

HAMPSHIRE COUNTY COUNCIL**Decision report**

Decision Maker:	Executive Lead Member for Children's Services
Date of Decision:	22 January 2014
Decision Title:	Revenue budget report for Children's Services for 2014/15
Decision Reference:	5445
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 early action in tackling its forecast budget deficit over the current Comprehensive Spending Review (CSR) period has placed it in a very strong position to produce a 'steady state' budget for 2014/15 and given itself the time and capacity to develop and implement the next phase of savings by 2015/16.
- 1.2. This report proposes a budget for Children's Services for 2014/15 and is also approving for submission to the Leader and Cabinet a range of proposals to close the 2015/16 budget gap in accordance with the Council's Medium Term Financial Strategy (MTFS) reported to Cabinet in July.
- 1.3. The report includes information in respect of the development of proposals for the 12% reduction in spending for 2015/16, consistent with the Transforming the Council to 2015 programme and outlines the framework against which each Department will finalise their budgets for 2015/16.
- 1.4. The report also provides an update on the financial position for the current year. Overall the Department is expected to achieve a balanced budget on non-schools budgets and a small underspend on the schools budget.
- 1.5. The savings proposals for 2014/15 are outlined in section five of this report and are analysed by workstreams in Appendix 1. Whilst these proposals equate to the required savings level, it is possible that the Department could over-achieve this figure and, in line with current policy, this would be retained to be used for cost of change purposes or to offset other emerging pressures.
- 1.6. The detailed individual proposals that make up these savings, together with the anticipated impact of making the savings, are shown in Appendix 2.

- 1.7. The development of further savings proposals for implementation as part of the Transforming the Council to 2015 Programme is discussed in Section 10 and key theme areas that are being pursued are outlined in Appendix 5. These proposals will, by their very nature, be subject to further development, may require consultation before they can be implemented and, due to their transformational nature, may have less certainty in respect of timescales and the final level of savings.
- 1.8. The framework for delivery of savings against the 2015/16 budget will be formally recommended as part of the overall budget proposals presented to Cabinet and Council in February, but is outlined for information in this report.
- 1.9. The proposed budget for 2014/15 analysed by service is shown in Appendix 3 and the workforce implications of the budget proposals are set out in Appendix 4.
- 1.10. This report seeks approval for submission to the Leader and Cabinet of the revised budget for 2013/14 and proposals for the 2014/15 revenue budget for Children's Services. The report has been prepared in consultation with the Executive Lead Members and will be reviewed by the Children and Young People Select Committee. It will be reported to the Leader and Cabinet on 7 February 2014 to make final recommendations to County Council on 20 February 2014.

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. Whilst there has been a small increase in the overall amount, the distribution of the reductions has meant that the County Council has experienced Revenue Support Grant reductions of 43% during the four year period.
- 2.2. Details of the Spending Round for 2015/16, published in June 2013, included a 10% real terms cut in the Departmental Expenditure Limit (DEL) for local government. The impact on the County Council may not be known until December 2014, but a 10% cash cut in all grant funding has been assumed for planning purposes.
- 2.3. The July MTFS update outlined the Council's strategy to tackle these anticipated budget reductions. Assumptions included in the strategy that have been built into the 2014/15 budget proposals are:
 - a 1% council tax freeze grant available for 2014/15 on the assumption that council tax is not increased
 - a pay increase of 1% for 2014/15
 - general inflationary increases of 2.2% per annum
- 2.4. As part of the MTFS update, the 2% annual efficiency targets set for 2014/15 were rolled up into a total 12% target to be delivered by 2015/16. The 'Transforming the Council to 2015' (TtC to 2015) programme that has

been developed is expected to deliver these savings in order to close the budget gap by 2015/16. For Children's Services the MTFs includes a requirement to achieve savings of £6.308m in 2014/15 as a result of the reduction in Early Intervention Grant in 2013/14, which the County Council agreed to meet from reserves on a one-off basis in 2013/14.

- 2.5. In the Financial Update report to Cabinet on 9 December 2013, there is reference to Children's Services being confident that the pressures on children and families services, in particular children looked after, can be contained within the cash limits for 2013/14 and 2014/15. However, it is also noted that there are likely to be pressures in 2015/16 that need to be considered alongside other issues for that financial year, given that the trend (in growth) is not matched by a central contingency.
- 2.6. As part of the transformation programme, the County Council has been developing its 'Shaping Hampshire' plan, signalling the County Council's intention to further transform and shape services for the future.
- 2.7. The Children's Services Department has been developing its service plans and budgets for 2014/15 and future years in keeping with the 'Shaping Hampshire' priorities and the key issues, challenges and priorities for the department are set out below.

Departmental Context and Priorities

- 2.8. Over recent years Hampshire's Children's Services have established an enviable reputation for combining quality and cost-effectiveness. The quality of the services is evidenced by the large suite of performance indicators and measures which continue to show the range of services to be providing good outcomes for children and performing generally in the top quartiles. It is also illustrated by external evaluation, especially from Ofsted, showing the high proportion of schools and other settings which receive good or outstanding ratings. In 2011, Ofsted conducted the last major inspection of Hampshire County Council's services for children in care and in need of statutory child protection. These are the most sensitive, complex and vulnerable of services as well as being the most expensive for any local authority. Ofsted judged Hampshire to be good or outstanding in every one of the 22 measured domains. Officers are aware of very few authorities whose ratings were stronger than Hampshire's in that national inspection framework and Hampshire's was certainly the strongest outcome of any large authority. It is notable that these results were derived after the local authority had necessarily embarked on the last significant transformation programme. This indicates that the Ofsted assessment vindicated the service and financial decisions which were at the heart of that programme.
- 2.9. The historical cost-effectiveness of Hampshire Children's Services is evidenced by various CIPFA analyses. Whereas these analyses can be notoriously difficult because of the challenges of inter-authority comparison, it is clear these services remain relatively low-spending, as dictated by levels of government grant, while achieving strong performance.

- 2.10. In 2010 in response to the then new Coalition Government's Emergency Budget, which impacted on children's services nationally, and in anticipation of the subsequent transformation programme brought about by changes to the government grant regimes, the Executive Lead Member for Children's Services agreed a framework of principles which were to act as a guide to the challenging budgetary decisions which lay ahead. This proved to be a significant and constructive policy step and there has been general consensus that the framework served a very positive purpose in the consideration and selection of options and priorities as well as in subsequently explaining the basis for decisions more widely.
- 2.11. Whereas the broad basis for that 2010 framework remains valid, especially in its twin focus on the two core pillars of the department's work of statutory social services and school improvement, it has to be acknowledged that there have been necessary significant changes to both the national and the local contexts that sit alongside the effects of the government's deficit reduction strategy. Those changes indicate that the framework should be reviewed in anticipation of the next transformation programme which is at the heart of this report. It would not be feasible to summarise all of those changes within this report but four key features are worth highlighting.
- 2.12. Firstly, the pressures on children's social services and their responsible authorities are substantial and arguably increasing. We are seeing a distressing litany of serious cases nationally in which children have been killed or seriously harmed and this has exposed agencies to damaging, sometimes devastating criticism. While the causes and failings that may contribute to such tragedies are usually systemic and multi-agency, it is inevitably the local authority that carries significant accountability if not blame. Allied to those national serious case issues, the Ofsted inspection frameworks have evolved and if anything are now a tougher test of local authority effectiveness. At present approximately one fifth of all local authority children's services are judged by Ofsted to be in some form of category requiring formal intervention and under the new categorisation, another 56% would 'require improvement'. As well as being an indictment of local services, those interventions often represent profound damage to the local authority as a whole. There is also a context of significant rises in demand for child protection and related services for children (partly driven by the above) which is further explored below.
- 2.13. Secondly, in 2010, Hampshire was perceived by some to be resisting an inevitable move towards the general disestablishment of the role of local government in supporting and improving schools. Hampshire took strategic policy and budgetary decisions to retain this function, regarding its role as an education authority as part of the "DNA" of the County Council. The debate about the role of local government and the nature of the "middle tier" between schools and central government continues strongly. Yet the basis of Hampshire's strategic decisions has been vindicated by the continuing strong relationship with, and performance of the family of Hampshire schools and particularly by the more recent interventions from Ofsted nationally, challenging those authorities that have abdicated these responsibilities. Our partnership with the Isle of Wight has taught us further

lessons on this point and reinforced Hampshire's established direction of travel in retaining a strong, if reduced, capacity to monitor, challenge and support schools in their delivery of quality education to our children.

- 2.14. Thirdly, since 2010 the concept and clarification of Early Help to children and families in lower levels of need has been introduced and developed, mainly through the Munro review of child protection. This is arguably an extension of the former early intervention models that existed before Professor Munro's report. Nevertheless, that report, allied to the growing financial challenges agencies face, has emphasised the importance of focussing as much resource as possible into a coordinated approach to properly identified families and children with effective and coordinated interventions. The more specific Troubled Families Programme is one component example of the model of coordinated early help and sits alongside the work of locality teams, children's centres and other services. Those services require still better coordination in a harder financial environment.
- 2.15. Finally, perhaps one of the most significant general developments for children's services nationally in this period has been the emergence and growth of varying business opportunities in sold or partnership services. Hampshire's partnership with the Isle of Wight is now one of the most notable examples. Hampshire County Council has a developing business strategy which recognises that it is not feasible for a local authority to "trade" its way out of the major budget changes ahead, but which also recognises the major advantages of sustainability and capacity that can be gained from such a strategy. This is of particular significance to Children's Services because of the nature of the schools market and because of the potential brought about by the strength of Hampshire's current reputation while other authorities are considering their commissioning or outsourcing strategies.
- 2.16. With these and other related factors in mind the following set of principles is proposed as the revised policy framework for the budgetary and transformational decisions outlined in the rest of this report. Those decisions should:
 - Ensure a safe and effective social care system that continues to manage the risks between protecting and caring for the most vulnerable children and providing support to families in need;
 - Ensure sufficient capacity to lead, challenge and improve the schools system to help ensure improved outcomes for all but particularly more vulnerable groups;
 - Tightly target limited resources according to the needs of children whether that be support to children and families or to schools;
 - Secure targeted and co-ordinated early help provision where it demonstrably reduces escalation of need;

- Sustain and develop high quality and financially competitive sold services when doing so contributes to our responsibilities to Hampshire;
- Maximise the opportunities to create efficiencies and maintain and enhance services through partnership arrangements.

Departmental Activity in 2013/14

- 2.17. The 2013/14 budget report addressed substantial details to do with the burgeoning pressures on children's social care activity as Hampshire continues to experience increases in demand for the most expensive as well as the most intensive services, reflecting national patterns of activity. Based upon that analysis the County Council decided to invest an additional £4m in social work and early help, spread over two years. This was in addition to the extra £4.5m provision in 2013/14 already made in the medium term financial strategy to recognise the growing numbers and cost pressures of children in care.
- 2.18. In view of the scale and range of issues this report needs to address, it is not possible to rehearse the detail of those social care pressures again here, but it is necessary to reprise some of the core issues and challenges because they remain the single most important risk to the services and indeed to children in our community. In summary we can identify the following core pieces of activity as reliable measures for the work of and growing demands upon the authority's children's social services;
- The number of contacts received per month by Children's Services rose from 1,964 in March 2008 to 2,918 in March 2013 and in November 2013 the figure stood at 3,549.
 - The number of new referrals per year (requiring further action) rose from 6,294 in 2007/8, to 10,730 in 2012/3 and now stands at 13,070 for the year to November 2013.
 - The number of open cases to the department of individual children requiring an allocated social work service rose from 4,447 in March 2008, to 6,822 by March 2013 and for November 2013 stands at 7,402.
 - The number of children subject to child protection plans rose from 465 in March 2008 to 942 at March 2013 and stands at 1,032 at the end of November 2013.
 - The number of children in the care of the local authority rose from 1,023 at March 2008 to 1,135 by March 2013 and stands at 1,187 in November 2013.
- 2.19. As explained in previous reports we know that the reasons for these increases have a number of nationally determined causes with some local

dimensions. Again, it is not possible to rehearse these here in too much detail but it is important to reflect upon those factors as their existence and the subsequent pressures they bring have a major bearing on the future financial decisions we must take. So, we know that we are dealing with a continuing growth in the birth rate which is at a rate which is bound to impact on the social care numbers, however proportionately low they may be. We know that the increasing birth rate is added to by family migration factors; put simply, Hampshire is an increasingly popular place to bring up a family. There are well defined national patterns of increased social care activity described loosely and unhelpfully as the “Baby Peter factor”. That is to say that following the public response to the death of Peter Connolly in Haringey there has been an increase in demand for child protection. We believe this to be an unhelpful term because all of the evidence points to activity rates increasing nationally from before this incident. This analysis also suggests that there is a degree of “risk aversion” in activity and it downplays the issues of other high profile cases. In fact all of our local analysis indicates that there is no shift in thresholds being applied to new cases in Hampshire and there is, therefore, no “risk aversion” at play in these increases in activity. Indeed, the increase in the number of contacts which are received by Children’s Services (and which represents the start of the system) points to the increase in demand which is prior to any determination of threshold from Hampshire Children’s Services. It is also noteworthy that this demand has increased further during the year 2013/14. It is also clear that the continued numbers of high profile cases nationally point to the scale of risks being managed by all authorities, as well as the implications for children and the local authority when that risk management or related systems go wrong. Finally, operational managers would argue that there is a recession dimension to the increases, as families face increased financial pressures and these pressures can become a tipping point in their capacity to provide adequate or safe care for their children.

- 2.20. The report *In the Eye of the Storm (2012)* prepared by Landman Economics for the NSPCC, the Children’s Society and Action for Children forecast 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 on-going effects of the economic downturn. The report estimates that by 2015 the number of children living in families with five or more critical “vulnerabilities” will increase by 17% and this prediction appears to have been borne out.
- 2.21. The significant decision of the County Council to invest new monies in children’s social services in 2013 referred to in paragraph 2.17 (above) has helped to ensure more secure caseload management and casework decision making. It has also helped improve our early help and preventative work and put in place local authority capacity for the launch in January of Hampshire’s Multi-Agency Safeguarding Hub (MASH). In partnership with health and police, the MASH will substantially improve information gathering and sharing systems which are crucial to effective child protection. It is clear that having secured these improvements the authority should do all in its power to protect them. This investment has

also been supported by Schools Forum's decision to maintain its own funding towards early help services.

- 2.22. As well as being critical contributions to the improvement of capacity and services to deal with unprecedented demand, these investments should help to prepare the County Council for the next major Ofsted inspection. Ofsted's new framework for local authority children's social services was launched at the end of 2013. All local authorities will be inspected during the next three years through a process which is generally agreed to be still more intensive as well as more extensive and challenging than the previous framework. It is not possible to predict with any degree of confidence when Hampshire's inspection will take place. The department's Children and Families Branch is, therefore, leading preparations now in partnership with the Hampshire Safeguarding Children Board (HSCB). It is also impossible to confidently pre-judge the likely outcome to the inspection, but the considerations surrounding this budget report and the transformation proposals have been focussed to ensure as far as is reasonably practicable that they do not prejudice that outcome, or indeed outcomes for the county's most vulnerable children.
- 2.23. Last year's Children's Services budget report gave a detailed analysis of the reasons for, and implications of, a continuing rise of the number of children in the care of Hampshire County Council as a significant component of the increased demand on children's social services. Through careful case management and use of appropriate alternative strategies, this increase has been kept below, proportionately, the general increase in demand. The rise in the children in care population over the year 2013 has been from 1,135 (March) to 1,187 (November), an increase of 4.6% (against a general rise of 22% in contacts and referrals and 9.5% in child protection plans over the same period). However, because of the general rise in the cost of individual placements, and because the additional demand is against a national and local system already operating to capacity, therefore requiring the use of still more expensive independently provided placements, this continues to be the single most significant pressure on Children's Services budgets. Last year we forecast that at current rates there would be a budget pressure of £7.5m on this budget by the year 2015/16. Current activity confirms that to be a conservative forecast. This year, as described in more detail in the monitoring report, the pressure of about £2.5m above that allowed for in the 2013/14 budget is being contained through the use of savings elsewhere within the department and by the use of reserves.
- 2.24. There are also far-reaching national reforms to special educational needs planned. Hampshire is a pilot for these reforms which will be fully implemented locally and nationally in September 2014. The reforms including the following features:
- Greater collaboration between services, such as health and the voluntary sector, and with families

- The range of services for children with special educational needs and disabilities to be made more transparent through the publication of a 'local offer'
- Retaining existing legal protections with regards to the determination of a child's educational provision but extending them from birth to age 25
- Clear focus on outcomes and a better transition to adulthood
- The implementation of new, legally binding, education, health and care (EHC) plans replacing the current 'statement of special educational needs'
- The provision of personal budgets for families in relation to social care, health and education in order to meet the needs specified in the EHC plan.

2.25. The above features are all being piloted in Hampshire and our findings thus far indicate that, whilst we are well prepared for the changes, there will be significant challenges in meeting the raised expectations of parents and young people. These changes are incorporated into the Children and Families Bill, which is currently at report stage in the House of Lords. Expectations on local authorities as to how this new framework will operate will be set out in a code of practice which is currently being consulted upon. The Government recognises the significant transitional arrangements required to support these new arrangements and is making £70m available nationally for this purpose. However, this funding is coming from the top-slice of the Early Intervention Grant. Hampshire's share of this has yet to be announced. It is also a sum that may offset the pressures of transition but which does not address the potentially significant longer term pressures implied by the legislation.

2.26. There are pressures within the Home to School Transport Budget arising from increased usage and contract price rises. In July 2013 the DfE advised that the County Council's funding for extended rights to free travel (a provision within the Education and Inspection Act 2006 allowing greater access to free Home to School transport for children entitled to free school meals) would be cut by £240,000 in 2013/14 and a further £320,000 in 2014/15. This reduction in funding provides a pressure that will offset the efficiency savings being made through contract negotiations and other savings in discretionary areas so this does remain an area of potential financial risk.

Budget Strategy to 2015/16

2.27. The Coalition Government's deficit reduction strategy requires further budgetary changes for all local authorities over the next two years. Within Children's Services the share of an overall 12% budget reduction allied with additional changes to the Early Intervention Grant (EIG) mean £6.308m of savings need to be identified during the financial year 2014/15, with a further £19.310m savings which must be in place by the start of the

financial year 2015/16. Given the scale of change and of transformation this implies, this report describes a strategy which conflates the proposals into a single strategy and addresses immediate firm savings and related plans for longer term service transformation together. This is also because some of the more strategic changes will take at least twelve months to fully implement once agreed in order to be secure by the start of the financial year 2015/16.

- 2.28. The narrative above clarifies the required areas of priority which are in the best interests of the most vulnerable children in our community and also which secure the necessary levels of performance in those business critical areas for the County Council. This also means that other areas of service of a lesser priority necessarily must be more open to challenge and transformation. It should also be noted that the overall level of savings are set against departmental budgets (excluding the schools block) of £162m. Once the essential social service related areas of spend are removed this reduces to a remaining £74m. Therefore the 12% savings target will have a disproportionate impact on different areas of the department. As in the equivalent and successfully delivered programmes of 2010 and 2011, and in order to avoid a crude and damaging “salami slice” approach, the following proposals seek to distribute the savings targets across services in accordance with the proposed framework of principles with an emphasis on County Council priorities.
- 2.29. Savings proposals for 2014/15 include a wide range of proposals that can be readily achieved and which will go some way to delivering the savings target for 2015/16. These are shown in Appendix 2 and include:
- Early Help – continued support from schools means that most of these savings in 2014/15 can be achieved with minimal impact. There will be more targeted support through the youth support and locality teams with the creation of early help hubs which will be rolled out across the year.
 - Services for Young Children – this includes reduced support to private, voluntary and independent sector providers in their delivery of early years care and education. Crucially this does not imply any reduction in the supply of that provision. There will also be efficiencies achieved through the children’s centres contract that was established two years ago and again means no reduction in the provision or funding of children’s centres.
 - School Improvements and Standards – reduced core provision and more selling of services to schools across a number of business units and other services such as Hampshire Inspection and Advisory Services (HIAS), Music, Finance, Personnel, Virtual School and Community Language Services. This will mean that the local authority retains the crucial investment in critical school improvement and intervention capacity but there should be a shift in the balance of what schools should purchase through their own budgets.

- Hampshire Futures – re-organisation of a range of services for 14 to 19 year olds achieved through access to new funding sources
 - Contract and discretionary spend within children and families – mainly procurement reviews for external foster care, residential placements and supported lodgings
 - A range of other management and overhead savings
- 2.30. For 2015/16, there are significant transformational proposals that require much more detailed consideration and consultation but are nonetheless considered to be the most viable options to achieve the required savings and that sustain the department's core principles of service provision set out in paragraph 2.16. These transformational proposals are as follows:
- 2.31. Children with disabilities (£2.5m - £3.5m). This will focus on the re-design and re-provisioning of services to meet the needs of the most vulnerable clients with disabilities and the support offered to their families. Business cases are being developed to ensure that services will be delivered in the most efficient and cost-effective way.
- 2.32. Services for Young Children (£3.5m - £5.0m) Proposals will focus on a significant reduction in support and challenge to early years providers.
- 2.33. Early Help (£0.8m - £1.2m). The focus will be to reduce the level of grant support provided to the voluntary and community sector and re-design services around early help hubs delivering greater management efficiency and coordination across a number of existing services.
- 2.34. Partnerships (£2.0m - £4.0m) The changing health economy, and in particular the development of Public Health as a service delivered by the local authority enables Children's Services to redesign the ways in which it will continue to engage with partners, most notably other health bodies, to achieve optimum outcomes within the resources available.
- 2.35. In summary, the savings proposals outlined above are necessarily far-reaching but, at the same time, aim to maintain high quality, cost-effective and targeted service provision in accordance with the Children's Services Department's core principles and duties. The proposals for 2014/15 will go about 50% of the way to achieving the full-year target required for 2015/16, whilst other proposals for 2015/16 will be developed and consulted upon during 2014/15.

3. 2013/14 Budget

- 3.1. The cash limited budget for 2013/14 included efficiency savings for Children's Services of £2.349m to be delivered during the year. All departments are monitoring achievement of efficiency targets as part of the normal budget monitoring process for the year.
- 3.2. There is an increasing pressure arising from the continuing upward trend on Children Looked After (CLA), both in terms of increase in numbers and increase in unit costs. Some of the factors that influence the numbers and costs are complex as described above. The increasing position is the result

of an intensification of the pressures outlined in the 2013/14 budget setting process, which added £4.5m to the base budget in 2013/14 and allowed for growth of £1.5m per annum thereafter.

- 3.1. The Children's Services department has delivered its planned efficiency savings and has plans in place to meet the additional pressures arising from these increasing social care costs, to ensure that it remains within the bottom line cash limit.
- 3.2. The budget for the department has been updated throughout the year and the revised budget is shown in Appendix 3. The expected outturn forecast for 2013/14 is a 'break-even' budget on the non-schools budget and a small underspend on the schools budget. The schools budget underspend will be carried forward and allocated as agreed by schools forum. The schools revised budget also incorporates the adjustments for schools transferring to academy status and additional pupil premium grant.

Budget 2014/15 – Non-schools

4. Revenue Pressures and Initiatives

- 4.1. The changes to the Early Intervention Grant in 2013/14 meant a loss of funding of £6.308m in 2013/14. However, in a similar approach to the in-year savings that were required in 2010/11, a central contingency provision for this reduction was made in order to give Children's Services sufficient time to consider options for reducing costs that will be implemented within appropriate timescales. This ensured a sensible and planned approach to dealing with the further reductions in funding. Children's Services now has to identify these savings for 2014/15.
- 4.2. From 2014/15 these reductions in EIG are factored into the overall MTFS and are not targeted to individual services. Therefore, there is no further increase required to the 12% savings required by Children's Services from 2015/16.
- 4.3. There are three key pressure areas within the children's social care system, for which additional funding has been identified and included within the MTFS:
 - Children looked after - £4.5m in 2013/14 plus a further £1.5m per annum from 2014/15
 - Capacity of front-line staff in child protection and children in need - an extra £1.25m in 2013/14 increasing to £2.5m in 2014/15
 - Early intervention to deter additional pressures - an extra £750,000 in 2013/14 increasing to £1.5m in 2014/15
- 4.4. Whilst provision for the increase in children in care levels (numbers and cost) has already been made within the MTFS, as agreed by Cabinet, the pressure may only be containable in 2014/15 through the continued use of departmental reserves and other savings.

5. Revenue Savings Proposals

- 5.1. In July, Cabinet decided to roll up the 2% efficiency targets set for 2014/15 into a total 12% target to be delivered by 2015/16.
- 5.2. As part of the Transforming the Council to 2015 programme, corporate workstreams have been developed that will deliver the bulk of the savings by 2015/16. Each Department retains responsibility for achieving its Departmental savings target and has developed further proposals to ensure the 12% target can be met.
- 5.3. For Children's Services there is an additional requirement to achieve savings of £6.308m in 2014/15. This is to offset the one-off corporate support received in 2013/14 in respect of the reduction in the Early Intervention Grant that the department would otherwise have borne. Any 'over-achievement' of this figure could be used to fund the costs of change, or to offset other pressures, in line with the current policy.
- 5.4. Appendix 1 details the savings proposals for Children's Services between the corporate workstreams and departmental savings. It shows that 25% of the savings for Children's Services are being delivered through the corporate workstreams.
- 5.5. Appendix 2 also shows that these proposals will deliver a full year impact of £12.215m. It is possible that the earlier achievement of some of the savings during 2014/15 could result in an over-achievement against the target of £6.308m.
- 5.6. These are summarised in the table below:

	2014/15	Full Year
	£000	£000
Corporate workstream savings	1,586	6,244
Departmental savings	4,722	5,971
Total savings	6,308	12,215

- 5.7. The key elements of the savings in 2014/15 are around the following:
 - management and contract efficiencies, such as training and other discretionary spend;
 - more targeted provision of services, associated with some opportunity to offer them on a sold basis, in particular for schools; and
 - preparation for more substantial transformational savings in 2015/16 in particular in Early Help services and Services for Young Children.
- 5.8. A more detailed summary of the savings proposals for 2014/15 is contained in Appendix 2 which shows the estimated impact on workforce levels. The Appendix also provides information on the type of savings proposals categorised over Transformational, Efficiencies, Income

Generation or Service Reductions. The table below summarises the split of savings between these categories:

	2014/15	Full Year
	£000	£000
Transformational	1,869	3,938
Efficiencies	1,113	3,898
Income Generation	-	-
Service Reductions	3,326	4,379
Total	6,308	12,215

- 5.9. These savings proposals will result in an estimated workforce reduction of 14.9 full-time equivalent (FTE) positions in 2014/15 and a further 32.1 FTE in 2015/16.

6. Other Expenditure

- 6.1. 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.
- 6.2. The County Council has a policy of passporting changes in specific grants directly to departments. In 2013/14 the Government top-sliced the national Early Intervention Grant (EIG), some of which was re-invested with local authorities in order to support evidence-based interventions in support of early intervention policy. This took the form of an Adoption Reform Grant, some of which was ring-fenced and some not. It is understood that there will be a further allocation of the Adoption reform Grant in 2014/15 but the details have not yet been announced. In 2014/15 the Government has top-sliced £150m from the EIG and £70m of this is to create a Special Educational Needs (SEN) reform grant. Again detailed figures are awaited.
- 6.3. The Extended Rights to Free Travel grant was reduced by £242,000 in 2013/14 and will be reduced by a further £319,000 to £561,000 in 2014/15. The cash limit has been reduced accordingly.

7. Schools Budget

- 7.1. There is a forecast underspend in 2013/14 of £2.6m, although this is likely to increase as the take-up of free provision for two year olds is less than previously estimated. In addition to this there was an in-year increase in Dedicated Schools Grant (DSG) of about £1.6m. Any year end underspend

will be carried forward to 2014/15 and its use will be agreed by Schools Forum in accordance with the school funding formula.

- 7.2. In 2013/14 a new school funding formula and a single early years funding formula were introduced. Changes to the main funding formula for 2014/15 were agreed by schools forum on 24 October 2013 and approved by the Executive Lead Member for Children's Services on the same day. Changes to the single early years funding formula were agreed by Schools Forum on 16 December 2013.
- 7.3. Details of the Dedicated Schools Grant (DSG) for 2014/15, including the values to be applied to the formulae, are subject to approval by Schools Forum on 21 January 2014. The report can be found at:
[Schools Forum](#)
- 7.4. The DSG is allocated in three notional blocks - Schools Block, Early Years Block and High Needs Block. 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	700,233
Early Years	48,524
High Needs	88,985
Additional	9,877
Total	847,619

- 7.5. The 'additional' allocation of £9.877 consists of:
- £10.866m increase for the extension of provision of free education for two year olds from lower income households
 - £248,000 increase for the induction of newly qualified teachers (already included in delegated budgets in 2013/14)
 - £1.237m decrease for Carbon Reduction Commitments (CRC) energy efficiency scheme payments
- 7.6. An additional £1.269m is estimated to be added to the 2014/15 DSG (bringing the total to £848.888m), made up of:
- £740,000 increase in DSG based on forecast pupil numbers for Early Years
 - £529,000 DSG carry forward from 2009/10 (Early Years)

- 7.7. The Pupil Premium level of funding for 2014/15 is the following per eligible pupil amounts:
- Primary School FSM - £1,300 (increase from £953 in 2013/14)
 - Secondary School FSM - £935 (increase from £900 in 2013/14)
 - Looked After Children - £1,900 (increase from £900 in 2013/14 and is effective from the first day in care rather than after six months). From 2014/15 it will also include children who have been adopted from care or leave care under a special guardianship or residence order.
 - Service family – £300 (no change but is extended to those whose parents are no longer in the armed forces)
- 7.8. These payments are in addition to the main DSG funding. The total estimated pupil premium and other schools grant is £39.406m.
- 7.9. The Music Grant is £1.283m for 2014/15.
- 7.10. The table below shows how the total schools budget managed by Children’s Services is derived:

	2014/15 £'000
Dedicated Schools Grant (DSG)	848,888
Less funding for Academies	(157,276)
Sub-total	691,612
Less items managed by Policy and Resources	(6,684)
Pupil Premium and other schools grant	39,406
Music Grant	1,283
Total schools budget managed by Children’s Services	725,617

- 7.11. The new schools formula is very pupil-driven and has a limited number of factors that can be applied, with some very restricted scope to apply exceptional circumstances. In 2013 the Department for Education consulted on some proposals for changes to some components of the factors and on the introduction of new factors in 2014/15. The principal changes that were made are summarised below:
- The lump sum maximum is to be reduced from £200,000 to £175,000 per school. Hampshire’s formula applied £190,000 in 2013/14 and will apply £175,000 in 2014/15

- The introduction of a sparsity factor – to provide some targeted protection for ‘necessary small schools’, which is based on the distance that pupils live from their second nearest school
 - An adjustment to the mobility factor that restricts funding to mobility levels of more than 10%.
- 7.12. The minimum funding guarantee (MFG) remains at minus 1.5% per pupil for 2014/15.
- 7.13. On 16 December 2013 the Schools Forum gave initial consideration to the 2014/15 budget and agreed principles and policies to be applied in determining budget allocations. On 21 January 2014 Schools Forum agreed 2014/15 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 2014.
- 7.14. The proposed budgets to be retained by the local authority, based on pupil numbers as at October 2013 (January 2013 for early years) and without adjustment for planned academy conversions after 5 January 2014, are summarised below:

Block	Budget
	£'000
Schools	546,792
Early Years	59,959
High Needs	84,861
Total	691,612

- 7.15. There will be further adjustments following receipt of updated information, including on High Needs funding, based on updated place numbers, that the DfE will provide by 31 March 2014.

8. Budget Summary 2014/15

- 8.1. The budget 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 £879.782m (£717.916m schools budget, £161.866m non-schools budget).
- 8.2. Appendix 3 sets out a summary of the proposed budgets for the service activities provided by the Department for 2014/15 and shows that these are £8.2m (£7.7m schools, £0.5m non-schools) above the cash limit that was set. The schools budget changes reflect updated DSG and other adjustments referred to in section 7 and the non-schools budget reflects a base budget adjustment.

- 8.3. 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:

	2014/15
	£000
Total expenditure	979,540
Income other than Government Grants	91,558
Cash Limit	887,982
Government Grants:	
- Dedicated Schools Grant	691,612
- Pupil Premium and other school grants	39,406
- Music Grant	1,283
- Extended Rights for Free Travel	462
- Unaccompanied Asylum Seeking Children	493
Total Government Grants	733,256
Total net expenditure	154,726

- 8.4. 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.

9. Workforce Implications

- 9.1. The workforce implications of the proposed budget for 2014/15 are set out in Appendix 4. At the end of 2014/15 the planned workforce for Children's Services is 2,494 full time equivalent (FTE) staff (excluding schools staff). This compares with the estimate at the end of 2013/14 of 2,480 FTEs, which is a net increase of 14 FTEs as shown below:

	FTEs
FTE staff as at 31 March 2014	2,480
Changes relating to new savings	(15)
Transfers and other changes	29
FTE staff as at 31 March 2015	2,494

- 9.2. The 'transfer and other changes' relates to the final recruitment stage arising from the additional investment in child protection work.

10. Transforming the Council to 2015

- 10.1. The public sector has experienced unprecedented change over the last four years, following the significant reductions in Government Grant that have been put in place.
- 10.2. The County Council has from the outset responded positively to these reductions, dating back to the 'in year' reductions in Children's Services grants during 2010/11 and then in respect of the anticipated reductions over the 2010 Comprehensive Spending Review period. As described above, it is argued that this approach has served the council and the county's children well, as evidenced by consistent performance.
- 10.3. The key strands of the County Council's strategy during this period, are to plan well in advance, to implement savings in advance of need and then use the surplus resources to fund the next phase of investments in order to secure even greater efficiencies.
- 10.4. This strategy has enabled the County Council to develop its 2014/15 budget without the need to implement significant savings and means that it has the time and capacity to develop further efficiencies and importantly to transform services with a view to implementing revised models of service delivery for the 2015/16 financial year.
- 10.5. The Transforming the Council to 2015 Programme was put in place last year and is based as in previous years on the pursuit of a range of Corporate Workstreams designed to assist Departments in achieving their 12% savings targets.
- 10.6. Given the developmental and transformational nature of many of the savings, it is not possible to provide detailed proposals on all areas at this stage but a summary of key theme areas for this Department has been provided at Appendix 5 and show a total range of savings of £8.8m to £13.7m. However, in order to achieve the required total savings of £25.6m, a total of £13.4m is needed.
- 10.7. In order to provide Directors with the flexibility to maximise opportunities within the overall Programme, it is proposed that delegated authority will be sought from Cabinet to give them the authority (in consultation with the relevant Executive Member) to implement savings that are consistent with the themes and values outlined in Appendix 5 during 2014/15 and 2015/16, that will enable them to come within their 2015/16 cash limits.
- 10.8. This flexibility is necessary because, whilst there is certainty over the financial envelope within which Departments are working, the revised operating model designed to meet the savings target is not yet fully clear and will potentially be subject to transformational activity, further development, refinement or investment and in some cases formal consultation with users and other stakeholders before they can be fully implemented.

- 10.9. Any significant departures either in terms of value or against the themes that have been identified will require formal approval from Cabinet before they can be fully implemented.
- 10.10. Given the scale of the total savings that are being implemented as part of the Transforming the Council to 2015 Programme, the Corporate Management Team will continue to undertake detailed monitoring of the overall programme and in particular those items outlined in Appendix 5 to ensure that they remain on track for delivery for 2015/16. Regular updates will also be provided to Cabinet.

11. Conclusion

- 11.1. This report outlines the key issues and proposals for the Children's Services Department budget for 2014/15 and sets out the key themes and methodologies in respect of developing the savings proposals to meet the £6.308m savings requirement for 2014/15 and the 12 % savings target for 2015/16. This includes an updated set of core principles that the Department should work to.
- 11.2. Risks associated with achieving these proposals, as set out within this report (in particular in Section 2), include the increasing pressure on social care services and the protection of vulnerable clients. There is also an increased focus on maintaining performance levels for other service areas such as school improvement.
- 11.3. Cabinet has recognised the need to protect social care budgets by providing additional funds within the base budget. However, additional costs arising from both increased numbers and higher market prices, has resulted in the Department having to find offsetting savings and one-off provisions to stay within the cash limit. Whilst this may be sustainable in 2013/14 and 2014/15, it is also recognised that, such are the increased demands, this will need to be reviewed in 2015/16.
- 11.4. Equality Impact Assessments have been undertaken in respect of the main savings proposals, and where necessary, appropriate actions have been identified.
- 11.5. The Departmental Management Team will monitor progress against all savings proposals on a regular basis, and highlight issues with the Executive Member where appropriate. Separate corporate monitoring of savings delivery will be undertaken by CMT and will be reported to Cabinet on a regular basis.
- 11.6. Delegated authority will be requested to allow the Director in consultation with the Cabinet Member to implement proposals consistent with those outlined in this report in order to set service budgets within the provisional cash limits that will be set for 2015/16.

12. Recommendations

To approve for submission to the Leader and Cabinet:

- 12.1. The principles proposed in paragraph 2.16 as the revised policy framework for the budgetary and transformational decisions outlined in the rest of this report
- 12.2. The firm proposals for savings totalling £6.308m in 2014/15 (as set out in Appendix 1 and 2)
- 12.3. The revised budget for 2013/14 (as set out in Appendix 3).
- 12.4. The summary budget for 2014/15 (as set out in Appendix 3).
- 12.5. The workforce implications of the proposed budget for 2014/15 (as set out in Appendix 4).
- 12.6. The key theme areas for further savings as part of the Transforming the Council to 2015 Programme (as set out in Appendix 5).

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 2013/14	4434	23 January 2013
School Funding Formula 2014/15	5171	24 October 2013
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 2014/15 budget is available from the Department's lead officer for Equality and Diversity issues. A summary of this is provided below.
- 1.3. Some 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 includes some processing efficiencies. Some proposals include the continuing financial impact of previous years' decisions, for which equalities impact assessments were previously carried out.
- 1.4. A number of proposals will have staffing implications, some of which will result in staffing reductions that 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. CS1 – Early Help. There will also be wider public and other stakeholder consultation, e.g. with Schools Forum, for a number of proposals.
- 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

Summary of Corporate workstreams – 2014/15 firm proposals

Corp. Workstream Ref.	Description	2014/15	Full year
		£'000	£'000
ES3	External Spend	1,198	4,187
ST2	Organisational development & Learning & Development	60	80
SC3	Children's Services sub-streams	85	715
FE1	Senior management & other workforce savings	108	877
FE2	Staff overheads & running costs	135	385
	Total Workstreams	1,586	6,244
	Departmental	4,722	5,971
	Total Savings	6,308	12,215

Children's Services

Expenditure reduction options - New Savings Proposals to Meet Target for 2014/15

Ref.	Savings Type	Service Activity	Description	Impact/Issues	2014/15		Full Year	
					£'000	FTE	£'000	FTE
CS1	T	Early Help	Integration of services: targeted youth support and locality teams, commissioning for local need. Development of single points of access and delivery.	More efficient access to a range of services. Reduced funding to voluntary and community sector.	883	1.0	2,952	20.1
CS2	E	Social Care training	Revised participation in social work degree and professional qualifications through targeted provision.	More targeted training reflecting current requirements.	60	-	80	-
CS3	E	Children and Families	Review of social care contract management and other discretionary spend	Minimal impact as services will be procured more cost effectively and some areas are already underspending	135	-	1,595	7.0
CS4	E	Educational Psychology	More targeted core services and increased income generation.	More efficient use of resources.	50	-	390	-
CS5	E	Various services	Review management arrangements for the workforce development team, SEN service; joint working with the Isle of Wight; efficiencies in invoice processing; facilities management efficiencies.	More effective working practices and other management efficiencies.	458	7.4	1,227	5.0
Total Corporate Workstreams					1,586	8.4	6,244	32.1

Appendix 2

Ref.	Savings Type	Service Activity	Description	Impact/Issues	2014/15		Full Year	
					£'000	FTE	£'000	FTE
CS6	R	Services for Young Children	Reduced support and challenge to private voluntary and independent sector	Reduced discretionary capacity to provide various forms of support to PVI sector but no reduction of provision of places	820	-	1,189	-
CS7	R	Services for Young Children	Withdrawal of supplementary children's centres grants – an unforeseen balance of contract savings used in the initial development of new commissioning arrangements	Reduced funds available for exceptional support	850	-	1,264	-
CS8	R	School Improvements and Standards	Reduced funding to core business unit and other support services - more targeted provision and sold services	Potential indirect risk on educational outcomes; variable school resistance to pay for services	1,456	-	1,626	-
CS9	T	Hampshire Futures	Remodelling of 14-19, careers advice, outdoor education and apprenticeships	Minimal impact due to increased external funding	986	4.5	986	-
CS10	R	Hampshire Youth Offending Team	Reduced contribution to partnership - management and overhead savings	Impact on overall partnership dependant upon on other partner and Youth Justice Board funding	200	2.0	300	-
CS11	E	Various services	Withdrawal of administrative funding to Local Children's Partnerships, Schools Employee Support Line, school uniform grants, insurance savings	Potential impact on consistency of LCPs; schools to decide if they wish to continue funding other services	410	-	606	-
Total Departmental Savings					4,722	6.5	5,971	-
Total Savings					6,308	14.9	12,215	32.1

**Children's Services
Budget summary 2014/15**

Service Activity	Original Budget 2013/14 £000	Revised Budget 2013/14 £000	Proposed Budget 2014/15 £000
Schools budget			
Individual Schools budgets	537,082	529,806	526,944
De-delegated items	3,936	3,991	3,953
High Needs block	79,283	81,757	84,861
Early Years block	58,342	57,872	59,959
Central Provision within schools budget	9,936	9,750	9,211
Other grants	17,759	30,667	40,689
Total Schools Budget	706,338	713,843	725,617
Non-schools budget			
Other Education & Community – Special Education	4,931	5,196	4,963
Other Education & Community – Learner Support	34,136	33,930	33,435
Other Education & Community – Access	758	822	699
Young People's Learning Development	2,068	2,082	1,599
Adult Learning and Community	1,167	736	158
Services for Young Children	18,482	18,445	17,061
Youth Support Services	6,958	6,815	6,770
Strategic Management	4,553	4,587	4,028
Assessment and Care Management	17,394	18,406	19,433
Children Looked After	44,391	45,474	46,113
Family Support Services	15,076	15,670	15,316
Youth Justice	2,218	2,506	2,198
Other Children and Families Services	7,413	8,624	7,734
Asylum Seekers	700	493	493
Central Budgets	671	1,153	2,365
Total Non-schools budget	160,916	164,939	162,365
Total Children's Services budget	867,254	878,782	887,982

Children's Services Workforce implications

Service Activity	Estimated Staff Numbers (full-time equivalent) 31.3.2014	Transfers and Other Changes	Impact of Savings Proposals	Estimated Staff Numbers (full-time equivalent) 31.3.2015
Schools Budget (excludes School Staff)				
Early Years Block	69			69
Schools block	143			143
High Needs Block	53			53
Total Schools Budget	265	0	0	265
Non-schools Budget				
Other Education & Community - Special Education	121		(3)	118
Other Education & Community - Learner Support	313			313
Other Education & Community - Access	17		(1)	16
Young People's Learning Development	15		(2)	13
Adult Learning and Community	15		(2)	13
Services for Young Children	116			116
Youth Support Services	111			111
Strategic Management	67		(1)	66
Assessment and Care Management	352	17	(1)	368
Children Looked After	220			220
Family Support Services	135	3		138
Youth Justice	66		(2)	64
Other Children and Families Services	61			61
Management and Support	189	9	(3)	195
Hampshire Youth Offending Team	93			93
Total Non-schools Budget	1891	29	(15)	1905
Total Children's Services budget	2156	29	(15)	2170
School Trading Services Business Units	284			284
Children's Centres Business Unit	40			40
Total Business Units	324			324
Total including Business Units	2480	29	(15)	2494

Transformation to 2015 - Children's Services Key Proposals

Ref.	Service Area	Corporate Workstream	Description of Proposal	Key Actions and Timescales	Range £'000
CS12	Children with Disabilities	External Spend	Review of services for children with disabilities and their carers (options include: residential and respite care, short breaks, speech & language). Review of grants to the voluntary sector, including the possibility of a single process across all children's services with more flexible criteria.	Staff and Public consultation, where relevant, will be carried out by September 2014 and proposals will be implemented by April 2015. Procurement processes, where relevant, will start in October 2014 and will be concluded by April 2015. EIA required to be completed and has been started.	2,500 -3,500
CS13	Services for Young Children	Departmental	Re-shaping the support and challenge to the private, voluntary and independent sector	Consultation with Schools Forum in March 2014; firm implementation plans by September 2014 and implementation by April 2015	3,500 -5,000
CS14	Early Help	External Spend	Further development of integrated early help services. Review of grants to the voluntary sector, including the possibility of a single process across all children's services with more flexible criteria..	Grant changes to be implemented from April 2015. Consultation with stakeholders will be carried out by September 2014 and proposals implemented by April 2015.	800 -1,200

Ref.	Service Area	Corporate Workstream	Description of Proposal	Key Actions and Timescales	Range £'000
CS15	Partnerships	Departmental	Joint working with public health and the national health service, including a review of CAMHS.	Proposed Implementation date April 2015 Staff consultation and consultation with partners (JCHCB) will be carried out by September 2014. EIA required to be completed.	2,000 -4,000