

Children and Young People Directorate in-year savings and long term financial position

1. Purpose of the Report

This report looks at the in-year savings Local Authorities are required to make by central government and the likely budget reductions that will be required over the next three years. The report is intended to promote discussion amongst members to consider the longer term future of the role of the Local Authority, the direct impact on schools and the actions needed to be taken by schools and the Local Authority to provide the best outcomes for our children and young people under the economic restraints facing us.

2 Context

- 2.1 In the UK, the concern is with both the scale of public debt and its rate of growth. UK public debt is £156bn. The Coalition Government is in the process of developing a fiscal consolidation plan for the UK. One that reduces public spending and also raises tax revenues and is credible to the financial and investment markets. The precise scale of budget reductions required for Lewisham Council for the next three years is difficult to assess as the Coalition Government have yet to work through their full spending plans.
- 2.2 On 24 May the Government announced reductions of £6.243bn in public sector expenditure. £1.166bn of funding reductions relate to Local Authority grants in 2010/11 and includes both revenue and capital grants. In order to provide greater flexibility to councils in implementing the reductions, the Government also de-ringfenced some specific grants to assist Local Authorities in finding the savings. Included in this the Department for Education has asked Local Authorities to find £311m by reducing in year the Area Based Grant by some 24%. Lewisham's share of this is £2.271m out of grants totalling £9.4m. The full list of grants are shown in 3.2 of this report.
- 2.3 The assumptions that have been made for 2011-14 produce an expected reduction in the Council's revenue budget of some £60m over the next three years. This is on the working assumption that the public sector will most probably have to reduce its spending by up to 25 per cent over the next three years. Current Government statements at least suggest 30 to 40% over four years.
- 2.4 The Government has announced a two year pay freeze for all public sector workforces from 2011-12, but remains committed to honouring in full the three-year pay award recommended by the School Teachers' Review Body.

The teachers' pay uplift for this year will be implemented from September 2010, marking the last instalment of their three-year pay award.

- 2.5 Further announcements consider the speeding up of the Academies programme and creation of Free Schools. Academies are subject to a separate paper on the agenda.
- 2.6 Further details are expected in the comprehensive spending review, this will be announced in October.

3. In-year Announcements

- 3.1 The reduction to the Area Based Grant of £2.2m is detailed below

Grant	Total Grant	Reduction
	£	£
14-19 Flexible Funding Pot	53,348	12,804
Care Matters White paper	573,153	137,557
Choices Advisors	45,935	11,024
Child Death Review Process	91,826	22,038
Child Trust Fund	9,133	2,192
Children's Fund	876,978	210,475
Children's social care workforce	216,842	52,042
Connexions	2,787,305	668,953
Designated Teacher Fund	13,086	3,141
Education Health Partnerships	78,387	18,813
Extended Rights to free transport	14,128	3,391
Extended Schools start up costs	366,293	87,910
Positive Activities for Young People	1,394,146	334,595
Primary National Strategy - Central	158,237	37,977
School Development grant	1,729,122	414,989
School improvement partners	91,840	22,042
School Intervention Grant	60,600	14,544
Secondary National Strategy - Behaviour	68,300	16,392
Secondary National Strategy - Central	150,551	36,132
Sustainable Travel General Duty	17,184	4,124
Teenage Pregnancy	314,000	75,360
January Guarantee	27,419	6,581
LSC Staff Transfer	257,765	61,864
Other Directorates grants from DfE		
Young Peoples Substance Misuse	41,362	9,927
School Travel Advisers	26,000	6,240
	9,462,940	2,271,107

Although the above reductions were detailed by Government, it was left to Local Authorities to decide how the reduction applied across the range of Area Grants and some other specific grants.

3.2 Further to these reductions the coalition government has been announcing further reductions, included in this are

- £30m from Training and Development Agency for Schools(TDA)
- £16m from the National College
- £10m from abolishing BECTA
- £5m from DfE communications
- £33m from reducing Diploma Development
- £7m from not doing primary curriculum
- £7m from High Performing Specialist Schools
- £47m unallocated central funds from 1:1 tuition
- £100M Harnessing Technology (see below as this Will have a direct impact on schools)

3.3 Some of the grants mentioned above were due to end in March 2011, such as those relating to the national strategies and excellence in cities

3.4 The report on in year savings and actual budget reductions proposed has now been published on the website. Rather than provide all the details here the follow links enable you to access the reports

<http://www.lewisham.gov.uk/councilanddemocracy/councilmeetings/publicaccountsselectcommittee/meetings/public%20accounts%20select%20committee%20-%2013%20july%202010.htm>

Item 3 considers the in year savings. The detailed savings are contained in appendix b, while appendix c is the equalities statement. For ease the proposed in year savings are attached to this paper.

3.5 In coming up with the savings for this year it was identified that for the rest of the year only £3m of the total grant of £9.4m remains uncommitted. The total savings found within the ABG did not reach the target of £2.2m and three specific grants were further offered as potential savings under the new de-ring fencing proposals. The three grants are Think Families, Youth Opportunities Fund and Challenge and support.

3.6 The Mayor could either taking the savings as specified but may decide these areas are his priority for him and decide alternative savings either in the Directorate or other Directorates.

3.7 Mayor and Cabinet meet on the 14 July and the decisions of the Mayor will be tabled at the Schools Forum.

4 2011 -14 Savings

- 4.1 Officers have now worked through possible spending reductions both for the in year savings and reductions for 2011 to 2014. A paper for consideration of these will be presented to the Public Accounts Committee and Mayor and Cabinet on the 13 and 14 July 2010.
- 4.2 The budget reductions identified to date across the council total £32.9m and the Mayor will be asked for agreement to either consult the public and staff on certain savings (known as Phase 1 reductions) and to ask officers to develop further the proposals on the other reductions (known as Phase 2). The timetable then anticipates that for Phase 1 savings the Select Committee will consider them in October and November and provide the Mayor and Cabinet with recommendations together with new options to consult on. Phase 2 savings will then be considered in January and February with budget recommendations to Full Council on the 1 March.
- 4.2 The report on the on-going savings proposed has now been published on the website. Rather than provide all the details here the follow links enable you to access the reports

<http://www.lewisham.gov.uk/councilanddemocracy/councilmeetings/publicaccountsselectcommittee/meetings/public%20accounts%20select%20committee%20-%202013%20july%202010.htm>

Item 4 considers the in year savings. The detailed savings are contained in appendix 1 (Phase 1) and Appendix 2 shows the Phase 2 savings. For ease the proposed in year savings are attached to this paper.

- 4.3 Mayor and Cabinet meet on the 14 July and the decisions of the Mayor will be tabled at the Schools Forum.

5. Harnessing Technology Grant

- 5.1 On 18th June, the DfE website published an announcement about “Free schools” which includes the details of a fund that would be created by making a cut from Harnessing Technology Grant (HTG) in the current year of £50m. This represents 25% of the total grant the bulk of which is devolved to schools. On 6 July the DfE announced a further reduction of £50m making a 50% cut in total to the grant .
- 5.2 The grant is for capital spending on IT and so frees up in many schools, other funding to pay for broadband connectivity. In Lewisham this is secured through the LGFL. The DfE has stated that this reduction will enable schools to organise more sustainable arrangements. This would seem to imply the view that the current arrangements are to highly specified and costly. A scheduled impact of the reduction is in Appendix 3
- 5.3 In Lewisham the centrally managed 25% is used currently to support the Local Authority contract with LGFL which in turn provides the access to LGFL for all schools in the borough. This is believed to be a Value for

Money arrangement. If broadband suppliers are not paid there will be in breach of contract and schools would lose all broadband connectivity and associated services, including access to services. Not paying is therefore not a realistic option.

- 5.4 Schools, however, will have been expecting a certain level of grant and some may not have appreciated yet, that their devolved funding would be now less than expected. The initial issue is not simply managing this in year saving to March 2011. Beyond 2011 if HTG goes the model for continuing to secure the benefits of aggregated demand for broadband may need to be modified and although work is currently being undertaken on options post April 2011 that is for the future
- 5.5 There are two issues in how to manage the in-year position, what is the future shape of schools connectivity and how will this will be paid for.

6 The possible impact on schools.

- 6.1 The budget reductions currently under consideration relate mostly to central services, however these services support schools, some more than others. The reductions may have a direct impact on schools. For example funding may still go to schools this year for staff development in certain areas but there may not be any central coordination or in-school support from the central team.

- 6.2 Some of the bullet points below highlight possible changes

➤ School improvement transformation

The national strategies, which have been supporting a central team of teaching and learning consultants, is due to end next March. The previous government's plan was for all school improvement funding to be transferred to schools and schools to purchase support either through LA traded services or from private providers, or work collaboratively across schools. The current plan is to maintain School Improvement Partners (currently a statutory requirement) and a smaller internal team. We will know more in the Autumn Term. We will still deliver on SLAs.

➤ Charging full economic costs to schools for services

Currently the charges for services to schools does not always cover the full overheads costs. It is estimated that increased income from economic charges will be broadly equivalent to the level of corporate overheads not charged directly to those providing services or 15% – 20%

➤ An end to 'free' training?

There are a number of courses that are available for schools that are free of charge in the future this will not be possible. Generally but not always all the 'free' training has been funded by grants, including the cost of premises

etc. We will continue to offer SLA reductions, but unless there is specific external funding, all courses will be charged at full cost.

3 The response

It will be important to keep schools informed of changes and are planning courses on a termly basis and to respond to local need where we can and look for more cost-effective solutions.

The bullet points below are to aid discussions about the next steps for schools and the Local Authority

- Making best use of school funding through much tighter sharing of practice
- Maximising opportunity in times of change – making collaboration punch its weight
- Benchmarking your budgets
- SEN – changing the culture and getting spend down
- Leadership

There is plenty of new research which reveals that today's school leaders are more likely to work beyond their own schools in leadership development. This is seen as a next step from the successful running of one school to develop the skills to lead more than one school. This model seems to be most effective where there is a Headteacher for each school in post, who is fully responsible for the day-to-day running of the school, working with the executive Headteacher.

- Federations

Looking towards Academy status as a means of securing additional funding is a possibility, but there is currently no mention of additional provision of funding for executive headteacher roles within academies. Proposal is for a discussion at Schools' Forum to see if this is an area the forum wishes or is able to consider as a headroom strategy in the future.

6 Conclusion

Undoubtedly we are entering unprecedented times with the scale of reductions proposed in the public sector. We can be sure though that services will look very different in the future. The scale of the savings will mean that the utmost care will be needed as we re-shape services to ensure that the best possible outcomes are provided for the children of Lewisham.

Dave Richards

Group Finance Manager – Children and Young People
Contact on 0208 3149 442 or by e-mail at Dave.Richards@Lewisham.gov.uk