

HAMPSHIRE COUNTY COUNCIL**Decision report**

Decision Maker:	Executive Lead Member for Children's Services
Date of Decision:	23 January 2013
Decision Title:	Revenue budget report for Children's Services for 2013/14
Decision Reference:	4434
Report From:	Director of Children's Services and Director of Corporate Resources – Corporate Services

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1. Executive Summary

- 1.1. The County Council's decisive action over the last two financial years has meant that it has broadly achieved its goal of responding to four years' worth of Government grant reductions in two years. This has enabled the County Council to return to a process of Annual Efficiency Targets (AETs) for at least the last two years of the current Comprehensive Spending Review (CSR) period.
- 1.2. The grant settlement that was released just before Christmas confirmed further reductions in Government funding for the next two years but these were broadly within the range of forecasts that the County Council had been predicting. Assuming that Council Tax levels are in line with the overall Medium Term Financial Strategy (MTFS), this means that no further savings will be necessary above the 2% AETs set for each Department in order to balance the budget for the next two years, leaving the County Council in a very strong financial position and providing sufficient time and capacity to plan for more challenging times from 2015/16 onwards.
- 1.3. Children's Services will be impacted by changes to three specific government grant funding streams. These are discussed more fully in section seven and are the:
 - Early Intervention Grant (EIG), which is being reduced (in addition to the transfer of funds to the Dedicated Schools Grant (DSG) to pay for free provision for the most vulnerable two year olds);
 - Local Authority LACSEG (Local Authority Central Spend Equivalent Grant), which has been replaced by a new grant – the Education Services Grant (ESG), which also relates to services provided by other departments; and

- Dedicated Schools Grant (DSG) where there is a 'flat cash' settlement but the main impact is the implementation of the new funding formula for schools.
- 1.4. This report proposes a budget for Children's Services for 2013/14 in accordance with the Council's Medium Term Financial Strategy reported to Cabinet last Summer. The budget includes proposals for the 2% reduction in spending to meet the AET for the year.
 - 1.5. The report also provides an update on the financial position for the current year. At the current time monitoring information for quarter 3 is not available but for the second quarter the Department is forecasting a net underspend of £440,000 (£360,000 underspend on the schools budgets and £80,000 underspend on the non-schools budget). Further detail is provided in section three of this report.
 - 1.6. The 2% AET for this Department for 2013/14 is £2.349m. The savings proposals to meet this amount are explained in section five of this report and are set out in Appendix 1.
 - 1.7. The report also reviews the level of charges for the provision of services in section six and provides a summary of charges in Appendix 2.
 - 1.8. The proposed budget for 2013/14 analysed by service is shown in Appendix 3 and the workforce implications of the budget proposals are set out in Appendix 4.
 - 1.9. This report seeks approval for submission to the Leader and Cabinet of the revised budget for 2012/13 and detailed proposals for the 2013/14 revenue budget for Children's Services. The report has been prepared in consultation with the Executive Lead Member and will be reviewed by the Children and Young People Select Committee. It will be reported to the Leader and Cabinet on 8 February 2013 to make final recommendations to County Council on 21 February 2013.
 - 1.10. The Department's budget and performance strategies are developed in accordance with the Council's Equalities Policy and have regard to the most vulnerable in society. How budgets are used have a significant impact on the most excluded, and this budget report provides information on the spending plans that support the department's priorities. Further information on the Equality Impact Assessments completed in respect of the various savings proposals is provided within Integral Appendix B.

2. Context and Priorities

- 2.1. Following the CSR announcement in 2010, local government was anticipating an average 28% reduction in Government funding across the Country over four years. The impact of changes to the distribution methodology meant that the County Council's share of this reduction is relatively much greater, with a 25% reduction in the first two years alone.
- 2.2. The Local Government Provisional Finance Settlement was announced on 19 December and, after allowing for technical adjustments in respect of transfers of functions and changes to the grant system, the County Council

has received equivalent grant reductions over the two year period of 8.7%, and 9.6%, which is in line with the reductions contained in the medium term forecast although the cumulative impact is slightly worse than previously predicted.

- 2.3. Cabinet have already confirmed that for planning purposes it should be assumed that we will accept the Council Tax Freeze Grant for 2013/14, which is equivalent to a 1% increase and will provide one off funding of £5.3m in each of the years 2013/14 and 2014/15.
- 2.4. Now that these grant figures have been released and assuming that future Council Tax increases are within the range contained in the previous Medium Term Financial Strategy it is anticipated that as long as Departments meet their total of 20% savings (two lots of 8% and two lots of 2%) over the four year period then the County Council will achieve a balanced budget by the 2014/15 financial year, albeit that it may be necessary to use a small amount of one off funding to balance the budget in 2014/15.
- 2.5. The Chief Executive has already reported to Cabinet plans for a new set of Corporate Efficiency Workstreams to start to address the financial challenges from 2015/16 onwards. This work will begin in earnest in this new calendar year with a view to identifying further efficiencies, cost reduction options and organisational responses that meet the forecast budget gap in 2015/16. The Council will also want to plan how to meet increases in demand, inflation and demographics that will ultimately translate into increased expenditure.
- 2.6. During the current CSR period, the County Council has been developing its 'Open for Business' priorities, underlining the fact that despite the reductions in Government funding the County Council remains a large influential organisation committed to providing high quality services to the residents of Hampshire.
- 2.7. The Children's Services department has been developing its service plans and budgets for 2013/14 and future years in keeping with the 'Open for Business' priorities and the key issues, challenges and priorities for the Department are set out below.

Departmental Challenges and Priorities

- 2.8. 2012 has been a year of significant challenges which the department has risen to well:
 - The Children's Centre tenders have been let and progress with the new provider is good
 - The open access youth provision is now being provided through a grants arrangement with the voluntary sector and we are supporting them with significant development work both in co-ordination and skills development
 - We are offering Careers Advice and Guidance as a sold service in the market

- The department has had a significant number of inspections by Ofsted, which have gone well
 - School places planning has been demanding with a rising birth rate and increasing in-migration in particular areas. 80 new primary places are now approved for Winchester, including the 4-16 provision at The Westgate School, and the Dioceses are consulting on a new primary school for Whiteley
- 2.9. Our changing relationship with schools is settling into the post-academy environment. Over 1,000 school attendees (including Academies) came to the road shows on the new school funding formula, which were very well received. The new Hampshire Funding Formula has been agreed by Schools Forum and was approved by the Executive Lead Member for Children's Services on 23 October 2012 and will be implemented for April 2013.
- 2.10. There is one particularly significant area of financial and operational pressure in the department – in children's social care - and this is covered below in some detail.

Numbers of children looked after

- 2.11. The number of children looked after in Hampshire has risen from 1,023 in March 2008 to 1,107 at the end of December 2012: an 8.1% increase. Based on the most recent data the DfE has reported that there has been a 13% increase of children looked after nationally compared with Hampshire's figure of just over 8%. The costs of these additional placements are bound to be disproportionately high because of the strain upon existing provision.
- 2.12. The rate of children looked after in Hampshire is about 40 per 10,000 which is still significantly lower than comparative authorities. This low rate reflects historical strong performance in ensuring that children are only brought into care when absolutely necessary.
- 2.13. Factors that are leading to an increase in the numbers of children looked after include the following:
- An increase in the birth rate in Hampshire – since 2008 there have been an additional 8,018 births in Hampshire, equating to an additional 32 children looked after. This is coupled with a significant amount of in-migration. Given that we know we have a rate of children looked after of 40 per 10,000, we know that growth in the child population will lead to a growth in children looked after numbers.
 - The 'Southwark ruling' – which means that all 16/17 year olds presenting as homeless should be assessed as to whether they should be accommodated by the local authority under section 20 of the Children Act rather than accessing housing support. This has accounted for a doubling in the number of 16 and 17 year olds in care from 26 in June 2009 (the implementation of the judgement) to over 50.

- An increase in the number of children with complex disabilities and needs who would have previously died – thanks to modern medical interventions they are surviving into early adulthood but often with high levels of support or in situations where their parents are unable to cope with their needs and they require long term care. There has been an increase of 27.5% in expensive specialist residential placements required for children with disabilities from 40 (in March 2008) to 51 currently. These are generally very high cost placements, usually well in excess of £100,000 per year. The number of open cases of children with severe and complex needs in the Children with Disabilities teams has risen from 769 in 2008 to 928 open cases in 2012 – an increase of 21%.
- The Baby Peter factor – there is no doubt that the case of Peter Connelly led to a significant shock to the system which brought about better, more assertive safeguarding actions which in turn led to more younger children being removed from their parents in order to safeguard them. This has gone hand in hand with revised legal procedures, which make the child protection process more likely to lead to unavoidable and long term legal interventions. During the preparation of this report the House of Commons Select Committee on Education released a high profile report that made strong recommendations that Local Authorities should bring more children into care and should also sharpen their child protection arrangements for older teenagers.
- The recession and the impact upon struggling families – the report *In the Eye of the Storm (2012)* prepared by Landman Economics for the NSPCC, the Children’s Society and Action for Children highlighted that nationally between 2010 and 2015 there will be a substantial increase in the number of vulnerable families as a result of changes in tax and benefits, spending related service cuts and the ongoing effects of the economic downturn. The incidence of several vulnerabilities is projected in that report to increase as follows:
 - 120,000 more workless families
 - 25,000 more families with a mother suffering from depression
 - 100,000 more families living on a low income (below 60% median income)
 - 25,000 more families in material deprivation
 - 40,000 more families living in poor quality or overcrowded housing.

The report estimates that by 2015 the number of children living in families with five or more critical “vulnerabilities” will increase by 17%. Clearly, all of these issues will generate further activity for children’s social care as families struggle to cope.

- Better systems for recognising the signs of neglect and abuse – this can be seen in the growth in the number of Child Protection Plans (CPPs) from 464 in March 2008 to 894 currently: a 93% increase. There is a relationship, but not causality, between the number of children on CPPs and the number of children looked after. The number of open social work cases has increased from 4,447 to 6,833 an increase of 54% over the same period.

Other cost pressures

- 2.14. A large proportion of children looked after (about 55%) are cared for by foster carers 'employed' by Hampshire Children's Services. This includes situations where family and friends become carers for children at our recommendation and are thus effectively 'recruited' as a foster carer. As with all local authorities we make use of Independent Fostering Agencies (IFAs) where we cannot meet a child's needs through our own carers (about 200 children). Thus in Hampshire about 74% of children are cared for in foster care, which is similar to the national average of 75%. We also have 6 residential units (33 places) and also purchase residential care for specialist placements (74 including children with disabilities). The balance, in terms of the number of children looked after, is made up of 'other' arrangements including children on care orders placed at home, supported lodgings etc. In the last few years we have seen a gradual rise in the number of the more expensive IFA and specialist residential placements, thus increasing overall unit costs.
- 2.15. Family Support for disabled children – the number of parents seeking Direct Payments to pay for care themselves has increased from 163 to 250. There will probably be further pressure when personal budgets are introduced as a result of legislation pertaining to children with disabilities and special educational needs in the near future.
- 2.16. Safeguarding – all teams are under significant workload pressures as can be seen from the above data. In our Ofsted report in July 2011 it was commented that caseloads were high but inspectors were impressed how well they were being managed by the systems in place. They have, however, risen since that point.
- 2.17. Leaving care – a higher number of children looked after will inevitably lead to a higher number of children eligible to receive leaving care support, including financial allowances. The numbers of children eligible for leaving care packages has grown from 485 to 549 (13%). There are also legitimate expectations that the leaving care age should extend according to the needs of the young person rather than of the system.
- 2.18. A further change in the law came into place in November 2012 that will mean that all young people remanded in custody for longer than 13 weeks will also become care leavers post-release and eligible to the same level of allowances and support. More significantly, from April 2013 local authorities will bear the full costs of children remanded in custody, although theoretically this should be covered by a budget transfer from the Ministry

of Justice. Details are awaited but it is understood that this budget will be reduced by 15% in anticipation of the savings that local authorities will make.

- 2.19. Over the last three years we have seen a steady increase in the number of cases that are presented to the Family Court for decisions about children's care arrangements (from an average of about 110 cases per year to 130). Each court case costs between £15,000 to £20,000 on average (not including the care costs). The additional legal costs have been contained within the current budget by changing the balance of external and internal legal resource. However, further significant increases in the number of cases will put severe strain on this position. As well as the cost associated with legal advice, there are significant costs in respect of social worker time to attend court (sometimes for several weeks) and also costs driven by court ordered requirements during the proceedings. For example, the court can order 'mother and baby' residential assessments, which cost approximately £30,000 each.
- 2.20. A significant hidden pressure relates to the cost of contact for children in public law cases, which generally falls upon the local authority. We have numerous examples of judges setting very high levels of contact (five or seven days per week), which then have to be supervised by the local authority.
- 2.21. At the moment we estimate there is a pressure of around £3.5m relating to children looked after and, based on the current growth trend, this could rise to £7.5m by 2015/16. This is generally a consequence of the rising numbers of children and the types of placement as outlined above. The unit cost of a child in care is approximately £43,000 per year. This is an average, with the in-house foster care being the cheapest option and private residential units the most expensive generally. The latter are placements that require high levels of staffing and complex input, including mental health and education, both of which are often commissioned as part of the package of care. The Cabinet has agreed to reflect this pressure and has re-aligned the base budget for 2013/14 as part of the medium term financial strategy.
- 2.22. The analysis above indicates that the demographic, legal, social and professional pressures which have driven this increase are not likely to abate at any time in the short or medium term and, therefore, the number of children looked after will rise and so will associated costs.
- 2.23. Finally, the most difficult aspect of all to put a figure on is the pressure that has already been absorbed by front line child protection work. Generally this work is handled by our Referral and Assessment Teams and (more long term) by Children in Need teams. We currently have 12 Children in Need teams as well as 7 Referral and Assessment teams and the service in Hantsdirect. As outlined above, these teams are handling 50-75% more work than they were handling 4 years ago. Within that increased activity there is a higher proportion that is high risk and high intensity in terms of social worker input due to the 93% increase in child protection work. Each team consists of a team manager, assistant team manager and 7 or 8

social workers plus associated staff such as admin and family support workers. Each team costs in the region of £500,000 not including the costs for Independent Reviewing Officers and Family Placement services.

Managing the risk

- 2.24. Hampshire Children's Services is actually better positioned than most other authorities to manage these challenges effectively although we have to remain vigilant at all times and guard against complacency. We have strong teams with a tight grip on practice. Problems are noticed and addressed early. The decision to take a child into care is governed by strict authorisation. However, we cannot eradicate risk and children's social care activity remains one of the highest managed risk areas for the County Council.
- 2.25. Ofsted noted that our intervention thresholds were high and they remain so. Our staff have absorbed an increase in workloads. Our social worker survey reports that despite regularly working long hours they feel professionally well supported. Our staff turnover rate remains low and participation in learning and development high. Sickness rates are slightly higher than the overall Hampshire County Council rate but these tend to point to particular hotspots where we have had problems, and we are confident they are lower than sector specific industry averages.

Future plans

- 2.26. Obviously, we need to look ahead at the pressures that will continue to bear down on children's social care. To that end, a number of different plans are being developed in order to contribute towards the overall containment strategy for the financial pressures that are faced. These plans are outlined below.
- 2.27. We have to re-think the role of care for troubled and troublesome young people. In particular we are developing proposals to create a cohort of respite foster carers who will be able to care for teenagers at short notice and, supported by the Intensive Support Service, will enable some teenagers to return home more quickly or to have different, shorter episodes in care. Evidence shows that many young people who come into care as teenagers do indeed return home in due course. This may well be entirely appropriate, after all teenagers have the right to protection and safety as well and often return when they feel more able to cope with their families.
- 2.28. We have developed a strategy for residential care for non-disabled children in Hampshire which will retain the same number of places (33) but spread across a reconfigured estate which will enable children to be cared for in smaller units. This is likely to be more cost effective in enabling those units to manage some of the more high risk young people who are currently placed in specialist units. It is intended that this strategy will roll out over the next 3-5 years.

- 2.29. An improved permanency planning strategy is being developed. A quarter of the current children looked after have been looked after for more than five years and 40% have been looked after for more than three years. The figures for permanency planning have remained consistent suggesting that more focus is needed on achieving permanent outcomes for children via more robust planning at an early stage. A Permanency Planning Policy and Strategy is being developed to make sure the right children are being identified early enough for adoption and other related outcomes. The aim would be to ensure all children have a plan in place by the second Statutory Review. This will require a significant increase in the number of prospective adopters available. The benefit would be that we could increase the proportion of younger children who leave care for permanency which could reduce but not eradicate the pressure on costs.
- 2.30. Linked to this is our ambition to increase the number of in-house foster carers available in order to give us sufficient 'head-room' in the care system. It is proposed to set up a team to manage a marketing, recruitment and assessment programme over two years. A detailed model is being prepared, with an emphasis on improvements to recruitment, training and support rather than on inflating fees to carers. The principle is clear that, for some additional one-off investment, we can potentially avoid some significant future costs. This could be funded from the department's earmarked reserve referred to in paragraph 5.7.
- 2.31. Plans are also being developed, in partnership with most South East authorities, to develop a framework contract for purchasing specialist residential placements. It is hoped that the lessons from the Independent Fostering Agency (IFA) contract will enable us to deliver some savings from this contract.
- 2.32. Finally, we want to do more work with the courts in order to try to limit their use of unnecessary contact, specialist assessments and specialist placements. Work on these areas has commenced with a new family justice liaison judge.

Early Help

- 2.33. Ensuring that early help reaches vulnerable families is essential in terms of mitigating problems that may go on to cause greater social and financial strains on the system.
- 2.34. At the moment the main early help provision is provided by locality teams in Children's Services which are partly funded by schools budget, as agreed by Schools Forum. These locality teams work with children and families who are below the threshold for statutory social care intervention but who need additional support to mitigate the problems in the family. More recently, the government has also provided some limited funding for work with 'Troubled Families', a more limited cohort of families whose problems cause further problems in the community. Locality Teams currently work with around 2000 families at any one time and the Troubled Families initiative is dealing with about 500 per year.

- 2.35. It is likely that during the course of 2013 schools will want to focus the resource that they commit to locality teams (£1.5m) on to more 'school-focussed' early interventions which will enable them to be more confident in meeting their challenges with a new Ofsted framework. This would represent a significant risk to the limited existing capacity to use early help services to off-set the burgeoning demands on social care. The withdrawn resource would need to be replaced, but this would offer an opportunity to reshape those early help services such as locality teams to be more effective. It potentially could also provide an exit strategy in terms of mainstreaming the pump-primed investment in Family Intervention Programmes currently facilitated by the Troubled Families programme. Proposals will be developed in the next few months.
- 2.36. It is clear from the above narrative that there are significant demand and cost pressures in the system for children's social care. These have been building for some time but have been managed using flexibility in the budget - but this is rapidly disappearing. Over the last three years, the budget for Children Looked After has been overspent by between £2m and £3m each year, but this has been contained within the overall strategy for the Children's Services budget. This has included the necessary and difficult decisions that have been made with regard to services such as Youth Services and Children's Centres: protecting those services whilst making them more cost-effective.
- 2.37. With further reductions in budgets and grant funding and increasing cost and demand pressure removing flexibility overall, the social care pressures must be addressed as part of the 2013/14 budget. This is discussed in more detail in the revenue pressures paragraphs in section four.

3. 2012/13 Budget

- 3.1. Savings of £10.4m are planned to be delivered during the year, £10.2m of which relate to the full year effect of the 2011/12 savings programme. All Departments are monitoring achievement of savings as part of the normal budget monitoring process for the year. At the end of September all of the Department's savings had been fully delivered.
- 3.2. The monitoring position for quarter 3 is not yet available and will be reported in due course. At quarter 2 the forecast position for the Department was a net underspend of £440,000 (£360,000 underspend on the schools budget and £80,000 underspend on the non-schools budget). The key corporate risk issues highlighted are:
- *Youth Support Services* – Following a review of the Careers Advice and Guidance Service anticipated income is lower than previously expected because the size of the market is significantly smaller than the level of demand that was generated when the service was free to schools. Management are taking steps to align resources to income levels throughout the rest of the year with early actions already taking effect to start to reduce the pressure.

- *Commissioning and Social Work* – It has been necessary to respond to significant workload pressures, particularly in the north east of the County, which has led to an increase in staffing costs. Management actions are starting to reduce the pressure but there is inevitably a time delay in achieving this (this is illustrative of the commentary in section two above).
 - *Children Looked After* – There are continuing significant pressures on purchased residential placements and fostering with activity above the budgeted placements. Whilst every effort is being made to manage down the number of children entering care through prevention work, there is still an upward local and national trend which is putting pressure on resources.
- 3.3. The budget for the department has been updated throughout the year and the revised budget is shown in Appendix 3. The schools revised budget incorporates the adjustments for schools transferring to academy status (-£26.6m) and additional pupil premium grant (£6.739m). The non-schools revised budget has been adjusted for the transfer to Corporate Services of IT budgets (£3.634m).

Budget 2013/14 – Non-schools

4. Revenue Pressures and Initiatives

- 4.1. The changes to the Early Intervention Grant will mean a loss of funding from 2013/14 onwards. In a similar approach to the in-year savings that were required in 2010/11, it is proposed to provide central contingency provision for the level of potential losses in 2013/14 in order to give Children's Services sufficient time to consider options for reducing costs that will be implemented within appropriate timescales. This will ensure a sensible and planned approach to dealing with the further reductions in funding. This approach has worked well in the past.
- 4.2. The detailed narrative in section two outlines the current pressures within the children's social care system, which give three key issues for the budget for 2013/14 and beyond :
- Children looked after
 - Capacity of front-line staff in child protection and children in need
 - Early intervention to deter additional pressures
- 4.3. Given the current levels of children looked after and the continuing increases both in terms of demographics and complexity of cases, the base budget will be adjusted for 2013/14 to reflect current activity levels and costs. Provision for the increase in 2013/14 and future years has already been factored into the forecasts within the Medium Term Financial Strategy (MTFS), as agreed by Cabinet on 17 December 2012. This creates a more stable picture for the future.

- 4.4. Additional funding for the second and third key issues, summarised below, has not yet been identified. However, ways in which they can be addressed are being explored.
- 4.5. **Increasing capacity to reduce future risk:** – the additional pressures, that have to date been absorbed by existing services, incrementally increase the risk of failure in the system and may impact on the current successful ‘gate keeping’ role which helps to keep children safely out of the system. Evidence shows that a single failure in this process can lead to significant extra children looked after costs in the future, caused by a reactive change in thresholds as has happened in a few high profile incidents in other authorities. Therefore, in order to robustly manage the existing and anticipated increases in activity it is considered that there is a case to increase the capacity of the service over the next few years by increasing the number of social work teams. Each team would consist of a team manager, assistant team manager plus associated support staff and would cost about £500,000 per annum.
- 4.6. **Increasing preventative measures:** – there is evidence that early intervention within the system is an effective way of keeping children out of care. At the present time the ‘early help’ service (costing £3m per annum) contributes to this prevention work but it is 50% funded by schools which leads to less targeted interventions in fulfilling the obligation to schools. It is, therefore, recommended that this service be reviewed during 2013/14 with a view to it being more directly targeted at social care early help.

5. Revenue Savings Proposals

- 5.1. Each Department is required to deliver a 2% saving to contribute towards the Annual Efficiency Target in 2013/14. The target for Children’s Services for 2013/14 is £2.349m and Appendix 1 summarises the savings proposals to meet this sum, which also shows the estimated impact on workforce levels and the forecast full year impact in 2014/15.
- 5.2. These savings proposals mainly focus on achieving service efficiencies without the need to impact on service delivery. Some of these savings are the result of previous actions already agreed. These include withdrawal from community funding arrangements, changes to discretionary elements of the home to school transport policy decisions and expansion of sold services.
- 5.3. In line with the approach taken in 2012/13, a central corporate contingency will be maintained to mitigate risks in achieving savings and will provide for any slippage to programmes in the event that full delivery cannot be achieved until 2014/15.

- 5.4. The Appendix also provides information on the type of savings proposals categorised over Efficiencies, Income Generation or Service Reductions. The table below summarises the split of savings between these categories :

	£'000
Efficiencies	2,099
Income Generation	180
Service Reductions	70
Total	2,349

- 5.5. These proposals will result in a further workforce reduction of 3.0 full-time equivalent (FTE) positions within Children's Services. There is 1.0fte in each of the following areas, where it is anticipated that savings can be made either through natural turnover or use of existing vacant posts without significant detriment to the general quality of service or statutory responsibilities:

- Elective Home Education
- Hampshire Inspection and Advisory Service (HIAS) – Education Officer
- Family and Parenting Support – Co-ordinator

- 5.6. The savings proposals also include a reduction of 1.0fte within Corporate Services relating to item CS8 – review of the Hampshire Inspection and Advisory Service (HIAS) communications requirements and processes.

- 5.7. During 2011/12 the department under-spent against its revenue budget by approximately £4.9m, largely through the early delivery of savings. This has been held in an earmarked reserve and is available to the Department to offset any costs associated with implementation of the savings in the current and future financial years. This includes the cost of redundancy payments to be met by the Department, and the cost of this further workforce reduction will be contained within the remaining funding available.

6. Review of Charges

- 6.1. For Children's Services, the 2013/14 revenue budget includes income of £3.85m from fees and charges.
- 6.2. There are some mandatory and national charges which the County Council is not able to vary. Within Children's Services the only charge that is mandatory relates to penalty notices of truants and excluded pupils.

- 6.3. Discretionary charges are reviewed annually, except when they are subject to agreements which cover longer periods when the review takes place at the end of the period of the agreement. Examples include:
- Charges for school meals, which is considered in a separate report on this agenda and is recommended to stay at £2.00 per meal
 - Secure welfare accommodation provided to other local authorities, where the charge is recommended to increase from £4,410 per week to £4,620 per week.
 - Parental contributions for children accommodated in accordance with Schedule 2, Part II, paragraph 22 of the Children Act 1989 – an increase of £1 per week is proposed, from £43 to £44
- 6.4. Details of current and proposed fees and charges for 2013/14 are included in Appendix 3.

7. Other Expenditure

- 7.1. The budget includes some items which are not counted against the cash limit. This includes budgets for central department support services (except where they have been given to service departments to buy services), and repair and maintenance of buildings. It also includes costs of Member Support within Children's Services and budgets that are rechargeable to Policy and Resources for corporate and democratic core services.
- 7.2. The County Council has a policy of passporting changes in specific grants directly to departments. Last year the potential changes to funding arising from the government's policy on entitlement to free early education and childcare sufficiency were highlighted. As discussed at that time, the Government has decided to transfer funding for two year olds from the Early Intervention Grant (EIG) to the Dedicated Schools Grant (DSG), thus making it ring-fenced funding within the schools budget. The Government has also top-sliced the national EIG by £150m, which will be re-invested with local authorities in order to support evidence-based interventions in support of early intervention policy. It is understood that these will focus on the development of adoption services.
- 7.3. Nationally, after taking account of the transfer to DSG and the £150m top-slice, the balance of EIG has been reduced by 11%, with a formulaic approach to distribution. As a ceiling authority, Hampshire's allocation has been reduced by 8.7%.
- 7.4. Consequently, Hampshire's EIG allocation has been reduced by £11m overall – from £42.0m to £31.0m. The base budget provision for free education for two year olds is £4.6m. Therefore, in 2013/14 there is a net reduction of £6.4m, of which £2.7m relates to the £150m national top-slice referred to in paragraph 7.2. Hampshire's EIG is expected to reduce by a further £2.0m in 2014/15. However, as explained in paragraph 4.1, as part of the medium term financial strategy agreed by Cabinet on 17 December 2012, corporate contingency funding will be provided in 2013/14 in order to

give Children's Services sufficient time to properly address the loss in funding.

- 7.5. The Government also consulted on proposals for changes to the LA Local Authority Central Spend Equivalent Grant (LACSEG) funding from 2013/14 and is introducing a national per pupil amount of funding that is taken off local authority formula grant and handed back to local authorities in a new grant – the Education Services Grant (ESG). Local authorities then use the same per pupil distribution methodology to allocate funds to their own budgets and to academies in the area. This is supposed to cover the costs of all those central services provided to schools, not just those within Children's Services.
- 7.6. As a consequence of the consultation, the Government has reduced the quantum that is being transferred from Formula Grant. This results in a base per pupil allocation of £116 plus an additional £15 per pupil for local authorities in respect of 'retained responsibilities' for statutory functions that still have to be carried out by local authorities where schools have converted to academy status. These rates are multiplied by 3.75 for pupil referral units (education centres) and 4.25 for special schools, recognising the additional costs of these services.
- 7.7. Academies will receive, as a transitional protection, an ESG rate of £150 per pupil in 2013/14 and £140 per pupil in 2014/15. This protection will be funded from the Department for Education's budget and not from the funding transferred from local government. The transitional protections for academies will be removed from the system over a limited period of time so that the rates for local authorities and academies are brought together.

8. Schools Budget

- 8.1. There is a forecast underspend in 2012/13 of £360,000. In addition to this there was an in-year increase in Dedicated Schools Grant (DSG) of about £1.5m and a one-off carry forward from 2011/12 of about £2m. The carry forward is set aside for contingencies in 2012/13, including for school place pressures and school re-organisations. Any year end underspend will be carried forward to 2013/14 and will be subject to the new school funding formula.
- 8.2. The main arrangements for the DSG in 2013/14 are:
 - A separate Schools Block, Early Years Block and High Needs Block (all notional figures)
 - Cash flat per pupil funding for the Schools Block and the Early Years Block
 - High Needs Block adjusted for the ending of inter-authority recoupment (except for children looked after), the inclusion of post-16 funding and for growth in places
 - Minimum Funding Guarantee (MFG) of minus 1.5%

- Transitional protection for local authorities in receipt of three year old 90% funding floor
- 8.3. The new school funding formula approach is that local authorities set the policies and allocations that are then applied to academies. Initial total notional allocations have been received, as follows:

Block	Amount (£000)
Schools	698,335
Early Years	47,096
High Needs	83,742
Additional	9,552
Total	838,725

- 8.4. The 'additional' allocation of £9.552m consists of:
- £8.666m for the provision of free education to the most disadvantaged two year olds (some of which is transferred from Early Intervention Grant)
 - £637,000 transition funding following the ending of the 90% funding floor protection for three year olds
 - £249,000 funding for induction for Newly Qualified teachers (transfer from formula grant)
- 8.5. An additional £2.338m is estimated to be added to the 2013/14 DSG, made up of:
- £1.3m increase in DSG based on forecast pupil numbers for January 2013 and January 2014 (Early Years)
 - £528,000 DSG carry forward from 2009/10 (Early Years)
 - £115,000 one-off funding carried forward from 2012/13 (Early Years)
 - £395,000 increase in DSG forecast for high needs growth
- 8.6. The Pupil Premium level of funding for 2013/14 is £900 per pupil (increased from £623 in 2012/13), which includes children looked after. The Service Premium for 2013/14 is £300 per pupil (increased from £250 in 2012/13). These are in addition to the main DSG funding. The total estimated grant is £16.498m.
- 8.7. The Music Grant is £1.641m for 2013/14.

8.8. The table below shows how the total schools budget managed by Children's Services is derived:

	2013/14 £000
Dedicated Schools Grant (DSG)	841,063
Less funding for Academies	(145,525)
Sub-total	695,538
Less items managed by Policy and Resources	(6,959)
Pupil Premium Grant	16,498
Music Grant	1,461
Total schools budget managed by Children's Services	706,538

8.9. The new school funding formula for primary and secondary schools and the new early years single funding formula, which take effect from 2013/14, were agreed by Schools Forum and the Executive Lead Member for Children's Services on 23 October 2012 following consultations with schools (including academies) and early years providers.

8.10. The approach for high needs funding has also been agreed by Schools Forum. This includes:- special schools, 'resourced provisions' in mainstream schools, alternative provision (education centres) and hospital education.

8.11. The new schools formula is very pupil-driven and has a limited number of factors that can be applied (nine), although there is some very restricted scope to apply exceptional circumstances. This means that schools with falling numbers on roll will no longer get the budget protection that is currently available. The only protection comes in the form of the minimum funding guarantee (MFG), which is set at minus 1.5% per pupil. However, the main concerns that we had relating to the Department for Education's original proposals were, to some extent, addressed:

- Protection of smaller schools – the upper limit of the lump sum for all schools was increased to £200,000. Hampshire is using £190,000;
- Turbulence and service families – a 'pupil mobility' factor is now allowed, although this doesn't target service family movement specifically: it relates to general pupil number changes;
- Growing schools – we can now give protection for increases due to basic need growth.

- 8.12. On 13 December 2012 the Schools Forum gave initial consideration to the 2013/14 budget and agreed principles and policies to be applied in determining budget allocations. On 22 January 2013 Schools Forum agreed 2013/14 budget proposals based on current information. Confirmation of DSG figures to be paid to local authorities net of recoupment for existing academies will be made in March 2013.
- 8.13. The proposed budgets to be retained by the local authority, based on pupil numbers as at October 2012 and without adjustment for planned academy conversions subsequent to that date, is summarised below:

Block	Budget
	£000
Schools	557,913
Early Years	58,342
High Needs	79,283
Total	<u>695,538</u>

- 8.14. The DfE will be reviewing the school funding framework in 2013 with a view to making further changes for 2014/15.

9. Budget Summary 2013/14

- 9.1. The MTFs update report presented to Cabinet in December included provisional cash limit guidelines for each Department. The cash limit for Children's Services in that report was £878.446m. The proposed cash limit is now £866.885m, a reduction of £11.561m (£4.6m relating to reduced Early Intervention Grant and £6.961m relation to schools funding adjustments).
- 9.2. Appendix 3 sets out a summary of the proposed budgets for the service activities provided by the Department for 2013/14 and shows that these are within the amended cash limit set out above.

- 9.3. In addition to these cash limited items there are further budgets which fall under the responsibility of this department, which are shown in the table below :

	2013/14
	£000
Total expenditure	891,952
Income other than Government Grants	25,067
Cash Limit	866,885
Government Grants:	
- Dedicated Schools Grant	695,538
- Pupil Premium Grant	16,498
- Music Grant	1,461
- Milk Grant	194
- Extended Rights for Free Travel	1,023
- Unaccompanied Asylum Seeking Children	700
Total Government Grants	715,220
Total net expenditure	151,665

- 9.4. This net position excludes central items such as repairs and maintenance, support service charges and capital charges which will be added as part of the overall budget reported to Cabinet and County Council in February.

10. Workforce Implications

- 10.1. The workforce implications of the proposed budget for 2013/14 are set out in Appendix 4. At the end of 2013/14 the planned workforce for Children's Services is 2,384 full time equivalent (FTE) staff (excluding schools staff). This compares with the estimate at the end of 2012/13 of 2,558 FTEs, which is a net reduction of 174 FTEs as shown below:

	FTEs
FTE staff as at 31 March 2013 ¹	2,558
Changes relating to new savings (Appendix 1)	(3)
Education centres – change to school status	(171)
FTE staff as at 31 March 2014	2,384

¹ Excludes School staff.

11. Conclusion

- 11.1. This report outlines the key issues and proposals for the Children's Services Department budget for 2013/14, including savings proposals to meet the 2% AET.
- 11.2. Equality Impact Assessments have been undertaken in respect of the main savings proposals, and where necessary, appropriate actions have been identified. Whilst the risks associated with achieving the savings proposals are considered to be minimal, the Departmental Management Team will monitor progress against all savings on a regular basis and highlight issues with the Executive Lead Member as appropriate.
- 11.3. Other risks and cost pressures are set out in detail in section two, which also describes that the Department is well placed to cope with the pressures. However, although the base budget has been re-aligned to meet current pressures forecast on children looked after, this is a key risk area that will be closely monitored. Proposals for dealing with the other pressures, summarised in section four, will be considered and papers will be submitted to the Executive Lead Member for Children's Services.

12. Recommendations

To approve for submission to the Leader and Cabinet:

- 12.1. The proposals for savings totalling £2.349m, which meet the 2% target set for Children's Services in 2013/14 (as set out in Appendix 1)
- 12.2. The annual review of income and charges (as set out in Appendix 2).
- 12.3. The revised budget for 2012/13 totalling £860.958m (as set out in Appendix 3).
- 12.4. The summary budget for 2013/14 totalling £866.885m (as set out in Appendix 3).
- 12.5. The workforce implications of the proposed budget for 2013/14 (as set out in Appendix 4).

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

Hampshire safer and more secure for all:	Yes
Corporate Business plan link number (if appropriate):	
Maximising well-being:	Yes
Corporate Business plan link number (if appropriate):	
Enhancing our quality of place:	Yes
Corporate Business plan link number (if appropriate):	

Other Significant Links

Links to previous Member decisions:		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
Revenue budget report for Children's Services for 2012/13	3560	18 January 2012
Budget Monitoring - 2012/13 quarter 2	4341	6 December 2012
School Funding Reform – Schools and Early Years Funding Formulae 2013/14	4362	23 October 2012
Direct links to specific legislation or Government Directives		
<u>Title</u>		<u>Date</u>
None		

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

- 1.1. The department's budget and performance strategies are developed in accordance with the Council's Equalities Policy and have regard to the most vulnerable in society. Service managers have responsibility to ensure that impact assessments take account of the needs of these groups.
- 1.2. High level equalities impact screenings have been carried out in respect of the savings proposals included in this report. These have been used to identify where there is likely to be an impact on service users or staff, and where impacts have been identified a full equalities impact assessment either has or will be carried out. An overview of the impact assessments for the 2013/14 budget is available from the Department's lead officer for Equality and Diversity issues. A summary of this is provided below.
- 1.3. Many of the savings proposals have low or no impact identified, and relate to efficiency savings which will have minimal effect on clients or staff. For example, CS5 relates to a contingency sum that has not been required. Some proposals relate to the continuing financial impact of previous years' decisions, for which equalities impact assessments were previously carried out. This includes CS1 relating to home to school transport policy.
- 1.4. Some proposals will have staffing implications, although only three proposals will result in staffing reductions (1fte each) but these will happen through natural staff turnover. Other proposals will require some changes in working practices and these will be subject to staff consultation e.g. CS15 – re-organisation of Adult Learning.
- 1.5. Full equalities impact assessments can be accessed via the link [Equality Impact Assessments](#)

2. Impact on Crime and Disorder:

- 2.1. The County Council has a legal obligation under Section 17 of the Crime and Disorder Act 1998 to consider the impact of all the decisions it makes on the prevention of crime.
- 2.2. The proposals in this report are not considered to adversely affect the prevention of crime.

3. Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

No impact

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

No impact

Children's Services

Expenditure Reduction Options – New Savings Proposals to Meet 2% Target for 2013/14

Ref.	Savings Type	Risk To Delivery	Service Activity	Description	Impact / Issues	2013/14		Full Year	
						£'000	FTE	£'000	FTE
CS 1	E	L	Home to School Transport	Review of discretionary entitlements – impact of policy change started in September 2012		(330)		(500)	
CS 2	E	L	Learning and Development	Contractual efficiencies - arrangements with external providers, partnership arrangements - course delivery	These are efficiency savings and are not expected to impact on core service delivery to clients.	(325)		(325)	
CS 3	E	L	Performance & Partnerships	Health & Safety – review of effective practices	The review will ensure that statutory requirements are not affected	(60)		(60)	
CS 4	E	L	Procurement	Grants to voluntary organisations – reduce budget	Current level of support will be retained	(100)		(100)	

Ref.	Savings Type	Risk To Delivery	Service Activity	Description	Impact / Issues	2013/14		Full Year	
						£'000	FTE	£'000	FTE
CS 5	E	L	Access, Performance and Resources	Contingency reduction – removal of balance of community funding	No impact as agreements ended in March 2012	(400)		(400)	
CS 6	E	L	Education of Children at home	Elective Home Education – targeted delivery focussing on value added areas	Minimal impact. Statutory responsibilities will be fulfilled	(50)	(1.0)	(50)	(1.0)
CS 7	E	L	Music Service	Pupil support – increased efficiencies in service delivery	Minimal impact	(30)		(30)	
CS 8	E	L	HIAS	Review of HIAS communications – increasing use of web-based resource and other efficiencies	Minimal service impact	(90)		(90)	
CS 9	E	L	Rights, Respects, Responsibilities	Integration with EMTAS activities - Staff reduction with residual functions absorbed	Opportunity to develop some aspects as sold service	(25)		(25)	
CS 10	E	L	Services for Young	Removal of CPD training budget	Minimal impact	(30)		(30)	

Ref.	Savings Type	Risk To Delivery	Service Activity	Description	Impact / Issues	2013/14		Full Year	
						£'000	FTE	£'000	FTE
CS 11	E	M	Children – Early Years	Early Years Foundation Stage training - targeted support to settings (based on Ofsted ratings) (total budget £290k)	Minimal impact	(105)		(210)	
			Services for Young Children – Early Years						
CS 12	E	M	Services for Young Children – Early Years	SEN capacity building – targeted support	Part of current service review impact will be mitigated by redesign of services	(80)		(152)	
			Services for Young Children – Early Years						
CS 13	R	M	Services for Young Children – Early Years	Training incentives - Reduction in support to settings (previously associated with graduate leader fund)	Minimal impact	(70)		(136)	
			Services for Young Children – Early Years						
CS 14	E	L	Services for Young Children – Early Years	Childcare sustainability – reduce funding to deliver project to engage fathers in home learning	Minimal impact as service will be offered as a sold service in 2013/14	(28)		(46)	
			Services for Young Children – Early Years						
CS 15	E	L	14 – 19 Service	Adult Learning - fundamental re-organisation of Adult Learning and 14-19 areas.		(30)		(180)	

Ref.	Savings Type	Risk To Delivery	Service Activity	Description	Impact / Issues	2013/14		Full Year	
						£'000	FTE	£'000	FTE
CS 16	I	L	Standards and Improvements (see also CS 8)	Inspection and Advice - Income to replace core funding	Income reliant on development of additional sold service opportunities.	(130)		(130)	
CS 17	E	L	Standards and Improvements	Governor Services – re-basing of charges and services to schools in 2013/14.	Some risk that fewer Governing Bodies will buy into the service	(100)		(300)	
CS 18	E	L	Special Educational Needs Service	Special Educational Needs service - continue to hold officer vacancies as at present and reduce 1fte Education Officer in line with two area structure	There will be additional workload pressures for staff remaining	(255)	(1.0)	(266)	(1.0)
CS 19	I	L	Educational Psychology	Sold services to schools – further development	Risk of income not being generated	(50)		(100)	
CS 20	E	L	Youth Justice	Hampshire Youth Offending Team (YOT) - reduced contribution	Consultation with partners required	(11)		(300)	
CS 21	E	L	Parenting	Family & Parenting Support - absorb co-ordinator post into troubled families team		(50)	(1.0)	(50)	(1.0)
Total Savings						(2,349)	(3.0)	(3,480)	(3.0)

Children's Services
Review of income 2013/14

	Current charge	Total income 12/13	Date of last review	Planned date for next review	Proposed charge (if proposed now)	Is charge subject to an assessment scale determined locally?	Additional income from increased or new charge
	£	£			£	Yes/No	£
Penalty notices for parents of truants and excluded pupils	£60 if paid within 28 days / £120 if paid after 42 days	No budget currently set for this	Sept 2012	Not Known	N/A	Charges are set by the Education Act 1996 as amended by the Education (Penalty Notices) Regulations 2012	N/A
Rents for staff accommodation	Varies	72,000	April 2012	April 2013	N/A	Yes, annual rent review by CCBS	N/A
Education Psychology Service	Varies	51,800	April 2012	April 2013	N/A	External income, contracts reviewed annually	N/A
Specialist Teacher Advisory Service	Varies	6,800	April 2012	April 2013	N/A	Charges to Post 16 sector, reviewed annually	300
Outdoor Education (Recharge to OLAs and FE Colleges)	Varies	98,000	April 2012	April 2013	N/A	Yes	N/A

	Current charge	Total income 12/13	Date of last review	Planned date for next review	Proposed charge (if proposed now)	Is charge subject to an assessment scale determined locally?	Additional income from increased or new charge
	£	£			£	Yes/No	£
Privileged Transport (per annum)	£495	68,900	September 2012	September 2013	N/A	Yes	N/A
Denominational Transport (per day)	£1 (current pupils)	122,900	September 2012	Being phased out	N/A	Yes	-27,200 Reduction due to policy change
Transport recharge to other local authorities	Varies – depends on cost	95,000	Ongoing	Ongoing	N/A	Yes	N/A
Post 16 SEN Transport (per annum)	£495	33,800	September 2012	September 2013	N/A	Yes	47,300 Increase due to Policy change

	Current charge	Total income 12/13	Date of last review	Planned date for next review	Proposed charge (if proposed now)	Is charge subject to an assessment scale determined locally?	Additional income from increased or new charge
	£	£			£	Yes/No	£
Community Homes (per week)	2,965	0	April 2012	April 2013	3,009	No	N/A
Secure Unit (per week) (Swanwick Lodge) Applies to OLA spot purchase. YJB rates agreed according to contract.	4,410	3,288,600	April 2012	April 2013	4,620	No	N/A
Homes for Children with Disabilities (per week)	3,024	0	April 2012	April 2013	3,069	No	N/A
Other Charges:							
Parental Contribution (per week)	43	10,000	April 2012	April 2013	44	Yes	
Hire of Rooms (per hour)	28	0	April 2012	April 2013	29	No	N/A

	Current charge	Total income 12/13	Date of last review	Planned date for next review	Proposed charge (if proposed now)	Is charge subject to an assessment scale determined locally?	Additional income from increased or new charge
	£	£			£	Yes/No	£
Hampshire Foster Care Placement Management Charge (per week)	268	Varies in year	April 2012	April 2013	273	No	Varies in year
Foster Care Assessments (per hour)	49	Varies in year	April 2012	April 2013	50	No	Varies in year
Services provided free where charges could be made		Nil					

**Children's Services
Budget summary 2013/14**

Service Activity	Original Budget 2012/13 £000	Revised Budget 2012/13 £000	Proposed Budget 2013/14 £000
Schools budget			
Individual Schools budgets	609,457	583,134	
Central Provision	7,970	10,661	
Education Inclusion Service	10,793	10,897	
Special Educational Needs	24,377	24,794	
Early Years	44,664	45,438	
Other	4,814	4,941	
Other grants	11,424	18,490	
Individual Schools budgets			537,082
De-delegated items			3,936
High Needs block			79,283
Early Years block			58,342
Central Provision within schools budget			9,936
Other grants			17,959
Total Schools Budget	713,499	698,355	706,538
Non-schools budget			
Other Education & Community – Special Education	5,280	5,414	4,944
Other Education & Community – Learner Support	34,966	34,766	34,076
Other Education & Community – Access	1,130	1,108	1,125
Young People's Learning Development	1,288	1,280	1,265
Adult Learning and Community	1,345	1,225	1,192
Services for Young Children	23,947	23,389	18,476
Youth Support Services	7,216	6,896	7,097
Strategic Management	6,046	3,347	3,136
Assessment and Care Management	19,528	18,246	19,601
Children Looked After	40,160	40,816	43,473
Family Support Services	15,132	15,157	14,842
Youth Justice	1,732	2,025	1,990
Other Children and Families Services	7,744	7,807	7,244
Asylum Seekers	700	700	700
Unallocated Budget	408	427	1,186
Total Non-schools budget	166,622	162,603	160,347
Total Children's Services budget	880,121	860,958	866,885

**Children's Services
Workforce implications**

Service Activity	Estimated Staff Numbers (full-time equivalent) 31.3.2013	Transfers & Other Changes	Impact of Savings Proposals	Estimated Staff Numbers (full-time equivalent) 31.3.2014
Schools Budget (excludes School Staff)				
Education Inclusion Service	213	(171)		42
Special Educational Needs	85			85
Early Years	59			59
Other	72			72
Total Schools Budget	429	(171)	0	258
Non-schools Budget				
Other Education & Community - Special Education	118		(1)	117
Other Education & Community - Learner Support	310			310
Other Education & Community - Access	16			16
Young People's Learning Development	6			6
Adult Learning and Community	13		(1)	12
Services for Young Children	113			113
Youth Support Services	126			126
Strategic Management	64			64
Assessment and Care Management	335			335
Children Looked After	204		(1)	203
Family Support Services	108			108
Youth Justice	62			62
Other Children and Families Services	41			41
Management and Support	185			185
Wessex Youth Offending Team	98			98
Total Non-schools Budget	1,799	0	(3)	1,796
Total Children's Services budget	2,228	(171)	(3)	2,054
School Trading Services Business Units	290			290
Children's Centres Business Unit	40			40
Total Business Units	330	0	0	330
Total including Business Units	2,558	(171)	(3)	2,384