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To: Specialist Children's Services Policy Overview and Scrutiny  
Committee – 17 November 2011

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

Classification: Unrestricted

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**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 Specialist Children's Services 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 Specialist Children's Services portfolio and to identify their priorities for savings in light of the overall financial outlook for the next three years.

## **FOR COMMENT**

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### **Introduction**

1. (1) The Autumn Budget Statement is due to be presented to Cabinet on 5<sup>th</sup> December 2011 and will set out the County Council's proposed budget strategy following the Chancellor of the Exchequer's statement to Parliament on 29<sup>th</sup> 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 23<sup>rd</sup> 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 period<sup>1</sup>. The Local Government Finance settlement for 2011/12 was published on 13<sup>th</sup> December 2010 and included provisional grant figures for 2012/13 but did not provide any provisional figures for 2013/14 or 2014/15. The 2012/13 provisional grant showed a £26.9m reduction in Formula Grant on 2011/12 (8.5%) for KCC.

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<sup>1</sup> 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.

(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 17<sup>th</sup> February 2011. The approved MTFP for the Specialist Children's Services 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 Specialist Children's Services portfolio are set out in table 1 below.

**TABLE 1**

	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Existing Approved MTP</b>				
<b>Base</b>	<b>102,298</b>			<b>102,298</b>
Base Budget Adjs	0			0
Revised Base Budget	102,298			<b>102,298</b>
Pressures	1,083			<b>1,083</b>
Grant Increases	-250			<b>-250</b>
Savings & income	-931			<b>-931</b>
<b>Total Existing MTP</b>	<b>102,200</b>	<b>149,011</b>	<b>148,551</b>	<b>102,200</b>
New Base Budget Adjustments	32,797	0	0	32,797
Changes to Pressures (Exc pressures investment in prev strategy)	-227	825	841	1,439
New Forecast Pressures (Inc prices on social care & Demand Led)	17,080	0	0	17,080
Changes to savings & Income (Exc NHS savings from prev strategy)	-2,839	-1,285	-603	-4,727
New Proposed Savings				
<b>Proposed Budget</b>	<b>149,011</b>	<b>148,551</b>	<b>148,789</b>	<b>148,789</b>

(4) There have been some changes in the likely grant settlements since the budget and MTFP were agreed by County Council on 17<sup>th</sup> 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 POSCs are asked to consider what savings would be feasible or acceptable within the Specialist Children's Services 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 Specialist Children's Services 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. POSC is invited to comment on the strategy proposed within the Specialist Children's Services portfolio.

(2) Although the Council has made significant progress in improving children's services we are still subject to a Department of Education Improvement Notice and the scope for major savings will be limited. There is, however, a real opportunity to begin to remodel the service to reduce costs by:

- expanding targeted high level family support to keep young children in families
- commissioning an intensive adolescent service to avoid admitting challenging youngsters into the care system
- procuring more effectively high cost placements and care packages
- Commissioning preventive services jointly with the NHS
- Working with the voluntary and not for profit sector to deliver more efficiencies

## The Current Budget for the Specialist Children's Services 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 Specialist Children's Services 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 (Including Asylum)	177,032	66,199	110,833

(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:

- 2,842 is the first quarters number of Looked After Children in Kent
- 48,876 is the number of client weeks of Non Related Foster Care provided
- 4,710 is the number of Independent Sector Foster Care client weeks provided
- 712 is the current number of Unaccompanied Asylum Seeking Children accommodated
- Improved OFSTED inspection

### 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 Specialist Children's Services portfolio. The IMGs main recommendations were as follows:

A statement of the IMG's findings will be circulated to IMG members so that comments can be collected. A statement of these views will be included in the POSC papers to this committee reported elsewhere on this Agenda, which will be published on the 9<sup>th</sup> November.

### Recommendations

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 Specialist Children's Services portfolio outlined in paragraph 2.3 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

### Specialist Childrens Services

	2012-13 £'000	2013-14 £'000	2014-15 £'000	Total £'000
<b>Base budget</b>	<b>102,298</b>	<b>102,200</b>	<b>102,766</b>	
Base Budget Adjustments - Internal	0	0	0	0
Base Budget Adjustments- External	0	0	0	0
<b>Total Base Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Revised Base Budget</b>	<b>102,298</b>	<b>102,200</b>	<b>102,766</b>	
<b><u>UNAVOIDABLE PRESSURES FUNDED IN INDICATIVE CASH LIMITS:</u></b>				
<b>Pay:</b>	0	0	0	0
<b>Prices:</b>				
All Transport				0
SCS Social Care Provision	1,075	1,371	1,397	3,843
C&P Legal Prices	8	8	8	24
<b>Subtotal Non-DSG</b>	<b>1,083</b>	<b>1,379</b>	<b>1,405</b>	<b>3,867</b>
All DSG	0	0	0	0
	<b>1,083</b>	<b>1,379</b>	<b>1,405</b>	<b>3,867</b>
<b>Unavoidable Government/Legislative Pressures:</b>				
Non DSG:				
<b>Sub-total non DSG</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
DSG:				
<b>Sub-total DSG</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Unavoidable Government/Legislative Pressures</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Demand/Demographic Led:</b>				
Non DSG:				
<b>Sub-total non DSG</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
DSG:				
<b>Sub-total DSG</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Service Strategies &amp; Improvements:</b>					
Non DSG:					
	Sub-total non DSG	0	0	0	0
DSG:					
	Sub-total DSG	0	0	0	0
		0	0	0	0
<b>Total unavoidable pressures funded in indicative cash limits:</b>		<b>1,083</b>	<b>1,379</b>	<b>1,405</b>	<b>3,867</b>
<b>Total Pressures: Non DSG</b>		<b>1,083</b>	<b>1,379</b>	<b>1,405</b>	<b>3,867</b>
<b>Total Pressures: DSG</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Pressures</b>		<b>1,083</b>	<b>1,379</b>	<b>1,405</b>	<b>3,867</b>
<b><u>SAVINGS AND INCOME:</u></b>					
<b>Grant Increases:</b>					
DSG:					
C&P	CAF/LP - Planned reduction in eCAF roll out and training	-50			-50
SCS	Transition with KASS	-200			-200
	<b>Sub-total DSG</b>	<b>-250</b>	<b>0</b>	<b>0</b>	<b>-250</b>
		<b>-250</b>	<b>0</b>	<b>0</b>	<b>-250</b>
<b>Income Generation:</b>					
Non DSG:					
		0	0	0	0
<b>Savings and Mitigations:</b>					
<b>Identified in published 2010-13 MTP:</b>					
Non DSG:					
SCS	Out county/residential/respite	-400	0	0	-400
	<b>Sub-total Non DSG</b>	<b>-400</b>	<b>0</b>	<b>0</b>	<b>-400</b>
DSG:					
	<b>Sub-total DSG</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total savings identified in published 2010-13 MTP</b>		<b>-400</b>	<b>0</b>	<b>0</b>	<b>-400</b>

<b>Total savings identified in published 2010-13 MTP</b>		<b>-400</b>	<b>0</b>	<b>0</b>	<b>-400</b>
<b>New Efficiency Savings:</b>					
All	Reduction in staff travel	-3	-3	-3	-9
All	Management Structures	-48	-12	0	-60
All	Access	-178	-178	-238	-594
All	Assessment	0	0	-1,000	-1,000
SCS	Review of high cost cases	-180	-470	-500	-1,150
SCS	Social care procurement	-100	-150	-100	-350
		<b>-509</b>	<b>-813</b>	<b>-1,841</b>	<b>-3,163</b>
<b>De-prioritisation savings:</b>					
C&P	Commissioning - staffing	-22	0	0	-22
		<b>-22</b>	<b>0</b>	<b>0</b>	<b>-22</b>
<b>Total Savings and Mitigations</b>		<b>-931</b>	<b>-813</b>	<b>-1,841</b>	<b>-3,585</b>
<b>Total Savings and Income</b>		<b>-1,181</b>	<b>-813</b>	<b>-1,841</b>	<b>-3,835</b>
<b>Budget controlled by this portfolio</b>		<b>102,200</b>	<b>102,766</b>	<b>102,330</b>	<b>32</b>

## Portfolio Service Revenue Budget

Budget Book Heading	New cash limit			Comments
	G	I	N	
	£'000s	£'000s	£'000s	
<b>Specialist Children's Services portfolio</b>				
Strategic Management & Directorate Support Budgets	4,715	-2,566	2,149	
<u>Services for Schools:</u>				
Early Years & Childcare Advisory Service	13,467	-13,467	0	Recommissioning of SLA with NCA
<u>Social Services for Children:</u>				
16+ Service	8,988	0	8,988	Increased residential weeks, cost of Independent fostering, staffing pressures
Adoption Service	7,147	-49	7,098	Special Guardianship Orders & staffing pressures
Asylum Seekers	14,525	-14,245	280	continuing support of 18+ Asylum seekers who are not eligible for grant funding
Childrens Support Services	3,414	-1,940	1,474	
Fostering Service	31,904	-407	31,497	Activity above affordable level, increased allowances as a result of new legislation, legal costs
Other Preventative Services	16,476	-8,541	7,935	Southwark Judgement pressures, offset by uncommitted funds
Residential Children's Services	10,932	-2,533	8,399	Activity above affordable level, offset by lower unit costs & underspend on secure accommodation
Safeguarding	4,142	-373	3,769	Staffing as a result of Ofsted inspection
	97,528	-28,088	69,440	
<u>Support for Individual Children</u>				
- Children's Centres	19,741	-18,854	887	
- Integrated Looked After Children's Service	2,182	-704	1,478	
	21,923	-19,558	2,365	
<u>Intermediate Services</u>				
- Assessment of Vulnerable Children	39,399	-2,520	36,879	Staffing pressures
<b>Total SCS portfolio</b>	<b>177,032</b>	<b>-66,199</b>	<b>110,833</b>	