap	66,300	8,288	12.5
Shantona	30,000	3,750	12.5
YA-Mobile provision	170,000	21,250	12.5
YA-Participation	137,000	17,125	12.5
Connexions Total	6,186,765	994,931	
BARCA	52,348	6,544	12.5
Burley Lodge	50,811	6,351	12.5
Cardigan Centre	34,720	4,340	12.5
Getaway Girls-Core	32,820	4,103	12.5
Hunslet Club	16,971	2,121	12.5
HW YMCA	24,604	3,076	12.5
Market Place-Youth/Core	23,686	2,961	12.5
Armley Juniors	35,630	8,551	24.0
Cardigan Centre	35,580	8,539	24.0
Chapelton 10-2 Club	35,630	8,551	24.0
Getaway Girls-Engage	32,090	7,702	24.0
Hamara	35,260	8,462	24.0
Hyde Park Source	24,140	5,794	24.0
Interplay	34,840	8,362	24.0
Market Place-Engage	49,220	11,813	24.0
Meanwood Valley Urban Farm	35,630	8,551	24.0
NACRO	29,750	7,140	24.0
RJC Dance	29,110	6,986	24.0
YMCA Training	79,050	18,972	24.0
BARCA	95,512	11,939	12.5
Burley Lodge	23,229	2,904	12.5
Cardigan Centre	32,149	4,019	12.5
HW YMCA	32,277	4,035	12.5
Market Place-Youth/Core	35,000	4,375	12.5
Learning Partnerships	49,670	6,209	12.5
Total	7,146,492	1,167,328	
Area Based Grant for Early Years Service		Grant Reduction	
Provider		£	
BARCA	40,000	0	0
Barnardos	519,640	64,955	12.5
Burley Lodge	40,000	0	0
CHIVA	185,611	23,201	12.5
Feel Good Factor	80,000	30,000	37.5
Children's Society (LEAP)	49,997	6,250	12.5
NACRO	400,000	50,000	12.5
Shantona	50,366	6,296	12.5
St Lukes Cares	37,812	0	0
Youth Association	130,000	16,250	12.5
Leeds Voice	39,000	4,875	12.5
Archway	34,000	4,250	12.5
4Children	162,112	20,264	12.5
Barnardos	939,885	117,486	12.5
Health For All	554,391	69,299	12.5
Homestart	58,798	7,350	12.5
Children's Society (LEAP)	64,000	8,000	12.5
Leeds Citizens Advice Bureau	255,844	31,981	12.5
Leeds Counselling	215,698	26,962	12.5
Leeds Play Network	168,889	21,111	12.5
National Childminders Association (NCMA)	99,970	12,496	12.5
PCT	1,178,860	147,358	12.5
Pre School Learning Alliance	388,159	48,520	12.5
Shantona	16,708	1,708	10.22
Sure Start For Travellers / Travellers Partnership	127,750	15,969	12.5
Thomas Danby College	138,462	17,308	12.5
Leeds Children's Holiday Camp Ass	69,970	8,746	12.5
Total	6,045,922	760,633	
GRAND TOTAL	13,192,414	1,927,961	

Feel Good Factor have taken responsibility for the full reduction due to their ability to make the full savings on behalf of the consortium

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12.5% not applied as would take this below the £15k threshold

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