

**Open Report on behalf of Heather Sandy,  
Executive Director - Children's Services**

Report to:	<b>Children and Young People Scrutiny Committee</b>
Date:	<b>15 January 2021</b>
Subject:	<b>Council Budget 2021/22</b>

**Summary:**

This report outlines the Council's budget proposals for the next financial year 2021/22.

The Provisional Local Government Finance Settlement for 2021/22 was issued on 17 December 2020, and is expected to be in line with the Final Settlement, which is due to be published in February 2021. We await further budgetary information from the Lincolnshire District Councils so the budget proposals for 2021/22 are therefore estimated at this stage.

The Executive considered the budget proposals at its meeting on 5 January 2021, following which they were open to consultation.

This report specifically looks at the 2021/22 budget implications for the Council's Children's Services activities.

Members of this Committee have the opportunity to scrutinise them and make comment, prior to the Executive meeting on 2 February 2021 when it will make its final budget proposals for 2021/22.

**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 2 February 2021.

**1. Background**

1.1 The Executive is currently consulting on a single year financial plan for revenue and capital budgets. This is reflective of the one year only Spending Review (SR2020) announced by the Chancellor of the Exchequer on 25 November 2020 due to the uncertainties caused by the coronavirus pandemic, and expected reforms to Local Authority funding from April 2022. The Council

continues to face future financial uncertainties, added with the growing cost pressures from demand-led services such as adult and children's social care and inflationary pressures on contracted services.

- 1.2 The budget process has finished and we have received confirmation of next year's funding from central Government in the form of the Provisional Local Government Finance Settlement on 17 December 2020.
- 1.3 At this point in time, the Medium Term Financial Plan shows that although we can achieve a balanced budget in 2021/22, in each of the following two years we will have a budget shortfall which will need to be supported by reserves to achieve a balanced budget. However, this is prior to receiving the Lincolnshire District Councils confirmation of Council Tax bases and Collection Fund positions. These budget proposals were considered by the Executive on 5 January 2021. Following this, the Final Local Government Finance Settlement is expected to confirm the position, and once all of this information has been received, the budget proposals for 2021/22 will be confirmed at the meeting of the Executive on 2 February 2021.
- 1.4 The coronavirus pandemic has impacted significantly on the 2020/21 financial year, and central Government has provided grant funding to cover our costs and losses arising directly from the pandemic. It is assumed that where direct impacts carry on into 2021/22 these will continue to be funded in full by Government grant.
- 1.5 The Council's 2021/22 budget process started in the spring of 2020 with a re-assessment of our high level budget assumptions. Following this, budgets have been examined in detail based on the latest available information to arrive at the proposals set out in this report. Cost pressures that have been identified must be funded to the changing service requirements, and in some areas, savings have also been found, with no negative impacts from these on service delivery. As this year has progressed, our assumptions have been refined as new information has emerged.
- 1.6 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. The referendum limit will remain at 2% for general Council Tax. Councils providing Adult Social Care services can again charge an adult social care precept of up to 3% in 2021/22. This means that a total Council Tax increase of up to 5% can be charged by Councils providing Adult Social Care services.
- 1.7 At its meeting on 5 January 2021, the Executive considered proposals for the Council's revenue and capital budgets to be put forward as a basis for consultation, including the proposed level of Council Tax increase for 2021/22.
- 1.8 Children's Services activities are presented through the headings Children's Education and Children's Social Care.

## Children's Education

1.9 Services and associated proposed 2021/22 budgets include:

- Home to School / College Transport (£32.243m)
- Special Educational Needs and Disabilities (£7.647m)
- Education Support Services (£0.882m)
- School Improvement (£1.203m)
- Statutory Regulatory Duties (£3.414m)

1.10 Table A below sets out the revenue 2021/22 financial year budget proposals for Children's Education:

Table A

<b>Change of Previous Years</b>	<b>£'000</b>
<b>Original Budget 2020/21</b>	<b>40,124</b>
<u>Changes for 2021/22</u>	
Pay Inflation	77
Cost pressures	5,189
Savings	-1
<b>Proposed Budget 2020/21</b>	<b>45,389</b>
Percentage Change	13.12%

1.11 Children's Education service activities are proposing to make savings of £0.001m in 2021/22, which is the legacy of the savings delivered through the Budget 2020 exercise. Within this area, there are also proposed cost pressures of £5.189m in 2021/22.

1.12 The Chancellor's announcement of a pay freeze for most public sector employees in 2021/22 has been applied, with the exception of public sector employees with a full time basic salary of up to £24,000. This latter group will receive a flat uplift of £250. This is currently excluded from services budgets until the exact budgetary requirements are known, when the amounts will be added. The pay inflation amount includes the additional 0.75% pay award from 2020/21 received above the budgeted 2.00% level.

1.13 The proposed cost pressures of £5.189m relate to the delivery of Home to School / College Transport in 2021/22. The Home to School / College Transport is a challenging and volatile budget with unfavourable economic conditions, changing legislation, the impact of school reorganisations, an increase in specialist transport due to increasing complexity of pupils, 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. The Home to School / College Transport cost pressures includes:

- £2.000m rebase of budget to planned spending levels in 2019/20 academic year. The increased costs related to contractual inflationary pressures within mainstream transport; increase in special educational needs and disability (SEND) pupils resulting in increased eligibility for transport to mainstream school; and an increase in complexity of pupils requiring more specialised and lone transport.
- £1.000m cost pressure for the special schools One School One Operator (OSOP) transport model. The specifics of the contract (payment mechanism) and changing pupil requirements (both in terms of needs and their location) has resulted in the Local Authority undertaking a review of the payment mechanism.
- £0.600m cost pressure for the Public Service Vehicle Accessibility Regulations (PSVAR). Vehicles need to be compliant with Schedule 1 of the Regulations which require the vehicle to be wheelchair accessible when Local Authorities sell spare seats on transport vehicles. This Regulation change will result in contract price increases.
- £0.250m cost pressure for anticipated growth in SEND transport costs for 2021/22. A transformational review is taking place within this area, as well as the Building Communities of Specialist Provision Strategy, which are both anticipated to make a positive impact on transport spending from 2022/23, i.e. future cost reductions, however time is required to embed these new practices.
- £1.005m other cost pressures include: inflationary rises in the delivery of general transport provision (2.00%) (£0.428m); an increase in mainstream pupil eligibility through secondary school pupil growth (£0.296m), and National Living Wage (NLW) increased costs for drivers. The NLW has been updated to reflect the April 2021 rate of £8.91 (£0.281m).
- A Government Section 31 grant has increased for Extended Rights to Free Travel. This reflects an increase in costs by the Local Authority. This cost rise is therefore fully funded from the Government funding increase.

### Children's Social Care Services

1.14 Services and associated proposed 2021/22 budgets include:

- 0-19 Health Services (£10.703m)
- Early Help Services (£11.016m)
- Family Assessment and Support Team (FAST) (£17.508m)
- Adoption and Fostering Services (£14.653m)
- Residential Homes and Placements (£14.058m)
- Leaving Care Services and Supported Accommodation (£5.051m)
- Targeted Support for Young People and Youth Offending (£3.806m)

1.15 Table B below sets out the revenue 2021/22 financial year budget proposals for Children's Social Care Services:

Table B

<b>Change of Previous Years</b>	<b>£'000</b>
<b>Original Budget 2019/20</b>	<b>73,869</b>
<u>Changes for 2021/22</u>	
Pay Inflation	348
Cost pressures	2,579
Savings	-1
<b>Proposed Budget 2020/21</b>	<b>76,795</b>
Percentage Change	3.96%

- 1.16 Children's Social Care Services are proposing to make savings of £0.001m in 2021/22, which is the legacy of the savings delivered through the Budget 2020 exercise. Within this area, there are also proposed cost pressures of £2.579m in 2021/22.
- 1.17 The Chancellor's announcement of a pay freeze for most public sector employees in 2021/22 has been applied, with the exception of public sector employees with a full time basic salary of up to £24,000. This latter group will receive a flat uplift of £250. This is currently excluded from services budgets until the exact budgetary requirements are known, when the amounts will be added. The pay inflation amount includes the additional 0.75% pay award from 2020/21 received above the budgeted 2.00% level.
- 1.18 Children in Care: A £2.000m cost pressure to re-base the budget to current spending levels (pre-Covid-19). The contributing factors include an increase in Children in Care due to the increasing complex nature of family life; a shift in placement compositions from internal foster carer arrangements to more external placements, some of which are specialist placements that incur a significantly greater unit cost, and market forces within the external looked after children sector. The position is reflective of pre-Covid-19. Steps continue to be in place to mitigate and manage escalation of needs, and further work is underway on placement planning to mitigate further cost rises, which is managed through the Transformation Programme.
- 1.19 Lincolnshire's benchmarked Children in Care numbers per 10,000 of the population is 43 per 10,000, compared to nationally in the prior year of 65 (reported at March 2020). This has risen to 45.9 at October 2020. The total number of Children in Care in Lincolnshire has increased since April 2020 and is at 665 at October 2020. The pandemic has resulted in an increase in costs in this area.
- 1.20 CIPFA Looked After Children (LAC) benchmarking for Local Authority participants showed Lincolnshire's average looked after child placement costs (2019) to be £41,555 p.a. compared to the average of other Local Authorities of £53,287. Lincolnshire continues to provide value for money.

- 1.21 Lincolnshire's Early Help Strategy is intended to control the numbers requiring higher cost specialist placement types, however where demand increases for the support of Children in Care, in terms of number of children and an increase in complexity, the cost of providing more specialist services remains a financial risk to the Council.
- 1.22 A proposed cost pressure of £0.297m relates to the increase in costs across the composition of placement types supporting this vulnerable group (2.00% inflationary rate applied). It is proposed that Lincolnshire's highly valued internal fostering carers will receive a 2.00% increase to their weekly allowances in April 2021.
- 1.23 A proposed cost pressure of £0.282m relates to Special Guardianship Orders (SGOs). SGOs continue to be 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) until the child reaches the age of 18 years. The expected increases are based on average numbers of SGOs being granted per month with a 5% increase annually.

### **Capital Programme**

- 1.24 A 10 year Capital Programme has been compiled in line with principles set out in the Council's Capital Strategy, including the principle of affordability.
- 1.25 The gross programme is set at £204.302m for 2021/22 plus a further £322.097m for future years. After grants and contributions are taken into consideration, we have a Net Programme of £111.283m for 2021/22 plus a further £282.808m for future years.
- 1.26 Schemes comprise: major highways schemes; highways asset protection; provision of school places (mainstream and SEND); property maintenance and improvements; ICT infrastructure and refresh programmes; fire fleet vehicles and associated equipment replacement programme, for example.
- 1.27 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 continues to receive all capital funding made available by the Department for Education (DfE) for schools to enable it to manage critical priority issues.
- 1.28 An allocation for Provision of Schools Place Basic Need Grant is £2.900m in 2021/22. This will allow the Council to plan strategically to fulfil its statutory duty to provide sufficient school places for the children of Lincolnshire. Children's Services priority at this stage is to ensure that all September 2022 school place pressures are accounted for with potential solutions in place. The Local Authority is awaiting further Government announcements on funding levels from 2022/23.

- 1.29 An estimated grant award for the Schools Condition Allocation is £3.500m for 2021/22. This will be updated based on the number of Local Authority maintained schools on or by 1 April 2021.
- 1.30 An estimated allocation for Devolved Formula Capital is £1.000m for 2021/22. This is expected to continue at the current funding level per Local Authority maintained school, namely a lump sum of £4,000 and per pupil funding of £11.25 for nursery / primary and £16.88 for secondary. This will be updated based on the number of Local Authority maintained schools on or by 1 April 2021.
- 1.31 Building Communities of Specialist Provision Strategy: the planned capital spending commitment reflects the latest position on the programme's individual special school schemes for 2021/22. The strategy is to deliver an increase in places for Lincolnshire special schools including providing young people with SEND the ability to access high quality all needs education, health and care provision in their local community. The whole life costs of the programme have risen to £86.794m from £56.556m based on actual scheme costs for those which have entered main works contracts and forecast scheme costs on those still to be confirmed post-feasibility. There are a number of reasons for the increased budget requirement: the addition to the programme of the Lincoln new school site solution following the department declining the Local Authority's free school application (c.£12.000m); design solutions including improved site access to address travel and traffic concerns; addressing the extremely poor school site conditions, and enhanced health and therapy spaces. Further information can be found within Appendix A.
- 1.32 It is important to note the complexity and magnitude of this programme. Lincolnshire County Council (LCC) has not delivered a programme of this nature before and it is important to understand the complexity of the programme to fully appreciate the challenges which have arisen.
- 1.33 Additional funding has been secured to deliver the revised programme. Funding is made up of Government grants secured (£69.724m) including the Government announcement of 2021/22 DfE Special Provision Funding continuing, LCC capital / other (£1.470m), and £15.600m reallocation of LCC capital funding for new school requirements currently within the 10 year programme to the SEND programme. This is due to a downward revision of requirements by taking account of many factors, for example, delays in planning applications, alternative solutions.
- 1.34 The gross expenditure for the programme's individual special school schemes for 2021/22 is £29.710m.
- 1.35 Children's Services has capital funding earmarked within the capital programme for the creation of two smaller children's homes. The Residential Estates Expansion Project forms part of the Children in Care Transformation Programme Right4U which has been created to ensure that the Local Authority is providing the right help to the right children at the right time and for the right

duration. The Transformation Programme vision is to provide additional capacity within the residential estate to provide high quality therapeutic placements in house as it is anticipated that these placements will allow for children, particularly young children, to have their needs met better with a view to future step down to foster care.

1.36 The gross expenditure earmarked for the programme is £1.500m with potential planned spending of £1.075m in 2021/22.

### **Schools Budget**

1.37 The Schools Budget is funded via the Dedicated Schools Grant (DSG). In 2021/22, the DSG will continue to comprise of four blocks: Schools, Central School Services, High Needs, and Early Years. Each of the four blocks of the DSG is determined by a separate national funding formula.

1.38 Lincolnshire's indicative DSG allocation for 2021/22 is £646.900m, 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 Local Authority schools and academies has no financial risk to the Council from the DSG schools delegated budget perspective.

1.39 The government implemented a new National Funding Formula (NFF) in 2018/19 to ensure a fairer settlement for each mainstream school. The Council agreed to adopt the NFF due to the improved financial settlement for Lincolnshire schools.

1.40 The DfE confirmed in July 2020 that the 2021/22 funding settlement announced by the Prime Minister on 30 August 2019 would remain in place. This included the investment of over £14bn in primary and secondary education between 2020/21 and 2022/23. The funding package for schools (aged 5 to 16) includes £2.6bn for 2020/21, £4.8bn for 2021/22 and £7.1bn for 2022/23 compared to 2019/20 funding levels. This announcement has provided a level of financial certainty for schools in the short term.

1.41 The announcement of additional funding for mainstream schools and national funding formula changes required the Local Authorities to engage in an open and transparent consultation on their 2021/22 funding formula. The Local Authority has undertaken a consultation with its local schools and academies, and has received schools support from the sector to continue replicating the NFF in 2021/22. This will be subject to Executive Councillor approval on 20 January 2021 following consultation with Schools Forum, and the Children and Young People Scrutiny Committee. The illustrative 2021/22 funding for Lincolnshire primary schools in comparison to 2020/21 funding levels show overall school gains of 4.3% or £0.034m. Illustrative funding for Lincolnshire secondary schools show overall gains of 2.7% or £0.110m.

- 1.42 The Government is continuing 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 8% per head in 2021/22 compared to their 2020/21 High Need block. The High Needs block allocation is £102.664m for 2021/22.
- 1.43 There are a number of budgets within the High Needs block that are large, demand-led, and can be difficult to estimate (e.g. SEND related budgets, including out of county placements, top up funding for Education, Health and Care (EHC) plans for mainstream schools, special school placements, and meeting the education needs for pupils through alternative provision arrangements). There continues to be a growing trend nationally, and this is being seen in Lincolnshire, with more young people requiring specialist support which is having a material financial impact on the High Needs block. This remains a significant financial risk, particularly at a time of increasing demands. Like many Local Authorities, Lincolnshire faces a significant challenge in establishing a sustainable High Needs block budget going forward.
- 1.44 Transformational work commenced last year to consider the way partners across Lincolnshire work together to support children and young people with SEND. Key activities to support this strategy include SEND Advice line (SALL); rollout of the Valuing SEND; revised graduated approach guidance; strengthen the Local Offer; a new performance framework, to name a few. This transformational work is intended to secure further improved outcomes for young people with SEND through a truly integrated approach, whilst also securing an offer for Lincolnshire that is financially sustainable within its central Government allocation.
- 1.45 The Early Years block Government hourly rates for Lincolnshire are £4.44 per hour for 3 & 4 year old funding, and £5.36 per hour for disadvantaged 2 year olds. These funding rates are used to fund providers' hourly rates of delivery of entitlement and early years support services. Lincolnshire indicative Early Years block funding is £42.427m in 2021/22.

### Further Consultation

- 1.46 The budget proposals will be publicised on the Council website together with the opportunity for the public to comment.
- 1.47 All consultation comments and responses will be available to be considered when the Executive makes its final budget proposals on 2 February 2021.

## **2. Conclusion**

- 2.1 These budget proposals reflect the level of Government funding available to the Council based on the assumed increase in Council Tax in 2021/22 by 1.99%.

2.2 A thorough review of the Council's services was carried out during the budget process which has identified unavoidable cost pressures and some savings with minimal impact on the level of service provided, and the capital programme has been reviewed. The budget proposals therefore aim to reflect the Council's priorities whilst operating within the resources available to it.

### 3. Consultation

#### a) 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 2 February 2021.

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

### 4. Appendices

These are listed below and attached at the back of the report	
Appendix A	Building Communities of Specialist Provision Capital Programme

### 5. Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
Council Budget 2021 (Executive: 5 January 2021)	<a href="https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CategoryId=121&amp;Mid=5750">https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CategoryId=121&amp;Mid=5750</a>

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