

PART 1 - PUBLIC

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Decision Maker: **Schools Forum**

Date: **12 January 2012**

**TITLE: DRAFT 2012/13 BUDGET**

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Ward: Boroughwide

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1. Reason for report

- 1.1 This report outlines the proposed growth and savings to the 2012/13 CYP budget to incorporate cost pressures and additional savings options.
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2. **RECOMMENDATION(S)**

2.1 **The Schools Forum are requested to:**

- (a) **discuss the proposed savings and to provide any comments for consideration as part of the full consultation process.**

3. **COMMENTARY**

**Approach to the Budget**

- 3.1 Forward financial planning and financial management is a key strength at Bromley and this has been recognised previously by our external auditors. The Executive report on the 11th January 2012 set out the financial forecast for the next 4 years but with some caution around projections for the 3rd and 4th year of the Comprehensive Spending Review period (2013/14 and 2014/15) as well as the year following the 4-year Comprehensive Spending Review period (2015/16). There are significant changes which can impact on the Council's finances from 2013/14 arising from the final outcome of the Local Government Resources review which includes the localisation of business rates and council tax benefit.
- 3.2 The Budget Strategy has to be set within the context of a reducing resource base – the need to reduce the size and shape of the organisation to secure priority outcomes within the resources available. There is also a need to build in flexibility in identifying options to bridge the budget gap as the gap could increase further. The overall updated strategy has to be set in the context of the national state of public finances, unprecedented in recent times, and the high expectation from the Government that services should be reformed and redesigned.

There is also a need to consider “front loading” savings to ensure difficult decisions are taken early in the budgetary cycle, provide some investment in specific priorities and to support invest to save opportunities which provide a more sustainable financial position in the longer term, ensuring stewardship of the Council’s resources . Any budget decisions will need to consider the finalisation of the 2012/13 Budget but also consider the longer time frame where it is now clear that a longer period of austerity beyond 2015/16 is inevitable. Members will need to consider decisions now that can have a significant impact on the future year’s financial position which ultimately will help to protect key services. Further details of the Council’s approach to budgeting were included in the “Update on Council’s Financial Strategy 2012/13 to 2015/16” considered by Executive on 7th September 2011.

### **Changes that could impact on longer term financial projections**

- 3.3 In considering the next four years there remain many variables which will impact on any final outcome, these include:-
- The number of schools transferring to Academies will result in further “top slicing” in formula grant funding to the Council. An estimated additional £3 million per annum from 2013/14 has been assumed in the forecast, at this stage.
  - Income from interest on balances included in the 2011/12 Council Tax report assumed that interest rates will increase to 4.25% by 2014/15. The latest forecast assumes a revised level of 2.0% by 2014/15. Recent indications are that interest rates will remain low in the medium term which was confirmed in the recent downward projections on interest rates included in the Bank of England Inflation Report (November 2011). The credit rating agencies and the market in general continue to be extremely nervous about the financial climate resulting in recent downgrades to UK banks and building societies, primarily Barclays, Santander and Nationwide which will result in reductions to the total value and duration of such investments. This will undoubtedly lead to greater reliance on money market funds, which pay considerably lower rates in exchange for instant access to cash. The recent changes will impact on the Council’s ability to earn interest on investments in 2012/13 and 2013/14 and potentially later years.
  - There will be a review of local government finance and the initial proposals include the review of Formula Grant and allowing local authorities to retain business rates. Although Bromley would be a net gainer, in reality there would be a business rate equalisation scheme to support low revenue raising authorities which may offset any gains. Other Government grants will still reduce in future years to reflect planned reductions in public spending. No changes to the financial forecast have been made at this stage. There are planned 10% reductions in Council Tax Benefit Subsidy from 2013/14 which the projections assume will be cost neutral (i.e. offset by a corresponding reduction in payments). These proposals result in a significant risk transfer from central government to local government. Government currently manages the increasing costs of council tax benefit and the risks relating to variations in business rates. These risks will be managed by the Council from April 2013. Finally more detail of the options for “community budgets” will be produced from the local government finance review.
  - The coalition Government will introduce many changes in its first term including, for example, changes to health (including transfer of funding for public health from 2013/14), welfare benefits, localism (including new powers of competence for Councils to act in the interest of their communities), which have been assumed as cost neutral in the projections at this stage.

- There will be many other variables as the forecast is based on predicting the next four years; the longer the timescale the greater the uncertainty. Many of the national issues outlined above, makes accurate forecasting post April 2013 virtually impossible. However, it is clear that a significant “budget gap” will continue.

### Latest Financial Forecast

3.4 A summary of the latest budget projections including further savings

3.5 required to balance the budget for 2012/13 to 2015/16 are summarised below:

	2012/13	2013/14	2014/15	2015/16
	£m	£m	£m	£m
<b>Cost Pressures</b>				
Inflation	8.10	15.70	23.40	31.10
Interest on Balances	0.00	0.00	-0.50	-1.00
Grant loss	7.30	11.80	20.10	27.90
Real changes	1.50	3.30	5.70	9.60
Provision for risk	2.00	1.50	1.50	1.50
Loss of grant funding (LACSEG)	0.00	3.00	3.00	3.00
	<u>18.90</u>	<u>35.30</u>	<u>53.20</u>	<u>72.10</u>
<b>Income/Savings</b>				
2.5% increase in Council Tax (assumes freeze at this stage for 2012/13)	0	-3.3	-6.7	-10.1
Savings approved by Executive February	-10.6	-9.7	-9.7	-9.8
Further savings identified	<u>-13.8</u>	<u>-23.9</u>	<u>-23.9</u>	<u>-23.9</u>
	<u>-24.4</u>	<u>-36.9</u>	<u>-40.3</u>	<u>-43.8</u>
Invest to Save (one-off)	3.00	0.00	0.00	0.00
Council Tax Freeze grant	-3.00	0.00	0.00	0.00
Contribution to Glades	0.90	0.00	0.00	0.00
Increase in Council Tax base	-0.50	-0.50	-0.50	-0.50
New Homes Bonus – transfer to earmarked reserve	2.00	2.30	2.50	2.70
Increase in New Homes Bonus	-1.30	-1.50	-1.80	-2.00
Infrastructure Fund (one off funding)	4.40	1.30		
	<u>5.50</u>	<u>1.60</u>	<u>0.20</u>	<u>0.20</u>
<b>Remaining "Budget Gap"</b>	<b><u>0.00</u></b>	<b><u>0.00</u></b>	<b><u>13.10</u></b>	<b><u>28.50</u></b>

The above table shows, for illustrative purposes the impact of a council tax freeze in 2012/13. If Members agree a council tax increase of 2.5% in 2012/13 the medium term “budget gap” reduces by £3.3m. Each 1% council tax increase generates ongoing annual income of £1.3m.

## Growth Pressures

- 3.6 A breakdown of growth pressures over the next four years is included in Appendix 3 of the Executive report of 11 January 2012. The growth for CYP Portfolio is shown in the table below:-

	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
Children's Placements/additional referrals	500	500	500	500
Additional Pressures (SEN Transport - Exec January 2011)	150	150	150	150
New Growth Pressures – children's placements	100	100	100	100
New Growth Pressures – children with disabilities	605	605	605	605
	1,355	1,355	1,355	1,355

## Saving Options

- 3.7 A summary of the savings options relating to the Children and Young People Services Portfolio is shown in the table below, and in Appendix 1a, 1b and 1c of this report:-

	2012/13 £'000	2013/14 £'000
Section 1 Budget options	1,082	1,182
CYP full year effect savings from 2011/12 for 2013/14	0	770
CYP Additional budget options	960	1,476
	2,042	3,428

## 4. CHIEF OFFICER COMMENTS

The Director for Children & Young People Services (CYP) has highlighted a range of key issues that need to be taken into full account in shaping the 2012/13 budget arrangements for children's services.

### 4.1 Service Volumes and Associated Costs

Demands on services for children continue to increase, particularly in statutory service responsibilities including: Children's Social Care, placement and support costs for children with Special Education Needs (SEN) and children with disabilities. This is a direct consequence of increasing volumes of children, the complexity of their needs and the associated costs. The service activity trends and costs are monitored closely by the Executive Working Parties: SEN and Safeguarding & Corporate Parenting with regular reports throughout the cycle of meetings for the CYP PDS Committee and that of the Portfolio Holder CYP. These reports have also outlined the strong framework of management action and measures taken within the CYP

Department to contain the increased costs and offset, where possible, service pressures. This has included: further strengthening gatekeeping and management of eligibility criteria; reviewing commissioning arrangements through tight control of placement purchasing; a general moratorium on all running costs including post vacancies across the Department. This action has achieved compensatory savings, however, the service and costs pressures associated with these areas are predicted to continue into 2012/13 and beyond.

As part of the medium to longer term strategy detailed consideration is being given to early intervention, invest-to-save schemes to increase Bromley's in-borough capacity to meet the needs of children with SEN and disabilities, thereby reducing reliance on expensive out-borough provision.

#### 4.2 Additional Funding for Social Care and Health

The Government allocated additional funding to Public Health transferring to LA's which was earmarked for spend on shared social care/health service areas for children and adults. A corporate bidding system has been developed by the Director of Resources through which CYP can bid for a percentage of this funding to address early-intervention social care/health areas of responsibility. The total envelope of funding for Bromley is £3.2m in 2011/12 and £3m in 2012/13. Spending plans for this grant must contribute towards reducing demand for social care and health services – e.g. preventing of placements, and health related areas of placements themselves. Effective use of this resource will assist in managing the cost pressures associated with demographic growth in demand, particularly in relation to funding Children Social Care placements.

#### 4.3 Local Authority Central Spend Equivalent Grant (LACSEG)

As part of the Local Government Finance settlement, further LACSEG information has been released in the form of a second consultation. It outlined the position the government are minded to take in terms of LACSEG for 2011/12 and 2012/13. The Government have responded positively to Bromley's arguments. The summary is as follows:-

- 1) 2011/12 - no additional reduction of grant as this would cause too much uncertainty and turbulence.
- 2) 2012/13 – no additional reduction for Bromley. DfE will work out a LACSEG figure using the 2011/12 S251 returns that all authorities complete and derive a LACSEG top slice figure. However Authorities will be capped at a maximum of the original top slice in the formula grant for 2012/13. Authorities whose top slice is above the LACSEG calculation will be refunded. This means that Bromley's top slice will be limited to the £1.4m already planned for in the previous finance settlement.

However it has been made clear that this situation cannot continue into the medium term and that changes must be made to mitigate what the government sees as double funding of authorities. This arrangement is transitional. For 2013/14 the government is exploring removing the funding for LACSEG relevant services from formula grant into a DfE budget as part of the Local Government Resource Review. Grant would then be administered to authorities and academies proportionate to the number of pupils and at a national rate.

As there are no details of how this is going to be administered, the impact on Bromley is unknown. However it must be acknowledged that the government appear to have listened to Bromley and realised the need for stability and certainty during these difficult financial times. Government will consult in 2012 on new proposals to take effect in 2013/14.

Therefore a risk remains for all services of further top slices from 2013/14. The threat of the larger reduction first discussed by Government appears to have diminished but there continues to be a risk of further reductions in the medium term although it is anticipated that these will be less severe than once thought. This has been dealt with as part of Bromley's corporate financial strategy.

LACSEG is linked to the number of schools that convert to Academy status. Most secondary and some primary have already converted. The more that do convert, the more LACSEG will be taken from Authorities in terms of RSG and DSG. This will continue to put pressure on budget in CYP and other service departments.

In terms of LACSEG and DSG funded services, this will continue to be taken in 2012/13 by the same mechanism as before. Top slice reductions are increased as academy conversions increase. This causes pressures in DSG centrally funded areas of CYP as funding is removed.

Given the momentum and pace of academy conversions within Bromley, the in-year top slicing effect on the DSG is significant. Of the Council's original 95 maintained schools (17 secondary, 74 primary, 4 special schools) as at 9 January 2012 a total of 26 schools have converted to academy status (15 secondary and 11 primary); a further 6 are currently pursuing conversion. Future levels of RSG and DSG top slicing will be based on Bromley's current and projected conversion rate with the associated impact on the Council's funding and service levels.

#### 4.4 Dedicated Schools Grant (DSG)

Government has recently announced the DSG for schools and schools related services for 2012/13. The funding remains static and is the same for funding per pupil as in 2011/12. However Government are consulting on future funding levels which may mean a complete change to the current funding methodology. These changes are expected to be implemented by 2013/14. The effects of these changes are unknown as there has been no communication by Government as to the firm proposals. Although funding could rise due to formula changes there is also a risk of funding reductions which could have an impact on Schools and service supported centrally by the Council through DSG.

Over previous financial years, where feasible within the terms of the DSG grant funding, key aspects of children's services, many being statutory, have been transferred from RSG to DSG, to reduce the cost pressure on the Councils' core grant. As DSG levels reduce, this will place the viability of those aspects of services under significant pressure and potential risk for the Council given statutory duties.

#### 4.5 Budget Savings

The reporting approach for the proposed budget options has been determined corporately so that there is consistency across Departments and Portfolios.

In January/February 2011 there was consultation on the first two years of a four year budget strategy. This included savings aged for 2011/12 and 2012/13. The savings in Appendix 1a, 1b and 1c are an additional phase of budget options identified with the department and through the corporate aligning policy and finance reviews.

Challenging targets have been set across the service. Officers are clear of the savings that are to be made and the plans for achieving these. Proposals are currently underway where possible. A number of proposals will involve further major reductions to CYP services and will be the subject of consultation with staff, service users and voluntary sector providers and the outcome of which may influence decisions and outcomes. Appendix 1a are savings that are currently being implemented by officers, 1b related to the ongoing impact of 2011/12 budget savings (mainly full year effect and Appendix 1c are further savings that have been identified.

## 5. POLICY IMPLICATIONS

5.1 The Council’s key priorities are included within the Council’s “Building a Better Bromley” statement and include:

- Safer Communities
- A quality environment
- Vibrant, thriving town centres
- Supporting independence, especially of older people
- Ensuring all children and young people have opportunities to achieve their potential
- An Excellent Council

5.2 “Building a Better Bromley” refers to aims/outcomes that includes remaining amongst the lowest Council tax levels in Outer London” and achieving a “sustainable council tax and sound financial strategy”.

## 6. FINANCIAL IMPLICATIONS

6.1 The financial implications are contained within the overall report

## 7. LEGAL IMPLICATIONS

7.1 The delivery of some budget options will be dependant on consultation and formal decisions outside of the budget setting process. The Council has to set a lawful balanced budget before 11 March which will include contingencies to cover such items.

## 8. PERSONNEL IMPLICATIONS

8.1 The Corporate Trade Union and Departmental Representatives’ Forum receives regular updates on the Council’s finances and the associated policy implications and challenges. Staff and their trade union representatives will be consulted individually and collectively on any adverse staffing implications arising from the budget options. Managers have also been asked to encourage and facilitate staff involvement in budget and service planning.

<b>Non-Applicable Sections:</b>	Legal Implications
Background Documents: (Access via Contact Officer)	Documents held in CYP Finance Division

## CYP SECTION 1 BUDGET OPTIONS TAKEN FROM EXECUTIVE REPORT APPENDIX 5A

	<u>SECTION 1 BUDGET OPTIONS</u>	2012/13 Budget £'000	2013/14 Budget £'000
1	SAVINGS ALREADY DELIVERED OR ABLE TO BE DELIVERED	0	0
2	SENIOR MANAGEMENT SAVINGS	217	217
3	OTHER STAFF SAVINGS	350	450
4	STAFFING CHANGES/CHANGE IN SERVICE DELIVERY/OTHER	100	100
5	INCOME	0	0
6	INVEST TO SAVE BIDS (ALREADY APPROVED)	0	0
7	REALIGNING FUNDING	415	415
8	REDUCTION IN GROWTH -FOUR YEAR FORECAST	0	0
9	REPAIRS & MAINTENANCE	0	0
10	SAVINGS THROUGH OUTSOURCING/SHARED SERVICES/SERVICE REDESIGN ETC	0	0
	<b>TOTAL</b>	<b>1,082</b>	<b>1,182</b>



CYP FULL YEAR EFFECT SAVINGS FROM 2011/12 - TAKEN FROM EXECUTIVE REPORT APPENDIX 5B

Overall Savings across all Departments for 2013/14 (Mainly full year effects)

REF	Department	Budget 2011/12 £'000	Budget Option Identified	Savings 2013/14 £'000	Impact on Other Services /Notes
	<b>Children &amp; Young People Services</b>				
14	Awards Transport and Pupil Benefits	200	Cease funding Pupil Clothing and Footwear Grants	100	The provision of a uniform grant is discretionary. The saving is achievable by withdrawing this support to parents.
15	Standards and Achievement	413	BYMT - contract reduction	40	Service volumes - BYMT working with 4,716 children per annum individual tuition and 4,660 in Group tuition to terms of Bromley CYP contract. Funding reduction from LBB would require increase in their fees OR generate new income OR delivering to less children. The BYMT will have less lead in time to deliver the savings which will have an impact on the service it delivers.
16	Integrated Youth Service	1,986	Universal and Targeted (Connexions) Youth Support	580	This service fulfils the Council's statutory responsibilities for promoting positive activities in addition to the statutory duty for informal youth support and advice. There is a high level of part time/sessional staff. Total staff numbers in the youth service/internal connexions is 123. Proposals for restructuring of the Integrated Youth Support Service (Connexions plus the Youth Service) will reduce staffing from 57.9FTE to 33FTE. This was reported to Members in December. The service is currently delivered from 10 centres and 1 mobile facility. To achieve savings it is proposed to reduce the number of centres through the closure of 4 fixed centres and to sustain provision across the remaining 6 static and 1 mobile facility (Subject to consultation). As part of the changing profile for the service it intended to work with the community and voluntary sector organisation to support the provision of universal youth opportunities. Proposals for the variation of the contract for the delivery of Universal IAG have been the subject for negotiation between the LA and the contractor.

REF	Department	Budget 2011/12 £'000	Budget Option Identified	Savings 2013/14 £'000	Impact on Other Services /Notes
17	Access and Inclusion	473	Align the Behaviour Support Service with the Education Welfare Service	50	The behaviour service has been amalgamated with EWS with a reduction in management costs. The behaviour service is funded from DSG so increased alignment could result in reduced costs to RSG/Council Tax.
	<b>TOTAL</b>			<b>770</b>	

## CYP ADDITIONAL BUDGET OPTIONS TAKEN FROM EXECUTIVE REPORT APPENDIX 5C

Dept	No	Service area	2011/12 Budget £'000	Saving in 2012/13 Cumulative £'000	Saving in 2013/14 Cumulative £'000	Possible Impact on Service/Notes
		<b>REDUCTION IN SERVICE/ CEASING OF SERVICE</b>				
CYP	22	SEN and Inclusion - Pre school statutory support for SEN and Inclusion	295	50	50	Service volume - 299 pre school children with SEN eligible for service support. A reduction of £50k would reduce level of service support, service thereafter to be targeted at those with most severe needs. EIG -Highly dependent on the future levels of EIG and the government's intention to move to payments by results.
CYP	23	Reduction in Bromley Youth Music Trust contract	394	20	20	Service volumes - BYMT working with 4,716 children per annum tuition and 4,660 Group tuition to terms of Bromley CYP contract. Funding reduction from LBB would require increase in their fees OR generate new income OR delivering to less children. The BYMT will have less lead in time to deliver the savings which will have an impact on the service it delivers. 3 year funding announced on 28th November 2011. Bromley allocated £417k in 2012/13, £360k in 2013/14 and £366k in 2014/15 (2011/12 grant allocation £394k). This is to support music hubs in LA's plus outreach.
CYP	24	Staff savings resulting from new dept		410	410	There will be implications for the future strategic and service capacity of the department to address the range and complexity of support services to schools and also to early intervention services
CYP	25	Safeguarding and Social Care - Safeguarding and Quality Assurance	880	45	45	reduces capacity by 120-140 LAC reviews per annum and may lead to extended timescales for dealing with cases
		<b>Sub-Total</b>		<b>525</b>	<b>525</b>	

Dept	No	Service area	2011/12 Budget £'000	Saving in 2012/13 Cumulative £'000	Saving in 2013/14 Cumulative £'000	Possible Impact on Service/Notes
		<b>REDUCTION IN SERVICE/ CEASING OF SERVICE</b>				
CYP	33	Child and Adolescent Mental Health Services total current funding envelope delivers services for 1850 tier 2 and 3 referrals through CAMHS and 1,225 referrals through Bromley Y targeted at tier 2	498	125	125	There are risks associated with the reduction in CAMHS funding given the volumes of referrals and potential increase in waiting times. However there is scope to access a level of alternative Health funding to compensate for this budget reduction and also to bid through the new commissioning avenues with the future Health commissioning strategy (shadow health and wellbeing board).
CYP	34	Reduce Bromley Youth Music Grant	394	294	294	Service volumes - BYMT working with 4,716 children per annum tuition and 4,660 Group tuition to terms of Bromley CYP contract. Funding reduction from LBB would require increase in their fees OR generate new income OR delivering to less children. The BYMT will have less lead in time to deliver the savings which will have an impact on the service it delivers. 3 year funding announced on 28th November 2011. Bromley allocated £417k in 2012/13, £360k in 2013/14 and £366k in 2014/15 (2011/12 grant allocation £394k). This is to support music hubs in LA's plus outreach Funding reduction from LBB would require increase in their fees OR generate new income OR delivering to less children. Given scale of potential cut it will result in a significantly reduced service in terms of number of children.
CYP/ACS	36	Transformation of Children & Adult Care Services		0	500	Future costs pressures from high cost placements and aging population could mean that any savings delivery are not realised.
		<b>Sub-Total</b>		<b>419</b>	<b>919</b>	
		<b>FUNDING TO VOLUNTARY SECTOR ETC</b>				
CYP	42	Carers Bromley	64	16	32	Carers Bromley work in partnership with the Council to provide a framework of support for the 724 referrals as young carers. This budget option would see the reduction in commissioning in this area and would lead to a significant reduction in the voluntary sectors capacity to support carers.
		<b>Sub-Total</b>		<b>16</b>	<b>32</b>	
		<b>TOTAL</b>		<b>960</b>	<b>1,476</b>	