

Decision Maker: PORTFOLIO HOLDER FOR CHILDREN, EDUCATION AND FAMILIES

Date: For Pre-Decision Scrutiny by the Children, Education and Families Policy Development and Scrutiny Committee on 17 November 2022

Decision Type: Non-Urgent Executive Non-Key

Title: BUDGET MONITORING 2022/23

Contact Officer: David Bradshaw, Head of Finance, Children, Education and Families
Tel: 020 8313 4807 E-mail: David.Bradshaw@bromley.gov.uk

Chief Officer: Director, Children, Education and Families

Ward: All Wards

1. Reason for report

- 1.1 This report provides the budget monitoring position for 2022/23 based on activity up to the end of September 2022.
-

2. RECOMMENDATION(S)

2.1 The Children, Education and Families Policy Development and Scrutiny Committee are invited to:

- (i) Note that the latest projected overspend of £8,305,000 is forecast on the controllable budget, based on information as at September 2022;
- (ii) Note the full year effect cost pressures of £7,423,000 in 2023/24 as set out in section 4;
- (iii) Note the comments of the Department in section 8 of this report; and,
- (iv) Refer the report to the Portfolio Holder for approval.

2.2 The Portfolio Holder is asked to:

- (i) Note that the latest projected overspend of £8,305,000 is forecast on the controllable budget, based on information as at September 2022; and
- (ii) Recommend that Executive agree the release of funds from the Central Contingency and from the Reserves as set out in section 5.

Corporate Policy

1. Policy Status: Not Applicable
 2. BBB Priority: Health and Integration
-

Financial

1. Cost of proposal: Not Applicable:
 2. Ongoing costs: Not Applicable:
 3. Budget head/performance centre: CEF Portfolio
 4. Total current budget for this head: £50,516k
 5. Source of funding: CEF approved budget
-

Staff

1. Number of staff (current and additional): 1,208 Full time equivalent
 2. If from existing staff resources, number of staff hours: N/A
-

Legal

1. Legal Requirement: Statutory Requirement
 2. Call-in: Applicable: Executive decision.
-

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): The 2022/23 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
-

Ward Councillor Views

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

3. COMMENTARY

- 3.1 The 2022/23 projected outturn for the Children, Education and Families Portfolio is detailed in Appendix 1a, broken down over each division within the service. Appendix 1b gives explanatory notes on the movements in each service. The current position is an overspend of £8,305k. Some of the main variances are highlighted below.
- 3.2 Senior officers continue to meet on a regular basis to scrutinise and challenge the expenditure position and formulate management action to address any issues.

Education - £180k overspend

- 3.3 Overall the position for Education is a predicted £180k overspend. The main areas of movement are as follows: -
- 3.4 In SEN and inclusion there is an underspend in the in-house nurseries because one has temporarily closed due to shortage of staff. This has resulted in staffing savings offset by a loss of income. Overall the position is a net underspend of £25k
- 3.5 The trading side of the Education Psychology Service is experiencing an overspend due to more expensive agency staff being used to provide the sold service. This is being offset by underspends in staffing as vacancies are filled. Overall, the position is a £159k overspend. The temporary deployment of these staff were required to ensure that EHCP's could be completed.
- 3.6 SEN Transport is predicted to overspend on the routes by £1,311k. There is also an additional cost of £15k for running costs. This is partially offset by underspends on staffing and additional income generation of £187k giving an overall figure of £1,139k.
- 3.7 The work on reforming school transport costs is continuing and is beginning to evidence some impact. These efficiencies have resulted in 26 in-borough routes brought together to form 12 new routes and 21 out-borough routes condensed to 10. This generated savings of £3,370 per day even accounting for the increased contract values providers were entitled to apply, when compared to the transport solutions previously operating in July. (Hypothetically this would equate to roughly £640k in annual savings based on 190 school days).
- 3.8 However as part of the budget setting process £1m was set aside in contingency for additional SEN Transport costs. It is assumed that this will be drawn down in due course which will reduce this figure still further.
- 3.9 A recent report to the Executive has been presented and the action plan was agreed, along with additional budget for the service. Routes are currently being reorganised and optimised as part of this. Work is ongoing in the service to analyse the effect of the route optimisation and any impact due to price increases above inflation. Once this has been established this will be reported in the following budget monitoring report.

Dedicated Schools Grant (DSG) - £4,016k overspend

- 3.10 An element of the Education Budget is classed as Schools' Budget and is funded by the Dedicated Schools Grant (DSG). Grant conditions require that any over or under spend should be carried forward to the next financial year.
- 3.11 There is a current projected in year overspend in Dedicated Schools Grant (DSG) of £4,016k. This will be added to the £7,142k deficit that was carried forward from 2021/22. There has also been a reduction in our 2021/22 Early years DSG of £178k which also causes additional pressures in year. This gives an estimated DSG deficit at the end of the year of £11,336k.

- 3.12 Although additional grant was given by DfE including £2.4m additional Supplementary grant, demand continues to outstrip funding. Bromley was one of the last authorities in London to fall into a deficit position regarding its DSG. The overspends are in the main in the high needs block area and are related to the cost of placements in all types of education settings.
- 3.13 The unsustainability of the SEN system is a national issue and there are high expectations being set for the DfE's SEND Review. Nevertheless, officers are seeking to further reduce costs, within the tight constraints of the legal framework. Officers are working on a deficit recovery plan ahead of this being required by the DfE.
- 3.14 A summary of the main variations is provided in the table below, and further details of the variations can be found within Appendix 1B.

	Variations £'000
Additional grant set aside for placements	-1,778
Primary Support Team	-75
Home & Hospital	247
Inclusion	24
Admissions	19
Additional support for schools	15
Other Small Balances	6
SEN:	
- Placements, Top up and AP	5,509
- Support in FE colleges	221
- Complex Needs Team	-49
- High Needs Pre-school Service	25
- Darrick Wood Hearing Unit	-78
- Early Support programme	34
- SEN staff	-94
- Other Small SEN Balances	-10
Total	<u><u>4,016</u></u>

- 3.15 There has been a significant increase in EHCPs issued, all of which have a varying cost attached. The number of EHC Plans as at 30th September 2022 is 3,473, compared to 3,005 on 1st April 2021 (increase of 468).
- 3.16 There continues to be an increase in the number of CYP who have complex SEMH needs, some of which requiring high-cost placements with significant packages of support. Officers, as part of the Deficit recovery plan, are looking into various options to try and mitigate the impact of the deficit. This work is ongoing.

Children's Social Care (CSC) - £8,125k overspend

- 3.17 The Children's Social Care division is currently overspending by £8,125k. The main areas of over/underspend are highlighted in the paragraphs below and in Appendix 1B. This figure has risen from the previously reported figure, as a result of the improvements we have recently been able to make to the Liquid Logic financial reporting that was highlighted in the previous report. These changes have picked up recently increased changes to costs in many placements, but in particular to the costs of residential care for educational and social care placements.
- 3.18 As a consequence of these increased pressures, the DCS has already taken action to raise the level of approval for all requests for children to come into care and for requests for residential placements. These requests will now have to be considered and scrutinised by the Director of Children's Services before any decision is made. In addition there are a number of other changes to budget over-sight that will require increased levels of authorisation and an increased frequency of meetings.

- 3.19 These figures include the contribution from Bromley Clinical Commissioning Group (BCCG) of £2.35m for 2022/23.
- 3.20 A challenging target for the budgeted number of children looked after was set at 305 at the start of the financial year (excluding UASC), rising to 310 by the end of 2022/23. The average number has been 321 in the current financial year to the end of September 2022 (with September being 322), broadly 15 more than currently budgeted and with increasing in-year costs. The CLA per 10,000 figures for Bromley continue to be lower than statistical neighbours.
- 3.21 Placements are overspending by £4,986k. The profile is different than budgeted with more children in residential than expected and more in IFA's leading to an overspend. The trend is seeing this continue as children are presenting with higher end needs than in previous years although the overall levels of Children Looked After (CLA) appears to be levelling off.
- 3.22 Particular areas of increase are Residential homes with education (+25%), Parental Assessments (+65%) and semi-independent accommodation (+68%). Officers continue to carefully review decision making and access to these placements. Because of these pressures the DCS has recently revised the delegated authority for agreement into all placements, so that agreement to foster-care and residential care now sits with the DCS.
- 3.23 Costs of provision have also risen considerably in some areas, some far more than budgeted inflation rates. Examples are Childrens Homes rates rising by 17% and Residential Homes with Education rising by 15% year on year. This has had an impact of over £1m on the outturn position.
- 3.24 The other main area of risk is staffing. Additional staffing costs are in the region of £871k. This is due to higher levels of interims/agency staff, higher staffing costs and continuing temporary staffing beyond budgeted term. Like other professional areas, recruitment into front-line social care posts continues to remain challenging. We continue to actively recruit across both domestic and national markets to address these challenges.
- 3.25 The budget was set on the basis of 90% permanency across all staff in CSC in 2022/23. Levels are currently around the 80% permanent staff, including the 'in the pipeline' appointments. There is an allowance for agency staff within the budget, but this may result in a significant overspend if this continues to be lower than expected. As mentioned above there are staff in pipeline to take the figure to 82%, but this figure will also depend on the level of those leaving the organisation. Like many other professions, recruitment into these roles is becoming increasingly challenging.
- 3.26 The number of Public Law Outline (PLO) cases remains at previous increased levels (113 in September 22). These demands continue to impact spend and contribute to a predicted overspend of £510k. Officers have put into place measures to ensure thresholds for legal action are carefully scrutinised and reviewed.
- 3.27 Full details of all the over and underspends are contained in Appendix 1.

4. FULL YEAR EFFECT GOING INTO 2023/24

- 4.1 The cost pressures identified in section 3 above will impact in 2023/24 by £7,423k. Management action is assumed and contained within this figure and includes management action to reduce staffing overspends to zero and to manage PLO overspends by continued management action to contain costs in house. Management action will continue to need to be taken to ensure that this does not impact on future years. Some of this has been recognised in the current MTFS.

4.2 Given the significant financial savings that the Council will need to make over the next four years, it is important that all future cost pressures are contained, and that savings are identified early to mitigate these pressures. However, the continuation of the impact from Covid and the economic impact of the war in Ukraine continue to remain a further factor in relation to these financial pressures. Whether there is an easing of measures in the foreseeable future, the increase in referrals and the complexity is likely to continue over the next year.

4.3 Further details are contained within Appendix 1.

5. REQUESTS FOR DRAWDOWNS FROM CENTRAL CONTINGENCY AND FROM RESERVES

5.1 Tackling Troubled Families grant - £490,000

This grant is to fund the development of an ongoing programme to support families who have multi-faceted problems including involvement in crime and anti-social behaviour with children not in education, training or employment. This support is delivered through a number of work streams cross cutting across council departments and agencies. As the grant is only confirmed for one year only it is held in contingency. The Portfolio Holder has previously agreed the release of the carry forward amount of £334k in September. Therefore, this will give a total in year budget of £824k which will enable the service to provide the TTF function as described.

5.2 Health contributions held in reserve - £314,000

In discussion with the CCG concerning additional costs and pressures emerging in the Children, Education and Families Portfolio in the 2022/23 financial year, the CCG agreed to a one off contribution of £314k to support additional costs. The funding was paid in 2021/22 but relates to expenditure to be incurred in 2022/23. The activities include funding for non-recurrent Speech and Language Therapy, a contribution to a Local Offer Development Officer (LODO) and a contribution to Council staffing. It is recommended to the Portfolio Holder that this funding be taken from the reserve to offset expenditure incurred in 2022/23.

6. POLICY IMPLICATIONS

6.1 The Resources Portfolio Plan includes the aim of effective monitoring and control of expenditure within budget and includes the target that each service department will spend within its own budget.

6.2 Bromley's Best Value Performance Plan "Making a Difference" refers to the Council's intention to remain amongst the lowest Council Tax levels in outer London and the importance of greater focus on priorities.

6.3 The four year financial forecast report highlights the financial pressures facing the Council. It remains imperative that strict budgetary control continues to be exercised in 2022/23 to minimise the risk of compounding financial pressures in future years.

6.4 Chief Officers and Departmental Heads of Finance are continuing to place emphasis on the need for strict compliance with the Council's budgetary control and monitoring arrangements.

7. FINANCIAL IMPLICATIONS

7.1 A detailed breakdown of the projected outturn by service area is shown in appendix 1(a) with explanatory notes in appendix 1(b). Appendix 1 (c) shows the latest full year effects. Appendix 2 gives the analysis of the latest approved budget. Other financial implications are contained in the body of this report and Appendix 1b provides more detailed notes on the major services.

- 7.2 Overall the current overspend position stands at £8,305k (£7,423k overspend full year effect). The full year effect will need to be addressed in 2022/23 and 2023/24 in due course.
- 7.3 Costs attributable to individual services have been classified as “controllable” and “noncontrollable” in Appendix 1. Budget holders have full responsibility for those budgets classified as “controllable” as any variations relate to those factors over which the budget holder has, in general, direct control. “Non-controllable” budgets are those which are managed outside of individual budget holder’s service and, as such, cannot be directly influenced by the budget holder in the shorter term. These include, for example, building maintenance costs and property rents which are managed by the Property Division but are allocated within individual departmental/portfolio budgets to reflect the full cost of the service. As such, any variations arising are shown as “non-controllable” within services but “controllable” within the Resources Portfolio. Other examples include cross departmental recharges and capital financing costs. This approach, which is reflected in financial monitoring reports to budget holders, should ensure clearer accountability by identifying variations within the service that controls financial performance. Members should specifically refer to the “controllable” budget variations relating to portfolios in considering financial performance.

8. DEPARTMENTAL COMMENTS

- 8.1 The Children, Education and Families Portfolio has an overspend of £8,305,000 for the year.
- 8.2 The Education Division has an overspend of £180k. The overspend is mainly to do with SEN transport.
- 8.3 Initial analysis indicates that there are a number of causal factors resulting in the forecast overspend position on transport:
- An increase in number and complexity of Special Educational Needs and Disabilities - The national increase in EHCPs is widely acknowledged as unsustainable and the rate of increase is accelerating across the country. In Bromley, despite gatekeeping measures, the increase in EHCPs has now reached 17%, (higher than the projected increase of 14% used to produce Growth funding assumptions).
 - The complexity of children and young people’s needs continues to be at a higher level than prior to the Covid pandemic. These high levels of demand have continued for the past 18 months. A number of the Covid-related cases have acute social, emotional and mental health needs, which require specialist provision which is typically costly independent provision outside of Bromley. Transport is often required and although officers seek to minimise costs, transport is often required to meet children’s needs.
 - Transport provider pressures arising from the Covid-19 pandemic - The number of children requiring transport has increased by circa 17%, but this only accounts for part of the increase in costs. The reduced availability of drivers has resulted in more expensive providers having to be used from the call off framework.
- 8.4 Immediate management action was taken on the notification of the forecast budget overspend position. A specialist external transport adviser has undertaken a review of SEN transport arrangements, including benchmarking analysis and a full review of processes and eligibility criteria to identify potential savings. This has enabled significant mitigation proposals to be identified as part of the MTFs process, which would offset the forecast pressures on SEN Transport. In addition work has been undertaken by our AD Strategic Performance resulting in

predictive work for the next few years. This work has been incorporated into subsequent budget challenge discussions.

- 8.5 There is a current projected overspend in DSG of £4,016k together with a DSG adjustment of £178k. This will be added to the £7,142k carried forward from 2021/22. This gives us an estimated DSG deficit balance of £11,336k into the new financial year.
- 8.6 We have recently met with representatives from the DfE to set out our deficit recovery plan which they have approved.
- 8.7 The impact of additional legal duties from the SEND Reforms, has led to unsustainable financial pressures on High Needs costs within the DSG. An increase in Government funding (>£5m in 2021/22) is not sufficient to meet the increased costs. We are aware that Bromley is one of the last London Boroughs to incur a deficit in the DSG, with some local authorities having deficits in excess of £20m. The legal framework is heavily weighted in favour of parental preference, which is often for independent day and residential provision. We continue to assess all cases carefully and with a view to carefully balancing the education needs of young people and ensuring the best value for money from specialist education placements. Where it is appropriate to do so we continue to defend our decisions at Tribunal.
- 8.8 In the 2021 calendar year, 476 new EHCPs were issued, up from 274 in 2018 and 352 in 2019. In the first 9 months of 2022 we have issued 214 new EHCP's. We have sought to commission additional local specialist provision, including a new special free school due to open in 2023, but the needs and tribunal challenges are such that we have no choice but to continue placing children in more costly provision to ensure we are not in default of our legal statutory duties.
- 8.9 A review of High Needs Funding Bands has commenced, with oversight from the SEND Governance Board and CEF PDS. This will consider how the funding bands can be simplified and to identify where any savings can be made. We continue to work on increases to local specialist provision, including the special free school and increases in Additionally Resourced Provisions, which are specialist classes within mainstream schools.
- 8.10 In Children's Social Care the overspend is £8,125k.
- 8.11 The ongoing impact of C19 on Children Services continues especially in respect of contacts into our MASH – these continue to remain consistently around 1,100 contacts per month with little sign of a reduction. This compares to around 600 in April 2020 and it is the complexity of need from the families and children that have an added dimension.
- 8.12 There continues to be a high level of demand for support particularly in CWD which has meant a rise in demand for our short break provision. In response we have sought to increase the number of nights available for the number of families requiring this. Whilst These continued pressures have meant an increase in our looked after population in CWD despite the innovative and expensive care packages put in to support with health provision short breaks. The resilience for some families is now being significantly tested following two years of Covid challenges. This is primarily seen in families for children with profound and complex health and challenging sometimes aggressive behaviour.
- 8.13 The risks in the Children, Education & Families Portfolio are:-
- Recruitment and retention of permanent staff/ ability to recruit skilled staff for the posts vacant and competitive salaries being paid at this time

- Limited supply and increasing costs of residential placements – including the specialist placements for very complex young people. The cost of such placements is high and then with the delay to final hearing families are being retained in these placements beyond the assessment.
- Increased complexity of children (SEND).
- Shortage of local school places (particularly for Specialist schools).
- Increasing High Needs Block expenditure not matched by a commensurate increase in Government Grant.

Non-Applicable Sections:	Legal Implications Personnel Implications Customer Implications
Background Documents: (Access via Contact Officer)	2022/23 Budget Monitoring files in CEF Finance Section