



Children and Young People's Services Department

Department medium term financial strategy

Background – the County Council

1. The County Council's budget position in the foreseeable future is challenging. Current indications for the 2010/11 financial year and beyond are that the budget pressures identified in 2009/10 will continue to rise to the extent that, despite an increase in Formula Grant, the County Council will still need to find additional savings elsewhere in its budget.
2. In addition, as part of the Comprehensive Spending Review, central government has indicated that local government will be expected to achieve significant cash releasing efficiency gains.
3. The Children and Young People's Services Department's medium term financial strategy (MTFS), set out in this document, has been refreshed with the above background in mind and in order to address the department's specific budget issues described in the following paragraphs.

Background – CYPS Department

4. The Children and Young People's Services Department's will be expected to contribute to the corporate County Council budget imperatives described in paragraphs 1 and 2 above. On top of this, the department has specific departmental issues which it is necessary to address within the overall corporate budget context:
 - a) the need to develop a resources strategy to meet identified permanent budget pressures for which there is still not currently any permanent budget provision available. Through the department's medium term financial strategy significant inroads have been made into this problem in that the ongoing budget pressures have been reduced from £1.573 million at the start of the 2008/09 financial year to £933,000 currently, of which £623,000 is of a permanent nature
 - b) budget provision has been carried forward from 2008/09 to 2009/10 to temporarily cover these costs, which can be summarised as follows:

	£000
Permanent items	
• Items funded temporarily in 2008/09	218
• SEN transport – increased transport requirements for children with complex needs	188
• Complaints coordinator and administrative assistant – relates to the statutory social care and health complaints procedure where increased support is required to ensure complaints are processed effectively and on time	42
• Education visits advice team – additional posts to ensure safe practice in environmental education and to protect the County Council’s interests	83
• Strategic support – links to proposals to realign services within the department, providing additional strategic capacity with a particular focus on financial strategy in the department and across the CYPS Partnership	68
• Senior project officer – additional staffing capacity to address increasing demands for data from the department, DCSF and Partnership with a particular focus on children missing education.	<u>24</u>
	623
Temporary Items	
• Data/Research Analyst – to assist with data requirements to the Joint Strategic Needs Assessment (JSNA) over 2008/09 – 2010/11	50
• Diversity and Equality Project – first year costs of a temporary two year project which is auditing current diversity and equality practice across the department and developing an updated strategy in this area	75
• Common Assessment Framework (CAF) – funding to support the training programme required to introduce and embed the CAF arrangements across the department and the Partnership	163
• 0.5 Principal Officer – to provide additional temporary management capacity over two years to develop systems for collecting and analysing data.	<u>22</u>
	310

The above does not include any costs or savings arising from the ongoing department business and administration review.

There is therefore a need in the long term to balance our budget by finding permanent provision to cover the ongoing £623,000 budget pressure.

- c) the need to address other, specific ongoing budget pressures which have been identified through our budget monitoring arrangements:
- recurrent overspending on the budget for premature retirement costs. This mainly relates to retirement costs of school staff. The budget of £6.5 million overspent by £267,000 in 2008/09. Divisions in the department are now expected to meet the costs for any centrally managed staff who are granted early retirement. Consideration is currently being given to the potential to charge any overspend on the budget relating to school staff to the Schools (Non-ISB) Budget, with the agreement of the Schools Forum
 - recurrent overspending on the demand-led home to school and home to college transport budgets. Discussions are to be arranged with colleagues in our Communities Department who organise the transport on our behalf to see whether more effective budget management arrangements can be developed to help minimise the potential for unexpected overspendings on these budgets
 - the need to meet additional cost requirements for our department arising from the Laming Review on safeguarding arrangements. We will need to review our resource requirements in the light of the action plan recently issued by central government in response to the Laming Review and our own self-assessment of our needs. Where possible, we will seek to find any additional requirements from our own departmental resources, but we will also be seeking additional funding to address our needs through the County Council's medium term financial strategy
- d) the need to provide flexibility in our budget planning to enable us to respond to any new or changing resource demands that may be identified
- e) the need to develop a plan to realign resources as appropriate to achieve the priorities for improvement required by the Nottinghamshire Children and Young People's Plan and to support the integration of services for children and young people
- f) the BSF funding gap (see paragraphs 27-28).

Principles

5. The MTFS for the department is underpinned by the following principles:
 - a) the strategy will be cognisant of and complement the County Council's overarching medium term financial strategy (see paragraph 9 overleaf)
 - b) it will be evolutionary – it will be forward looking, involving a three year forward projection of likely expenditure levels and priorities for expenditure, based on current policies and taking into account known or projected variations in service demand
 - c) it will be reviewed and updated each year as part of the annual budget review cycle
 - d) it will be aligned to CYPP and LAA targets and priorities
 - e) it will support improved outcomes for children and young people
 - f) it will facilitate the integration of cost effective services, consistent with the *Every Child Matters* expectations
 - g) there will not be any general presumption that additional County Council funding will be available – any additional department resource requirements will normally have to be met by the repositioning of existing (finite) CYPS resources. It will be important, therefore, to link appropriately with our developing commissioning strategy
 - h) the strategy will be aligned with and complement the Building Schools for the Future initiative, the pathway to integrated services, locality working, the department's accommodation strategy and the capital programme strategy.

Issues to consider

6. The department's MTFS will need to:
 - a) address the current permanent budget pressures outlined at paragraphs 4(a) and 4(b) above. Action here is needed for the department's budget simply to stay cost neutral
 - b) identify where additional resources are required, consistent with the principles set out in paragraph 5 above, and how they can be met by repositioning resources from within the department's existing budget quantum.

7. To support this, it will be necessary to:
 - a) identify the key priorities for the department over the next three years (or beyond) that will require additional expenditure and for which there is as yet no identified budget source
 - b) identify areas of expenditure that can be decommissioned in full or in part and which can be recycled to meet the department's priorities
 - c) ensure transparency in the annual budget setting process by encouraging budget managers to identify any permanent underspendings that exist in service budgets and which could be redirected to support the priorities for expenditure agreed through the MTFS. The department's revised approach to budget monitoring, which was introduced from April 2008, will facilitate this.

Service review programme

8. It will be necessary in due course to agree a process, underpinned by appropriate criteria that will:
 - a) identify as far as possible the priorities for new expenditure over the period 2010/11 – 2012/13.
 - b) determine a programme of service reviews to identify where decommissioning is possible.
 - c) tease out, further efficiency savings from existing budgets.
9. The proposed department service review programme will need to be aligned with the emerging County Council value for money and improvement and efficiency strategy for meeting the ongoing requirement for efficiency savings and the Council's proposed programme of value for money service reviews. Our intention would be to use our department MTFS to contribute to the County Council's strategy but also to deliver our department priorities.
10. Each individual service review will need to be conducted as objectively as possible, using best value principles.
11. It will be necessary to include an appropriate element of 'external' challenge in the service reviews and to carry out a risk assessment of any decommissioning proposals that arise from the review process.

Political approval

12. Any proposals to reposition expenditure as a result of the service review programme will be subject to the County Council's normal political approval process.

13. Our spending plans will also need to be reviewed to reflect the emerging priorities of the new County Council following the local government elections in June 2009.

Additional funding priorities

14. As part of its 2008/09 budget setting process, the County Council has made additional permanent funding of £1.3 million available to the CYPS Department over the two year period 2008/09 – 2009/10. The balance of £640,000 of this funding will become available for the first time in 2009/10 and arrangements will be made for expenditure and related outcomes to be monitored by the department's leadership team.

Use of external funding

15. As a general principle we will use every opportunity to maximise our external income sources, including grant streams from central government. It is worth noting in this respect that the CYPS department's budget for 2009/10 assumes that £100,000 of existing expenditure in the LA Retained Budget will be recharged to grant funding streams. Action is under way to identify the budget adjustments which will need to be made permanently in 2009/10 to achieve this.

Creating a budget to underpin the MTFS

16. There were significant underspendings in 2008/09 against the Local Authority Retained Budget (£2.4 million net) due, for example, to high levels of staff vacancy savings. These savings are however likely to be significantly reduced in 2009/10 and beyond as £724,000 efficiency savings have been removed from our budget from April 2009. £500,000 of these efficiency savings are to be achieved by introducing allowances in the budget for vacancies and turnover savings.
17. Our budget monitoring arrangements will continue to look to identify other savings at an early stage in the financial year so that budgets can be realigned to support new, emerging resource requirements consistent with the CYPP priorities.
18. Our continuing strategic objective is to create an MTFS budget over the next three years sufficient to fund our priorities to support improved outcomes for children and young people. We will, if necessary, achieve this by seeking Schools Forum approval to draw on unallocated balances in the Schools (Non-ISB) Budget (£4.650 million at the end of 2008/09) and balances on the Schools (ISB) Budget (£30.8 million in 2008/09)

Schools (Non-ISB) Budget

19. In 2008/09 there was a net overspend of £1.271 million against the Non-ISB element of the Schools Budget, due mainly to increases in the rates bills for the PFI schools. In addition, there are overspends associated with the cost of new placements in non-maintained special schools and allocations from the high level needs SEN budget. These overspendings were covered by unallocated balances on the Schools (Non-ISB) Budget. As a result these balances at the beginning of the 2009/10 financial year total £4.650 million, of which £1.343 million is earmarked to be carried forward on specific budget heads (e.g. the Family of Schools SEN budget), subject to the approval of the Schools Forum in June 2009.
20. There are likely to be some further significant pressures on the Schools (Non-ISB) Budget in the light of ongoing negotiations with the City of Nottingham Council over their proposal to abandon voluntary inter-authority recoupment, with a potential significant reduction in the County Council's income budget for recoupment. Although the unallocated balances in the budget will be sufficient to cover the income shortfall in the medium term, in the longer term approval may need to be sought from the Schools Forum to resource this shortfall by the virement of funds from the ISB.
21. The current projections for the Schools (Non-ISB) Budget for 2009/10 and the three subsequent financial years are set out in **Annex 1** to this document. At the time of writing the projection is that unallocated balances on the Non-ISB Budget will reduce from £3.307 million (excluding £1.343 million carried forward on specific budget heads) in 2009/10 to £1.567 million in 2012/13. This does not however, as yet, reflect any funding available from the unallocated LMS contingency (which will be confirmed following the announcement of the final Dedicated Schools Grant in June 2009). Nor does it take account of any overspendings (or underspendings) on the Schools (Non-ISB) Budget which may be identified through budget monitoring during 2009/10. Consequently, the position will be kept under close review throughout the year and any variations will be reported to the CYPS department's leadership team as part of the department's normal budget monitoring arrangements.

Priority areas for expenditure

22. The likely first call on the proposed MTFS budget will be to address the remaining budget pressures on the LA Retained Budget identified in paragraphs 4(a) and 4(b) above.
23. Beyond that the following additional resource requirements will need to be considered against the MTFS budget:
 - our response to the Laming review of safeguarding arrangements and the related action plan issued by central government

- support for the implementation of the SEN review, recently approved by Cabinet, which may require some initial funding to develop the new approaches proposed by the review. This is likely to be short-term (three year) funding initially, to be replaced in the long term by permanent funding released over time by our plans to integrate services and develop a new commissioning approach to the provision of support for children and young people with additional needs
 - the implementation of the proposals to realign services in the Children and Young People's Services Department and to increase capacity – this includes funding a new service director post for the proposed new engagement and enrichment division, along with related business and administrative support for the division
 - the continuation over 2009/10 – 2010/11 of the currently temporary family intervention project in the Ashfield and Mansfield districts
 - any additional resource requirements identified through our performance management arrangements, including the priorities and performance targets set out in the new Children and Young People's Plan for 2009 – 2011.
24. Additionally, £250,000 is being made available in 2009/10, through the use of departmental underspends carried forward from 2008/09, to continue the initiatives designed to ensure further improvements in Key Stage 4 school outcomes.

LA Retained Budget

25. As explained in paragraph 4, we are currently predicting an overspend of £933,000 on the LA Retained Budget in 2009/10, although this will be temporarily covered by the use of underspendings carried forward from 2008/09.
26. In due course permanent budget provision will need to be identified to cover the permanent (£623,000) element of this overspend. Meanwhile, the current projections on the LA Retained Budget in 2009/10 and the subsequent three financial years are set out in **Annex 2** to this document. It should be noted, however, that the projections do not, as yet, take account of any overspendings (or underspendings) on the LA Retained Budget which may be identified through budget monitoring during 2009/10. Again, the position will be kept under close scrutiny and any variations will be reported to the CYPS department's leadership team through the department's established budget monitoring arrangements.

Building Schools for the Future (BSF)

27. Nottinghamshire has been accepted in Wave 6 of the BSF programme. A financial plan to support the infrastructure costs of BSF has been developed. This plan is designed to release funds to support the transformational and project management aspects of the programme and is in addition to the £2.5 million in total for the period 2007/08 – 2009/10 set aside by the County Council for the early stages of preparation. A BSF reserve has been established for that purpose and stands at £251,000 at the beginning of the 2009/10 financial year.
28. BSF expenditure in 2009/10 is currently estimated at £1.569 million. This is c£569,000 more than the funding made available by the County Council. This will be partly covered by the reserve of £251,000 leaving a projected shortfall of £318,000 in 2009/10. Departmental underspendings will be used as far as possible to address this funding gap, although it may be necessary to seek additional funding from the County Council's medium term financial strategy. In 2010/11 the BSF funding gap is estimated to be in the order of £1.2 million and it will be necessary to identify potential sources of funding within the CYPS department and the wider County Council to cover this.

Early years capital reserve

29. Savings in 2008/09 have been used to create an early years capital reserve of £1 million. This relates to slippage in the programme for developing children's centres.

Capital programme

30. The County Council's capital programme continues to face considerable pressures due to a high level of demand for new schemes and a shortfall in capital receipts available to provide funding, owing to the prevailing economic climate. Consequently, it has been necessary for the County Council to reprioritise its capital programme. Within the CYPS context, priority in the programme will be given to the BSF affordability gap and BSF related collateral costs, with the likelihood that other CYPS capital projects will not be funded in the foreseeable future, apart from those that can be financed through DCSF capital allocations.

Performance Board

31. In line with corporate requirements, a Children and Young People's Performance Board has been established to monitor and review our key performance indicators and targets, including the monthly budget monitoring reports submitted by the department's budget holders. The Board consists of the department's leadership team, together with the head of service for departmental budgeting and accounting and the head of service for performance review, data and communications.

Conclusion

32. The MTFSS is a dynamic strategy that will continue to evolve. Our immediate priorities are:
 - a) to address the department's current known budget pressures – and any that emerge from the County Council's budget review arrangements
 - b) to identify and resource emerging priorities for expenditure, consistent with the CYPP objectives and the priorities of the new County Council.
33. The MTFSS will continue to be kept under regular review and will be updated at least annually.

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MULTI-YEAR BUDGET FORECAST

SCHOOLS BUDGET (NON - ISB)				
	2009/10	2010/11	2011/12	2012/13
(All figures are absolute)	£	£	£	£
Expenditure Items				
School Forum approved allocation to Grove	326,000	136,000		
School Forum approved allocation to John Hunt Primary	37,430	37,430		
School Forum approved allocation to Ryton Park Primary	104,503	104,503		
School Forum approved allocation to the Reading Recovery Project	254,000	580,000		
School Forum approved allocation to Heads Count - Estimated	40,000	40,000	40,000	40,000
Total Expenditure Items	761,933	897,933	40,000	40,000
To Be Funded By:				
Unallocated LMS contingency*				
Surplus on the LMS Contingency	761,933	897,933	40,000	40,000
Budget Monitoring against the Non ISB Schools Budget				
Net Overspending/Underspending (-) in Year	761,933	897,933	40,000	40,000

* To be confirmed following the announcement of final DSG figure in June 2009

Movement on unallocated Non Schools DSG Balances				
	2009/10	2010/11	2011/12	2012/13
	£	£	£	£
2006/07 non schools DSG underspending	-3,700,000			
2007/08 non schools DSG underspending	-2,221,000			
2008/09 non schools DSG overspending	1,271,000			
Balance Brought Forward	-4,650,000	-2,545,067	-1,647,134	-1,607,134
Net Underspending Allocated to Services	1,343,000			
Net Overspending/Underspending (-) in Year	761,933	897,933	40,000	40,000
Balance Carried Forward	-2,545,067	-1,647,134	-1,607,134	-1,567,134

MULTI-YEAR BUDGET FORECAST

LA RETAINED BUDGET				
	2009/10	2010/11	2011/12	2012/13
(All figures are absolute)	£	£	£	£
Expenditure				
Complaints coordinator and administrative assistant	42,000	42,000	42,000	42,000
Education visits advice team - expansion of team	83,000	83,000	83,000	83,000
Strategic support	68,000	68,000	68,000	68,000
I.0 senior project officer post	23,939	23,939	23,939	23,939
Data/research analyst post- JSNA related	50,000	25,000		
Diversity and equality project	75,000			
CAF costs	163,000			
0.5 principal officer data services post	22,048	22,048		
Total Expenditure Items	526,987	263,987	216,939	216,939
Items funded temporarily in 2008/09	218,000	218,000	218,000	218,000
SEN transport	188,000	188,000	188,000	188,000
Total Expenditure	932,987	669,987	622,939	622,939
Carried Forward from 2008/09	-932,987			
Budget monitoring against the LA Retained Budget				
Net Overspending/Underspending (-) in Year	0	669,987	622,939	622,939
Net Overspending / Underspending (-) Carried Forward	0	669,987	1,292,926	1,915,865

Use of 2008/09 Underspendings

	£
BSF	251
KS4	250
Other carry forward to 2009/10	933
Early years capital reserve	1,000
	<u>2,434</u>