

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member for Children's Services
Date:	12 January 2023
Title:	2023/24 Revenue Budget Report for Children's Services
Report From:	Director of Children's Services

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Section A: Purpose of this Report

1. The purpose of this report is to set out proposals for the 2023/24 budget for Children's Services in accordance with the Councils Medium Term Financial Strategy (MTFS) approved by the County Council in November 2021.

Section B: Recommendation(s)

To approve for submission to the Leader and the Cabinet:

2. The revised revenue budget for 2022/23 as set out in Appendix 1.
3. The summary revenue budget for 2023/24 as set out in Appendix 1
4. Changes to the local schools funding as set out in paragraphs 74 to 80 upon funding announcement.

Section C: Executive Summary

5. This report provides the summary outputs of the detailed budget planning process undertaken by Children's Services for 2023/24 and the revised budget for 2022/23. For the first time in many years, this process has been undertaken in a high inflationary environment, which presents particular challenges in balancing budget certainty for Directorates with levels of affordability for the Council. The budget for Children's Services therefore represents a prudent assessment of the funding level required to deliver services, with additional corporately held risk contingencies playing an important role to mitigate the impact of financial uncertainty on service delivery.
6. The Autumn Statement delivered by the chancellor on 17 November announced significant additional resources for local government through social

care grants and greater Council tax flexibilities, in addition to the usual index linked increases in business rates income. This funding, including the opportunity to increase council tax, provides a partial solution to meeting the Council's budget shortfall. However, the cost pressures facing the County Council have worsened further over the current year, with extra funding required for children's social workers, Home to School Transport and growth in Younger Adults. Substantial budget gaps therefore remain across the MTFS, despite the announced increases in local government funding and SP23 savings factored into Directorate budgets in 2023/24.

7. The Council's new organisational structure, implemented from 1 January 2023, draws a clear distinction between our public facing service Directorates, place shaping activity, and organisation facing enabling functions. This structure places a key focus on the Council's priorities emerging from the Hampshire 2050 Commission of Enquiry, ensures that all enabling functions are centrally managed to facilitate maximum efficiency and effectiveness and ensures that services are delivered in the most coordinated and consistent way possible to maximise value for our residents. As detailed work on later phases of the restructure progresses it is likely that further, more minor changes to budgets may be required and this report therefore represents an interim position that will be fine-tuned during the period to 2023/24.
8. The anticipated delay to delivery of some aspects of the remaining Transformation to 2019 (Tt2019) and Transformation to 2021 (Tt2021) programmes has been factored into our financial planning, and one-off Directorate funding will be provided where required to bridge the forecast savings gap in 2023/24. As of September 2022, £32.2m of Tt2019 and Tt2021 savings have yet to be delivered across the Council, however expected early delivery of Savings Programme to 2023 (SP2023) savings totals £21.5m during the current year. Of the required £80m SP2023 savings, £71m are due to be achieved next year, and plans are in place to deliver the remaining savings by 2024/25. The report discusses the specific issues impacting delivery of the savings programmes for Children's Services in Section H.
9. The report also provides an update on the business as usual financial position for the current year as at the end of October and the outturn forecast for the Directorate for 2022/23 for non-schools is a balanced budget after utilising agreed corporate funding.
10. The forecast for the schools' budget is an overspend of £29.4m. The overspend is largely due to a pressure on the High Needs Block of £33m as reported to School's Forum in October. Hampshire's position is not unlike many authorities around the country. The Department for Education are running two programmes to support local authorities with these pressures. Hampshire is part of the Delivering Better Value programme which is currently working through the issues and potential approaches to address them.
11. The overall Dedicated Schools Grant (DSG) pressure will be added to the cumulative DSG deficit reserve at the end of the year. Based on the current

forecast, this will result in an overall deficit of £89.5m to be funded from future years DSG.

12. The initial gross DSG allocations (before recoupment for academies) confirmed by the DfE in December provided a £34.6m increase of funding for 2023/24. Further additional funding was announced in the Autumn Budget for the Schools and High Needs blocks which will be allocated through an additional grant in 2023/24 and rolled into the DSG allocations from 2024/25. This grant provides a further £39.7m, taking the total increase in funding to £74.3m. The additional funding is required to meet the current needs and will not address the cumulative deficit.
13. The proposed budget for 2023/24 analysed by service is shown in Appendix 1.
14. This report seeks approval for submission to the Leader and Cabinet of the revised budget for 2022/23 and detailed service budgets for 2023/24 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 7 February 2023 to make final recommendations to County Council on 23 February 2023.

Section D: Contextual Information

15. In July 2022, Cabinet received a report updating on the development of the next Medium Term Financial Strategy against a potential budget gap of £180m to £200m to 2025/26. This took account of the expected local government pay award, the impact of rising inflation on contract prices and anticipated regulatory changes, resulting in a significant increase on the £157m budget deficit reported to Cabinet in February 2022.
16. Since that time, the cost pressures facing the County Council have worsened further, with substantial extra funding required for children's social workers, Home to School Transport and growth in Younger Adults. These pressures have arisen due to a combination of sustained increases in demand following the pandemic, surging inflation and labour shortages in both in-house and contracted services. The financial crisis that has recently hit the country, with an extended recession being expected, has also worsened the longer term funding outlook for the sector; with no Fair Funding Review, no new two year deal for local government and the announcement in the Autumn Statement that government spending will grow by just 1% per year in real terms from 2025/26. This is significantly lower than the 9.4% increase provided to local government through the 2021 Spending Review.
17. However, the Government has acted to prioritise Social Care spending to 2025, with additional grant funding provided to support hospital discharges and to help meet the increasing costs of both adults and children's care packages. £1bn additional funding will be distributed through the Better Care Fund and existing Adults Social Care Discharge Fund, to be shared between local authorities and the NHS. A further £1.3bn will be distributed through the

general Social Care Grant and is repurposed funding previously earmarked for implementation of the Adults Social Care charging reforms, which have been delayed until October 2025.

18. Councils will also be permitted to increase Council Tax by a maximum level of 2.99% plus a further 2% for the social care precept. The extended Council Tax flexibilities will remain in place until 2027/28 and could generate an additional £14m - £15m per year for the Council, or around £45m by 2025/26. Current levels of inflation also increase the index linked uplift which Councils receive on business rates income. The September 2022 CPI was 10.2% and if this was applied to our retained business rates and top up grant from the Government this would yield an extra £13m next year after allowing for the downturn in the economy.
19. Setting a budget in a high inflationary environment, which the council has not experienced for many years, presents particular challenges in balancing budget certainty for Directorates with levels of affordability for the Council, given the potential for the position to worsen or improve substantially throughout the year in line with changes in the economic picture. The budget for Children's Services therefore represents a prudent assessment of the funding level required to deliver services, with additional corporately held risk contingencies playing an important role to mitigate the impact of financial uncertainty on service delivery.
20. Directorate budgets have been adjusted to take account of SP23 savings, however substantial budget gaps remain across the MTFs, despite recently announced increases in local government funding. The Directorate will therefore continue to look to improve efficiency wherever possible, driving collaboration across the organisation and with our wider partners, maintaining a focus on process improvement including maximising the benefit of new technologies, and ensuring our operating models and governance arrangements are lean and responsive to the needs of our residents. This will put the Council in the strongest possible position as it looks to a successor savings programme to meet the substantial medium term challenge that the council faces.
21. Central to our focus on continual improvement is the Council's new organisational structure, which draws a clear distinction between our public facing service Directorates, place shaping activity, and organisation facing enabling functions. This structure places a key focus on the Council's priorities emerging from the Hampshire 2050 Commission of Enquiry, ensuring we can deliver a vision for the county which safeguards Hampshire's economy and future prosperity, quality of life, and protects and enhances the character and environment of Hampshire. This is, of course, alongside our fundamental role of ensuring we can continue to deliver services to our most vulnerable residents.
22. As well as delivering management efficiencies, the new structure will ensure that all enabling functions are centrally managed to facilitate maximum efficiency and effectiveness, as well as reducing duplication. Combining the public facing services delivered by the previous Culture, Communities and

Business Services and Economy, Transport and Environment Departments within a new Universal Services Directorate, will ensure that services are delivered in the most coordinated and consistent way possible to maximise value for our residents.

23. The 2022/23 budget has been restated to reflect the revised structure and the 2023/24 budget has been prepared on the new basis. However, as detailed work on later phases of the restructure progresses it is likely that further, more minor changes to budgets may be required to ensure budget allocations accurately match the services and roles aligned to each Directorate. Any budget changes as a result of this further work will be contained within the overall organisational budget guidelines agreed by Cabinet in December 2022, accepting that total budgets for individual Directorates may vary within the overall control total agreed. The figures presented in Appendix 1 therefore represent an interim position that will be fine-tuned during the period to 2023/24.
24. Children's Services has been developing its service plans and budgets for 2023/24 and future years in keeping with the County Council's priorities and the key issues, challenges and priorities for the Directorate are set out below.

Section E: Directorate Challenges and Priorities

25. The Directorate has worked to a set of principles which have guided the successive budget reduction decisions since 2010. These have evolved to reflect the tightening economic circumstances and therefore the ever tighter focus needed in the directorate on its core, statutory business and meeting the needs of the most vulnerable.
26. These principles are:
 - ensure a safe and effective social care system for children;
 - ensure sufficient capacity to lead, challenge and improve the education system to help ensure high quality educational outcomes for all but particularly those experiencing periods of vulnerability ;
 - continue to recognise that our workforce is our strength and that we will further develop and maintain a strong, diverse workforce which is adaptable and flexible, and which has succession planning built in;
 - tightly target limited resources according to the needs of children and families;
 - secure and sustain targeted and co-ordinated early help provision; and
 - maximise the opportunities to create efficiencies and maintain and enhance services through partnership and sold service arrangements.
27. These principles have served the Directorate and the County Council and partners well. They provide focus on the essence of the Directorate's work in

terms of its statutory duties to safeguard children and sustaining the role of the local education authority.

28. Within Children's Services three major issues recur regularly:
- Expenditure on Children's Services in Hampshire is relatively low reflecting funding arrangements for Shire Counties. It also reflects the developing evidence to show that good and outstanding authorities deliver children's social care services at a lower cost to the taxpayer than those which have failed. Hampshire has been rated 'Outstanding' under the current Ofsted framework, with all three underlying categories also outstanding. This award is matched by very few other local authorities in the UK and also demonstrates the financial imperative to maintain high standards of social work practice;
 - The majority of the Directorate's spend is external, primarily relating to the placement costs of Children Looked After (CLA), these costs (or more accurately, prices, continue to increase as supply of placements remains relatively restricted whilst demand rises nationally and locally; and
 - We must deliver our statutory duty to safeguard children.
29. 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 social work interventions and to be 'looked after' continue to dominate our thinking with regard to both service and financial strategies.
30. Children's Services was subject to a full Inspection of Local Authorities Children's Services (ILACS) in 2019. The summary at the front of the report read, 'Children's Services in Hampshire are outstanding. Since the last full inspection in 2014, the director and his leadership team have resolutely focused on continuing to improve the help, care and protection provided to children. Social workers are highly skilled at building meaningful relationships with children; engaging them in their assessment and plans. Children's lives consistently improve as a result of the help they receive. Strong political and corporate support ...have helped the leadership team to implement an ambitious transformation programme.' The significance of the endorsement of the transformation programme is crucial with regards to the savings that have accrued to the council through the directorate's Transformation to 2019 and 2021 Programmes which have, evidentially, also ensured that the right children have been enabled to stay safely at home with their families rather than enter care. Those transformation programmes continue and further SP23 and future savings are predicated on their continued success.
31. In November 2021 Hampshire volunteered to pilot a new Joint Targeted Area Inspection (JTAI). The focus of this inspection was multi agency safeguarding arrangements across all partners, working from initial contact through to a Child Protection decision. The inspection involved inspectors from Ofsted, CQC (Care Quality Commission) and HMICFRS (Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services). It is worth noting the inspection

was rooted in children's safeguarding and fully tested Hampshire's safeguarding thresholds, alongside testing the front door process within the Multi Agency Safeguarding Hub (MASH). The partnership received a very positive outcome letter following this visit.

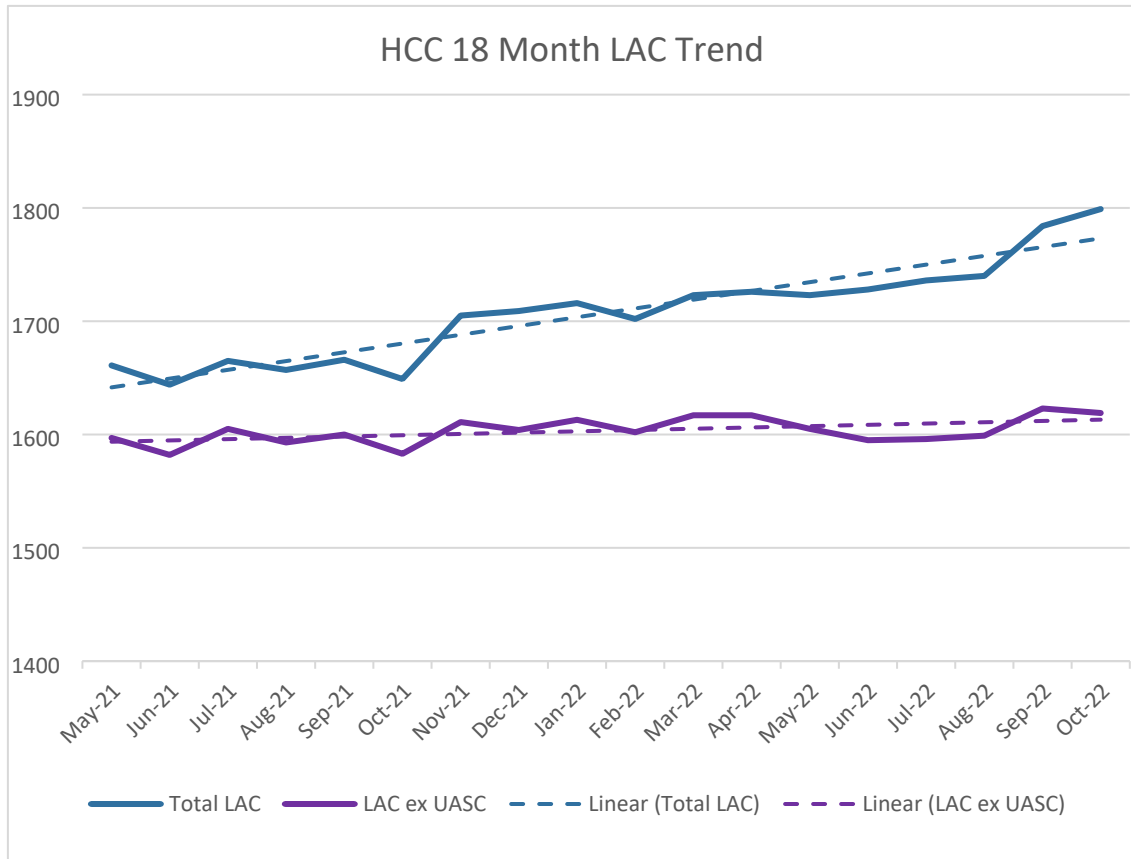
32. In terms of Hampshire's role as an education authority, the other key pillar of the directorate's strategic purpose, the quality of our planning, support and intervention with schools remains high. Over 93% of Hampshire schools are judged good or outstanding by Ofsted compared to a national average of 87%. The more that we can help children to achieve to the best of their ability then the fewer are likely to experience vulnerability. 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 Directorate's and the schools' budgets continue under pressure.
33. 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 DfE Improvement Advisor, supporting Bournemouth Christchurch and Poole and West Sussex County Councils (longer term) – our support to Buckinghamshire, which is now ending, helped them to move out of the category of inadequate. As a DfE 'Partner in Practice', from 2021, Children's Services is the lead local authority across the south east region, facilitating and delivering sector led improvement to the other 18 children's services directorates.

Children in Care

34. Both nationally and locally pressures relating to the costs (and numbers) of children in care continue to grow. This has been driven by a number of previous high profile child deaths nationally, and a mix of other factors, such as greater awareness of child sexual exploitation, online child exploitation, county lines, the growth in poor mental health post-covid and the growth in unaccompanied asylum seekers has led to higher numbers of children in care both nationally and in Hampshire.
35. 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 over the years so, consequently, 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).

36. At the end of September 2016 there were 1,375 children in care and by September 2017 that had increased by 11% to 1,526. As of September 2018, the number of children in the care had risen by a further 8%. However, as at the end of September 2019 the total number was 1,638, representing a 1% reduction. The Hampshire Approach adopted by children's social care, a strengths based, multi-disciplinary methodology, was introduced early in 2019 and this appeared to be showing early evidence of positive impact. The 1% reduction is more notable given the national rate of increase in children in care is 5%.
37. The reduction of the numbers of children in care continued into 2020 until the first national lockdown at the end of March. Numbers then increased as a direct result of the pandemic with the additional stresses and strain placed on families. At the end of September 2020 there were 1697 children in care, a 4% increase that year. However, as of September 2021 the number had reduced to 1666. Excluding unaccompanied asylum seeking children (UASC) who we are duty bound to bring into care through the national transfer scheme, it is positive that the numbers of children coming into care have plateaued during 2022, providing some cautious optimism that the Hampshire Approach methodology will continue to show positive impact going forward. This is particularly so given the 30% plus increase in demand at the front door with a consequential rise in assessment work across our social work teams.
38. It is important to note that increased demand is not at this stage translating into rising numbers of children coming into care. The number of children in care has increased by 7% in the last year to 1,786 as at September 2022. However, as above this is largely due to the UASC we are mandated to receive into care through the National Transfer Scheme (see below). If those numbers were removed the actual annual growth is 1% which, in the circumstances, is exceptionally positive.



CLA	Total	
Annual Activity snapshot		Annual % movement
September 2022	1,786	7%
September 2021	1,666	(2%)
September 2020	1,697	4%
September 2019	1,638	(1%)
September 2018	1,654	8%
September 2017	1,526	11%
September 2016	1,375	

39. The 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 two groups of UASC: those who enter the UK and arrive spontaneously, whereby the local authority where they first set foot becomes responsible for them as looked after children. The second group of UASC are those who are redistributed from Kent and Portsmouth under the now mandated National Transfer scheme. The Government recently raised the

required quota of UASC for each local authority from 0.07% of the child population (192 for Hampshire), to 0.1% (285 for Hampshire). Hampshire continues to accept UASC under the National Transfer Scheme (NTS).

40. 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 that the numbers of UASC has increased significantly as of September 2022, as small boat refugee arrivals across the Channel continue to increase as do those being placed locally in Hampshire hotels, a proportion of whom will be assessed by our social work teams as actually being children. It is of note that the percentage of care leavers who are UASC, and so over 18 years of age, is now around 25% of the overall cohort of care leavers, and there are still considerable unfunded costs associated with this cohort of young adults, particularly as many will have no recourse to public funds and therefore require their living expenses paid in full until they reach 25 years of age or obtain the right to remain.

	Sept 2019	Sept 2020	March 2021	Sept 2021	Sept 2022	Sept'21 to Sept'22
CLA excl UASC	1,525	1,613	1,597	1,606	1,626	1% increase
CLA UASC	113	84	65	60	160	167% increase
Total	1,638	1,697	1,662	1,666	1,786	7% increase
Care Leavers excl UASC	559	598	638	643	628	(2%) decrease
Care Leavers UASC	126	161	182	177	167	(6%) decrease
Total	685	759	820	820	795	(3%) decrease

41. The funding arrangements for Care Leaver UASC are particularly inadequate, with the cost of care and support far outstripping the amount funded by central government. Based on our current Care Leaver UASC population there is a shortfall of £1.2m for this cohort and these unfunded costs are only set to rise given the average age of UASC arrivals is 17, meaning they quickly become Care Leavers adding to the financial deficit.
42. Given that the national number of children in care has increased incrementally and significantly over the last ten years it should not be a surprise that nationally as well, demand for placements for children in care has far 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, despite this we still see prices increasing significantly, year on year.
43. Short term covid funding had been allocated to the directorate for additional staff to manage high demand on services. Agreement is being sought to

continue to fund those staff going forward as demand has never returned to pre covid levels. Additional funding has also been approved to support additional agency social worker costs.

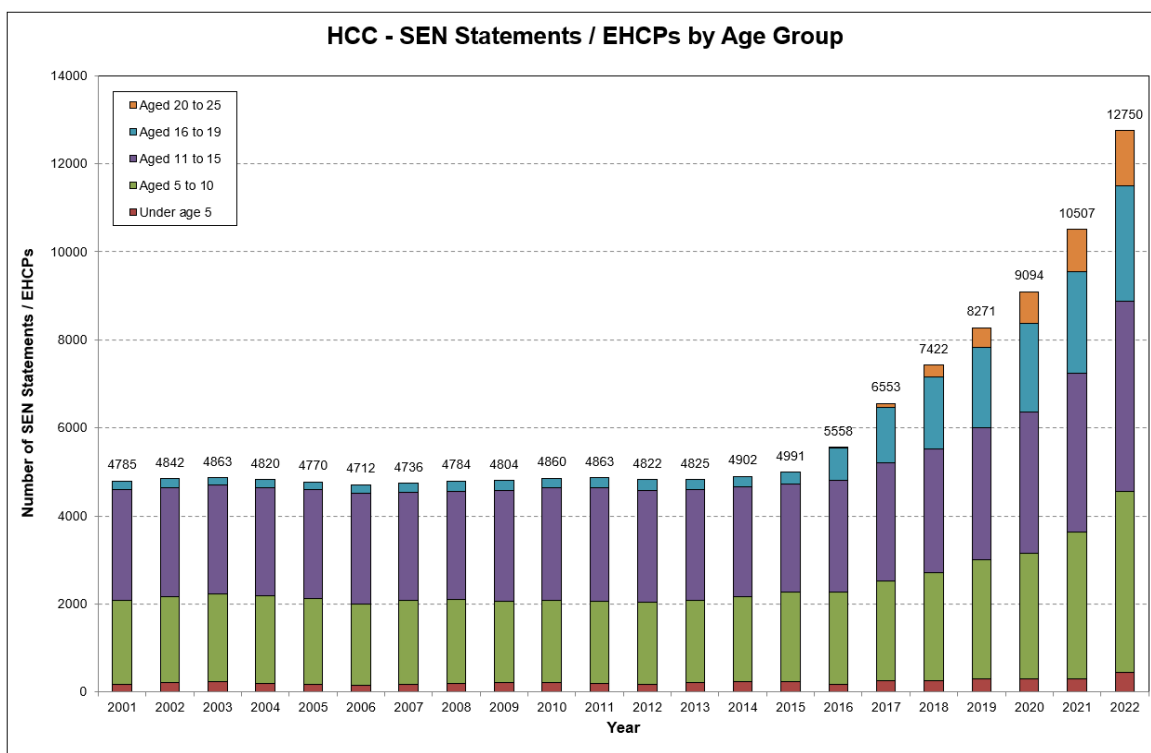
44. To address these issues in the longer term work has continued on a Modernising Placements Programme. This aims to develop a continuum of care which can provide the right accommodation and support at the right time for our looked after children in Hampshire, including UASC. Approaches to care need to be more fluid, offering different pathways to children at various points in their childhood that pull on the different skills and experiences of carers and staff in all settings who share a common understanding and language around trauma. The overall programme objectives are to:
 - Increase the number of in-house foster carers in Hampshire
 - Ensure that we have sufficient placement opportunities that are able to offer high quality, flexible, stable and local support to meet the needs of our most complex young people
 - Ensure that there is a multi disciplinary wrap around service to support and stabilise our young people in residential care when they go into crisis, thus avoiding escalation into the highest cost placements with independent providers and thereby;
 - Maximise in house children's homes occupancy.
45. Given the pressures nationally, the introduction of our Hampshire Approach proved successful during 2019 and the early part of 2020. It resulted in keeping more children safely at home where it was appropriate to do so, and reunifying more children into their wider family networks from care, where sufficient sustainable change had occurred in those family networks. The Transforming Social Care Programme continues to deliver changes to promote these activities, including:
 - 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.
46. The recruitment of children's social workers remains a challenge nationally and Hampshire is not immune to this. To support our continued recruitment of social workers our Graduate Entry Trainee Scheme (GETS), continues to bring newly qualified social workers into a protected 2-year programme to build their resilience and thus increase retention rates. To date, almost 3000 GETS have been recruited. However, other local authorities are increasingly adopting the

same approach making this more difficult to sustain and as a result cost of change funding has also been agreed to invest in a programme of overseas recruitment.

47. However, given the size of the service and the ongoing changes required to the operating model, numbers of children coming into care will not reduce rapidly, but over time. The Directorate 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

48. Financial pressures on the overall school's budget continue, with the budget currently in deficit. This is forecast to increase again in future financial years. The deficit will be added to the cumulative Dedicated Schools Grant (DSG) Deficit Reserve and be funded from future years DSG allocations. The overall cumulative deficit in the DSG Deficit Reserve is expected to be £89.5m at the end of 2022/23. The DSG conditions of grant have been updated to clarify that the DSG is a ring-fenced specific grant separate from the general funding of local authorities and that any deficit is expected to be carried forward and does not require local authorities to cover it with their general reserves. This statutory override has recently been extended for the next 3 years from 2023/24 to 2025/26.
49. 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. Management actions are continually being developed and implemented to reduce this pressure and create efficiencies and Hampshire is working closely with DfE consultants as part of the DfE's Delivering Better Value programme which is intended to support the further identification of savings. Longer term reform to both funding and policy is required to achieve long term sustainability with the outcome of the DfE's review of special educational needs consultation due shortly.



50. Hampshire schools collectively are one of the lowest funded in the country on a per pupil basis. Significant variation in the financial health of schools is now a feature with the distribution of funding through the national funding formula offering less support to some schools, in particular those with few pupils or those supporting a greater proportion of pupils with additional educational needs. Whilst increases to funding has been welcomed and further increases expected, significant inflationary pressures, in particular on pay but also in other areas such as energy are impacting with further increases forecast. This coupled with the ongoing impact of the pandemic and changes to pupil demographics indicates growing financial challenges a great deal of uncertainty which schools will need to continue to actively manage.

Section F: 2022/23 Revenue Budget

51. 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.
52. The anticipated non-schools business as usual outturn forecast for 2022/23 is a balanced budget following the additional corporate support provided to Children's Services.
53. With regards to the pressure on staffing budgets in children's social care, the service continues to develop social workers through the GETS and through overseas recruitment although there is still a significant reliance on agency staff.

54. Home to school transport reflects a pressure in this financial year, linked to activity growth, mainly within SEN including post 19 growth. There are also emerging operational pressures, based on fuel prices and other transport sector inflation, that are likely to further impact future forecasts. Additional funding is being requested in order to set the 2023/24 home to school transport budget at a realistic level.
55. SEN is under continued pressure as a result of the increased caseloads.
56. Every new EHCP has to be informed by advice from an Educational Psychologist and the increase in EHCPs has resulted in a need to direct staff towards providing this statutory advice. Consequently, there has been a decline in income from sold services to schools and the use of agency staff in order to address the increased volumes has exacerbated this pressure.
57. The budget for non schools has been updated throughout the year and the revised budget, in Appendix 1, shows an increase of £32.5m from the original budget. This is primarily relating to the household support fund and corporate support for home to school transport and social care developments.

Schools Budget

58. The expected forecast for 2022/23 on the school's budget is an overspend of £29.4m, as reported to School's Forum in October, with the majority relating to the high needs pressure of £33m.
59. The pressure on the high needs block is a continuation of previous years due to the significant increased demand on services. There is a requirement for national policy change along with additional funding going forward. Hampshire, along with many other authorities are working with the DfE around high needs pressures.
60. The overspend will be added to the DSG deficit reserve at the end of the year, increasing the balance to £89.5m.
61. There has been a reduction in the number of schools in deficit this year as a result of schools management actions coupled with the impact of the pandemic changing previous patterns of income and expenditure. Where individual schools remain in or at risk of deficit, tailored support is being provided along with appropriate challenge and intervention where required.
62. The budget for schools has been updated throughout the year and the revised budget is shown in Appendix 1. The revised budget shows an increase of £205,000 from the original budget primarily relating to updated pupil data and grant allocations.

Section G: 2023/24 Revenue Budget Pressures and Initiatives

63. The areas of pressure within the Children's Services budget noted above are likely to continue to be a risk for 2023/24 and beyond and will be closely monitored.
64. One off funding is being utilised to meet these pressures but a longer term solution is required pending the actions taken as a result of the reviews.
65. The cost of change within Children's Services will be exhausted before the end of 2023/24.

Section H: Revenue Savings Proposals

66. Savings targets for 2023/24 were approved as part of the MTFs by the County Council in July 2020. Proposals to meet these targets have been developed through the SP2023 Programme and were approved by Executive Members, Cabinet and County Council in October and November 2021.
67. It is now anticipated that full year savings of £17.848m will be achieved in 2023/24 with the shortfall of £3.501m against the target being met from the cost of change reserve.
68. The main reasons for the shortfall relate to:
 - Home to School Transport as a result of increased demand, the current market pressures and increasing fuel prices.
 - Modernising placements programme planned to deliver over a longer timeframe.
69. Rigorous monitoring of the delivery of the programme will continue during 2023/24, to ensure that the Directorate is able to stay within its cash limited budget as set out in this report.

Section I: Budget Summary 2023/24

70. The budget update report presented to Cabinet on 13 December 2022 included provisional cash limit guidelines for each directorate. The cash limit for Children's Services in that report was £1315.3m, a £51.5m increase on the previous year. The increase / decrease comprised:
 - £30.6m base budget changes relating to the 2022/23 Social Care Grant contribution to Children's SP2023 savings targets, extension of the Household Support Fund Grant announced in the Autumn Statement, additional grant funding for Unaccompanied Asylum Seeking Young Children and the 2021/22 local government pay award.

- Inflation, Growth & Pressures of £47.6m relating to the 2023/24 non-pay inflation, Children's Services pressures (including growth and inflation funding for Home to School Transport, growth in Children Looked After and Children's Social Workers) and the 2022/23 local government pay award.
 - Savings delivered under the SP23 programme of £21.5m
71. At that stage, the cash limit guidelines did not include the final DSG and schools grants allocations which were confirmed within the December DSG announcement. These bring the cash limit to £1387.2m.
72. Appendix 1 sets out a summary of the proposed budgets for the service activities provided by Children's Services for 2023/24 and show that these are within the cash limit set out above.
73. 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:

	2023/24	
	£'000	£'000
Cash Limited Expenditure	1,525,837	
Less Income (Other than Government Grants)	(138,631)	
Net Cash Limited Expenditure		1,387,206
Trading Units Net Surplus		(596)
Less Government Grants:		
• DSG	(966,306)	
• Schools Additional Grant	(39,675)	
• Pupil Premium & Other Schools Grants	(67,964)	
• Music Grant	(1,731)	
• KS2 Moderation & KS1 Phonics Grant	(45)	
• Extended Rights to Free Travel Grant	(1,042)	
• Step up to Social Work Grant	(250)	
• Staying Put Grant	(806)	
• Personal Advisor support for Care Leavers	(232)	
• New Remand Framework Funding	(95)	
• Secure Welfare Co-Ordination Unit Grant	(349)	
• Supporting Families Programme	(2,621)	
• Unaccompanied Asylum Seeking Children	(14,198)	
• Reducing Parental Conflict Grant	(97)	
• Household Support Fund	(14,248)	
• Holiday Activities and Food Programme Grant	(3,421)	

• Young Women and Girls' Fund	(39)
• Sector-Led Improvement Programme Grant	(664)
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• Total Government Grants	(1,113,783)
Total Net Expenditure	272,827

Schools Budget 2023/24

74. The Government committed as part of the 2021 Autumn Budget and Spending Review that the core schools' budget will increase by £4.7 billion nationally by 2024/25 compared to the original plan for 2022/23. This included an increase of £1.5bn in 2023/24 and a further £1.5bn in 2024/25.
75. The DfE confirmed the details of the overall allocation for 2023/24 which included a 6.3% increase to the national High Needs budget and an increase of 1.9% to mainstream schools funding allocated through the national funding formula.
76. Further announcements were made by the government as part of the 2022 Autumn Statement on 17th November 2022. The core schools budget will increase by £2.0 billion nationally in 2023/24 and 2024/25, compared to the original plan for 2023/24 announced in July. The Autumn Statement quotes a £2.3bn increase. However, a separate £300m to fund the now abolished Health and Social Care Levy has been cut, resulting in a net £2bn increase.
77. The additional funding will need to meet significant increased costs as a result of significant inflation on both teacher and support staff pay and wider inflationary pressures such as energy.
78. A local funding formula is used to allocate funding to mainstream schools. This is based on the DfE's national funding formula, with a proportional adjustment applied to factor values to ensure the cost of the overall formula meets the available budget. The proportional adjustment reflects the difference between the DfE funded pupil characteristics and actual pupil characteristics used to allocate funding to schools. The difference in the coming year is primarily due to an increase in free school meal eligibility and increases to the number of pupils with English as an additional language.
79. The additional funding for the High Needs Block will be used to provide a 5.3% increase in funding for early years SEN places, special schools, mainstream schools, education centres and resourced provisions to support with inflationary pressures. This consists of 3.4% relating to the additional funding announced in November plus 1.9% further support agreed locally from the initial increased allocation. All remaining increases to the High Needs Block will be set against current and anticipated pressures.

80. The government announced as part of the 2021 Autumn Budget and Spending Review that funding for Early Years will increase by £170m by 2024/25, which will provide an increase to the hourly rate paid to early years providers for the government's free entitlements. A local funding formula is used to calculate provider hourly rates and adjustments have been made to reflect these increases. Following consultation with providers in 2022 regarding changes to the local funding formula for 2022/23, only minor changes will be made this year to reflect adjustments made by the DfE statutory guidance.

Section J: Consultation, Equalities and Climate Change Impact

81. Consultation on the budget is undertaken every two years when the County Council considers savings to help balance the budget. All savings proposals put forward by the County Council has an Equality Impact Assessment published as part of the formal decision making papers and for some proposals stage 2 consultations are undertaken before a final decision is made by the relevant Executive Member.
82. This report deals with the revenue budget preparation for 2023/24 for the Children's Services Directorate. This takes account of the savings proposals agreed by the County Council in November 2021 including the Equality Impact Assessments prepared at that time. Any revised impacts and subsequent consultation that has been required have been reported to the relevant Executive Member as savings proposals have been further developed and implemented.
83. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2°C temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.
84. This report deals with the revenue budget preparation for 2023/24 for the Children's Services Directorate. Climate change impact assessments for individual services and projects will be undertaken as part of the approval to spend process. There are no further climate change impacts as part of this report which is concerned with revenue budget preparation for 2023/24 for the Children's Services Directorate.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	Yes
People in Hampshire live safe, healthy and independent lives:	Yes
People in Hampshire enjoy a rich and diverse environment:	Yes
People in Hampshire enjoy being part of strong, inclusive communities:	Yes

Other Significant Links

Links to previous Member decisions:	
<u>Title</u>	<u>Date</u>
Savings Programme to 2023 – Revenue Savings Proposals (Executive Member for Children’s Services) https://democracy.hants.gov.uk/ieListDocuments.aspx?CId=162&MId=8256	17 September 2021
Medium Term Financial Strategy Update and Savings Programme to 2023 Savings Proposals https://democracy.hants.gov.uk/ieListDocuments.aspx?CId=163&MId=7737	Cabinet – 12 October 2021 / County Council – 4 November 2021
Developing a Medium Term Financial Strategy https://democracy.hants.gov.uk/ieListDocuments.aspx?CId=163&MId=9942&Ver=4	Cabinet – 19 July 2022 / County Council – 29 September 2022
Budget Setting and Provisional Cash Limits 2023/24 Financial Update and Budget Setting and Provisional Cash Limits 2023/24 (hants.gov.uk)	Cabinet – 13 December 2022
Direct links to specific legislation or Government Directives	
<u>Title</u>	<u>Date</u>
Section 100 D - Local Government Act 1972 - background documents	
<p>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.)</p>	
<u>Document</u>	<u>Location</u>
None	

EQUALITIES IMPACT ASSESSMENT:

Equality Duty

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 by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

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

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

Equalities Impact Assessment:

This report does not contain any new proposals for major service changes which may have an equalities impact. Proposals for budget and service changes which are part of the Savings Programme 2023 were considered in detail as part of the approval process carried out in Cabinet and County Council during October and November 2021 and full details of the Equalities Impact Assessments (EIAs) relating to those changes can be found in Appendices 4 to 8 in the November Council report linked below:

<https://democracy.hants.gov.uk/mgAi.aspx?ID=45388#mgDocuments>

For proposals where a Stage 2 consultation was required the EIAs are preliminary and will be updated and developed following this further consultation when the impact of the proposals can be better understood.

Appendix 1 - Budget Summary 2023/24 – Children’s Services

Service Activity	Original Budget 2022/23 £'000	Revised Budget 2022/23 £'000	Proposed Budget 2023/24 £'000
Early Years	83,516	85,563	90,035
Schools Block			
Schools Budget Shares	649,673	649,313	679,252
Schools De delegated	2,171	2,171	2,310
Central Provision funded by Maintained Schools	4,000	4,000	5,191
Growth Fund	4,168	4,091	4,845
	660,012	659,575	691,598
High Needs			
High Needs Block Budget Shares	39,449	39,457	43,203
Central Provision funded by Maintained Schools	93	93	126
High Needs Top-Up Funding	112,673	112,668	128,124
SEN Support Services	7,436	7,639	7,903
High Needs Support for Inclusion	3,072	3,072	3,315
Hospital Education Service	1,645	1,645	1,710
	164,368	164,574	184,381
Central School Services	8,080	8,080	7,967
Other Schools Grants	91,285	89,674	101,695
Schools	1,007,261	1,007,466	1,075,676

Social Care

Residential & Supported Accommodation	59,802	57,487	73,024
Fostering & Adoption	49,325	50,811	52,473
Leaving Care	7,505	7,707	8,727
Special Guardianship Support	6,569	7,099	7,312
Asylum Seekers	5,157	9,479	14,198
Children Looked After Total	128,358	132,583	155,734
Safeguarding Children & Early Help	33,278	38,542	48,306
Targeted and Universal Services for Families	6,478	21,160	21,205
Children with Disabilities	7,730	7,059	6,738
Management & Support Services	8,904	10,553	9,917
Social Care Total	184,748	209,897	241,900
Education, Learning & Business Support			
Home to School Transport	34,697	39,865	38,782
Inclusion	6,140	7,105	6,465
Skills & Participation	1,460	1,792	1,963
Standards & Improvement	861	893	99
Early Years Education & Childcare	1,415	1,456	1,505
Library Service	9,275	9,559	9,916
Management & Business Support Services	8,454	5,818	8,075
Education, Learning & Business Support Total	52,302	66,471	66,805
Early Achievement of Savings	6,305	8,801	-

Partnerships	3,233	3,959	3,421
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Non-Schools	256,488	289,003	312,126
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Children's Services	1,263,749	1,296,469	1,387,802
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STS Units Trading Accounts	(628)	(447)	(596)
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Children's Services Total	1,263,121	1,296,022	1,387,206