

CHILDREN AND LIFELONG LEARNING SCRUTINY PANEL	Agenda Item No. 4
14 JANUARY 2008	Public Report

Report of the Executive Director of Strategic Resources

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BUDGET 2009/10 AND MEDIUM TERM FINANCIAL PLAN TO 2011/12

1. PURPOSE

The report sent to all members outlines the proposed budget for 2009/10 and Medium Term Financial Strategy to 2011/12 to which Scrutiny and Scrutiny Panels have been invited to make comment. The purpose of this report is to review aspects of these proposals relevant to the functions and remit of this Panel. Any observations will be included in a report back to Cabinet on 2 February 2009.

2. RECOMMENDATIONS

The Panel is asked to comment on the draft budget 2009/10 and medium term financial plan to 2011/12 in so far as it relates to the remit of the Panel

3. LINKS TO CORPORATE PLAN, SUSTAINABLE COMMUNITY STRATEGY AND LOCAL AREA AGREEMENT

The budget provides the resources to meet the targets and aspirations of the Corporate Plan, Sustainable Community Strategy and Local Area Agreement.

4. BACKGROUND

This report is submitted to the Panel following consideration of the report by Cabinet on 15 December 2008.

NB: Please remember to bring your copy of the budget papers (previously circulated to all members of the Council) to this meeting.

A briefing on the budget for Members will be held in the Council Chamber at 5.30pm on the 8th January.

5. KEY ISSUES

- 4.1 The proposed Budget 2009/10 and Medium Term Financial Plan to 2011/12 was presented to Cabinet on 15 December 2008 and has been sent to all members of the council. Cabinet resolved that consultation be undertaken and comments invited on the budget proposals outlined in this report from Scrutiny, Scrutiny Panels and other interested organisations.
- 4.2 The main focus of attention for this panel will be the executive summary (pages 2 to 4) which outlines the issues facing the council and proposed actions and pages 9 to 11 of the main report, which detail those projects forming phase 3 of the business transformation programme.

- 4.3 The capacity bids submitted for the next three years include those relating to the impacts of the credit crunch and actions taken to mitigate against these, as well as the costs of financing the proposed capital programme.

Children's Services Budget

- 4.4 The focus of the budget setting process in 2009/10 is delivering a 3* Children's Service by March 2010. This will involve a full review of all activities and services, examining the impact these services have upon the APA judgement and re-aligning resources / service delivery to improve outcomes.
- 4.5 Delivery of improved services will have take place in the context of the need to deliver some savings to remain within the resources available. The budget for Children's Services has been stabilised following two years of significant overspends (£3m+) in both 2006/07 and 2007/08. The whole budget was rebuilt on a zero based process in 2008/09 and Children's Services is expected to come in on budget this year. The 2009/10 budget includes some significant savings targets whilst the drive continues for service improvement.
- 4.6 In order to deliver both savings and service improvement, reviews have been undertaken to look at options to re-engineer services and retarget provision to provide more preventative and universal services away from expensive specialist services. Currently around 47% of resources within Children's Services are spent on tier 4 specialist services – often on expensive external provision – supporting 1.3% of Children. Full proposals are being developed.

Capacity Funding

- 4.7 A series of capacity bids were made to the budget setting process. These were focused mainly on maintaining current levels of service provision, meeting increased levels of demand and to deliver key strategic projects. The following bids were included –
- PFI Utility costs (£150k in 09/10) – as part of phase 1 of the Secondary School review, a PFI contract was agreed which specified responsibility for different aspects of a facilities management arrangement. Part of the agreement was that the city council was responsible for the energy costs of the schools. The contractor has responsibilities around energy management (and the energy usage in schools is being challenged). Two issues have arisen – increased energy costs and usage levels. There has been no funding for inflation in the last 2 years and this pressure is no longer manageable within existing resources. In addition, the demand for energy when the contract for the PFI was set (and funding model approved) was less than actual demand. The funding model is fixed for the first 5 years of the contract and therefore PCC cannot ask Schools Forum to meet this shortfall until this period ends.
 - Phase 2 Secondary School Review (£100k in 09/10) – in the 2008/09 budget process, £1.2m was allocated over the 3 year period to support the project. The project has now gone through option appraisal and will be shortly entering the implementation phase. To support this project (a new academy, 2 complete schools rebuild and a significant refurbishment) through to completion, a further £1m is needed in addition to the £1.3m over a 5 year period.
 - Revenue Impact of bringing forward Hampton Schools build (£242k) – when the Hampton township was planned, a Section 106 agreement was signed with the developer to deliver schools within the area with a view to meeting all the demands from the community. The funding for the educational infrastructure would be delivered based upon a trigger point for housing. There are two issues within Hampton –
 - The ratio of children to houses has been far higher than anticipated at the time of signing the Section 106 agreement. This is partially due to the changing demographic and the availability of family housing in the rental market has seen lots of families move to the area on a short term basis.
 - The trigger points for the S106 funding has slipped from the original expected timescales as a result of the credit crunch. The development of the Secondary School is a phased expansion to a 7 form entry but the need to

expand the school to meet demand is now ahead of the funding from developer contributions.

Funding is required for 2 projects –

1. Forward funding of the S106 agreement through borrowing for the expansion of Hampton College and the development of a sixth form. Without this funding around £3.4m of external funding from the LSC could be lost.
2. There are not enough primary school places to meet demand within the Hampton township. It is therefore proposed to create an additional primary school form of entry within Hampton to meet demand. Government funding is being sought but around £2m is required in addition to any resources from the DCSF.

4.8 In terms of capital investment, significant resources continue to be targeted at schools. The major capital investment is in the Secondary School Review. Around £91m will be spent on schools over the next 3 year period financed from grant, supported borrowing and through direct capital funding from the council. The council will contribute £34m towards the Secondary School Review project.

Identified Savings

4.9 The delivery of the Children's Service budget is underpinned through savings within Home to School Transport. A number of changes are proposed which seek to either bring service provision in line with either local or national policy. In addition, the charges for areas of transport are being reviewed and benchmarked against other authorities. Full proposals are being developed and will be shared at a future scrutiny panel.

6. IMPLICATIONS

As set out in the report to Cabinet on the 15 December 2008.

7. CONSULTATION

This formed part of the process leading to budget setting in February 2009.

8. EXPECTED OUTCOMES

A report to Cabinet with the Panel's views.

9. NEXT STEPS

Comments and observations of the Panel will be presented to Cabinet at its meeting on 2 February 2009 prior to a recommendation being made to full Council on 25 February.

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

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As set out in the report to Cabinet - 15 December 2008.

11. APPENDICES

None.

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