

CHILDREN AND YOUNG PEOPLES OVERVIEW AND SCRUTINY COMMITTEE

9 DECEMBER 2014

CAPITAL AND REVENUE BUDGET 2015/16

Portfolio Holder: Councillor Alan Jarrett, Finance

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Summary

This report presents the Council's draft capital and revenue budgets for 2015/16. In accordance with the constitution, Cabinet is required to develop 'initial budget proposals' approximately three months before finalising the budget and setting council tax levels at the end of February 2015.

The draft budget is based on the principles contained in the Medium Term Financial Plan (MTFP) 2014/18 approved by Cabinet at the end of September and reflects the latest formula grant assumptions announced as part of Local Government Finance Settlement 2014/15 and 2015/16 Technical Consultation in July 2014.

1. Budget and Policy Framework

1.1 It is the responsibility of Cabinet, supported by the management team, to develop draft capital and revenue budgets.

2. Constitutional rules

2.1 The budget and policy framework rules contained in the constitution specify that Cabinet should produce the initial budget proposals. These should be produced and submitted to overview and scrutiny committee three months before the Council meeting that is scheduled to determine the budget and council tax. The overview and scrutiny committees have a period of six weeks to consider these initial proposals. Any proposals for change will be referred back to Cabinet for consideration.

2.2 On 2 December, Cabinet will be asked to consider the draft capital and revenue budgets for 2015/16 and to forward them to Overview and Scrutiny as work in progress, inviting them to offer comments on the proposals outlined. Under the constitution Cabinet has complete discretion to either accept or reject the proposals emanating from the overview and scrutiny committees. Ultimately it is Cabinet's responsibility to present a budget to Council, with a special Council meeting arranged for 26 February 2015. The adoption of the

budget and the setting of council tax are matters reserved for Council. The statutory deadline for approving council tax is 11 March 2015.

2.3 The timetable for consideration by overview and scrutiny is as follows:

Business Support	4 December 2014
Children and Young People	9 December 2014
Health and Adult Social Care	11 December 2014
Regeneration, Community and Culture	18 December 2014
Business Support	3 February 2015
Cabinet	10 February 2015
Council	26 February 2015

3. Budget monitoring 2013/14

3.1 The Round 1 revenue monitoring report, considered by Cabinet on 30 September 2014, forecast a net overspending on services of some £4.5 million. This was largely as a consequence of the significant pressures facing Children's Services in particular and these were reflected both in the MTFP paper and again in this report. This presents a very serious situation for both the current financial year and exacerbates a very challenging financial situation looking ahead. A great deal of work will need to be done by all directorates to minimise the forecast overspend and the consequent call on the Council's reserves.

3.2 For the capital programme the Round 1 forecast is that the programme will over spend on budget by £828,000 on the remaining programme of £83.8 million. (Forecast spend 2014/15 £58.9 million, 2015/16 and beyond £25.7 million). This was principally the consequence of unforeseen asbestos removal at two of the academy sites and overspends on Wainscott Primary and New Horizons Academy. These have been funded from the basic needs grant.

4. Budget Preparation Assumptions

4.1 The draft budget presented by Cabinet builds upon the resource projections and principles set out in the Medium Term Financial Plan (MTFP) considered by Cabinet on 30 September 2014. The budget to be approved by Council in February 2015 will need to adhere to the MTFP underlying aims of:

- Ensuring a sustainable budget, without recourse to the use of reserves;
- Generating efficiencies, in partnership with others where appropriate, for reinvestment in priority spending;
- Assessing the revenue impact of funding streams supporting capital investment decisions, whether that be from grants, prudential borrowing, use of reserves, or capital receipts; and
- Avoiding the sanction of central government controls, for example capping now in the guise of a local referendum requirement.

4.2 The MTFP considered by Cabinet on 30 September 2014 presented a high level summary of the budget requirement for the next three years and identified a £12.3 million gap for 2015/16 rising to a £27.3 million deficit for 2017/18 to be addressed through the budget preparation process. This report

is part of that process and, whilst acknowledging the issues overall, focusses on those issues pertinent to Children and Young People.

- 4.3 Resource assumptions for Revenue Support Grant, Business Rate share, Council Tax and New Homes Bonus are critical in the development of a balanced budget and the cabinet report set out the latest view of these. There is an inevitable risk that these assumptions could change prior to budget setting in February, not least with the Finance settlement to be confirmed in January 2014 (provisional release in December). The latest forecast also utilises our latest NNDR projection for 2014/15 as a base but it should be stressed that this is a forecast and could be subject to variation that could be of significance as was seen with the closure of Kingsnorth power station and a loss of rate share for the Council of almost £2 million and the on-going issues of rate appeals dating back to 2005. It also remains an assumption that Council will approve a 1.999% increase in Council Tax, which even so will still see Medway firmly in the lower quartile of council tax levied nationally.
- 4.4 The now established 'referenda' rules replace the former capping regime and require that any proposal to exceed a Government determined 'excessive' amount will require a local referendum to be held to confirm the increase. For 2014/15 the declared increase beyond which it was deemed to be excessive was 2% and there is no reason to suppose that 2015/16 will be more generous but the precise level will need to await ministerial announcement.
- 4.5 The aggregate reduction in Government grant support (now expressed as SFA) since CSR 2010, for which 2014/15 is the last funding year, is 33.6% compared to an original target declaration of 28%. However there is no sign of a reduction in the pace of change for Government support and the 14.3% additional cut in the July technical consultation takes this total to almost 48% by 2015/16 and climbing.
- 4.6 The Local Government Finance Settlement announced in January 2014 set out Grant expectation for both 2014/15 and 2015/16 and these are now a matter of record. However for 2015/16 this has now been amended following the announcement that the RPI increase for the business rate multiplier would be 2.3% rather than the forecast 2.76%. The effect of this would be to decrease the Government share of business rate income and require a reduced RSG distribution to remain within overall spending targets. The impact for Medway is a forecast reduction in RSG of £201,000. The definitive position will not be known however until January 2015 although it is expected that there will be a provisional settlement announced in December as has been the past practice.
- 4.7 In addition, and following from the RSG comment in 4.6 relating to the RPI indexation of the business rate multiplier this will also reduce Medway's income share from business rates by £193,000. This is offset by the £1.071 million gain arising from the +2.3% increase. However the net gain against previous NNDR assumptions in the MTFP is £458,000 for 2015/16 and this is shown in Table 2 below.
- 4.8 The taxbase upon which the current council tax is set was agreed as 78,407 Band D equivalents, which includes the discount effect of the Council Tax

Reduction Scheme (CTRS) that replaced Council Tax Benefit in 2013/14. The latest estimate of the final taxbase for 2014/15 is 78,958 Band D equivalents. Projecting forward from this and including the recently approved 150% rate for long-term empty properties produces a forecast for next year of 79,588 Band D equivalents. This translates into an income gain of £938,000 against the MTFP assumption.

- 4.9 There was a fear that the creation of a Single Local Growth Fund of £2.8 billion was to be part funded by a £400 million cut in the level of New Homes Bonus (NHB) paid in 2015/16 and beyond but this proposal has now been dropped and the NHB scheme remains for 2015/16 and 2016/17 at least. The original scheme is set to finish at that point but since it was funded from Formula Grant it is assumed that it will continue on, or some other equivalent redistribution will occur for 2017/18 and beyond. Taxbase numbers have increased as referred to in 4.8 but this was in part expected and also partly due to a decline in discounts granted for the CTRS. Unfortunately new building and particularly the affordable component have not been as high as the MTFP forecast and latest projections show a reduction of £207,000 against the MTFP forecast.
- 4.10 At the end of July 2014 the Department for Education (DfE) announced changes to the Education Services Grant emanating from an earlier consultation prompted by SR 2013. The effect of this was already allowed for in last year's MTFP and indeed as a consequence of increases in the number of pupils the anticipated grant for 2015/16 has increased from £2.139 million to £2.221 million albeit still a £0.985 million reduction on 2014/15.
- 4.11 For DSG there is some logic in an expectation of a slightly better position overall given the predicted increase in pupil numbers from 41,520 in 2014/15 to 43,499 in 2017/18. However it is difficult to see an increase in the per pupil funding rate which means an effective real cut in funding equivalent to inflationary pressure. An added complication will be the transfer funding for Academies that is predicted to rise from £83.299 million in 2014/15 to £127.063 million in 2017/18 based on known and anticipated conversions. The table below summarises the expected position:

Table 1. Schools Funding

	2014/15	2015/16	2016/17	2017/18
Schools Block: Pupil Nos.	37,029	37,529	38,029	38,529
Early Years Block: Pupil Nos.	2,615	2,730	2,850	2,975
High Needs Block: Pupil Places	1,876	2,005	1,995	1,995
Total all pupils	41,520	42,264	42,874	43,499
DSG (gross)	£209.171m	£214.300m	£216.845m	£219.586m
Academy deductions	£(83.299)m	£(91.536)m	£(116.171)m	£(127.063)m
DSG (net)	£125.872m	£122.764m	£100.675m	£92.522m
Pupil Premium	£6.152m	£6.498m	£6.467m	£6.436m
Sixth Form Funding excluding academies	£1.654m	£0.050m	£0	£0
Net Schools Funding	£133.678m	£129.312m	£107.142m	£98.958m

4.12 The key assumptions underpinning the budget requirement for 2015/16 and future years include:

- Zero uplift for general inflation, although some specific inflation assumptions have been applied where there is a contractual or unavoidable commitment;
- For the MTFP there was a nil assumption for pay awards and the introduction of Medpay and this remains;
- The MTFP reflected demographic projections for Adult Social Care based on ADASS assumptions at a 3% provision for growth in adult social care, offset by a funding assumption of savings from reablement; and
- Provision for both 2014/15 pressures and demographic growth in children's social care budgets.

5. Summary of draft revenue budget

5.1 The MTFP built upon the more detailed work that had been the feature of the previous plan. As such it represented a very real projection of spending demand and resource expectation for the period. As section 4 has identified, a number of the resource assumptions have now varied, and clearly work has been progressing on also addressing the spending demands and identifying areas where savings can be made. Table 2 below summarises the change in these assumptions set against the MTFP for 2015/16 and whilst this gives an 'at a glance' impression that the pressures have simply been removed the position is more complex than that with some removal, some reduction and additional savings. The analysis of this movement for C & A is set out in Appendix 1b with the directorate summary at Appendix 1a. Table 2 below summarises the overall impact with C & A highlighted.

5.2 The forecast budget gap for 2015/16 now stands at £12.017 million for General Fund services and increases to £26.032 million for 2017/18 so clearly there remains a lot of work to do particularly to address the 2015/16 position.

5.3 The MTFP identified net pressures of £4.527 million for the directorate, of which circa £2.590 million were specifically attributable to Children's Services offset by a £1.1 million reduction as a result of commissioning savings. Most of these pressures relate to the cost of the current service as reported in the first round monitoring process. The more detailed work through the star chamber process subsequent to this has identified that these pressures have increased and continue to rise through 2015/16 before reducing in 2016/17 and 2017/18. Additional pressures of £2.8 million over and above those identified in the MTFP are now accounted for. Appendix 2 sets out in some detail the rationale behind the escalating costs of providing Children's Social Care.

Table 2: Draft Revenue Budget 2014/2018

	Round 1 Budget	Round 1 Forecast Var.	MTFP Forecast	Base Adj/ Pressures	Savings	Forecast Req.	MTFP Forecast	Forecast Req.	Savings	Forecast Req.
Directorate	2014/15	2014/15	2015/16	2015/16	2015/16	2015/16	2016/17	2016/17	2017/18	2017/18
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Children and Adult Services (C&A):										
DSG and School Specific Exp	132,181	0	127,815			127,815	(22,170)	105,645	(8,184)	97,461
Public Health	886		886			886		886		886
General Fund Services	110,436	3,411	112,235	2,877	(3,132)	111,980	(831)	111,149	(637)	110,512
Regeneration, Community and Culture (RCC)										
General Fund Services	49,362	712	47,958	605	(288)	48,275	3,061	51,336	2,208	53,544
Public Health	579		579			579		579		579
Business Support (BS):										
General Fund Services	24,174	48	23,899	432	(25)	24,306	(230)	24,076	140	24,216
DSG	1,497		1,497			1,497		1,497		1,497
Public Health	303		303			303		303		303
Public Health	12,512		12,512			12,512		12,512		12,512
Interest & Financing	14,243		14,243			14,243		14,243		14,243
Levies	879	73	1,039			1,039		1,039		1,039
Projected savings from 'Better for Less'	(404)		(589)			(589)		(589)		(589)
Norse JVC	(263)		(263)			(263)		(263)		(263)
Pay and Grade Review	473		0			0		0		0
Budget Requirement	348,858	4,244	342,114	3,914	(3,445)	342,583	(20,170)	342,583	(6,473)	315,940
Estimated Funding										
Dedicated Schools Grant	(125,872)		(122,764)			(122,764)	22,089	(100,675)	8,153	(92,522)
Other School Specific Grants	(7,806)		(6,548)			(6,548)	81	(6,467)	31	(6,436)
Council Tax	(91,285)		(93,570)		(938)	(94,508)	(2,365)	(96,873)	(2,431)	(99,304)
Revenue Support Grant	(52,392)		(38,263)	201		(38,062)	9,894	(28168)	8,427	(19,741)
Business Rate share	(44,916)		(45,344)		(458)	(45,802)	(877)	(46,679)	(1,659)	(48,338)
New Homes Bonus	(5,582)		(6,307)	207		(6,100)	(931)	(7,031)	49	(6,982)
Education Support Grant	(3,206)		(2,139)		(82)	(2,221)	197	(2,024)		(2,024)
Specific Grants	(419)		(446)	215		(231)		(231)		(231)
Public Health Grant	(14,280)		(14,280)			(14,280)		(14,280)		(14,280)
Use of Reserves	(1,100)		(50)			(50)		(50)		(50)
Estimated Available Funding	(352,998)	0	(346,236)	623	(1,478)	(330,566)	28,088	(302,478)	12,570	(289,908)
Budget Gap										
- DSG	0	0	0	0	0	0	0	0	0	0
- General Fund	0	4,244	12,403	4,537	(4,923)	12,017	9,064	19,935	7,079	26,032

6. Meeting the funding gap

- 6.1 Table 2, above, highlights a funding gap of £12.017 million in relation to General Fund services for 2015/16 rising to £26.032 million in 2017/18. This is no significant improvement compared to that forecast in the MTFP largely as a consequence of the issues outlined in section 5 above.
- 6.2 There has to be some caution over the resource projections as they are based on exemplifications of possible funding scenarios and assumptions for taxbase and business rates that could change. The Council will not know the definitive position in regard to Government support until the final settlement in January 2015 albeit the provisional settlement due in late December should provide greater certainty.
- 6.3 The organisation is nearing completion of the transformation of customer contact and administration, initiated through the Better for Less programme. This was expected to deliver savings estimated at approximately £5.4 million per annum but this has been revised to £4.5 million with the final phase tasked to deliver £800,000 across 2014/16 with £589,000 to be completed during 2015/16.
- 6.4 The Category Management workstream has the stated potential to deliver up to £10 million of savings through the more effective commissioning and procurement of services over the MTFP period. The first procurement exercise in relation to Homecare Services saved £1.9 million. New contracts for Homecare Services were introduced at the end of 2012/13 and this resulted in reduced contract costs of £1.9 million per annum. Further savings for Facilities Management, Agency Staff and High Cost Placements are anticipated to yield an additional £2.2 million of reduced costs in 2014/15 and there is a programme of work planned to secure further savings.
- 6.5 In addition to this transformation programme there is a need to make immediate progress in a number of areas where there are potentially significant efficiencies to be gained without impacting significantly on service delivery to residents. Initial areas to be targeted by Officers and Portfolio Holders will be:
- *Tackling the ever increasing financial demand from Children's Social care;*
 - *Continued transformation of adult social care including delivery of enablement, flexicare housing and the personalisation agendas;*
 - *Opportunities for more efficient use of Public Health Grant;*
 - *Potential shared service arrangements with other councils and public agencies;*
 - *Property rationalisation;*
 - *Opportunities for market testing; and*
 - *A review of fees and charges (excluding parking) across a whole range of service areas.*

7. Draft capital budget proposals 2014/15

- 7.1 The Council has enjoyed a significant capital investment in recent years, supported by Government grants for both regeneration and the establishment of three new academies together with on-going support for the Local Transport Plan, additional primary school places, SEN capacity, social care transformation and Disabled Facilities Grants. The Capital programme currently stands at £83.8 million – the major part of which at £35.002 million is within the remit of this committee. It is currently forecast that £58.9 million of this programme will spend in 2014/15 with a

further £25.7 million in the years beyond. The £0.8 million over spending will be funded from grants but this will likely mean that future schemes will need to be supported by other sources (C&A components highlighted).

7.2 The current capital programme reflects slippage from previous years, together with the 2014/15 grant allocations, other additional approvals such as the 'Growing Places' funds and the HRA development programme. The Department for Education also announced its Basic Need Grant allocation for the three years to 2016/17 and all of this funding is already reflected in the current programme. This programme will continue to be delivered throughout 2015/16 and beyond and Table 3 below summarises planned expenditure and provides an analysis of how it is funded.

7.3 Whilst the financial settlement no longer includes any revenue support for capital, local authorities still have access to 'unsupported' borrowing through the prudential regime for capital, providing that these capital investment plans are affordable, prudent and sustainable. Developer contributions and capital receipts might also become available for capital investment, as well as HRA balances, but at this stage of the budget setting process, it is assumed that future investment will be restricted to the current programme, supplemented by the Council's expectations in relation to Government grant that are set out in table 3 below.

Table 3. Current Capital Programme

	C & A	BSD	RCC	Member Priorities	Total
	£000's	£000's	£000's	£000's	£000's
Forecast Expenditure					
2014/15	30,046	2,070	26,207	575	58,897
2015/16	4,730	866	15,143	15	20,754
2016/17	213	435	2,688	0	3,336
2017/18	13	305	1,325	0	1,643
Total	35,002	3,675	45,363	590	84,630
Funding Source					
Grants	25,858	0	11,377	0	37,235
Developer & other contributions	2,700	0	2,616	0	5,316
Capital Receipts	3,879	2,366	3,229	590	10,064
Reserves & revenue	2,565	0	6,574	0	9,139
HRA reserves & revenue	0	0	11,198	0	11,198
Borrowing	0	1,309	10,369	0	11,678
Total Funding	35,002	3,675	45,363	590	84,630

7.4 Table 4 outlines our assumptions regarding future capital grant allocations and with the exception of Basic Needs Grant, which is already reflected in the current capital programme, this funding will be added to the current capital programme subject to Government Departments confirming their final allocations. It should be noted that the forecast resources include a substantial new allocation of funds from the Local Growth Fund via the LEP as announced by the Leader at Council in July.

Table 4. 2015/18 Government grant assumptions

	2015/16	2016/17	2017/18 onwards	Total
	£000's	£000's	£000's	£000's
Department for Education				
Basic Needs Grant (see para 9.3)	2,237	2,349	TBC	4,586
Capital Maintenance Grant (pupil projections)	1,935	1,545	1,243	4,723
Devolved Formula Capital (pupil projections)	359	287	231	877
Department of Health 'Better Care Fund'				
Disabled Facilities Grant	922	TBC	TBC	922
Adult Social Care Transformation Grant	556	TBC	TBC	556
Department of Transport				
LTP - Integrated Transport	2,389	TBC	TBC	2,389
LTP - Highways Maintenance	2,122	TBC	TBC	2,122
Communities and Local Government (via LEP)				
Local Growth Fund	1,900	5,100	21,600	28,600
Flood Defences	3,000	1,000	1,000	4,000
Total Government Grant	12,520	12,181	24,074	48,775

7.5 Publication of the Local Government Finance Settlement is expected in late December and whilst capital grants are anticipated to be in line with the assumptions in Table 4, the capital programme for 2015/16 can only be considered as provisional at this stage.

8. Conclusions

8.1 These initial budget proposals represent the next step towards developing the 2015/16 revenue budget in comparison to the MTFP and whilst the movement from the MTFP position is disappointing considerable work has underpinned the changes, particularly in understanding the position for Children's Social Care. However the budget agreed by Council for 2015/16 and indeed for future years will have to have a zero deficit so there is clearly much still to do, particularly to identify and implement the measures to close the future gaps and be deliverable in year. Experience has shown that savings measures of the scale that the predicted deficits demand will have a significant lead time to delivery.

8.2 However as the report also indicates, the available resources for the Council are still subject to some uncertainty and this will not be resolved until early next year. At this stage it is not expected that Government funding will deteriorate further for 2015/16 but that risk will remain until the final allocations are announced and for the future the prospect of further deterioration is very real.

8.3 There remains considerable work required in order to both present a balanced budget for 2015/16 and identify a strategy to meet the further deficit for 2016/17 and beyond in time to be deliverable. This will be undertaken during the period leading

up to the Cabinet meeting on 10 February 2015. Overview and Scrutiny committees have a vital role assisting in this process – both to review existing proposals and also to suggest new ones.

9 Risk Management

- 9.1 The risks exposed by a failure to effectively manage the resource planning and allocation process to achieve priorities and maintain effective service delivery are great. The uncertainty caused by the current debate on the national deficit recovery programme and the consequences in terms of future financial assistance and targets imposed by Government will make this process difficult.

10. Diversity Impact Assessment

- 10.1 The council has legal duties to give due regard to race, gender and disability equality in carrying out its functions. This includes the need to assess whether any proposed changes have a disproportionately negative effect on people from different ethnic groups, disabled people and men and women, which as a result may be contrary to these statutory obligations. These draft budget proposals predict the resources available, against which to determine the service priorities within the Council Plan. Diversity Impact Assessments will be undertaken and reported to Members as part of the budget and service planning process as the impact of the financial settlement on Council services becomes clearer.

11. Financial and legal implications

- 11.1 The financial implications are fully detailed in the report. There are no direct legal implications.

12. Recommendations

- 12.1 Members are requested to:
- Consider the draft capital and revenue budget for 2015/16, proposed by Cabinet on 2 December 2014, insofar as they affect this overview and scrutiny committee;
 - Consider the opportunities and implications of any other efficiencies or revenue generating measures for this committee;
 - Forward to Business Support Overview and Scrutiny Committee on 3 February 2015, comments and suggestions with regard to the preparation of the Council's capital and revenue budget for 2015/16.

Background papers:

Medium Term Financial Plan 2014/18 – Cabinet 30 September 2014:

<http://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=25099>

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CHILDRENS AND ADULTS - BASE BUDGET BUILD 2014-2015

General Fund Activities	2014-15	Remove	Adjustments	2014-15	Medium Term Financial Plan			2015-16	2015-16	2015-16	2015-16 Budget Requirement		
	Base (R1 2014)	Support Services		Adjusted Base	Inflation	Other Pressures	Savings	MTFP Assumptions	Further Proposals	Draft Budget (Dec 2014)	Gross Expenditure	Direct Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
LOOKED AFTER CHILDREN	18,695	(409)	0	18,285	92	1,671	(1,100)	18,948	2,800	21,748	22,729	(980)	21,748
TRIAGE & ASSESSMENT	2,123	(128)	0	1,995	0	54	0	2,049	0	2,049	2,049	0	2,049
CHILD IN NEED	1,923	(174)	0	1,749	0	34	0	1,783	0	1,783	1,783	0	1,783
CHILD PROTECTION & PROCEEDINGS	5,294	(986)	0	4,308	0	739	0	5,047	0	5,047	5,117	(70)	5,047
CHILDRENS' CARE MANAGEMENT	618	(94)	0	523	0	0	0	523	0	523	549	(25)	523
EARLY HELP	661	(53)	0	608	0	0	0	608	0	608	2,021	(1,413)	608
Total for Children's Care	29,314	(1,845)	0	27,469	92	2,498	(1,100)	28,959	2,800	31,759	34,247	(2,488)	31,759
DEPUTY DIRECTOR	1,553	(877)	0	676	0	0	0	676	(2,010)	(1,334)	6,601	(7,935)	(1,334)
HEAD OF ADULT SOCIAL CARE & SO	21,706	(666)	0	21,041	0	535	(535)	21,041	(182)	20,859	31,242	(10,383)	20,859
SOCIAL CARE BUSINESS MANAGER	3,824	(935)	0	2,889	0	0	0	2,889	0	2,889	3,393	(504)	2,889
DISABILITY SERVICES	36,507	(894)	0	35,613	0	946	(946)	35,613	(860)	34,753	36,950	(2,197)	34,753
MENTAL HEALTH	4,814	(463)	0	4,350	0	455	(68)	4,737	0	4,737	4,937	(199)	4,737
Total for Deputy Director C&A	68,404	(3,835)	0	64,568	0	1,936	(1,549)	64,955	(3,052)	61,903	83,122	(21,219)	61,903
DIRECTORATE MANAGEMENT TEAM	645	(78)	0	568	0	0	0	568	0	568	620	(52)	568
Total for Directorate Management Team	645	(78)	0	568	0	0	0	568	0	568	620	(52)	568
EARLY YEARS	20,166	(594)	0	19,572	0	0	0	19,572	0	19,572	19,932	(360)	19,572
YOUTH SERVICE	2,739	(156)	0	2,583	0	0	0	2,583	0	2,583	3,525	(942)	2,583
INCLUSION MANAGEMENT TEAM	1,032	(109)	0	923	0	0	0	923	0	923	1,432	(509)	923
SCHOOL CHALLENGE & IMPROVEMENT	1,097	(35)	0	1,063	0	0	0	1,063	(50)	1,013	1,130	(118)	1,013
HEALTH & INCLUSIONS	755	(128)	0	626	0	0	0	626	0	626	706	(80)	626
PSYCHOLOGY & SEN	34,349	(673)	0	33,677	0	0	0	33,677	0	33,677	34,229	(553)	33,677
Total for Inclusion & School Improvement	60,137	(1,694)	0	58,443	0	0	0	58,443	(50)	58,393	60,955	(2,562)	58,393
COMMISSIONING MANAGEMENT TEAM	151	(6)	0	145	0	0	0	145	0	145	205	(60)	145
BUSINESS SUPPORT & COMMISSIONING	2,581	(178)	0	2,403	0	0	0	2,403	0	2,403	3,113	(710)	2,403
SCH ORGANISATION & STUDENT SERVICES	1,932	(112)	0	1,820	0	0	0	1,820	0	1,820	2,228	(408)	1,820
SCH COMMISSIONING & TRADED SERVICES	289	(13)	0	276	0	0	0	276	0	276	1,348	(1,072)	276
Total for Partnership Commissioning	4,954	(310)	0	4,644	0	0	0	4,644	0	4,644	6,895	(2,251)	4,644
FINANCE PROVISIONS	922	0	0	922	0	0	0	922	0	922	921	1	922
HR PROVISIONS	541	0	0	541	0	0	0	541	0	541	969	(428)	541
SCHOOL GRANTS AND FUNDING	86,347	0	0	86,347	0	0	0	86,347	0	86,347	86,347	0	86,347
Total for School Retained Grants and Funding	87,810	0	0	87,810	0	0	0	87,810	0	87,810	88,236	(426)	87,810
Total for Children's and Adults	251,264	(7,762)	0	243,502	92	4,434	(2,649)	245,379	(302)	245,077	274,075	(28,998)	245,077

Children and Adult Services Directorate

BUDGET BUILD 2015-2016 - BASE BUDGET ADJUSTMENTS

	MTFP 2015-16 £000s	Further Proposals 2015-16 £000s	MTFP 2016-17 £000s	Further Proposals 2016-17 £000s	MTFP 2017-18 £000s	Further Proposals 2017-18 £000s
Baseline Adjustments						
Impact of ART on high cost placements		41				
Deflator on packages for disabled children		31				
Adj to savings from Youth Services review		80				
Demographic Projections (based on ONS 0-17 population projections)		(75)				
Children Social Care						
Additional Staffing	865	1,435				(592)
Additional cost of placements: current placement costs	1,382	1,171				(390)
Additional cost of placements: Increase in numbers of placements	251	194	223		253	
Inflation on fostering placements	92		92		92	
Impact of commissioning strategy	(1,100)					
Adult Social Care						
- Demographic Projections (based on ADASS projections)	1,550		1,597		1,643	
- Effect of Extra Care Housing	(516)		(533)		(547)	
- Effect of Reablement	(1,034)		(1,064)		(1,096)	
- Care Act			16,569		7,055	
- Care Act funding from Central Government			(16,569)		(7,055)	
DoLS service	387					
DERiC.		(158)				
Admin Fee for Self Funders		(24)				
Capping community care costs for adults with learning and physical disabilities.		(260)				
Dynamic Purchasing System		(500)				
Community Equip VAT saving		(100)				
ASC Transport		(110)				
Use of Better Care Fund		(1,900)				
Inclusion & School Improvement						
- Potential Management Structure Saving		(80)				
DIRECTORATE TOTAL	1,877	(332)	315	0	345	(982)
Baseline Adj/Pressures	4,527	2,877	18,481	0	9,043	0
Savings	(2,650)	(3,132)	(18,166)	0	(8,698)	(982)

1. Introduction

- 1.1 There has continued to be a marked increase in activity and demand in Children's Social Care, which started most notably in Jan 2014 when a fully permanent senior management team was in place.
- 1.2 Within this time period, there had been a 37% rise in assessments triggered, a 43% rise in children subject to a CP Plan, a more than doubling of cases in pre-proceedings up to 198, and a 30% rise in cases before the Court with 48 waiting to be issued. Additionally, the net number of Looked After Children has started to rise to just below 400, having been stable month on month at around 380, and is set to rise further as a proportion of children in pre-proceedings are likely to go on to be in care.
- 1.3 All cases are statutory in nature and require allocation to a qualified SW. As such, supernumerary staff have ensured that cases have been able to be allocated and caseloads kept at a manageable level although at the upper limits or above of recommended guidelines (15-20 cases per worker) e.g. Ofsted, TCSW, LGA Employer Standards. Currently pro-rata caseloads average 20-22, and pushing this any higher will result in quality dropping, staff leaving and jeopardising improvements significantly, with overspends increasing as a result.
- 1.4 Whilst progress has been made on bringing permanent SWs into Medway Children's Social Care service, and monthly targets are now exceeded with a wide ranging and ambitious recruitment and retention strategy, vacancy rates in the substantive structure remain high at 33% and this is a national and regional challenge, where Social Work posts cannot be kept unfilled due to statutory requirement of the work.
- 1.5 Although the introduction of the Access To Resources Panel and Team since July 2014 has delivered notable efficiencies to date (e.g. £11k/week Mother and Baby placement costs), and will continue to strengthen decision making, placement costs overall for Looked After Children remain a challenge due to increased numbers working through the system, as well as the number of young people with extremely high level needs seen in particular in the last 12 months, including 3 young people requiring Secure Accommodation and an increased number needing intensive therapeutic support in residential care.
- 1.6 There have been 2 recent reviews undertaken and commissioned by Director of Children and Adults Services covering our Looked After Children and Child Protection Services, as part of the improvement programme and preparation for the return of Ofsted for a full inspection. Both have confirmed that Children Social Care's decision-making and thresholds are robust i.e. that we are working with the right children at the right tariff, and that the considerable rise in activity and demand reflects a significant legacy of cases and unmet need, leading to both the volume and complexity of work presenting as it is.
- 1.7 Whilst there have been very encouraging signs, albeit very recent, of a slow down in activity levels (e.g. number of assessments being undertaken, the rates of child being made subject to a Child Protection Plan), and attributed in part to the recent positive impact of the new Early Help (291 cases since July

at a rate of 3/day) and Children's Advice and Duty Services (30% reduction since the same period last year), the work that is currently in the system, validated as appropriate, will require appropriate processing, progressing and maintaining in the system.

- 1.8 The following report aims to model and predict the flow of work through the system over a 5 year period, reflecting that through a combination of management action to improve demand management, and a focus on service transformation with an emphasis on early help and prevention, whilst there is a request for additional investment in 2015-16 to ensure sufficiency in staffing and placements for an increased number of Looked After Children, that going forward there will a reduction in staffing and children in care numbers and associated costs over time.

2. Financial Modelling

Fig 1

Category	Year End 2011/12	Year End 2012/13	Year End 2013/14	Year End 2014/15	Year End 2015/16	Year End 2016/17	Year End 2017/18	Year End 2018/19	Year End 2019/20
CAF				868	935	1005	1076	1150	1164
Contacts			8542	7862	7901	7962	8026	8102	8197
Assessments			511	440	332	334	337	340	344
CIN			417	434	498	440	411	383	388
CP	346	200	358	465	436	377	316	288	291
LAC	440	405	378	406	430	399	378	375	371
Care leavers				198	199	201	203	204	207
TOTAL open cases*				1944	1896	1751	1646	1591	1601

Fig 2

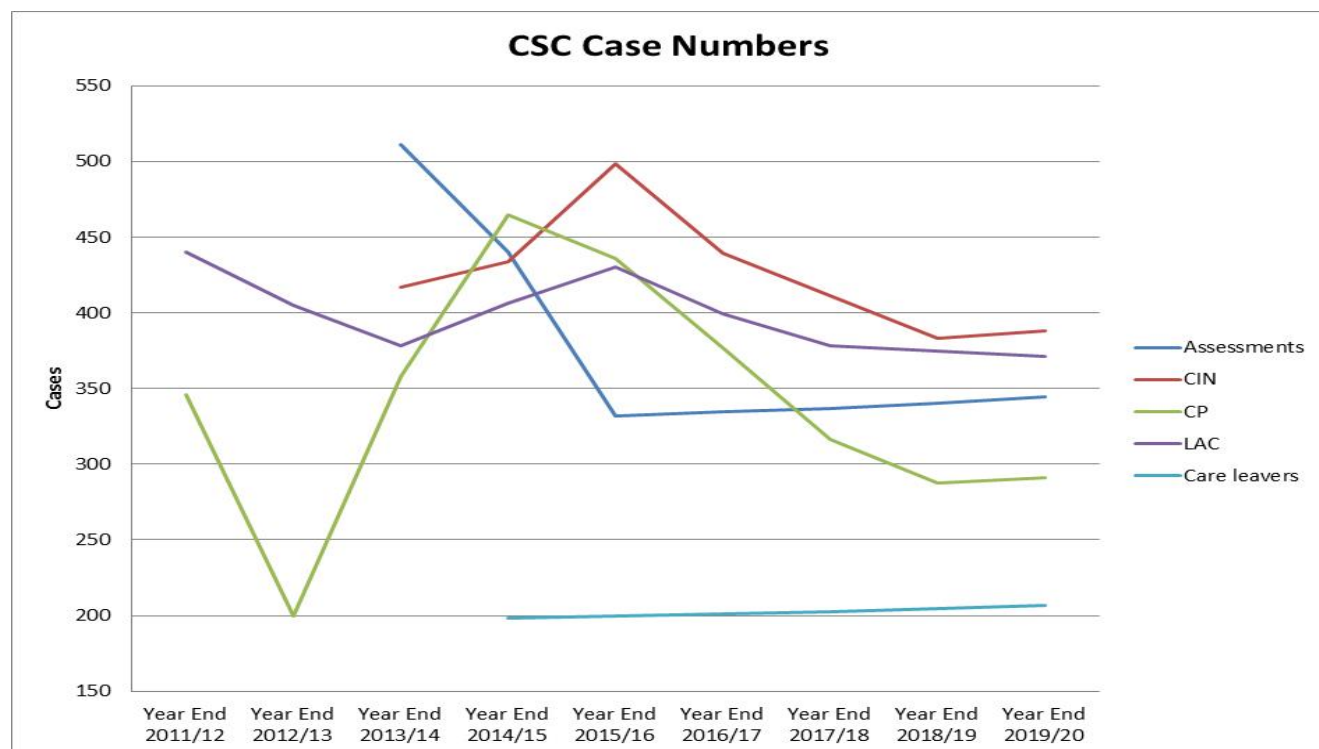


Fig 3

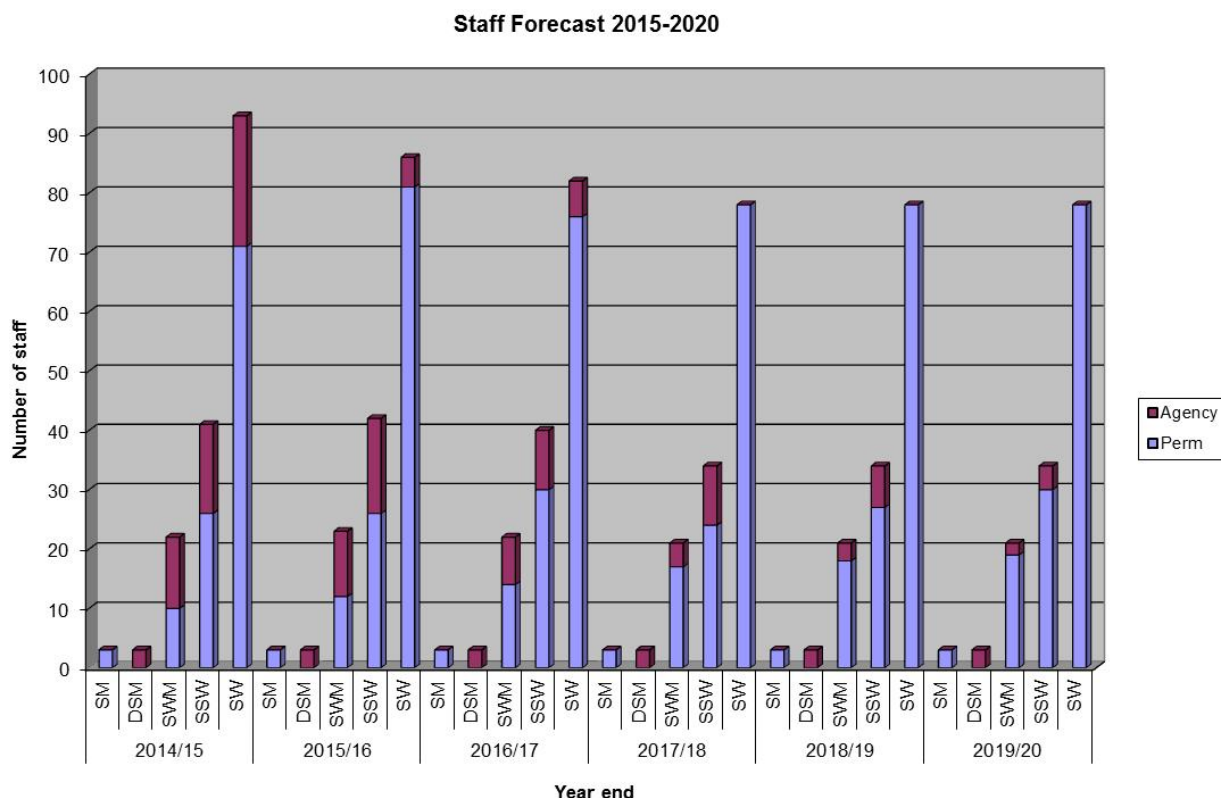


Fig 4 Associated Staffing Costs

	2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £
Assumed Budget	6,622,865	8,940,821	8,449,509	7,937,444	7,147,749
Permanent Staff	7,749,063	7,638,761	7,303,673	6,745,600	6,745,600
Agency Staff	1,191,758	810,748	633,771	402,149	314,872
Total Projected Cost	8,940,821	8,449,509	7,937,444	7,147,749	7,060,472
Total Pressure/(Saving) on budget	2,317,956	(491,312)	(512,065)	(789,695)	(87,277)

Fig 5 Associated Placement Costs

	2015/16	2016/17	2017/18	2018/19	2019/20
Increase in LAC numbers	24	-31	-21	-3	-4
Numbers					
In house fostering	18.0	-23.0	-16.0	-2.0	-3
IFA	5.0	-6.0	-4.0	-1.0	-1
Residential	1.0	-2.0	-1.0	0.0	0
	24.0	-31.0	-21.0	-3.0	-4.0
£					
In house fostering	209,970	(267,234)	(190,882)	(28,632)	(42,948)
IFA	158,087	(194,568)	(121,605)	(24,321)	(24,321)
Residential	77,367	(193,417)	(77,367)	0	0
	445,423	(655,220)	(389,854)	(52,953)	(67,269)

- 2.1 **Figures 1 and 2** illustrate the general pattern and workflow of cases through the system as at financial year end.
- 2.2 CAF figures as a proxy indicator of activity and support provided by the new Early Help Service is expected to rise and will continue to provide more cost effective, step down and diversionary/preventative options to escalation into specialist Children's Social Care.
- 2.3 As a result of Professor Thorpe's work between May-July 2014 on the approach to managing contacts and referrals into the system via the new CADS service, whilst the numbers of contacts may rise over time as partners gain confidence in the system as a point of consultation, advice and signposting, the numbers of assessments and conversion rates are expected to continue to reduce in the latter half of 14/15 and throughout 15/16 reaching a plateau from 16/17 onwards.
- 2.4 The level of CiN cases continues to rise to a predicted 14/15 year end figure of 434 with approx. 250 open CiN cases at the end of 12/13. This is reflective of the legacy factor, as case work has been reviewed, audited and allocated appropriately throughout 2014. The forecast and marked rise in CiN caseloads for 15/16 indicates what is expected to happen as a result of stepping down the currently high level of Child Protection cases (double the national rate per 10, 000), but should then result in a year on year drop in CiN levels as cases are worked out of the system with strengthened joint work with our early help teams.
- 2.5 The number of Child Protection cases in Medway is currently running at approximately twice the national rates per 10, 000 (77 compared to 37.9) but validated as the right children and reflecting legacy. However, the rates per month of children being made subject to a Child Protection Plan is now starting to reduce and those being removed from a plan increasing and at a higher rate to those being placed on.
- 2.6 As such, it is anticipated that there will a continued decrease in these figures throughout 14/15 and then year on year from 15/16 onwards as the accumulation of legacy cases are worked through, and the continued impact of the Early Help Service is felt through earlier and joint working.
- 2.7 The net rise in the numbers of children looked after forecast at a high of 430 in 15/16, is indicative of a rise already seen in the previous 2 months from a relatively stable figure of approx. 380 month on month and the high level of cases in pre-proceedings and Child Protection cases, with an estimation and expectation based on conversion rates and profile of children in those cohorts.
- 2.8 However, as the numbers of Child Protection cases and pre-proceedings reduces, combined with a strengthened early help and edge of care offer, and improved decision-making via the Access to Resources Panel, it is predicted that the Looked After Children numbers in Medway and associated cost will gradually reduce year on year.

- 2.9 **Figure 3** highlights the impact these forecast caseload figures are then likely to have on staffing numbers and required sufficiency going forward, and to ensure that caseloads are kept at a manageable level for staff operating within a safe and effective service which is able to continue improving and meet the required inspectorate and employer standards (see 1.3).
- 2.10 The staffing modelling has assumed and applied an improving vacancy factor position year on year (as shown below) and is built into the staffing forecast figures (Fig 4). This reflects a continued and ambitious recruitment strategy, including increasing numbers of Newly Qualified Social Workers into the service and providing quality ASYE support during their first year of practice.

14/15	33%
15/16	21%
16/17	15%
17/18	10%
18/19	10%

3. Conclusion

- 3.1 **Figure 4** shows that the overall **staffing requirement for 15/16 would be a £2.3m increase in the budget** which is consistent with the current pressure being reported in 2014-15, with reductions in requirements of £490k in 16/17, £512k in 17/18, £790k in 18/19, and £87k in 19/20.
- 3.2 **Figure 5** illustrates that with respect to placement costs an additional £445k would be required for 15/16 to fund the forecasted rise in the numbers of Looked After Children peaking in that year, with subsequent reductions then year on year. However, this would be **in addition to the £2.6m pressure funding current placements in 2014/15, totalling an approx. £3m increase in the placements budget overall 2015/16.**
- 3.3 Medway Children's Social Care is not an outlier in its current overspend position as a service under a DfE Improvement Notice and compared to similar authorities rated 'inadequate'. As noted by the Peer Review team in February 2014 and the Independent chair of the Children's Improvement Board, continued investment is required to achieve and sustain improvements longer term, and in order to deliver safe and cost effective services which deliver the right support to children at the right time.
- 3.5 These figures are also best estimates, and whilst there is a level of confidence in the degree of accuracy, there are also some risks going forward e.g. the impact of Rotherham and the Jay Report nationally. Increased awareness and multi-agency action in relation to young people who may be at risk CSE is likely to be a factor locally over the coming months, although the quantum of this, and therefore the impact on the system is as yet unknown.

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