

Decision Maker: EDUCATION, CHILDREN AND FAMILIES BUDGET AND PERFORMANCE MONITORING SUB-COMMITTEE

Date: Wednesday 23rd January 2019

Decision Type: Non-Urgent Non-Executive Non-Key

Title: EDUCATION, CHILDREN AND FAMILIES PORTFOLIO DRAFT BUDGET 2019/20

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Chief Officer: Director of Finance

Ward: All

1. Reason for report

- 1.1. The prime purpose of this report is to consider the Portfolio Holder's Draft 2019/20 Budget which incorporates future cost pressures and initial draft budget saving options which are being reported to Executive on 16th January 2019. Members are requested to consider the initial draft budget being proposed and also identify any further action that might be taken to reduce cost pressures facing the Council over the next four years.
 - 1.2. Executive are requesting that each PDS Committee consider the proposed initial draft budget savings and cost pressures for their Portfolio and the views of each PDS Committee be reported back to the next meeting of the Executive, prior to the Executive making recommendations to Council on 2019/20 Council Tax levels.
 - 1.3. There are still outstanding issues and areas of uncertainty remaining. Any further updates will be included in the 2019/20 Council Tax report to the next meeting of the Executive.
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2. **RECOMMENDATION(S)**

2.1 **The Education, Children and Families Budget and Performance Sub Committee is requested to:**

- i) **Consider the update on the financial forecast for 2019/20 to 2022/23;**
- ii) **Consider the initial draft 2019/20 budget as a basis for setting the 2019/20 budget; and**

iii) Provide comments on the initial draft 2019/20 budget for the February meeting of the Council's Executive.

Impact on Vulnerable Adults and Children

1. Summary of Impact: Adult Care and Health Portfolio budget setting supports the provision of services to vulnerable adults
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Corporate Policy

1. Policy Status: Existing Policy:
 2. BBB Priority: Excellent Council,
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Financial

1. Cost of proposal: Not Applicable
 2. Ongoing costs: Recurring Cost
 3. Budget head/performance centre: ECF portfolio budgets
 4. Total current budget for this head: £54,253k (draft 2019/20 budget)
 5. Source of funding: Draft revenue budget for 2019/20
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Personnel

1. Number of staff (current and additional): Full details will be available with the Council's 2019/20 Financial Control Budget to be published in March 2019
 2. If from existing staff resources, number of staff hours: Not Applicable
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Legal

1. Legal Requirement: Statutory Requirement: The statutory duties relating to financial reporting are covered within the Local Government Act 1972; the Local Government Finance Act 1998; the Local Government Act 2000; the Local Government Act 2002 and the Accounts and Audit Regulations 2015.
 2. Call-in: Not Applicable
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Procurement

1. Summary of Procurement Implications: Not Applicable
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): The 2019/20 budget reflects the financial impact of the Council's strategies, service plans etc. which impact on all of the Council's customers (including council tax payers) and users of the services.
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments: Not Applicable

3. COMMENTARY

3.1. APPROACH TO BUDGETING, FINANCIAL CONTEXT AND ECONOMIC SITUATION WHICH CAN IMPACT ON PUBLIC FINANCES

3.1.1. In considering this report further background information was available through the Members' seminars as follows:

- Members' Finance Seminar on 20th June 2018;
- Members' Welfare Reform Seminar on 2nd July 2018;
- Members' Pension Fund Seminar on 5th November 2018.

3.1.2. Forward financial planning and financial management is a key strength at Bromley and this has been recognised previously by our external auditors. This report continues to forecast the financial prospects for the next 4 years and includes the Government's final year of the four year funding settlement period (2016/17 to 2019/20). At the time of writing this report, further details on various grant funding is awaited and it is important to note that some caution is required in considering any projections for 2020/21 to 2022/23 as this represents the Government's next awaited Spending Review period.

3.1.3. A strong economy with growth increases revenues which supports the Government's ability to reduce public sector debt as the gap between finances raised and spend on public services is reduced. The slowing down of the global economy and many sources of uncertainty has resulted in a downgrading of the level of economic growth in the UK economy. It is important to consider the key national issues that could impact on public finances over the next four years. The overall national debt stands at £1.8 trillion with annual debt servicing costs of £43bn. It is expected that Public Sector Debt will decline from a peak of 85.2% of GDP in 2016/17 to a forecast 74.1% in 2023/24 and that public sector borrowing will be £19.8bn in 2023/24 (lowest level for 10 years). The Autumn Budget 2018 identified that public sector net borrowing is expected to be 1.4% of GDP in 2019/20 falling to 0.8% in 2023/24. Bank of England have referred to domestic inflation being partly driven by high wage growth and lower productivity levels per head which is expected to keep CPI above 2% until at least 2021. The Spring Statement due in March 2019 is expected to be upgraded to a full budget depending on the outcome of the Brexit negotiations.

3.1.4. Local Government has borne the brunt of austerity and savings compared with other areas of Government expenditure. Despite the announcements by the Government that "austerity is over", local government funding remains 'unprotected' and the impact of additional funding for NHS and other 'protected' services results in a likely real term funding reductions remaining for local government.

3.1.5. The financial forecast assumes ongoing funding reduction over the four year period, although at a lower rate, compared with previous years. Even with the planned Green Paper on social care which has now been delayed until later in 2019, no additional funding has been announced by the Government for adult social care from 2020/21, at this stage. For local government, the fiscal squeeze is expected to continue and with ongoing protection of health, education police and other security services.

3.1.6. The Government remains committed with the aims of devolution which includes enabling local government to be more self-sufficient. The Government views the new flexibilities such as the future growth forecasts from business rates, to be mainly devolved (75% of total quantum) to local government by 2020 combined with scope for the ongoing ability to increase council tax as methods which can reduce the impact of grant reductions. However, it is not the full solution for local government given its costs pressures and service demands.

- 3.1.7. The Budget Strategy has to be set within the context of a reducing resource base, with Government funding reductions in real terms likely to continue beyond 2020 – the on-going 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, with austerity continuing given the level of public sector debt, and the high expectation from Government that services should be reformed and redesigned with devolution contributing to the transformation of local government. There is also an on-going need to consider “front loading” savings to ensure difficult decisions are taken early in the budgetary cycle, to provide some investment in specific priorities, to fund transformation and to support invest to save opportunities which provide a more sustainable financial position in the longer term. Any decisions will need to consider the finalisation of the 2019/20 Budget as well as the longer time frame where the Council has to ‘live within its means’.
- 3.1.8. Bromley has the second lowest settlement funding per head of population in 2018/19 for the whole of London. Despite this, Bromley has retained the third lowest council tax in outer London (other low grant funded authorities tend to have higher council tax levels). This has been achieved by having one of the lowest costs per head of population in outer London. Despite being a low cost authority, Bromley has achieved general savings of around £97m since 2011/12 but it becomes more challenging to achieve further savings with a low cost base.
- 3.1.9. One of the key issues in future year budgets will be the balance between spending, council tax levels, charges and service reductions in an organisation starting from a low spending base. It is important to recognise that a lower cost base reduces the scope to identify efficiency savings compared with a higher cost organisation.

3.2. CHANGES SINCE THE 2018/19 BUDGET THAT IMPACT ON THE FINANCIAL FORECAST

- 3.2.1. The 2018/19 Council Tax report reported to Executive in February 2018 identified a significant “budget gap” over the four year financial planning period. Some key changes are summarised below.
- 3.2.2. The draft budget and future years forecast reflect a continuing reduction in core grant funding to local government. After allowing for the Government’s concession on negative Revenue Support Grant (RSG) there is a core grant funding reduction of £3.6m in 2019/20 reflected in the draft 2019/20 Budget increasing to £12.6m per annum by 2022/23.
- 3.2.3. The main measure of inflation for annual price increases for the Council’s contracted out services is Retail Price Index (excluding mortgage interest rates) i.e. RPIX. This measure is normally up to 1% above the Consumer Price Index (CPI) level. The Draft 2019/20 Budget assumes contract price increases of 3.0%, reducing to 2.7% per annum from 2020/21, which compares with the existing RPIX of 3.1%. Action will need to be taken by Chief Officers to fund increasing costs through alternative savings in the event that inflation exceeds the budget assumptions.
- 3.2.4. The Chancellors Autumn Statement 2018 included an announcement of national funding of £650m for social care in 2019/20. What is significant is the Government shift which allows £2.0m (£410m) of the £3.2m (£650m) to be used towards children’s social care as long as any diversion of this funding away from adult social care does not “create additional demand on the NHS”. Funding for adult social care can cover all adult groups i.e. not just for older people but can include working age adults with learning difficulties and other adult social care client groups. The additional funding should be considered to partly offset the growth/cost pressures

identified in Section 3.2.5. Although the funding was announced for 2019/20 only, the financial forecast assumes continuation of this funding in future years.

3.2.5. The Interim Chief Executive has identified cost/growth pressures impacting on education, housing, adults and children’s social care as well as opportunities for the mitigation of costs which have been reflected in the Draft 2019/20 Budget and financial forecast.

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Growth/cost pressures	16,280	24,699	28,986	33,331
Mitigation	-8,269	-7,457	-10,452	-14,502
Net additional costs	8,011	17,242	18,534	18,829

3.2.6. It remains essential that there is the ongoing scrutiny and review of growth/cost pressures, which are mainly unfunded at the present time, with options to help achieve a balanced budget, including any mitigation over the financial forecast period.

3.2.7. Details of the impact of changes in school funding and the associated implications for 2019/20 and future years are provided in Section 3.8 of this report.

3.2.8. Given the scale of savings identified and any inherent risks, the need for longer term financial planning, the uncertainty on future year cost pressures, significant changes that may follow relating to future new burdens, effect of ongoing population increases and the potential impact of other public agencies identifying savings which impact on the Council’s costs, a prudent approach has been adopted in considering the Central Contingency Sum required to mitigate against these risks. If the monies are not required during the year the policy of using these resources, in general, for investment, generate income/savings and provide a more sustainable financial position should continue. To illustrate the benefit of the investment approach the Council has potential income in 2019/20 totalling £15.4m from a combination of treasury management income and rents from investment properties. Without this income, equivalent service reductions may be required. Investment in economic growth (Growth Fund) will also be key to generate additional business rate income.

3.2.9. The latest forecast indicates that despite having a balanced budget in 2019/20 there remains a significant budget gap in future years that will need to be addressed, particularly from 2020/21.

3.3. FINANCIAL CONTEXT

3.3.1. Key issues include:

- Two of the Council’s main activities which are grant funded are schools and housing benefits. Both of these areas of spend continue to be ring-fenced.
- A high proportion of the Council’s spend relates to third party payments, mainly contracts, which can limit flexibility to change spend levels as well as providing greater inflationary pressures (e.g. the impact of the National Living Wage).
- As reported in previous years, the majority of the Council’s spend relates to just a few service areas.
- Even though the draft budget would be broadly balanced next year, the future years budget gap is projected to increase to £32.2m per annum by 2022/23. Without any action to address the budget gap in future years reserves will need to be used followed by a significant ‘cliff edge’ budget gap remaining thereafter.

3.3.2. The reasons for the budget gap by 2022/23 include, for example:

- inflation pressures partly offset by assumed council tax increase (2.99% in 2019/20 and 1.99% thereafter) and social care precept (2019/20 only) of 2% leaving a balance required of £10.6m;
- Loss of core grant funding of £12.6m;
- Growth/cost pressures less mitigation of £18.8m relating to education, social care and housing ;
- Additional income of £3.2m from Government social care funding assumed to continue beyond 2019/20 which partly offsets the social care cost/growth pressures;
- Savings from reduction in the Council’s provision for risk/uncertainty held within the Central Contingency Sum (saving of £8m per annum).
- Other variations leading to an increase of £1.4m.

3.3.3. Even using a ‘best case scenario’ that there are no government grant reductions over the four year period, the final budget gap in future years will remain significant (£19.6m).

3.3.4. In the financial forecast, after allowing for inflation, council tax income and other changes we have an unfunded budget gap due to reductions in government funding and net service growth/cost pressures. Therefore service growth/cost pressures are effectively unfunded. This highlights the importance of scrutinising growth and recognition that corresponding savings will need to be found to achieve a statutory balanced budget. It is timely as we all have to consider what level of growth the council can afford and the need for significant mitigation or alternative transformation options.

3.3.5. The above table highlights that, although it has been possible to achieve a potential balanced budget for next year through identifying savings and continuing with prudent financial management, there remains a “budget gap” of £16m in 2020/21 rising to £32.2m per annum in 2022/23. The projections in later years have to be treated with some caution, particularly as the Government’s next spending review is expected to be implemented from 2020/21 which will include the revised levels of funding for individual local authorities following the ‘Fair Funding’ review. The Government is consulting on the early stages of the ‘Fair Funding’ review.

3.3.6. In considering action required to address the medium term “budget gap”, the Council has taken significant action to reduce the cost base while protecting priority front line services and providing sustainable longer term solutions. Significant savings of around £97m were realised since 2011/12. Our council has to balance between the needs of service users and the burden of council tax on council tax payers. With the Government placing severe reductions in the level of grant support, the burden of financing increasing service demand falls primarily upon the level of council tax and business rate income.

3.4. LATEST FINANCIAL FORECAST

3.4.1. A summary of the latest budget projections is shown the table below:

	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m
Variations Compared with 2018/19 Budget				
Grant Loss	3.6	6.6	9.6	12.6
Cost Pressures				
Increased costs (3.0% 2019/20 then 2.7% per annum)	6.0	13.3	20.5	27.7
Reinstatement of highways maintenance (previously capitalised)	0.0	0.0	0.0	2.5
Total Additional Costs	6.0	13.3	20.5	30.2
Income / Savings				
Acquisition of Residential Properties to Accommodate Homeless (Mears)	-1.0	-1.0	-1.0	-1.0
Additional Income Opportunity (Amey)	-0.2	-0.4	-0.4	-0.4
Additional income from business rate share to reflect new developments in borough and Section 31 funding and increase in business rate base	-1.5	-1.8	-1.8	-1.8
Fall out of London pilot of business rates (as approved by Council 25/9/17) - one year only	2.9	2.9	2.9	2.9
Continuation of London Business Rate Pool 2019/20	-2.2	0.0	0.0	0.0
Business Rates Surplus levy	-0.6	0.0	0.0	0.0
Interest on balances - reduction in income to reflect use of balances and temp. funding for Site G	0.2	0.1	0.3	0.4
Release general provision in contingency for significant uncertainty/variables	-0.7	-0.7	-0.7	-0.7
Savings from recommissioning/retendering of various contracts	-0.1	-0.1	-0.1	-0.1
Savings from Childrens Social Care linked to Invest to Save funding	-0.2	-0.7	-1.0	-1.0
Potential release of draft contingency in future years re provision for risk/uncertainty	0.0	-4.0	-8.0	-8.0
Extra Social Care Funding through Government grants	-3.2	-3.2	-3.2	-3.2
Leisure Service Lease approved by Executive on 28th November 2018	-1.5	-1.5	-1.5	-1.5
Review of staffing across organisation	-0.6	-1.5	-1.5	-1.5
Other savings	-0.4	-1.1	-1.5	-1.5
Total Income / Savings	-9.1	-13.0	-17.5	-17.4
Other Changes (includes use of non-recurring funds)				
Fall out of New Homes Bonus funding	3.2	4.5	5.1	5.6
Real Changes and other Variations	-0.9	-1.3	-1.2	-0.5
Total Other Changes	2.3	3.2	3.9	5.1
ECHS Growth and Mitigation	8.0	17.2	18.5	18.8
Council Tax				
Increase in Council Tax Base to reflect additional properties and increased collection rates	-1.6	-2.3	-2.9	-3.6
Fall out of Collection Fund surplus 2014/15 set aside as one off support towards meeting the funding shortfall in 2018/19	4.9	4.9	4.9	4.9
Fall out of Collection Fund surplus 2015/16 set aside as one off support towards meeting the funding shortfall in 2018/19	0.7	0.7	0.7	0.7
Increase in council tax (assume 2.99% per annum in 2019/20 and 1.99% thereafter)	-4.5	-7.6	-10.9	-14.1
Impact of Adult Social Care Precept (assume 2% per annum)	-3.0	-3.0	-3.0	-3.0
Collection Fund Surplus 2017/18	-6.8	0.0	0.0	0.0
Projection of future year collection fund surplus	0.0	-4.0	-3.0	-2.0
Total Council Tax	-10.3	-11.3	-14.2	-17.1
Remaining "Budget Gap"	0.5	16.0	20.8	32.2

The above table shows, for illustrative purposes the impact of a council tax increase of 3.99% in 2019/20 (including adult social care precept). Each 1% council tax increase generates on-going annual income of £1.5m. The financial forecast assumes that any future increases in the Adult Social Care precept cease beyond 2019/20. It should be noted that the current legislation only provided powers for this precept until the end of 2019/20.

3.5. DETAILED DRAFT 2019/20 BUDGET

3.5.1. Detailed Draft 2019/20 Budgets are attached in Appendix 1 and will form the basis for the overall final Portfolio/Departmental budgets after any further adjustments to deal with service pressures and any other additional spending. Under the budget process previously agreed, these initial detailed budgets are forwarded to PDS committees for scrutiny and comment prior to the next Executive meeting in February.

3.5.2. Appendix 1 sets out:-

- A summary of the Draft 2019/20 Revenue Budget for the Portfolio showing actual 2017/18 expenditure, 2018/19 budget, 2019/20 budget and overall variations in planned spending between 2018/19 and 2019/20.
- A summary of the main reasons for variations per Portfolio in planned spending between 2018/19 and 2019/20 together with supporting notes.
- A high level subjective summary for the Portfolio showing expenditure on employees, premises etc.

3.6. REVIEW OF FEES AND CHARGES

3.6.1. There will need to be an ongoing review identifying opportunities as the medium term 'budget gap' remains significant. Chief Officers will continue to review fees and charges during 2019/20 to identify opportunities to reduce the future years 'budget gap'

3.7. IDENTIFYING FURTHER SAVINGS/MITIGATION

3.7.1. There were 1,335 statutory duties as at June 2011, as identified by the National Audit Office. There has been no overall reduction in statutory duties to date despite significant funding reductions.

3.7.2. Chief Officers previously undertook "Baseline Reviews" which identified the full cost of services and their resultant statutory and non-statutory functions with scope for achieving savings as well as action to mitigate any negative service impact.

3.7.3. The scale of savings required in future years cannot be met by efficiency alone – there will be a need for a reduction in the scope and level of services. The council will need to continue to review its core priorities and how it works with partners and key stakeholders and the overall provision of services.

3.7.4. A significant challenge is to consider discretionary services which, if reduced, could result in higher cost statutory obligations. Therefore, it is important to consider the risk of 'unintended consequence' of reducing discretionary services adversely impacting on the cost of statutory services.

3.7.5. Chief Officers are currently exploring further saving/income opportunities as part of finalising the 2019/20 Budget and any updates will be provided for the meeting of the Executive.

3.7.6. The Director of Corporate Service is leading on a core statutory minimum review to determine what the Council can afford within its overall budget envelope. This work will be very challenging given the visibility and importance to residents of some discretionary services. Even after identifying the core statutory minimum there may be opportunities to reduce costs through ensuring VFM is realised and the best method of service delivery and outcomes are achieved.

3.7.7. Apart from the core statutory minimum review, Chief Officers will plan to undertake a significant transformational review across all services, focussing on higher spend services first to be completed by mid 2019/20 with options for members to consider significant transformation change for implementation by 2020/21. The outcome of the transformation review will be a key consideration within the Council Tax report in determining future arrangements for addressing the budget gap

3.8. SCHOOLS BUDGET

3.8.1. Since 2003/04, the Council has received funding for the 'Schools Budget' element of Education services through a ring fenced grant, more recently through the Dedicated Schools Grant (DSG).

3.8.2. The implementation of the National Funding Formula (NFF) began in 2018/19. Funding has been split into four new blocks, Schools, High Needs, Early Years and Central Spend DSG. The funding splits are detailed in the table below:-

PROVISIONAL DSG FUNDING					
	Schools	High Needs	Early Years	Central	Total
	£'000	£'000	£'000	£'000	£'000
2018/19	205,352	47,722	20,697	1,965	275,736
2019/20	208,637	48,821	20,691	1,938	280,087
Variation	3,285	1,099	-6	-27	4,351

3.8.3. The Schools Block has risen by £3m. This is due to an increase in the per pupil unit funding and increases in the secondary schools population

3.8.4. The High Needs Block is seeing pressures coming through the system. Although there are increases in funding, predictions for expenditure are rising at a faster rate. This is due to growth in pupil numbers in this area, Government extending the scope of the High Needs Block from ages 5 to 19 to 0 to 25 and historical baseline funding adjustments. On the 17th December 2018, the government announced additional funding in the High Needs block of £250m nationally (£125m in both 2018/19 and 2019/20). The increase for Bromley is £788k. This is reflected in the figures above. Even with this additional funding there continues to be pressures in this block. It is proposed to fund a further £106k from core LBB funding to support the High Needs Block in 2019/20.

3.8.5. Early Years funding has remained static. Funding will be adjusted in year based on take up of provision.

The Central Block has decreased as expected. However this has been offset slightly by an increase in funding based on pupil number increases. There continues to be pressures in the Central Schools DSG due to funding shortfalls. In previous years this has been managed by using DSG carried forward from previous years. However this is now not a sustainable option and £250k of core LBB funding is being proposed to be used to underpin this.

3.8.6. In 2018/19 the Council contributed £1m of core funding to support the DSG. Current predictions suggest that there will be a further funding shortfall of between £0.4m and £2.0m p.a. for the next 3 years across the DSG expenditure areas, mainly in the High Needs Block.

- 3.8.7. The DSG continues to be ringfenced for funding the provision of Education, the vast majority of this has to be passed directly to maintained schools and academies. Further ringfencing arrangements introduced under the National Funding Formula mean that as a rule no funding can move between individual blocks.
- 3.8.8. However a disapplication to these arrangements can be made. Bromley requested a transfer of £1m (about 0.5% of the Schools Block Grant) from the Schools Block to the High Needs Block which was rejected by the Schools Forum. Bromley has therefore forwarded the case to the DfE for their consideration. A decision is expected shortly. It is assumed in the budget that this will be successful. Last year in 2018/19 the same process was carried out. DfE approved the transfer of £1m to the High Needs Block.
- 3.8.9. In previous years the Portfolio Holder has agreed a package of funding to set the Schools budget following consultation with Schools Forum. The Executive is asked to agree that this process should take place again for 2019/20.

3.9. POSITION BY DEPARTMENT – KEY ISSUES/RISKS

Children’s Social Care

Increase in referrals and workload:

- 3.9.1. The Bromley Children Project has continued to be flexible and extend further its reach to support families who are on the cusp of universal and targeted support. With the Threshold document being published by the Bromley Children Safeguarding Board and the Partnership events taking place with the Head of Service of EIS being the lead this has impacted on a better understanding of multi-agency partnership working and more appropriate referrals to the statutory services.
- 3.9.2. However through our self-assessment we have identified that work with the younger age group of children is very positive and our next challenge will be to reach out to the older age group in being able to support them before they enter statutory social care. Our referrals coming through the MASH has continued to increase, at one point this reached 83 referrals per week which equates to families not individual children and this reached the number of individual children being around 240 at one point. This has reduced but it has not returned to its original 43 referrals in one duty week, it is now hovering around 60+ referrals as being more of the norm. However, following auditing and the feedback from Ofsted these referrals are appropriate and reaching the correct criteria for a statutory intervention to ensure that we are safeguarding children.

Recruitment of permanent staff:

- 3.9.3. Our key challenge continues to be the recruitment of permanent social workers to the agency placements we have. We have increased from 42% to the current figures of 80% although this can fluctuate at any one time for a number of reasons, some of which being as simple as a house move or other LA’s offering higher salaries in their quest to attract skilled social workers. We have neighbouring boroughs who are also on the improvement journey and therefore are offering higher salaries albeit I am sure this will be in the short term rather than the long sustainable approach that

Keeping our caseload promise:

- 3.9.4. Setting clear caseload levels – which are monitored (Caseload Promise and Challenge) our caseload promise was between 12 – 15 and we are now around this target with continued drive to recruit this will be on target going into the 2019. With the increase in referrals through the MASH this has been a challenge with caseloads increasing for a period of time – this has

settled but will need to be reviewed every month through the performance data and reporting to the Governance Board to ensure that we maintain this or have to review our structures to maintain this.

Placements of children in care:

3.9.5. The Director of Children Social Care continues to chair the placement panel with our partners to ensure that all children coming into the Local Authority is the only viable option and that we continue to share good practice and the financial contribution from our CCG partners. The ongoing risks to the Children’s service area is the complexity of children requiring a statutory service, the increase and identification of children subject to CSE, Missing and in particular the increase in Gangs and associated activity. We also continue, similar to the national pattern have late entrants to care with extremely complex histories that require very specialist expensive placements. The cohort of Looked After children and care leavers remains relatively stable but the need for specialist placements outside the area continues to rise. These providers are not within the Pan London agreement and therefore costs have risen over the last year to near 6.9% and likely to increase further with limited placements. The capacity for secure beds across the country is now at crisis point and this has caused the LA to use standalone placements for very complex and risky young people with a high level of support staff which results in not only high cost placements but the further financial burden of 1:1 or 2:1 staffing which the LA is responsible to fund. One child can cost the LA in the region of 8,500 per week where a secure bed may not be available.

Implementation of the Social Work Act:

3.9.6. The Social Work Act is already having a financial and a resource impact in two specific areas, the first being that Care Leavers will be supported by the Local Authority up to the age of 25 years. There are 115 young people within the Leaving Care cohort that would be entitled to support under the Act and who up until this point may not have been receiving this. The LA is now receiving a trickle at the present time of young people returning to the authority for various areas of support – not all of these are financial issues such as paying rent due to the introduction of the universal credit but also their mental health and wellbeing is a feature of support required.

3.9.7. The second area that is seeing a steady increase is any child living within Bromley who has been adopted can expect/apply to be supported by the Virtual School. Children who are adopted from outside this authority are not obliged to ‘register’ and understandably do not always divulge this to their school and therefore whilst the numbers remain unknown as is the burden to the LA in delivering these services our VS head has seen referrals increasing by 2 or 3 a week at the current time.

3.9.8. The table below (table 1) sets out the position in respect of the number of CLA in Bromley, National and Statistical Neighbours. Post Ofsted, we saw a nominal increase per 10,000 as set out below. However, we are still below our statistical and national neighbours (an area that Ofsted has asked us to explain).

Rate of CLA

	2011/ 12	2012/ 13	2013/ 14	2014/ 15	2015/ 16	2016/ 17	2017/ 18	2018/ 19
Bromley	41	41	39	37	39.6	39.3	41.7	44.1
Statistical Neighbours	48	47.5	50	49.7	50.7	54.3	55	
National	59	60	60	60	60	62	64	

3.9.9. The extension of the statutory age of children in care to 25 is another factor that is impacting on our budget, the increase in children looked after and therefore their continuing rights and our duties to them now expands from 21 to 25 and this has been demonstrated by the 115 young people who are eligible for this service. Not all of these young people will wish to receive a service but they are eligible up until the age of 25 and circumstances can change quickly for them. This will have financial implications in relation to services offered but also will impact on the numbers of social workers/Young Person Advisors to support them.

Increase in the number of unaccompanied minors:

3.9.10. Bromley is part of the Pan London Agreement in relation to receiving unaccompanied minors. Bromley now have 46 unaccompanied minors in the system. There are currently only 5 Local Authorities that are on the rota that are able to take children and who have not reached the threshold. The children that are coming to Bromley are averaging two children a week. In addition these children are under the age of 16 and very few are age disputed. These young people are very vulnerable and traumatised and therefore cannot or should not be placed in semi-independent placements. They require suitable foster carers to be identified who can support and manage some of the behaviours manifested by these children. This is therefore a growth area which will continue until Bromley reach the threshold of 53 children, at the point we reach the threshold we will be removed from the Rota for a period of time. However the reality being that by the time Bromley and the 4 other LA's reach this threshold a new rota for all 32 London Borough's will commence again and although this may stem the numbers for a period of time our UASC will continue to allocated to Bromley. Again London Boroughs such as Hounslow and Croydon quickly reach their limit the programme of removing boroughs from the rota will begin again. Bromley will need to factor this in to any financial budgets.

3.9.11. Although the Council are given grant (£91 per day for a 16+, £114 per day for an U16) this does not cover the costs of the placements and the on costs.

3.9.12. Agency staff continues to be a cost burden although this has been managed within the overall staffing budget. Children's social care recently recruited 30 newly qualified social workers who are permanent and have received their 3 weeks induction and have now been placed within their teams and this will reduce the agency spend. We are beginning to see some impact as they begin to take cases although will be on a protected caseload as NQSW and we need to be mindful of our caseload promise to social workers within the service

3.9.13. The risks in the Education, Children & Families Portfolio are:-

- i) Recruitment and retention of permanent staff/ ability to recruit skilled staff for the current posts vacant.
- ii) Limited supply and increasing costs of residential placements – including the specialist placements for very complex young people.
- iii) Increase in the Looked After Population – particularly in our Looked After Unaccompanied Minors population.
- iv) Impact of SW Act in relation to the VS and the children who are adopted and living within our area.

Education

- 3.9.14. The LG Futures Financial Intelligence Toolkit shows Bromley's spend of education (excluding schools) lower, per head, than other outer London boroughs and below the verge for the group.
- 3.9.15. Adult Education is improving and enrolments are beginning to rise. However, a change in grant funding rules means that from September 2018 the threshold for eligibility was lowered to the national minimum wage so that more students are eligible for full funding from grant, ie, fewer fee paying students. The GLA has indicated their intention to change the threshold again to the London Living Wage from September 2019.
- 3.9.16. Population increase and particularly an increase in the school age population (56,189 in 2010 to 60,939 in 2018, an 8.45% increase) is creating pressure for universal services such as school admissions and school attendance where services are dealing with more children within the same resources. The increase in permanent exclusions from secondary schools over the past two years creates a pressure on funding for alternative provision because the LA has a statutory responsibility to provide education for children excluded from school. The growth bid of £250,000 for two years will be invested in alternative provision and in-school support to alleviate this pressure. Permanent exclusion from primary schools reduced substantially this year.

SEN/D pressure:

- 3.9.17. The greatest pressure is in the area of SEN/D with an overspend in the DSG High Needs Block offset by a contribution from the RSG. Between 2010 and 2018, the number of children with special educational needs requiring an EHCP has increased by 12%, significantly lower than the national increase of 40% but higher than the overall increase in the school age population. There are now 2,154 Bromley resident children with an EHCP. In 2017, there were 422 requests for statutory assess, 56% increase on the previous year. Of these, 105 were refused (25% compared with 23% nationally) but 31 of these decisions were subsequently challenged and overturned at SEND Tribunal. At the same time, the extension of the age range for EHCPs from age 19 to age 25 is increasing the number of young people for whom the LA maintains and funds an EHCP. At July 2018 the LA is maintaining EHCPs for 111 young people aged 20-25.
- 3.9.18. Bromley places fewer children with EHCPs in mainstream schools than nationally and more in the non-maintained and independent sector than nationally (6% of Bromley children compared with 3.8% nationally). The cost of these placements is higher than LA maintained provision (average cost of independent day school is £37k compared with average cost of £27k for LA maintained special school) and accounts for 26% of Bromley's spend on 11% of the children with EHCPs.
- 3.9.19. An external review of arrangements for SEND highlighted the need to:
- Match local provision to local need; Use existing resources more effectively to support placements in mainstream schools, as far as possible. Action taken includes:
- i) Free school bid for a new special school for children with ASD to enable Bromley to place more children locally in Bromley schools so reducing spend in more costly places in the non-maintained and independent sector.
 - ii) Service Level Agreements in place for all Additionally Resourced Provision in mainstream schools to ensure that places are used efficiently.

- iii) New Casework Manager role in the SEN Assessment to streamline the statutory assessment process, making it more efficient, effective and compliant with statutory guidance and to strengthen management oversight of decision making.
- iv) Realignment of the SEN Advisory teams to strengthen support for children in mainstream schools.

3.9.20. The intention is to work towards slowing the rate of increase in EHCPs to 7% and to incrementally place more children in local schools. This carries risks because provision for children is determined by their presenting needs and may not be rationed by resources. The additional risk is the outcome of the forthcoming Local Area Inspection of SEND.

4. IMPACT ON VULNERABLE ADULTS AND CHILDREN

4.1 The draft 2019/20 Budget reflects the Council's key priorities which includes, for example, supporting vulnerable adults with children and being ambitious for all our children and young people.

5. POLICY IMPLICATIONS

5.1 The Council's key priorities include, for example:

- Ensure financial independence and sustainability;
- Invest in our business and our people
- Ambitious for all our children and young people
- Enhance our clean and green Borough.

5.2 Ensure financial independence and sustainability priorities include:

- Strict management of our budgets to ensure we live within our means
- Working to achieve the benefits of the integration of health and social care
- Early intervention for our vulnerable residents

6. FINANCIAL IMPLICATIONS

6.1 Financial implications are contained within the overall body of the report.

7. PERSONNEL IMPLICATIONS

7.1 Staff, departmental and trade union representatives will be consulted individually and collectively on any adverse staffing implications arising from the Draft 2019/20 Budget. Managers have also been asked to encourage and facilitate staff involvement in budget and service planning.

8. LEGAL IMPLICATIONS

8.1 The adoption of the budget and the setting of the council tax are matters reserved for the Council upon recommendation from the Executive. The Local Government Finance Act 1992 (as amended) requires the Council to set an amount of Council tax for each financial year and provides that it must be set before 11th March in the financial year preceding that for which it is set. Sections 73-79 of the Localism Act 2011 amended the calculations, billing and precepting authorities need to make in determining the basic amount of Council tax. The changes included new sections 31 A and 31 B to the Local Government Finance Act 1992 which has

modified the way in which a billing authority calculates its budget requirement and basic amount of Council Tax.

- 8.2 Schedule 5 to the Localism Act 2011 inserted a new section 52ZB in the 1992 Act which sets out the duty on billing authorities, and precepting authorities to each determine whether their relevant basic amount of council tax for a financial year is excessive. If an authority’s relevant basic amount of council tax is excessive, the provisions in relation to the duty to hold a referendum will apply.
- 8.3 The making of these budget decisions at full Council is a statutory responsibility for all Members. Members should also have regard to the changes from the Localism Act relating to council tax increases and the recent introduction of the Adult Social Care precept. The Council has a number of statutory duties which it must fulfil by law – although there can be an element of discretion on level of service provision. The Council also discharges a range of discretionary services. The Council is not bound to carry out such activities in the same way as it is for statutory duties – although it may be bound contractually to do so. A decision to case or reduce provision of a discretionary service must be taken in accordance with sound public/administrative law decision making principles. The Council must also comply with the Public Sector Equality Duties in section 149 of the Equality Act 2010. In doing so, the council must have due regard to elimination of discrimination, harassment and victimization, advance equality of opportunity and foster good relations with persons who share a protected characteristic.
- 8.4 The Local Government Act 2003 included new requirements to be followed by local authorities, which includes the CIPFA Prudential Code. This includes obligations, which includes ensuring adequacy of future years reserves in making budget decisions and section 25 of that Act requires the Director of Finance to report on the robustness of the estimates made for the purposes of calculating the Council Tax and the adequacy of the reserves. Further details to support these obligations will be reflected in the 2019/20 Council Tax report to be reported to the February meeting of the Executive.

Non-Applicable Sections:	Procurement Implications
Background Documents: (Access via Contact Officer)	Finance monitoring, Estimate Documents, etc all held in Finance Section