

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

**Draft Revenue Budget Estimates 2010/11**

**Purpose of Report**

- 1 This report presents the 2010/11 budget proposals for Housing & Adult Social Services. It includes:
  - the revenue budget for 2009/10 (Annex 1) to show the existing budgets
  - the budget adjusted and rolled forward from 2009/10 into 2010/11
  - the cost of pay and price increases, increments and settlement of pay and grading appeals for the portfolio
  - proposals for budget service pressure costs and savings options for the portfolio area (Annexes 2 and 3)
  - fees and charges proposals (Annex 4)
  - the Housing Revenue Account (Annex 5).
- 2 Budget Council will be held on 25 February 2010 and will make decisions on the overall budget for the Council. In order to facilitate the decision making process the Executive are meeting on 16 February 2010 to consider the preferred options identified by the individual portfolio Executive Members and the results of the consultation exercise.
- 3 The Executive Member is 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, advice is sought from the Executive Member on the budget proposals in this report.

**Background**

- 4 The Council's 2010/11 budget is being developed within the constraints of an extremely challenging financial climate. An extensive transformational programme has begun which will promote efficient delivery of services whilst at the same time ensuring funding is available for investment in key areas across the Council.
- 5 The 2009/10 revenue budget monitoring process has identified areas of activity that currently have insufficient capacity to deal with the increased demands on those services. In addition consideration has been given to the Council's top priorities, and the need to ensure that key front line areas of

activity, particularly those in respect of adults and children, can continue to be provided. From this analysis, specific areas of investment will be proposed within the Councils 2010/11 budget, in particular within the following areas :-

- Adult Social Care
- Children's Social Care
- Waste Management

- 6 The proposed budget for 2010/11 reflects the need to direct investment into these areas in order that planning and monitoring of service delivery and improvement can take place against an adequate resourcing platform.
- 7 In addition, the Council recognises that adequate provision needs to be created within the budget to ensure that the continuing financial impact of the economic downturn can be contained effectively. Following detailed review of economic pressures both on front line services and the Council's Treasury Management function, it is proposed that in the region of £3m will be set aside within the budget to contain the impact of these pressures.
- 8 In order to create the financial capacity to enable adequate investment in these priority areas the budget strategy has been based around certain key financial management principles. A fundamental maxim of the strategy is that Directorates have been made clearly responsible for the robust and effective self-management of their existing financial resources and that restraint has been expected in putting forward for additional growth in budget to be funded corporately
- 9 Directorates have been expected to contain their net expenditure within clearly defined and strictly enforced cash limits with a clear expectation that Directorates self manage all non-exceptional budget pressures within this cash limit. These pressures include the anticipated cost of the pay award and any incremental increases due in year. Explicitly linked to self-management within defined cash limits has been the requirement for directorates to demonstrate the re-allocation of budgets in order to contain internal financial pressures.
- 10 As part of the development of the budget, the Council's transformation programme has also been robustly reviewed in view of the need to create capacity to invest in priority areas. A realistic acceleration of efficiency savings will be included within the corporate budget proposals in order to ensure that the additional financial capacity introduced in this budget is based around a challenging but realistic approach to driving out efficiency savings across the organisation. However, it must be stressed that achievement of these efficiencies will not be easy to deliver, but they are essential in order to deliver investment into priority areas. The scale and pace of the transformation process in coming years will be critical to the Council maintaining financial stability. In addition, clearly with the future pressures on public spending, combined with known forecast increased pressures in children's care, adult care, and waste management, the Council will face the need to both achieve significant transformational change, and review the overall type and level of service provision in coming years.

- 11 Within Adult Social Care throughout 2009/10, the council has faced dramatic increases in learning disabilities cases, home care contracts and care for the elderly which is expected to continue to rise due to the ageing population. This rise in demand equates to approximately £1.8m in investment. It is however recognised that reviews of service activity need to take place in order to develop and implement mitigation plans that will constrain the impact of these financial pressures.
- 12 The Director of Resources' report '2010/11 Budget Strategy and Medium Term Financial Planning 2011/12 to 2013/14' was adopted by the Executive on 15 December 2009. This paper is the result of ongoing work against this agreed framework.
- 13 The Local Government Finance settlement for 2008/09 included indicative figures for 2010/11 to enable the Council to consider future budget issues. The provisional settlement for 2010/11 gives an increase in formula grant of £1.09m, an increase of 2.51%.

### **Budget Proposals for Housing & Adult Social Services**

- 14 A summary of the budget proposals is shown in Table 1 below. Further details on each individual element are presented in the subsequent paragraphs.

**Table 1 - Summary of Budget Proposals**

	Para. Ref	£'000
Base Budget 2009/10	16	43,597
Allocation for pay increases	17	+226
Allocation for price increases	18	Nil
Service Pressure proposals (Annex 2)	19	+1,791
Savings proposals (Annex 3)	20 - 24	-1,055
Proposed Budget 2010/11		44,559

### **Base Budget (£43,597k)**

- 15 This represents the latest budget reported to Members, updated for the full year effect of decisions taken during 2009/10, e.g. supplementary estimates.

### **Pay Inflation (£226k)**

- 16 These calculations are based on a pay increase for APT&C of 1%. The negotiations for the 2010/11 settlement have not yet started, although there is pressure from the Treasury that increases are kept to a minimal level.

### **Price Inflation (nil)**

- 17 The budget proposes that, due to the underlying low rate of inflation, there is

a general price freeze on all non pay budgets.

### **Service Pressures (£1,791k)**

- 18 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. 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. The actual growth requirements are £2.3m however we are looking to review the efficiency of the service with a view to reducing the overall costs to the £1.7m included above.

### **Contingency Items**

- 19 Members should note that there are potential expenditure pressures that may materialise in 2010/11 but which are not yet certain or not quantifiable at this stage. The Executive will decide on 16 February 2010 whether or not to set a general contingency for 2010/11.

### **Savings Proposals (£1,055k)**

- 20 Members will be aware that the 2009/10 budget savings requirements were significant and that all Directorates are operating within a tight financial environment. In seeking to achieve savings for the 2010/11 budget Directorates have examined budgets for possible savings that do not have a significant impact on the services provided to the public, customers and the wider Council.
- 21 In addition to the potential savings set out in this report savings targets for adult social care have been approved by the Executive in the blueprints for More For York. In proposing areas for savings the focus has therefore been 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
- 22 However, given the need for significant savings it has not been possible to completely avoid proposals that would have some implications either for staff or service levels. Alternative ways of providing the training and NVQ service would place existing staff at risk but would result in a more cost effective service. The social care strategy post and Equalities and Information post provide much needed support to the development and improvement of services. If savings were made in these areas then it will be important for the new department of Adults, Children and Education to explore how strategic

support is provided across the piece and to explore the potential for closer joint working with the NHS in these areas. The proposal to look at savings in social care assessment would need to be handled very carefully to ensure that essential services were not affected and that performance in carrying out assessments within 28 days continued at an acceptable level.

23 In addition to the initiatives listed above the price increases and list of savings also include proposals to increase fees and charges (see also section below). Generally these are in line with inflation, but this is varied by directorates as they are affected by national constraints/requirements.

24 Annex 3 shows the full list of savings proposals for the Housing & Adult Social Services portfolio.

### **Fees and Charges**

25 The details of the proposed fees and charges for the services provided by this portfolio are set out in Annex 4. The proposed increases are set at 1.5% as this is the level of increase being applied by the Department of Work & Pensions to all benefits.

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

26 Local 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.

27 The Act also outlined the arrangements whereby subsidy is allocated on a “notional” HRA. This account is based on the Governments assessment of what local authorities should charge in rents and spend on management and maintenance, rather than what they actually do charge and spend.

28 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.

### **Draft HRA Negative Subsidy & rent increase**

29 The two major sources of funding HRA expenditure have been Government Subsidy and rent income. Following 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, maintenance, etc. This results in a “negative” subsidy payable by the authority to the Government of £6,152k for 2010/11. This compares to £6,575k for 2009/10.

	2009/10 Estimate £'000	2010/11 Estimate £'000
HRA subsidy payable (including MRA)	18,887	19,134
Less Notional Rent Income from	(25,462)	(25,286)

council tenants		
Equals Negative Subsidy payable	(6,575)	(6,152)

- 30 Housing rents are based on a formula for rent setting created by central government. Under the original formula similar properties should be charged similar rents by 2012 regardless of who owns the property. This is known as rent convergence. This formula rent takes account of various factors including the number of bedrooms a property has, property valuation, average earnings and the date at which all rents are expected to converge. The guideline rent increase for 2010/11 is 3.1% with convergence due to be achieved in 2012/13. The actual average rent increase for this council, taking all these factors into account, is expected to be 1.83%.

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

- 31 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.
- 32 In October 2009 the Executive Member agreed to submit a bid to the Homes and Communities Agency for grant to build in the region of 18 new family council houses. We have just received confirmation that this bid has been successful, therefore the HRA will undertake prudential borrowing during 2010/11, which will be funded from the rental income stream received from the new properties.
- 33 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 suggests it is advisable to make a voluntary contribution and as a result since 2004/05 a provision of 2% has been made on outstanding HRA debt. This will continue in 2010/11.
- 34 The result of all the adjustments outlined within this report is an in-year surplus of £662k. Together with the budgeted brought forward working balance of £8,254k and after making a contribution to the capital programme, this leaves a working balance of £8,918k on the account.
- 35 This 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 2009/10 outturn position. Members are reminded that the HRA surplus is needed to fund expenditure in future years.
- 36 A review of the operation of both the HRA and the current subsidy system is currently being undertaken by the department of Communities and Local

Government (CLG). This review is looking at all aspects of housing finance, however it is not expected that there will be any impact on the HRA in 2010/11.

### **Consultation**

- 37 This paper forms part of the Council's budget consultation. The other streams being undertaken include a public consultation leaflet circulated city wide (results should be known by mid-January), a public meeting where participants debated savings and growth proposals attended by the Leader of the Council and the Chief Executive, and a further session with a the business communities of the city. The Social Inclusion Working Group will consider saving proposals on 28<sup>th</sup> January 2010.

### **Options**

- 38 As part of the consultation process the Executive Member is asked for their comments or alternative suggestions on the proposals shown in Annexes 2, 3 and 4.

### **Analysis**

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

### **Corporate Priorities**

- 40 The budget represents the opportunity to reprioritise resources towards corporate priority areas. Key examples of this happening within this portfolio area are:
- The reprovision of residential care as supported living will help to promote independent lifestyles and better health

### **Implications**

- 41 The implications are:
- Financial - the financial implications are dealt with in the body of the report.
  - Human Resources – There are 13 potential redundancy situations included in Annex 3 and all necessary consultations with the unions will commence as soon as any decisions are made.
  - Equalities – reductions in service outlined in Annex 3 will impact on older and disabled customers, in particular the proposed reduction in respite care (HASS06). The proposed reduction in social work posts (HASS10) will also have a negative impact on older and disabled customers as a reduced number of staff deal with an increasing number of customers. The proposal to remove the departments Equalities and Information post will result in a reduced capacity to carry out Equalities Impact Assessments and support to design and deliver services that will meet the needs of disabled and older customers. In addition the post directly supports the delivery of the Directorate Single Equality Scheme 2009-12. Both the schemes and EIAs ensure that the council meets duties that arise from equality legislation as well as inspection requirements.

- 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 to this report.
- Other - there are no other implications to this report.

### **Risk Management**

- 42 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.
- 43 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.
- 44 It will be important to ensure continuing support on fairness and inclusion should the Equalities and Information post be removed to mitigate any risk of legal challenge from individual customers or groups of customers e.g. through judicial review.

### **Recommendations**

- 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 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 16 February 2010.
- 47 The Executive Member is asked to consider the budget proposals for consultation for Housing & Adult Social Services for 2010/11 contained in this report and listed below and provide comments to be submitted to the Budget Executive on 16 February 2010.
- 2010/11 Base budget as set out in paragraph 14;
  - 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;



- The HRA budget as set out in Annex 5.

Reason: As part of the consultation on the Housing & Adult Social Services budget for 2010/11.

#### Contact Details

<b>Author:</b>	<b>Chief Officer Responsible for the report:</b>		
Debbie Mitchell Head of HASS Finance Tel: 554161	Bill Hodson Director of Housing & Adult Social Services Tel: 554000		
	<b>Report Approved</b>	✓	<b>Date</b> 18 January 2010
	Ian Floyd Director of Resources Tel: 551100		
	<b>Report Approved</b>	✓	<b>Date</b> 18 January 2010

#### Specialist Implications Officer(s)

Evie Chandler, Corporate Equality and Inclusion Manager

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

#### Background Working Papers

None

#### Annexes

- Annex 1 - 2009/10 Budget
- Annex 2 - Service Pressure Proposals
- Annex 3 - Savings Proposals
- Annex 4 - Fees and Charges
- Annex 5 - Housing Revenue Account