

LEEDS CITY COUNCIL 2018/19 BUDGET REPORT

Directorate: Children and Families

1. Introduction

1.1 This report has been produced in order to inform members of the main variations and factors influencing the Directorate's budget for the 2018/19 financial year.

1.2 Service Context

1.3 The Council has a statutory duty and responsibility to safeguard and promote the welfare of 188k children and young people across Leeds and has set out a bold ambition to be the best city and best council in the UK. In order to achieve this ambition the Council acknowledges that Leeds must also be the best place for children and young people to grow up in. The Directorate is still committed to the Children and Young People Plan (CYPP) and this budget reaffirms the Council's commitment to the plan. This approach has already had a significant impact on both outcomes for children, young people and families and on service delivery in Leeds.

1.4 Leeds is nationally recognised as a sector leader in Children and Families. It is the only core city to be rated as good overall and one of only eight authorities to be rated as outstanding for leadership, management and governance. This national recognition has led to Leeds being awarded significant additional grant funding from the Department for Education (DfE) under the Partner in Practice programme with a total of £9.6m invested in Leeds between 2016/17 and 2019/20. In addition, Leeds is undertaking ongoing improvement work with Kirklees Council and this arrangement has secured an additional £1.6m of funding from the DfE between 2017/18 and 2019/20.

1.5 The Directorate has made good progress in implementing the CYPP although achieving all the assumptions included in recent budgets has proved an ongoing challenge. The Directorate has faced significant budget pressures on demand-led budgets, notably around transport, Children Looked After (CLA) and financially supported non-CLA. In terms of CLA the Directorate has had considerable success in implementing the 'turning the curve strategy' and has made substantial and invaluable progress in reducing demand for care at a time when elsewhere demand has been rising. The Leeds looked after children rate per 10,000 has reduced significantly over the last 6 years. At the 31st March 2012 Leeds had a higher CLA rate per 10,000 than any of its statistical neighbours and of the 7 other English core cities. Leeds' Turning the Curve (TtC) programme commenced October 2011 and work on the TtC programme coincided with consistent and significant reductions in the overall CLA population for Leeds together with a substantial reduction in the number of very

expensive external residential placements and independent fostering agency placements. The CLA rate per 10,000 in Leeds has continued to reduce year on year and is now below the core city average and on a par with our statistical neighbours. The reductions in CLA have been achieved in the context of significant demographic growth in Leeds, particularly in the more deprived areas of the city. As well as demographic pressures there has also been a notable increase in costs, especially in externally commissioned residential placements.

- 1.6 During 2017/18 CLA numbers reduced in the early part of the year but subsequently have increased. The Directorate is currently undertaking a review of services, services alignment and management arrangements in order to consider how the Directorate can work differently to improve outcomes in Leeds. The innovations funding through the Partner in Practice programme has also enabled additional investment in new initiatives around early intervention, staff development and the adolescent service which are all targeted at meeting the challenge around CLA.
- 1.7 The 2018/19 budget proposals ensure ongoing budget provision to support the CYPP, maximise the investment from the DfE funded Partner in Practice grant, protect frontline services and provide a realistic and appropriate level of budget provision for demand-led services to meet current and anticipated demands. The detailed proposals are outlined below but these proposals include additional resources to address the key budget pressures including the demand-led pressures and loss of specific grant funding.

2 **Budget Proposals**

- 2.1 This 2018/19 budget has been set at £121,527k representing a net increase of £8,699k (7.7%) when compared to the adjusted budget for 2017/18. This net increase comprises a number of pressures totalling £13,716k offset by savings of £5,017k which are explained below.

2.2 **Budget Adjustments and Transfers**

- 2.2.1 There have been a number of service transfers and other budget adjustments which are reflected in the 2018/19 budget. Overall there has been a net transfer of budget from Children and Families of £2,412k.
- 2.2.2 Recharges between services are often seen as not only being divisive, and lead to protracted disputes after the work has been done, but often they are seen as an impediment to service delivery. Therefore as a continuation of the process of reducing the number of recharges between services the 2018/19 budget submission reflects the transfer of budgetary provision of £2,502k to the Resources and Housing Directorate in respect of Legal Services.

- 2.2.3 There has been a transfer of £129k from Resources and Housing to Childrens and Families for specialist administration staff who have transferred back to the Directorate. Other transfers out of the Directorate include the budget for payments to Voluntary Action Leeds of £81k which has been transferred to Communities and Environment.
- 2.2.4 Other adjustments total a net £38k and comprises minor adjustments on staffing budgets with other Directorates resulting in a net increase of £63k to Children and Families and a reduction of £25k to the agency staffing budget which will be transferred to Resources and Housing reflecting the change to the way the administration fee is accounted for on the new contract.
- 2.3 **Changes in prices – pressure of £2,013k**
- 2.3.1 The budget includes provision of £1,794k reflecting the National Employers' two year pay offer made in December 2017. For 2018/19 this offer was for a 2% increase for spinal column points (SCP) 20 and above, with increases greater than 2% for SCP 6 to 19. In addition it also provides £2k for the adoption of the Living Wage Foundation's recommended minimum hourly rate. This will see a rise for Leeds City Council employees from the current minimum hourly rate of £8.25/hour to £8.75/hour. The transport budget has been increased by £107k reflecting the anticipated impact of inflation on costs recharged by the Passenger Transport service.
- 2.3.2 No provision has been made for inflation on running cost budgets other than where there are specific contractual commitments and on utilities. The main provision for price inflation is £400k for externally commissioned placements and £70k for the increase in National Non Domestic Rates.
- 2.3.3 Offsetting the above is anticipated additional income of £360k from increases in prices and charges which includes recovery of the additional pay costs in 2018/19.
- 2.4 **Actuarial Review – pressure of £190k**
- 2.4.1 A review of the West Yorkshire Pension Fund has been undertaken in the autumn of 2017. The Actuary has confirmed that the figures advised to the Council in the last triennial review. As a result of this the rate provided for will increase from the current 15.6% to 15.9% in 2018/19. This increase is estimated to cost £190k
- 2.5 **Capitalised Pension Costs £232k**
- 2.5.1 Provision of £232k has been included to increase the capitalised pension budget.
- 2.6 **National Living Wage Commissioned Services £590k**

2.6.1 Provision of £590k has been included for the impact of the increase in the national living wage on commissioned services, mainly for externally commissioned placements.

2.7 Demand and Demography £4,000k

2.7.1 These budget proposals include an increase to the CLA and financially supported non CLA budgets of £4,000k. This takes into account the current level of supported children with only a small reduction in numbers anticipated in 2018/19 equivalent to a 1.5% reduction in overall CLA numbers over the year. This additional funding is on top of the increase of £3,000k to the CLA budget included in the 2017/18 budget. Through the additional Partner in Practice funding the Directorate now has in place additional investment in services, service improvement and staffing including an intensive professional development programme, which should mean this small assumed reduction in CLA numbers is achievable.

2.7.2 In addition, a further £900k of additional budget has been provided for the CLA budget for inflation and national living wage pressures making a total increase to the CLA and financially supported non-CLA budgets of £4,900k.

2.8 Specific Grant Funding Changes £4,665k

2.8.1 The Education Service Grant ceased to be paid in August 2017 with a net full year loss of grant of £2,165k, the 2018/19 budget allows for this loss of grant funding.

2.8.2 The 2017/18 budget assumed the use of £2,500k from the new Partner in Practice grant programme approved in 2016/17. This was a one off contribution in 2017/18 so the income has been removed in the proposed 2018/19 budget.

2.9 Other budget pressures –£2,025k

2.9.1 An additional £600k has been included in the Early Years budget to replace the one-off funding used in 2017/18 from school led child centre surplus balances. The income target for children centre fee income has also been reduced by £350k.

2.9.2 The 2017/18 budget included a saving target of £0.9m on commissioned activities. This has mostly been achieved but there has been a shortfall in savings of £250k and this is reflected in the 2018/19 budget.

2.9.3 The contribution from Public Health to Family Services has been reduced by £219k in 2018/19. The 2018/19 budget proposals reflects this pressure although savings in the service have been proposed to offset this loss in funding.

2.9.4 Other funded pressures include £100k for a contribution from Children and Families to SILCs (Specialist Inclusion Learning Centres) to help fund the cost of 5 day provision, £100k increase to the net cost of the activity centres reflecting the extent of the core service provided at the centres and £180k for the cost of the teenage pregnancy and prevention team that provides educational support to pregnant teenagers which was previously funded through the Dedicated Schools Grant (DSG). There is also a proposal to fund this from the Partners in Practice funding in 2018/19. It is also proposed to reduce the income budget for fee income received by Children's Centres by £350k in part recognition of the shortfall in income experienced in 2017/18. Other minor pressure funded in these proposals amount to £226k.

2.10 **Savings**

2.11 **Efficiencies – £2,097k.**

2.11.1 The Directorate is currently carrying out a number of service reviews which include reviewing current management arrangements and structures. Efficiency savings of £1,273k are anticipated. Most of the reviews are now progressing to initial consultation with staff and Trade Unions.

2.11.2 Efficiency savings include £250k on the transport budget, partly reflecting this year's trend and through joint working with Civic Enterprise Leeds to examine opportunities to reduce costs against the total budget of over £14m.

2.11.3 It is proposed to reduce the Family Services budget by £250k to offset the loss of Public Health funding. This is to be achieved across the centres largely through reductions in management costs and through current vacancies.

2.11.4 The 2018/19 budget assumes a reduction in spend on Independent Support Workers of £250k. This is in line with the projected spend for 2017/18.

2.11.5 Other efficiency savings include £50k of anticipated savings from increased recovery of direct payments overpayments and £24k in insurance charges.

2.12 **Service Changes - £300k**

2.12.1 A saving of £300k is included on commissioned services. A number of reviews of existing commissioned services are currently being progressed.

2.13 **Income – Fees and Charges £40k**

2.13.1 The charge to the Housing Revenue Account for the Signpost service

has been increased by £40k to cover the cost of the anticipated pay award.

2.14 Income – Traded Services and Other £2,580k

- 2.14.1 The Government introduced a new grant in September 2017; the School Improvement and Brokerage grant. It is expected that this will continue to be paid in 2018/19 and based on the 2017/18 funding an additional £700k is projected for 2018/19.
- 2.14.2 Additional income of £350k is anticipated from Adel Beck and £100k from the Safeguarding Protection Team.
- 2.14.3 Reductions to current provisions for PFI contract payments and bad debts is expected to save £300k in 2018/19.
- 2.14.4 Additional Dedicated Schools Grant of £500k is anticipated, primarily to help offset the increased costs of education for children in external placements.
- 2.14.5 In 2018/19 it is proposed that Partner in Practice improvement grant of £180k is used to fund the cost of the Teenage Pregnancy and Prevention Team which was previously funded through the Dedicated Schools Grant (DSG).
- 2.14.6 An increase in Unaccompanied Asylum Seekers Grant of £350k is anticipated in 2018/19 and an increase in improvement partner income of £100k has also been included in the budget proposals, primarily arising from the partner work with Kirklees Council.

4 Risk Assessment

- 4.1 In determining the 2018/19 budget consideration has been given to all the risks which are managed within the Directorate's overall risk management framework. Within this framework, a register of those items considered carrying the highest risk and therefore requiring careful and regular monitoring has been prepared. The key risks in the 2018/19 budget for Children and Families are:
- 4.2 Leeds is growing as a city and as well as rising birth rates more families are choosing to live and work here. It is projected that the number of children & young people will continue to increase in Leeds over the next few years.
- 4.3 This increasing demographic brings with it an increasing number of children with special and very complex needs. This impacts in particular on the Children and Families placements budget for Children Looked After, financially supported Non-CLA and on the transport budget. As already mentioned in the report these budget proposals provide for an increase of £4.9m for the budgets for supported children. Based on

current and expected demand, the transport budget has not been increased for 2018/19 as it was increased significantly in 2017/18 and in year spend is expected to be within budget.

- 4.4 These pressures have also impacted on the High Needs budget in 2016/17 and 2017/18 which is funded by the Dedicated Schools Grant (DSG). There was an overall overspend on the general DSG of £4.1m in 2016/17 and a projected overspend of £0.9m in 2017/18 with some of these pressures expected to recur in 2018/19. Although this budget sits outside the Children and Families budget, decisions on spend are made by the Council. Schools and School Forum have been consulted on options to balance the High Needs budget in 2018/19 and to reduce the deficit balance from previous years. Any Council decisions required will be made in February or March 2018. Schools Forum approval is also required to carry forward any deficit on the DSG. Whilst Schools Forum is aware and is supportive of this there is a risk that ultimately a deficit on the DSG could become a liability to the Council.
- 4.5 The Directorate's proposed budget includes additional income from partners and from other sources. There is a risk that not all the additional income will be secured, although the budget proposals do include reductions to some income targets and funds the loss of known reductions in grant income.
- 4.6 Other saving proposals depend on the implementation of a number of action plans. The service reviews are currently being progressed but there is a risk that implementation takes longer than anticipated.

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Directorate - Children and Families

	2018/19 £m	FTEs
Net managed budget 2017/18	115.26	
Adjustments		
Transfers of function	0.13	
Other adjustments	(2.54)	
Adjusted net managed budget	112.84	
Budget Pressures:		
Inflation		
Pay	1.80	
Price	0.40	
Additional Inflation allocated from Passenger Transport	0.11	
National Non Domestic Rates increase	0.07	
Income	(0.36)	
Employers Pension	0.19	
Capitalised Pensions	0.23	
National Living Wage - commissioned services	0.59	
Demographic and demand pressures		
Children Looked After and financially supported Non-CLA budgets	4.00	
Grant Fallout		
Education Services Grant - net loss of income following the ending of the grant	2.17	
DfE Grant fall out	2.50	
Other		
Fall out of use of School led Child Centre balances	0.60	
Commissioned Activities	0.25	
Public Health contribution towards Children's Centres	0.22	
Children's Centres Fee income	0.35	
SILC 5 day provision funding pressure	0.10	
Traded Services	0.08	
Activity Centres - core offer	0.10	
Teenage Pregnancy and Prevention Team - previously DSG funded.	0.18	
Other Minor Pressures	0.13	
Total Pressures	13.70	0.0
Savings Proposals:		
Efficiencies		
SEN Transport saving	(0.25)	
Children & Families service reviews	(1.27)	(32.0)
Direct Payments recovery of overpayments	(0.05)	
Family Services (Early Years)	(0.25)	
ISW (Independent Support Workers) reduced spend	(0.25)	
Insurance saving	(0.02)	
Service Changes		
Commissioning reviews	(0.30)	
Income - Fees & Charges		
Recharge to the Housing Revenue Account re Signpost service	(0.04)	
Income - Traded Services, Partner Income		
Adel Beck	(0.35)	
Safeguarding Protection Team	(0.10)	
Grants and Other Income		
School Improvement Grant	(0.70)	
Reduction to PFI & Bad Debt provisions	(0.30)	
Additional Dedicated Schools Grant funding (ER Placements / Teachers severance)	(0.50)	
Funding for the Teenage Pregnancy and Prevention Team	(0.18)	
Unaccompanied Asylum Seekers Children Grant	(0.35)	
Additional DfE Improvement Partner Income	(0.10)	
Total Savings	(5.02)	(32.0)
Net Managed Budget 201819	121.53	(32.0)

Children and Families

Proposal	Options considered and justification for proposal	Risks	Consultation undertaken	Summary of equality Impact assessment	Expected decision date	2018/19 Budget Amount £	Decision Maker
Staffing savings arising from a number of service reviews	The review of current structures, management arrangements and staffing is considered necessary in order to improve the outcomes for children and services across the directorate	The proposed changes to structures and staffing arrangements do create some uncertainty for affected staff. Consultation and implementation will be managed through a restorative approach. There is a risk that implementation is delayed reducing the saving in 18/19.	Staff and TU consultations are ongoing	To be completed as part of the DDN report	February/ March 2018	£1,173k	Director Children and Families
Family Services – Early years	Reduction in overall funding to be achieved largely through savings on management costs across the centres and through current vacancies.		Staff and TU consultations are ongoing	To be completed as part of the DDN report	February/ March 2018	£250k	Director Children and Families

LEEDS CITY COUNCIL 2018/19 BUDGET REPORT

Directorate: Children and Families

The Schools Budget 2018/19

1. The schools budget is funded by the Dedicated Schools Grant (DSG). The DSG is a ring-fenced grant and may only be applied to meet costs that fall within the schools budget. Any under or over spend of grant from one year must be carried forward and applied to the schools budget in future years.
2. The Dedicated Schools Grant (DSG) for 2018/19 will now be funded in four separate blocks for early years, high needs, schools and central schools services.
3. A new National Funding Formula (NFF) will be implemented from April 2018 for high needs, schools and central schools services. The schools formula will be “soft” in 2018/19 and 2019/20 which means that local authorities will continue to set local formulae for schools as a transitional arrangement until full implementation of the NFF in 2020/2021.
4. The early years block will fund 15 hours per week of free early education for 3 and 4 year olds and the early education of eligible vulnerable 2 year olds. From September 2017, there is an additional 15 hours per week provision for working families of 3 and 4 year old children. The per-pupil units of funding have remained the same at £4,659.50 per full time equivalent for 3 and 4 year olds and £4,940. Per full time equivalent for 2 year olds. The grant received will continue to be based on participation. The actual grant received during 2018/19 depends on pupil numbers in the 2018 and 2019 January censuses. The early years pupil premium is now included in this calculation and is payable to providers for eligible 3 and 4 year olds at the rate of £0.53 per child per hour. The grant value shown below is based on the projected pupil numbers in January 2018.
5. The high needs block will support places and top-up funding in special schools, resourced provision in mainstream schools and alternative provision; top-up funding for early years, primary, secondary, post-16 and out of authority provision; central SEN support and hospital & home education. A grant allocation was issued in December 2017, though adjustments to this figure are expected up until May 2018. The high needs block is facing a number of financial pressures and although Leeds is a net gainer under the national funding formula the full benefit of the increase in funding will not be felt for a number of years as there is an annual cap on gains. Children and Families directorate have led a review of the high needs block which has included consultation with partners on options to bring spend back in line with the available funding. These options include transferring funding from the schools block and the central schools services block which have been consulted on with schools and supported by Schools Forum.
6. The schools block funds the delegated budgets of primary and secondary schools for pupils in reception to year 11. The grant for 2018/19 is based on pupil

numbers (including those in academies and free schools) as at October 2017. Schools have been consulted on options for the local formula in 2018/19. The 2017/18 latest estimate has been adjusted for the central school services block as detailed below to enable a like for like comparison. The results of the consultation have been reported to Schools Forum to enable further discussion with a final decision being made by the Director of Children and Families in early 2018.

7. As part of the NFF, the central school services block (CSSB) has been created from the schools block of DSG funding that is held centrally by the local authority for central services. A baseline exercise was carried out to assess the 2017/18 funding in respect of this which identified an amount of £5.00m which has been included in the table below to enable a like for like comparison. This includes the funding which was previously delivered through the retained duties element of the ESG along with previously reported ongoing responsibilities and historic commitments. The allocation for 2018/19 was issued in December 2017 at £5.17m.
8. The guidance for 2018/19 allows for funding to be moved within these blocks. Several movements to transfer funding to meet need have been agreed or supported by Schools Forum as detailed below:-

	Schools £m	CSSB £m	High Needs £m
Transfer from Schools to High Needs	-2.00		2.00
Transfer from CSSB to High Needs		-0.50	0.50
Transfer from Schools to CSSB for new costs	-0.50	0.50	
	<u>-2.50</u>	<u>0.00</u>	<u>2.50</u>

9. Funding for post-16 provision is allocated by the ESFA and no changes to the formula are expected for 2018/19. Funding for 2018/19 will be based on 2017/18 lagged student numbers.
10. Pupil Premium grant is paid to schools and academies based on the number of eligible Reception to year 11 pupils on the school's roll in January each year. The rates for 2018/19 are expected to remain at: primary £1,320 and secondary £935 for each pupil registered as eligible for free school meals (FSM) at any point in the last 6 years, and £300 for children of service families. The pupil premium plus rate for children looked after and children who have ceased to be looked after by a local authority because of adoption, a special guardianship order, a child arrangements order or a residence order will increase from £1,900 to £2,300.
11. The Primary PE grant will be paid in the 2017/18 academic year to all primary schools at a rate of £16,000 plus £10 per pupil.
12. For the year 7 catch up grant in 2017/18, funding is allocated to schools on the basis that they receive the same overall amount of year 7 catch-up premium funding received in 2016/17. It will be adjusted to reflect the percentage change

in the size of their year 7 cohort, based on the October 2017 census. It is assumed that the 2018/19 grant will be on the same basis and so dependent on the October 2018 census information.

13. A grant for the universal provision of free school meals for all pupils in reception, year 1 and year 2 was introduced in September 2014. Funding for the 2017/18 academic year is based on a rate of £2.30 per meal taken by eligible pupils, giving an annual value of £437. Data from the October and January censuses will be used to calculate the allocations for the academic year.
14. The Education Services Grant (ESG) ceased at the end of August 2017. ESG funding for retained duties has transferred to the DSG from April 2017. Schools Forum previously agreed that this funding could be passported to the Local Authority. Approval for this for 2018/19 was confirmed at Schools Forum in January 2018.

Schools Funding Summary

15. The grants before ESFA deductions (e.g. for payments to academies) and transfers between blocks for 2017/18 (latest estimate) and 2018/19 are shown in the following table. Some of the amounts for 2018/19 are subject to final confirmation.

	2017/18 £m	2018/19 £m	Change £m
DSG - Schools Block	477.07	498.97	21.90
DSG - Central Schools Services Block	5.00	5.17	0.17
DSG - High Needs Block	62.65	66.84	4.19
DSG - Early Years Block	53.98	55.37	1.39
ESFA Post 16 Funding	31.54	31.33	-0.21
Pupil Premium Grant	42.28	42.94	0.66
PE & Sports Grant	3.36	4.26	0.90
Year 7 Catch-up Grant	0.87	0.87	0.00
Universal Infant Free School Meals Grant	8.87	8.58	-0.29
	<u>685.62</u>	<u>714.33</u>	<u>28.71</u>

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