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To: Adult Social Services Policy Overview & Scrutiny Committee –
13 January 2010

Subject: **BUDGET 2010/11 AND MEDIUM TERM FINANCIAL PLAN 2010/13**

Classification: Unrestricted

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 5 January 2010. The report also provides a response to the issues raised at the IMG of this Committee, created in November 2009 to discuss detailed budget issues.

Members are invited to comment on the key issues on the proposed budget changes for the services provided by the Adult Social Services Directorate, and to note the issues raised by the IMG, and the resulting responses.

1. Introduction

- 1.1 The Autumn Budget Statement report by the Leader, Cabinet Member for Finance, Chief Executive and Director of Finance to Cabinet on 12 October 2009 identified that we are likely to be entering more uncertain times for local government finance. The report to Cabinet on 11 January 2010 set out the provisional Local Government Finance Settlement, which confirmed that the level of Formula Grant was as announced in the three year settlement. However, there are still uncertainties over some specific grants and the level of council tax capping, and the announcement on 25 November that the Government intends to fund some of the free “Personal Care at Home” from local government efficiencies was a surprise. Furthermore, the next Comprehensive Spending Review which was due to start in the summer has been delayed until after the forthcoming general election.
- 1.2 We reported the national and local context to the last Policy Overview & Scrutiny Committee meeting and outlined the proposed MTP priorities and efficiency savings. The Committee discussed the policy issues from that report, and used an IMG to look at the budget details. The IMG met on 18 November and questioned a number of budget headings and pressures and offered areas for possible budget savings. This report provides a response to the issues raised.

- 1.3 Since the November meetings, there have been a number of further developments that have resulted in the 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 1 February 2010 and County Council on 18 February 2010.
- 1.4 Members are asked to read this report in conjunction with the draft Medium Term Plan and Budget Book, issued on 5 January 2010.

2. Background

- 2.1 The budget consultation papers include an overall summary of the proposed Portfolio budgets for 2010/11, showing the amounts proposed for each service within the portfolios. This identifies the gross expenditure, income and net expenditure.
- 2.2 The papers also include the proposed capital investment programme and the medium term revenue and capital plan for 2010/11 to 2012/13. All MTP entries and budget book pages are presented in as a consistent format as possible for each Portfolio.
- 2.3 Copies of the draft Budget Book and Medium Term Plan have been distributed to all Members (on the 5 January). You are asked to ensure you bring those to this meeting.
- 2.4 The MTP and Budget Book reflect the new portfolio responsibilities following the County Council elections in June.

3. Revenue Budget

- 3.1 The overall direction for the Adult Social Services directorate is now well established, and the current Medium Term Service Priorities are included in Appendix B of the draft MTP.
- 3.2 We are setting this budget in a period of great economic instability. The recession has hit deeper and lasted longer than earlier forecasts and inflation (as measured by Retail Prices Index) has been negative all year. The Bank of England Monetary Policy Committee is committed to achieving the 2% target for Consumer Price Index over the medium term. The continuing economic situation presents us with threats and opportunities which as well as offering the potential for savings also presents additional costs.
- 3.3 Areas of spending priority in 2010/11 for which significant additional funding is required are:

Pay: The authority has under the local pay bargaining process with trade unions proposed that there should be no increase in pay for cost of living award for all staff in the Kent scheme from April 2010. This position has not been taken lightly but we believe reasonable at a time when employees in other sectors are being asked to take pay cuts and many others facing redundancy. It is also a matter of fact that for all of 2009 inflation has been low/negative.

The majority of staff in the Kent Scheme will be eligible to benefit from incremental increases in their salary under the performance assessment process. On average incremental progression equates to a 2.7% increase in pay. No funding is provided within the overall cash limit for incremental progression on the grounds that the cost is offset by the effect of staff turnover. Staff turnover levels have marginally declined in the current recession and we now have an average turnover level of around 12% of staff for the authority as a whole (KASS average is around 8%). This will continue to be closely monitored.

We have started consultation with staff and unions about changes to the pay structure and performance progression but any financial impact would not come into affect until April 2011. We are assuming the new arrangements will continue to be cost neutral after taking into account staff turnover.

In addition to staff turnover, vacancy management continues to be used to both deliver existing budgets and wherever possible to mitigate the impact of restructuring and any necessary downsizing for other employed staff.

Prices

Prices for Social Care Provision: There is no provision currently included in cash limits for an annual increase in 2010/11 for social care provision. Thereafter cash limits include a provision consistent with the underlying rates of inflation throughout 2009 and the Monetary Policy Committee forecasts for the next two years. Discussion will take place with the care sector as in previous years.

Transport, Gas & Electricity & Other Price increases: £67k – 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.

Demand/Demographic Led: £6,460k - the current pressures within those services for younger adults indicate that at least £6,460k is required for demography in 2010-11 and £5,448k in future years. This calculation is based on comparing the expenditure in 2008-09 to that in 2007-08. An adjustment has been made for the inflationary uplift. 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.

- No allowance for demographic growth in Older People has been made on the assumption that the investment in preventative measures such as enablement, intermediate care and assistive technology will reduce demand and allow the Directorate to hold spending at existing levels.

Service Strategies & Improvements: -£250k – This is assumed within the current Medium Term Plan and relates to the return of one-off funding received in 2009/10 for the Citizens Advice Bureau.

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

	2010/11	2011/12	2012/13
	£'000	£'000	£'000
Base adjustments	-110	-8	-1
Budget increased for:			
Pay			
Prices	67	4,648	5,686
Legislative	100	100	38
Demand	6,460	5,448	5,448
Service Improvements	-250		
Total Pressures and base adjustments	6,267	10,188	11,171

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

3.5 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 three-year financial plans, shown in Appendix A of the MTP, detail the proposed savings required in 2010/11. The major items are explained in the following paragraphs

3.6 Savings and Income generation

3.6.1 The total of the proposed savings and income generation required in order to meet the indicative cash limits, is £10.082m.

3.6.2 Of the £10.082m, £6.479m is proposed to come from savings, the major themes being:

- £2.601m through staff efficiency savings both within KASS and Corporately Delegated budgets
- £3.726m to be found through targeted reduction in net spend

3.6.3 £1.139m of net income is to be generated by units in 2010/11, with a further £1.106m in 2011/12, and £1.339m in 2012/13.

3.6.4 The proposed net position is therefore as follows

	2010/11	2011/12	2012/13
	£'000	£'000	£'000
Base budget	340,061	344,452	350,595
Total Pressures and base adjustments (from Table 1)	6,267	10,188	11,171
Savings	-737	-2,939	-2,803
Income Generation	-1,139	-1,106	-1,339
Revised base budget	344,452	350,595	357,624

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

4 The Committee's IMG to discuss budget issues

- 4.1 The IMG met on 18 November and asked for a number of issues to be considered when setting the draft budget proposals for this Directorate. The IMG broadly supported the proposal for not uplifting prices to the Private and Voluntary sector providing that the Council as a whole was seen to be going down the same route of not awarding any uplift to pay, and this is what has happened. The IMG also broadly supported the proposed efficiency savings in administrative costs before reviewing other budgets, and efficiency savings in both KASS and Chief Executives Department Delegated budgets have been identified in the draft Medium Term plan.
- 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 2009/12. This is adjusted for re-phasing of schemes from 2009/10, changes to the total cost or funding of schemes, and new schemes. The detail of the proposed capital programme is provided in the draft budget book on pages 25, 26 and 27.
- 5.2 Details of significant new projects or projects which have been removed
- 5.3 Members should note that the level of financial support from Government in 2011/12 and 2012/13 is not known. It is very likely that we will see a significant reduction in the grants and supported borrowing. Because of the difficulty in predicting this we have presented the budget to show that the level of spend on certain schemes will be equal to the level of Government financial support. These schemes are identified in italic font in the draft budget book.

6. Recommendation

- 6.1 Members are asked to note and comment on the revenue and capital budget proposals, and note the issues raised by the IMG, along with the resulting responses.

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Background documents:

- Autumn Budget Statement; Cabinet, 12th October 2009
- Medium Term Financial Plan 2010/11 to 2012/13 for the Adult Social Services Department; Adult Social Services POSC, 17 November 2009
- Provisional Local Government Finance Settlement; Cabinet, 11th January 2010
- Draft Budget Book and Medium Term Plan 2010/13 (issued on 5th January 2010)