



<b>ACHIEVING FOR CHILDREN BOARD OF DIRECTORS</b>	
DATE:	30th January 2023
REPORT AUTHOR:	Lucy Kourpas - Chief Operating and Finance Officer
SUBJECT:	<b>ACHIEVING FOR CHILDREN BUDGET 2023/24</b>
PURPOSE:	To present the draft 2023/24 budget for approval

## 1. SUMMARY

- 1.1 This report details the proposed 2023/24 budget for Achieving for Children (AfC). The budget has been discussed in detail with each of the three councils that commission services from AfC. The final budget approval is a matter reserved to Richmond, Kingston and Windsor and Maidenhead councils as AfCs owners and will be formally presented for approval in February / March 2023. The following table summarises the proposed contract prices:

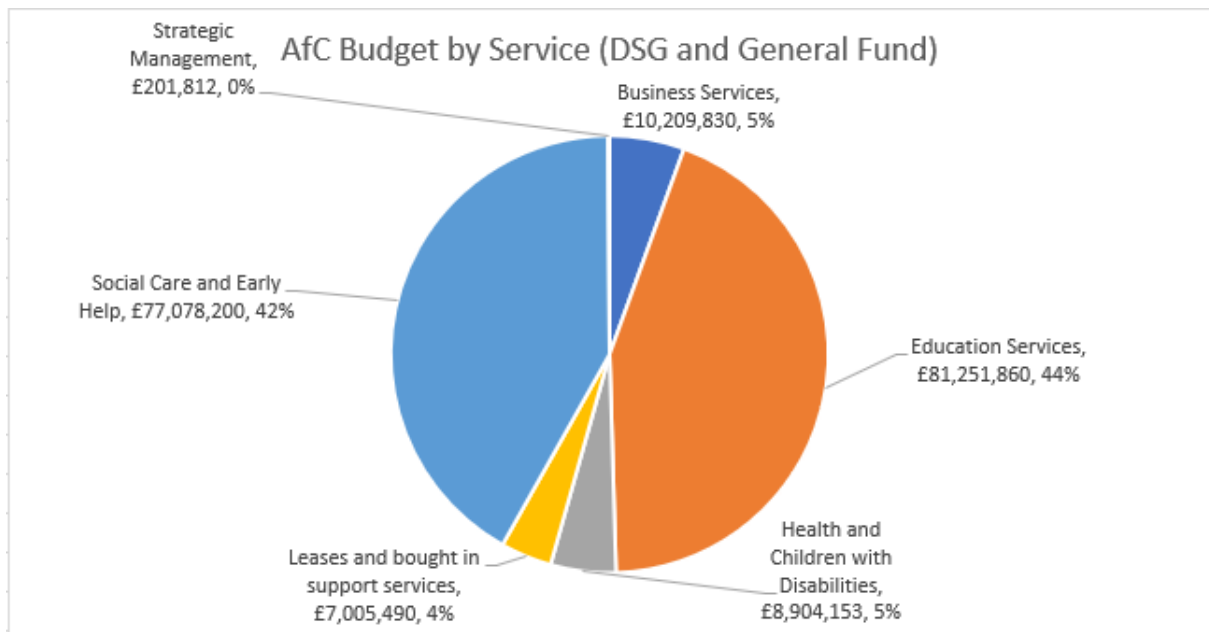
	Kingston	Richmond	Windsor and Maidenhead	Total
Contract Prices	£	£	£	£
<b>General Fund</b>	43,802,500	45,829,700	28,559,295	<b>118,191,495</b>
<b>Dedicated Schools Grant</b>	25,474,100	26,642,900	14,342,850	<b>66,459,850</b>
<b>TOTAL</b>	<b>69,276,600</b>	<b>72,472,600</b>	<b>42,902,145</b>	<b>184,651,345</b>

## 2. RECOMMENDATIONS

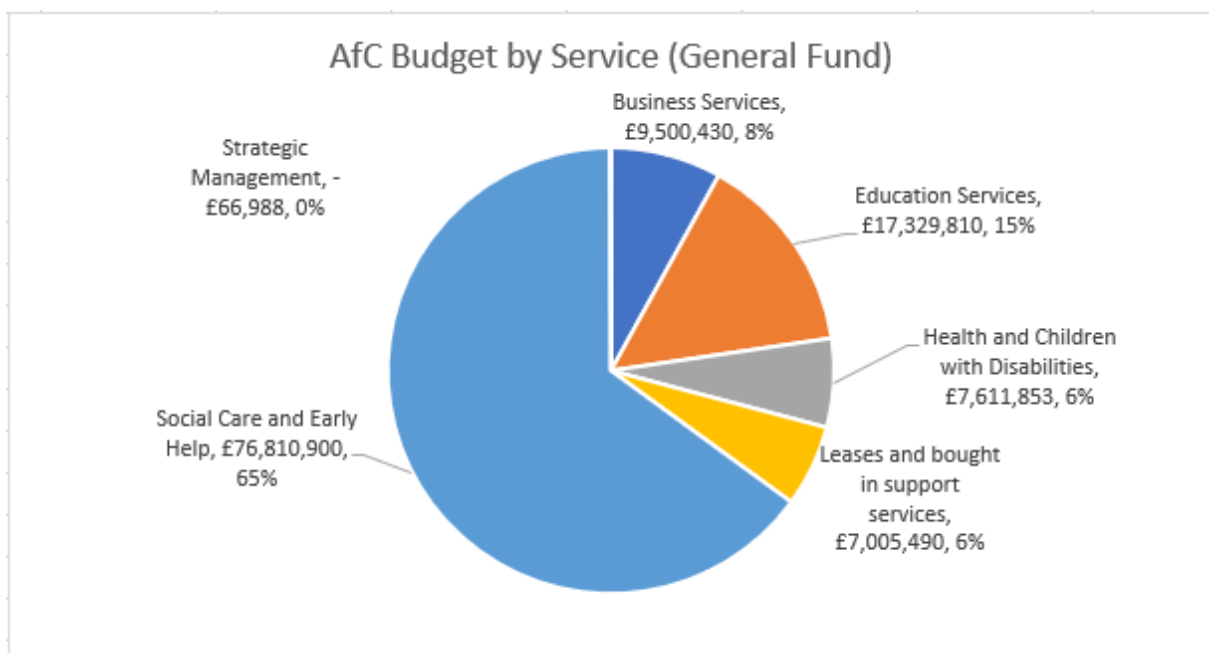
- 2.1 The Board is asked to agree to the 2023/24 budget that will go forward to the councils for approval.

## 3. GENERAL FUND BUDGET

- 3.1 The overall AfC budget is proposed at £184,651,345 profiled as follows:



3.2 The General Fund AfC budget (excl DSG) is proposed at £118,191,495 profiled as follows:



3.3 AfC have been fully engaged in each of the three budget setting processes taking place in the Local Authorities and have undertaken the company's detailed budget setting process alongside their respective timetables. This budget, once agreed, will form part of the three commissioning council's political budget setting processes which concludes in Councillors approving budgets in late February and early March 2023. Each of AfCs owning councils is also required to consider and approve the AfC budget and Business Plan each year.

3.4 The proposed changes to the 2023/24 AfC budget are outlined below:

	Kingston	Richmond	Windsor and Maidenhead	Total
	£	£	£	£
<b>Contract price movements</b>				
<b>2022/23 Q2 contract price excl DSG</b>	<b>40,991,100</b>	<b>43,323,900</b>	<b>29,876,365</b>	<b>114,191,365</b>
Growth	3,020,989	2,847,905	3,323,000	<b>9,191,895</b>
Savings - agreed with councils	-970,358	-1,353,704	-3,511,000	<b>-5,835,062</b>
Savings - unfunded Inflation	-211,300	-211,300	-223,000	<b>-645,600</b>
Inflation - pay award	966,300	603,000	519,500	<b>2,088,800</b>
Inflation - increments	211,300	211,300	223,000	<b>645,600</b>
Inflation - contracts	753,212	1,157,321	659,500	<b>2,570,033</b>
Inflation - pensions	175,000	175,000	220,000	<b>570,000</b>
Grant and virement changes	-167,443	-320,723	-2,528,070	<b>-3,016,236</b>
Growth to be awarded in year - pay award	-966,300	-603,000	0	<b>-1,569,300</b>
<b>Total net change</b>	<b>2,811,400</b>	<b>2,505,800</b>	<b>-1,317,070</b>	<b>4,000,130</b>
<b>2023/24 opening contract price excl DSG</b>	<b>43,802,500</b>	<b>45,829,700</b>	<b>28,559,295</b>	<b>118,191,495</b>
DSG funding in contract price	25,474,100	26,642,900	14,342,850	<b>66,459,850</b>
<b>2023/24 base contract price incl DSG</b>	<b>69,276,600</b>	<b>72,472,600</b>	<b>42,902,145</b>	<b>184,651,345</b>

### GROWTH (£9.192m)

- 3.5 Growth requests have been provisionally approved in all three boroughs. The anticipated 2023/24 growth levels are listed in the table below. Where growth is not funded, AfC will need to identify in-year mitigations to avoid overspending.

	Kingston	Richmond	Windsor and Maidenhead	Total
	£	£	£	£
<b>Growth</b>				
Social Care current demographic growth	396,089	1,245,032	-95,914	<b>1,545,207</b>
Social Care future demand	616,127	319,365	789,914	<b>1,725,406</b>
SEN Transport current demographic growth	0	0	40,000	<b>40,000</b>
SEN Transport future growth	0	0	312,000	<b>312,000</b>
External Legal Services	0	0	300,000	<b>300,000</b>

National Transfer Scheme	0	0	610,000	<b>610,000</b>
<b>Total Demand Growth</b>	<b>1,012,216</b>	<b>1,564,397</b>	<b>1,956,000</b>	<b>4,532,613</b>
Social Care Staffing	659,700	298,500	253,000	<b>1,211,200</b>
Social Care Recruitment & Retention	635,912	635,952	0	<b>1,271,863</b>
SEND Staffing	398,562	43,562	0	<b>442,124</b>
SEND contracts	27,500	27,500	0	<b>55,000</b>
Education staffing	212,100	66,000	375,000	<b>653,100</b>
Business Services	55,000	65,000	91,000	<b>211,000</b>
IT & Digital	20,000	29,995	200,000	<b>249,995</b>
Edge of Care invest to save	0	117,000	448,000	<b>565,000</b>
<b>Total Controllable Growth</b>	<b>2,008,774</b>	<b>1,283,509</b>	<b>1,367,000</b>	<b>4,659,282</b>
<b>2023/24 Budget Growth</b>	<b>3,020,989</b>	<b>2,847,905</b>	<b>3,323,000</b>	<b>9,191,895</b>

### SAVINGS (-£6.481m)

- 3.6 A significant challenge for the Company relates to savings targets set by the councils as part of the wider public sector regime of budget reduction as well as savings required due to unfunded growth. The following table summarises the budget reductions that have been built into the 2023/24 budget.

AfC Saving Theme	Richmond	Kingston	Windsor & Maidenhead	Total
Placement Sufficiency	364,068	287,577	1,763,000	<b>2,414,645</b>
Social Care Transformation	281,395	200,000	470,000	<b>951,395</b>
Early Help Transformation	500,321	214,861	190,000	<b>905,182</b>
Education Transformation	0	60,000	713,000	<b>773,000</b>
Workforce Transformation	207,920	207,920	375,000	<b>790,840</b>
<b>TOTAL</b>	<b>1,353,704</b>	<b>970,358</b>	<b>3,511,000</b>	<b>5,835,062</b>
Unfunded increments - individual team challenge	211,300	211,300	223,000	<b>645,600</b>
	<b>1,565,004</b>	<b>1,181,658</b>	<b>3,734,000</b>	<b>6,480,662</b>

- 3.7 Appendix A provides a detailed breakdown of the agreed general fund savings. The savings are subject to formal agreement at the various council political meetings in February/March. If the councils do not wish to proceed with any of the proposed savings at this stage in the process AfC will first look to propose alternative savings (where possible) and if alternatives can not be agreed the councils will need to provide growth to avoid overspending next year.

**INFLATION (£5,874m)**

- 3.8 AfC submitted inflationary growth requests to each borough in the Summer / Autumn 2022 and the following table summarises the outcomes of these bids:

	Kingston	Richmond	Windsor and Maidenhead	Total
Inflation	£	£	£	£
Employer pension contribution increase (3.9)	175,000	175,000	220,000	<b>570,000</b>
Pay award (3.10)	966,300	603,000	519,500	<b>2,088,800</b>
Contractual pay increments (3.10)	211,300	211,300	223,000	<b>645,600</b>
Contract inflation (3.11)	753,212	1,157,321	659,500	<b>2,570,033</b>
<b>2023/24 inflation</b>	<b>2,105,812</b>	<b>2,146,621</b>	<b>1,622,000</b>	<b>5,874,433</b>
Growth to be awarded in year - pay award	-966,300	-603,000	0	<b>-1,569,300</b>
<b>2023/24 inflation included in base contract price</b>	<b>1,139,512</b>	<b>1,543,621</b>	<b>1,622,000</b>	<b>4,305,133</b>

- 3.9 Additional funding has been provided across all three boroughs to allow for the increase in employer pension rates for the Local Government Pension scheme from 19% to 19.9% following the triennial valuation. In Windsor and Maidenhead the budget was set before the triennial valuation results were received and the surplus funds will contribute to other staffing pressures.
- 3.10 All three boroughs have agreed to fund a pay award next year. In Windsor and Maidenhead this is a local decision and has been budgeted at 4%. In Richmond and Kingston this is negotiated at a national level and has been set aside in the council's accounts pending the outcome of national negotiations. It has been budgeted at 2.5% in Richmond and 4% in Kingston. The actual amount given will be adjusted to reflect the final National Joint Council / Teachers pay award. The cost of contractual salaries increments will not be funded by any of the boroughs and so this will be an additional pressure to be met from existing budgets.
- 3.11 Where AfC holds contracts with specific inflationary increments this has also been provided for using the inflationary factor outlined in the contract. Placements have been inflated using a projected CPI which mirrors the council assumptions - 5% in Kingston, 7.8% in Richmond and an average of 4% in Windsor and Maidenhead.

**GRANT AND CONTRACT CHANGES (-£3.016m)**

- 3.12 The contract prices will also change for a number of agreed adjustments to reflect estimated Government Grant amounts or one off prior year service funding. These include where Government funding may have changed or where it has been agreed that budgets will be reflected differently between the councils and AfC. These budget adjustments are agreed at an officer level between the Local Authorities and AfC during the year.

- 3.13 The most significant movement next year relates to the application of public health grants to eligible spend across AfC services.

#### 4. DEDICATED SCHOOLS GRANT

- 4.1 The provisional grant settlement for the Dedicated Schools Grant (DSG) was announced on 16th December 2022. AfC will continue to manage the DSG grant funds on behalf of the three councils although not all of the money will be included in the annual contract prices. This means that AfC will be responsible for the management of those funds including passporting funding directly to schools and early years settings. AfC will also deliver significant education services with the most material being high needs education services but also including services such as school admissions, early years advisory services and school improvement.
- 4.2 The table below details the anticipated DSG budgets for each borough, after block transfers which are expected to be agreed as part of each council's budget setting process.

<b>Block</b>	<b>Richmond DSG Budget £</b>	<b>Kingston DSG Budget £</b>	<b>Windsor &amp; Maidenhead DSG Budget £</b>
Schools Block	142,013,494	129,153,827	109,813,634
Central School Services Block	1,002,112	1,172,905	994,733
Early Years Block	15,286,555	13,742,465	11,210,174
High Needs Block	38,316,861	32,163,453	30,182,800
<b>Total</b>	<b>196,619,022</b>	<b>176,232,650</b>	<b>152,201,341</b>

- 4.3 The funding must be applied to education services with a significant portion being passported to schools and early years providers as de-delegated budgets.
- 4.4 AfC have drafted detailed budget reports for each council and so the details will be formally approved in February and March. The links to the detailed budget reports are detailed below for information:
- [Richmond Schools Budget Report](#)
  - [Kingston Schools Budget Report](#)
  - [Windsor and Maidenhead Schools Budget Report](#)
- 4.5 The most significant challenge for next year will remain the management of high needs education services within the budget available. In Richmond and Kingston this budget has been agreed with the DfE and council as part of the five year Safety Valve Funding agreement and will exceed the amount of grant funding available (shown in table above). In Windsor and Maidenhead the expenditure on high needs is expected to be manageable within the funding allocation as long as the Delivering Better Value action plan continues to be prioritised and successfully implemented.

- 4.6 The cumulative deficits on all three DSG funds remains a significant risk to AfC and the councils and the addressing of those deficits must remain one of AfCs top priorities next year. The importance of the plans is recognised in the AfC Business Plan. In recognition that shortfalls in high needs education funding is a growing national issue, the DfE issued guidance to strengthen the DSG fund ringfence and has extended the three year statutory override to support Local Authorities implement plans over time without the deficit impacting on Local Authority financial viability.

## 5. RISKS AND MITIGATIONS

- 5.1 The following table summarises key financial risks for the coming year and associated actions

RISK / CHALLENGE	ACTION TO MITIGATE RISK
<p><b>Inflation</b> - inflationary pressures pose the most significant risk to children's services budget in 2023/24. Pressure is being experienced on placement budgets, staffing budgets, agency staffing budgets, contractual spend and fuel budgets.</p>	<p>Inflationary increases have been built into budgets but it is possible given the escalation in RPI and CPI that it may exceed the amount allowed for. Robust commissioning practises that minimise inflationary increases on expenditures as well as solution focused partnership working will be key to understanding this pressure and mitigating it wherever possible.</p>
<p><b>Placement budgets</b> – This pressure will be impacted by the number of children who require support next year as well as the complexity of their needs. Practitioners have reported a clear step up in complexity of need since the onset of the pandemic and this is coming through in more intensive and expensive support packages. Children's services have been operating in an environment where demand outstrips supply for specialist placements in recent years and the increase in demand nationally and locally due to the increase in asylum seekers supported is exacerbating the placement shortfall and pushing up prices.</p>	<p>Internal review system for all placements to ensure they are the most appropriate in terms of service and cost.</p> <p>Detailed financial monitoring at an individual placement level.</p> <p>Sufficiency Strategy</p> <p>Engagement with joint commissioning groups / initiatives to drive down cost and increase purchasing power</p> <p>Monthly financial monitoring updates provided to each council and quarterly meetings with commissioners to discuss latest performance and activity data, risks and associated actions</p> <p>Claim of additional grant funding wherever possible for refugees, unaccompanied asylum seekers and care leavers</p> <p>Demand management strategies such as edge of care support and other established early help services.</p>

<p><b>Balance young people's outcomes with balancing budget</b> - Risk that the organisation does not strike the right balance between spending within budget and ensuring that children and young people are safe from harm / their wellbeing is supported.</p>	<p>The Leadership Teams review the monthly monitoring and agree on all financial actions that could impact on services. This ensures that the service impact of financial action plans is considered and risks identified/ monitored. Director overview of all decisions relating to their directorates</p>
<p><b>Achievement of savings</b> and agreement of one off costs for redundancy etc. - Risk that savings are not achieved leading to in year overspends.</p>	<p>Regular monitoring of progress against savings plans.</p> <p>Project plans for each of the high value schemes with regular reporting to the Leadership Teams</p> <p>Quarterly progress reporting to the AfC Board and Commissioners.</p>
<p><b>Risk of cross subsidy</b> if the level of funding that can be afforded by each LA differs</p>	<p>Operational area budgets recorded separately to avoid high level cross subsidy. Demand budgets ringfenced to ensure that placement / transport budgets are not vulnerable to cross subsidy</p> <p>Definition of core service provided by Business Services and agreement about level of support for each borough in the context of funding levels</p> <p>Annual financial exercise undertaken to check actual expenditure levels against contract prices</p> <p>Oversight by Directors of Children's Services and Chief Operating Officer</p>
<p><b>Risk that Councils do not agree proposed savings and growth</b></p>	<p>Regular briefings for councillors throughout the budget setting processes</p>

## 6. FINANCIAL IMPLICATIONS

- 6.1 Budgets will be carefully monitored during 2023/24 to ensure that appropriate action is taken where financial pressure arises. The combination of inflationary, demand pressures and savings required means that 2023/24 will be another challenging year in financial terms.
- 6.2 Balancing the ever increasing financial pressure with the responsibility to ensure the best outcomes for children remains a significant challenge going into 2023/24. Increases in demand and high average cost of placements is a national issue that is causing budget pressure for most providers of children's social care and education services. The Councils have provided significant



levels of growth and so it is important that the budgets are prioritised effectively to ensure demand is managed within the available budget envelope.

- 6.3 The underfunding of high needs education, rising inflationary pressures and the step up in complexity of support needed by children and young people remain the greatest challenges next year and it is important that as an organisation we periodically review delivery models and make changes to support value of money.
- 6.4 Challenging savings targets have been built into the budget for next year and it is important that progress against these projects and achievement of planned budget reductions is monitored. The achievement of planned savings and managing demand will need to continue to be a high priority for all staff that have authority to commit to spend. Where projects under-achieve savings targets or there are demand-led overspends, cost reductions will need to be found from elsewhere to ensure the Company can operate within the contract funding envelope agreed with the councils.
- 6.5 It is important that AfC continues to embed a culture of financial restraint into all officers with spending power and that the Company regularly reviews the financial position to ensure that money is aligned to service needs and priorities. Expenditure restraint policies and procedures will need to continue into 2023/24 to ensure that controllable budgets remain balanced and resources can be effectively prioritised in demand led budgets.

## **7. CONTACTS**

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