Report No. CEF23076	London Borough of Bromley
	PART ONE - PUBLIC

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 20 March 2024**		
Decision Type:	Non-Urgent	Executive	Non-Key
Title:	**BUDGET MONITORING 2023/24**		
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 2023/24 based on activity up to the end of December 2023.

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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 £7,721,000 is forecast on the controllable budget, based on information as at December 2023;

(ii) Note the full year effect cost pressures of £9,115,000 in 2024/25 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 £7,721,000 is forecast on the controllable budget, based on information as at December 2023; and,

(ii) Recommend that Executive agree the release of funds from the Central Contingency 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: £70,660k

5. Source of funding: CEF approved budget

Staff

1. Number of staff (current and additional): 1,250 Full time equivilent

2. If from existing staff resources, number of staff hours: N/A

Legal

1. Legal Requirement: Statutory Requirement

2. Call-in: Applicable

Customer Impact

1. Estimated number of users/beneficiaries (current and projected): The 2023/24 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:

3. COMMENTARY

3.1 The 2023/24 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 £7,721k. Some of the main variances are highlighted below.

3.2 Senior officers meet on a regular basis to scrutinise and challenge the expenditure position and formulate management action to address any issues.

Education - £1,180k overspend

3.3 Overall the position for Education is a predicted £1,180k overspend. The main areas of movement are in SEN Transport, Strategic functions and SEN and Inclusion.

SEN Transport

The current overspend position stands at £1,660k overspent.

Route optimisation has taken place over the summer which has reduced the overall number of routes whilst increasing the volume of clients. There has also been successful travel training and personal budgets put in place which have reduced costs.

However, continued high demand for transport has far outstripped initial predictions with 87 additional clients requiring transport from April to the end of December. It is envisaged that a further 38 places will be required by the end of the financial year. This is 55 more clients than anticipated. It is the view that this level will now continue in future years at least in the medium term. An initial analysis of the reasons driving this rise in demand is linked to the impact of cost of living pressures for some families who previously took their children to school themselves are now needing to request Council support to reduce costs

Moreover additional costs due to the lack of supply of suitable transport, availability of drivers, workforce moving to alternative occupations, London living wage, the introduction of ULEZ and a general increase in costs across the board in the transport sector our contract costs have risen significantly.

Adult Education/Strategic Functions/SEN and Inclusion/Early Years commissioning - £504k underspend

There has been a drop in fee income in Adult education partially offset by an underspend on running costs. SEN have seen an underspend in staffing whilst new posts are being recruited to offset in part by an increase in running costs. There is an underspend in running costs in strategic functions and early years commissioning.

Dedicated Schools Grant (DSG) - £3,857k in year overspend

3.4 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.

3.5 There is a current projected in year overspend in Dedicated Schools Grant (DSG) of £3,857k. This will be added to the £12,706k deficit that was carried forward from 2022/23. There was also an adjustment which resulted in an increase in the 2022/23 Early years DSG of £600k which effectively reduces the negative reserve position. This gives an estimated DSG deficit at the end of the year of £15,963k.

3.6 Although additional grant was given by DfE including 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.

3.7 The unsustainability of the SEN system is a national issue as acknowledged in the DfE's SEND Review. The DfE published its SEND and Alternative Provision Improvement Plan in March 2023, however the proposals are not anticipated to provide any quantifiable impact on SEND pressures within the next two years. Nevertheless, officers are seeking to further reduce costs, within the tight constraints of the legal framework. Officers are working with DfE and are in discussion with them regarding recovery plans and actions that can be taken to reduce the deficit position.

3.8 EHCP's are still increasing but at a lower rate. A focus on earlier intervention and clarification of local decision making has reduced the number of requests for assessment by 10% and number of agreed assessments by 14% between 2022 and 2023 calendar years. This has been reflected in the Medium Term Financial Strategy and the position is close to what was expected.

3.9 The current number of EHCP's as at the end of December 2023 is 4,065, up 483 from 3,582 at the end of December 2023, an increase of around 13.5%, partially accounted for by a backlog in professional advice which has now been addressed.

3.10 Section 25 of the Local Government Act 2003 requires the Section 151 Officer to report on the robustness of the budget calculations and adequacy of reserves. The 151 Officer within that commentary is now required to consider the Councils DSG deficit position, despite the statutory override being in place.

The statutory override effectively means that any DSG deficits are not included in the Councils main revenue budgets. However, funding will ultimately need to be identified

In effect the Council has to still set aside resources to meet the DSG deficit and where no ongoing funding is identified such funding will need to come from the Councils reserves. On that basis the budget monitoring report identifies a deficit of £3,857k which has to ultimately be funded from the Councils reserve.

Although DSG is effectively ring fenced the ongoing increase through funding by reserves (general and earmarked) creates a financially unsustainable position in the medium to longer term

The External Auditor as part of the annual accounts, are required to comment on the Councils Value for money arrangements and will be required to consider any DSG deficit and the impact on the Councils finances

In terms of presentation of the DSG deficit of £12,706k up to 31/3/2023 and the estimated in year sum of £3,857k in 2023/24, there will need to be adequate funding from the Councils reserves unless alternative savings can be found. The use of reserves have been assumed in this report, although the specific reserves to use have not been identified at this stage.

3.11 A summary of the main variations can be found within Appendix 1B.

Children's Social Care (CSC) - £6,541k overspend

3.12 The Children's Social Care division is currently forecast to overspend by £6,541k. The main areas of over/underspend are highlighted in the paragraphs below and in Appendix 1B.

3.13 These figures include the contribution from Bromley Clincial Commissioning Group (BCCG) of £2.85m for 2023/24, £500k of which is one off funding.

3.14 A challenging target for the budgeted number of children looked after was set at 321 at the start of the financial year (excluding UASC). At the beginning of April the figure was 329 and although the figure went as low as 318 the figure has risen back to 329 as at December 2023, which will have a significant impact on the budget position. The CLA per 10,000 figures for Bromley continue to be lower than statistical neighbours.

3.15 There continues to be a significant increase in costs of placements. Over £1.7m of additional placements costs occurred in quarter 3 placements. Although some growth was assumed in the budget, these costs have outstripped the growth assumptions.

There have been particularly high placement costs, with new placements reaching levels of £13k to £15k a week. It is of concern that these levels of cost are increasingly becoming the norm for placements of children with any degree of complexity. The profile is different than budgeted with a more children in residential than expected and more in IFA's leading to an overspend. The trend is seeing this likely to continue as children are presenting with higher end needs than in previous years although the levels of Children Looked After (CLA) appears to be levelling off. There is also increasing pressures in Direct Payments and Domiciliary Care in Children with Disabilities. Officers are looking at further actions that can be taken to mitigate against this.

The current position on placements is £3.9m overspent and assumes some further future growth in costs. Should these not materialise, then the position will reduce.

3.16 Some transformation savings targets have been delayed and therefore are unlikely to be achieved in the financial year, which has caused an overspend position.

3.17 The other main area of risk is staffing. Additional staffing costs are in the region of £2m. This is due to the need to maintain a number of agency staff because of market pressures across the recruitment sector. These levels of interims/agency staff mean that we have needed to maintain, high staffing costs and continuing temporary staffing beyond budgeted term. The department are looking at this and trying to reduce costs where possible. Following the conclusion of the Ofsted inspection we have written to all agency staff inviting staff to convert to permanent posts. This has resulted in a number of expressions of interest which are currently being followed up. We have also taken the decision to not renew a number of agency contracts in order to reduce costs for agency posts.

3.18 The budget was set on the basis of 90% permanency across all staff in CSC in 2023/24. Levels are currently around 81% permanent staff, including the 'in the pipeline' appointments. There is an allowance for agency staff within the budget, but this will result in a significant overspend if this continues to be lower than expected. As mentioned above there are staff in pipeline, 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.

3.19 Full details of all the over and underspends are contained in Appendix 1.

4. FULL YEAR EFFECT GOING INTO 2024/25

4.1 The cost pressures identified in section 3 above will impact in 2024/25 by £9,115k. Management action is assumed and contained within this figure. Management action will continue to need to be taken to ensure that this does not impact on future years.

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

5.1 DfE Delivery Support Fund £66k Dr & Cr

The delivery support funding grant is provided to local authorities to support with meeting programme and delivery costs associated with rolling out the expanded early years entitlements. It funds the 2023/24 financial year.

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 One of the “Making Bromley Even Better” ambitions is to manage our resources well, providing value for money, and efficient and effective services for Bromley’s residents and to meet this we will need to maintain a relentless focus on efficiency, outcomes of services and prudent management of our finances.

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 2023/24 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 in 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 £7,721k (£9,115k overspend full year effect). The full year effect will need to be addressed in 2023/24 and 2024/25 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.

7.4 “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.

7.5 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 a projected overspend of £7,721k for the year.

8.2 The Education Division (core funding) has a projected overspend of £1,180k.

8.3 SEN Transport continues to be a risk area. There are a number of causal factors affecting the position on transport:

- An increase in number and complexity of Special Educational Needs and Disabilities over the past five years. The national increase in EHCPs is widely acknowledged as unsustainable and the rate of increase is accelerating across the country. In Bromley, the rate on increase had reached 17% in 2021/22. We have taken significant steps to reduce the rate of increase in EHCPs, including the introduction of new guidance on Ordinarily Available Provision and the expectations of support before statutory assessment is considered. This multi-agency approach has helped to reduce the rate of increase to 10% (January 2022-January 2023). Furthermore, we have put in place additional measures over the past 12 months to support families and provide alternative services at an earlier stage. Nevertheless, we continue to see the impact of increasing numbers of EHCPs, leading to c80 additional children or young people requiring transport between April and November 2023 and a forecast increase of c120 by the end of the financial year. This pressure is exacerbated by the shortage of local specialist provision leading to high numbers of placements to out of Borough and independent non-maintained providers, which increases transport costs.

- 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 3 years. A number of these 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

- There is continued Transport provider pressures linked to the cost fuel and wages. 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.

- Significant management action has been taken to reduce the costs of SEN Transport. Following agreement by Members within 2022/23, the implementation of these measures has led to cost reductions as per the savings targets in the MTFS.

8.4 There is a current projected in year overspend in Education (DSG funding) of £3,857k in year. This will be added to the £12,706k carried forward in the reserves from 2022/23. There has been a prior year Early Year adjustment which has increased the 2022/23 DSG allocation by £600k, and this is off set against the DSG reserve that effectively reduces the reserve. This gives us an estimated DSG reserve of £15,963k at the end of the financial year.

8.5 We have recently met again with representatives from the DfE to review our management of the DSG over-spend. They were able to confirm that they were satisfied with the steps that we continue to take and confirmed that they did not wish to meet with us again until next year. DfE officials were asked whether their experience monitoring 20-30 other LAs highlighted any additional mitigations for Bromley to consider, but none were put forward.

8.6 The impact of additional legal duties from the SEND Reforms, has led to unsustainable financial pressures on High Needs costs within the DSG. The increase in Government funding is not sufficient to meet the increased costs. We are aware that Bromley was one of the last London Boroughs to incur a deficit in the DSG, with some local authorities having deficits well 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.

8.7 The demand management mitigations referenced earlier in this report are anticipated to have a significant impact on the further growth in costs of provision for children and young people with an EHCP.. We have sought to commission additional local specialist provision, including a new special free school, with successive delays encountered for the DfE-led scheme. 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.

8.8 A review of High Needs Funding Bands is nearing conclusion, with oversight from the SEND Governance Board and CEF PDS. Recommendations will be made 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.

8.9 In Children's Social Care the projected overspend is £6,541k.

8.10 The ongoing pressures that relate to emotional and mental health concerns for young people, combined with the impact of inflation and cost of living pressures 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.

8.11 Although much reduced from the previous year, the financial pressures across CSC continue to be primarily driven by placement costs for young people and also by the cost of agency staff.

8.12 Nationally, the cost of residential placements increased by 18.78% in 2022/23 (ADCS 2023) as demand continues to be greater than the number of placements available, particularly for children with complex or specialist requirements. Although our recruitment of permanent staff has increased and we now have fewer agency staff than in the past two years, our spend on agency staff still contributes to the pressures on the CSC staffing budget. As previously outlined to PDS, we are currently exploring options for the Council to set-up it's own Children's home and/or agree the block booking of beds at a competitive rate in order to more actively influence costs and sufficiency.

8.13 There also continues to be a high level of demand for support particularly in Children with Disabilities (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.

8.14 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.
- Continued 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/Personnel/Customer Implications
Background Documents: (Access via Contact Officer)	2023/24 Budget Monitoring files in CEF Finance Section