



London Borough of Hammersmith & Fulham

HOUSING HEALTH & ADULT SOCIAL CARE SELECT COMMITTEE

22 January 2013

TITLE OF REPORT

GENERAL FUND REVENUE BUDGET 2013/14

Report of the Executive Director of Finance and Corporate Governance

Open Report

Classification - For Scrutiny Review & Comment

Key Decision: Yes

Wards Affected: All

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1. EXECUTIVE SUMMARY

Cabinet will present their revenue budget and council tax proposals to Budget Council on 27th February 2013. As part of the budget process savings targets have been set for departments and transformation programmes. This report provides an update on how the targets will be met for the services covered by this select committee. An update is also provided on budget growth proposals and proposed changes in fees and charges.

2. RECOMMENDATIONS

That the Select Committee considers the efficiency and growth proposals and makes recommendations to Cabinet as appropriate.

3. BACKGROUND

- 3.1 Cabinet will be putting forward their recommendations for setting a balanced budget to Budget Council on 27th February 2013. A key part of the budget report will be the agreement of savings and growth proposals. An update is now given on the planned savings, identified to date, and any growth required. Proposals regarding fees and charges are also set out.

4. OVERVIEW

- 4.1 The 2013 Medium Term Financial Strategy (MTFS) process has been developed against an uncertain financial background:
- The local government finance system will significantly change following the resource review¹
 - The level of central government funding is hard to predict as actions are taken to reduce the national budget deficit
 - Structural changes continue to be made, such as new public health responsibilities and roll-out of the Academy programme.
- 4.2 A clearer position will emerge following the publication of the Local Government Finance Settlement. This was announced in late December but was not available to inform the preparation of this report. What is certain is that significant savings are required in 2013/14 and for future years.
- 4.3 In the absence of a firm financial forecast departments have been set savings targets which are underpinned by a number of budget assumptions. Namely:
- Inflation for contractors will be provided as set out in the agreements.
 - A general contingency for pay inflation has been held pending conclusions of the discussions with the trade unions.
 - Fees and charges will generally increase in line with the Retail Price Index (3.2% at November 2012) unless set by statute. Any proposed exceptions are set out in Appendix 2.
 - That central government funding made available to Hammersmith & Fulham will reduce by 8.9%. This is 2% more than the latest information on national spending control totals. A greater reduction is made because, as a grant 'floor' authority, Hammersmith & Fulham is likely to receive the maximum funding reduction possible for a London Borough.
 - Unavoidable growth is provided. This mainly relates to external pressures, such as the freedom pass, or demographic changes.
- 4.4 An updated presentation on the outcome of the local government finance settlement will be made prior to the consideration of this item at the select committee. This will include any cabinet recommendation on council tax levels.

¹ The resource review will include the implementation of the local business rates retention scheme, council tax localisation (ie a switch from the national council tax benefit scheme) and changes in a number of grant funding streams. Important elements of these changes are not yet confirmed.

5 GROWTH AND SAVINGS PROPOSALS

- 5.1 Scrutiny select committees are invited to consider and comment on the growth and savings proposals that fall within their remit. These are detailed in Appendix 1 for Adult Social Care (ASC) and Housing and Regeneration (HRD) Departments. An overview is set out below and comments by relevant Executive Directors provided in sections 4 and 5.

Growth

- 5.2 In the course of the budget process departments have identified areas where additional resources are required. These are summarised in Table 1 for 2013/14.

Table 1 Growth Proposals

	£000s
Adult Social Care	1,400
Childrens' Services	0
Environment Leisure & Residents' Services	380
Finance and Corporate Services	670
Housing & Regeneration Department	0
Transport & Technical Services	650
Total Growth	3,100

- 5.3 Table 2 summarises why budget growth is required for the Council.

Table 2 – Reasons for Budget Growth

	£'000s
Government Related	150
Other Public Bodies	900
Increase in demand/demographic	1,400
Realignment of budgets regarding one-off 2012/13 savings	500
Other	150
Total Growth	3,100

Savings

- 5.4 Departments and transformation programmes have been set savings targets of £22.2m for 2013/14. In bringing forward proposals to meet this challenge savings have been developed that:

- Look to protect front-line services
- Continue to focus on asset rationalisation to reduce accommodation costs and deliver debt reduction savings
- Build on previous practice of seeking to deliver the best possible service at the lowest possible cost.
- Consider thoroughly what benefits can be obtained from commercialisation and competition
- Continue a number of council wide transformation programmes to deliver cross-cutting savings. These include regeneration, customer access, transforming the way we do business and market management.
- Take forward collaborative working arrangements with the City of Westminster Council and Royal Borough of Kensington and Chelsea. Other shared service solutions will be taken forward as and when appropriate.
- Made best use of the NHS funding for social care.

5.5 The saving proposals put forward regarding this Select Committee are detailed in Appendix 1 and the overall 2013/14 position is summarised in Table 3. A categorisation of the savings is shown in Table 4.

Table 3 Savings Proposals

	£000s	% of Gross Savings
Adult Social Care	4,592	21%
Childrens' Services	4,353	20%
Environment Leisure & Residents' Services	1,290	6%
Finance and Corporate Services	1,952	9%
Housing & Regeneration Department	1,329	6%
Transport & Technical Services	2,679	12%
Corporate Items	4,851	21%
Transformation Savings	1,135	5%
Total Savings	22,181	100%

Table 4 - Analysis of the 2013/14 Savings

	£000s	% of Gross Savings
Tri-Borough/Bi-Borough	5,271	24%
Debt Reduction Strategy	2,036	9%
Staffing/ Productivity	2,079	9%
Commissioning	1,345	6%
Procurement/Market Testing	953	4%
Commercialisation/Income	2,645	12%
Transforming Business Portfolio	540	2%
Market Management Transformation Portfolio	2,495	12%
Customer Access Transformation Portfolio	716	3%
Reconfiguration/Rationalisation of Services	3,275	15%
People Portfolio	826	4%
Total	22,181	100%

6 COMMENTS OF THE TRI-BOROUGH EXECUTIVE DIRECTOR OF ADULT SOCIAL CARE ON THE BUDGET PROPOSALS

6.1 The efficiency and growth proposals for the Adult Social Care (ASC) Department are detailed in Appendix 1. ASC savings total £4.592m and account for 21% of the gross total savings and £1.4m is proposed as growth for ASC.

6.2 Through the creation of tri-borough services for ASC, the three boroughs expect to deliver savings of £10.95m by 2014/15. Savings will be delivered by combining services and the boroughs have or aim to have in place:

- A joint commissioning team led by a single executive director of adult social care, sharing support service costs and undertaking joint procurements (achieved from April 2012);
- A single integrated provider organisation combining adult social care and community health services (agreed by Cabinet); and
- The aim to further support health, GPs and the three councils

6.3 The Adult Social Care Services Tri-borough model, presented to each Council's Cabinet in June 2011, has been designed to maximise the contribution to be made to meet savings targets by:

- Reducing management, support service and overhead costs;
- Making more efficient use of shared resources;
- Procuring on a larger scale;
- Reducing duplication and costs through economies of scale; and
- Maintaining the ability for each Borough to specify its own service level

6.4 These changes are enormous but they only represent a partial picture of the changes happening in Adult Social Care. The number of people using our services continues to increase, bringing pressure to our budgets. The changes to welfare reforms may affect income from charges, depending on the level of housing costs. Personalising services (where service users can take as much control of their budget and care as they want to) has brought about some of the most significant changes in adult social care. Commissioning services is moving from monolithic block contracts to commissioning services which can be tailored to individuals and allows the service user more choice. At the same time, in-house provided services are being tendered out or social enterprises are being explored. Social care is integrating with health colleagues, whilst GPs will become commissioners of health services from 2013/14.

Saving Proposals

6.5 We need to ensure we maintain control over ASC's large and complex budgets during the changes set out above, whilst also reducing our cost base to meet each Council's budget target. The reduction in public sector expenditure as a result of the economic downturn has made the need to make further savings inevitable and deeper than previously experienced.

6.6 We are aiming to do this by a focus on better for less:

- Joint procurement across the boroughs which include procurement savings of £105,000 in placements and re-procuring supporting people contracts of £669,000 and joint Tri Borough tendering of meals services of £256,000
- Pay restraint by managing inflation request from providers of £200,000
- Remodelling and tendering out in-house services with the review of support planning of £120,000 and review of day services of £70,000.
- Enabling residents to remain in their own homes for as long as possible through advice and information (including improving the web offer), prevention initiatives, intensive reablement and a new home care offer focusing on flexible support and outcomes. For ASC, a significant saving of £360,000 is to provide alternative home support for placements for people with mental health conditions and learning disabilities.
- Integrating with our partner health providers Central London Community Healthcare (CLCH) with the aim to improve residents' experience of support, reducing duplication and increasing efficiencies. A significant measure for ASC is jointly managing demand to better gate keep clients into residential and nursing home. This is estimated to save £1.450m and by combining health and social care operational teams we estimate to save £150,000 in 2013/14 rising to £300,000 by 2014/15.
- A further drive to streamline the approach to personalisation across the Tri-borough by demand management for all aged people in placements and care packages saving £450,000
- Proposals will be to review the Council's Third sector contracts and reprioritise the investment fund and fast track budget with a proposed saving of £444,000.
- Benchmarking and bearing down on high unit costs;
- The application of technology so that more transactions can be performed on-line and more processes are streamlined; and
- Ensuring charges for services are set at appropriate levels.

Growth

- 6.7 The department has reviewed its demographic requirements and estimates for 2013/14 and is allocating £1.4m of growth for all client groups. As part of the MTFS Cabinet challenge process, the growth has been reduced by £1.182m due to the success of reablement and other initiatives to maintain people at home rather than in more costly settings.

Fees and Charges

- 6.8 It is proposed that there is no increase to the home care charge of £12 between 2012/13 and 2013/14. This is because savings are expected to be delivered in 2013/14 which will reduce the average home care unit cost. At this point, the charge will be reviewed again. The home care charge of £12 is compared with the average home care contract rate of £12.22.
- 6.9 In 2013/14, Hammersmith & Fulham will still be amongst the London Boroughs with the lowest contribution towards home care. Unlike nearly all other London Boroughs, a person's savings and property are not taken into account when assessing that person's ability to make a contribution to the cost of home care.
- 6.10 For meals on wheels, the price per meal is proposed to be increased from £4.30 to £4.50 in 2013/14 (an increase of 4.7% in line with inflation). The Meals Service is due to go out to tender in April 2013.

7 COMMENTS OF THE EXECUTIVE DIRECTOR OF HOUSING AND REGENERATION ON THE BUDGET PROPOSALS

- 7.1 The Council's recently adopted Housing Strategy identifies the need to both improve service quality and cost efficiency. The Housing and Regeneration Department (HRD) provides services funded by the Housing Revenue Account and by the General Fund, and the Housing Options Service is the most significant service component funded by the General Fund. In relation to the Housing Options Service the department has directed its resources to focus on achieving the challenge of delivering MTFS savings proposals whilst ensuring front-line services are maintained and enhanced, focusing especially on enabling the service to respond to the changes brought about by the advent of the Government's programme of Welfare Reform.
- 7.2 The MTFS process for 2013/14 has produced a General Fund budget reduction for HRD of (£801k). This movement is comprised of inflation of £471k, efficiencies of (£1,329k), zero growth, net movements relating to the Council's direction of travel of £18k, and an increase in the allocation of support costs and capital charges of £39k. The changes will leave a net general fund budget of £6,300k in 2013/14.

Efficiency Proposals

- 7.3 £1,117k of the £1,329k of efficiencies pertain to Housing Options, Skills & Economic Development, These are being achieved via: the second phase of the divisional restructure, the first and larger phase having been successfully implemented in 2012/13 (£240k); renegotiating the terms of Housing Association Direct Letting schemes thereby mitigating the Housing Benefit subsidy loss (£300k); reducing costs and financial risks associated with a temporary accommodation (TA) contract at Hamlet Gardens (£350k); commencing the phased withdrawal from Hamlet Gardens (£200k); and reorganising the Elderly Resettlement Service (£27k).
- 7.4 £112k of efficiencies arise from corporate transformation programmes and consist of : (£6k) from changes in working patterns, (£11k) from savings on Trade Union Convenors costs and a savings of (£95k) generated by the internships programme.
- 7.5 The remaining efficiencies arise from: reduction in the cost of services to the wider community provided by the Housing Revenue Account has produced a saving of (£79k) and a reallocation of the costs within HRD as a result of new management arrangements, roles and responsibilities (£21k).

Risks

- 7.6 The main risks within the HRD General Fund concern maintaining the supply of temporary accommodation (TA), minimising the possibility of a return to the large scale use of Bed & Breakfast accommodation (B&B), the prevention of homelessness and the financial viability of the service in the light of changes as a result of the Government's programme of Welfare Reform. A number of changes, individually and in combination, have the potential to impact upon the service. These are;
- the introduction of an overall cap on benefits (£500pw for families/£350pw for single people) from April 2013;
 - the introduction of Universal Credit, beginning in October 2013 and bringing with it direct payments to claimants;
 - changes to the subsidy system for temporary accommodation from April 2013;
 - the ongoing effects of Local Housing Allowances.

Each of these has the potential to lead to the loss of tenancies and hence to pressure on temporary accommodation costs.

- 7.7 The Housing Options, Skills & Economic Development division is currently implementing strategies to mitigate against these risks following Cabinet approval for funding to minimise the costs of Temporary Accommodation (TA) through the payment of incentives to Private Sector Landlords (£750k) and a project team (HB Assist) (£112k) to respond to the impact of benefit and subsidy changes. These include programmes to encourage and assist people into work. B&B is the least desirable and most costly form of TA and offering incentives to landlords at a potential cost of £750k is a spend-to-save initiative. The Housing

Benefits (HB) Assist team ensures a collaborative and co-ordinated housing response to the needs of households affected by benefit changes and seeks to procure alternative affordable accommodation.

- 7.8 The potential impact of adverse changes in Housing Benefit caps (Local Housing Allowance), other welfare reforms and changes to the temporary accommodation subsidy system is captured as a risk in the MTFS from 2013/14 as £3,490k rising in 2014/15 to circa £4.5m.

8 COMMENTS OF THE EXECUTIVE DIRECTOR OF FINANCE AND CORPORATE GOVERNANCE

8.1 This report sets out the current savings and growth proposals for comment by the select committee. An update on the overall financial position will be presented to the committee following the publication of the local government finance settlement. This will include:

- An update on reserves, balances and risks
- The latest position on government funding and the impact of the resource review
- Cabinet's recommendation on council tax levels.

8.2 The savings put forward of £22.2m are significant. They have been developed through a robust process of Cabinet and Business Board Challenge. Looking beyond 2013/14 the council will continue to face further funding reductions. The current forecast is that £50m of cumulative savings are likely to be required from 2013/14 to 2015/16.

8.3 The Executive Director of Finance and Corporate Governance is required to report on the robustness of the estimates made for the purposes of budget calculations and the adequacy of the proposed financial reserves. The Council must take these matters into account when making decisions about the budget calculations. These issues have underpinned the current MTFS process and will be addressed in the budget report to Budget Council.

9 CONSULTATION WITH NON DOMESTIC RATEPAYERS

9.1 In accordance with the Local Government Finance Act 1992, the Council is required to consult with Non Domestic Ratepayers on the budget proposals. The consultation can have no effect on the Business Rate, which is set by the government.

9.2 As with previous years, we have discharged this responsibility by writing to the twenty largest payers and the local Chamber of Commerce together with a copy of this report. Any comments will be reported at Cabinet.

10. COMMENTS OF THE DIRECTOR OF LEGAL AND DEMOCRATIC SERVICES

- 10.1 The Council is obliged to set the Council Tax and a balanced budget for the forthcoming financial year in accordance with the provisions set out in the body of the report.
- 10.2 In addition to the statutory provisions the Council must also comply with general public law requirements and in particular it must take into account all relevant matters, ignore irrelevant matters and act reasonably and for the public good when setting the Council Tax and budget.
- 10.3 The recommendations contained in the report have been prepared in line with these requirements.
- 10.4 Section 25 of the Local Government Act 2003, which came into force on 18 November 2003, requires the Executive Director of Finance and Corporate Governance to report on the robustness of the estimates made for the purposes of budget calculations and the adequacy of the proposed financial reserves. The Council must take these matters into account when making decisions about the budget calculations
- 10.5 A public authority must in, the exercise of its functions, comply with the requirements of the Equality Act 2010 and in particular section 149 (the Public Sector Equality Duty). Where specific budget proposals have a potential equalities impact these are considered and assessed by the relevant service as part of the final decision-making and implementation processes and changes made where appropriate. An Equality Impact Assessment (EIA) is attached at Appendix 3.

LOCAL GOVERNMENT ACT 2000
LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder file/copy	Department/ Location
	None		