

Subject:	Budget Update & Budget Strategies 2011/12		
Date of Meeting:	6 January 2011		
Report of:	Director of Finance		
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Key Decision:	Yes	Forward Plan No. CAB17749	
Wards Affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT

- 1.1 This report has been prepared at a time of significant uncertainty about the Council's funding position for 2011/12. While the Comprehensive Spending Review (CSR) gave indications about the national position for local government, it will not be until the Local Government Finance Settlement is announced that the Council will be able to move past speculation and onto more robust financial planning. If the Settlement is received before the 9th December then an addendum report will be issued to update Cabinet on the position as far as possible. The major changes expected to specific grants, of which the Council is currently in receipt of circa £85m, may mean that it is several weeks before the detailed position is clearly understood.
- 1.2 This report updates Cabinet on the progress made in planning for 2011/12 based on the assumptions set out in the July 2010 Cabinet report, which projected that savings of £10.4m would be needed in the mainstream budget and £10.8m in budgets funded by specific grants. Good progress has been made and if those assumptions had been broadly right then this report would have set out, in high level terms, the Cabinet's proposals to achieve a balanced General Fund Revenue Budget for 2011/12. The savings package set out in this report is £12.3m. This lower figure reflects detailed reviews of the service pressures bringing them down where possible, protection of the Supporting People budget and uncertainty about the future of various specific grants in particular grants for children's services. However, the scale of the reductions expected in Formula Grant, the front loading and the position in respect of specific grants is sufficiently different for a great deal more work to be required before a full set of proposals can be made by Cabinet. This report therefore represents work in progress and it is expected that revisions will be needed to these proposals as well as additional ones made. However it was felt important to publish this work to date in order to be open about the issues under consideration and to enable Scrutiny to consider them as far as possible.

- 1.3 The Council was always clear that a great deal of specific grant funding was due to come to an end this year and has been planning accordingly. In most circumstances that funding supported one off initiatives. In a small number of cases that funding has supported activities that are potentially core business and the Council therefore has choices to make about whether it will provide replacement funding from its revenue budgets. The scale of the changes to specific grants and the removal of most ringfence mean that the Council has more choice and discretion in this area, albeit in a context of a significant overall reduction in resources.

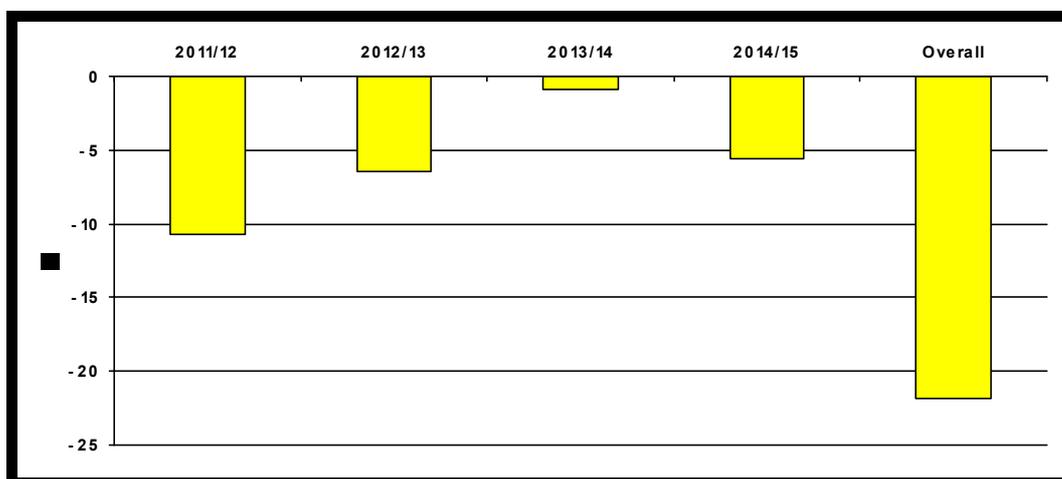
2. RECOMMENDATIONS:

- 2.1 Note the high level assessment of the implications of the CSR on the national funding position for local government as set out in paras 3.1 – 3.6.
- 2.2 Note that an addendum to this report will be issued setting out the anticipated resources available to the Council if the Local Government Finance Settlement is issued prior to December 9th.
- 2.3 Consider and agree the principles on which the General Fund Revenue Budget for 2011/12 is being prepared as set out in para 3.12.
- 2.4 Consider and agree the proposed approach for using reserves as part of a balanced financial strategy to deal with the Council's uniquely challenging financial position for 2011/12 as set out in para 3.17.
- 2.5 Consider and note the initial budget strategies for each service, developed on the basis of the original financial planning assumptions as set out in Appendix 2.
- 2.6 Note that those outline budget strategies will be subject to significant revision and update once the Council's resource position is more clearly understood.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS

Spending Review announced on 20 October 2010

3.1 The spending review set out the total amount of funding to be received by local authorities in England through the formula grant over the next 4 years. The chart below shows the planned reductions for each year in particular the unexpected front loading of reductions in 2011/12. The council is at the grant floor and will receive £109m in formula grant in 2010/11 and the equivalent of £130m after including the specific grants which will now be allocated as part of the formula grant as listed in appendix 1. The Local Government Finance Settlement will set out how much formula grant the council will receive in 2011/12 and future years.



3.2 The spending review had limited detail of the future of a wide range of specific grants although it did say that the ring-fence around nearly all grants would be removed giving each council greater flexibility in the way it can spend its funding to achieve the best outcomes for local people.

Schools Funding

3.3 The spending review contained a commitment that schools funding at a national level will increase over the next 4 years at 0.1% per annum in real terms i.e. above assumed levels of inflation. The funding settlement for schools is usually announced just before the Local Government Finance Settlement and will set out what the spending review means for each Local Education Authority (LEA) along with details of what happens to the specific grants previously allocated for schools. Cabinet will be informed of these implications

in the addendum report issued after the schools settlement is known. The government is also considering introducing a national funding formula so that funding allocations can be made directly to each school. This will have unknown distributional consequences for the total amount of schools funding for each LEA area.

New Homes Bonus

- 3.4 A recent consultation paper on the New Homes Bonus set out the way the government intends to pay this grant in 2011/12. Councils will receive amounts based on the increased number of homes between mid September 2009 and 2010 set out in a council tax base return made to the government. Brighton & Hove had an increase of 468 homes between these dates and therefore qualifies for just under £0.6m bonus out of the £196m set aside nationally. The bonus payment will be made for the next 6 years. The council may qualify for additional bonus payments in future years if the numbers of homes in the city continue to grow. The consultation paper states that £250m has been provided in the spending review nationally for bonus payments under the scheme for each year 2012/13 to 2014/15 with higher payments being top-sliced from the national formula grant.

Carbon Reduction Commitment (CRC)

- 3.5 The spending review also brought about major changes to the CRC scheme. The cost of purchasing allocations to cover the carbon output of the council will now have to be met in full. Previously the payments to the Treasury were going to be recycled as income depending on how successful each authority was in reducing its carbon footprint. There is some uncertainty in the guidance but initially the council will need to buy allowances to cover only the largest energy consuming sites. The cost of allowances is under discussion but the guideline of £12 per tonne in 2011/12 requires a budget of £0.1m for next year. In 2013/14 and beyond the council will need to buy allowances to cover most of its carbon footprint which could cost £0.4m per annum or more if the cost of allowances rises.

Council tax freeze grant

- 3.6 The budget report to Cabinet in July assumed that resources would be generated by a 2.5% increase in the Brighton & Hove City Council element of the council tax for 2011/12. The government has announced that councils who freeze their element of the council tax for next year will be entitled to receive a council tax freeze grant equivalent to the amount that would have been raised by a 2.5%

increase. It is estimated that the grant for the City Council will be approximately £3m and will be received for each year of the spending review period.

Local Government Finance Settlement for 2011/12

- 3.7 The Local Government Finance Settlement is expected to be announced in early December and assuming this is before the Cabinet meeting an addendum report will be prepared for the meeting setting out the detailed implications for the finances of the council. The Settlement will set out the amount of formula grant the council will receive in 2011/12 and details of most if not all the specific grants. The capital finance settlement is usually announced later and may not be available in time for the meeting.

Budget Principles

- 3.8 At the heart of the Council's approach to transforming the way it conducts its business are three key strands of work: the Value for Money Programme, the Improving the Customer Experience (ICE) programme and the move to a model of Intelligent Commissioning. These are all crucial to creating "The Council the City Deserves". Regular updates on all of this work have been brought to Cabinet throughout the year. The VFM programme has always been a key element of the Council's medium term financial planning. The programme remains on track and savings anticipated for 2011/12 are at least in line with expectations, if not better.
- 3.9 Reports to Cabinet have been clear that the new model of Intelligent Commissioning was not necessarily expected to deliver savings for 2011/12, primarily due to the lead in time for re-commissioning services. It does however put the Council in a strong position to make well informed decisions for service redesign and reprioritisation during the next financial year which will particularly inform the 2012/13 budget setting process.
- 3.10 Cabinet in July set out cash limits for each service area based on the existing Directorate structures as the council's top level reorganisation was still in its consultation phase. Those structures were well understood by both officers and members and therefore provided the clearest basis on which to conduct the budget planning for 2011/12. The outline budget strategies prepared to date are therefore set out in this way.
- 3.11 However, the implications of CSR are now so great that the Council will simply not be in a position to meet them if it continues its financial planning in the same way that it has done to date. It therefore needs to shift its thinking quickly into the new intelligent commissioning model which should provide more cross-cutting proposals for

reshaping services and a renewed focus on prioritising resources to deliver outcomes in the most effective way. This does create a challenge to analyse and present financial information in the new model while the organisation is still in transition with structures that are not fully settled. However if the Council is unable to react quickly in this way it may miss significant opportunities that could help the 2011/12 budget position and mean that momentum is lost in this time of change. The format for the final budget proposals that will come to Cabinet on 17th February 2011 for recommending to Budget Council on 3rd March 2011 is still being considered, however it will be possible, at a high level, to analyse the information against both the "old" and the "new" organisational structure.

3.12 In this context of change, a set of budget principles has been developed which have informed both the work done to date against the allocated cash limits and will continue to influence the next stage of the budget planning process. These are:

1. To deliver efficiency savings to help protect front line services by:
 - delivering the planned VFM programme and identifying where future year's VFM savings can be "fast tracked", for example, vacating office accommodation earlier than originally planned.
 - identifying other efficiency savings including those arising from the new groupings of services in delivery units
 - looking to generate savings on staff related expenditure through natural turnover, not filling existing vacancies, reducing management costs, minimising the use of consultants and making sure we only use agency staff and overtime where there is a sound business case to do so
 - identifying where closer working with other public agencies means we can share costs
 - reviewing contracts with service providers identifying scope for renegotiation and controlling costs
 - removing any local contingencies or risk provisions (these will all be covered corporately)

These efficiency savings will be tracked to ensure that they are rigorously and consistently implemented by rolling them into the VFM programme.

2. Where changes need to be made to front line services proposals will take into account:
 - how we can innovate our service design and delivery mechanisms to ensure the outcomes we deliver are maintained
 - how those changes might impact on costs and services provided by other public agencies in the city ("Total Place")
 - how we can protect as far as possible the contribution made by the community and voluntary sector

Latest Position 2010/11

- 3.13 The TBM Month 6 report received by Cabinet on the 11th November showed an overspend of £0.319m on council controlled budgets. Tight spending constraints are in place in order to reduce that overspend further and to deliver an underspend that will provide one off usable reserves to support the 2011/12 budget setting process.

Reserves position

- 3.14 The current estimate of the Council's Usable Reserves is set out in Table 1.

Table 1 – Usable Reserves	£m
Balance at 31/3/11 reported to Cabinet in July 2010	0.9
TBM overspend funding no longer required	1.0
Collection Fund Deficit	-0.4
Planned net contributions in 2011/12	0.4
Balance available to support the 2011/12 Budget	1.9

- 3.15 In previous years usable reserves have been used for new initiatives and investment. The financial context this year means that this is unlikely to be appropriate. It is therefore planned at this stage to ringfence these usable reserves to be used as set out in para 3.17.
- 3.16 As a result of the front loading of the reductions in formula grant in 2011/12 the Council may need to consider as a one-off measure of last resort use of reserves which are currently earmarked as part of a well balanced financial strategy. It remains a legal requirement that the Council sets a balanced budget for 2011/12 and therefore it needs to consider carefully how it can make legitimate use of reserves in that context. It is also at the heart of the Council's ongoing commitment to sound financial planning and management that it does not take short term decisions that could create greater difficulties for the future.
- 3.17 Any use of reserves will be undertaken only for the following issues:
- implementation funding (the costs associated with changing how services are provided and organised such as redundancy costs)
 - transition funding (because we will be unable to implement all proposals from 1 April so resources will be needed for the lead in time)
 - resources to incur direct expenditure that frees up revenue budget costs (e.g. paying down debt)

3.18 The detailed proposals will form part of the final Budget reports.

Fees & Charges

3.19 Fees and charges are assumed to increase by the standard inflation assumption of 2% each year. Details of fees and charges for 2011/12 will be presented to the relevant Cabinet Member Meetings (CMM) and onto Council where appropriate prior to Budget Council.

Timetabled fees and charges are as follows: -

Royal Pavilion and Museums	21 st September 2010
Adult Social Care	18 th October 2010
Environmental Health & licensing	18 th November 2010
Libraries and Venues	7 th December 2010
Environment	23 rd December 2010
CYPT	17 th January 2011

Expenditure Projections Update

Service Pressures

Pension fund triennial review

3.20 The East Sussex County Council Pension Fund announced the outcome of the triennial review on the 19th November 2010. The valuation as at 31/3/10 for the whole fund is 87.3% (compared to 88.9% at the last valuation in 2007). This is likely to place the fund within the top quartile of all LA funds. There has been a significant improvement within the last 12 months when the fund was a little over 70% funded. The performance of equities, the lower than expected pay increases and the change in uprating of pensions from RPI to CPI have been major factors in improving the outlook.

3.21 Brighton & Hove's share of the fund is 91% funded, which is the same as the valuation 3 years ago and an increase in the level above the average share of the fund. The factors helping this outcome are a continued scrutiny of early retirement decisions, negligible use of discretionary powers under the regulations, funding transfers at the point of any outsourcing decisions rather than waiting for the next valuation and aligning decision making and accountability.

3.22 The Council currently contributes 17% of payroll; the actuaries to the fund require an increase of 1% over the next 3 years as follows: -

2011/12	17.3%
2012/13	17.7%
2013/14	18.0%

- 3.23 The Medium Term Financial Strategy assumed an increase of 0.5% in 2011/12 equivalent to £0.65m to the General Fund; the reduced contribution rate will save approximately £0.21m.
- 3.24 The latest valuation does not take into account the recommendation of the interim Hutton Report to increase the employee pension contributions.

Concessionary Bus Fares

- 3.25 The government has consulted on changes to the way bus operators are compensated for loss of income and additional costs arising from the operation of the free concessionary fares scheme in England. The consultation finished on the 11 November and it is expected that changes will be introduced from 1 April 2011. The council is currently collecting relevant data to enable an estimate of the revised reimbursement payments to be made in time for the budget papers in February when the government should have confirmed the methodology that will need to be used by all English councils.

Main Service Pressures

- 3.26 The budget strategies included in appendix 2 incorporate service pressures and certain specific grant reductions of £9.76m above inflation that are being managed within the cash limits. The most significant pressures are included in the following table –

Table 2 – Main Service Pressures	£'m
Demographic growth in Adult Social Care clients (Physical disabilities, vulnerable older people, mental health and learning disabilities).	2.1
Increased Independent Foster Agency placements	1.6
Loss of LPSA reward grant funding core business (Env & S&G)	1.2
Reductions in Parking Penalty Charge Notices (PCN's)	0.7
Children's Residential Agency placements	0.5
Children's Area social work teams	0.5
Children's social services Legal costs	0.3

Savings

- 3.27 The proposals to date are based on the cash limits set by Cabinet in July 2010 and these are set out in the budget strategies.
- 3.28 A total savings package of £12.3m has been identified within the Budget Strategies, £4.9m through the VFM programme, £5.8m through efficiencies and other income and £1.6m through commissioning changes. Details of the savings proposals are shown in

appendix 2. CYPT have over achieved their savings target by £1.26m in preparation for managing potential reductions in specific grants. There are over and under achievements of savings across the remaining service areas that virtually balance to the cash limits overall.

- 3.29 All service areas have been asked to show how further reductions in their net budget could be achieved, consistent with the principles set out in para 3.12. This will provide members with further options to meet the revised funding gap after the Local Government Financial Settlement.

Staffing Implications

- 3.30 This paper provides the broad financial information required for the budget strategy and does not, at this time; attempt to set out the detailed staffing implications. It is planned to continue to discuss the strategy with colleagues across the organisation and their trades unions in order to fully develop our understanding of the likely impact for employees. This will then allow us to enter into meaningful formal consultation with the trades unions and staff.

- 3.31 In the meantime, we have taken the following action into to minimise the impact on continuing employment and avoid redundancies. That action includes:

- Controlling recruitment and only making permanent appointments in exceptional circumstances and when all other alternatives have been exhausted
- Holding any vacancies available internally to increase the opportunities for re-deployment
- Avoiding the use of interim or consultant appointments
- Limiting the use of temporary or agency resources

- 3.32 These measures will continue as we work with trades unions and colleagues on the detailed staffing implications.

Capital Programme

- 3.33 The 2010/11 capital programme is approximately 60% funded by resources from the government with the remainder largely coming from council borrowing, capital receipts and revenue contributions. The Spending Review has set out reductions in government funding for all government capital investment programmes of about 45% over the next 4 years.

- 3.34 It is not known at this stage how these reductions will impact on the level of government resources available for the city council. The

capital finance settlement is usually announced after the Local Government Finance Settlement shortly before Christmas. It is therefore unlikely to be available in time for this Cabinet meeting so details will be circulated separately as soon as the figures have been analysed. Reductions in funding had been anticipated so services have been planning future capital investment on the basis of significant reductions.

Housing Revenue Account

- 3.35 The latest HRA Budget projections as shown in appendix 2, take into account the financial position as at TBM month 6 and the required level of reserves. In setting this budget, officers have taken into account the required level of efficiency savings but also sought to maximise the level of resources available to invest in meeting the Decent Homes Standard.
- 3.36 The service has identified savings of £0.913 million, the equivalent of a 8.7% savings target which will be used to fund inflationary increases and service pressures. The HRA Budget projections assume a continuing increase in 'Negative Subsidy' resulting in the HRA paying an additional £0.170 million of resources to the government net of rental income increases and capital financing costs.

2011/12 Budget Timetable

- 3.37 The existing timetable means that scrutiny can review the proposals in this report plus any emerging themes at their December/January meetings. Proposals to meet the remaining budget gap will not be public until papers are despatched for 17th February Cabinet. Therefore an additional OSC meeting should be scheduled for around this time to review the proposals.
- 3.38 Timetable for the remaining budget papers.

2011	Council Taxbase	Cabinet	20 Jan
Feb 2011	General Fund Revenue Budget and Council Tax	Cabinet	17
Jan 2011	Housing Revenue Account	HMCC	24
Feb 2011	Capital Resources and Capital Investment	Cabinet	17 Feb 2011 Cabinet 17
	Budget Council		3 Mar 2011

4 CONSULTATION

- 5.5 The budget projections identify resources to help replace the reduction in government grants funding of certain crime and disorder initiatives.

Risk & Opportunity Management Implications:

- 5.6 There is considerable uncertainty about the council's resource position for 2011/12 and this will be reviewed following the Local Government Finance Settlement. The Council's final Budget proposals are required to include an assessment on the robustness of estimates and the adequacy of reserves. Relevant risk provisions in the 2011/12 budget will be considered as part of that final budget package presented in February 2011.

Corporate / Citywide Implications:

- 5.7 The report is relevant to the whole of the city.

6 EVALUATION OF ANY ALTERNATIVE OPTION(S)

- 6.1 The budget process allows all parties to put forward viable alternative budget and council tax proposals to Budget Council on 3 March. Budget Council has the opportunity to debate both the proposals put forward by Cabinet at the same time as any viable alternative proposals.

7 REASONS FOR REPORT RECOMMENDATIONS

- 7.1 The council is under a statutory duty to set its council tax and budget before 11 March each year. This report sets out the latest budget assumptions, process and timetable to meet its statutory duty.

SUPPORTING DOCUMENTATION

Appendices:

- 1. Specific grants transferring to formula grant.
- 2. Budget strategies and overall summary.

Documents in Members' Rooms

- 1. None

Background Documents

- 1. Files held within Strategic Finance and Financial Services sections.

Appendix 1

Specific Grants transferring to Formula Grant in the 2011/12 Local Government Finance settlement.

Grant	2010/11
	£'000
ABG Grants	
Supporting People	11,249
Economic Assessment Duty	65
Carers Grant	1,240
Child & Adolescent Mental Health	466
LSC Staff Transfer	301
Services for Children in Care	213
Child Death Review	27
ASC Workforce	689
LINKS	147
Preserved rights	1,596
Mental Health	819
Learning Disability Development Fund	232
Mental Capacity Act	145
Other Grants	
Concessionary Bus Fares	1,804
Social Care Reform	1,167
National Stroke Strategy	93
Aids Support	455
Total	20,708

APPENDIX 2 BUDGET STRATEGIES

Summary of Cash Limited Budgets

	Housing £'000	Culture & Enterprise £'000	CYPT £'000	Environment £'000	Finance & Resources £'000	Strategy & Governanc e £'000	Adult Social Care, LD & S75 £'000	General Fund Total £'000
2010/11 adjusted base budget	4,547	11,214	47,482	37,029	18,777	11,869	71,631	202,549
Inflation	25	119	727	452	183	124	1,143	2,773
Service Pressures	337	376	3,466	1,762	920	630	2,265	9,756
VFM programme savings			-2,019	-225	-1,107		-1,551	-4,902
Commissioning changes savings			-1,631					-1,631
Efficiency savings and additional income	-365	-111	-486	-2,065	-775	-582	-1,402	-5,786
2011/12 Budget Strategy	4,544	11,598	47,539	36,953	17,998	12,041	72,086	202,759
2011/12 Cash Limit	4,544	11,333	48,798	36,980	18,531	11,751	72,086	204,023
Surplus/ (-Shortfall)	0	-265	1,259	27	533	-290	0	1,264

HOUSING STRATEGY 2011/12 BUDGET PROPOSALS

Strategic Context and Direction of Travel

The citywide Housing Strategy has three overall priorities that reflect the basic housing needs of the city: improving housing supply; improving housing quality and improving housing support.

Successful action in the city over the last few years to enable the development of new affordable housing, prevent homelessness, develop housing options, provide housing-related support and improve housing quality in the private sector have helped to secure Brighton & Hove City Council as a lead authority, widely respected in working to address the needs of local people and the sub-region.

Strategic response to this context

The cash limit increase for Housing Strategy in 2011/12 is -0.1%. Grant reductions of 0.3% at national level for Supporting People Welfare Grant equate to £337,000 for Brighton & Hove. The Supporting People Programme has been successful in providing preventative support services to help vulnerable people live as independently as possible and deliver positive outcomes. In June 2010, CLG announced the in-year grant reduction of the Supporting People Administration Grant (£164,000) that covers the cost of administering the programme, which includes staffing and associated overhead costs. This grant loss has been absorbed across the Housing Strategy Division and there is no anticipated reduction in any current funding levels for any of our existing Supporting People services.

A Cost Benefit Analysis (based on a national model) of the Supporting People

Programme in Brighton and Hove indicated that for every £1.00 spend in the city on

Supporting People services, an average saving of £3.24 is achieved across other services and budgets. City-wide, Supporting People services generates a £36,600,000 net saving for the city for a spend of £11,200,000. The methodology is based on projected costs of alternative, appropriate support (such as housing and homelessness costs, costs related to crime and anti-social behaviour and costs to other statutory social care provision) if Supporting People services were not available.

Financial and Service pressures

The main financial and service pressures are shown in the following tables.

Table 1 – unavoidable service pressures which are dealt with as part of the budget strategy	2011/12 £'000
None – all managed within base budget	0
TOTAL	0

Table 2 - Service Pressures as a result of expected grant funding ending or reductions (dealt with as part of the budget strategy)	2011/12 £'000
Assumed 3% reduction in Supporting People Grant	337
TOTAL	337

Proposals for 2011/12 Budget: Main Service Areas

The following proposals will enable us to continue to commission and provide homelessness and housing-related support services that meet our strategic priorities as part of our Housing Strategy:

To renegotiate unit costs of temporary accommodation with providers that will enable us to continue to drive down the costs of these services.

To work with providers to identify efficiency savings and economies of scale through competitive tendering exercise in order to deliver positive outcomes within a reduced budget.

To re-commission and jointly commission services to enhance outcomes and deliver improved Value For Money.

It is proposed to:

- Offer longer term contracts (up to 5 years) to enable providers to deliver ongoing efficiency savings and Value For Money for the duration of contracts
- Jointly commission services to achieved higher levels of efficiency savings across different budgets and achieve economies of scale
- Renegotiate unit costs with providers to achieve improved Value For Money through regional benchmarking
- Re-commission services by undertaking a competitive tendering exercise with the aim of reducing the current number of providers to reduce administration costs in reviewing and monitoring Supporting People contracts

Key Impact & Risks:

Government changes to Local Housing Allowances (LHAs) and other welfare benefits may have an impact on housing affordability for residents on low incomes and benefit dependent in private rented sector accommodation. The likelihood and scale of impact is difficult to predict as private sector rents may adjust to compensate for changes to LHAs. Government has also indicated that any impact may be mitigated by specific homelessness grant provision. The position will be kept under review and will be closely monitored with alternative strategies and in-year recovery measures developed if necessary.

	Adjusted Base Budget 2010/11	Inflation	Service Pressures & reinvestment	VFM Programme Savings	Savings from Commissioning Changes	Efficiency Savings and Income above Inflation	Net Change in Budget to 2011/12
Main Service Area	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Housing Strategy	4,547	25	337	0	0	(365)	(3)
TOTAL	4,547	25	337	0	0	(365)	(3)

ADULT SOCIAL CARE & S75 PORTFOLIO 2011/12 BUDGET PROPOSALS**Strategic Context and Direction of Travel**

Adult Social Care is a statutory service and directly provides or commissions advice and support services for vulnerable adults in the City including disabled people, older people, people with learning disabilities, people with mental health problems, including dementia, and those with sensory loss. The services provided include a universal offer of advice and signposting through to support for independent living, re-ablement, safeguarding, equipment and adaptations, day options and residential and nursing care.

The context of our service and financial planning includes demographic growth in Learning Disability, Physical Disability and Older People users along with increasing complexity of needs and housing issues.

There are nationally driven reforms to adult social care including self directed support, personalisation of service provision and budgets and their impact on the use of a Resource Allocation System (RAS).

There are changes to provision of health services which have consequences for social care provision in particular reconfiguration of Acute Mental Health services.

The White paper "Equity & Excellence – Liberating the NHS" (12th July 2010) sets out the Government's ambitions to reform the NHS and prepare it for the future. This paper provides for a strengthened role for Local Government in joining up services across the NHS, public health and social care. The financial impact, funding arrangements and wider of this draft policy are still emerging.

The recent Department of Health publication "A Vision for Adult Social Care; Capable Communities and Active Citizens" sets the context for the future development of social care services; putting people, personalised services and outcomes centre stage. Funding proposals are expected to feature in the White Paper.

There remains significant uncertainty at a national level over long term funding arrangements for adult social care. The spending review confirmed that certain social care grants have been rolled into the formula grant and there will be additional funding in respect of Personal Social Services, these elements are expected to be confirmed in December 2010.

Our strategic response to this context includes:

The proposals are a continuation of the previous initiatives, linked with the three year Personalisation agenda and Value for Money programme:

- Achievement of Value for Money savings through Personalisation including Self Directed Support, Reablement and improved commissioning
- Reviewing our approach to S75 partnership arrangements and ensuring clear responsibilities and accountabilities.
- Improving performance and efficiency through technology, and better business processes, including e-monitoring of home care.
- Developing appropriate accommodation and support and maximising housing options.
- Maintaining income levels where possible by maximising benefits.
- Improving value for money more widely through collaboration, health partnerships, strong commissioning and alternative models of service delivery and developing joint initiatives including “Shared Lives”.
- Focusing on the prevention and well-being agenda and working collaboratively to deliver this.
- Building on the social capital in the City to reduce demand on mainstream services.

Financial and Service Pressures

The main financial pressures on the Directorate’s services are shown in tables 1 and 2 below:

Table 1 - Unavoidable service pressures which are dealt with as part of the budget strategy	2011/12 £'000
Adult Social Care	
Demographic Growth- Physical Disabilities- equivalent to 20 additional homecare service users	162
Demographic Growth- Learning Disabilities- equivalent to 21 transitions and 16 additional service users	1,514
Increase in Ordinary Residence Claims	96
Emergency Duty Service reconfiguration	88
Sub –total Adult Social Care	1,860
S75 Health Led : Provided through Sussex Partnership Foundation Trust (SPFT) and Sussex Community Trust (SCT)	
Demographic Growth Adult Mental Health equivalent of 19 service users	237
Demographic Growth Older People Mental Health equivalent of 9 service users	168
Sub –total S75 Health	405
TOTAL PRESSURES	2,265

Table 2 – Service Pressures as a result of grant funding coming to an end (dealt with as part of budget strategy)	2011/12 £'000
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Table 2 – Service Pressures as a result of grant funding coming to an end (dealt with as part of budget strategy)	2011/12 £'000
Adult Social Care & S75 – managed within budget	0
TOTAL GRANT PRESSURES	0

Grants

An exit strategy had been developed for the Living with Dementia Grant which is expected to end in 2010/11 and as a result there are no future commitments against this grant. The Social Care Reform Grant and the Stroke Strategy Grant are to be rolled into the formula grant and assumptions on the likely reduction of other specific and Area Based Grants have been managed within budgets. There are therefore no pressures resulting from grants included in this budget strategy.

Other Pressures

Unexpected pressures are arising including increases in expected ordinary residence claims following the deregistration of independent sector homes and potential increases in supported accommodation in the city.

These pressures require the directorate to find savings of £2,953,000 for this portfolio (or 4.1% of its net budget) to meet the target cash increase over 2010/11. These savings have been identified within this budget strategy.

Proposals for main savings

These proposals are set within the context of the personalisation of social care services across all service groups.

Value for Money Programme-Personalisation

Year 2 of the programme is expected to generate further savings of £1,551,000 through the approaches described below.

The shift in focus is that everyone who meets the council's eligibility criteria (critical and substantial) will initially, if appropriate, go through a period of support and intervention to promote independence before being allocated a Personal Budget (PB). Through the application of a Resource Allocation System (RAS), service users work with the authority to agree their assessed and eligible needs; these needs are then allocated a resource amount which the person then chooses how to spend, thereby giving more choice and control.

All new clients will be allocated a personal budget. In addition, those service users who receive community care will also move to personal budgets during the year as their needs are reviewed.

As a result savings can be made by individuals making more cost effective decisions about services which are more tailored to their needs, maximising individual benefits and other sources of income.

- **Re-ablement and Promoting Independence**

The future savings proposals are based on wider roll out of re-ablement and promoting independence services over the next few years. The financial sustainability model demonstrates that savings can be realised by applying this model to all people we work with including those that have needs that could be better met by further utilisation of technology (Telecare), aids and adaptations and re-skilling.

- **Workforce**

Traditional workforce models are not appropriate for a transformed social care service. New services will be based on co- production, this will be supported by the development of User Led Organisations (ULO's) that will assist people on options for support e.g. Personal Assistants. The redesign of services will focus our experienced staff on three key areas of assessment, personalisation and safeguarding.

Financial modelling of this new service design shows that a 10% reduction in costs can be made across the adult social care workforce. In 2011/12 it is anticipated that £400,000 could be achieved (included in the overall £1,551,000 value for money savings)

Commissioning Arrangements

Major joint commissioning strategies in relation to Short Term Services and Mental Health are underway. These are currently going through due process and development, with the Short Term Services proposals expected by April 2011 for implementation in year. The redesign of Mental Health Services is being taken forward jointly with the Primary Care Trust and Sussex Partnership Foundation Trust with a project plan in place. In addition, work needs to continue both within Adult Social Care and at a corporate level to develop social capital, realigning some prevention and low level support.

The above strategies will result in a fundamental market shift that will need careful management.

Better commissioning of services from independent sector providers will drive out efficiencies of £1,016,000 by cash limiting contract values with a below inflation increase and reviewing contract specifications and activity levels. This will enable us to achieve reductions in unit costs and bring spend in line with comparator authorities.

Section 75 Arrangements

A draft budget strategy and 3 year financial recovery plan is being developed under the current Section 75 arrangements with the Sussex Partnership NHS Trust (SPFT). This is work in progress and dialogue continues to ensure that any pressures and savings identified are agreed between BHCC and SPFT and embedded within a revised S75 agreement.

The draft budget strategy under the Section 75 arrangements with the Sussex Community Trust (SCT) is under discussion with commissioners

Learning Disabilities

Learning Disabilities services will contribute to the overall Value for Money and efficiency and other savings through the personalisation and Value for Money strategies.

Other savings

Better use of technology will deliver savings within homecare both for the in- house service through more effective rostering and e-monitoring for external providers.

Austerity measures will be put in place to reduce spend including minimising conference attendance and reviewing frequency of mandatory training.

It is anticipated these measures will generate combined savings of £386,000.

Key Risks:

Delivery of savings will be dependent on successful consultation with health partners, client representatives and staff groups. The scale of the savings and the changes to the model and funding of care are very significant. The change programme is planned to be well resourced and tightly monitored to ensure delivery.

Another key risk is maintaining the market stability whilst developing the market and the new service model. We need to ensure contracted services remain of good quality and are safe.

There are a range of complex assumptions that underpin the budget including demand for services and the impact of remodelling on costs.

Government policies on future charging and the vision for adult social care are still emerging.

2011/12 Budget proposals summary:

	Adjusted Base Budget 2010/11	Inflation	Service Pressures & reinvestment	VFM Programme Savings	Savings from Commissioning Changes	Efficiency Savings and Income above Inflation	Net Change in Budget to 2011/12
Main Service Area	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adult Social Care	36,170	568	162	(950)	0	(754)	(974)
Learning Disabilities	23,202	371	1,610	(601)	0	(359)	1,021
Section 75 (SPFT)	10,443	185	493	0	0	(251)	427
Section 75 (SCT)	1,816	19	0	0	0	(38)	(19)
TOTAL	71,631	1,143	2,265	(1,551)	0	(1,402)	455

HOUSING REVENUE ACCOUNT (HRA) BUDGET PROPOSALS 2011/12

Strategic Context and Direction of Travel

The HRA budget will be set within the context of the City's Housing Strategy and the overall aim of 'achieving excellence in housing management', by focusing on five core strategic priorities as detailed in the Housing Management Service Improvement Plan 2009 - 2012. These are:

1. Improve services to an excellent standard, with residents at the heart of everything we do
2. Improve the quality and sustainability of our homes and neighbourhoods
3. Deliver value for money services and maintain a sustainable 30 year HRA business plan
4. Make best use of our housing stock to address housing need
5. Ensure that social housing provides a platform for reducing inequality and creating opportunity

The budget strategy also reflects the priorities of tenants and leaseholders as a result of their close involvement in deciding how housing services are planned and delivered (as detailed in the Housing Management Annual Report 2010).

The HRA Budget will be developed to provide a balanced budget taking into account the HRA subsidy determination and other income and expenditure assumptions. The council's Medium Term Financial Strategy outlines an efficiency savings target for all services across the city of 4%. In setting this budget, officers have taken into account the required level of efficiency savings but also sought to maximise the level of resources available to invest in meeting the Decent Homes Standard.

Strategic Response in this Context:-

- Aligning our resources with the Housing Improvement Plan priorities through:
 - Reducing our management costs through phase 2 of the Customer Access of Review in recognition of the need to achieve greater value for money and to have a sustainable future
 - Continued investment in the Turning the Tide strategy to tackle antisocial behaviour and reduce social exclusion
 - Measures to tackle overcrowding through an enhanced housing options approach

- Engaging with residents on developing a local priorities framework
- An annual Housing Subsidy settlement which will result in a net transfer of resources to the government from the council. The Government has now announced its intention to use the Devolution and Localism Bill to abolish the current housing subsidy system, subject to Parliamentary approval. A new system of self financing is intended to come into effect from 1 April 2012. Under this system the council will no longer be required to transfer its resources to central government but in return will be required to take on additional housing debt at a level which is sustainable in the long term. This system will enable the council to plan for the longer term and to use some of the extra resources to maintain homes and possibly to build new ones.
- Lease properties to Brighton & Hove Seaside Community Homes, the housing company set up by the council to raise investment for improvements to council tenants' homes.
- Work with residents to ensure that the Council is able to respond to opportunities to generate renewable energy and maximise the level of revenue resources available to support the Decent Homes Programme.
- Continue the development of a comprehensive estates masterplan in partnership with tenant representatives to inform best use of our assets and identify opportunities to build new Council homes. The initial findings have identified development sites where there is the potential to build over 800 new homes over the next few years.

Financial and Service Pressures

Table 1 – unavoidable service pressures which are dealt with as part of the budget strategy	2011-12 £'000
Increase in Subsidy Payment to Government net of rent increase and capital financing	170
Leaseholder service charges income budget has been set at a greater level than the actual charges.	100
TOTAL	270

The service pressures for 2011/12 are £270,000, pay and inflationary increases are £610,000 which together result in an overall funding requirement of £880,000. These are funded by savings proposals of £913,000.

The level of revenue contributions to the programme is in line with the current HRA 3 year capital investment programme funding projections as well as the current HRA Business Plan projections to meet decency by 2013.

Approach to savings in 2011/12:

Housing Management has identified savings of £913,000 (equivalent to 8.6% savings target) in the following areas:

Housing Management

A reduction in the Housing Management unit costs will be achieved through a mixture of:

- A savings target of £263,000 from the implementation of the Customer Access Review in order to meet the management cost savings target included in the HRA 30 year Business Plan.
- A reduction in the miscellaneous fees and stationary budgets of £50,000 and a reduction in the support required from legal services and human resources resulting in a saving of £44,000.
- The shared use of Lavender Street Housing Office by CYPT will enable the HRA to share the running costs and provide savings of £90,000.

Property & Investment

Savings within Property & Investment will ensure that long term contracts continue to deliver value for money and some savings will also support the reduction in Housing Management unit costs. These savings include:

- A saving in employee costs of £130,000 from reduced pension liability costs associated with the transferring of staff to Mears under the Repairs, Refurbishment and Improvement Partnership.
- Deletion of a Water Engineer vacant post whose duties will be incorporated into an existing Health & Safety Manager role at a saving of £36,000.
- The budget strategy includes target savings of £300,000 for the new Mears responsive repairs and planned maintenance contract. The Mears IT systems provide savings through efficient booking of repairs jobs and delivery of 'Right First Time' repairs. In addition, the IT systems enable Mears to assess whether some repairs should form part of future planned works and through packaging works together further savings can be achieved. This sum also includes savings in the leasing of an office through co location at the Housing Centre.

Staffing Implications for the Directorate:

There are likely to be staffing implications arising from the outcome of the review of Customer Access. However, as this review and its implementation is not planned to be completed until October 2011, the detailed staffing implications are not yet known.