

Agenda Item No.7 (d)

DERBYSHIRE COUNTY COUNCIL

CABINET

5 May 2015

Report of the Strategic Director for Children & Younger Adults

CREATION OF EARMARKED RESERVES – (Children and Young People)

1 Purpose of the Report

To seek approval to create earmarked reserves in respect of a number of CAYA's services.

2. Information and Analysis**2.1 Citizens' Advice Bureaux**

The confidential report to Cabinet of 11th February 2014 approved financial support for Citizens' Advice Bureaux services in children's centres. The cost of the scheme for 2014-15 was funded, in part, by a contribution from CAYA's reserves of £119,200.

The contract has the potential to run until March 2018 and is reliant on continued financial support from CAYA. As there is no core budget to support this, it is proposed that an earmarked reserve of £0.358 million be created to meet the anticipated cost.

2.2 Support for SAP in schools - staffing

As part of the introduction of SAP to schools in 2013, a specialist support team of 8 fte was created to help schools with the new system; specific support was provided around IT, payroll, finance and procurement. The team's services were free at the point of delivery to schools and funded from a specific CAYA reserve.

The above reserve has now been exhausted and an alternative method of funding needs to be identified. Schools' use of SAP is an integral part of the Council's operations as it:

- enables governing bodies and the LA to discharge their respective key financial responsibilities effectively; and
- provides a platform on which the Council is able to trade a range of other services more efficiently e.g. payroll.

The long term funding options are either to continue to subsidise the service and/or trade some or all of the support, either directly or as a cost of business to other traded services.

Given the Council's current financial position, and the need to save £157 million by 31st March 2018, trading the service in full or part has to be considered. Any decision to trade must, though, be balanced against the potential risks of schools choosing to buy alternative finance and HR packages. The long-term role of councils in relation to schools and academies and the potential to move to a national funding formula are added uncertainties.

To enable the necessary detailed work to be undertaken to determine the long term financing arrangements, it is proposed that the costs of the support team, which is now 4 fte, be funded from a new earmarked reserve until the end of 2016-17. A sum of £0.300 million would be needed for this purpose.

2.3 Support for SAP in schools – development fund

In order to ensure that SAP remains responsive to schools' needs, a user group has been established with representatives from a wide cross-section of schools. At its first meeting, it became clear that there would be requests from schools for modest developments to improve the system's operations. In order to allow small-scale changes to be commissioned quickly, it is proposed that an earmarked reserve of £0.050 million. be created, funded jointly by equal contributions from CAYA and Corporate Resources for this purpose.

Should the need for major systems developments be identified, perhaps in response to national funding changes or technical IT requirements, then these would be the subject of separate business cases and would include options for funding.

2.4 School Improvement Advisers

The budget for the Advisory Service is currently over-committed by around £0.470 million. This is mainly due to the increased costs of supporting schools causing concern. Schools are identified as causing concern where difficulties are persistent and beyond the capacity of the school to resolve without significant additional support, challenge or intervention from the LA. Schools are judged by Ofsted to require significant improvement or require special measures if their provision is judged inadequate in any of the key areas of achievement of pupils, quality of teaching, behaviour & safety of pupils and quality of leadership & management. There are currently 82 schools requiring improvement and a further 13 in special measures.

Given current performance levels it is essential that the LA's Advisory Service capacity is maintained until planned school improvements are embedded; this is unlikely to be before the end of August 2017.

It is therefore proposed that an earmarked reserve of £0.666 million be created to support the current costs of the service between April 2015 and August 2017.

During this period, the service will explore options to reduce expenditure wherever practicable and/or generate additional income to ensure that the long-term offer to schools is affordable.

2.5 Children's Centres

CAYA's budget savings include a proposed reduction of £1 million in respect of children's centre provision. The potential cuts have been the subject of two consultations and, on 3rd March 2015, Cabinet agreed to specific proposals in respect of four centres. These closures are estimated to save around £0.200 million in 2015-16, a shortfall of £0.800 million against the target. Although further reports on potential further savings will be presented to Cabinet over the summer it is unlikely that significant savings will be realised this year. It is proposed that £0.800 million be set aside in an earmarked reserve to cover the shortfall in 2015-16.

2.6 Starting Point

At its meeting on 30th September 2014, Cabinet agreed proposals to re-shape operational children's services to provide an integrated approach to early help and safeguarding services. The proposals in respect of Starting Point included a revised formula for allocating front-line resources across the districts. However, the report recognised that the redistribution would have to be managed over a period of up to three years to minimise the risks to service provision.

The extent of the transitional support is estimated to be around £1.100 million and it is proposed that an earmarked reserve be created to meet these costs.

2.7 Traded Services

The Authority is reviewing its traded service offer to schools, academies and other clients to ensure that services continue to meet clients' needs and contribute to the Council's overall finances.

Currently, the Authority generates income of ~£40 million from trading and the maintenance/development of this income stream is a key risk for the Council. It is proposed that CAYA contributes £0.105 million over a three-year period to enhance the business support available for the Corporate Resources Department, to carry out this work.

2.8 Her Majesty's Revenue and Customs (HMRC) – Audit of Accounts Payable

HMRC carried out an inspection of the Accounts Payable section of the Corporate Finance Service in 2013. As a consequence, concerns were raised about payments to School Improvement Partners and Fostering and Adoption panel members who were being remunerated by the Council through the payment of invoices submitted rather than through payroll and Pay As You Earn arrangements.

Subsequent dialogue with HMRC has revealed that both School Improvement Partners and Fostering and Adoption panel members have to be remunerated through payroll since they are deemed to be office holders, the posts having been established by statute.

Changes to the way these payments are made have now been implemented but HMRC is seeking recovery of the unpaid tax, national insurance contributions and accrued interest of £0.074 million for the period 2009/10 to 2012/13.

3. Summary

The total value of the items in section 2 is £3.453 million. Other than the proposed £0.025 million of corporate contribution towards the SAP development fund, the total cost would be funded from CAYA's accumulated underspend. This currently stands at £9.403 million, and would leave £5.975 million to cover any other departmental pressures including slippage in the delivery of savings.

4. Other Considerations

In preparing this report the relevance of the following factors has been considered: prevention of crime & disorder, equality of opportunity, human resources, legal & human rights, environmental, financial, health, property and transport considerations.

5. Key Decision?

No.

6. Call-in Is it necessary to waive the call-in period in respect of the decisions being proposed within this report?

No

7. Background Papers

None.

8. Officer's Recommendation

That Cabinet approves the creation of the earmarked reserves described within this report.

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