

## **Executive Member for Housing & Adult Social 27<sup>th</sup> January 2009 Services and Advisory Panel**

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

### **Revenue and Capital Budget Estimates 2009/10**

#### **Purpose of Report**

- 1 This report presents the 2009/10 budget proposals for Housing & Adult Social Services. It includes:
  - the revenue budget for 2008/09 (Annex 1) to show the existing budgets
  - the budget adjusted and rolled forward from 2008/09 into 2009/10
  - the provisional allocation of pay and price increases 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)
  - 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 26 February 2009 and will make decisions on the overall budget for the council. If approved, the proposals for savings/growth currently being considered by the individual EMAP meetings should result in a balanced budget, but the Executive Members may also wish to consider other options. Further options relating to this portfolio are shown in Annex 5. In order to facilitate the decision making process the Executive are meeting on 16 February 2009 to consider the preferences 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, including the proposals in Annexes 2, 3 and 7 which will be considered by the Executive as part of the intended budget. In particular Member advice is sought on the items listed for consultation in Annex 5, which at present do not form part of the intended budget. Members of EMAP are invited to provide comments on the budget proposals in this report.

## Background

- 4 The Council's Financial Strategy was adopted by the Executive on 23 September 2008. 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 2009/10 gives an increase in formula grant of £1.159m, an increase of 2.74%

## Budget Proposals for Housing & Adult Social Services

- 6 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	7	39,182
Provisional allocation for pay increases	8	+492
Provisional allocation for price increases	9	+452
Full year effect of 2008/09 growth & savings items	10-11	+571
Service Pressure proposals (Annex 2)	12-14	+200
Savings proposals (Annex 3)	15	-1,361
Proposed Budget 2009/10		39,536

### Base Budget (£39,182k)

- 7 This represents the latest budget reported to Members, updated for the full year effect of decisions taken during 2008/09, e.g. supplementary estimates.

### Provisional Pay Inflation (£492k)

- 8 These calculations are based on a pay increase for APT&C of 2.25% from 1 April 2009. The increased cost to the department of the recently agreed pay and grading system has not been included in these proposals.

### Provisional Price Inflation (£452k)

- 9 The budget proposes a 2.5% increase on both controllable expenditure and income budgets and it will be left to directorates to manage within this net

figure.

### **Full Year Effect of 2008/09 Items (£571k)**

- 10 Several saving items were approved in 2008/09 where there is either a full year cost or a non-recurrence in 2009/10.
- 11 The costs shown in table 2 below represent the additional funds needed in 2009/10.

**Table 2 - Full Year Effect of 2008/09 Items**

	£'000
<b>2008/09 savings not deliverable in 2009/10</b>	
HMO Licensing – this was a one off saving deliverable in 2008/09 only.	19
<b>Full Year effect of recurring departmental pressures in 2008/09</b>	
Supporting People retraction	130
Increased home care contract prices	22
Increased number of LD complex cases & transitions	400
<b>Total Full Year Costs</b>	<b>571</b>

### **Service Pressures (£200k)**

- 12 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.
- 13 Members should note that even if the item identified in Annex 2 is funded the directorate will still need to manage significant expenditure pressures in 2009/10, including
- increases in need for services to due the changing population in York
  - the repairs and maintenance of social services establishments where there is currently no planned programme of investment
- 14 The department has also been approached by the York Independent Care Group (ICG) who have been able to demonstrate that a 2.5% uplift in the fees paid to independent residential and nursing care home providers will not cover their actual increases in running costs. As part of the city wide consultation exercise (see paragraph 30 for further details) increasing payments to private elderly residential care providers came out as one of the top priorities for respondents to the consultation.
- 15 The remaining cost pressures will need to be monitored and appropriate action taken during the financial year to ensure the department is able to remain within it's approved budget.

## **Savings Proposals (£1,361k)**

- 16 Members will be aware that the 2008/09 budget savings were significant and that all Directorates are operating within a tight financial environment. In seeking to achieve savings for the 2009/10 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
- 17 Annex 3 shows the full list of savings proposals for the Housing & Adult Social Services portfolio.

## **Fees and Charges**

- 18 The details of the proposed fees and charges for the services provided by this portfolio are set out in Annex 4. Most charges have been increased by 2.5%, with the exception of administration charges for private sector grants. The proposal is to maintain these charges at their current 2008/09 level pending a review of how these grants are delivered.

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

- 19 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.
- 20 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.
- 21 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.

## **HRA Negative Subsidy**

- 22 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 £6,575k for 2009/10. This compares to £5,349k for 2008/09.

	2008/09 Estimate £'000	2009/10 Estimate £'000
HRA subsidy payable (including MRA)	18,941	18,887
Less Notional Rent Income from council tenants	(24,290)	(25,462)
Equals Negative Subsidy payable	(5,349)	(6,575)

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

- 23 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 2009/10.
- 24 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 2009/10.
- 25 The result of all the adjustments outlined within this report is an in-year surplus of £509k. Together with the projected brought forward working balance of £7,547k and after making a contribution to the capital programme, this leaves a working balance of £8,056k on the account.
- 26 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 2008/09 outturn position. Members are reminded that the HRA surplus is needed to fund expenditure in future years.
- 27 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 2009/10. The current subsidy system will remain in place until 2010/11.

## **Capital Programme**

- 28 The Council's existing capital programme as approved at monitor 2 is shown at Annex 6.
- 29 Officers have prepared a list of possible capital schemes to be considered for this portfolio. Annexes 7a & b show the scheme bids currently approved up to 2013/14 along with growth going forward over the next 5 years. The column to the right of the stated year shows the growth above the level currently approved at monitor 2.

## **Consultation**

- 30 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. The results of this consultation exercise have highlighted that a high number of respondents identified increasing payments to private care home providers as a top priority. Less than 1% of respondents were in favour of reducing support to the elderly for care services.
- 31 A meeting was held with customers, carers and representative groups on 5<sup>th</sup> December to discuss a range of issues relating to adult social care and the opportunity was taken to seek people's views on the budget choices facing the council. The meeting was attended by over 20 people and the comments received at the meeting are:
- General concern over the level of funding available for adult social care
  - Anxiety that there might be reductions in service levels or the range of services available
  - That increased charges would be likely to be an additional barrier particularly for people in low paid work and would have an unfair and detrimental effect on people's lives.
  - That any opportunities for 'spend to save' initiatives should be explored

Any comments received after the publication date for this meeting will be reported verbally at the meeting.

## **Options**

- 32 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**

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

## **Corporate Priorities**

- 34 The budget represents the opportunity to reprioritise resources towards

corporate priority areas. An example of this happening within this portfolio area is:

- The re-provision of residential care as supported living will help to promote independent lifestyles and better health.

### **Implications**

35 The implications are:

- Financial - the financial implications are dealt with in the body of the report.
- Human Resources - there are no HR implications to the proposed growth or savings items.
- Equalities – savings proposal HASS15 will increase care charges only for disabled adults. As a result a full Equality Impact Assessment will be required.
- Legal – As outlined in the section on risk, savings proposal HASS15 could result in a further legal challenge to the council's charging policy.
- Crime and Disorder - there are no specific crime and disorder implications to this report.
- Information Technology – changes will be required to the Social Care system to implement the change in charging policy required for proposal HASS15.
- Property - there are no property implications to this report.
- Other - there are no other implications to this report.

### **Risk Management**

36 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.

37 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.

38 There are a number of risks associated with Savings Proposal HASS15. This would require a change in the council's non-residential charging policy to increase the proportion of an individual's disability related benefits taken into account when calculating their contribution. As this proposal will only affect disabled adults, a full Equality Impact Assessment will be required, which will involve carrying out detailed consultation with user groups. (A recent legal challenge in London has highlighted the risk in agreeing changes to social care charges without such an assessment.) It is likely that there will be an increase in the number of complaints received. This proposal will also expose the council to an increased risk of being

challenged with a judicial review of its charging policy. The Department of Health is currently reviewing its Fairer Charging Guidance and consultation is expected early in 2009. It is possible that the savings proposal may not be consistent with any revised DoH guidance.

### **Recommendations**

- 39 The Executive Member Advisory Panel is invited to consider whether the budget proposals are in line with the Council's priorities.
- 40 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 16 February 2009.
- 41 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 16 February 2009.
- 42 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 16 February 2009.
- 43 The Executive Member is invited to consider whether the budget proposals are in line with the Council's priorities.
- 44 The Executive Member is asked to consider the budget proposals for consultation for Housing & Adult Social Services for 2009/10 contained in this report and listed below and provide comments to be submitted to the Budget Executive on 16 February 2009.
- 2009/10 base budget as set out in paragraph 6
  - 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 on the Housing & Adult Social Services budget for 2009/10.



## Contact Details

### Author:

Debbie Mitchell  
Head of HASS Finance  
Tel: 01904 554161

### Chief Officers responsible for the report:

Bill Hodson  
Director of Housing & Adult Social Services  
Tel: 554000  
Approved ✓ Date: 6 January 2009

Ian Floyd  
Director of Resources  
Tel: 551100  
Approved ✓ Date: 6 January 2009

## Specialist Implications Officer(s): None

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

## Background Papers

None

## Annexes

Annex 1 - 2008/09 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