

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Lead Member for Children's Services		
Date:	17 January 2019		
Title:	2019/20 Revenue Budget Report for Children's Services		
Report From:	Director of Children's Services and Deputy Chief Executive and Director of Corporate Resources		
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1. Recommendation(s)

To approve for submission to the Leader and the Cabinet:

- 1.1. The revised revenue budget for 2018/19 as set out in Appendix 1.
- 1.2. The summary revenue budget for 2019/20 as set out in Appendix 1.
- 1.3. Changes to the local school funding formula for 2019/20, as set out in paragraph 8.15.

2. Executive Summary

- 2.1. The purpose of this report is to set out proposals for the 2019/20 budget for Children's Services in accordance with the Council's Medium Term Financial Strategy (MTFS) approved by the County Council in September 2018.
- 2.2. The deliberate strategy that the County Council has followed to date for dealing with grant reductions and the removal of funding that was historically provided to cover inflation, coupled with continued demand pressures over the last decade is well documented. It involves planning ahead of time, through a two-yearly cycle, releasing resources in advance of need and using those resources to help fund transformational change.
- 2.3. This strategy has served the County Council, and more particularly its services and community well, as it has delivered transformation programmes on time and on budget allowing maximum planning time and minimising disruption. Put simply, it is an approach that has ensured Hampshire County Council has continued to avoid the worst effects of funding reductions that have started to blight other local authorities.
- 2.4. In line with this financial strategy there were no new savings proposals presented as part of the 2018/19 budget setting process and the budget was balanced through the use of the Grant Equalisation Reserve (GER). Targets for 2019/20 based on a reduction of approaching 19% in cash limited spend, were approved by the County Council in July 2016 as part of the MTFS to

2020. Proposals to meet these targets were approved by Executive Members, Cabinet and County Council in October and November 2017 and are being implemented through the Transformation to 2019 (Tt2019) Programme.

- 2.5. The report also provides an update on the financial position for the current year. Overall the outturn forecast for the Department for 2018/19 is a budget over spend of £11.6m on the schools budget, largely due to high needs, as reported to School's Forum in December. In addition, there is an over spend of £1.8m on the non-schools budget as reported for the end of September, after agreed additional corporate funding. The over spend on the non-schools budget will be offset by departmental cost of change funding in order to effectively balance that element of the budget.
- 2.6. An additional funding allocation for the high needs block was announced by the DfE in December. For Hampshire this allocation was almost £3m for each of the next 2 years. In addition, School's Forum agreed in December to repeat the 0.5% transfer into high needs from the school's block to support this area of significant pressure.
- 2.7. The proposed budget for 2019/20 analysed by service is shown in Appendix 1.
- 2.8. This report seeks approval for submission to the Leader and Cabinet of the revised budget for 2018/19 and detailed service budgets for 2019/20 for Children's Services. The report has been prepared in consultation with the Executive Member and will be reviewed by the Children and Young People Select Committee. It will be reported to the Leader and Cabinet on 1 February 2019 to make final recommendations to County Council on 14 February 2019.

3. Context and Priorities

- 3.1. The current financial strategy which the County Council operates works on the basis of a two year cycle of delivering change to release resources and close the anticipated budget gap. This provides the time and capacity to properly deliver major transformation programmes every two years, with deficits in the intervening years being met from the Grant Equalisation Reserve (GER) and with any early delivery of resources retained by departments to use for cost of change purposes or to cash flow delivery and offset service pressures. The model has served the authority well.
- 3.2. The County Council's strategy placed it in a very strong position to produce a 'steady state' budget for 2018/19 and safely implement the next phase of changes through the Transformation to 2019 (Tt2019) Programme to deliver savings totalling £140m.
- 3.3. The Tt2019 Programme is progressing well and to plan, but it is clear that bridging a further gap of £140m is extremely difficult and will take longer to achieve in order to avoid service disruption. The Chief Executive's report entitled Transformation to 2019 – Report No. 5 was presented to Cabinet in December 2018 and outlined the positive progress being made.
- 3.4. The anticipated delay in the delivery of some elements of the programme has been factored into our medium term planning to ensure that sufficient one-off

funding exists both corporately and within departments to meet any potential gap over the period. Taking up to four years to safely deliver service changes rather than being driven to deliver within the two year financial target requires the careful use of reserves as part of our overall financial strategy and further emphasises the value of our reserves strategy.

- 3.5. Budget setting for 2019/20 will therefore be different in that the majority of decisions in respect of major changes to the budget were taken early. However other factors will still affect the budget, such as council tax decisions and inflation, but these will not be as significant as the transformation programme that has already been put in place.
- 3.6. The MTFs approved by the County Council in September 2018 flagged that the expectation was for minimal change to the provisional Local Government Finance Settlement for 2019/20, the final year of the Comprehensive Spending Review (CSR). However, it was acknowledged that the Budget in the autumn could potentially contain some additional information that could impact our planning assumptions.
- 3.7. In overall terms, the announcements in the Budget had very little impact on the revenue position reported in the MTFs, although there were some welcome announcements in respect of one off additional funding for both adults' and children's social care and for highways. Although this funding falls far short of the amount required and is only one off, it does however signal that some of the pressures on local government are being recognised by the Treasury and the hope is that this will feed through to further changes within next year's CSR.
- 3.8. The provisional Local Government Settlement announced on 13 December confirmed the grant figures for 2019/20 broadly in line with the four year settlement and there has been no change to the council tax thresholds, with the exception of the police precept. The other key elements of the provisional settlement were:
 - The County Council's Revenue Support Grant (RSG) was reduced to zero in 2019/20 as part of the original four year settlement. On top of this a further £1.6m was lost as a result of 'negative RSG' which reduced the top up grant from business rates. The Government has announced that there will be no 'negative RSG' in 2019/20 and this therefore represents a benefit of £1.6m to the County Council next year.
 - A £180m surplus from the business rates levy account will be distributed pro rata to the Settlement Funding Assessment (SFA) which is a proxy for the relative need of each local authority - the County Council's allocation is £1.8m.
 - The continuation of 100% pilots in Devolution Deal Areas and fifteen 75% business rates retention pilots. Hampshire County Council's bid was unsuccessful but Portsmouth, Southampton and the Isle of Wight have had their existing pilot extended, albeit at a lower retention level (2018/19 was 100% retention).
 - £20m has been added to the settlement to maintain the New Home Bonus (NHB) baseline at 0.4% (only growth in new homes above this

baseline level attract the NHB). Hampshire will receive approaching £4.9m from the NHB and this is already factored into the MTFs for next year.

- The provisional settlement confirmed the allocations of adult social care funding announced in the Budget but the Green Paper for adult social care which was originally due to be published in summer 2018 has been delayed further until next year.

3.9. Children's Services has been developing its service plans and budgets for 2019/20 and future years in keeping with the County Council's priorities and the key issues, challenges and priorities for the Department are set out below.

4. Departmental Challenges and Priorities

4.1. The department's priorities were set out in previous budget review processes and remain as follows:

- Ensure a safe and effective social care system that continues to manage the risks between protecting and caring for the most vulnerable children and providing support to families in need;
- Ensure sufficient capacity to lead, challenge and improve the school system to help ensure improved outcomes for all but particularly more vulnerable groups;
- Tightly target limited resources according to the needs of children whether that be support to children and families or to schools;
- Secure targeted and co-ordinated early help provision where it demonstrably reduces escalation of need;
- Sustain and develop high quality and financially competitive sold services when doing so contributes to our responsibilities to Hampshire;
- Maximise the opportunities to create efficiencies and maintain and enhance services through partnership arrangements.

4.2. These principles have served the Department and the County Council and partners well in shaping the budget review process to meet the transformation programme requirements. The principles provide focus on the essence of the Department's work in terms of its statutory duties to safeguard children and sustaining the role of the local education authority especially with regard to securing the best performance of schools in order that children's optimal outcomes can be achieved. These principles also ensure that a careful strategic approach is taken to future trading opportunities which help maintain capacity and an appropriate contribution to fixed and overheads costs of the Department.

4.3. With regard to the provision of social care services, performance remains one of the strongest nationally although the financial pressures generated by the increases in vulnerable children needing to be 'looked after' continue to dominate our thinking with regard to both service and financial strategies.

- 4.4. In terms of Hampshire's role as an education authority, the other key pillar of the department's strategic direction, the quality of our planning, support and intervention with schools remains high. These strengths are important for the reputation of the County Council as well as the outcomes for the individual children. They are also achieved through a particularly mature and responsive relationship between the School's Forum and the local authority. This relationship remains critical as the Department's and the schools' budgets become further restricted.

The most significant partnership arrangement, aside from the composite arrangement with the Hampshire family of schools, remains the Council's partnership with the Isle of Wight Council for the delivery of children's services. In addition, Children's Services are a Department for Education (DfE) Improvement Advisor, supporting Torbay Council and Buckinghamshire (longer term). As a DfE 'Partner in Practice', Children's Services continue to offer time limited support to the region which includes shorter term improvement work with other authorities.

Children in Care

- 4.5. Both nationally and locally pressures relating to the costs (and numbers) of children looked after continue to grow. A number of high profile child deaths nationally and a mix of other factors such as greater awareness of child sexual exploitation, online child exploitation, county lines and the growth in unaccompanied asylum seekers has led to higher numbers of children in care both nationally and in Hampshire.
- 4.6. The number of children in the care of the local authority is never a static figure. Every week, indeed most days, children are coming into our care but equally as important, children leave our care. Every decision to take a child in to care is carefully considered and there is a 'triple lock' of accountable decision making through social workers, team managers and district managers. Children also leave care most days. Often this is because they have become 18 and are classified as 'care leavers' and will be entitled to ongoing financial and practical support from the local authority. As the number of children in care has grown so have the financial pressures relating to care leavers. Other children are adopted and some, particularly teenagers, return home or go to live with a family member under an arrangement such as a special guardianship order (which still has a cost associated).
- 4.7. At the end of November 2016 there were 1,404 children in care and at November 2017 that had increased by 10% to 1,549. As of September 2018, the number of children in the care had risen to 1,654, a further increase of 6%.
- 4.8. The continued rise in the number of Unaccompanied Asylum Seeking Children (UASC) has contributed to the overall rise in children becoming looked after by Hampshire. There are three groups of unaccompanied asylum seeking children: those who enter the UK illegally, those who enter according to the DUBS1 amendment and Syrian refugees who travel legally to the UK. Hampshire also continues to accept UASC under the National Transfer Scheme, whereby local authorities who have in excess of 0.07% of their child population as UASC, can transfer children to other local authorities. It is of note that some local authorities are slow in offering support to these

children. These children become looked after children and are the responsibility of the Local Authority, but the implications are wide reaching and complex. The table below shows the continued rise in the numbers of UASC and as a percentage of the overall cohort of looked after children:

	Nov-17	Sep-18	% Increase
CLA excl UASC	1,440	1,516	5%
UASC	109	138	26%
Total	1,549	1,654	6%

The funding arrangements for UASC are inadequate, with the cost of care far outstripping the amount funded by central government. Research undertaken by the Association of Directors of Children's Services (ADCS) and our own research, estimates the shortfall to be in the region of 40% of the actual cost per child. Based on our current 138 unaccompanied children, this equates to a shortfall of £2.8m.

- 4.9. In terms of the overall rise in children in care, if the number of new UASC is removed from the September 2018 1,654 figure, then the actual percentage rise is 5%, very much in line with the national figure of 4%. Nationally, demand continues to outstrip the supply of placements, and the costs of placements are still rising significantly.
- 4.10. Given that the national number of children in care has increased incrementally and significantly over the last nine years, it should not be a surprise that nationally as well, demand has outstripped supply and that prices in the independent placements sector have risen. Significant effort and intelligence has been applied to reducing the costs of contracts with the independent sector through Hampshire's placement commissioning team.
- 4.11 This is an area of significant risk to Hampshire with the surrounding cities being major entry points into the UK. In addition, the government funding for those becoming care leavers is reduced further with many having no recourse to public funds which adds to our costs.
- 4.12 The percentage increase in leaving care UASC has been significant over this period as shown in the table below.

	Nov-17	Sep-18	% increase
Numbers:			
Leaving care UASC	68	93	37%
Leaving care non-UASC	562	574	2%
Total leaving care	630	667	6%

- 4.13 Given the pressures nationally, a key strand of work that is ongoing is to safely reduce the number of children in care, through Hampshire's

involvement in the DfE's Partners in Practice programme. The DfE initially selected 7 of the top performing Children's Services departments to look at delivering children's social care services radically differently. This is a four year programme from 2016 - 2020, and Children's Services has embarked on an ambitious programme to redesign the operating model predicated on the following principles:

- Working in multi-disciplinary teams to deliver family focussed interventions to children and families at the time they need it;
- A social work led, integrated, multi-disciplinary service, from the front door through to specialist services;
- Reunifying children home, where it is safe and appropriate to do so, as a central strand of our operating model;
- Children are supported by and within their own family/community wherever possible. Where children do come into care longer term their experience will be life changing for the better.

4.14 This programme significantly expands our work under the previous one year DfE funded innovations programme where we successfully delivered a pilot of a more family oriented set of interventions focused on parenting deficits and the presence of the 'toxic trio' (domestic abuse, parental substance misuse and parental mental health) whilst increasing capacity through the use of volunteers. The numbers of children coming into care plateaued whilst these pilots were in place and our new operating model is predicated on the same approach but on a whole system re-design to have greater impact on effecting change with vulnerable children and families.

4.15 To achieve a significant reduction in the identified teenage cohort of children coming into care, social workers need the capacity to increase the time and interventions they deliver with children and their families. To that end a £6.6m investment in social workers was required and has been previously agreed by Cabinet. Work is well underway to recruit to the additional social work posts.

4.16 However, given the size of the service and the fundamental changes required to the operating model, numbers of children coming into care will not reduce rapidly but over time. The Department therefore anticipates that there will be continuing pressures on CLA numbers and unit costs for children in care as well as for care leavers for some time. These will continue to be closely monitored.

Schools

4.17 Financial pressures on schools continue to grow both at an individual school level and within the overall schools' budget.

4.18 The overall schools' budget is currently in deficit and this deficit will increase again this financial year with School's Forum agreeing for this to be carried forward into the budget for 2019/20. The pressure experienced in Hampshire is reflected in many other authorities and relates predominantly to demand led budgets funding pupils with high levels of additional need, where there are increasing numbers of pupils with Education, Health and Care (EHC) plans; and the result of extending this support for young people up to the age

of 25. Several options are being considered to reduce this pressure and create efficiencies which will go out to wider consultation where necessary before final decision. This consultation could include educational settings, parents and wider stakeholder groups as appropriate. For those options that would require wider consultation an equalities impact assessment will be produced to support any decision reports.

- 4.19 There is a small rise in the number of schools in deficit this year. Reasons for this vary and tailored support is being provided to individual schools facing financial difficulties along with appropriate challenge and intervention where required.
- 4.20 In September 2017, the DfE announced the introduction of a NFF for Schools, High Needs and the Central School Services blocks. The Government's intention remains that individual school budgets should ultimately be set based on a single national formula (a 'hard' funding formula), however, no timescales have been set. The DfE have recently announced that the arrangement where funding for schools will be calculated on a national basis and then passed to the local authority for allocation will continue for a further year to include 2020/21.
- 4.21 Following consultation with all schools, School's Forum made the decision to align the Hampshire formula with the National Funding Formula (NFF) as far as possible with proportional reductions to unit values to ensure affordability. This approach has enabled stability with a similar approach being adopted for 2019/20. A four week consultation was undertaken with all schools to seek views on a transfer of funding from the schools block to the high needs block to help meet pressures as a result of rising demand and to protect vulnerable children. A 0.5% transfer from the schools' block to the high needs block was agreed at School's Forum in December 2018.

5 2018/19 Revenue Budget

- 5.1 The cash limited budget for 2018/19 included the early achievement of Tt2019 proposals of £2.7m during the year. This and any further early delivery achieved during the year can be transferred to cost of change reserves and used to fund future transformational change or to cash flow delivery and offset service pressures.
- 5.2 Enhanced financial resilience reporting, which looks not only at the regular financial reporting but also at potential pressures in the system and the achievement of savings being delivered through transformation, has continued through periodic reports to the Corporate Management Team (CMT) and to Cabinet.
- 5.3 The expected outturn forecast for 2018/19 is a budget over spend of £11.6m on the schools budget, as reported to School's Forum in December, where the majority relates to high needs. There is also an over spend of £1.8m on the non-schools budget as reported for the end of September 2018, after receipt of the agreed corporate funding. The over spend on the non-schools budget is planned to be offset by funding from the cost of change reserve to effectively balance this budget.

- 5.4 The underlying pressure on the non-schools budget before the agreed corporate funding primarily relates to growth in CLA, including UASC.
- 5.5 There has been significant focus on CLA numbers and costs over recent years and trends for average costs, numbers and the mix of placement type have been tracked. Based on this analysis and tracking, additional corporate support has been agreed to address the pressures arising from this growth, originally using a base-line of December 2016, with a further financial modelling exercise being undertaken in April 2018, which led to increased corporate support.
- 5.6 The agreed increase in UASC has impacted on numbers in care. Costs relating to UASC placements are reclaimed from the Home Office, although a cap is applied, which means that the full costs are not necessarily recovered, see paragraph 4.8.
- 5.7 Other challenges faced by the Department relate to the supply of qualified social workers and an increase in the numbers of care leavers.
- 5.8 Further corporate support has been agreed to help alleviate the pressures being felt in these areas, which is already accounted for in the forecast pressure noted above.
- 5.9 Minimising the forecast pressure above relies on the success of a series of management actions. Children's Services have, for a long time only authorised essential spend. Such messages are being and will be continuously reinforced by senior managers.
- 5.10 As reported to Cabinet in October, the projections used to baseline corporate funding were based on a wide range of assumptions and predictions and given the volatile nature of these areas, a requirement to continue to monitor activity and spend closely was recognised.
- 5.11 As previously reported, the cost of change within Children's Services will be close to being exhausted before the end of the financial year.
- 5.12 In the schools' budget, the latest position as reported to School's Forum in December is an expected over spend of £11.6m in 2018/19. There are significant pressures in the High Needs Block, driven by increases in demand and complexity of need. There are significant overspends in a number of top-up funding budgets, particularly placement costs for pupils in Independent and Non-maintained Special School placements.
- 5.13 An additional funding allocation was announced by the DfE in December and a transfer of funds equating to 0.5% of the Schools Block has been agreed by School's Forum to help meet these pressures in 2019/20. Several options are also being considered to reduce this pressure going forward.
- 5.14 The budget for Children's Services has been updated throughout the year and the revised budget is shown in Appendix 1.

6 2019/20 Revenue Budget Pressures and Initiatives

- 6.1 There are significant areas of pressure within the Children's Services budget.
- 6.2 The most volatile pressure relates to CLA, both in numbers and also in type. The department is monitoring this position very carefully and many of the

Tt2019 actions, most notably the work to reduce the numbers of CLA after are aimed at reducing the financial risks around the need to make appropriate provision for this vulnerable group of children and young people.

- 6.3 The costs of agency social workers to cover for the short supply of qualified social workers are creating additional pressures. Agency recruitment is subject to approval at senior level and action is being taken to ensure that the use of agency staff is kept to an absolute minimum. Corporate support has been agreed in order to increase the number of social workers which will lead to a reduced caseload for teams. The outcome of this is to ensure that we retain our social workers and avoid the further use of agency staff. Various recruitment and alternative pathways to social work careers are being promoted. A Graduate Trainee Scheme to recruit social workers has been introduced and is progressing well, however, only a gradual reduction in agency social workers is planned as a result of this, to ensure that experienced staff are on hand to fully support the newly qualified staff. It is anticipated that the use of agency social workers will reduce later in 2019. The new Hampshire Agency, which is looking to address the resource issues over the longer term, should also improve the quality of those agency social workers we do use.

7 2019/20 Revenue Savings Proposals

- 7.1 The Department was given a savings target for 2019/20 of £30.1m which was approved by the County Council in July 2016 as part of the MTFs to 2020. Proposals to meet these targets were approved by Executive Members, Cabinet and County Council in October and November 2017 and have been developed through the Tt2019 Programme.
- 7.2 During the last year, the Department has been progressing the implementation of these proposals, which have been subject to regular reporting to Cabinet and CMT. It is now anticipated that full year savings of £14.7m will be achieved in 2019/20. The remaining target has been phased over an additional two years and is funded by corporate cash flow.
- 7.3 The main elements of the phased savings plan relate to:
- £14.5m Transforming Social Care
 - £613,000 Home to School Transport
 - £350,000 Future Working
- 7.4 As Children's Services continues to experience growth in demand, transforming these key front line services is notoriously difficult and requires extra time for changes to be safely implemented without significant disruption to service users and their families.
- 7.5 Corporate financial support has already been factored in, both in year and continuing into 2019/20 to accommodate known cost pressures in terms of CLA and Home to School Transport (HTST). Containing and then reducing demand and thus cost in these two key areas is especially difficult, and whilst work programmes have been robustly planned a number of risks exist that need to be relentlessly managed. These include attracting and maintaining a higher number of social workers with an overall resource increase of 120

being targeted over the next 1 - 2 years. The rurality of Hampshire does mean that our HTST costs will be significant. The cost of mainstream home to school transport (on a per pupil basis) was £62 for Hampshire compared with only £6 in Portsmouth and £12 in Southampton. The increase in high needs in young people will also significantly impact HTST costs.

- 7.6 Nationally, there is growing recognition that children's services are facing financial difficulties, and therefore safely removing £30m from the service, even over an extended four year programme period is especially difficult. Alongside demand challenges, the Department has also been managing or working with partners through a range of other key risks including Continuing Health Care funding with the NHS, the increasing budget challenges being faced by schools, the transition to a new IT Case Management system and Ofsted inspections this year that covered both Hampshire and the Isle of Wight.
- 7.7 Rigorous monitoring of the delivery of the programme will continue during 2019/20, to ensure that the Department is able to stay within its cash limited budget as set out in this report.
- 7.8 This early action in developing and implementing the savings programme for 2019/20 means that the County Council is in a strong position for setting a balanced budget in 2019/20 and that no new savings proposals will be considered as part of the budget setting process for the next financial year.

8 Schools Budget

- 8.1 The latest forecast over spend for schools, as reported to School's Forum in December, is £11.6m in 2018/19. This is mainly due to a forecast overspend of £12.1m on the High Needs Block.
- 8.2 Pressures on the High Needs Block have mainly arisen due to significant increases in the number of pupils with additional needs. This is a pressure that is mirrored nationally and has been seen since the SEND Reforms in 2014. There are also increases in the amount of funding being provided for each pupil on average due to increasing levels of need. Both factors have created pressures on the top-up budgets for mainstream schools, special schools and Further Education (FE) plus significant pressure due to more pupils requiring placements in independent and non-maintained special schools.
- 8.3 The pressures on the High Needs budgets provide significant cause for concern for the current year's budget and future budget planning. This is a very similar picture to many other Local Authorities. Actions are being taken to address the pressures, however these are demand-led budgets so it is difficult to manage spending where demand is increasing year on year in terms of both volume and cost.
- 8.4 There is also a forecast over spend on the Central Provision for Maintained Schools, relating to redundancy and premature retirement costs for schools' staff which have arisen due to more schools restructuring and making savings.
- 8.5 Any year end over spend is usually met from the Dedicated Schools Grant (DSG) reserve, however the reserve was exhausted last year. The overall

deficit at the end of 2018/19 is expected to be £16.1m. This will be partly offset by the additional £3m high needs funding announced by the DfE in December 2018.

Dedicated Schools Grant (DSG) 2019/20

- 8.6 The DSG is allocated in four notional blocks - Schools Block, Early Years Block, High Needs Block and Central School Services Block. The school funding formula approach is that local authorities set the policies and allocations that are then applied to academies. Initial total notional allocations for 2019/20 have been received, as follows:

Block	£'000
Schools	752,301
Early Years	77,241
High Needs	115,217
Central School Services	8,275
Total	953,034

- 8.7 The NFF, introduced for the Schools, High Needs and Central School Services blocks in 2018/19, included some transitional elements. These have been unwound for 2019/20, which has resulted in additional funding being received in each of the blocks. The High Needs Block also includes an additional allocation of £3m, which has been provided by the DfE to provide additional support to children and young people with special educational needs and disabilities.

- 8.8 The Pupil Premium level of funding for 2019/20 is detailed in the table below:

Premium	Basis	2019/20 £ per annum
Ever 6 FSM- Primary Schools	Pupils in Year R – 11 eligible for FSM according to the January census, or known to be eligible in any of the previous 6 years census.	£1,320
Ever 6 FSM - Secondary Schools		£935
Looked After (LAC) / Post-LAC	Looked after for 1 day or more, or adopted from care, or has left care under a special guardianship order, a residence order or a child arrangement order.	£2,300
Service Family (Ever 6)	One parent serving/previously served in Armed Forces; one parent died in service and pupil receives relevant	£300

	pension.	
Literacy and numeracy 'catch up'	Year 7 pupils who have failed to reach level 4 in reading and/or maths.	£500
Early Years (3 & 4 year olds)	Looked after for 1 day or more Adopted from care Has left care under a special guardianship order, a residence order or a child arrangement order.	£302

*FSM = Free School Meals

- 8.9 The DfE have confirmed the grant for universal infant free school meals (UIFSM) continues at a meal rate of £2.30 for the 2019 to 2020 academic year.
- 8.10 There is no change to the Music Grant for 2019/20 so this will stay at £1.689m. The Teachers Pay Grant and Free School Meals Supplementary Grant will also continue for financial year 2019/20.
- 8.11 The table below shows how the total schools budget managed by Children's Services is derived:

	2019/20
	£'000
Dedicated Schools Grant (DSG) (incl. in year adjustments)	953,431
Less recoupment (incl. Academies & FE colleges)	(189,203)
Sub-total	764,228
Pupil Premium and other schools grant	62,169
Music Grant	1,689
Total schools budget managed by Children's Services	828,086

- 8.12 The following adjustments have been made to the DSG allocation as set out in paragraph 8.6:
- Recoupment for academies and post 16 education providers (£189.203m).
 - For early years, figures are based on schools and early years census data from January 2018 and will be updated based on January 2019 and January 2020 census data, which is estimated to be an increase of £835,000.
 - A forecast reduction of £438,000 to the high needs allocation for the high needs import / export adjustment, to reflect cross border places.
- 8.13 The proposed budgets to be retained by the local authority are summarised below:

Block	Budget £'000
Schools	568,246
Early Years	78,076
High Needs	109,631
Central School Services	8,275
Total	764,228

- 8.14 On 12 December 2018 School's Forum considered the 2019/20 budget and agreed principles and policies to be applied in determining budget allocations.
- 8.15 There are minimal changes to the NFF for 2019/20, so School's Forum have agreed to the principles used in the 2018/19 local schools funding formula to be applied in 2019/20. This means the local formula will be based on the NFF, but there will be a proportional reduction to unit values to ensure affordability, except for the lump sum and sparsity which will remain at NFF values.
- 8.16 A consultation was undertaken with all mainstream schools regarding a transfer of funding from the Schools Block to the High Needs to help fund pressures. School's Forum considered the feedback in which 26% of primary and secondary schools responded.
- 8.17 The response indicated strong support (93%) for the transfer of funding from the Schools Block to the High Needs block.
- 8.18 School's Forum considered each option, regarding the percentage of the transfer, and decision in detail before drawing any conclusions. They recognised the need to try and make the best decision for all whilst noting that there is insufficient money in the system to achieve any true fairness in funding.
- 8.19 After much discussion, they agreed the 0.5% transfer of funding from the Schools Block to the High Needs Block (supported by 59% of schools who responded to the consultation).
- 8.20 On 16 January 2019 School's Forum will consider 2019/20 budget proposals based on current information. Confirmation of DSG figures to be paid to local authorities net of recoupment for existing academies will be made in March 2019.

9 Budget Summary 2019/20

- 9.1 The budget update report presented to Cabinet in December included provisional cash limit guidelines for each department. The cash limit for Children's Services in that report was £958.7m (£802.1m schools and £156.6m non-schools) which was a £19.6m decrease on the previous year.
- 9.2 At that stage the cash limit guidelines did not include an allowance for the second year of the two year pay award covering the 2018/19 and 2019/20

financial years. However, the required allocations have now been finalised and have been added – full details will be included in the February budget setting report. For Children’s Services this amount is £2.2m and increases the cash limit to £960.9m (£802.1m schools and £158.8m non-schools).

- 9.3 The cash limit has also been increased by £26.0m since the December budget update report to reflect:
- Updated Dedicated Schools grant announcement on 17 December as detailed in section 8 (£26.0m).
- 9.4 Appendix 1 sets out a summary of the proposed budgets for the service activities provided by Children’s Services for 2019/20 and show that these are within the cash limit, including provision for the 2019/20 pay award, set out above.
- 9.5 In addition to these cash limited items there are further budgets which fall under the responsibility of Children’s Services, which are shown in the table below:

	2019/20	
	£'000	£'000
Cash Limited Expenditure	1,067,321	
Less Income (Other than Government Grants)	(80,474)	
Net Cash Limited Expenditure		986,847
Trading Units Net Deficit		1,003
Less Government Grants:		
• Dedicated Schools Grant (DSG)	(764,228)	
• Pupil Premium and Other Schools Grants	(62,169)	
• Music Grant	(1,689)	
• Phonics Grant	(46)	
• Extended Rights to Free Travel	(526)	
• Step up to Social Work	(237)	
• Assessed & Supported Year in Employment	(100)	
• Staying Put	(432)	
• Personal Advisor for Care Leavers to age 25	(57)	
• New Remand Framework Funding	(25)	
• Supporting Troubled Families Programme	(627)	
• Unaccompanied Asylum Seeking Children	(5,122)	
• Partners in Practice	(620)	
• School Improvement Monitoring and Brokering	(1,734)	

Total Government Grants

(837,612)

Total Net Expenditure

150,238

CORPORATE OR LEGAL INFORMATION:**Links to the Strategic Plan**

Hampshire maintains strong and sustainable economic growth and prosperity:	Yes/No
People in Hampshire live safe, healthy and independent lives:	Yes/No
People in Hampshire enjoy a rich and diverse environment:	Yes/No
People in Hampshire enjoy being part of strong, inclusive communities:	Yes/No

Other Significant Links

Links to previous Member decisions:	
<u>Title</u>	<u>Date</u>
Transformation to 2019 – Revenue Savings Proposals (Executive Lead Member for Children’s Services) https://democracy.hants.gov.uk/mgAi.aspx?ID=3767#mgDocuments	20 September 2017
Medium Term Financial Strategy Update and Transformation to 2019 Savings Proposals https://democracy.hants.gov.uk/mgAi.aspx?ID=3194#mgDocuments	Cabinet - 16 October 2017 County Council – 2 November 2017
Looking Ahead - Medium Term Financial Strategy https://democracy.hants.gov.uk/ielssueDetails.aspx?Id=10915&PlanId=0&Opt=3#AI8687	Cabinet - 18 June 2018 County Council – 20 September 2018
Budget Setting and Provisional Cash Limits 2019/20 (Cabinet) http://democracy.hants.gov.uk/documents/s26900/Budget%20Report.pdf	10 December 2018

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

IMPACT ASSESSMENTS:

1. Equality Duty

1.1 The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2 Equalities Impact Assessment:

The budget setting process for 2019/20 does not contain any proposals for major service changes which may have an equalities impact. Proposals for budget and service changes which are part of the Transformation to 2019 Programme were considered in detail as part of the approval process carried out in October and November 2017 and full details of the Equalities Impact Assessments relating to those changes can be found in Appendices 4 to 7 in the October Cabinet report linked below:

<https://democracy.hants.gov.uk/mgAi.aspx?ID=3194#mgDocuments>

2. Impact on Crime and Disorder:

2.1 N/A

Climate Change:

How does what is being proposed impact on our carbon footprint / energy consumption?

N/A

How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

N/A

Budget Summary 2019/20 – Children’s Services Department

Service Activity	Original Budget 2018/19 £'000	Revised Budget 2018/19 £'000	Proposed Budget 2019/20 £'000
Early Years	80,115	76,586	78,076
Individual Schools Budgets	546,797	545,885	557,372
Schools De-delegated Items	2,102	2,098	2,171
Central Provisions Funded Through Maintained Schools Budget Shares	2,250	2,246	2,998
Growth Fund	5,165	5,022	5,705
Schools Block	556,314	555,251	568,246
High Needs Block ISB	30,534	31,762	33,656
Central Provisions Funded Through Maintained Schools Budget Shares	47	47	65
High Needs Top-Up Funding	63,461	62,828	67,129
SEN Support Services	4,808	4,729	5,095
High Needs Support for Inclusion	3,286	3,196	3,097
Hospital Education Service	589	589	589
High Needs	102,725	103,151	109,631
Central Block	8,116	8,116	8,275
Other Schools Grants	59,615	61,147	63,858
Schools Budget	806,885	804,251	828,086
Young Peoples Learning & Development	725	745	772
Adult & Community Learning	389	640	334
Asset Management	86	86	88
Central Support Services	(227)	(218)	(221)
Educational Psychology Service	1,565	1,574	1,712
Home to School Transport	32,180	31,631	31,684
Insurance	39	39	40
Monitoring of National Curriculum Assessment	51	46	46
Parent Partnership, Guidance and Information	203	218	214
Pension Costs (includes existing provisions)	2,600	2,480	2,465
School Improvement	1,634	1,779	1,744
SEN Administration, Assessment, Co- ordination & Monitoring	2,092	2,679	1,729
Statutory/Regulatory Duties	709	730	663

Service Activity	Original Budget 2018/19 £'000	Revised Budget 2018/19 £'000	Proposed Budget 2019/20 £'000
Service Strategy & Other Ed Functions	40,932	41,044	40,164
Management & Support Services – including facilities management and overheads	2,318	2,462	1,955
Early Achievement of Savings	773	2,123	0
Other Education & Community	45,137	47,014	43,225
Services for Young Children	1,595	1,491	1,368
Adoption Services	3,682	3,631	3,777
Asylum Seekers	3,487	4,632	4,932
Education of Children Looked After	125	181	142
Fostering Services	28,034	27,268	22,394
Leaving Care Support Services	5,209	5,539	6,245
Other Children Looked After Services	2,740	3,125	4,623
Residential Care	26,896	26,681	22,151
Special Guardianship Support	2,206	4,133	4,220
Children Looked After	72,379	75,190	68,484
Other Children & Families Services	1,384	1,289	1,357
Direct Payments	1,625	1,856	1,906
Other Support for Disabled Children	241	241	244
Short Breaks (Respite) for Disabled Children	5,504	5,222	3,960
Targeted Family Support	4,539	4,743	3,742
Universal Family Support	42	39	38
Family Support Services	11,951	12,101	9,890
Youth Justice	1,577	1,437	737
Safeguarding & Young Peoples Services	19,564	19,904	23,024
Services for Young People	658	594	642
Management & Support Services – including government grants and legal costs	10,792	11,891	9,912
Early Achievement of Savings	1,882	2,972	0
Non-Distributed Costs	122	122	122
Children's Social Care	121,904	126,991	115,536
Non-Schools Budget	167,041	174,005	158,761
Children's Services	973,926	978,256	986,847