

Open Report on behalf of Debbie Barnes OBE, Executive Director of Children's Services

Report to:	Children and Young People Scrutiny Committee
Date:	18 January 2019
Subject:	Council Budget 2019/20

Summary:

This report outlines the Council's budget proposals for the next financial year 2019/20, based on the four year funding deal announced by Government as part of the 2016/17 Local Government Finance Settlement.

This report specifically looks at the 2019/20 budget implications for the following commissioning strategies:

- Readiness for School;
- Learn & Achieve;
- Readiness for Adult Life; and
- Children are Safe & Healthy.

The budget proposals are now open to consultation. Members of this Committee have the opportunity to scrutinise them and make comment, prior to the Executive meeting on 5 February 2019 when it will make its final proposals for 2019/20.

Actions Required:

The Children and Young People Scrutiny Committee is asked to consider this report and members of the committee are invited to make comments on the budget proposals. These will be considered by the Executive at its meeting on 5 February 2019.

1. Background

1.1 The Executive is currently consulting on a single year financial plan for revenue and capital budgets to take the Council to the end of the four year funding deal from government. The Council continues to face significant reductions in government funding, growing cost pressures from demand led services such as adult and children's social care, waste disposal and the Council's responsibility to pay staff and some contractors the National Living Wage. Uncertainty around government funding beyond the four year funding deal (which runs from 2016/17 to 2019/20) means that the Council has not considered it practicable to develop

sustainable long term financial plans into the next decade. Work on this has started and will continue next year as information starts to emerge about the future funding framework.

1.2 The budget process carried out a year ago considered budgets for both 2018/19 and 2019/20. This year, the 2019/20 budgets have been reviewed in the light of latest available information to arrive at the proposals set out in this report. In developing its financial plan the Council has considered all areas of current spending, levels of income and council tax plus use of one off funding (including use of reserves and capital receipts) to set a balanced budget.

1.3 Areas of service expenditure have been reviewed to identify cost pressures which must be funded and savings which can be made through efficiencies and by reducing the level of service provided.

1.4 On an annual basis the Council has the opportunity to review the level of Council tax. Central government sets thresholds above which a local authority would be required to hold a referendum for Council tax increases. In the provisional Local Government Finance Settlement, the Secretary of State announced that the referendum threshold for general Council tax would be 3.00% for 2019/20. Together with a 2% Council tax increase for Adult Social Care in 2019/20, this means that Lincolnshire County Council could increase the Council tax in 2019/20 by up to 5%.

1.5 At its meeting on the 18 December 2018 the Executive agreed proposals for the Council's revenue and capital budgets to be put forward as a basis of consultation and made the decision to consult on a proposed Council tax increase of 4.95% for 2019/20.

1.6 The Commissioning Strategies reporting to the Children and Young People Scrutiny Committee and their associated activities are:

Readiness for School

1.7 The vast majority of our youngest children have access to a wide range of good or outstanding pre-school learning opportunities, which provides high quality early education to help children to develop the skills needed to interact confidently with their peers and adults. Children Centres are an essential element of our early help offer which supports parents in the challenging but rewarding job of bringing up their children. Children Centres provide access to health services as well as parenting advice and guidance and support parents in their own aspirations back into education or employment. All this supports children's readiness for school.

1.8 Services include:

- Children Centre activities covering 21 centres over 48 sites; and
- Supports early education and child care (of disadvantaged 2 year olds, universal 3 & 4 year olds entitlement and extended hours for working families – funded through the early years block of the Dedicated Schools Grant).

Learn & Achieve

1.9 As children progress through their primary years and into secondary, they develop further as independent learners. Through education, they explore their own creativity and express their own ideas and thinking, drawing on their individual talents. Well supported and skilfully challenged students will excel in their chosen subjects and core curriculum. It is important that at every stage of learning and development, parents are provided with meaningful information and guidance to help them support their child's learning, development and achievement of full potential.

1.10 However, we know that children who live in poverty, children who are looked after and other vulnerable groups do not do as well in education as their peers and the data indicates that they under perform. As education is an important pathway out of poverty, it is right that we focus our efforts on ensuring all children have access to the same life chances.

1.11 Services include:

- School Support Services (e.g. promoting attendance at school, music service, governor support);
- School Improvement;
- Capacity to facilitate the completion of Education, Health and Care Plans plus associated interventions;
- Children with a disability service, and
- Home to school / college transport.

Readiness for Adult Life

1.12 There is a need for an increasingly stronger link between education providers, local business and industry. Information about the current and anticipated local and regional economies needs to be used to fire young people's imaginations and support them in planning for their futures so they can be prepared and ready for adult life and independence where possible. There is a need to ensure that all young people especially the most vulnerable are supported to make positive and healthy life decisions. However, as funding is reduced, we need to find alternative ways to prepare young people for adulthood and independence.

1.13 Services include:

- Positive activities for young people;
- Supported accommodation / lodgings;
- Secure accommodation, and youth offending service, and
- Leaving Care.

Children are Safe & Healthy

1.14 All children deserve the chance to grow up in a loving, secure family and our services aim to support parents and carers to improve children's lives. Safeguarding is everyone's business: universal services such as schools, health and childcare providing information and advice, so they enjoy good physical and mental health; live a healthy lifestyle working in partnership with targeted services,

and specialist services to support parents, children and young people requiring additional support. Some children will always require extra help because of the disadvantages they face. The key is to ensure children and families receive services at the first onset of problems through strong preventive services.

1.15 Services include:

- Child protection (contact, referral, assessment and family support);
- Looked after Children;
- Fostering and adoption;
- Residential homes;
- Child and Adolescent Mental Health Service (through a Section 75);
- 0-19 Health Services; and
- Targeted support for young people at risk of sexual exploitation.

Revenue Budget Proposals

Readiness for School

1.16 Table A below sets out the revenue budget proposals for 2019/20 financial year:

Table A – Proposed Revenue Budget – Readiness for School

<u>Change of Previous Year</u>	<u>£'000</u>
Original Budget 2018/19	4,822
<u>Changes for 2019/20</u>	
Pay Inflation	26
Cost Pressures	
Savings	0
Proposed Budget 2019/20	4,848
Percentage Change	0.54%

1.17 Readiness for School strategy is proposing not to make any savings or proposed cost pressures in 2019/20.

Learn & Achieve

1.18 Table B below sets out the revenue budget proposals for the 2019/20 financial year:

Table B – Proposed Revenue Budget – Learn & Achieve

Change of Previous Year	£'000
Original Budget 2018/19	34,370
<u>Changes for 2019/20</u>	
Pay Inflation	163
Cost Pressures	306
Savings	-259
Proposed Budget 2019/20	34,580
Percentage Change	0.61%

1.19 Learn and Achieve strategy is proposing to make a saving of £0.259m in 2019/20. Within this strategy there is also a proposed cost pressure of £0.306m in 2019/20.

1.20 The proposed savings reduction of £0.259m relates to the removal of the funding from the government for the Special Education Needs & Disability (SEND) Reform Grant. The grant funding was to recognise the programmes of change in the area of SEND to streamline the system of SEN assessment, support and provision for children and young people 0-25, bringing together the provisions of a variety of Acts covering education, health and care as well as introducing new provisions, statutory implementation of associated duties, regulations and a new SEND Code of Practice. These changes have had a significant impact on the service with a 38% (or 1,260) increase in young people with an Education Health Care Plan compared to the year before implementation (2013/14). Local Authorities continue to make representation at a national level of the increasing demands on the administration, assessment, co-ordination and monitoring of SEND services.

1.21 Within this strategy there is also a proposed cost pressure for Home to School / College Transport of £0.306m in 2019/20. The government's desire to deliver living wage rises to £9 per hour by 2020 has increased the hourly rate from £7.83 to £8.21 from April 2019. A large proportion of the individuals delivering transport services are paid on the National Living Wage causing this proposed cost pressure.

1.22 The Home to School / College Transport is a challenging and volatile budget with unfavourable economic conditions, and changing legislation (incorporation new guidelines relating to safety, Disability Discrimination Act passenger access and ERO6 emissions standards by 2020), the impact of school reorganisations, growth in special school numbers, added with the challenges of Lincolnshire being

a rural county. The budget therefore remains a financial risk to the Council, although the service is taking every step to achieve efficiencies to manage such pressures where possible.

Readiness for Adult Life

1.23 Table C below sets out the revenue budget proposals for the 2019/20 financial year:

Table C – Proposed Revenue Budget – Readiness for Adult Life

<u>Change of Previous Year</u>	<u>£'000</u>
Original Budget 2018/19	5,964
<u>Changes for 2019/20</u>	
Pay Inflation	93
Cost Pressures	0
Savings	-300
Proposed Budget 2019/20	5,757
Percentage Change	-3.47%

1.24 Readiness for Adult Life strategy is proposing to make a saving of £0.300m in 2019/20. There is no cost pressure proposed for 2019/20.

1.25 The proposed saving of £0.300m relates to the Local Authority’s legal duty (defined under Section 17 of the Children Act 1989) to safeguard and promote the welfare of all young people by providing supported accommodation for those young people of 16 and 17 years at risk of homelessness (due in part to case law referred to the Southwark judgement, and the complex needs of this age group where parents are refusing to continue to provide care for them), and all looked after children and care leavers up to the age of 21 years.

1.26 Transformational work has resulted in a new accommodation pathway for young people who require support or who are experiencing homelessness (and where family and wider network is not a suitable option) by providing suitable and more cost effective accommodation. A pilot involving in-house provision as a pathway into other accommodation is delivering value for money and improved individual outcomes, which the service is planning to roll out further across the Council, as properties become available.

Children are Safe & Healthy

1.27 Table D below sets out the revenue budget proposals for the 2019/20 financial year:

Table D – Proposed Revenue Budget – Children are Safe & Healthy

Change of Previous Year	£'000
Original Budget 2018/19	65,911
<u>Changes for 2019/20</u>	
Pay Inflation	712
Cost Pressures	1,194
Savings	-250
Proposed Budget 2019/20	67,567
Percentage Change	2.51%

1.28 Children are Safe and Healthy strategy is proposing to make a saving of £0.250m in 2019/20. Within this strategy there are also proposed cost pressures of £1.194m in 2019/20.

1.29 The proposed saving relates to Children's Services insourcing of the 0-19 health services in October 2017. This decision has allowed a more effective and integrated support for families as part of the overall delivery of Children's Services with teams working closely together to give quick, effective and joint support where it is needed. Savings have been delivered by having a lower cost base infrastructure and through utilisation of existing Children's Services sites, and a realisation of new ways of delivery.

1.30 A number of cost pressures exist within children's social care where the Local Authority has a statutory duty to protect children and take action when thresholds are met. Financial shortfalls have been identified for Special Guardianships Orders and supporting looked after children.

1.31 Special Guardianship Orders (SGOs) are increasingly being seen by the Courts as an important option for permanency for children who need to be removed from their birth parents which is endorsed by officers. The Local Authority is however required to fund SGOs (subject to means testing) so whereas we would once have seen children adopted, we are seeing increased SGO's which must be funded until the child reaches the age of 18 years. The expected increases are based on average numbers of SGO's being granted per month, which has identified a proposed budget pressure of £0.246m in 2019/20.

1.32 The national increase in looked after children is currently considered by the sector to be at 5% due to a number of reasons: case law, the impact of austerity, and the increasing complex nature of family life as a result of substance use, mental health and domestic abuse. The cost pressure in Lincolnshire relates more

to the increasing complexity, costs rises and demand-led nature of providing specialist services for looked after children. This cost pressure of £0.948m will support the costs in fostering, kinship care, and residential home arrangements.

1.33 Lincolnshire continues to be one of the most successful Local Authorities in providing value for money as evidenced in the CIPFA benchmarking report due to high percentage (78%) of looked after children managed through internal foster carers. The foster carer community is highly valued in Lincolnshire, and it is common place for foster carers to exceed 25 years' service. It is important to note that over 50% of registered foster carers are between the age of 50 and 70, therefore recruitment of new foster carers and support provided to existing foster carers are seen as key priorities.

1.34 In addition to the 632 looked after children, Children's Services also supports 2,403 children in need; 280 child protection cases, and 2,046 early help cases at any given point.

1.35 The government's direction of travel appears to be placing additional responsibilities onto Local Authorities, however the financial implications to the authority are unclear presently.

Capital Programme

1.36 The proposed capital programme covers the remainder of the current year and 2019/20, as well as major schemes for future years. Schemes comprise a number of major highways schemes; the rolling programme of renewal and replacement of fire fleet vehicles, gritters fleet and vehicles at the Waste Transfer Stations; improvements and review of property portfolio; information technology (IT) developments and rephrasing of existing schemes.

1.37 The gross programme is set at £381.315m from 2019/20 onwards, with grants and contributions of £110.308m giving a net programme of £271.007m to be funded by the County Council.

1.38 For Lincolnshire schools, Children's Services manage and maintain a comprehensive annual capital programme of individual school condition and maintenance projects which is overseen by the Children's Services Capital Programme Board. The service has requested that all capital funding made available by the DfE for schools is passed on to Children's Services to enable it to manage critical priority issues.

1.39 An allocation for Provision of Schools Place Basic Need Grant is £22.971m in 2019/20, and £12.351m is planned for 2020/21. This will allow the Council to plan strategically to fulfil its statutory duty to provide sufficient school places for the children of Lincolnshire.

1.40 An indicative grant award for the Schools Condition Allocation is £4.511m for 2019/20. This will be updated based on the number of Local Authority maintained schools on or by 1 April 2019.

1.41 An indicative allocation for Devolved Formula Capital is £1.136m for 2019/20. This will be updated based on the number of Local Authority maintained schools on or by 1 April 2019.

1.42 The award of the Special Provision Fund allocations of £0.771m per annum in both 2019/20 and 2020/21. An announcement of an additional £100m nationally has been made by the Secretary of State in December 2018, which Lincolnshire's anticipates to receive £1.076m. The Special Provision Fund will support the implementation of the Building Communities of Specialist Provision Strategy, which is to make significant improvements to SEND provision, so pupils can access an integrated school system which meets All Needs, in the right place, at the right time as close to home as possible.

Schools Budget

1.43 The Schools Budget is funded via the Dedicated Schools Grant (DSG). In 2019/20, the DSG will continue to comprise of four blocks: schools, central school services, high needs, and early years block. Each of the four blocks of the DSG is determined by a separate national funding formula.

1.44 Lincolnshire's indicative DSG allocation for 2019/20 is £560.080m, and will be used to support all schools in Lincolnshire including Local Authority schools and academies. Over half of Lincolnshire pupils attend academy schools; therefore the DSG figure for the schools block will be revised down for the academy schools budget share allocations. The DSG is a ring-fenced grant and the actual split between academies and Local Authority schools has no financial risk to the Council from the DSG schools delegated budget perspective.

1.45 The government implemented a new national funding formula in 2018/19 to ensure a fairer settlement for each school. The Council agreed to replicate the funding formula factors and monetary values along with the government's agreed floors and ceiling approach to enable incremental steps to move to the 'hard' formula. The introduction of the new national funding formula increased overall Lincolnshire mainstream school funding levels by c.3.7% in 2018/19, and is planned to grow by a further 2.9% in 2019/20.

1.46 The Local Authority will continue to be responsible for setting the mainstream school funding formula for all Lincolnshire schools including academies in 2019/20. The Local Authority's decision agreed to the direction of travel of replicating the government's national funding formula to ensure schools' allocations are on a sensible trajectory towards the move to the 'hard' formula. The Local Authority remains committed to continue replicating the national funding formula in 2019/20 with the protection arrangements (floors and ceiling) in place subject to affordability of the DSG from central government.

1.47 The government is also moving to a basis for distributing funding to Local Authorities for children and young people with high needs, taking into account an up-to-date assessment of the level of need in each area as opposed to funding on the basis of historic spending. Local Authorities will be protected under the formula by seeing a minimum increase of 0.5% per head in 2019/20 compared to their

2018/19 high need block. Lincolnshire's indicative protection is planned to be £41 per pupil (£5.776m) in 2019/20. The Secretary of State announced in December 2018 an additional funding allocation of £125m nationally into high needs block for 2019/20 to meet growing demands, which for Lincolnshire is £1.533m.

1.48 No further information has been provided from 2020/21, however the Local Authority expects that incremental reductions (similar to the schools minimum funding guarantee) will be applied in future years for losing Local Authorities to ensure reductions are manageable and can be planned for. This remains a financial risk, particularly at a time of increasing demands. It is expected that it will be a much tighter financial environment going forward for high needs services.

1.49 An increasing number of Local Authorities are now incurring a deficit on their overall DSG account, largely because of overspends on the high needs block. With effect from 2019/20 the department intends to tighten up the rules under which Local Authorities have to explain to the DfE their plans for bringing the DSG account back into balance. Lincolnshire is currently not in this position; however the position needs to be carefully and prudently managed particularly in light of the uncertainty of high needs block protection funding post 2019/20 and the growth in demands and complexities of young people.

Further Consultation

1.50 A consultation meeting with local business representatives, trade unions and other partners will take place on 25 January 2019.

1.51 The proposals will be publicised on the Council website together with the opportunity for the public to comment.

1.52 All consultation comments and responses will be available to be considered when the Executive makes its final budget proposals on 5 February 2019.

2. Conclusion

2.1 These budget proposals reflect the level of government funding available to the Council and the proposal to increase Council tax in 2019/20 by 2.95%. Adult Care Precept is proposed to increase by 2.00% in 2019/20, and this will give a total Council tax increase of 4.95%.

2.2 A thorough review of the Council's services was carried out during last year's budget process, which covered both the 2018/19 and 2019/20 financial years. This year, the 2019/20 budgets have been reviewed in the light of latest available information to arrive at the proposals set out in this report.

3. Consultation

a) Have Risks and Impact Analysis been carried out?

No

b) Risks and Impact Analysis

An Equality Impact Assessment will be completed for the proposed increase in Council tax. This will be reported to the Executive at its meeting on 5 February 2019.

Further Risk and Impact Assessments will need to be undertaken on a service by service basis.

4. Background Papers

Document title	Where the document can be viewed
Council Budget 2019/20 - Executive Report 18 December 2018	Democratic Services, County Offices, Newland, Lincoln http://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=121&MId=4975&Ver=4

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