

By: Graham Gibbens – Cabinet Member for Adult Social Care and Public Health

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To: Adult Social Care and Public Health Policy Overview and Scrutiny Committee – 10 November 2011

Subject: **REVENUE BUDGET 2012/13 AND MEDIUM TERM FINANCIAL PLAN 2012/13 TO 2014/15**

Classification: Unrestricted

Summary: This report identifies the latest forecasts for next year's budget and the financial plans for the following years. This includes an analysis of the overall financial outlook for the whole council, appraisal of the existing plans for 2012/13, an update on the budget pressures facing the Adult Social Care and Public Health portfolio and recommendations from the Informal Member Group on areas for budget savings.

Recommendation: Members are asked to review and comment on the pressures outlined for the Adult Social Care and Public Health portfolio and to identify their priorities for savings in light of the overall financial outlook for the next three years.

FOR COMMENT

Introduction

1. (1) The Autumn Budget Statement is due to be presented to Cabinet on 5th December 2011 and will set out the County Council's proposed budget strategy following the Chancellor of the Exchequer's statement to Parliament on 29th November. The Chancellor's statement will include the latest economic forecasts from the Office for Budget Responsibility (OBR). All the indications are that these forecasts will show the economy has not recovered from recession as quickly as earlier predictions on which the 2011 Budget announced on 23rd March 2011 were based.

(2) The Spending Review 2010 (SR 2010) set out the Government's four year plans to reduce the budget deficit. This showed an anticipated 21.9% reduction in the Formula Grant for local government over the four year period¹. The Local Government Finance settlement for 2011/12 was published on 13th December 2010 and included provisional grant figures for 2012/13 but did not provide any provisional figures for 2013/14 or 2014/15.

¹ The overall reduction in resources from the department for Communities and Local Government (CLG) was 19.6% over the four years after taking account of new money for Council Tax Freeze, New Homes Bonus and Transitional Protection.

The 2012/13 provisional grant showed a £26.9m reduction in Formula Grant on 2011/12 (8.5%) for KCC.

(3) Our overall planning assumption for the next medium term financial plan (MTFP) remains that we will need to make a £340m reduction in spend in real terms between 2011/12 to 2014/15.

Background

2. (1) The MTFP for 2011/12 to 2012/13 was approved by the County Council on 17th February 2011. The approved MTFP for the Adult Social Care and Public Health portfolio is included as appendix 1. At the time the plan was approved we had £15m set aside for unforeseen “emerging” budget pressures and £28m of savings still to be identified in order to balance the budget for 2012/13 against the anticipated level of resources (CLG grants and Council Tax).

(2) Monitoring reports during 2011/12 have identified a number of additional budget pressures arising during the year which will have a full year impact in 2012/13 and some changes in the planned savings. The overall position for the County Council is that we are preparing for £25m of additional pressures in 2012/13.

(3) In addition to the changes already identified from in-year budget monitoring we will need to review the indicative pressures included in the plan for 2012/13 in light of the latest activity information and identify any new pressures likely to arise in 2012/13 to 2014/15. The current assumptions for the Adult Social Care and Public Health portfolio are set out in table 1 below.

TABLE 1

| | 2012-13 | 2013-14 | 2014-15 | Total |
|---|----------------|----------------|----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Existing Approved MTP | | | | |
| Base | 317,434 | | | 317,434 |
| Base Budget Adjs | -1 | | | -1 |
| Revised Base Budget | 317,433 | | | 317,433 |
| Pressures | 9,732 | | | 9,732 |
| Grant Increases | -726 | | | -726 |
| Savings & income | -12,561 | | | -12,561 |
| Total Existing MTP | 313,878 | 349,382 | 357,273 | 313,878 |
| | | | | |
| New Base Budget Adjs | 34,443 | 0 | 0 | 34,443 |
| Changes to Pressures (Exc pressures funded from NHS Supp For Social Care Grant) | -1,502 | 12,797 | 12,907 | 24,202 |
| New Forecast Pressures (Inc prices on social care) | 2,803 | 0 | 0 | 2,803 |
| Changes to savings & Income (Exc NHS Support for Social Care) | -240 | -4,906 | -4,371 | -9,517 |
| New Proposed Savings | | | | |
| Proposed Budget | 349,382 | 357,273 | 365,809 | 365,809 |

(4) There have been some changes in the likely grant settlements since the budget and MTFP were agreed by County Council on 17th February which improve the position slightly. In particular the Chancellor announced in October 2011 that a further one-off grant would be available in 2012/13 where councils agree to a continued freeze on Council Tax, and a number of grants which were unclear have now been included in an un-ringfenced Local Service Support Grant.

(5) The overall planning assumption in light of these changes is that some savings still need to be identified to balance the 2012/13 budget and that over the following two years substantial savings (estimated £110m) will be needed. In a break from previous convention we are not planning to set individual portfolio cash limit targets for the next three years. Cash limit targets were an appropriate mechanism in times of relative growth but are not an appropriate mechanism to determine spending priorities at a time of budget cuts.

(6) For 2012/13 Policy Overview and Scrutiny Committees (POSCs) are asked to consider what savings would be feasible or acceptable within the Adult Social Care and Public Health portfolio in order to close the estimated overall £32m gap (3.5% of net spend) arising from the combination of additional pressures and the unidentified savings in the existing plan partially offset by the additional grant that will be available. For the medium term POSCs are asked to consider what strategies should be considered for the Adult Social Care and Public Health portfolio if overall the council needs to make 15% saving over the next two years.

Latest Developments: National Context

3. (1) The Government has launched a consultation about re-localising business rates. If the proposals are implemented they would mean that in effect existing Formula Grant allocations would form a set base for the future (adjusted to the overall spending totals within the Spending Review) and any increase (or reduction) in overall resources available to the council would be determined according to changes in the business rate tax base.

(2) Local authorities would also still be able to set the level of council tax and would also receive any resources from changes in the Council Tax base (as now). The effect of these changes mean that any increase in funding can only come from increase in the local business rate base or Council Tax and local authorities would no longer be reliant on Government grants.

(3) At this stage we have no announcements on decisions following the consultation which is due to be implemented from 2013/14. We have factored in our best estimates into the planning assumptions for 2013/14 and 2014/15 but POSC members need to be aware that the overall funding available is likely to be heavily reliant on local factors in future rather than Government decisions on the allocation of grants.

Revenue Budget Strategy

4. (1) The council's overall strategy will be set out in the Autumn Budget Statement setting out how the authority plans to deal with reducing funding and continuing additional spending pressures. The POSC is invited to comment on the strategy proposed within the Adult Social Care and Public Health portfolio.

(2) The Council has successfully contained the demand for older people's services through the development of intermediate care services and the modernisation of services. We will need to continue this successful strategy in future years to meet the demographic pressures presented by the growth in the number of older people in the population and increased levels of dependency.

The Current Budget for the Adult Social Care and Public Health Portfolio

5. (1) POSC members should be well informed on the current budget through the regular monitoring reports and should refer to these as part of their discussions. The current budget for the Adult Social Care and Public Health portfolio(s) under the oversight of this POSC is summarised in table 2 below:

| Table 2 | Gross Exp £'000 | Service Income £'000 | Net Exp £'000 |
|------------------------|--------------------|-------------------------|------------------|
| Portfolio controllable | 451,050 | -133,544 | 317,506 |

(2) More details on the 2011/12 budget are included in appendix 1. In very brief summary this budget provides for the following outcomes, outputs and/or service improvements:

- Approximately 160,852 weeks of permanent residential care for Older People (excluding preserved rights) within the independent sector
- 77,405 weeks of permanent nursing care for Older People within the independent sector
- 2,448,994 hours of domiciliary care for Older People provided through the independent sector
- Approximately 38,485 weeks of residential care for people with a Learning Disability (excluding Preserved Rights) within the independent sector
- About 12,131 weeks of permanent residential care for people with a Physical Disability within the independent sector
- 3,057 people of all client groups with an on-going direct payment
- 245 Mental Health clients in residential care as at June 2011

Informal Member Group

6. (1) Members of this POSC have had informal member group meetings (IMG) meetings throughout the summer/autumn. IMGs have found these meetings useful to gain a more detailed insight into budgets controlled by the Adult Social Care and Public Health portfolio. The IMGs main recommendations were as follows:

When discussing further at this POSC that the fullest background information is available to help with its work, but currently did not feel prepared or able to identify potential savings without further information around both the treatment of the Health monies and what share of additional savings Adults Social Care will be asked to take a share of.

Recommendation

7. (1) Members are asked to
- (i) note the latest forecasts for 2012/13 and the next two years
 - (ii) comment on the full year impact of additional spending pressures for the Adult Social Care and Public Health portfolio outlined in paragraph 2.2 and the outline 3 year plan in table 1
 - (iii) comment on the IMG recommendations and identify priorities for delivering the 3.5% saving requirement for 2012/13 and 15% for the following two years

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Background documents: None

Appendix 1 – Existing 2011/13 Medium Term Plan and 2011/12 Revenue Budget

Medium Term Plan

Adult Social Services Portfolio Revenue Budget

| | 2011-12 £'000 | 2012-13 £'000 | Total £'000 |
|--|------------------|------------------|----------------|
| Base budget | 344,452 | 335,320 | |
| Base Budget Adjustments - Internal | -6,801 | -1 | -6,802 |
| Base Budget Adjustments- External | 3,006 | | 3,006 |
| Total Base Adjustments | -3,795 | -1 | -3,796 |
| Revised Base Budget | 340,657 | 335,319 | |
| <u>UNAVOIDABLE PRESSURES FUNDED IN INDICATIVE CASH LIMITS:</u> | | | |
| Pay: | 0 | 0 | 0 |
| Prices: | | | |
| All Transport | 114 | 118 | 232 |
| All Social Care Provision | 502 | 0 | 502 |
| All Gas & Electricity | 111 | 207 | 318 |
| All Other | 99 | 120 | 219 |
| | 826 | 445 | 1,271 |
| Unavoidable Government/Legislative Pressures: | | | |
| All CRB - Additional enhanced checks | 100 | 38 | 138 |
| All Employers NI 1% increase | 221 | 0 | 221 |
| All Learning Disability Transfer and Health Reform Grant - increase in expenditure | 6,377 | 826 | 7,203 |
| | 6,698 | 864 | 7,562 |
| Demand/Demographic Led: | | | |
| All Demographic Pressure | 8,730 | 8,730 | 17,460 |
| | 8,730 | 8,730 | 17,460 |
| <u>LOSS OF INCOME (NOT GRANTS)</u> | | | |
| All Replacement of Section 256 Health income by the Learning Disability Transfer and Health Reform Grant | 28,391 | | 28,391 |
| | 28,391 | 0 | 28,391 |
| Total Pressures | 44,645 | 10,039 | 54,684 |

SAVINGS AND INCOME:**Grant Increases:**

| | | | | |
|-----|--|----------------|-------------|----------------|
| All | Learning Disability Transfer and Health Reform Grant | -34,768 | -826 | -35,594 |
| | | -34,768 | -826 | -35,594 |

Income Generation:

| | | | | |
|-----|--|---------------|---------------|---------------|
| All | Income increase in-line with Benefits Uplift | -1,891 | -1,571 | -3,462 |
| All | Increase Charging - residential - Jointly Owned Properties | -250 | | -250 |
| All | Increase Charging - non residential | -1,477 | -1,477 | -2,954 |
| | | -3,618 | -3,048 | -6,666 |

Savings and Mitigations:**Efficiency Savings:****Staffing**

| | | | | |
|-----|--|------|--------|--------|
| All | Area and Headquarters Support | -287 | -1,011 | -1,298 |
| All | Management Structures | -504 | -277 | -781 |
| All | Access and Assessment | -645 | -175 | -820 |
| All | Changes to HR policies | -125 | | -125 |
| All | Further management savings from reorganisation | -264 | | -264 |
| All | Review of Terms & Conditions of employment | -620 | | -620 |

Procurement & Contracts

| | | | | |
|-----|-----------------------------------|------|--------|--------|
| All | Review of Domiciliary Procurement | -900 | -2,132 | -3,032 |
|-----|-----------------------------------|------|--------|--------|

Other

| | | | | |
|-----|--------------------------------------|---------------|---------------|---------------|
| | Fall out of early Retirement Costs | -23 | -26 | -49 |
| All | Releasing of uncommitted contingency | -1,230 | | -1,230 |
| All | Publicity | -30 | -10 | -40 |
| All | Staff Travel | -178 | -25 | -203 |
| All | Agency Staff | -132 | -132 | -264 |
| All | Reduction in pension contribution | -1,214 | | -1,214 |
| | | -6,152 | -3,788 | -9,940 |

De-prioritisation savings:**Staffing****Procurement & Contracts**

| | | | | |
|----------|---|--------|--------|--------|
| LD&PD | Review of Learning Disability/Physical Disability Residential and supported Accommodation procurement | -3,714 | -3,393 | -7,107 |
| OP | Older Persons Strategy | -1,000 | -1,200 | -2,200 |
| OP/LD/PD | Review of In-House services | -230 | -725 | -955 |
| All | Review of client transport | | -290 | -290 |

Other

| | | | | |
|-----|---|---------------|---------------|----------------|
| All | Application of Good Practice Guidelines | -500 | -500 | -1,000 |
| OP | Delaying Former Self Funders by commissioning financial advice. | | -250 | -250 |
| | | -5,444 | -6,358 | -11,802 |

Total Savings and Mitigations

| | | |
|----------------|----------------|----------------|
| -11,596 | -10,146 | -21,742 |
|----------------|----------------|----------------|

Total Savings and Income

| | | |
|----------------|----------------|----------------|
| -49,982 | -14,020 | -64,002 |
|----------------|----------------|----------------|

Budget controlled by this portfolio

| | |
|----------------|----------------|
| 335,320 | 331,338 |
|----------------|----------------|

Portfolio Service Revenue Budget

| Budget Book Heading | cash limit | | |
|--|----------------|-----------------|----------------|
| | G | I | N |
| Adult Social Care & Public Health portfolio | | | |
| Strategic Management & Directorate Support Budgets | 9,922 | -755 | 9,167 |
| <u>Adults & Older People:</u> | | | |
| - Direct Payments | | | |
| - Learning Disability | 10,837 | -736 | 10,101 |
| - Mental Health | 732 | 0 | 732 |
| - Older People | 6,359 | -665 | 5,694 |
| - Physical Disability | 8,248 | -353 | 7,895 |
| Total Direct Payments | 26,176 | -1,754 | 24,422 |
| - Domiciliary Care | | | |
| - Learning Disability | 7,603 | -1,454 | 6,149 |
| - Mental Health | 898 | 0 | 898 |
| - Older People | 47,704 | -11,925 | 35,779 |
| - Physical Disability | 7,684 | -539 | 7,145 |
| Total Domiciliary Care | 63,889 | -13,918 | 49,971 |
| - Nursing & Residential Care | | | |
| - Learning Disability | 75,502 | -23,389 | 52,113 |
| - Mental Health | 6,737 | -846 | 5,891 |
| - Older People - Nursing | 45,547 | -22,070 | 23,477 |
| - Older People - Residential | 88,679 | -36,594 | 52,085 |
| - Physical Disability | 12,305 | -1,786 | 10,519 |
| Total Nursing & Residential Care | 228,770 | -84,685 | 144,085 |
| - Supported Accommodation | | | |
| - Learning Disability | 31,227 | -18,857 | 12,370 |
| - Physical Disability/Mental Health | 1,313 | -255 | 1,058 |
| Total Supported Accommm | 32,540 | -19,112 | 13,428 |
| - Other Services for Adults & Older People | | | |
| - Contributions to Vol Orgs | 14,912 | -902 | 14,010 |
| - Day Care | | | |
| - Learning Disability | 13,197 | -284 | 12,913 |
| - Older People | 4,086 | -157 | 3,929 |
| - Physical Disability/Mental Health | 1,302 | -1 | 1,301 |
| Total Day Care | 18,585 | -442 | 18,143 |
| - Other Adult Services | 14,139 | -8,185 | 5,954 |
| Total Other Services for A&OP | 47,636 | -9,529 | 38,107 |
| - Intermediate Services | | | |
| - Assessment of Vulnerable Adults & Older People | 42,117 | -3,791 | 38,326 |
| | | | |
| Total ASC&PH portfolio | 451,050 | -133,544 | 317,506 |