

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member for Children's Services
Date:	14 January 2022
Title:	2022/23 Revenue Budget Report for Children's Services
Report From:	Director of Children's Services and Director of Corporate Operations

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Purpose of this Report

1. The purpose of this report is to set out proposals for the 2022/23 budget for Children's Services in accordance with the Council's Medium Term Financial Strategy (MTFS) approved by the County Council in November 2021. It also proposes a revised budget for Children's Services for 2021/22.

Recommendation(s)

To approve for submission to the Leader and the Cabinet:

2. The revised revenue budget for 2021/22 as set out in Appendix 1.
3. The summary revenue budget for 2022/23 as set out in Appendix 1.
4. Changes to the local schools funding as set out in paragraphs 76 to 82.

Executive Summary

5. This report provides the summary outputs of the detailed budget planning process undertaken by Children's Services for 2022/23 and the revised budget for 2021/22. This process has been undertaken against a backdrop of considerable uncertainty, both in terms of the resources available to the Council and the ongoing impacts of Covid-19 on service delivery. As we transition towards a 'new normal' post-Covid, the distinction between latent and longer term Covid impacts and 'business as usual' financial pressures is difficult to establish. For the purposes of budget setting, the impact of Covid-19 continues to be dealt with as a discrete one-off financial impact as far as possible, separate from the business as usual medium term financial strategy.
6. The 2021 Spending Review announced a 3% per annum real terms increase in local government core spending power to 2024/25. In 2022/23, local

authorities will benefit from a considerable boost to grant funding allocated through the local government finance settlement, however this is set against a requirement for £26m additional grant as part of the SP2023 programme. The Spending Review has therefore not diminished the challenges that the authority faces in securing financial sustainability over the medium term.

7. The current financial strategy which the County Council operates works on the basis of a two year cycle of delivering departmental savings targets, with deficits in the intervening years being met from the Budget Bridging Reserve (BBR). In line with this strategy, there will be no new savings proposals presented as part of the 2022/23 budget setting process. Savings targets for 2023/24 were approved as part of the MTFS in July 2020 and detailed savings proposals, developed through the Savings Programme to 2023 (SP2023), were agreed by Cabinet and County Council during October and November last year.
8. The anticipated delay to delivery of some aspects of the existing Transformation to 2019 (Tt2019) and Transformation to 2021 (Tt2021) programmes has been factored into our financial planning, and a combination of one-off corporate and departmental funding will be provided to bridge the forecast savings gap in 2021/22 and 2022/23. As of November 2021, £9m of Tt2019 savings and £38m of Tt2021 savings have yet to be delivered, in addition to the £80m of SP2023 savings required by 2023/24. The Council therefore faces the substantial challenge of delivering three overlapping change programmes, requiring a total of £127m budget savings. 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 Department for 2021/22 non-schools, excluding the financial impact of Covid-19, is a balanced budget after utilising agreed corporate funding.
10. The forecast for the schools' budget is an overspend of £22.4m. The overspend is largely due to a pressure on the High Needs Block of £22.4m as reported to School's Forum in October. Hampshire's position is not unlike many authorities around the country and such issues have been widely reported nationally. The Department for Education (DfE) are carrying out a review into the special educational needs system and its funding. The outcome of this review has been delayed but is now expected by Spring 2022.
11. The overall Dedicated School 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 £57.8m to be funded from future years DSG allocations.
12. The initial gross DSG allocations (before recoupment for academies) confirmed by the DfE in December provide an additional £44.1m of funding for 2022/23. Additional funding for the core schools budget was announced in the

2021 Spending Review; this will be paid as an additional supplementary grant in 2022/23 for the schools and high needs blocks and added into the DSG for future years. This grant provides additional funding of £32m in 2022/23, taking the total increase in funding to £76.1m. The additional funding is required to meet the current needs and will not address the cumulative deficit.

13. The proposed budget for 2022/23 analysed by service area is shown in Appendix 1.
14. This report seeks approval for submission to the Leader and Cabinet of the revised budget for 2021/22 and detailed service budgets for 2022/23 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 8 February 2022 to make final recommendations to County Council on 17 February 2022.

Contextual Information

15. The Medium Term Financial Strategy (MTFS) update presented to Cabinet and County Council in October and November respectively, addressed the challenges of long term financial planning in an environment of significant uncertainty, in respect of both ongoing spending commitments and the national funding position for the local government sector.
16. The 2021 Spending Review represents the first multi-year budget since 2016/17 following single year spending announcements in 2019 and 2020 linked to uncertainty surrounding the UK's exit from the EU and recently the economic impacts and fiscal response to Covid-19. Whilst the additional certainty offered by a multi-year settlement is welcome, it is disappointing that local authority funding will remain relatively flat in 2023/24 and 2024/25. The settlement therefore does not present a long term solution to funding growth in service demand, for which the Council has lobbied the government for a number of years.
17. The impact of Covid-19 continues to be dealt with as a discrete one-off financial impact, separate from the business as usual medium term financial strategy. The budget summary presented in this report does not take account of Covid impacts as these will be centrally funded on a one-off basis in line with the pressures reported by departments in their financial monitoring returns. However, it should be noted that as we transition towards a 'new normal' post-pandemic, the distinction between latent and longer term Covid impacts and 'business as usual' financial pressures is difficult to establish. The complex inter-relationship between numerous variables post-pandemic makes forecasting challenging, but based on recent analysis carried out as part of detailed budget preparation work, the medium term forecast for departmental spending now anticipates significant pressure building by 2024/25 within Adults' and Children's social care.

18. 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 Budget Bridging Reserve (BBR) 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.
19. The County Council's action in tackling its forecast budget deficit and providing funding in anticipation of further reductions, placed it in a very strong position to produce a 'steady state' budget for 2022/23, giving itself the time and capacity to develop and implement the SP2023 Programme to deliver the next phase of savings totalling £80m by April 2023. This also avoids the worst effects of sudden and unplanned decisions on service delivery and the most vulnerable members of the community.
20. Consequently, there are no new savings proposals to be considered as part of the 2022/23 budget, however other factors will still affect the budget, such as the publication of specific grant allocations and potential increases in unavoidable pressures such as inflation.
21. The Autumn Budget and Spending Review announcement took place on 27 October 2021 and the key elements were as follows:
 - Local government Core Spending Power will increase by 3% per year in real terms in the period to 2024/25, however this includes raising Council tax and the Adult Social Care (ASC) Precept by the maximum permitted increases.
 - Over the next three years, local authorities will be allowed to increase core council tax by up to 2% per year without a referendum. In addition, ASC authorities will be allowed to raise the ASC Precept by 1% each year. The MTFs assumes that the Council will have the flexibility to raise the ASC Precept by 2% each year and the reduction in the available precept therefore presents a further funding shortfall for the Council of £14m by 2023/24.
 - An additional £4.8bn grant funding was announced for social care and other services to 2024/25. This includes around £1.5bn per year to be distributed through the local government finance settlement in addition to an extra £200m for the Supporting Families Programme and over £70m to boost cyber security and to further strengthen local delivery and transparency.
 - The Spending Review confirmed that £3.6bn of the additional £5.4bn funding for adult social care reforms announced on 7 September 2021 will be routed through to local government. The funding is expected to cover all additional costs resulting from the personal care cap and revised capital limits.
 - Included within the Department of Health and Social Care settlement was an additional £1.7bn over three years to improve the wider social care

system, including the quality and integration of care. At least £500m of this will be allocated to improve qualifications, skills, and wellbeing across the adult social care workforce.

- £2.7bn funding for local road maintenance for non-mayoral authorities over the remaining years of the parliament, equivalent to £900m per year. This allocation is expected to maintain highways funding at 2021/22 levels.
- The government published its report on the outcome of the Fundamental Review of Business Rates. The review reaffirmed the advantages of business rates as a form of business taxation and did not propose any fundamental changes to the basis on which the tax is levied. However, the government announced a move to 3-yearly revaluations starting in 2023, a freeze on the multiplier and significant new temporary and permanent reliefs, including a 50% relief for retail, hospitality and leisure businesses in 2022/23. Local authorities will be fully compensated for the multiplier freeze and new reliefs via Section 31 grants.

Provisional Local Government Finance Settlement

22. The Provisional Local Government Finance Settlement sets out the key funding allocations that the Council will receive from Government for the coming financial year. This year's settlement covers 2022/23 only as the allocations of funding from 2023/24 will be the subject of a review of the local government funding regime and further consultation, to be carried out in Spring 2022.

23. The key outcomes of the settlement for the County Council are shown below and are split between general resources which will contribute to meeting the Council's overall budget requirement, and specific resources which are needed to meet new departmental costs:

Funding Source	2021/22 allocation (£m)	2022/23 allocation (£m)	Change (£m)
Social Care Grant	26.2	37.2	+11.0
2022-23 Services Grant	-	8.3	+8.3
Business rates grant	6.3	9.9	+3.6
Total 'general' resources	32.5	55.4	+22.9

Funding Source	2021/22 allocation (£m)	2022/23 allocation (£m)	Change (£m)
Market Sustainability and Fair Cost of Care Fund	-	3.2	+3.2
Improved Better Care Fund	30.4	31.3	+0.9
New Homes Bonus	3.9	3.4	-0.5
Total 'specific' resources	34.3	37.9	+3.6

24. The key features of the settlement are:

- A 6.3% increase in Core Spending Power, of which 3% is attributable to the grant allocations set out above and 3.3% is attributable to council tax increases (including 1% for ASC) and tax base growth. This compares with an average 7.5% increase for Shire Counties.
- The 2022/23 Services Grant will be distributed based on the 2013/14 local government funding formula for 2022/23 only. The distribution will be re-evaluated for future years in light of the proposed review of local government funding.
- The Market Sustainability and Fair Cost of Care Fund is part of the government's package to support the recently announced social care reforms, providing funding for local authorities to prepare their care markets for reform and move towards paying providers a fair cost of care. There are a number of conditions associated with the funding which will require new consultation and market intervention activity and therefore it will not contribute towards meeting the budget deficit in 2022/23.
- The New Homes Bonus was expected to end in 2022/23 but will instead continue for a further year to 2023/24, albeit at a reduced level and has traditionally been used for one-off purposes by the County Council.

25. The final grant settlement for 2022/23 is not due out until January / February 2022. The impact of the final settlement will be reflected in the budget setting report to Cabinet and County Council.

26. Children's Services has been developing its service plans and budgets for 2022/23 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.

Departmental Challenges and Priorities

27. The Covid 19 pandemic has been a significant challenge that the Department has had to adapt to and offer significant support around. The financial impact of this has been managed corporately in order that BAU budget management / monitoring and budget setting can continue.

28. The Department 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 department on its core, statutory business and meeting the needs of the most vulnerable.

29. 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 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.

30. These principles have served the Department and the County Council and partners well. They 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.

31. 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 Department's spend is external, primarily relating to the placement costs of Children Looked After (CLA); and
- we must deliver our statutory duty to safeguard children.

32. 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.

33. Children's Services was subject to a full ILACS inspection 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 department'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.

34. In terms of Hampshire's role as an education authority, the other key pillar of the department'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 86%. 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 continue under pressure.
35. 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 is a DfE Improvement Advisor, supporting Buckinghamshire and West Sussex County Councils (longer term). 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 departments.

Children in Care

36. 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 and the growth in unaccompanied asylum seekers has led to higher numbers of children in care both nationally and in Hampshire.
37. 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).
38. 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 new 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%. 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. It is positive that the numbers have plateaued and then started to reduce during 2021 as the impact of the pandemic is better understood and managed, providing some cautious optimism that the Hampshire Approach methodology will continue to show positive impact going forward. It should be noted that very recent events in another authority leading to a national serious case review will likely have a 'knock-on' effect in all local authorities in a similar way to previous cases such as Baby P. In the aftermath of such events most local authorities see a significant rise in safeguarding referrals as professional concerns become heightened.

CLA	Total	
		%
Annual Activity snapshot		
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 illegally, 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 (who exceed the 0.07% government set UASC child population quota). Hampshire continues to accept UASC under the National Transfer Scheme (NTS), although it is of note a number of local authorities do not. To that end Hampshire has argued strongly in the national consultation on the future of the NTS that it must become a mandatory scheme so that there is equity across all local authorities. This mandating will be in place from early December.

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 reduced as of September 2021, with a reduction in new arrivals entering Hampshire. The numbers will inevitably rise and significantly so with the large increase of 'small boat refugees' continuing to arrive into the country during October, November and December. It is predicted that the number of UASC in the care of Hampshire will be circa 90 by January 2022. 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'20 to Sept'21
CLA excl UASC	1,525	1,613	1,597	1,606	(0%) decrease
CLA UASC	113	84	65	60	(29%) decrease
Total	1,638	1,697	1,662	1,666	(2%) decrease
Care Leavers excl UASC	559	598	638	643	8% increase
Care Leavers UASC	126	161	182	177	10% increase
Total	685	759	820	820	8% increase

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 £1.3m 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. Recent (2021) increases in Government funding for UASC under 18s still falls short of what is required to care for these vulnerable children and current estimates based on current UASC population mean there is a £750k shortfall in funding. Again, this number is only set to rise with the predicted increase in UASC arrivals.
42. Given that the national number of children in care has increased incrementally and significantly over the last ten years, albeit with a small reduction last year, it should not be a surprise that nationally as well, demand for placements for children in care 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.
43. To address these issues in the longer term work has started 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. 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.
44. Given the pressures nationally the introduction of our Hampshire Approach proved successful during 2019 and the early part of 2020 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.
45. To further support the ambitions of the Transforming Social Care programme, there has been additional investment in Intensive Workers, who work alongside social workers delivering targeted specialist work with parents and children to reduce the numbers of children coming into care.
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, over 270 GETS have been recruited.
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 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

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 £57.8m at the end of 2021/22. 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 is currently confirmed up to 2022/23.

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. As noted above, there is also a far reaching review of special educational needs being carried out by the DfE.
50. Financial challenges continue for many individual schools with Hampshire schools collectively 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 schools are expected to receive increased funding in the coming years, significant cost pressures are also forecast. This coupled with the ongoing impact of the pandemic and changes to pupil demographics indicates a great deal of uncertainty which schools will need to continue to actively manage.

2021/22 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-school business as usual outturn forecast for 2021/22 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, although there is still a significant reliance on agency staff. Funding arrangements have been agreed in order to make intensive workers permanent and to offer market supplements to social workers in order to recruit and retain quality 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 could further impact future forecasts.

55. Pressures have continued on the legal budget relating to costs for counsel and expert witnesses relating to care proceedings going to court. Corporate funding has been allocated to support this pressure.
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. Swanwick Lodge, our in-house secure unit, continues with its period of financial recovery following the refurbishment as planned, albeit with Covid-19 impacts. This remains under close review.
58. The budget for non-schools has been updated throughout the year and the revised budget, in Appendix 1, shows an increase of £24.2m from the original budget. This is primarily relating to grants to support with the impact of Covid-19 and corporate support for social care developments.

Schools Budget

59. The expected forecast for 2021/22 on the school's budget is an overspend of £22.4m, as reported to School's Forum in October, with the majority relating to the high needs pressure of £22.4m.
60. 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.
61. The overspend will be added to the DSG deficit reserve at the end of the year, increasing the balance to £57.8m.
62. 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 to along with appropriate challenge and intervention where required.
63. 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 £5.4m from the original budget primarily relating to updated pupil data and one-off grants allocated to schools to support them with the impact of Covid-19.

2022/23 Revenue Budget Pressures and Initiatives

64. The areas of pressure within the Children's Services budget noted above will continue to be a risk for 2022/23 and will be closely monitored.

65. The cost of change within Children's Services will be exhausted before the end of 2022/23.

Revenue Savings Proposals

66. Savings targets for 2022/23 were approved as part of the MTFs by 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. In line with the Council's financial strategy, SP2023 savings will be delivered over a two-year period with the business as usual deficit in 2022/23 being met from the Budget Bridging Reserve. Given the medium term deficit due to Covid-19 pressures and the resulting financial response package, which uses up all available financial flexibility, it remains critical that SP2023 is delivered by 1 April 2023.

68. Rigorous monitoring of the delivery of the programme will begin during 2022/23, to ensure that the Department is able to stay within its cash limited budget as set out in this report.

69. This early action in developing and implementing the savings programme for 2023/24 means that the County Council is in a strong position for setting a balanced budget in 2022/23 and that no new savings proposals will be considered as part of the budget setting process for the next financial year.

70. However, it is anticipated that £629,000 of Tt2019 savings and £459,000 of Tt2021 savings will remain to be achieved in 2022/23. The shortfall against the target in 2022/23 will be met from corporate cash flow support. The full savings will be secured by April 2023.

71. The main reasons for the delays to savings delivery relate to:

- Transforming social care savings slipped to allow the service to address Covid related operational impacts.
- Home to school transport savings have slipped into both 2022/23 and 2023/24 as a result of Covid, where resource has been diverted away from transformation to organise constantly changing business as usual transport requirements. Additionally, the market has seen a significant impact of Covid which has delayed savings planned around new contract tender arrangements.

Budget Summary 2022/23

72. The budget update report presented to Cabinet on 7 December 2021 included provisional cash limit guidelines for each department. The cash limit for

Children's Services in that report was £1,187.9m, a £30.5m increase on the previous year. The increase comprised:

- Corporate funding and support for growth pressures £22.1m.
- Corporate funding for inflationary pressures £7m.
- A reduction of £1.7m due to a budget transfer to other departments including Public Health and IT.
- An increase Schools grants of £502,000 mainly relating to increases in the Pupil Premium and Teachers pay and Pension grants partially off-set by a reduction in universal free school meals.
- Reduction in the DSG allocations predominantly relating to academy recoupment.

73. At that stage, the cash limit guidelines did not include the final DSG and schools grants allocations which were included within the December DSG announcement. These bring the cash limit to £1,253.9m.

74. Appendix 1 sets out a summary of the proposed budgets for the service activities provided by Children's Services for 2022/23 and show that these are within the cash limit set out above.

75. 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:

	2022/23	
	£'000	£'000
Cash Limited Expenditure	1,334,050	
Less Income (Other than Government Grants)	(80,114)	
Net Cash Limited Expenditure		1,253,936
Trading Units Net Deficit		399
Less Government Grants:		
• DSG	(909,976)	
• Schools Supplementary Grant	(32,000)	
• Pupil Premium and other Schools Grants	(63,562)	
• Music Grant	(1,723)	
• Phonics Grant	(46)	
• Extended Rights to Free Travel Grant	(833)	
• Step up to Social Worker Grant	(798)	
• Staying Put Grant	(688)	
• Personal Advisor support for Care Leavers to age 25	(227)	
• Remand Framework Funding	(73)	

• Supporting Families Programme	(2,002)
• Unaccompanied Asylum Seeking Children Grant	(5,161)
• School Improvement Grant	(805)
• Holiday Activity and Food programme Grant	(3,324)
• Sector-Led Improvement Programme Grant	(881)
• Secure Stair Grant	(73)
Total Government Grants	(1,022,102)
Total Net Expenditure	232,233

Schools Budget 2022/23

76. The Government committed to a three year school funding settlement, with the national school's budget due to rise by around £7.1 billion over three years to £52.2 billion from 2019/20. The £7.1 billion is being phased in over three years, with £2.6 billion in 2020/21, a further £2.2 billion in 2021/22 and the final £2.3 billion in 2022/23.

77. The DfE confirmed the details of the final year of three year settlement for the Schools, High Needs and Central School Services Block, which included a 9.6% increase to the national High Needs budget and an increase of 3.2% to school funding allocated through the national funding formula.

78. Further announcements were made by the government as part of the 2021 Autumn Budget and Spending Review. The core schools' budget will increase by £4.7 billion nationally by 2024/25 compared to the original plan for 2022/23. For the schools and high needs block, the additional funding of £32m will be allocated through a supplementary grant in 2022/23 and rolled into the DSG from 2023/24. The allocation includes funding for mainstream academies, which will be paid directly to the academies by the ESFA and won't form part of the schools' budget. The DfE will confirm the supplementary grant allocation in the spring, including the school level allocations for mainstream schools.

79. The additional funding will need to meet significant increased costs as a result of the implementation of the health and social care levy, the government's commitment to increase teachers' minimum pay to £30,000 and wider inflationary pressures such as support staff pay and energy.

80. 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.

81. The additional funding for the High Needs Block will be used to provide a 1.5% increase in funding for special schools, education centres and resourced provision units and reduce in-year pressures. All remaining increases to the High Needs Block will be set against current and anticipated pressures.
82. The DfE have confirmed 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. Following consultation with providers, the local funding formula for 2022/23 will be adjusted to reflect this increase in funding and support the early years market through an increase in the base rate funding received by all providers.

Consultation, Equalities and Climate Change Impact

83. 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.
84. This report deals with the revenue budget preparation for 2022/23 for Children's Services Department. This is the interim year of the two year financial planning cycle when no new savings proposals are being considered. Therefore no consultation or Equality Impact Assessments are required.
85. 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.
86. This report deals with the revenue budget preparation for 2022/23 for Children's Services Department. 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 2022/23 for Children's Services Department.

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
Budget Setting and Provisional Cash Limits 2022/23 https://democracy.hants.gov.uk/ieListDocuments.aspx?CId=134&MId=7745	Cabinet – 7 December 2021
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:

1. 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.

2. Equalities Impact Assessment:

The budget setting process for 2022/23 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 Savings Programme to 2023 Programme were considered in detail as part of the approval process carried out in October and November 2021 and full details of the Equalities Impact Assessments relating to those changes can be found in Appendices 4 to 8 in the October Cabinet report linked below:

<https://democracy.hants.gov.uk/ieListDocuments.aspx?CId=163&MId=7737>

For proposals where a Stage 2 consultation was required the EIAs were preliminary and were to be updated and developed following this further consultation when the impact of the proposals could be better understood

[Add link to any subsequent / updated EIAs](#)

Appendix 1 - Budget Summary 2022/23 – Children’s Services

Service Activity	Original Budget 2021/22 £'000	Revised Budget 2021/22 £'000	Forward Budget 2022/23 £'000
Early Years	84,112	84,112	83,516
Schools Block			
Schools Budget Shares	633,690	631,834	649,673
Schools De-delegated	2,178	2,171	2,171
Central Provision funded by Maintained Schools	2,905	2,896	4,000
Growth Fund	4,550	4,625	4,168
	643,323	641,526	660,012
High Needs			
High Needs Block Budget Shares	36,073	38,422	39,449
Central Provision funded by Maintained Schools	66	66	93
High Needs Top-Up Funding	97,027	94,668	112,673
SEN Support Services	5,245	5,245	7,436
High Needs Support for Inclusion	3,092	3,092	3,072
Hospital Education Service	1,681	1,681	1,645
	143,184	143,174	164,368
Central School Services	8,224	8,224	8,080
Other Schools Grants	63,705	70,873	91,285
Schools	942,548	947,909	1,007,261
Young People’s and Adult & Community Learning	442	419	482
Service Strategy & Other Education Functions			
Asset Management	90	90	90
Central Support Services	(77)	(81)	(57)
Educational Psychology Service	2,012	2,264	2,099
Home to School Transport	32,940	34,135	34,697
Insurance	33	33	34
Monitoring of National Curriculum Assess	46	46	46

Service Activity	Original Budget 2021/22 £'000	Revised Budget 2021/22 £'000	Forward Budget 2022/23 £'000
Parent Partnership, Guidance and Info	274	274	280
Pension Costs - (includes existing)	2,629	2,540	2,540
Prem Retirement / Redundancy Costs (new)	0	0	0
School Improvement	1,892	1,906	815
SEN Admin, Assessment, Co-ord & Monitoring	3,535	3,523	3,600
Statutory/Regulatory Duties	455	465	168
School Place Planning	58	58	58
	43,887	45,253	44,370
Management & Support Services	2,684	3,492	2,184
Centrally held and SP23 Early Achievement	(706)	5,804	5,259
Other Education & Community	46,307	54,968	52,295
Services for Young Children	1,481	1,480	1,415
Adoption services	4,127	4,321	4,227
Asylum seekers	3,346	2,634	2,634
Education of CLA	187	302	69
Fostering services	19,881	20,867	21,670
Independent Fostering	24,830	21,419	25,083
Leaving care support services	9,051	9,704	10,028
Other CLA services	9,906	11,395	13,013
Residential care	38,530	37,013	47,385
Special guardianship support	5,847	6,440	6,569
	115,705	114,095	130,678
Other Children & Families Services	1,105	983	1,081
Family Support Services			
Direct Payments	2,225	2,558	2,755
Other support for disabled children	255	271	277
Respite for disabled children	2,610	2,293	2,609

Service Activity	Original Budget 2021/22 £'000	Revised Budget 2021/22 £'000	Forward Budget 2022/23 £'000
Targeted family support	5,195	10,329 ¹	10,494 ²
Universal family support	44	44	44
Temporary Government Grants	0	10,648	0
	10,329	26,143	16,179
Youth Justice	877	1,446	1,173
Safeguarding & Young Peoples Services	27,949	26,794	29,964
Services for Young People	1,405	1,391	1,462
Management & Support Services	9,650	10,663	11,267
C&F Early Achievement of Savings	(69)	1,008	1,046
Non-Distributed Costs	117	115	115
Children's Social Care	168,549	184,118	194,380
Non-Schools	214,856	239,086	246,675
Children's Services	1,157,404	1,186,995	1,253,936
Trading Units	475	283	399
Childrens Services Total	1,157,879	1,187,278	1,254,335

¹ Includes Holiday Activities & Food Programme Grant - £3,005,000

² Includes Holiday Activities & Food Programme Grant - £3,324,000 (estimate)