

DERBYSHIRE COUNTY COUNCIL**SCHOOLS FORUM****25th September 2014****Report of the Strategic Director for Children & Younger Adults****Reduction in Council Funding – Implications for Schools****1. Purpose of the Report**

To inform Schools Forum of the severe funding shortfall affecting Derbyshire County Council and the potential implications for schools.

2. Information and Analysis

Schools receive most of their funding via the Dedicated Schools Grant which has been relatively insulated from the government's austerity measures. Indeed, as already indicated to this meeting, schools' funding in Derbyshire is set to rise by ~£16.3m as a result of changes to the national funding framework.

Whilst schools will have to deal with inflationary pressures and, in the secondary sector particularly, the impact of falling rolls, nationally overall schools' funding remains relatively insulated from the reductions elsewhere in the public sector.

This is in stark contrast to the position of local authorities, including Derbyshire. The Council's initial Five Year Financial Plan covering the period 2013-14 to 2017-18 set out the need to save £157m, equivalent to around a third of the Council's annual spend. The savings are required due to large cuts in government grants, inflation and growing demands on services for older people and vulnerable children.

The Council's Cabinet on 15th July 2014 considered a report by the Director of Finance updating the Five Year Financial Plan to cover a new five year period 2014-15 to 2018-19. The revised plan has updated target savings as shown below:

	2014-15 £m	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m	Total £m
Council Target Saving	29.885	48.184	36.966	21.711	22.173	158.919

In 2014-15 departmental budgets were reduced by £29.9m as the first step in the savings programme of which CAYA's share was just over £6m. CAYA has also identified a raft of further potential savings; exemplifications of the potential impacts are set out in Appendix 1. Each of the items listed will be considered by Elected Members and be subject to extensive consultations with service users, affected staff

and other relevant parties before final decisions are taken. The Authority will use its best endeavours to mitigate the impact of service reductions on these groups and the wider community.

The end column of Appendix 1 indicates whether the proposed cut would have a high, medium or low impact on schools, with over 85% of the £21.69m savings being judged to be in the high to medium categories.

A significant contributor to the savings target is in the “early help” offer. The Council has already undertaken a consultation regarding the closure of children’s centres and this will be followed up by a further consultation on specific proposals later in the year. However, the scale of the challenge means that unless an alternative strategy can be devised, the early help offer will have to be significantly scaled back.

The Strategic Director for Children and Younger Adults, Ian Thomas, wrote to all schools and academies at the end of the 2014 summer term setting out the “wicked issue” facing the Council. A copy of the letter is attached. The letter asks schools to consider the implications of a dramatic reduction in the early help offer on children’s readiness for school and the impact that this would have on learning and achievement.

Rather than schools shouldering the burden individually, the letter goes on to propose a collective solution via the creation of a Joint Investment Board (JIB), with representatives from schools, the LA and the voluntary sector. The JIB would “determine the priorities for MATs (including children centres, family support, youth clubs etc.), monitor performance and ensure value for money is being achieved.”

The JIB would have responsibility for spending ~£20m per annum on the early offer of which £10m would, in future, be expected to come from schools’ delegated budgets. As extensive work is needed to establish a raft of operational matters including representation of various bodies on the JIB, its terms of reference, delegated powers and governance arrangements and the revised early help offer etc. it is expected that the new funding model would operate from April 2016.

As the schools funding framework does not permit the schools’ contribution to be top sliced from the DSG, each individual school will instead be asked to make a voluntary contribution to the JIB. Given the voluntary nature of the contributions, which the Council recognises would be significant at an individual institution level, it is imperative that the offer to schools, and the benefits to families, children, and ultimately educational outcomes, is made plain. If the undoubted compelling arguments for support can be effectively elucidated to school governing bodies then there is an opportunity for the worst excesses of the cuts to front line early help services to be avoided.

Further reports will be provided to the Schools Forum on this critical agenda over the next 18 months. However, the Council would welcome the Forum’s initial views on

the proposal and its support for the principle of the Joint Investment Board approach as set out above.

In addition to the specific savings in Appendix 1 the Council will review all of its spending on schools outside of the DSG, including its traded services. Given the financial challenge facing the Council it will seek to eliminate any residual subsidy for traded school services by reducing costs and/or increasing income from charges. Any non-statutory school services currently funded outside of the DSG e.g. long service awards for school staff will, in future, have to either be traded or the service withdrawn.

The Forum's views on the financial pressures facing the Authority and the implications for schools are welcomed.

3. Other Considerations

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

4. Background Papers

Working files held in CAYA Finance.

5. Strategic Director's Recommendations

That the Schools Forum notes the report and offers its views on:

- (i) the financial position of the Council;
- (ii) the potential implications for services, including those which support schools;
and
- (iii) the proposed creation of a Joint Investment Board.

IAN THOMAS
Strategic Director for Children & Younger Adults

Savings area	2015-16 £k	2016-17 £k	2017-18 £k	Total £k	Additional narrative	Impact on schools (H/M/L)
Early Intervention Support (two stages)	0	3,000	7,500	10,500	Stage 1 – could result in the closure of 13 Multi Agency Teams, open access youth services and 8 youth centres. Stage 2 – could result in the closure of the remaining 20 Multi Agency Teams and the integration of remaining staff into social care teams and the potential further reduction of 16 children's centres	High
Reduced number of Children's Centres	1,000	0	0	1,000	This saving is currently the subject of a consultation process with Derbyshire communities. This saving could result in the closure of up to 7 children's centres	High
Education Improvement Consultants	250	0	0	250	This saving removes the residual subsidy for Teaching & Learning Consultants' support to schools. Costs would instead be met by a combination of funding from the Schools Causing Concern budget within the Dedicated Schools Grant and income from schools, including courses and conferences. Implications for staffing will be dependent on the level of income earned.	High
Advisory Service	0	500	0	500	This would reduce the level of Council funded support to schools for school improvement. The saving relies on the development of an effective peer to peer model of school support and a service offer.	High
Careers Support Service	37	0	0	37	This saving would remove the residual subsidy for careers support to schools. The saving would be achieved either by increased income from trading or, if necessary, changes to staffing.	High
Education Psychology Service	0	140	0	140	This would reduce the size of the team. As a result our capacity to include effectively children and young people with additional educational needs would diminish; support from EPs would, in effect, have to become more targeted.	High
Local Inclusion Officers	0	200	0	200	This would reduce the size of the team and thus the level of service available to parents and schools of children with special educational needs. The service's focus would be increasingly limited to ensuring the Council continues to meet its statutory responsibilities.	High
Sub tot – high impact	1,287	3,840	7,500	12,627		

Savings area	2015-16 £k	2016-17 £k	2017-18 £k	Total £k	Additional narrative	Impact on schools (H/M/L)
Increased Income Generation – Sport and Outdoor Education	527	400	0	927	Revised offer and development of new Outdoor Education Service facilities and increased commercial activity using existing assets	Med
Performance & Quality	271	0	0	271	This would require efficiencies in our Performance and QA work while still carrying out essential statutory checks; the service will also have to target earning increased income from trading services with schools This will be the subject of a Cabinet report in the next few weeks.	Med
Disabled Children	200	285	0	485	Savings from changes to the structures and services offered under the Support and Aspiration agenda. In addition the threshold for support from the Aiming High service would be raised, reducing the numbers of children & families benefitting from the service	Med
Review Back Office Costs	1,975	1,190	1,165	4,330	This would result in the loss of management posts as a result of a streamlined single “Front Door” structure for early help and safeguarding. Business services management savings are included on the basis of the proposals set out in the recent Cabinet consultation. Business services staffing supporting the frontline will be reduced in line with the reductions in the services it supports. The total also includes savings in the department’s specialist back office functions (e.g. Finance, HR etc.) as well as departmental training costs and premises.	Med
Youth Offending Service	232	0	0	232	Restructured service with reductions in both management and youth workers. Preventative work would be absorbed into either residual MAT provision, if available, or social work teams.	Med
Sub tot – med impact	3,205	1,875	1,165	6,245		
Looked After Children (direct costs of)	250	250	250	750	This would require a sharp focus on increasing the proportion of provision for children at risk via the use of in-house foster carer provision with a commensurate reduced reliance on expensive external placements. Work is on-going to increase the pool of internal foster carers to achieve this.	Low
Adult Education	80	50	28	158	This would be achieved by restructuring and reducing management costs, increasing the money made from courses, and assessing and reducing the number and costs of buildings.	Low

Savings area	2015-16 £k	2016-17 £k	2017-18 £k	Total £k	Additional narrative	Impact on schools (H/M/L)
Review of in-house Children's Homes	260	520	520	1,300	The number of children's homes in Derbyshire would be reduced, potentially by up to 5, as children would increasingly be placed with foster families.	Low
Fostering & Adoption	0	500	0	500	This saving would reduce the cost of fostering and adoption support; the proposals could result in the out-sourcing of in-house services	Low
Senior Management Team	0	110	0	110	This would reduce the senior leadership to 3 Assistant Directors to reflect the reduced size of the emerging department	Low
Sub tot – low impact	590	1,430	798	2,818		
Total all items	5,082	7,145	9,463	21,690		

Letter to:

Headteachers, Derbyshire Schools
Chairs of Governors, Derbyshire Schools

Telephone	01629 532000
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Minicom	
Our ref	DCS/IT/CC
Your ref	
Date	8 th July 2014

Dear Colleague

The 'wicked issue' facing many public sector leaders is meeting increasing demands against a backdrop of decreasing resources. As local authority budgets continue to diminish, we need to re-think some of the roles of partners and communities themselves in achieving what we all want for children and families. The collective spending power of schools will soon be higher than the council's in many areas, which is a national policy decision and something that needs to be reflected in the way we work together. As you know the key determinants of educational outcomes are not just the quality of teaching and learning, but also the challenges that children face in their personal lives.

As you are all aware Derbyshire is facing unprecedented budget cuts and now the impact is starting to bite. Earlier this week the Council announced further major cuts to its services over the next three years (press release with detailed proposals attached). The local authority's budget will reduce by £157m by 2017/2018 and the indicative share for CAYA is £30m. This is in addition to £29m of savings already made since 2010. We have achieved this through management rationalisation, smarter procurement, introducing leaner systems and reducing back-office expenditure. Hitherto it has been difficult to reconcile savings of such magnitude with the potential impact on our communities but now, with the recent consultation on transport provisions, closure of children's centres and proposals now published for deeper cuts, there is a much sharper focus on what could be.

As a community of adaptive leaders our role includes imagining scenarios in the future and designing ways to mitigate adverse impacts of national policy developments and reduced funding. If we do nothing, in future, the LA will only have resource for its high risk statutory functions. This means all the support we provide for children 0 – 19 and their families, principally through the MATs, will disappear. Other services such as children centres and youth services will be scant. In this scenario, the % children starting statutory education 'school-ready' will dramatically reduce and the issues that arise in primary schools will continue into the secondary phase. As you know, this in turn will afflict educational outcomes and undermine our ambition for all schools to be rated 'good' by 2017. This will affect all our communities and not only our deprived areas, as some social challenges such as domestic violence and mental health don't recognise postcodes.

Working back from this scenario what are the options to mitigate such a bleak picture? One option is for schools to shoulder the burden of early help individually. However, this would not produce sufficient economies of scale to be effective over time. The system needs to embrace the concept of early intervention so that work begins during gestation wherever possible. We also need to ensure that, as children develop and become young people, maximum benefit derives from our work with partners such as the police, health visitors, school nurses, GPs and the voluntary sector.

Another option is entering into joint commissioning arrangements with the LA as a community of schools, which could sustain and improve our current early help offer, building on the MATs initiative. The vision for this approach would be one where schools are members of a new entity and represented by nominated heads and chairs of governors on a 'joint investment board', together with representatives from the LA and voluntary sector. This 'alliance' would determine the priorities for MATs (including children centres, family support, youth clubs etc), monitor performance and ensure value for money is being achieved.

To sustain an effective early help offer we would need to establish a ring-fenced fund of around £20m per annum, with contributions to be shared between the LA and all schools as a collective. The contribution from schools and academies, we envisage, would be at least £10m, equivalent to around 2.5% of delegated budgets. If possible, the Authority would seek to delegate additional resources via the formula to help schools fund their participation in this *critical* development; however as the DSG is itself also under pressure, the extent of this support cannot be determined at this time. Given the national regulatory constraints on the DSG the LA cannot obtain the school sector's contribution at source and therefore all 413 individual schools and academies would need to agree to buy in to the 'alliance', which you will agree is a prodigious challenge.

Given the inextricable links to educational progress and attainment the fund (and scope of the alliance) could be augmented to support the self-improving school system which is currently being co-produced with you.

I envisage that, subject to your agreement and necessary cabinet approval, this arrangement would take effect from 1 April 2016. This allows a year for meaningful stakeholder engagement, to ensure that all have an opportunity to develop the vision for the future, with a further six months to appraise options for the delivery model and governance arrangements. To make this happen I will be procuring high quality external facilitation and seeking volunteers from all school clusters. If you are interested in being involved in this critical work-stream please get in touch.

Colleagues, given the scenario above, fuelled by the cuts as well as our ambition in Derbyshire, doing nothing is not an option – the risks for our children and young people are too great.

I look forward to meeting interested cluster representatives to discuss the above, together with any alternative ideas you may have in the near future.

Yours sincerely



IAN THOMAS
Strategic Director for Children and Younger Adults

Copies to:

Councillor Kevin Gillott
Councillor Jim Coyle
Kathryn Boulton, Assistant Director, Schools and Learning
Paul Mason, DSGA