



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

Report to:	<b>Children and Young People Scrutiny Committee</b>
Date:	<b>13 January 2023</b>
Subject:	<b>Council Budget 2023/24</b>

**Summary:**

This report outlines the Council's budget proposals for the next financial year 2023/24.

The Provisional Local Government Finance Settlement for 2023/24 was published on the 19 December 2022. We await further budgetary information from the Lincolnshire District Councils so the budget proposals for 2023/24 are therefore estimated at this stage.

The Executive considered the budget proposals at its meeting on 4 January 2023, following which they were open to consultation.

This report specifically looks at the 2023/24 budget implications for the Council's Children's Services activities.

Members of this Committee have the opportunity to scrutinise them and make comment, prior to the Executive meeting on 7 February 2023 when it will make its final budget proposals for 2023/24.

**Actions Required:**

The Children and Young People Scrutiny Committee is asked to consider this report and provide comments on the Children's Services budget proposals for consideration by the Executive at its meeting on 7 February 2023.

**1. Background**

- 1.1 The Executive is currently consulting on a single year financial plan for revenue and capital budgets. This budget proposal is informed by both the Autumn Statement announced 17 November 2022 and the Provisional Settlement published 19 December 2022.

- 1.2 The Autumn statement reflects a more positive outlook for 2023/24 and 2024/25 than anticipated. The Medium-Term Financial Plan includes a forecast position for 2025/26 and 2026/27 but these need to be read with a note of caution due to the uncertainty beyond 2024/25.
- 1.3 The Government has signaled that public spending will increase at a much slower rate after 2024/25 with priority areas like health, education and defence likely to absorb any increase.
- 1.4 This gives rise to the potential scenario in two years time whereby funding could be maintained or even reduced, set against a cost base which continues to increase. It is essential that financial decisions take into account this financial outlook beyond 2024/25.
- 1.5 The Council wide current position reflects a deficit position in all years. The deficit estimate in 2023/24 is currently estimated to be around £10.3m, subject to any further changes to the cost base, the local taxation position finalising (assumed 2.99% increase) and the Local Government finance settlement.
- 1.6 In closing the gap for 2023/24 and delivering services in a balanced budget, the Council can either utilise available reserves and/or increase council tax, the latter on its own will only partially close the gap.
- 1.7 Children's Services activities are presented through the headings Children's Education and Children's Social Care.

#### Children's Education

- 1.8 Services and associated proposed 2023/24 budgets include:
  - Special Educational Needs and Disabilities (SEND) (£8.254m)
  - Education Support Services (£0.973m)
  - School Improvement (£0.802m)
  - Statutory Regulatory Duties (£3.090m)
- 1.9 Table A below sets out the revenue 2023/24 financial year budget proposals for Children's Education:

Table A

<b>Change of Previous Years</b>	<b>£'000</b>
<b>Original Budget 2022/23</b>	<b>13,350</b>
<u>Changes for 2023/24</u>	
Pay Inflation	0
Cost pressures	190
Savings	-421
<b>Proposed Budget 2023/24</b>	<b>13,119</b>
Percentage Change	-3.15%

- 1.10 Children's Education service activities are proposing to make savings of £0.421m in 2023/24. Of this sum, £0.370m is proposed in response to the Department for Education (DfE) decision to remove the funding for Local Authorities School Improvement Monitoring and Brokering Grant for school improvement activities supporting maintained schools from 2023/24. The grant reduction of £0.585m represents c.50% of planned spending on School Improvement from core funding.
- 1.11 In late 2021, the Council responded strongly to the DfE consultation opposing such a change, as did councils across the country. The Council raised concerns over the rationale of removing the grant funding; the inequity this will provide when comparing the Regional Schools Commissioner role in supporting academies and the impact this will have on maintained schools including our small schools. The Council considers its investment in the education sector as a strategic priority to enable all children to prosper across all Lincolnshire schools and supports the continuation of the current approach of strategic system leadership and direct work with maintained schools, which is considered a lean school improvement support model. The Council has an important role in driving standards and joined up arrangements in the local area.

The DfE has reduced the grant by 50% in the current year, which the Council is temporarily managing. The Council's current financial position and the rising costs it is facing in the delivery of services means a permanent solution cannot be secured to offset the grant reduction. The Council has reviewed opportunities for general efficiencies and smarter working through both the strategic system leadership and the Council's statutory responsibilities for maintained schools for implementation from 2023/24. The Council does not agree with the DfE solution of maintained schools bearing an 'additional' financial burden on their schools budgets, particularly at this time, therefore the Council considered it an opportune moment to review

existing de-delegation budgets<sup>1</sup>. The Lincolnshire Schools' Forum maintained primary school members agreed at the October 2022 committee meeting to the recommendation of re-purposing existing de-delegation funding to support the direct work with maintained primary schools whilst still achieving our overall objectives for 2023/24.

The Council continues to find that the most impact in schools is from additional expertise being deployed into vulnerable schools (such as the Education Locality leads) to work with leaders to add capacity and address immediate issues. The remaining Council funding will continue to support the strategic system leadership for all schools and statutory responsibilities.

1.12 The remaining sums include: legacy of savings delivered through the Budget 2020 exercise (£0.001m); Corporate savings through Business Support (£0.029m) and lease cars (£0.022m).

1.13 Within this area, the only cost pressure in 2023/24 relates to the impact of the National Living Wage (NLW) rising in April 2023 from £9.50 per hour to £10.42 (9.7% increase). The rise in the NLW / inflation will have a direct impact on the costs for delivering domiciliary care and direct payments in the support for children with disabilities (£0.190m).

1.14 The current year public sector pay award is built within the 2023/24 budgets. Pay award assumptions for 2023/24 are currently excluded from services budgets until the position is clear and the exact budgetary requirements are known. The Council has budgeted for a pay award in the Council's Medium-Term Finance Plan.

#### Children's Social Care Services

1.15 Services and associated proposed 2023/24 budgets include:

- 0-19 Health Services (£11.238m)
- Early Help Services (£10.308m)
- Family Assessment and Support Team (FAST) (£19.075m)
- Adoption and Fostering Services (£16.174m)
- Residential Homes and Placements (£18.039m)
- Leaving Care Services and Supported Accommodation (£5.348m)
- Targeted Support for Young People and Youth Offending (£4.094m)

1.16 Table B below sets out the revenue 2023/24 financial year budget proposals for Children's Social Care Services:

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<sup>1</sup> The DfE allows under the school funding arrangements the de-delegation of some services for maintained schools funded through the maintained sector.

Table B

<b>Change of Previous Years</b>	<b>£'000</b>
<b>Original Budget 2022/23</b>	<b>83,172</b>
<u>Changes for 2023/24</u>	
Pay Inflation	0
Cost pressures	2,013
Savings	-909
<b>Proposed Budget 2023/24</b>	<b>84,276</b>
Percentage Change	1.33%

1.17 Children's Social Care Services are proposing to make savings of £0.909m in 2023/24.

1.18 The Children in Care (CiC) transformation programme is helping to realise our ambition of improving outcomes for children and achieving financial stability. The key strategic aims include providing the right help to the right children and for the right duration; to support families to come to their own solutions by focusing on building networks and providing care locally. CiC transformational savings include the continued strategic management of placements (£1.076m) which is showing as a cost pressure reduction following an increase in funding of £3.013m in 2021/22, and the opening of two new children's homes in 2023 to ensure that more local and high-quality provision is available, which are more cost effective (£0.272m).

1.19 Children's Services carried out a review of its budgets to realise efficiency savings for 2023/24. £0.402m has been proposed through utilisation of Government grants that are continuing into future years, such as the Staying Put Scheme and Unaccompanied Asylum Seeker Children grant, and changes in demand levels for supported childcare. There are no service implications from these budget changes. £0.043m relates to the legacy of savings delivered through the Budget 2020 exercise delivered through the Supported Accommodation Pathway in meeting the needs of 16/17 year olds at risk of homelessness and care leavers, and the remaining sums relate to Corporate savings through Business Support (£0.125m) and lease cars (£0.067m).

1.20 Within this area, there are also proposed cost pressures of £3.089m in 2023/24. Of this, £1.404m is to reflect the cost rises in Children in Care (CiC). Despite the recent growth and the potential for future increase, there continues to be an emphasis on prevention from children coming into care and exit planning from the care system where it can be achieved. Cost rises of £0.794m reflect the potential growth in CiC population rising by 2.0 per 10,000 p.a. from the current rate of 50. Even with the recent increase, the Lincolnshire number of CiC per 10,000 remains significantly below the most recent published figures both nationally and by our statistical

neighbours (67 per 10,000 and 63.4 per 10,000 respectively as of 31 March 2021). Lincolnshire current CiC numbers are at 759. Further cost rises of £0.610m reflect the increased costs across the composition of placement types supporting this vulnerable group. Supporting our highly valued in-house foster carers is a key consideration to this. In addition, unfavourable market conditions for independent external placements including a national demand for placements are also causing cost rises, which is unsustainable. The impact of Covid-19 and the national lockdowns has seen a pressure upon the marketplace and availability and cost of external placements, and the reduction in the availability of in-house foster placements.

- 1.21 It is unsurprising that the number of children subject to a Child Protection Plan (403 at December 2022) has increased. There are lasting impacts from the public health pandemic and increased pressures and financial hardship upon families at the current time. Child protection plans create safety, and early intervention with families and effective risk management continues to take place to ensure that only the right children are subject to a child protection plan.
- 1.22 The CiC transformation programme will continue to respond to these challenges including the planned opening of two new children's homes in 2023, which has been supported financially by the Council through the capital programme and DfE match funding.
- 1.23 The Council has a Children's Services system which is working well and a CiC Service which is outstanding, and the Council continues to strive for improved outcomes for children and families. The services benchmark well financially against national averages also, and measures are being taken to secure improved value for money.
- 1.24 A proposed cost pressure of £0.285m relates to Special Guardianship Orders (SGOs). SGOs continue to be seen by the Courts as an important option for permanency for children who need to be removed from their birth parents which is endorsed by officers. The Council is however required to fund SGOs (subject to means testing) until the child reaches the age of 18 years. The expected increases are based on average numbers of SGOs being granted per month based on past trends.
- 1.25 A proposed cost pressure of £1.400m is to reflect the higher than budgeted costs for social care legal costs due to the complexity of cases; reliance on expert advice; the use of counsel and increase in CiC numbers. Children's Services continue to apply the statutory threshold to initiating care proceeding and pre-proceedings. Pre-proceedings are an important process working with the family to reach an agreement about what needs to happen to protect the child.
- 1.26 The current year public sector pay award is built within the 2023/24 budgets. Pay award assumptions for 2023/24 are currently excluded from services budgets until the position is clear and the exact budgetary requirements are known. The Council has budgeted for a pay award in the Council's Medium-Term Finance Plan.

## **Capital Programme**

- 1.27 A ten-year Capital Programme has been compiled in line with the principles set out in our Capital Strategy, including the principle of Affordability.
- 1.28 For Lincolnshire maintained schools, Children's Services manage and maintain a comprehensive annual capital programme of individual school condition and maintenance projects which is overseen by the Children's Services Capital Programme Board. The service continues to receive all capital funding made available by the DfE for schools to enable it to manage critical priority issues.
- 1.29 An estimated grant award for the Schools Condition Allocation is £3.000m for 2023/24 to support Lincolnshire maintained schools. This will be updated based on the number of Local Authority maintained schools on or by 1 April 2023 and the Government's overall funding quantum.
- 1.30 An estimated allocation for Devolved Formula Capital is £0.950m for 2023/24. This is expected to continue at the current funding level per Local Authority maintained school, namely a lump sum of £4,000 and per pupil funding of £11.25 for nursery / primary and £16.88 for secondary. This will be updated based on the number of Local Authority maintained schools on or by 1 April 2023. The Government has announced in December 2022 that a national share of £447m will be allocated through capital funding to schools and sixth forms for improvements in energy efficiency in response to the increased costs from utilities. This funding will equate to £10,000 per school, plus £20.06 per weighted pupil.
- 1.31 An allocation for Provision of Schools Place Basic Need Grant is £1.639m in 2023/24. This will allow the Council to plan strategically to fulfil its statutory duty to provide sufficient school places for the children of Lincolnshire. Children's Services priority at this stage is to ensure that all September 2024 school place pressures are accounted for with potential solutions in place. The notification for 2024/25 is a £0 grant allocation. A contributing factor is the reduction in the national allocation for Basic Need from £746m to £195m. The overall funding levels will be reviewed against the latest projections data.
- 1.32 The Building Communities of Specialist Provision; Together in Lincolnshire Strategy is making significant changes to the existing special education provision, creating an integrated and sustainable school system where pupils can attend their nearest special school, confident that their education and health needs can be fully met. The overall programme budget has been increased to £101.845m in response to the market volatility and higher level of inflation being experienced. This increase in budget has been funded by the DfE High Needs Provision capital allocation awarded for the period 2022-24 (£16.826m). The gross expenditure for the programme's individual special school schemes for 2023/24 is planned to be £33.364m reflecting the latest position.

- 1.33 New Schools capital: the Council through its school place planning has forecast within the ten-year capital programme a requirement for new mainstream schools.
- 1.34 The CiC transformation programme: two new children's homes are planned to be open in 2023 in the locations of Lincoln and Louth, which has been supported financially by the Council through the capital programme and DfE match funding. The schemes have been impacted by inflation, however mitigations / solutions have been put in place through value engineering to reduce costs, and new capital contributions through Council and DfE funding.

### **Schools Budget**

- 1.35 The Schools Budget is funded via the Dedicated Schools Grant (DSG). In 2023/24, the DSG will continue to comprise of four blocks: Schools, Central School Services, High Needs, and Early Years. Each of the four blocks of the DSG is determined by a separate national funding formula.
- 1.36 Lincolnshire's indicative DSG allocation for 2023/24 is £725.869m and will be used to support all schools in Lincolnshire including Local Authority schools and academies. Lincolnshire Schools block value is £550.838m. Over half of Lincolnshire pupils attend academy schools; therefore, the DSG figure for the Schools block will be revised down for the academy schools budget share allocations. The DSG is a ring-fenced grant and the actual split between Local Authority schools and academies has no financial risk to the Council from the DSG schools delegated budget perspective.
- 1.37 The Government implemented a National Funding Formula (NFF) in 2018/19 to ensure a fairer settlement for each mainstream school. The Council agreed to adopt the NFF due to the improved financial settlement for Lincolnshire schools and has continued to replicate the NFF each year since then. In 2022/23, Lincolnshire replicated the monetary values of the NFF factors, however due to the significant increase in Free School Meals (FSMs) recorded on the October 2021 census resulting from the pandemic, of which Local Authorities were expected to finance this increase through its Schools block allocation, the Minimum Funding Guarantee (MFG) had to be applied at +0.5% (within the MFG range) to support the formula being affordable.
- 1.38 The sector and Lincolnshire Schools' Forum have supported the decision for Lincolnshire to replicate the NFF due to the increased per pupil funding levels being seen in all mainstream schools. The Local Authority (LA) still does however consider local flexibility and decision-making powers important to best respond to local needs and demands on a timely basis within reasonable DfE parameters.
- 1.39 The fundamentals principles of the NFF are not changing for 2023/24, and funding levels represent the Government's department spending increases over the settlement period. In accordance with the 20 January 2021 Executive Councillor decision and sector support through the consultation exercise, the Council plans to



continue replicating the NFF in 2023/24, which will include the modest changes. This will of course be subject to affordability of the Schools block due to the Government's application of lagged funding arrangement for Local Authorities Schools block funding. The determination of all Lincolnshire schools budgets using the October 2022 schools census released to councils in late December will be carried out in January, including the assessment of affordability. The Council is required to submit the determination of schools budgets through the Authority Proforma Tool to the DfE by the 20 January 2023 for compliance purposes. This therefore leaves limited time for engagement with the sector on the impact of specific measures to address affordability, if necessary. Schools responses have previously been mixed on affordability matters, however MFG and the ceilings cap have been the preferred solutions, in that order. In 2022/23, the Council decision was to alter the MFG (to the lower range of +0.5%) along with considering the use of other DSG funding streams. The Council would favour adopting the same approach and principles, if affordability issues arose for 2023/24. The affordability position will be shared with the Lincolnshire Schools' Forum in the January committee meeting including the mitigating measures to address this and the school impact.

- 1.40 As part of the spending review the Government announced in 2021, the total core schools budget had planned to increase to £56.8 billion by 2024/25. This included the £4bn funding increase in the current year (including the supplementary grant) to £53.8bn compared to 2021/22 levels. The 2023/24 funding levels would rise by £1.5bn to £55.3bn or a 1.9% increase in per pupil funding. The Autumn 2022 statement announced a further £2bn increase in funding in each of 2023/24 and 2024/25 to respond to increasing costs faced by schools, particularly through staff pay awards and utilities. For Lincolnshire mainstream schools, this new grant equates to an additional 3.4% increase in per pupil funding, or a total grant allocation of £18.897m for the sector. A share of the £2bn additional grant allocation (£400m) will be directed through Local Authorities High Needs block allocations, which includes conditions of use. For Lincolnshire's High Needs block, this represents £5.008m.
- 1.41 The Government is continually moving to a basis for distributing funding to Local Authorities for children and young people with high needs, taking into account an up-to-date assessment of the level of need in each area as opposed to funding on the basis of historic spending. Local Authorities will be protected under the formula by seeing a minimum increase of 5% per head in 2023/24 compared to their 2022/23 High Need block allocation. The High Needs block allocation is £121.409m for 2023/24. This includes the additional £5.008m through the additional £2bn funding announcement. The SEND Green paper acknowledged the unsustainable SEND system and considers ways to address this. The outcomes of the consultation will likely have an impact on high needs funding allocated to Local Authorities and schools.
- 1.42 There continues to be a growing trend nationally, and this growth is being experienced in Lincolnshire with more young people requiring specialist support which is having a material financial impact on the High Needs block. This remains a

financial challenge. In Lincolnshire, transformational work is considered fundamental to securing further improved outcomes for young people with SEND through a truly integrated approach, whilst also securing an offer for Lincolnshire that is financially sustainable within the central Government allocation. The SEND Transformation Board is governing the transformational process and its key work streams, including monitoring of progress against our ambitions.

- 1.43 Lincolnshire's special schools funding formula is robust and is underpinned by key cost drivers and their costs based on theoretical school models. The underlying principles and formula factors will remain in place for 2023/24 but the formula will respond to the inflationary costs rises facing the sector. The funding requirements will be considered in the context of overall high needs spending priorities.
- 1.44 Lincolnshire indicative Early Years block funding is £43.833m in 2023/24. This is determined through the Government hourly rates for Lincolnshire of £4.87 for 3 and 4 year old funding (a rise of £0.23 per hour), and £5.63 for disadvantaged 2 year olds (a rise of £0.06 per hour). These funding rates are used to fund providers' hourly rates of delivery of entitlement and early years support services. The underlying principles and formula factors will remain in place for 2023/24, and the increased hourly rate funding from Government will be considered in the context of this and its agreed distribution. The Council will seek agreement for the centrally retained budgets for early years support services from the Lincolnshire Schools' Forum on 19 January 2023.

#### Further Consultation

- 1.45 The budget proposals will be publicised on the Council's website together with the opportunity for the public to comment.
- 1.46 All consultation comments and responses will be available to be considered when the Executive makes its final budget proposals on 7 February 2023.

## **2. Conclusion**

- 2.1 These budget proposals reflect the level of Government funding available to the Council and a proposal to increase Council Tax in 2023/24.
- 2.2 A thorough review of Council services was carried out during this year's budget process. Unavoidable cost pressures as well as savings have been identified, and the Capital Programme has been reviewed. The budget proposals aim to reflect the Council's priorities whilst operating with the resources available to it.

### 3. Consultation

#### a) Risks and Impact Analysis

An Equality Impact Assessment will be completed for the proposed increase in Council Tax. This will be reported to the Executive at its meeting on 7 February 2023.

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

### 4. Background Papers

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

Document title	Where the document can be viewed
Council Budget 2023 (Executive: 4 January 2023)	<a href="#">Agenda for Executive on Wednesday, 4th January, 2023, 10.30 am (moderngov.co.uk)</a>

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