

Report to: **Children's Services Scrutiny Committee**
Date: **28 November 2006**
By: **Chief Executive and Chief Officers**
Title of report: **Reconciling Policy and Resources**
Purpose of report: **To enable the Scrutiny Committee to consider the amended Policy Steers and the latest position on financial and policy issues**

RECOMMENDATIONS:

The Committee is recommended to:

1. **note the amended policy steers set out in attached Cabinet report and consider if they are reflected within the key areas of budget spend in the forthcoming year;**
 2. **consider whether all possible efficiencies are being identified; and**
 3. **assess the potential impact these savings will have on the service provided to East Sussex County Council customers.**
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1. Financial Implications

1.1 This report is part of the process of developing the budget to be agreed by Council in February 2007.

2. Reconciling Policy and Resources Process

2.1 Emerging saving strategies are now being identified by each Directorate and the scrutiny committees should now be focusing on particular issues at this stage in the Reconciling Policy and Resources process. Members should therefore be:

- considering if final policy steers (listed in the attached Cabinet report) are reflected within the key areas of budget spend in the forthcoming year;
- considering whether all possible efficiencies are being identified; and
- assessing the potential impact these savings will have on the service provided to East Sussex County Council customers.

3. Next Steps

3.1 At the September meeting the Committee agreed to set up a scrutiny board consisting of all available Members, which is empowered to act on behalf of the Committee with regard to future input into the Reconciling Policy and Resources process this year outside of formal committee meetings. A meeting of this board has been arranged for 13 December 2006 at 10.00 am in the Committee Room, County Hall

**Cheryl Miller, Chief Executive
on behalf of all Chief Officers**

Contact Officers:

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Local Members: All

Draft POLICY STEERS 2007/08 onward

Pride of Place - The East Sussex County Council Commitments

We will be a modern, efficient, accountable authority leading work with partners to deliver to all our customers and communities:

- *increased prosperity and security for East Sussex*
- *affordable, quality core services at lowest possible council tax*

We will make a positive difference to local people's lives by making best use of resources, being clear about the choices involved and encouraging local communities to thrive.

Please note consultation on this wording is still under way and any revision will be proposed in late November

This vision for the whole authority is supported by policy steers for each portfolio:

Children's Services (Cllrs Glazier, Stroude and Simmons)

- Through Children's Trust arrangements, further develop effective engagement and integration with partners and service users.
- Keep children safe by further developing safeguarding arrangements.
- Further develop family support services and continue to improve prevention and early intervention in order to maximize life chances of children and young people.
- Continue to raise the educational achievement of children and young people at each key stage.
- Continue to improve the stability, achievement and wellbeing of Looked After Children.
- Continue to improve outcomes for children and young people with special educational needs or disabilities.
- Secure further improvement in the quality of leadership and management of schools.
- Establish effective integrated services for children under five and their families through the creation of a strategic network of Children's Centres, and raise the quality of learning provision at the Foundation Stage.
- Improve access to services for children and young people, including in rural areas, and sustain an effective school place planning function across the County.
- Promote equality and diversity and develop equalities practice across all services.

- Increase participation in a wider range of learning activities through partnerships with and between schools, employers, colleges and other agencies.
- Maintain a Children's Services capital strategy, ensuring alignment with priorities.
- Develop and maintain an effective strategy to support vulnerable teenagers.
- With partners, further develop measures to reduce bullying and anti-social behaviour.
- Further develop arrangements for consulting with service users, and involving children and young people in service development.
- Promote healthy lifestyles, through the promotion of healthy eating and the attainment of the Healthy Care Standard and Healthy Schools' Standard.
- Promote excellence, including further development of opportunities for gifted and talented children and young people.
- Improve youth opportunities in consultation with young people.

Update on Reconciling Policy and Resources

Recap

1. Cabinet have agreed the following council tax 'trajectory':

Council Tax Increase (%)

2006/07	2007/08	2008/09	2009/10
4.7%	4.3%	3.9%	3.5%

and the following 'differential' cash increases going forward.

% cash increases – year on year

	07/08	08/09	09/10
Adult Social Care	5.5%	5.0%	5.0%
Children's	1.9%	1.7%	1.7%
Highways	1.5%	1.0%	1.0%
Libraries	1.5%	1.0%	1.0%
Building Maintenance	1.0%	0.5%	0.5%
Waste PFI	2.5%	2.5%	2.5%
All other areas	0.0%	0.0%	0.0%

2. The focus of this round of Reconciling Policy and Resources is medium term planning and in particular living within the respective cash limits set by focusing on: revising the service offer, productivity and efficiency and customer focus. Inevitably, difficult decisions will be required. Overall, this is challenging for all colleagues. This is partly because the cash limits imply difficult decisions but also the focus on 3 year planning makes it a more complicated task than in previous years. All colleagues are working on the problem but we now need to really focus efforts to meet key milestone dates.

Progress and Issues Todate

Policy Steers

3. As dealt with elsewhere, all portfolios were required to review policy steers including discussions with the relevant scrutiny to guide decisions over the coming 3 years. (The focus on income generation has now been included in the Deputy Leader's steers as part of Reconciling Policy and Resources).

Spending Pressures

4. In the context of cash limits now set, portfolios are required to identify the pressures (be they commitments, growth, demands of new legislation etc), that they feel they need to be absorbed within the cash limit set.

APPENDIX 2

5. This exercise is not yet finished by all portfolios – but on the basis of the current assessment the position is as follows:

	07/08		08/09		09/10	
	£m	%	£m	%	£m	%
February 06 – Pressures	12.8	5.4	12.6	5.2	12.8	5.1
October 06 – Pressures	<u>18.3</u>	<u>7.7</u>	<u>14.3</u>	<u>5.8</u>	<u>13.6</u>	<u>5.4</u>
Increase	<u>5.5</u>		<u>1.7</u>		<u>0.8</u>	

6. The corresponding change in overall savings requirements is as follows:

	Savings Required		
	07/08	08/09	09/10
As per February – 06	4.6	5.0	4.9
As per October – 06	<u>10.1</u>	<u>6.7</u>	<u>5.7</u>
Increase	5.5	1.7	0.8

7. The 'February 06 pressures' relates to the 'standstill pressures' identified when the cash limit was set and were in line with the trend over previous years. The increased pressures identified by departments would be equivalent to an extra 3% on council tax in 2007/08 and is clearly unsustainable/unacceptable. That said, while portfolios are identifying significant pressures, prioritisation will be crucial as it results in even higher savings required to meet the portfolio cash limits.
8. A more detailed presentation is set out in Annex B and C. The current 'portfolio assessed' higher spending pressures total (and hence increase compared to 'February – 06') relates to the following key areas for 2007/08:

Portfolio Assessed Pressures (2007/08)

	As Per October 06		Increase on February 06
	£m	%	£m
Children's	5.6	10.5	3.3
T&E	1.4	5.1	0.8
ASC	9.8	8.4	0.9
All Others	<u>1.5</u>	<u>3.7</u>	<u>0.5</u>
	<u>18.3</u>	<u>7.7</u>	<u>5.5</u>

9. The position for the following two years of 2008/09 and 2009/10 is much closer to original projections. Departments continue to work on the medium term position but particularly in respect of Children's and Adult Social Care.

Excess Inflation

10. As part of the increased pressures being advised by portfolios, a significant increase in excess inflation is being reported. The medium term plan allows for a separate corporate provision of some £0.6m per annum to meet excess inflation, particularly as regards: Home to School Transport; Passenger Transport; Highways Maintenance; and Building Maintenance. This has proved broadly sufficient over recent years. Going forward, the departmental assessment is significantly higher especially in respect of home to school transport.

	Excess Inflation (£m)		
	07/08	08/09	09/10
Passenger Transport	0.1	0.1	0.1
Highways	0.3	0.3	0.3
Building Maintenance	0.2	0.3	0.3
School Transport	1.4	1.0	1.1
	2.0	1.7	1.8

11. These totals form part of the increased pressures reported by departments. There are other excess inflation pressures reported for other areas (e.g. street lighting in 2008/09) but the practice in recent years has been to focus any corporate excess inflation provisions on the 4 areas listed above.
12. More work is needed to refine the figures but the most worrying relates to Home to School Transport where the excess inflation (on top of simple inflation) would imply total year on year cost growth of some 11% for 2007/08 and the medium term. For 2006/07, figures of a similar scale have also been reported leading, in part, to the overspend pressures being reported by the Children's department for the current year. (The Director of Transport and Environment and the Director of Children's Services are producing a joint position statement on the issues). The position in respect of building maintenance is also a concern reflecting wider factors (e.g. impact of Olympics) and this will undoubtedly also impact on the capital programme.
13. Notwithstanding excess inflation changes, in the absence of additional flexibility, we will have to manage and plan within the cash limits set and the corporate provision allowed for. This will have significant implications for the portfolios concerned.

Progress on Portfolio – Service and Savings Strategies

14. A commentary from each portfolio is set out at Annex C. This is high level at this stage.

Progress on 3 year Planning

15. This is a complicated task but in short, and in general, portfolio progress is mixed and more progress is required – in particular portfolios will need to identify the internal cash limits for their detailed service areas consistent with the portfolio cash limits already set for the 3 years to 2009/10.

Key Short Term Milestones

16. Portfolios will need to focus on key outputs required over the coming weeks. The following will be crucial:

12 December – Cabinet – Detailed savings proposals per portfolio for 2007/08 as well as indicative cash limits within portfolio for the 3 years..

It remains crucial that portfolios consult and engage early with their relevant stakeholders (including scrutiny) in respect of service changes and savings proposals being considered, within their portfolio responsibilities.

National Changes

17. There is little new to report over and above the previous report to Cabinet. Confirmation of the grant settlement for 2007/08 is expected at the end of November.

Conclusions

18. The task is challenging and complicated. The Reconciling Policy and Resources process provides the core mechanism and a lot of work is going on within portfolios but more focused work is now required by all portfolios. Savings requirements are becoming even more difficult but the cash limits have to be respected – not least to deliver a coherent route to the desired council tax agenda. Maximising productivity and efficiency will be important but more importantly all portfolios will need to continue work on the revisions in the ‘service offer’ which minimise the savings impact on the core customer/client outcomes being sought. Difficult decisions will, however, be unavoidable.
19. All portfolios are being asked to consider links to their capital bids and one-off funds where that would be helpful. In respect of capital, however, the caveat remains that there is an ‘excess of ambition’ to be managed as well as some key issues such as the link road.
20. Key risks remain in respect of accommodating highly volatile pressures within the cash limits set as well as the impact of excess inflation. Over the medium to long term, rising costs of social care and waste disposal remain the most significant strategic financial risks. Alongside this, in terms of resources, must go future potential changes in specific grants which would be over and above the challenges described above.

S J Nolan
Deputy Chief Executive and Director of Corporate Resources

Summary Of Pressures and cash increases as at Feb 06 and Oct 06.

Annex A

	<u>07/08</u>				<u>08/09</u>				<u>09/10</u>			
	<u>Pressures</u>	<u>Cash Increase</u>	<u>Savings</u>		<u>Pressures</u>	<u>Cash Increase</u>	<u>Savings</u>		<u>Pressures</u>	<u>Cash Increase</u>	<u>Savings</u>	
<u>CEX</u>												
Feb-06	2.7%	417	96	321	2.7%	412	65	347	2.7%	412	65	347
Oct-06	1.3%	222		222	0.6%	42		42				0
	4.0%	639	96	543	3.3%	454	65	389	2.7%	412	65	347
<u>CRD</u>				0				0				0
Feb-06	2.7%	260	42	218	2.6%	256	21	235	2.6%	256	21	235
Oct-06	2.2%	213		213	2.6%	255		255	2.6%	255		255
	4.9%	473	42	431	5.2%	511	21	490	5.2%	511	21	490
<u>Childrens</u>				0				0				0
Feb-06	4.0%	2273	1010	1263	4.0%	2032	921	1111	4.0%	2032	937	1095
Oct-06	6.5%	3271		3271	0.7%	490		490	0.9%	575		575
	10.5%	5544	1010	4534	4.7%	2522	921	1601	4.9%	2607	937	1670
<u>ASC</u>				0				0				0
Feb-06	7.6%	8930	6426	2504	7.5%	8774	6163	2611	7.6%	8974	6472	2502
Oct-06	0.8%	881		881	0.1%	115		115	-0.8%	-1087		-1087
	8.4%	9811	6426	3385	7.6%	8889	6163	2726	6.8%	7887	6472	1415
<u>T+E</u>				0				0				0
Feb-06	2.2%	615	237	378	3.0%	828	160	668	3.0%	828	163	665
Oct-06	2.9%	839		839	2.4%	719		719	3.2%	1001		1001
	5.1%	1454	237	1217	5.4%	1547	160	1387	6.2%	1829	163	1666
<u>Waste</u>				0				0				0
Feb-06	2.0%	275	265	10	2.6%	345	310	35	2.6%	345	318	27
Oct-06	0.1%	9		9				0				0
	2.1%	284	265	19	2.6%	345	310	35	2.6%	345	318	27
<u>Totals</u>												
Feb-06	5.4%	12770	8076	4694	5.2%	12647	7640	5007	5.1%	12847	7976	4871
Oct-06	2.3%	5435	0	5435	0.7%	1621	0	1621	0.3%	744	0	744
	7.7%	18205	8076	10129	5.8%	14268	7640	6628	5.4%	13591	7976	5615

Portfolio Assessed Spending Pressures (£m) - as at October 2006

	Budget	Pressures		
	2006/07	07/08	08/09	09/10
<u>Transport and Environment (excl Waste)</u>				
Normal Inflation		0.8	0.7	0.7
Excess Inflation				
● Roads maintenance		0.3	0.3	0.3
● Street lighting energy			0.3	0.4
● Passenger transport		0.1	0.1	0.1
Maintenance cost of new LTP investment		0.1	0.1	0.1
Other		0.1		0.2
27.6		1.4	1.5	1.8
		5.1%	5.4%	6.5%
<u>Children's</u>				
Normal Inflation		1.5	1.5	1.5
Excess Inflation				
● Home to School Transport		1.5	1.0	1.1
Children's Disability Services		0.2		
Looked after children		0.8		
Locality Children's Services		0.2		
Repayment of 2006/07 overspend		0.7		
Other		0.7		
53.2		5.6	2.5	2.6
		10.5%	4.7%	4.9%
<u>Adult Social Care</u>				
Normal Inflation		3.1	3.3	3.3
Excess Inflation				
● Purchased care		0.6	0.6	0.6
Grant changes		0.8	2.5	1.0
New care packages (and full year effects)		3.0	1.9	2.3
Agewell Procurement costs		0.3		
Reinstatement of 06/07 savings				
● Carers Grant		0.2		
● Residential Staffing		0.4		
Other		1.4	0.6	0.7
116.8		9.8	8.9	7.9
		8.4%	7.6%	6.8%
<u>Chief Executive</u>				
Normal Inflation		0.4	0.4	0.4
Excess Inflation				
● Coroners, energy		0.1		
Members Budget, Libraries and other areas		0.1	0.1	
15.1		0.6	0.5	0.4
		4.0%	3.3%	2.6%

Corporate Resources

Normal Inflation	0.3	0.3	0.3
Excess Inflation			
● Building Maintenance	0.2	0.3	0.3
Travellers	0.1		
9.8	<u>0.6</u>	<u>0.6</u>	<u>0.6</u>
	6.1%	6.1%	6.1%

Waste

Normal Inflation	0.3	0.3	0.3
Excess Inflation			
13.8	<u>0.3</u>	<u>0.3</u>	<u>0.3</u>
	2.2%	2.2%	2.2%

Totals

Transport and Environment	1.4	1.5	1.8
Children's	5.6	2.5	2.6
Adult Social Care	9.8	8.9	7.9
Chief Executive's	0.6	0.5	0.4
Corporate Resources	0.6	0.6	0.6
Waste/(rounding)	0.3	0.3	0.3
236.3	<u>18.3</u>	<u>14.3</u>	<u>13.6</u> ok
	7.7%	6.1%	5.8%

'Excess Inflation' element in above

Transport and Environment	0.4	0.7	0.8
Children's	1.5	1.0	1.1
Adult Social Care	0.6	0.6	0.6
Chief Executive's	0.1	0.0	0.0
Corporate Resources	0.2	0.3	0.3
Waste	0.0	0.0	0.0
	<u>2.8</u>	<u>2.6</u>	<u>2.8</u>

Extracts from the 15th November Cabinet report on reconciling policy and resources relating to the remit of the Children's Services Scrutiny Committee

Commentary by the Director of Children's Services

The Schools Budget is 100% funded from the Dedicated Schools Grant and depends entirely on the amount of grant allocated for 2007/08. This will be calculated on the basis of £3,831 per pupil for the numbers in the January 2007 headcount. An additional factor of the DSG mechanism is the extended ring-fencing of the central part of the DSG which has led to greatly reduced flexibility to achieve savings and therefore greater pressure on the CSA budget. The following table sets out the estimated increase in resources over 2006/07 and commitments against this sum.

Table 1 – Estimated resources and commitments 2007/08:

	£'000
Estimated increase in Dedicated Schools Grant compared to 2006/07 budgeted level	10,115
Commitments	
Pay and price increases	6,880
Additional funding to meet schools minimum funding guarantee	1,600
School roll variations, revenue effects of the capital programme	(1,100)
Increase in DSG for personalised learning and practical learning options	1,330
Repayment of 2006/07 DSG over estimate net of 2006/07 underspending	650
Total commitments	9,360
Balance available for other pressures – new headroom	755

There are a number of high priority pressures on the School's budget some of which result from extended statutory duties such as the Home Tuition Service, Early years and Children's Centres, and other pressures from changes to the school population such as teacher redundancy costs resulting from falling rolls. Current estimates suggest that the pressures are significantly in excess of the additional funding available. As all pressures cannot be funded options are being explored which would impact on such services as Inclusion support and Anti-bullying.

CSA Budget 2007/08-2009/10

The position on the CSA Budget is significantly more difficult. In addition to the target savings figures set in the medium term financial plan (£1.2m) there are a substantial number of high priority service (£1.2m) and excess inflation (£1.5m) pressures. By far the most significant element of the excess inflation is the projected increased cost in HTST of £1.4m in 2007/8, and future years' increases are expected to be similar. These pressures, on current planning

guidelines, are required to be met from further savings making an overall target of £3.9m.

In addition substantial budget pressures being experienced in 2006/07, if they lead to an overspend in current financial year, in spite of efforts to take management action, will add to the savings target for 2007/8. The planning assumption being that £0.6m overspend in 2006/07 will need to be recovered in 2007/08.

Three-year Strategy

A key strand of the 3-year strategy is to refocus resources on preventative services, by increasing access to improved universal services to support families and therefore over time reduce dependence on high-cost acute targeted services. This will be achieved through whole system reforms such as the Common Assessment Framework (CAF), Children's Index, Children's Centres and Extended Schools, Local Partnerships for Children, as well as more holistic support services for families with vulnerable children such as Family substance misuse service, and Domestic violence service. In support of the strategy there will also be a continuing focus on "Invest to save" initiatives. CSD will continue to prioritise and focus on core and statutory services, particularly those relating to "Staying Safe" outcome.

A major component in addressing the ECM agenda within East Sussex is the development of more integrated delivery of services (including partner agencies). Overtime the strategy should yield reduced overheads and management costs through economies of scale and thinning out of management structures.

Development of Joint Commissioning strategies with Children's Trust Partners will achieve better value through procurement and streamline existing or newly developed services.

It will be necessary to identify mitigating savings and target service and budget reductions at areas with "compensating" government grant or alternative revenue streams (e.g. Children's Centres/Surestart, Connexions/Youth Matters, Standards Fund).

CSD will also look to maximise allowable central expenditure on DSG/Schools budget in order to reduce pressure on CSA budget. However, this can only be achieved by brokering a "New Deal" with schools which recognises the effect, on the CSA, of ring-fenced DSG which receives guaranteed cash increases.

A number of cross departmental initiatives are planned which will support improvements in productivity and efficiency, these include; a reduction in support staffing (e.g. Administrative and secretarial support to managers), consolidation of accommodation and IT, and procurement and contract improvements in price and performance. There will be a continued focus on income generation, for instance exploring opportunities to sell services to other Authorities such as foster places or service to vulnerable children.

Proportionate efficiencies will also be sought from SLAs with central departments.

Savings Strategy

Given the significant gap from the cash limit after accounting for pressures identified a number of significant service reduction are under consideration in order to achieve the financial cash limits set. These considerations include:

- Accelerate plans for service integration in East and West Area structures and reduce management posts in Learning and School Effectiveness and Children and Families Divisions. Bringing together pieces of work in a more integrated way that were previously disparate.
- Within the Children and Families division a range of significant reductions in relation to Youth Development Service, Youth Offending Team, Agency respite budget, Family resource centres, some services to looked after children and locality services.
- Reduction in level of service, numbers of children and families supported by the Play Development Service
- Change balance of funding from CSA and some Central government grants including General Sure Start Grant and Extended Schools Standards fund. This will have a direct impact on reducing the amount of funding which is directly influenced by individual Children's Centre and LPCs. For extended schools, this will reduce the support schools are currently expecting to enable the LPCs to develop and establish extended schools services.
- Reduction in Education Welfare Service to meet only minimum statutory standards.
- Some efficiency may be achieved through negotiation of contract extension for School Improvement Service. This will involve reductions in levels of support to schools causing concern, raising standards in underachieving and coasting schools, leadership and management development, support for gifted and talented pupils and as such this is high risk prior to JAR and at a time when we need to accelerate progress on raising standards
- Changes in policy for discretionary Home to School transport could provide savings from 2008/9 and this is currently under consideration in the Executive Corporate Review of transport across the County Council

