

# LEEDS CITY COUNCIL 2007/08 BUDGET REPORT

## DEPARTMENT: SOCIAL SERVICES

### 1 Introduction

- 1.1 This briefing note has been produced in order to inform members of the Executive Board as to the main variations and factors influencing the department's budget for the Original Estimate (OE) 2007/08.
- 1.2 The figures for actual spend in 2005/06 and the latest estimate (LE) for 2006/07 have been included in the following table. Variations between the OE 2006/07 and the LE 2006/07 reflect approved variations in accordance with the Budget and Policy framework, the main change being the new accounting requirements in respect of capital charges outlined in section 3.4.1. below.
- 1.3 The Original Estimate, as in previous years has been prepared at outturn prices, and as such there is no central provision for pay and prices.
- 1.4 The 2006/07 budget reflected the second year of a challenging programme of service improvement and business reconfiguration. Although significant progress has been made, there has been some slippage. The 2007/08 budget is based on the continued implementation of the plans set out previously.

### 2 Summary of the Revenue Budget

Actual 2005/06		Original Estimate (OE) 06/07	Latest Estimate (LE) 06/07	Variation OE to LE 06/07		Original Estimate (OE) 07/08	Variation OE 06/07 to OE 07/08	
				£000	%		£000	%
308,829	Gross Expenditure	315,937	313,726	2,211Cr	1Cr	326,024	10,087	3
98,647Cr	Income	92,139Cr	94,528Cr	2,389Cr	3Cr	96,294Cr	4,155Cr	5Cr
210,182	Net Expenditure	223,798	219,198	4,600Cr	2Cr	229,730	5,932	3
855Cr	Charges to other Departments	1,243Cr	1,310Cr	67Cr	5Cr	1,219Cr	24	2
209,327	Net Cost of Service	222,555	217,888	4,667Cr	2Cr	228,511	5,956	3

After taking account of changes in respect of capital charges and the FRS17 pension adjustment, the increase in the net cost of service is £10,170k or 4.6% in 2007/08.

### 3. Explanation of Variations Between the Original Estimate 2006/07 and the Original Estimate 2007/08 (£5,956k)

3.1 The variation between the OE 2006/07 and the OE 2007/08 can be summarised as follows:

	<b>£000</b>
<b>Net Cost of Service – Original Estimate 2006/07</b>	<b>222,555</b>
Changes in prices	6,318
Other factors not affecting the level of service	2,343
Variations in charges for capital	2,780 Cr
Changes in service levels	3,351
Efficiency savings (cashable)	3,276 Cr
<b>Net Cost of Service - Original Estimate 2007/08</b>	<b>228,511</b>

#### 3.2 Changes in Prices

3.2.1 Provision of £2,787k has been included in the Original Estimate 2007/08 for the pay award from April 2006 at 2.5%. In addition, provision of £680k has been made for an increase in the employers' superannuation rate, partly offset by a reduction of £177k in respect of changes in National Insurance rates.

3.2.2 Price increases for 2007/08 are provided for at £4,577k. Of this, £2,793k relates to community care packages and £239k to other contracts for care services. Inflation provision of 559k has been made for the Joint Commissioning Service for People with Learning Disabilities and £680k is included in respect of children's placements. The remainder relates to various running expenses, although wherever possible these have been cash-limited. Provision has been made for a 2% increase on grants to voluntary organisations.

3.2.3 Increases in the level of fees, charges and income from other organisations are estimated to generate additional income of £1,549k. This includes £575k for income from other organisations, mainly in respect of Eastmoor Secure Unit and health-funded expenditure. Provision of £602k has been made to apply inflationary increases to charges to service users and a further £264k has been included in respect of Housing Benefit and Supporting People income.

#### 3.3 Other Factors not impacting upon the Level of Service

3.3.1 The authority is required to comply fully with accounting standard FRS 17 – Retirement Benefits. This means that the pension costs shown in service accounts are required to be the current service cost rather than the amounts actually paid out in relation to pensions during the year. The overall impact of this adjustment year on year is to reduce the net cost of service by £657k. There is no impact on Council Tax levels as the effect of the FRS17 adjustment is reversed by a contribution from the Pensions Reserve.

3.3.2 Within Children's Services, those aspects of the Children's Services Grant relating to social care have increased by £503k, mainly in respect of support for implementing Every Child Matters. Further adjustments have been made as part of the Residential Review; reduced expenditure of £302k reflects the full-year effect of a reduced number of residential places

and an additional £500k has been provided to enable staffing levels within children's homes to be improved to meet Commission for Social Care Inspection requirements and enable the use of agency staff and overtime to be reduced.

- 3.3.3 2007/08 is the second year of the 5-year Supporting People retraction plan to realign financial resources with the Supporting People Commissioning Body's strategic priorities. The retraction mainly affects learning disability services and provision has been made for a reduction of £600k in Supporting People income. The ongoing impact of being unable to fully address income reductions relating to expected efficiencies within Supporting People services amounts to £500k in 2007/08. Additional Supporting People income of £1,000k has been provided in respect of new projects within the Supporting People programme during 2007/08.
- 3.3.4 Provision has been made for an anticipated deficit of £981k for Roseville Enterprises in 2007/08 to reflect providing work opportunities for disabled people within the context of trading difficulties, particularly in respect of its door and window production. Work is ongoing with senior managers from Neighbourhoods and Housing to secure as high a level of orders as possible for Roseville and to review management arrangements.
- 3.3.5 The 2007/08 Budget reflects the ongoing impact of the service transformation programme. £763k is provided in respect of slippage in delivering savings on transport, although this is partly offset by efficiency savings set out in section 3.6 below. There have also been some delays in the review of meals service provision and associated charges to service users, but this is now planned for early 2007/08. Reduced expenditure of £600k in respect of adult day services reflects the reducing demand for the present building-based provision and the approach to reconfiguring day services that has been the subject of reports to Executive Board during 2006/07. Income from service users within adults services is reduced by £740k, mainly reflecting the full-year effect of eligibility reviews. Additional provision of £50k has been included to enhance respite provision for eligible service users following the reconfiguration of short breaks provision.
- 3.3.6 Within adult services, reduced expenditure of £800k is included to reflect the period of conversion from residential care facilities into extra care housing. Similarly, a reduction of £150k relates to utilising a residential home to provide a specialist resource for Elderly Mentally Ill service users in conjunction with the Leeds Mental Health Trust. Staff across adult services have been realigned to better reflect service requirements. This has led to an increase of £610k within learning disability services and a reduction of £850k in other adult services.
- 3.3.7 The directly provided home care service is in a transitional phase as it responds to the revised eligibility criteria implemented in April 2005 and the increasing focus on providing recovery and enablement services. In accordance with these changes, the housekeeping-only service is budgeted to cease on 31<sup>st</sup> March 2007. Savings included in the 2006/07 Budget have not been achieved to the extent anticipated and accordingly an additional £1,452k has been provided in the budget for the directly provided service. However, other efficiency savings have been identified within the community support service as set out in section 3.6 below.
- 3.3.8 Charges for corporate services have reduced across the Council, mainly in respect of new accounting requirements for capital set out in section 3.4.1 below, and there have been some changes across departments through using more appropriate bases for allocating the costs of these services. For Social Services there has been an increase of £919k in these charges, mainly in respect of ICT and Financial Services.

### **3.4 Variations to Capital**

- 3.4.1 Under new accounting requirements introduced in the 2006 SORP, the Departmental revenue charge for the use of assets will continue to include a charge for depreciation but will now no longer include a capital financing charge. The overall impact of this accounting adjustment is to decrease the net cost of service by £3,505k. There is no overall impact on Council Tax levels of this change as the corresponding credit entry in the Asset Management Revenue Account has also been removed.
- 3.4.2 Other capital charges have increased by £725k, mainly due to increases in the value of the asset base and charges in respect of ESCR and ESCR Financials.

### **3.5 Changes in Service Levels**

- 3.5.1 Additional provision of £1,622k has been made for children's placements in respect of higher financially-supported placement numbers and greater use of fee-paid carers to meet increasingly complex needs amongst Looked After Children.
- 3.5.2 Additional provision of £1,729k has been made for the Joint Commissioning Service for People with Learning Disabilities. This reflects ongoing demographic pressures, with an increasing number of service users with very complex needs requiring expensive packages of care.
- 3.5.3 Additional funding of £2,117k has been provided through the Partnerships for Older People Grant to provide enhancements to community based services, preventing unnecessary hospital admissions and inappropriate residential and nursing care placements. Increased funding of £710k has also been provided through the Assistive Technology Grant to develop the use of technology to enable vulnerable people to be supported longer and more effectively in their own homes.

### **3.6 Efficiency Savings**

- 3.6.1 Following the publication of the Gershon report on public sector efficiencies, in setting the budget the Council is required to identify actions to improve efficiency and quantify the expected gains. Cashable gains represent the potential to release savings in cash for other areas of spend; non cashable efficiencies relate to improved outputs or enhanced service quality for the same expenditure, efficiencies that achieve reductions in fees and charges to the public, and improvements to productive time (unless fewer staff are needed as a result). In terms of this department the following savings have been identified:

	<b>Nature of Saving</b>	<b>Cashable £000</b>
1.	Efficiency savings within staffing budgets, particularly in respect of agency and overtime usage	558
2.	Transfer of some community support services from direct provision into the independent sector	1,000
3.	Retendering and route rationalisation within transport services	450
4.	Efficiency savings through service delivery partnerships and joint appointments with the PCT in adult services	200
5.	Efficiencies through contract reviews of children's outside placements and learning disability care packages within the independent sector	700
6.	Efficiencies in the provision of contact services for Looked After Children	55
7.	Improved income collection	100
8.	More efficient energy usage	70
9.	Reduced office accommodation costs through rationalisation and more flexible working arrangements	50
10.	Efficiency savings from increased e-recruitment, particularly reduced advertising costs	93
	<b>TOTAL</b>	<b>3,276</b>

#### **4. Prudential Borrowing**

- 4.1 In addition to the above budget, provision of £134k has been made for the revenue implications of the approved prudential borrowing regarding the use of digital pen and paper technology within the community support service.

#### **5. Risk Assessment**

- 5.1 In determining the Social Services budget, consideration is given to all the risks and these are managed within the department's overall risk management framework. Within this framework a register of those items considered to carry the highest risk and therefore requiring careful and regular monitoring has been prepared.
- 5.2 One of the main ongoing areas of risk within the 2007/08 budget relates to front-line services of a demand-led nature. Whilst the budget is based on realistic demographic information, the nature of demand for these services can be somewhat volatile and the levels anticipated in the budget may be exceeded. This includes community care packages for adults, particularly those commissioned within the pooled budget for people with learning disabilities, and children's placements.
- 5.3 Further significant risks relate to the ongoing implementation of the service improvement and business reconfiguration programme within the Department and to Roseville Enterprises securing sufficient orders to achieve its budgeted income level.
- 5.4 Other noteworthy risks relate to the achievability of the budgeted efficiency savings set out in section 3.6.1 and to containing all reductions in Supporting People income within the provision outlined in section 3.3.3.

5.5 Detailed budget action plans have been prepared to mitigate these risks and further improvements to monitoring mechanisms will be made before 1<sup>st</sup> April 2007 to ensure that progress on planned actions and their financial impact can be effectively tracked.

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