

HEALTH AND SOCIAL CARE
OVERVIEW AND SCRUTINY COMMITTEE
15 DECEMBER 2011
CAPITAL AND REVENUE BUDGET 2012/2013

Report from/Author: Mick Hayward, Chief Finance Officer

Summary

This report presents the Council's draft capital and revenue budget for 2012/2013.

The draft budget is based on the principles contained in the Medium Term Financial Plan 2012/2015 approved by Cabinet in September and reflects formula grant assumptions for 2012/2013 announced during last year's Comprehensive Spending Review.

1. Budget and Policy Framework

1.1 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 in February 2011. These proposals should be submitted to Overview and Scrutiny Committees for their views.

2. Constitutional rules

2.1 On 29 November, Cabinet considered the draft capital and revenue budgets for 2012/2013 and forwarded them to Overview and Scrutiny Committees as work in progress, inviting them to offer comments on the proposals outlined.

2.2 The draft budget is very much a 'work-in-progress' and currently identifies a revenue funding gap of some £6.2 million.

2.3 The report to Business Support Overview and Scrutiny Committee on 1 December is a re-statement of the Cabinet report and identifies the position for the Council as a whole. This report sets out the Council wide context in order that Members can focus on the impact upon the adult social care division and public health. The timetable for consideration by overview and scrutiny is as follows:

- Children and Young People	6 December 2011
- Regeneration, Community and Culture	13 December 2011
- Health and Social Care	15 December 2011
- Business Support	2 February 2012
- Cabinet	14 February 2012
- Council	23 February 2012

2.4 This committee is invited to comment on budget proposals within the Adult Social Care division and the Public Health directorate, but will not need to review any budgets within children's services, as these have already been considered by the Children and Young People's Overview and Scrutiny Committee at its meeting on 6 December 2011.

3. Budget monitoring 2011/2012

3.1 The quarter 2 monitoring report, considered by Cabinet on 1 November 2011, forecasts a net overspending on services of some £5.1 million. Of this, almost £1.0 million falls within Adult Social Care, although were it not for delays in realising planned savings, the division would be forecasting a £1.0 million underspend. Every effort will be made to minimise the forecast overspend and the consequent call on the Council's reserves and indeed a moratorium has been placed on all non-essential spend. This will include rigorous management of vacancies.

3.2 For the capital programme the forecast, based on the first half-year expenditure, is that there will be an overspend of £2.8 million on the remaining programme of £109.1m, however this all falls within the Regeneration, Community and Culture programme. No significant issues are forecast within Children and Adult Services.

4. Medium Term Financial Plan

4.1 The Council's Medium Term Financial Plan (MTFP) is refreshed annually, with the 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 supported borrowing, use of reserves, capital receipts or prudential borrowing; and
- Avoiding the sanction of central government controls, for example capping.

4.2 The MTFP considered by Cabinet on 6 September 2011 presented a high level summary of the budget requirement for the next three years and identified a £9.4 million gap to be addressed through the budget preparation process. As always, the MTFP is prepared alongside the Council Plan and reflects the Council's priorities, as articulated by two core values and six key outcomes:

Core Values

- Putting our customers at the centre of everything we do; and
- Giving value for money.

Key Outcomes

- A safe, clean and green Medway;
- Children and young people having the best start in life in Medway;
- Adults maintain their independence and live healthy lives;
- Everybody travelling easily around Medway; and
- Everyone benefitting from the area's regeneration.

4.3 This link between the service and financial plans is essential. Indeed, this year both the budget and council plan have followed the same quarterly reporting timetable, providing Members with regular monitoring of the Council's overall performance.

- 4.4 The formula grant assumptions reflected in the MTFP remain consistent with those presented last year and represent an 8.3% reduction in 2012/2013, followed by further reductions of 4.0% per annum in 2013/2014 and 2014/2015. Similarly, the MTFP assumed a 2.5% per annum increase in council tax, although the assumptions regarding tax base reduced very slightly. The MTFP reflects specific assumptions around council tax freeze grant, pupil premium, new homes bonus and academy transfers, whilst for other specific grants it has been assumed that 2012/2013 funding levels will be maintained in one form or another throughout the life of this MTFP.
- 4.5 The key assumptions underpinning the budget requirement for 2012/2013 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;
 - Zero increase on pay budgets;
 - Increases to reflect the current overspend forecast in 2011/2012;
 - Some provision for demographic growth in social care budgets;
- 4.6 The MTFP also reflects the full year effect or phased delivery of a number of savings proposals agreed by Members during the previous budget setting cycle.

5. Council Plan

- 5.1 The Council Plan is the organisation's over-arching business plan, setting out the priorities and outcomes the council wants to achieve during the next financial year. Following the coalition government's changes to local authority reporting requirements, the 2011/2012 Council Plan was streamlined to 5 priority areas, monitored by a small basket of measures of success. The plan for 2012/2013 being developed alongside the budget, will confirm the outcomes the Council wishes to focus on in the coming year to deliver its priorities, ensuring it meets ongoing inspection requirements and is achievable within anticipated resources.
- 5.2 The plan will be underpinned by a limited and high level set of measures of success, these will be developed by services and draw on the results from consultations with local residents. The measures will allow Members to gauge progress for each priority area and demonstrate how the Council's actions are making a difference.

6. Finance Settlement

- 6.1 The level of Government funding over the medium term and the ability to generate additional council tax income are influenced by:
- The Government's Spending Review (SR) 2010;
 - Provisional Local Government Finance Settlement; and
 - Proposals to limit or freeze council tax increases.
- 6.2 SR 2010 was published on 20 October 2010 and was followed up by the local government finance settlement in December 2010. Although SR 2010 announced Government spending reductions over the four-year period to March 2015, individual local authorities only received detailed figures for 2011/2012 and 2012/2013. The final 2012/2013 grant figures will not be known until the finance

settlement is published in December 2011, however this is expected to be consistent with the MTFP assumptions presented to Cabinet in September.

- 6.3 Local authorities who agreed to freeze council tax in 2011/2012, received a grant equivalent to a 2.5% increase in council tax and a commitment from Government that this would be funded for each year of the spending review period. This grant amounts to almost £2.5 million per annum for Medway, although it will not be adjusted annually for increases to the tax base and at the end of the spending review period will leave the Council with a £2.5 million gap to fund.
- 6.4 The Government recently announced a similar grant for local authorities prepared to freeze council tax again in 2012/2013. This time however the grant will be for one year only and the Council will need to carefully consider the impact on future financial sustainability of accepting this grant and freezing council tax for another year.

7. Summary of draft revenue budget

- 7.1 The MTFP focussed on high level budget pressures, which represented a combination of the ongoing impact of overspends in the current year, together with inflationary and demographic pressures projected for future years. However, the plans also reflect the full year effect of savings proposals agreed during last year's budget setting process. These pressures and savings are summarised in Table 1 below.

Table 1: Summary of additional resource requirement against 2011/2012 base

	2012/13	2013/14	2014/15
	£m	£m	£m
Children and Adults	5.390	2.625	2.637
Regeneration, Community and Culture	1.953	0.680	1.000
Business Support/Corporate Issues	1.040	(0.013)	0.005
Better for Less	(2.410)	(1.890)	(0.904)
Total – General Fund	5.973	1.402	2.738

- 7.2 Since publication of the MTFP management, in consultation with portfolio holders, have been considering measures to close the gap between the provisional budget requirement and the funding assumptions made in the MTFP. The effect of these on the Children and Adult Services directorate is summarised at Appendix 1a with an analysis of pressures and savings shown separately at Appendix 1b. A summary of the Public Health directorate's budget requirement is attached at Appendix 2. A summary of the Council's overall budget requirement as it currently stands, incorporating the pressures referred to earlier and any savings proposals identified thus far, is provided in Table 2 below. The estimated funding for 2012/2013 is consistent with the MTFP assumptions.
- 7.3 Whilst Table 2 indicates an overall reduction in the budget requirement of £83.3 million, this comprises an £86.8 million reduction in DSG expenditure, reflecting the impact of academy transfers and a £3.5 million increase in general fund expenditure. This includes further savings identified since publication of the MTFP and together with an anticipated £2.7 million reduction in government funding (excluding DSG) leaves the Council with a budget gap of around £6.2 million.

Table 2. Draft revenue budget 2012/2013

Directorate	Original Budget 2011/12 £000's	Forecast Variation 2011/12 £000's	Forecast Req'ment 2012/13 £000's
	£m	£m	£m
Children and Adult Services (C&A):			
DSG Related Expenditure	196,292	0	109,460
Other Expenditure	120,702	2,966	123,853
Regeneration, Community and Culture (RCC)	45,287	1,810	46,541
Business Support (BS):			
DSG Related Expenditure	1,497	0	1,497
Other Expenditure	25,709	62	26,645
Public Health	227	0	227
Interest & Financing	15,293	250	15,293
Levies	974	0	974
Projected savings from 'Better for Less'	0	0	(2,410)
Budget Requirement	405,981	5,088	322,079
Estimated Funding			
Dedicated Schools Grant	(197,789)		(110,957)
Council Tax (incl. freeze grant)	(100,986)		(103,954)
Formula Grant	(86,096)		(78,280)
Specific Grants	(20,523)		(22,678)
Planned Use of Reserves	(587)		0
Estimated Available Funding	(405,981)		(315,869)
Budget Gap			
- DSG	0		0
- General Fund	0		6,210

7.4 The revenue budget pressures facing the Children and Adult Services directorate in 2012/2013 were comprehensively reflected in the MTFP and in Appendix 1b of this report, but are summarised below for information:

7.5 Children and Adult Services

The MTFP identified general fund pressures of around £7.0 million, representing the recurrent impact of the current projected overspend and additional inflationary and demographic pressures in 2012/2013:

- The ongoing growth in demand for social care services for the elderly and disabled have an inevitable consequence on the budget requirement and is reflected as a £1.0 million demographic pressure in the MTFP;
- Despite increases in the budget for children's care in 2011/2012, which included investment in preventative services, the increase in the number of 'looked after children' has risen in line with other local authorities, resulting in a £1.3 million current cost pressure. The MTFP has recognised this, together with a further £900,000 provision for demographic growth in 2012/2013;
- The MTFP has also made provision for other current cost pressures, not least an additional £1.4 million to fund the current cost of SEN transport;

- An additional £400,000 to meet the cost of school reorganisations and redundancy costs;
- Whilst no provision has been made for general inflation, £1.9 million has been reflected in the MTFP to fund some inflationary uplift in care contracts across both children's and adult social care.

7.6 The directorate's budget requirement as presented at Appendix 1a also incorporates £1.6 million of savings reflected in the MTFP, together with a further £2.2 million of savings identified through the ongoing budget setting process.

7.7 No unavoidable pressures are anticipated within the Public Health directorate and expenditure will to a large extent be determined by the funding made available by NHS Kent and Medway. Members will be aware that from 2013/2014 there will be a significant transfer of ring-fenced resource from the Health Service to local authorities and Public Health will need to figure more prominently in the Council's financial plans.

8. Meeting the funding gap

8.1 Table 2, above, highlights a funding gap of £6.2 million in relation to general fund services. Officers and portfolio holders have targeted specific service areas where there are potential efficiencies to be gained without impacting significantly on service delivery to residents. Those affecting Adult Social Care and Public Health either directly or indirectly include:

- Incorporate supporting people budgets within core social care budgets and identify opportunities for efficiency;
- Bring Mental Health care management and community services back in-house and seek to implement personalisation and more efficient models of care;
- Critical review of the inflationary assumptions reflected in the MTFP;
- Property rationalisation;
- Considering opportunities for outsourcing services and shared service arrangements with other councils and public agencies;
- Continuing to progress the 'Better for Less' programme to improve service delivery and drive out efficiencies in customer contact, administration and procurement.

9. Draft capital budget proposals 2012/2013

9.1 The financial settlement announced in December 2010 saw a significant reduction in capital funding for local authorities, however it also provided a degree of certainty, with both the Department of Transport and Department of Health announcing grant figures for 2011/2012 and 2012/2013, whilst Communities and Local Government made it clear that Disabled Facilities Grant would continue at its current level. The Department for Education also responded to the James Review of education capital, by confirming that 2012/2013 grant allocations would be in line with 2011/2012.

9.2 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, 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. Medway's 2012/2013 grant assumptions are outlined in Table 3 below.

- 9.3 The major part of this funding comes into Children and Adult Services and includes £504,000 of Adult Social Care Transformation Grant. This committee will also have in interest in the continuation of Disabled Facilities Grant at 2011/2012 levels.

Table 3. 2012/2013 Government grant assumptions

	C & A	BSD	RCC	Total
Disabled Facilities Grant	0	739	0	739
Education Basic Needs Grant (est.)	3,836	0	0	3,836
Schools Capital Maintenance Grant (est.)	5,113	0	0	5,113
Schools Devolved Formula Capital (est.)	791	0	0	791
Adult Social Care Transformation Grant	504	0	0	504
Integrated Transport Grant	0	0	1,576	1,576
Highways Capital Maintenance Grant	0	0	2,350	2,350
Total Forecast	10,244	739	3,926	14,909

- 9.4 The current capital programme reflects slippage from previous years, together with the 2011/2012 grant allocations. This programme will continue to be delivered throughout 2012/2013 and beyond and Table 4 summarises planned expenditure, £64.8 million in Children and Adults, providing an analysis of how it is funded.

Table 4. Funding the current capital programme

	C & A	BSD	RCC	HCA Funding	Member Priorities	Total
	£,000's	£,000's	£,000's	£,000's	£,000's	£,000's
2011/2012 Capital Programme	64,867	16,605	20,910	5,269	1,426	109,076
2011/2012 Forecast	47,420	10,579	16,225	6,482	1,381	82,087
2012/2013 Forecast	17,373	5,573	3,750	0	46	26,743
2013/2014 Forecast	20	424	2,415	0	0	2,859
2014/2015 & future year's forecast	0	0	195	0	0	195
Total Forecast	64,813	16,577	22,585	6,482	1,427	111,884
Funding Source						
Government grants	52,247	981	10,608	0	0	63,835
HCA Grant	0	0	549	2,786	0	3,336
Developer & other contributions	5,340	575	3,531	0	23	9,467
Capital Receipts	2,881	4,149	2,649	0	720	10,399
Reserves / PSA grant / revenue	951	0	1,344	19	683	2,997
HRA revenue contribution	0	1,494	0	0	0	1,494
LTP borrowing	0	0	1,190	0	0	1,190
Other supported borrowing	3,448	245	0	0	0	3,693
Prudential borrowing	0	3,450	1,039	2,463	0	6,952
Major Repairs Allow. / Reserve	0	4,463	0	0	0	4,463
Right to buy receipts	0	1,248	0	0	0	1,248
Unfunded overspend	(54)	(28)	1,675	1,213	1	2,808
	64,813	16,577	22,585	6,482	1,427	111,884

9.5. Publication of the Local Government Finance Settlement is expected in early December and whilst capital grants are anticipated to be in line with the assumptions in Table 3, the capital programme for 2012/2013 can only be considered as provisional at this stage.

10. Conclusions

10.1 These initial budget proposals represent a considerable step towards developing the 2012/2013 revenue budget and whilst a £6.2 million gap still represents a significant challenge, it must be viewed in the context of continuing cuts in Government funding.

10.2 There is considerable work required in order to present a balanced budget and this will be undertaken during the period leading up to the Cabinet meeting on 14 February 2012. Overview and scrutiny committees have a vital role assisting in this process – both to review existing proposals and also to suggest new ones.

11. Risk Management

- 11.1 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 economic climate and the consequences in terms of future financial assistance and targets imposed by Government will make this process difficult.

12. Diversity Impact Assessment

- 12.1 The council has legal duties to give due regard to equalities 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, people of any sexual orientation group, people of any religion or belief, people of any age, people who are trans-gendered or transsexual 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.

13. Implications for looked after children

- 13.1 The proposed revenue budget includes additional resources for the current and projected demographic pressures affecting Children's Care and in particular the increasing numbers of looked after children in Medway.

14. Financial and legal implications

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

15. Recommendations

- 15.1 Members are requested to:
- Consider the draft capital and revenue budget for 2012/2013, proposed by Cabinet on 29 November 2011, 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 2 February 2012, comments and suggestions with regard to the preparation of the Council's capital and revenue budget for 2012/2013.

Background papers:

Medium Term Financial Plan 2012/2015 – Cabinet 6 September 2010

Regular capital and revenue budget monitoring reports to Cabinet

Capital and Revenue Budgets 2012/2013, report to Cabinet 29 November 2011.

Capital and Revenue Budgets 2012/2013, report to Business Support Overview and Scrutiny Committee 1 December 2011.

Report author: Mick Hayward, Chief Finance Officer

Tel: 01634 332220

Email: mick.Hayward@medway.gov.uk

CHILDREN AND ADULT SERVICES - BUDGET BUILD 2012-2013

General Fund Activities	2011-12 Base (Quarter 2)	Remove Support Services	Adjustments	2011-12 Adjusted Base	Medium Term Financial Plan			2012-13 MTFP Assumptions	2012-13 Further Proposals	2012-13 Draft Budget (Nov 2011)
	£'000	£'000	£'000	£'000	Inflation £'000	Other Pressures £'000	Savings £'000	£'000	£'000	£'000
Commissioning and Client Financial Affairs	8,692	(192)	0	8,500	81	0	0	8,581	0	8,581
Older People	21,705	(506)	0	21,199	701	639	(400)	22,139	(1,675)	20,464
Social Care Management	(1,645)	(264)	0	(1,910)	0	86	(325)	(2,148)	0	(2,148)
Physical Disability	11,863	(267)	0	11,596	157	128	(300)	11,581	(466)	11,115
Learning Disability	24,042	(317)	0	23,724	662	256	(300)	24,341	(70)	24,271
Linked Service Centres	4,925	(452)	0	4,473	0	0	0	4,473	0	4,473
Mental Health	4,997	(125)	0	4,873	100	0	0	4,972	(28)	4,944
Total for Adult Social Care	74,579	(2,124)	0	72,455	1,700	1,109	(1,325)	73,939	(2,239)	71,700
Safeguarding Team	4,561	(618)	0	3,943	0	0	0	3,943	0	3,943
CRAST Team	2,902	(147)	0	2,755	0	0	0	2,755	0	2,755
Specialist Children's Services	18,397	(454)	0	17,942	186	2,220	0	20,348	0	20,348
Children's Care Management Team	606	(28)	0	578	0	0	0	578	0	578
Child Protection	171	(4)	0	167	0	0	0	167	0	167
Children's Care Training	200	(21)	0	179	0	0	0	179	0	179
Total for Children's Care	26,836	(1,273)	0	25,564	186	2,220	0	27,970	0	27,970
Directorate Management Team	128	(19)	0	109	0	0	0	109	0	109
Commissioning, Contracts and Business Support	2,812	(109)	0	2,703	0	0	0	2,703	0	2,703
Schools Commissioning and Traded Services	778	(41)	0	737	0	0	0	737	0	737
School Organisation and Student Services	1,753	(183)	0	1,570	0	200	0	1,770	0	1,770
Commissioning Management Team	171	0	0	171	0	0	0	171	0	171
Total for Commissioning and Traded Services	5,642	(353)	0	5,289	0	200	0	5,489	0	5,489
Health and Wellbeing	4,073	(327)	0	3,746	0	0	0	3,746	0	3,746
Integrated Youth Support Services	4,325	(76)	0	4,250	0	0	(200)	4,050	0	4,050
Psychology and Inclusion	13,572	(392)	0	13,179	0	1,400	(100)	14,479	0	14,479
Inclusion Management Team	827	(55)	0	771	0	0	0	771	0	771
Early Years	14,680	(876)	0	13,804	0	0	0	13,804	0	13,804
School Challenge and Improvement	969	0	0	969	0	0	0	969	0	969
Total for Inclusion and School Improvement	38,446	(1,726)	0	36,720	0	1,400	(300)	37,820	0	37,820
Finance Headings	872	(81)	94	885	0	0	0	885	0	885
HR Headings	1,293	(52)	0	1,241	0	200	0	1,441	0	1,441
School Grants	(9,609)	0	9,609	(0)	0	0	0	(0)	0	(0)
Total Schools Retained Funding and Grants	(7,444)	(132)	9,703	2,126	0	200	0	2,326	0	2,326
Schools Delegated Funding	184,543	0	(9,703)	174,840	0	1,229	(88,061)	88,008	0	88,008
Total for Children and Adult Services Directorate	322,602	(5,608)	0	316,994	1,886	6,358	(89,686)	235,552	(2,239)	233,313

CHILDREN AND ADULT SERVICES BUDGET BUILD 2012/2013 - BASE BUDGET ADJUSTMENTS

Service		Medium Term Financial Plan provision £000s	Further proposals £000s
Adult Social Care			
Across client groups	Average 2% inflation on private and voluntary sector contracts	1,700	
Across client groups	Review Homecare contracts		(1,400)
Older People Services	Demographic growth	639	(639)
Disability Services	Demographic growth	384	
External Income	Decrease in PCT Enablement Funding (Section 256)	86	
In-house Services	Full year effect of review of in-house provision.	(325)	(200)
Across client groups	Full year effect of the review of charging policy	(1,000)	
Children's Care			
Specialist Services	Cost of current service - numbers of 'looked after children'	1,320	
Specialist Services	Demographic growth	900	
Specialist Services	2% on foster payments and residential placements.	186	
Inclusion and School Improvement			
Psychology and Inclusion	Cost of current service - SEN transport	1,400	
Psychology and Inclusion	Efficiency savings - SEN transport	(100)	
Integrated Youth Support Services	Radical review of youth services	(200)	
Commissioning and Traded Services			
Schools Organisation	Site costs arising from school closures	200	
Schools Retained and Grants			
Schools Redundancy Costs	Reduced activity for temporary staff agency	200	
TOTAL ADJUSTMENTS TO BASE BUDGET		5,390	(2,239)

PUBLIC HEALTH - BUDGET BUILD 2012-2013

General Fund Activities

Health Promotion
 Teenage Pregnancy
 Healthy Weight
 Sunlight Centre
Total for Public Health

2011-12 Base (Quarter 2)	Remove Support Services	Adjustments	2011-12 Adjusted Base	Medium Term Financial Plan			2012-13 MTFP Assumptions	2012-13 Further Proposals	2012-13 Draft Budget (Nov 2011)
				Inflation	Other Pressures	Savings			
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
169	(1)	0	168	0	0	0	168	0	168
0	0	0	0	0	0	0	0	0	0
22	0	0	22	0	0	0	22	0	22
35	0	0	35	0	0	0	35	0	35
227	(1)	0	226	0	0	0	226	0	226

