

Overview and Scrutiny Committee

REPORT TITLE	Revenue Budget Pressures 2010/11		
KEY DECISIONS	Yes	Item No.	4
WARD	All		
CONTRIBUTORS	Executive Director for Resources		
CLASS	Part 1	DATE	21 October 2009

1. PURPOSE

- 1.1 The purpose of this report is to give Members the opportunity to offer views on the revenue budget pressures for 2010/11.

2. EXECUTIVE SUMMARY

- 2.1 This report sets out the revenue budget pressures for 2010/11. It seeks to allocate £960k to Directorates and considers how other pressures will be managed for 2010/11.

3. RECOMMENDATIONS

It is recommended that:

- 3.1 Subject to any comments Overview and Scrutiny and Public Accounts Committee make, the Mayor notes the potential allocation of resources to fund the following pressures in 2010/11:

Budget Pressures	Amount £'000
Community Education Lewisham	£250k
Development Control Income	£200k
Fostering Allowances	£50k
Pupil Numbers – SEN Transport	£100k
Safeguarding	£230k
Wavelengths	£130k
Total	£960k

- 3.2 That the other pressures be managed as described in this report with further information and recommendations as necessary to be included in the main 2010/11 Budget Report.
- 3.3 To note that there would potentially need to be a further allocation of £670k from Corporate Financial Provisions to the Children & Young People Directorate to support the budget pressure for Safeguarding in 2010/11, as set out in paragraph 5.1.6 of this report.

4. Policy Context

4.1 The Sustainable Community Strategy and Council priorities provide the policy framework for the Council's budget decisions. Placing both the Sustainable Community Strategy and Council priorities at the centre of the budget planning challenges services to more precisely define how their activity relates to the Borough's overarching strategic vision. This in turn enables the Council to pre-determine how changes in the way in which it deploys resources, might affect the capacity of services to deliver.

4.2 The six Sustainable Community Strategy priorities are as follows:

- Ambitious and achieving
- Safer
- Empowered and responsible
- Clean, green and liveable
- Healthy, active and enjoyable
- Dynamic and prosperous

4.3 The ten Council priorities are as follows:

- Community leadership and empowerment
- Young peoples achievement and involvement
- Clean, green and liveable
- Safety, security and visible presence
- Strengthening the local economy
- Decent homes for all
- Protection of children
- Caring for adults and older people
- Active healthy citizens
- Inspiring efficiency, effectiveness and equity

5. Budget Pressures for 2010/11

5.1 As part of the budget strategy each year, funds are set aside in the budget model for pressures. The Financial Survey 2010/15 identified a range of these budget pressures. For 2010/11, budget pressures have been reviewed by the Executive Director for Resources. It is recommended that a number of these pressures should be funded. These pressures amount to £960k in total.

Budget Pressures

Community Education Lewisham (Allocation of £250k)

5.1.1 It is likely that the Skills Funding Agency (SFA), which replaces the Learning Support Council, will reduce funding for non-accredited courses. Any announcement, is not expected until February 2010. If funding is reduced, then it is difficult to estimate by how much, but it is estimated that this could be in the region of £250k. The *Community Education Lewisham* service could manage some of this by reducing non-accredited courses, although the expected timing of the funding announcement makes this difficult.

Development Control (Allocation of £200k)

5.1.2 The shortfall in Development Control income for 2009/10 is nearly £500k, with the fall in the property market. This has been partially offset by releasing agency staff. On

current evidence, this pressure will continue into 2010/11, but the market is very uncertain. In any event, after allowing for recent movement in the housing market, the budget pressure in 2010/11 is estimated to be around £200k.

Fostering Allowances (Allocation of £50k)

- 5.1.3 Following the Judicial Review of allowances that the Borough pays to foster carers, together with its arrangements under kinship and Special Guardianship Orders, the extra spending pressures are now materialising. The annual cost for *Fostering Allowances* is currently forecast to be £400k. It is anticipated that £350k of this can be managed through use of existing budgets within Children & Young People Directorate, therefore, requiring a net allocation of £50k to ensure this pressure can be managed.

Pupil Numbers – SEN Transport (Allocation of £100k)

- 5.1.4 There is a growth in pupil numbers in schools which will have an impact on the Special Educational Needs (SEN) Transport budget. The cost will always be difficult to predict until the actual routes are known and the capacity within the existing system examined. The overall annual increase in all pupil numbers is averaging 5%, which equates to around 1,500 pupils. Assuming that this increase is proportionate to the number of SEN children, it would mean an increase in costs of £150k per annum, for the next five years. The current budget monitoring shows this is beginning to occur. It is anticipated that a third of these cases can be managed through a review in the Children & Young People Directorate, requiring a net allocation of £100k to alleviate this pressure.

Safeguarding (Allocation of £230k)

- 5.1.5 This is an increasingly sensitive time nationally for *Safeguarding*, to ensure that the risk of another Baby Peter case is minimised. This has already resulted in an increase in assessment activity and a subsequent increase in numbers of Looked after Children. Although work continues to ensure that the best use of scarce resources are made, there are currently an extra 11 children being cared for and the number of assessments are increasing. As a consequence, the number of assessments completed within seven days is falling. The number of contacts per month is on average about 100 (9%) higher than the same time last year. It is difficult to predict whether this trend will continue over the coming months and when it will eventually plateau.
- 5.1.6 In order to address these problems, increased effort is being made to recruit social workers. While the longer term cost is difficult to gauge, it is anticipated that the extra social workers will cost £300k next year and the extra placements, another £600k. These costs are already being incurred. It is anticipated, that through use of an existing corporate provision of £670k, and a further corporate allocation of £230k, this budget pressure can be managed effectively by the Children & Young People Directorate.

Wavelengths (Allocation of £130k)

- 5.1.7 The cost of the increased subsidy and contract fee following opening on the new pool is £130k per annum. This sum has been explicitly provided for in the Financial Survey.

Further Budget Pressures

- 5.2 Following the review of budget pressures within Directorates, it felt that there are a number of issues, which although difficult to quantify at this stage, could prove to be

quite significant. These budget pressures amount to approximately £3.520m. Officers are currently undertaking further work to fully assess these risks. The Executive Director for Resources intends to create a Risk Reserve as part of the 2010/11 budget, which will provide some resource for alleviating these emerging pressures.

Demographic Changes (Budget Pressure Risk of £970k)

- 5.2.1 This *Demographic Changes* pressure relates to the cost of young people aged 18-24 in transition from Children & Young People budgets. Additional net costs of £1m are estimated for 2010/11. These are the costs of young people who were formerly funded by the CYP Directorate, usually in high cost residential placements, who are transferring to adult budgets on or after their 18th birthday. They include clients with a learning disability and with a mental health problem.
- 5.2.2 Clients can come into care at any time in their lives. Based on previous experience a reasonable estimate would be:
- 5 high cost (£1,000 per week) residential placements per year - £250k
 - 5 lower cost (£200 per week) care packages per year - £50k
 - 1,500 domiciliary care packages growing by 6 minutes per week, at an average cost of £25 per hour - £190k
 - 67 new direct payments at an average of £207 per week, of which around a third are assumed to be for clients currently receiving another care package - £480k
 - Total - £970k
- 5.2.3 The demand is managed through review panels, and senior finance officers will attend more of these to test the decision making. These represent genuine demographic pressures faced by the service. However, the figures on direct payments are complicated. It appears to be the case that the system encourages new, Fair Access to Care Services eligible clients to apply, i.e. people who do not want a traditional Local Authority service, but are happy to apply for a simple financial payment.

Homeless Accommodation 16/17 year olds (Budget Pressure Risk of £800k)

- 5.2.4 The consequence of the Southwark judgement and how it should be applied is still being assessed. However, 16/17 year olds in *Homeless Accommodation* will have to be reassessed under the looked after children criteria. There are about 50 of these children. At this stage it is difficult to identify how many of this group will fall under Looked after Children and become the financial responsibility of children's social care rather than housing. With one case costing around £50k the impact could be considerable and be as much as a £1m. A number of London Boroughs are indicating the costs will be between £800k and £1m. Some of the costs of the judgement are currently being borne by the Customer Services Directorate. The figure above reflects that the judgement requires care expenditure to be undertaken that was previously not required and there will be a net pressure on the Council's overall budget.

ICT Contract (Budget Pressure Risk of £100k)

- 5.2.5 The main ICT Contract, presently with SunGard, is up for renewal in 2010/11. There is an option to extend for a further year and there may be an increased cost, based on the 2008/09 experience. The current estimate of the extra pressure in 2010/11 arising from this is £100k.

Pupil Numbers – Looked After Children (Budget Pressure Risk of £1m)

- 5.2.6 The child population is expected to increase by 5% per annum. If the number of *Looked After Children* increased proportionately this would create a budget pressure of a further £1m. It is suggested that this risk be managed in the Children & Young People Directorate, but with the capacity to call upon the Risk Reserve.

Transition (Budget Pressure Risk of £650k)

- 5.2.7 A net pressure of £650k has been identified for *Transition*. This is based on an assumption that 8 children will leave Children & Young People care at age 16-18 in 2010/11 and transfer directly into adult social care. Based on current costs, the average cost of these placements is £79.5k per annum, leading to a gross pressure of £635k. The full year effect of 2009/10 placements total a further £215k. These assumptions are considered realistic, and create a genuine demographic pressure on the Community Services Directorate. This is offset by making realistic mortality assumptions which result in a net pressure of £650k.

Budget Pressures to be contained

- 5.3 Following the review of budget pressures within Directorates, there are a number of other pressures which should be contained within the available resources of Directorates or managed in an appropriate way. The key budget pressures to be managed have been set out in the following paragraphs:

Bereavement Services

- 5.3.1 The need for capital works to meet statutory requirements relating to mercury abatement has been identified. Costs are currently estimated at between £0.75m and £1.5m. This is capital expenditure and should be considered along with other capital priorities.
- 5.3.2 In order to protect the income stream of £1.7m, however, further burial spaces are required as there is little ground still available for burials. The cost of these works is being refined (current estimate is between £30k and £300k).

Carbon Reduction

- 5.3.3 The Council will need to purchase carbon allowances on 1 April 2011 for the 2010/11 and 2011/12 financial years. The current best estimate of the cost is £600k over the two years, although this is fairly approximate at this stage. Some proposed amendments to the national scheme have just been announced, the impact of which has yet to be considered. In theory this is a one-off cost after which sales of carbon allowances may offset the need for future purchases. However, the scheme is structured such that allowances are not traded directly. Instead, they are given a value based on relative decrease in carbon footprint. This may work poorly for Lewisham, given its relatively low baseline as a result of previous good work, and so the pressure could become ongoing. This is a new cost arising from legislation, and could be managed by a one-off resource.

Environment

- 5.3.4 The *Environment* Division covers a range of services for waste management. There are a number of budget pressures which exist in the current year and these are likely to impact in 2010/11. Most notably, these pressures include increases in the cost of disposal of waste collected as a result of sorting and disposing of fly-tipping waste and

the cost of bulking, transportation and disposal of recycled materials. Further work is being undertaken on assessing the full impact of all budget pressures in Environment. Furthermore, officers are assessing the impact of the Waste Strategy investment in 2009/10. All of this work is expected to be concluded in the coming months, in time for proposals to be presented in the 2010/11 Budget Report in the new year.

Housing – Private Sector Leasing and Local Housing Allowance

- 5.3.5 The Council leases around 440 properties from the private sector under private sector leasing arrangements to support the housing stock. Before the introduction of Local Housing Allowances (LHA), the cost of payments to landlords was mostly offset by claiming full Housing Benefits for each property. Latest estimates show that the replacement of Housing benefits with LHA plus a management fee will cost the Council an additional £340k per annum. We do not yet have certainty over the level at which the LHA will be set. There may be some opportunities to manage this within the service, but only by reducing the housing offered, and it is not yet clear whether this would put us in breach of statutory obligations. This is a pressure arising directly from a change in legislation but can be contained within provisions previously established in the service for 2010/11. This issue would then need to be reconsidered in 2011/12 in the light of experience of operating the scheme.

Inflation in the Regeneration Directorate

- 5.3.6 The Regeneration Directorate has a number of services where its fees and charges, are set by statute. There are also issues pertaining the levels of rateable value. This all creates an inflationary pressure for the Directorate when a general level of inflation on income is assumed to be made. Overall, the inflation pressure in the Regeneration Directorate could be up to £400k. However, as with all other Directorates Regeneration is expected to contain these pressures, for example by proposing above inflation increases to other fees and charges or by vacating those buildings which are declared surplus to requirements more quickly.

Safe & Sound Project

- 5.3.7 Further staff have been required as recommended under the *Safe & Sound Project*. A Deputy Director's post has been created together with three support posts. The annual cost is expected to be £200k. These posts will support staff across all agencies to improve the quality of work with difficult families, and to improve even further the effectiveness and efficiency of our systems, decision making and implementation, as well as information sharing. These costs will need to be contained from within the Children & Young People Directorate.

Budget Pressures – Corporate

- 5.3.8 There are a number of corporate budget pressures that will need to be considered in setting the 2010/11 Budget. These include:
- Increase in the Employer's Contribution rate
 - Transfer of costs from the Housing Revenue Account to the General Fund, including the impact of reduced Service Level Agreements from Lewisham Homes
 - Increased levy from the London Pension Fund Authority
 - Increased cost of Concessionary Fares

- Fair Employment

5.3.9 These items, and others will need to be considered when the full Budget Report is presented in the new year.

6 LEGAL IMPLICATIONS

6.1 The Council is under a duty to set a balanced budget and must not knowingly budget for a deficit. The savings proposals in this paper identify the reductions that would help to meet this legal requirement in 2010/11.

7 HUMAN RESOURCE IMPLICATIONS

7.1 There are no human resources implications directly arising from this report.

8 FINANCIAL IMPLICATIONS

8.1 This report proposes the potential funding of budget pressures amounting £960k. It also considers potential emergent pressures of £3.520m, which could materialise in 2010/11. A report contained elsewhere on this agenda, sets out the revenue budget savings proposals for 2010/11.

9 CRIME AND DISORDER IMPLICATIONS

9.1 There are no crime and disorder implications directly arising from this report.

10 EQUALITIES IMPLICATIONS

10.1 There are no equalities implications directly arising from this report.

11 ENVIRONMENTAL IMPLICATIONS

11.1 The environmental implications are set out in the body of this report.

12 BACKGROUND PAPERS

Short Title	Date	File Location	Contact Officer
Financial Survey 2010/15	September 2009	1 st Floor, Town Hall, Corporate Resources	Selwyn Thompson

For more information on this report please contact:

David Gallie, Head of Corporate Resources (020 8314 9223) or
Selwyn Thompson – Group Manager, Budget Strategy (020 8314 6932)