

Open Report on behalf of the Executive Director Adults and Children's

Report to:	Children and Young People Scrutiny Committee
Date:	5 January 2012
Subject:	Children's Services Budget 2011/2012 and 2012/2013

Summary:

This report contains information to confirm progress for achieving budget reductions agreed in November 2010 with the Executive and makes a series of requests for one off "invest to save" initiatives to be funded through Children's Services projected under-spend. The report also outlines budget pressures facing Children's Services and makes a series of recommendations for addressing these pressures.

Children's Services are on track to achieve budget reductions for this financial year. As we have implemented the majority of staffing reductions as part of the core offer restructure, most of our budget reductions for 2012/13 have also already been implemented.

Also contained in this report are a number of previously agreed areas for budget reductions for 2012/13. Children's Services are requesting that we vary a number of these proposals due to emerging and changing government policy and priorities. The report lists pressures facing the service and confirms its ability to manage these pressures within the proposed budget.

Children's Services have worked hard to drive out efficiencies and has consistently achieved budget targets through robust and proactive budget management. We have responded to the challenges of the comprehensive spending review whilst continuing to deliver outstanding services. Fostering and adoption services have been rated as outstanding, Children's Centres have been judged as good or outstanding, GCSE and A level education performance continues to be above national average and safeguarding services remain outstanding. However, we continue to face many challenges within an environment of reducing budgets: sustaining low numbers of young people not in education, employment, training, maintaining safeguarding outstanding services within a fragmented system, providing adequate support for care leavers whilst numbers increase and providing school support to small vulnerable schools as well as facilitating the community to deliver positive activities for young people. These are all key areas of challenge.

Actions Required:

The Children and Young People Scrutiny Committee is invited to consider and comment on the contents of this report.

Background**1 Priorities and Performance**

Children's Services have been judged as an outstanding service for Safeguarding, good for children looked after with outstanding capacity to improve. Lincolnshire's school performance is strong.

Our priorities are confirmed as:

- **Early Intervention and Prevention**
- **Safeguarding**
- **Aspiration and Well Being**
- **Learning and Achievement**
- **Best Use of Resources**

However it is recognised that in light of reducing budgets, the delivery of these priorities will focus on disadvantaged communities and vulnerable families. Although we intend to retain a universal offer for Children's Centres we will target resources to our most vulnerable children as part of our strategy to close the gap and reduce levels of poverty.

Holding down the number of Children Looked After and subject to Child Protection plans continues to be a key priority and challenge, particularly given significant increases in numbers nationally. New statutory obligations in relation to Care Leavers also represent budget challenges to the LA and this is expanded upon further in this report.

Revised government emerging policy suggests that the statutory responsibilities of the Local Authority (LA) in relation to career's guidance and performance for NEET (not in employment, education or training) will be considerably more significant than previously understood when the decision to de-commission Connexions was agreed. There is currently a national projected increase in NEET based on Economic Forecast, raising the participation age, increased competition for learning opportunities and sustaining provision. Minimising NEET will therefore be a significant challenge and tracking of "Not knowns" is a particular concern that needs to be addressed. This is discussed later in this report as a specific budget pressure.

There are particular pockets of the County with high levels of Child Poverty. Living in Child Poverty represents an increased risk to a child's future life chances and is very likely to impact on future local economic prosperity. Reducing those pockets of the County with high levels of Child Poverty is therefore a priority for the Council

and its key partners not just Children’s Services. Continuing momentum with the Community Budget Pilot for Families with Complex Needs is also a priority.

Improving Value for Money (VfM) and School Readiness is a key issue for the early year’s agenda and refocusing Children’s Centres through the introduction of Payment by Results is also a key government requirement.

Narrowing the Gap in Academic achievements continues to be a key strategic challenge and with less control in this area, we seek alternative ways to influence. The recent Department for Education (DfE) consultations on school funding indicate that the LA will continue to have responsibility for funding schools so will retain an ability to influence through the allocation of resources to priorities.

2 Children’s Services Budget Reductions

2a – The current position – 2011/12

Children’s Services are required to make the following budget reductions over the following 4 years:

2011/12	£11.379m
2012/13	£9.564m
2013/14	£1.520m
2014/15	£0.589m

Children’s Services are confident that all the savings required for 2011/12 will be delivered. Year one and two staffing savings were delivered in year one through the Core Offer review.

The table below provides a summary of the savings:

Area of Savings	Value of Savings	RAG Rating
Management Savings	£1.146m	GREEN
Back Office Functions	£0.921m	GREEN
Schools Support	£0.550m	GREEN
School Improvement	£2.733m	GREEN
Home to School Transport	£1.907m	GREEN
Preventative Services	£3.567m	GREEN
Safeguarding & Children Looked After	£0.555m	GREEN

NB – refer to appendix 1 for details of savings within these budget areas

2b – Financial Year – 2012/13

This section of the report details the savings that have been delivered through the Core Offer review and provides an outline of plans for delivering budget reduction for 2012/13:

	Area of Savings	Value of Savings	RAG Rating
i	Management Savings	£0.521m	GREEN Staffing reductions achieved through Core Offer implementation
ii	Back Office Functions	£0.892m	GREEN Staffing reductions achieved through Core Offer implementation. Plans are in place to deliver non-staffing savings.
iii	Schools Support	£0.385m	GREEN Staffing reductions achieved through Core Offer implementation.
iv	School Improvement	£0.607m	GREEN Staffing reductions achieved through Core Offer implementation
v	Home to School Transport	£1.230m	GREEN Analysis of the transport budget indicates that this level of efficiency can be achieved.
vi	Preventative Services	£5.291m	AMBER A budget reduction has been made from Connexions but it was agreed that we should retain an element of the service to deliver our statutory duty until September 2012. This is an area of changing and emerging government policy and will be discussed later in this report as a budget pressure.
vii	Safeguarding & Children Looked After	£0.638m	AMBER The delivery of the Leaving Care Service savings is a concern for Children's Services. Southwark judgement has increased our duties in relation to housing and our duties for unaccompanied asylum seeking children have been extended. In addition, following a review of child numbers leaving care and their age profile, we expect looked after children numbers to increase. This will be discussed later in this report as a budget pressure.

Plans to achieve 2013-15 savings are well advanced.

3 Budget Pressures

Children's Services continues to face a number of budget challenges. This section outlines these challenges and makes proposals for addressing them. Pressures are summarised below and each issue is considered in turn:

- a) Changes to LA grant due to academy programme
- b) Tracking and reducing numbers of young people not in education / employment / training and raising of the participation age
- c) Leaving Care Services
- d) LA responsibilities for young people on remand
- e) Post 16 education for young people with Learning Disability

3a Changes to LA grant due to academy programme - Subject to consultation

Pressure – There are some potentially significant funding implications for the LA as more schools convert to Academy status. When a school becomes an Academy, it moves out of local authority control. One effect of this is that it ceases to receive, as a matter of course, a range of services from the LA which it used to receive without being charged. Therefore the Department for Education (DfE) has provided Academies with a grant (LACSEG – Local Authorities Central Services Equivalent Grant) to cover the costs of those services that were previously provided by the LA. To fund this LACSEG to academies, a top slice from each LA was made on a pro-rata national basis. Lincolnshire's formula grant has been reduced by £2.4m in 2011/12 and by a further £1.9m in 2012/13. Those LAs that had no academies have made a legal challenge, which has resulted in a consultation being issued on the approach of funding for those additional services they are responsible for. The consultation paper proposes a value of £220 per pupil for LACSEG, however the Local Government Association has countered this by identifying that the New Burdens Doctrine states that where services are transferred back to central government, the funding transfer should only reflect general savings in LAs' costs, which they suggest range from £15-£70 per pupil. Therefore, the funding impact of academies to LA funding is currently not known.

3b Raising of the participation age - including tracking and reducing numbers of young people not in education / employment / training (Estimated Budget Pressure £1.3 million)

Pressure – There are a number of pressures which are likely to negatively impact on our NEET performance – the current economic position, raising of the participation age to 17 in 2013 and 18 in 2015, and the transfer of statutory responsibilities for universal career guidance to schools. However government's emerging and changing policy in this area places greater responsibilities on the LA than originally indicated. Children's Services expected to have continuing responsibility for vulnerable young people in relation to NEET and have made provision within the locality teams. However revised policy intentions indicate that the LA will have continuing responsibility for tracking young people's participation in order to identify those in need of support. In addition, the Government considers that the presenting factor of NEET as a single issue reaches the threshold to make

a young person vulnerable. Children's Service's delivery model post core offer does NOT reflect these duties as these were not known at the time.

NEET is of real concern to Children's Services and we consider the outlook challenging. Our challenge will be to try and mitigate these pressures as much as possible through a variety of strategies although until statutory guidance is issued and LA duties are confirmed, it is difficult to confirm our exact strategies.

Proposed Solution - The Portfolio Holder has already confirmed political support for continuing to track young people and to maintain a service which encourages young people who are NEET to participate.

3c Leaving Care - Additional legal liability in terms of Southwark etc (Estimated Budget Pressure £450k)

Pressure At last year's budget setting meeting Children's Services proposed a reduction in the Leaving Care contract as part of our budget savings. Further work to confirm projected numbers of young people leaving care has identified a rising population. In addition, changes to LA duties following the Southwark judgement as well as increasing duties for Unaccompanied Asylum Seekers means that this reduction is no longer proposed.

Proposed Solution: Children's Services recommend that the previously agreed budget reductions in this area are met through alternative strategies.

3d LA responsibilities for young people on remand (Estimated Budget Pressure – See below)

Pressure: The Justice Green Paper in December 2010 outlined a proposal to create a Single Remand Order with transference of the costs of remands away from central government and towards local authorities. The Government also proposes to transfer a proportion of the current custodial budget directly to Local Authorities as a non ring fenced grant. The purpose of this is to incentivise Local Authorities to use alternative strategies to lessen the use of remands and in turn reduce the remand population. **The proposed Government grant has not been quantified at present.** Under current arrangements the Government have paid **2/3** of the remand costs regardless of the number of remands; therefore the local authority financial liability has been limited to **1/3** of the total cost. Under the new proposals the financial burden will fall entirely upon the Local Authority for **all** young people held on secure remand.

Current annual national average costs of remands in 2009/10 amounted to £49m (COSR - £23m and custodial remands £26m).

Local Authority (Lincolnshire) Remand costs incurred during 2010/11

10 x Remand placements based on 2010/11 rates (1/3) = £272,248.40

Secure Transport costs = **£88,951.70**

Total = **£361,200.10**

20 x Custodial remands during 2010/11 = No Financial Impact

Note: Under the current funding arrangements the Local Authority would be responsible for only 1/3 cost of the **10** Court Ordered Secure Remands (**COSR**). There would have been no financial costs in respect of the additional **20** Custodial Remands.

Projected Local Authority (Lincolnshire) costs under new proposals

Full bed price for same **10** x placements would equate to **£579,825.20**

Secure Transport costs = **£88,951.70**

Total = **£668,776.90**

(This can only represent an approximate projection of costs based upon current levels however no definitive costs have been released to date.

In addition transport, commissioning and placement services may incur additional costs to the above.)

Proposed Solution: Children Services request investment on an “invest to save basis” through the development of an intensive fostering service.

We also recommend that provision is accrued in corporate reserves to help manage this pressure.

3e Post 16 education for young people with Learning Disability (Estimated Budget Pressure if not robustly managed £2.5 million)

Pressure – Lincolnshire County Council (LCC) has responsibility for assessing the education needs of young people with a learning disability and for making a recommendation on placement to the Young People’s Learning Agency (YPLA) who fund the place. Although the YPLA have the budget for placements, LCC has a responsibility to work with the YPLA to effectively manage the budget. It was expected that this budget would transfer to LAs in 2012/13 but the position remains unclear on this point. Traditionally Lincolnshire (when this provision was managed through the Learning and Skills Council) has been allocated a disproportionate percentage of this budget and it was agreed at the regional group that Lincolnshire’s allocation would reduce by £2.5 million to £3.5 million for the academic year 2012/13. We expect the indicative budget set by the Education Funding Agency that replaces the YPLA in April 2012 to reflect this.

Proposed Solution - Children’s Services propose a series of activities to help Further Education (FE) providers to enhance their offer of high quality education which meets the needs of this client group. This includes work force development and support to change the curriculum offer.

There is also a need to enhance support for statutory needs assessments for learners with special educational needs in mainstream settings to undertake development work to help providers enhance provision which will reduce reliance and expectations for residential provision in adult services.

4 Capital

Children's Services manage and maintain a comprehensive annual capital programme of individual projects which is overseen by the Children's Services Programme Board. All projects that comprise the programme are separated into related and prioritised work streams and are managed to the standards laid down by the LCC Programme Centre:

1. Projects to Meet Statutory Provision of School Places.
2. School Condition Repair and Maintenance.
3. School Suitability and Modernisation.
4. Sufficiency of Early Years and Extended Provision.

Children's Services face considerable challenge in capital due to the increasing pressure on places (caused largely by rising birth rates). Long-term forward planning to ensure sufficient school places are provided in sustainable school buildings is vital to meet the LA's statutory duty for school place planning.

In urban schools across the county there were 4070 Reception places for September 2011. 3929 of those places were filled with offers for September 2011 intakes leaving 141 places available for children moving into the county (around 3%). In 2012 it is expected that around 4180 children will require Reception places with this number estimated to rise to over 4220 by September 2014. Rural numbers continue to remain below the number of places available, although some of the rural schools on the outskirts of urban areas are also seeing significant pressure on places as they absorb the overspill.

When this pressure is analysed on a more local scale it clearly identifies areas which are the "hot spots". In particular (but not exclusively) Boston, Lincoln, Louth, Skegness and Spalding are expected to experience demand for places significantly above the number of places available.

Although the Government has confirmed a Private Finance Initiative (PFI) project for school conditions and funding for basic need, we do not expect Lincolnshire to qualify for the PFI conditions money as we do not meet the criteria of 30% rebuild. We await final announcement for DfE capital grant funding expected in December 2011 but can confirm that we have applied for £3million towards the Lincoln North project and await the outcome of this bid.

Children's Services await confirmation on government grant funding for basic need and conditions. The capital programme from 2012/13 does not at this stage include spending which will be funded by capital grants. The Secretary of State has not yet announced capital grant allocations for 2012/13 and future years. He did, however, indicate that "the level of support for basic need and for capital maintenance each year to 2014/15 is expected to stay in line with the total amounts allocated for 2011/12." The amount allocated for 2011/12 is £21m. A further report on the capital programme will be presented to this Committee once government funding is confirmed.

5 Conclusion

Children's Services budget management and controls continues to be robust and effective. We have consistently delivered outstanding services within the agreed budget. This year with "Core Offer" implementation, it has been a real challenge. Our reduced management capacity means that we must prioritise and focus on our core business. In the face of more change as a result of academy funding, we will continue to work hard to meet the challenges this policy drive presents but request time and corporate support to adapt to the new position once its impact is known.

6 Appendices

These are listed below and attached at the back of the report	
Appendix A	Proposals for Children's Services Core Offer report for CYPSC on 25 February 2011

7 Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Debbie Barnes, who can be contacted on 01522 552304 or debbie.barnes@lincolnshire.gov.uk.