

**Meeting of Executive Members for Housing & Adult Social Services and Advisory Panel**      **14th January 2008**

Joint Report of the Director of Housing & Adult Social Services and the Director of Resources

**Revenue and Capital Budget Estimates 2008/09**

**Purpose of Report**

- 1 This report presents the 2008/09 budget proposals for Housing & Adult Social Services. It includes:
  - the revenue budget for 2007/08 (Annex 1) to show the existing budgets
  - the budget adjusted and rolled forward from 2007/08 into 2008/09
  - the provisional allocation of pay and price increases for the portfolio
  - officer proposals for budget service pressure costs and savings options for the portfolio area (Annexes 2 and 3)
  - fees and charges proposals (Annex 4)
  - other revenue budget options for consultation (Annex 5)
  - the existing approved capital programme (Annex 6)
  - options for new capital schemes (Annex 7)
  - the Housing Revenue Account (Annex 8)
  
- 2 Budget Council will be held on 21 February 2008 and will make decisions on the overall budget for the Council. Proposals for savings/growth currently being considered by the individual EMAP meetings will not result in a balanced budget and the Executive Members will also have to consider other options. Options relating to this portfolio are shown in Annexes 5 and 7. In order to facilitate the decision making process the Executive are meeting on 12 February 2008 to consider the preferences identified by the individual portfolio Executive Members and the results of the consultation exercise.
  
- 3 The Housing & Adult Social Services Executive Members are therefore asked to consider the budget proposals included in this report and identify their preferences (after considering the proposals in annexes 2 and 3) which will be considered by the Executive as part of the consultation exercise. In particular Member advice is sought on the items listed for consultation in Annexes 5 and 7, which at present do not form part of the intended budget, but which may need to (see paragraph 2). EMAP is invited to provide comments on the budget proposals in this report.

## Background

- 4 The Council's Financial Strategy was adopted by the Executive on 11 September 2007. This paper is the result of ongoing work against this agreed framework.
- 5 The provisional Local Government Finance settlement for 2008/09 was issued on 6 December 2007 and it also included indicative figures for 2009/10 and 2010/11 which will enable the Council to consider future budget issues. The provisional settlement for 2008/09 indicated that the government has transferred £2.626m from service specific grants into the general (Revenue Support) grant. Formula damping, by which the government try to ensure that there is a limit to large gains/losses to Council's from formula changes, is still in force. The proposed funding positions for are that in real terms general grant will increase by £1.39m (3.63%) in 2008/09, £1.17m (2.75%) in 2009/10 and £1.11m (2.56%) in 2010/11.
- 6 It should be noted that this is a *provisional* settlement, and, as such, it is likely to change following consultation. As it is a three-year settlement it is likely that the large grant losers who have significant resources at their disposal will be lobbying hard for changes to be made in their favour. It is also likely that there may be errors/changes to the data used by the DCLG when the final settlement is announced.

## Budget Proposals for Housing & Adult Social Services

- 7 A summary of the general fund budget proposals is shown in Table 1 below. Further details on each individual element are presented in the subsequent paragraphs. The annexes also contain other potential growth and savings items which at this stage are not being recommended to Members.

**Table 1 - Summary of General Fund Budget Proposals**

	Para. Ref	£'000
Base Budget 2008/09	8	
• Housing General Fund		1,294
• Social Services		33,926
Provisional allocation for pay increases	9	
• Housing General Fund		32
• Social Services		499
Provisional allocation for price increases	10	
• Housing General Fund		31
• Social Services		587
Other Budget Pressures:	11	
Superannuation increase		
• Housing General Fund		4
• Social Services		58
Staff Increments		
• Housing General Fund		0
• Social Services		165
Full year effect of 2007/08 savings items	12-13	
• Housing General Fund		0

• Social Services		-7
Service Pressure proposals (Annex 2)	15-19	
• Housing General Fund		0
• Social Services		3,115
Savings proposals (Annex 3)	20-22	
• Housing General Fund		-52
• Social Services		-1,067
Proposed Budget 2008/09		
• Housing General Fund		1,309
• Social Services		37,276

### **Base Budget (£1,294k and £33,926k)**

- 8 This represents the latest budget reported to Members, updated for the full year effect of decisions taken during 2007/08, e.g. supplementary estimates.

### **Provisional Pay Inflation (£32k and £499k)**

- 9 These calculations are based on a pay increase for APT&C of 2.5%. The negotiations for the 2008/09 settlement have not yet started, although there is pressure from the Treasury that increases are kept under 2%.

### **Provisional Price Inflation (£31k and £587k)**

- 10 The budget proposes that, due to the underlying low rate of inflation, there is a general price freeze on most budgets. The amount allowed for price inflation is to fund known price increases, e.g. contract payments. Increases for fees and charges are included in the savings proposals.

### **Other Budget Pressures (£227k)**

- 11 These represent pressures over which the service has no influence, e.g. changes to funding and expenditure which are due to national policy initiatives.

### **Full Year Effect of 2007/08 Saving Items**

- 12 Several saving items were approved in 2007/08 where there is either a full year effect or a non-recurrence in 2008/09.
- 13 The figures shown in table 2 below represent the additional savings available in 2008/09.

**Table 2 - Full Year Effect of 2007/08 Savings**

	£'000
<b>Additional Savings in 2008/09 from increasing 2007/08 Saving Items</b>	
Restructure Respite Service at Flaxman Avenue	-7

## General Contingency

- 14 Members should note that there are potential expenditure pressures that may materialise in 2008/09 but which are not yet certain or not quantifiable at this stage. The issues are listed in Table 3 below and it is assumed that if they materialise then funding will be requested from the General Contingency.

**Table 3 - Contingency Issues for 2008/09**

	£(000)
<b>Contingency Issues for 2008/09</b>	
Loss of income from health	43

## Service Pressures (£3,115k)

- 15 In the Finance Strategy report to the Executive on 11 September 2007 a sum of £7.828m was included as the estimated amount that would be needed to meet increasing demand for services and to allow for reprioritisation of service provision.
- 16 A range of options for service pressure proposals has been considered and in view of the overall available resources it is proposed that only those proposals shown in Annex 2 are included as the preferred options for Housing & Adult Social Services, including those relevant to the Housing Revenue Account (HRA). The proposals put forward are the result of a rigorous assessment process, which included looking at the risk to customers and staff, legislative requirement, proven customer demand and the Council's corporate objectives.
- 17 Included in the above figures are a number of cost pressures resulting from the transfer into RSG of income formerly received as direct grant in service portfolios. The ones that have budgetary impact on the net cost of this portfolio total £1,937k and are set out in detail in the following paragraphs.
- 18 Delayed Discharges - this grant was introduced by DH in 2003-04 in support of the Community Care (Delayed Discharges) Act 2003. This legislation introduced reimbursement charges, payable by local authorities to NHS Trusts, for those delays for which they are solely responsible. The aim of the grant is to encourage local authorities to work with health partners to invest in appropriate out of hospital services to tackle the causes of delay in their local system. The full grant of £302k has been transferred into base funding and will continue to support the purchase of transitional care beds and other services to minimise delays in discharging people from hospital.
- 19 Access & Systems Capacity. The purpose of this grant is to enable local authorities to build up the stock of community based social services, and thereby promote older people's independence, reduce the incidence of delayed discharges, and meet new targets for assessment. The full grant of £1.635m has been transferred into base funding and will continue to support the community based services delivered in the city.

## **Savings Proposals (£52k and £1,067k)**

- 20 Members will be aware that the 2007/08 budget savings were significant and that all Directorates are operating within a tight financial environment. In seeking to achieve savings for the 2008/09 budget Directorates have examined budgets with a view to identifying savings that have a minimum impact on the services provided to the public, customers and the wider Council. Instead they have concentrated on initiatives that;
- improve quality and efficiency
  - take advantage of ongoing service and/or Best Value reviews
  - generate income
  - address budgetary underspends
  - improve cash flow and interest earnings
  - generate savings from the technical and financial administration functions of the Council
- 21 In addition to the initiatives listed above the list of savings also includes proposals to increase fees and charges (see also section below).
- 22 Annex 3 shows the full list of savings proposals for the Housing & Adult Social Services portfolio, including those for the HRA.

## **Fees and Charges**

- 23 The details of the proposed fees and charges for the services provided by this portfolio are set out in Annex 4. Direct payment rates will also be increased in line with inflation.

## **Housing Revenue Account (HRA)**

- 24 Local Housing Authorities are required, by legislation, to keep a HRA. The Local Government and Housing Act 1989 stated that items of income and expenditure only relating to Council housing must be contained within the account. Thus the terms 'ring-fenced' or 'landlord' account are now referred to, as transfers between the HRA and General Fund are normally prevented.
- 25 The Act also outlined the new subsidy arrangements whereby subsidy would be allocated on a 'notional' HRA. This account is based on Government assessments of what local authorities should charge in rents and expenditure on management and maintenance etc., rather than what they actually do.
- 26 Authorities have a duty to ensure that the HRA balances, to keep the budget under review and to take all reasonable steps to avoid a deficit. In previous years any surplus on the account was used to fund the housing capital programme through a direct revenue contribution to capital.

## **HRA Negative Subsidy**

- 27 The two major sources of funding HRA expenditure have been Government subsidy and rent income. Due to the removal of the payment of rent rebates through the HRA there is now a net surplus on the 'notional HRA' as the rent

income now exceeds the subsidy payable by the government for HRA expenditure on management and maintenance etc. This results in a 'negative' subsidy payable by the authority to the government of £5,349k for 2008/09. This compares to £5,392k for 2007/08.

	<b>2007/2008 Estimate</b>	<b>2008/2009 Estimate</b>
	<b>£'000</b>	<b>£'000</b>
HRA subsidy payable (including MRA)	17,727	18,941
Notional Rent Income from Council tenants	(23,119)	(24,290)
Negative Subsidy	(5,392)	(5,349)

### **HRA Borrowing and Debt Repayment**

- 28 From 1 April 2004 authorities can determine for themselves what capital investment is required and have the freedom to borrow (within prudential principles) to deliver housing services. Some supported borrowing continues and the interest charges for the elements used to fund HRA capital expenditure is paid from the HRA and refunded through subsidy. Prudential borrowing which takes place over and above the (supported) capital financing requirement is "unsupported" in that the authority must find the means of paying back interest and principal from within its own resources. There are no proposals to undertake prudential borrowing for HRA purposes in 2008/09.
- 29 Previously authorities were required to make a revenue provision to repay 2% of net HRA debt and this was funded through HRA subsidy. Authorities are no longer compelled to make this provision and any voluntary contribution will not be paid by subsidy. Guidance suggested it would be advisable to make a voluntary contribution. From 2004/05 it was considered prudent to continue to make a provision based on the previous rules of 2% of the outstanding HRA debt and that future borrowing be repaid over the life of the capital scheme eg tenants' choice would be repaid over 30 years. This will continue in 2008/09.
- 30 The result of all the adjustments outlined within this report is an in-year surplus of £1,188k. Together with the brought forward working balance of £5,577k from 2007/08, and after making a contribution to the capital programme, this leaves a working balance of £6,478k on the account.
- 31 The HRA surplus is broadly in line with that forecast in the HRA business plan. The HRA surplus needs to remain on the account to be reviewed once the HRA business plan is updated to reflect both the budget detailed in this report and the 07/08 outturn position. Members are reminded that the HRA surplus is needed to fund future years in line with the Business Plan approved at Housing EMAP in July 2005.

### **Capital Programme**

- 32 The Council's existing capital programme is shown at Annex 6.

- 33 The resources to fund new capital schemes are limited. Overall the existing programme is anticipated to generate a small receipts surplus of £0.6m, however, it is unlikely that there will be any new major receipts as all surplus land holdings have either been sold or are earmarked to be sold for existing commitments. A maximum of £1.25m is expected to be available for new schemes as part of the 2008/09 – 2010/11 programme, which if fully committed, leaves no contingency if sales are not made at their expected values. Against this background Officers have prepared a list of possible schemes to be considered for this portfolio. These are shown at Annex 7.

### **Consultation**

- 34 This paper forms part of the Council's budget consultation. The other streams being undertaken include a recently held public meeting where participants sat at tables and tried to produce a balanced budget after considering growth and saving priorities, a leaflet circulated city wide with a fold-out return part, fora and a web-based process.

Options have been shared in outline with representatives of users of adult social services and carers. In terms of the proposals set out in the annexes to this report the comments received were:

- Opposition to raising the threshold for eligibility for social care.
- Support for means to improve independence e.g. by investing in preventative services and the use of assistive technology.
- Opposition to differential charging e.g. for people who need more than one carer
- A wish to see more transparent benchmarking of the value for money of services and the effectiveness of policy changes
- Support for increased use of direct payments to increase control by service users and to reduce overhead costs
- Concerns over charging levels already being high in York

### **Options**

- 35 As part of the consultation process Members of EMAP are asked for their comments or alternative suggestions on the proposals shown in Annexes 2, 3, 5 and 7.

### **Analysis**

- 36 All the analysis is provided in the body of the report and the annexes.

### **Corporate Priorities**

- 37 The budget represents the opportunity to reprioritise resources towards corporate priority areas. Key examples of this happening within this portfolio area are:

- HSLDS2 Printing of leaflets: ceasing to print the annual Better Care Higher Standards report and including the HASS A-Z of services within the Council wide A-Z of services will save paper and help to reduce the

environmental impact of council activities.

- HSL51 Financial efficiencies have been gained by the Customer Finance Team from improving the customer process and the take up of benefits to improve people's health and lifestyles and the life chances of the most disadvantaged.
- HSMS4 Home Care: creating a city wide enabling and intermediate care team will improve access and the availability of this service to promote independent lifestyles and better health whilst also delivering savings in management time.
- HSDG5 Maintenance of equipment: a growth /service pressure arising from the increasing demands for more complex equipment requiring regular maintenance and servicing will enable more people to be supported to live at home with improved lifestyle or life chances to be economically active.

## **Implications**

38 The implications are:

- Financial - the financial implications are dealt with in the body of the report.
- Human Resources - there are potential redundancy situations included in Annex 3 and all necessary consultations with the unions are currently underway.
- Equalities - there are no equality implications to this report.
- Legal - there are no legal implications to this report.
- Crime and Disorder - there are no specific crime and disorder implications to this report.
- Information Technology - there are no information technology implications to this report.
- Property - there are no property implications arising from the proposed options in this report.
- Other - there are no other implications to this report.

## **Risk Management**

39 Key reporting mechanisms to Members on budget matters will continue to be through mid-year monitoring reports and the final Revenue Outturn report for the year. The format/timing of these reports has recently been considered by the Council's Management Team but as a minimum they will report on forecast out-turn compared to budgets and will also address the progress made on investments and savings included within the budgets.

The budget setting process always entails a degree of risk as managers attempt to assess known and uncertain future events. This year has demonstrated the difficulty of achieving this. As with any budget the key to mitigating risk is prompt monitoring and appropriate management control. As such updated figures and revised corrective actions will be monitored via Directorate Management Teams, Corporate Management Team and the



monitor reports during the year

- 40 In compliance with the Council's risk management strategy the main risks that have been identified in this report are those which could lead to the inability to meet business objectives (Strategic) and to deliver services (Operational), leading to financial loss (Financial), non-compliance with legislation (Legal & Regulatory), damage to the Council's image and reputation and failure to meet stakeholders' expectations (Governance). This risk assessment relates to those proposals put forward in this report as recommended to members for consideration.

Measured in terms of impact and likelihood, the risk score all risks has been assessed at less than 16, This means that at this point the risks need only to be monitored as they do not provide a real threat to the achievement of the objectives of this report.

### **Recommendations**

- 41 The Executive Member Advisory Panel is invited to consider whether the budget proposals are in line with the Council's priorities.
- 42 The Executive Member Advisory Panel is invited to provide comments on the budget proposals for savings and growth which have been prepared by Officers and contained in this report, which are intended to form part of the Council's budget to be considered by the Budget Executive on 12 February 2008.
- 43 The Executive Member Advisory Panel is invited to provide comments on the areas for consultation for the revenue budget contained in this report, which may form part of the Council's budget to be considered by the Budget Executive on 12 February 2008.
- 44 The Executive Member Advisory Panel is invited to provide comments on the capital proposals which have been prepared by Officers and contained in this report, which are intended to form part of the Council's budget to be considered by the Budget Executive on 12 February 2008.
- 45 The Executive Member is invited to consider whether the budget proposals are in line with the Council's priorities.
- 46 The Executive Member is asked to consider the budget proposals for consultation for Housing & Adult Social Services for 2008/09 contained in this report and listed below and provide comments to be submitted to the Budget Executive on 12 February 2008.
- 2008/09 Base budget as set out in paragraph 7;
  - Service Pressure proposals as set out in Annex 2;
  - Savings proposals as set out in Annex 3;
  - Fees and charges as set out in Annex 4.
  - Other Revenue Budget Options for Consultation as set out in Annex 5
  - Options for New Capital Schemes in Annex 7

- The HRA budget as set out in Annex 8

Reason: As part of the consultation for the 2008/09 budget setting process.

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Report Approved



Date 31/12/07

Specialist Implications Officer(s) None

Wards Affected: *List wards or tick box to indicate all*

All

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### Background Working Papers

None

### Annexes

Annex 1 - 2007/08 Budget  
Annex 2 - Service Pressure Proposals  
Annex 3 - Savings Proposals  
Annex 4 - Fees and Charges  
Annex 5 - Other Revenue Budget Options for Consultation  
Annex 6 - Existing Capital Programme  
Annex 7 - Options for new capital schemes  
Annex 8 - Housing Revenue Account