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To: Adult Social Services Policy Overview & Scrutiny Committee –  
12 January 2011

Subject: **Budget 2011/12 and Medium Term Financial Plan 2011/13**

Classification: Unrestricted

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Summary: The purpose of this report is to consult the Committee on the budget proposals for the Adult Social Services Directorate, with reference to the KCC published budget consultation paper issued on 6 January 2011.

Members are invited to comment on the key issues on the proposed budget changes for the services provided by the Adult Social Services Directorate.

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## **1. Introduction**

- 1.1 We reported the national and local context to the last Adult Social Services Policy Overview & Scrutiny Committee meeting and outlined a number of MTP issues. Prior to that meeting the IMG also met to look at the budget details.
- 1.2 Since the November meetings, there have been a number of further developments that have resulted in these budget proposals being presented for consultation. Members are invited to comment on the key issues for the services provided by the Adult Social Directorate, in order that these can be taken into account at the budget meetings of Cabinet on 2 February 2011 and County Council on 17 February 2011.
- 1.4 Copies of the draft Medium Term Plan and Budget Book have been distributed to all Members (on the 6 January). Members are asked to read this report in conjunction with the draft Medium Term Plan and Budget Book and bring this to the meeting.

## **2. Background**

- 2.1 The budget consultation papers comprise both the Medium Term Financial Plan (MTFP) 2011-13, and the Budget 2011/12.
- 2.2 A number of changes have been made to the presentation of the Revenue Budget to make the document more user-friendly. The new 2011/12 Revenue Budget presentation in Appendix A shows a Portfolio

summary in a similar way to previous publications, although it does now separate out the value of Government Grants from service income.

- 2.3 The detailed analysis of individual revenue budgets within each Portfolio has been replaced by an A to Z list of individual service budgets on pages 69 to 81, with the responsible Portfolio indicated alongside. This identifies the gross expenditure, income and net expenditure, as well as the key affordable activity levels. This is felt to be more helpful to readers outside of KCC. The amount of detail where budgets are less than £1m has been reduced in order to focus debate on significant issues rather than minutiae.
- 2.4 It is intended that the A to Z of services provides a much stronger link to activity and performance for individual services in order to provide a better comparison of outcomes.
- 2.5 The approved 2010/11 Budget has been recast in the new format so that valid year on year comparisons can be made.
- 2.6 The papers also include the proposed capital investment programme and the medium term revenue and capital plan for 2010/11 to 2012/13. The format of the capital programme (Appendix D) is unaltered from previous years. All MTFP entries and budget book pages are presented in as a consistent format as possible for each Portfolio. Within each Portfolio the projects are distinguished between spend on rolling programmes, schemes with approval to spend, and schemes with approval to plan, and projects at the preliminary planning stage. A summary of the funding sources is also included for each Portfolio.

### **3. Revenue Budget**

- 3.1 The current Medium Term Service Priorities are included in Appendix C of the draft MTP (pages 111 to 117).
- 3.2 Areas of spending priority in 2011/12 for which significant additional funding is required are:

**Base Budget Adjustments: Internal -£6,801k** – This relates to internal adjustments with other KCC Service Directorates and Chief Executive Department. The bulk of this reduction relates to the return of the CED delegated budgets. Across KCC all internal base budget adjustments net to zero.

**Base Budget Adjustments: External +£3,006k** – This relates to the transfer of funding of a number of Area Based Grants and Specific Grants into the Formula Grant.

**Pay:** For the second year running there is no proposed general increase in salary levels for all staff employed under the Kent scheme. This proposal will be the subject of discussion with trade unions.

### **Prices**

**Prices for Social Care Provision: £502k** – Although there is provision in cash limits for an annual increase of 0.5% in 2011/12 to social care provision for Older People Residential Care, there is no provision for any other increases.

**Transport, Gas & Electricity & Other Price increases: £324k** – We have identified pressures in relation to transport, gas and electricity and increases in other prices.

### **Unavoidable Legislative Pressures**

**CRB Checks: £100k** – We have identified pressures resulting from the increased costs of enhanced checks by the Criminal Records Bureau. This updates the pressure identified in the current Medium Term Plan.

**Employers NI 1% increase: £221k** – This pressure results from the increase in National Insurance.

**Demand/Demographic Led: £8,730k** - the current pressures within those services for younger adults indicate that at least £6,965k is required for demography in 2011-12 and in 2012-13. This calculation is based on comparing the movement in both activity and price between 2008-2009 and 2009-10. An adjustment has been made to 2008-2009 expenditure for the inflationary uplift awarded to providers. The increase represents both the likely growth in client numbers but also the changing needs and complexity of cases. The calculation does assume that any increase is similar to an historical trend. The growth figure assumed is similar to the percentage increase being seen nationally on expenditure on younger adults.

- although we have not normally assumed anything for Older People, this year and next £1,765k has been allowed for demographic pressures. Despite the investment in preventative measures such as enablement, intermediate care and assistive technology continuing to suppress demand, we are seeing increasing numbers of referrals and increasing numbers of people with dementia, both of which are impacting upon the budget.

3.2 The position on budget increases can be summarised as follows:

Table 1 - Summary of value of base budget adjustments and budget pressures

	2011/12	2012/13
	£'000	£'000
Base adjustments	-3,795	-1
Budget increased for:		
Pay	0	0
Prices	826	445
Legislative	321	38
Demand	8,730	8,730
<b>Total Pressures and base adjustments</b>	<b>6,082</b>	<b>9,212</b>

3.3 Provisional cash limits for each Portfolio have been set, and therefore to balance to those cash limits, given the pressures outlined above, we will need to deliver savings, efficiencies and new income streams to deliver a balanced budget. The two-year financial plan, shown in Appendix B of the budget consultation papers, detail the proposed savings required in 2011/12. The major items are explained in the following paragraphs.

#### 3.4 Savings and Income generation

3.4.1 The total of the proposed savings and income generation required in order to meet the indicative cash limits, is £27,524k over two years.

3.4.2 Of the £27,524k, £20,858k is proposed to come from savings, the major themes (over £1m) being:

- £3,024k through staff efficiency savings primarily in support services and management;
- £3,032k through efficiencies in the procurement of domiciliary services;
- £3,000k of other efficiencies including £1,214k reduction in Employers pension contribution which comes into effect from 1 April 2011, and £1,230k releasing of uncommitted contingency;
- £7,107k through reviewing the procurement of Learning Disability and Physical Disability residential and supported accommodation placements;
- £2,200k from the Older Persons Strategy;
- £1,000k through the increased application of Good Practice Guidelines

3.4.3 The remaining £6,666k is proposed to come from income generation:

- £3,462k of this relates to the annual uplift in pensions and benefits for those clients assessed as being able to contribute towards the cost of their care; £1,891k in 2011/12 and £1,571k in 2012/13;
- £2,954k of income will be generated through changes to charging for non residential services. This will include reviewing the Disability Related Expenditure Allowance, introducing charging for day-care and

Mental Health domiciliary care, reviewing the amount of net available income taken into account when financially assessing service users;

- £250k will be achieved by charging for jointly owned properties

3.4.4 The proposed net position is therefore as follows:

Table 2 - Total proposed budget for Adult Social Services, including Financing Items

	2011/12	2012/13
	£'000	£'000
Base Budget	344,452	336,204
Total Pressures and base adjustments (from Table 1)	6,082	9,212
Savings	-10,712	-10,146
Income Generation	-3,618	-3,048
Budget controlled by this portfolio	336,204	332,222

#### **4 The Committee's IMG to discuss budget issues**

4.1 The IMG met for the third time on 1 November and asked for a number of issues to be considered when setting the draft budget proposals for this Directorate. The IMG commented that it was important to look beyond the short-term saving of increasing eligibility criteria from moderate to substantial as initial savings would be outweighed by increased pressures in future years. Members also agreed that savings and efficiencies in support functions should be explored first to minimise the impact on direct services to clients.

4.2 The POSC IMG process has been very useful in reviewing and shaping the budget.

#### **5 Capital Budget**

5.1 The starting point for the capital programme is the existing published capital programme for 2010/13. This is adjusted for re-phasing of schemes from 2010/11, changes to the total cost or funding of schemes, and new schemes. The detail of the proposed capital programme is provided in the draft Medium Term Financial Plan 2011/13 and Budget Book 2011/12 on pages 145, 146 and 147.

5.2 Members should note that the level of financial support from Government in 2012/13 and beyond is not known. It is very likely that we will see a significant reduction in the grants and supported borrowing. Schemes where the level of future funding is unknown have been highlighted and identified in italic font.

## **6. Recommendation**

- 6.1 Members are asked to note and comment on the revenue and capital budget proposals.

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Background documents:

- Autumn Budget Statement; Cabinet, 29 November 2010
- Medium Term Financial Plan 2011/12 to 2012/13 for the Adult Social Services Department; Adult Social Services POSC, 16 November 2010
- Provisional Local Government Finance Settlement; Cabinet, 10 January 2011
- Draft Budget Book and Medium Term Plan 2011/13 (issued on 6 January 2011)