



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