CABINET

Venue: **Town Hall, Moorgate Street, Rotherham. S60 2TH**

Date: **Wednesday, 27 November 2013**

Time: **10.30 a.m.**

A G E N D A

1. Questions from Members of the Public

2. To determine if the following matters are to be considered under the categories suggested in accordance with the Local Government Act 1972.

3. To determine any item which the Chairman is of the opinion should be considered as a matter of urgency.

4. Declarations of Interest

5. Minutes of the previous meeting held on 6th November, 2013 (copy supplied separately)

6. Proposed Extension of Planned Places at Newman Special School for Children with Special Educational Needs (Pages 3 - 7)
   - Strategic Director for Children and Young People's Services to report.

7. Proposal to Expand Dalton Listerdale Junior and Infant School (Pages 8 - 12)
   - Strategic Director for Children and Young People's Services to report.

8. Governing Body Proposals to Close the Emotional and Behavioural Difficulties Unit at Rawmarsh Thorogate Junior and Infant School - Approval to Commence Statutory Consultation (Pages 13 - 15)
   - Strategic Director of Children and Young People's Services to report.

9. Mid Year Treasury Management and Prudential Indicators Monitoring 2013-14 (Pages 16 - 29)
   - Director of Finance to report.

10. Revenue Budget Monitoring for the period ending 30th September 2013 (Pages 30 - 41)
    - Director of Finance to report.

11. Integration Transformation Fund (Pages 42 - 80)
    - Strategic Director of Neighbourhoods and Adult Services to report.

12. Business Case to consider the Selective Licensing of Private Rented Accommodation in Rotherham (report herewith) (Pages 81 - 108)
    - Strategic Director of Neighbourhoods and Adult Services to report.

13. Housing Growth Report* (herewith) (Pages 109 - 125)
    - Strategic Director of Neighbourhoods and Adult Services to report.

Extra Item:-

13A - Payday Lenders (report herewith)
- Strategic Director of Environment and Development Services to report.

14. Exclusion of the Press and Public.
    The following items are likely to be considered in the absence of the press and public as being exempt under Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended March 2006) (information relating to the financial or business affairs).

15. Additional Long term Capital Loan Finance in support of the redevelopment of Nos. 25 - 29 High Street, 'The Three Cranes', and No. 29a High Street (report herewith)$ (Pages 132 - 134)
    - Director of Finance to report.

In accordance with Section (7) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 the Chairman of the Overview and Scrutiny Management Board has agreed that the item marked (*) contains a key decision which needs to be acted upon as a matter of urgency and which cannot be reasonably deferred (see notice attached)

In accordance with Section (7) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 the Chairman of the Overview and Scrutiny Management Board has agreed that the item marked ($) contains a decision which needs to be acted upon as a matter of urgency and which cannot be reasonably deferred (see notice attached)

Cabinet – 27th November, 2013

Take notice, in accordance with Regulation 10 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, that the following key decision is to be considered at the meeting without having provided the required 28 days' notice:-

- Housing Growth Report

  This report will enable the service to start the process as soon as possible so the right officer resources could be put in place. With the Council reintroducing the staff voluntary severance scheme and looking to make further budget cuts to services it is important new job opportunities are advertised along-side cuts, which will help staff make more informed decisions about their future.

  The report will also assist in the process of setting Council Housing capital budgets for next year and in aligning housing growth ambitions with this programme.

The Chair of the Overview and Scrutiny Management Board has been informed and is in agreement with the presentation of the report.

Jacqueline Collins,
Director of Legal and Democratic Services.

11th November, 2013.

<u>Cabinet Meeting – 27th November, 2013</u>

Take notice, in accordance with Regulation 5 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, that the following reports are to be considered in the private part of the meeting without having provided the required twenty-eight days' notice:-

- **Additional Long term Capital Loan Finance in support of the redevelopment of Nos. 25 - 29 High Street, 'The Three Cranes', and No. 29a High Street**

  An exemption under Paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part I of Schedule 12A of the Local Government Act 1972 is requested, as this report contains commercially sensitive information.

The Chair of the Overview and Scrutiny Management Board has agreed that this item is urgent and cannot reasonably be deferred.

Jacqueline Collins
Director of Legal and Democratic Services
18th November, 2013

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	**Meeting:**	**Cabinet**
2.	**Date:**	**27th November, 2013**
3.	**Title:**	**Proposed extension of planned places at Newman Special School for children with special educational needs**
4.	**Directorate:**	**Children and Young People's Services**

5. Summary

Further to the Green Paper: Support and Aspiration, and the Children and Families Bill, legislation will be forthcoming in 2014 to promote a new approach to special educational needs and disability (SEND) 0-25. It is intended, amongst other aims, to:

- ensure equal life chances; raise aspirations and improve attainment
- reform provision and significantly improve support to meet identified need
- empower young people and their families and to increase choice where this is not incompatible with the efficient use of resources or education of other children
- plan and commission support across education, health and social care.

In Rotherham, the findings of the Autism Spectrum Condition Scrutiny Review resulted in a number of recommendations for planning and developing specialist provision. One key outcome was:

- Proposals should be brought forward to build capacity locally, with the aim of keeping funding within Rotherham and reducing out of authority placements

Following the previous report to Cabinet on 18th September 2013 a pre-statutory consultation period has been undertaken. This report seeks Cabinet approval to commence statutory consultation by the posting of a public notice for a four week period. Should Cabinet approve the statutory consultation, a further report will be brought to Members detailing any representations made during this period and seeking a final determination on the proposals.

6. Recommendation:

- **It is recommended that statutory consultation should commence on the proposal to expand provision for children with SEN initially by 22 places from April 2014 and to 30 places from September 2014.**

7. Proposals and Details

The proposal to be considered and further consulted upon is:-

The ASC Scrutiny Review reported that the number of children and young people with a diagnosis of ASD is approximately 1:60 in the 0-19 age range. This is well above the regional and national range (1246 as at June 2012). Rotherham has a range of provision across the developmental continuum and the majority of children have their needs met within mainstream settings, attached resources or special schools for children with a significant learning difficulty. However, an analysis of placements, including out of authority placements, has concluded that there remains a gap in provision for:

- children and young people with significant and complex learning, social, emotional and communication needs
- children who may experience a neuro developmental condition (for example social and communication difficulties, ASC)
- children with a high social and emotional vulnerability including trauma, loss and unmet attachment and relationship needs
- children within the broad cognitive range from mainstream ability to mild moderate learning difficulties
- children who are highly likely to require on-going assessment and intervention from health services (CAMHS, therapy services) and social care/ early intervention and support
- children who are experiencing high levels of anxiety and are currently educated other than at school for example by parents or the LA’s home tuition service and where a gradual, supported reintegration into an appropriate peer group and environment is considered by all to be a positive next step forward

This also reflects feedback from families, schools and services. However, the proposed provision would not be exclusive to children who have a diagnosis of ASC.

It is proposed initially to expand the numbers on roll at Newman Special School from 90 to 110, an increase of 20 planned places for children with a Statement of Special Educational Needs naming that school in Part 4 of a Statement of SEN. In addition, it is proposed to offer 2 ‘assessment’ places (total = 22 places) for children who are not in receipt of a Statement of SEN but where professional advice indicates that the child / young person requires an immediate placement in specialist provision whilst a statutory education assessment is underway. Local Authorities can refer, exceptionally, to a specific provision within the 2002 SEN Code of Practice (Paragraph 7:3-2) where all involved, including parents/carers, are in agreement to proceed on this basis. Thereafter the provision will expand to accommodate 30 children.

It is proposed that the Head teacher of Rotherham's Milton Special School, a specialist school for Communication and Interaction, will be seconded as a consultant Head teacher for the equivalent of 3 days per week for 2 years working alongside the Head teacher of Newman Special School where the children with a Statement of SEN would be on roll. It is proposed that there will be a high adult: pupil ratio together with targeted involvement of a multi-disciplinary team including educational psychologists, speech and language therapists and mental health / youth workers. Children and young people may benefit from established links to mainstream schools and to post 16 pathways and options. It is anticipated that this provision will work closely with other local provision for vulnerable children, including those with ASC, and provide a resource for other teaching, support staff and staff in Local Authority support services.

8. Finance

It is proposed to modify 'the Bridge' building adjacent to Newman Special School which will become vacant as a result of the restructure of Alternative Provision. There is no requirement for a significant capital build project however internal and external refurbishment and modification will be required to create an environment suitable to meet the needs of our vulnerable children and young people with significant and complex learning, social, emotional and communication needs.

It is proposed that there will be 4 separate teaching and learning groups: one aged 10-12 years; two aged 12-16 and one aged 16+. In addition, there will be other required spaces for individual and smaller group withdrawal to deliver targeted, bespoke programmes and therapeutic intervention. The environment will need to be developed further in conjunction with the CYPS Capital Project Team, Architects and the school. A site survey has been completed and it is estimated that £150k from Capital maintenance budget (allocated to CYPS from the Department for Education DfE) will be required for the refurbishment project.

Funding for the operation of the provision will be under the DfE revised funding arrangements for education which came into effect from 1st April 2013. There will be an allocation of £10k per planned place, plus Element 3 top up funding per child at an agreed rate, from the High Needs Block budget. It should be noted that this will be a delegated budget which will be managed by Newman School and Governing Body.

The funding will form part of the School delegated budget as such the management of the school budget will continue to be in accordance with Rotherham School Finance Regulations.

It is anticipated that the development of this provision will realise savings on out of authority expenditure and improve the local offer within Rotherham.

9. Risks and Uncertainties

There are always risks and uncertainties when school place provision is considered since future pupil numbers are based on a combination of current knowledge of needs, gaps in provision and estimations of future need. Local Authorities however are obliged to provide sufficient places, promote diversity and increase parental choice.

The timetable for a pre-statutory and statutory phase is set out below. Formal objections may be lodged during the representation period following the publication of the statutory notice. A final decision should be determined by the Decision Maker within 2 months from the end of the representation period. If this fails to be done, then the matter is referred to the Schools Adjudicator for decision.

10. Policy and Performance Agenda Implications

The major theme supported by the proposal is 'to ensure that everyone has access to skills, knowledge and information to enable them to play their part in society'.

The proposal meets the aims of Transforming Rotherham Learning and the Rotherham Mission for all its children and young people. The proposal has the support of representatives from Learners First who are working in conjunction with Local Authority Officers and an external consultant to finalise a review of specialist provision in Rotherham.

11. Background Papers and Consultation

Consultation meetings have been undertaken with the Governing Body of Newman Special School and representatives from Milton Special School. Meetings have been undertaken with Staff and Union Representatives at the School and Parents, Carers and Siblings of pupils attending Newman School. Attendees at the meetings confirmed their support for the expansion proposals and the Authority's intention to commence Statutory Consultation. Agreement to proceed has also been received from the 5 head teachers of Rotherham's 6 Special Schools in Rotherham and a sub group of the Inclusion Strategic Steering Group which was set up to review alternative provision and complex needs provision in Rotherham. Governors at Milton Special School have confirmed their agreement.

Consultation has also been undertaken with all School Governing Bodies within the Borough, All Borough Elected Members and the three local Members of Parliament. No concerns or objections to the proposals have been received.

Consultation timeline for the proposed expansion:

Members to agree to consultation Pre statutory consultation period	18th September 2013
Report to Members seeking approval to proceed to Statutory Consultation phase	27th November 2013
Publication of statutory notices	6th December 2013
4 week period for representations and objections closes	3rd January 2014
Members to determine LA decision	15th January 2014
Implementation	28th April 2014

There are no other linked proposals to consider.

12 Contact Name

Helen Barre (Service Lead - School Admissions, Organisation and SEN Assessment Service)
Tel: Extension – 22656
Email: Helen.barre@rotherham.gov.uk

Dean Fenton (Principal Officer – School Organisation SAO SENAS)
Tel: Extension – 54821
Email: dean.fenton@rotherham.gov.uk

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	**Meeting:**	**Cabinet**
2.	**Date:**	**27th November, 2013**
3.	**Title:**	**Proposed expansion of Dalton Listerdale Junior and Infant School**
4.	**Directorate:**	**Children and Young People's Services**

5. Summary

Pupil numbers are increasing in the Central and surrounding area of the Authority. There is increasing pressure on school places due to the numbers of pupils and it is necessary to increase the number of school places in the area. Following pre Statutory and Statutory consultation periods, this report seeks a final determination by Cabinet in relation to the proposal to expand Dalton Listerdale Junior and Infant School from a Published Admission Number (PAN) of 30 to 45 in FS2 / Reception from 1st September 2014 and subsequent FS2 / Reception cohorts thereafter by expansion of the school premises.

6. Recommendations:

It is recommended that following Cabinet consideration of representations received by the Strategic Director of Children and Young People's Services that:

The proposal to expand Dalton Listerdale Junior and Infant School from a Published Admission Number (PAN) of 30 – 45 in FS2 / Reception from 1st September 2014 on a permanent basis and, subsequent FS2 / Reception cohorts thereafter, be approved.

The Secretary of State for Education be informed accordingly by the School Admissions, Organisation and SEN Assessment Service.

7. Proposals and Details

It is proposed to expand the numbers on roll at Dalton Listerdale Junior and Infant School from 1st September 2014 in FS2 / Reception and subsequent FS2 / Reception cohorts thereafter. The school's current NET capacity will be increased from 210 to 315 by the addition of 4 additional permanent teaching and learning spaces. The school would be expanded in order to accommodate an eventual 45 children per statutory year group (45 x 7 = 315 places) rather than its current capacity of 30 x 7 = 210 places. The school would have a published admission number (PAN) of 45. The full expansion will be completed in one phase to achieve economy of scale and minimise disruption to the school.

The school currently accommodates 30 FS1 pupils part-time (15 FTE) and it is proposed to increase the number to 46 FS1 part time (23 FTE). The impact locally has been assessed by the Early Years Service.

SCHOOL: DALTON LISTERDALE JUNIOR & INFANT SCHOOL

Admission Number: 30 (45)
Net Capacity: 206 (315)

Pupil Numbers for the last 10 years (as at School Census date in January):

Year	R	Y1	Y2	Y3	Y4	Y5	Y6	TOTAL
02/03	28	31	30	29	34	38	36	226
03/04	28	30	30	30	30	35	39	222
04/05	26	30	30	30	30	30	35	211
05/06	19	28	28	30	30	31	30	196
06/07	30	20	30	28	33	31	32	204
07/08	29	30	21	28	30	34	33	205
08/09	30	29	30	21	28	30	30	198
09/10	30	30	30	31	23	30	29	203
10/11	30	30	30	30	32	24	30	206
11/12	31	31	30	32	29	33	25	211

Pupil Numbers for the October 2013 School Census and future projections:

	REC	Y1	Y2	Y3	Y4	Y5	Y6	TOTALS
12/13	30	31	30	31	32	30	33	217
13/14	30	30	31	30	31	32	30	214
14/15	30(45)	30	30	31	30	31	32	214(229)
15/16	30(45)	30(45)	30	30	31	30	31	212(242)
16/17	30(45)	30(45)	30(45)	30	30	31	30	211(256)
17/18	30(45)	30(45)	30(45)	30(45)	30	31	30	211(271)
18/19	30(45)	30(45)	30(45)	30(45)	30(45)	30	30	210(285)

8. Finance

The capital cost of the building project is currently estimated at £1m. This will provide four more teaching and learning spaces and other required spaces to be developed further in conjunction with the CYPS Capital Project Team, Architects and the school. Funding for the project is from the Basic Need funding allocated to the Authority from the DfE. Basic Needs funding is provided for the provision of sufficient school places.

It is proposed that the school will be expanded with effect from 1st September 2014 in FS2 / Reception and subsequent FS2 / Reception cohorts thereafter and, will operate with four more teaching and learning spaces than currently. It is anticipated that parents will apply for places prior to the expansion and that numbers on roll will increase from September 2014 onwards.

The School will need to plan for the expansion and appoint additional teaching and non-teaching staff for the additional FS2 / Reception cohort. Funding for the additional staffing will be generated as a result of the additional pupils on roll and will be part of the school's annual budget. However, in the first year of operation, as the pupils will not be on roll in time for the school's budget to be allocated for 2014/15, additional funding will need to be requested from the Contingency for Pupil Growth Fund to cover the 7/12 funding gap via the Rotherham Schools' Forum.

9. Risks and Uncertainties

There are always risks and uncertainties when school place provision is considered since future pupil numbers are based on estimations. Over provision at one school could influence pupil numbers at other schools. Local Authorities are obliged, however, to provide sufficient places, promote diversity and increase parental preference.

A final decision should be determined by Cabinet within 2 months from the end of the representation period. If this fails to be done, then the matter is referred to the Schools Adjudicator for decision.

10. Policy and Performance Agenda Implications

The major theme supported by the proposal is ‘to ensure that everyone has access to skills, knowledge and information to enable them to play their part in society’. It is likely that the expansion would enable more parents to access their first preference school for their child and, therefore, increase that performance indicator.

11. Background Papers and Consultation

Consultation has been undertaken with the Governing Body of Dalton Listerdale Junior and Infant school, Staff and Trade Unions, Parents (families), local Councillors, any local Parish Councils and the local MP.

Additionally consultation has also been undertaken with the Governing bodies of any other school that may be affected plus the Diocese of any school likely to be affected.

Consultation timeline

Cabinet Member agreed to consultation	22nd May 2013
Pre statutory consultation period Commences including meetings with governors, Staff and parents etc.	
Report to Cabinet Member	24th July 2013
Publication of statutory notices	13th September 2013
4 week period for representations and objections closes	11th October 2013
Cabinet decision	27th November 2013
Implementation	1st September 2014

There are no other linked proposals to consider.

12 Contact Name

Helen Barre (Service Lead - School Admissions, Organisation and SEN Assessment Service)
Tel: Extension – 22656
Email: Helen.barre@rotherham.gov.uk

Dean Fenton (Principal Officer - School Organisation and Risk Management)
Tel: Extension – 54821
Email: dean.fenton@rotherham.gov.uk

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	**Meeting:**	**Cabinet**
2.	**Date:**	**27th November 2013**
3.	**Title:**	**Proposal to close the Emotional and Behavioural Difficulties Unit at Thorogate Junior and Infant School**
4.	**Directorate:**	**Children and Young People's Services**

5. Summary

The Governing Body at Thorogate Junior and Infant School have requested that the current Emotional and Behavioural Difficulties (EBD) Unit be closed and relocated elsewhere within the Borough.

Following pre statutory consultation on the proposals, this report seeks approval to commence statutory consultation by the posting of a public notice for a 6 week period on proposals to formally close the Thorogate EBD Unit.

6. Recommendation:

It is recommended that Statutory Consultation on proposals to close Thorogate Junior and Infant School's attached Emotional and Behavioural Difficulties Unit should commence and that a further report be brought to Members with details of the outcome of that consultation.

7. Proposals and Details

The Governing Body at Thorogate Junior and Infant School have requested that the Local Authority should commence due process to formally close the Emotional and Behavioural Difficulties (EBD) Unit attached to the School.

Following discussions with the Department for Education (DfE), the closure of an EBD Unit attached to a School is classed as a ‘prescribed alteration’ under the School Organisation (Prescribed Alterations to Maintained Schools) (England) Regulations 2007. It is therefore necessary to consult on the proposals including a 6 week representation period prior to implementation.

Should pupils be relocated to an alternative location prior to formal closure, the Governing Body have been informed that they will remain the accountable body until formal closure is approved under the requirements of the above Regulations.

8. Finance

Although there are no cost implications to this proposal, the Local Authority will need to establish a new provision as part of the restructuring of PRU provision within the Borough.

9. Risks and Uncertainties

There are always risks and uncertainties when school place provision is considered since future numbers are based on estimations. Local Authorities are obliged, however, to provide sufficient places, promote diversity and increase parental choice. The current Thorogate Unit is full and there is a need to establish replacement provision.

If the Local Authority proceeds to the statutory phase of consultation, then formal objections may be lodged during the six week representation period following the publication of the statutory notice. A final decision should be determined by Cabinet within 2 months from the end of the representation period. If this fails to be done, then the matter is referred to the Schools Adjudicator for decision.

10. Policy and Performance Agenda Implications

The major theme supported by the proposal is ‘to ensure that everyone has access to skills, knowledge and information to enable them to play their part in society’.

11. Background Papers and Consultation

Consultation meetings and correspondence have been undertaken with the following: The Governing Body for Thorogate Junior and Infant School, Staff and Trade Unions, Parents / Carers , all Borough Councillors and Rotherham MPs.

Additionally, Consultation via correspondence has been undertaken with the Governing bodies of all schools in the Borough.

If the proposal was to progress to the statutory phase then the timetable would be as shown below:

Request formal approval to commence pre statutory consultation on the proposals	18th September 2013
Report to Cabinet on the outcome of Pre Statutory Consultation and request permission to progress to Statutory consultation phase	27th November 2013
Public notice period commences	6th December 2013
End of Public notice period	17th January 2014
Cabinet decision on the proposals following consideration of representations	January / February 2014
Implementation	Following approval January / February 2014

12 Contact Name

Helen Barre (Service Lead - School Admissions, Organisation and SEN Assessment Service)
Ext 22656 Helen.barre@rotherham.gov.uk

Dean Fenton (Principal Officer – School Organisation and Risk Management)
Ext 54821 Dean.fenton@rotherham.gov.uk

Agenda Item 9

ROTHERHAM BOROUGH COUNCIL – REPORT TO CABINET

1.	Meeting:	**Cabinet**
2.	Date:	**27 November 2013**
3.	Title:	**Mid Year Treasury Management and Prudential Indicators Monitoring Report 2013/14**
4.	Directorate:	**Resources**

5. Summary

Revisions to the regulatory framework of treasury management during 2009 introduced a requirement that the Council receive a mid year treasury review, in addition to the forward looking annual treasury strategy and backward looking annual treasury report required previously.

This report meets that revised requirement. It also incorporates the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's prudential indicators (PIs).

The report is structured to highlight the key changes to the Council's capital activity (the PIs), the economic outlook and the actual and proposed treasury management activity (borrowing and investment).

6. Recommendations

Cabinet is asked to:

1. **Note the report and the treasury activity; and**
2. **Recommend Council approve the changes to the 2013/14 prudential indicators**.

7. Proposals and Details

The Director of Financial Services has delegated authority to carry out treasury management activities on behalf of the Council and this report is produced in order to comply with the CIPFA Code of Practice in respect of Treasury Management in Local Authorities and the “Prudential Code”.

8. Finance

Treasury Management forms an integral part of the Council’s overall financial arrangements.

The assumptions supporting the capital financing budget for 2013/14 and for future years covered by the Council’s MTFS were reviewed in light of economic and financial conditions and the future years’ capital programme.

The Treasury Management and Investment Strategy is not forecast to have any further revenue consequences other than those identified and planned for in both the Council’s 2013/14 Revenue Budget and approved MTFS.

9. Risks and Uncertainties

Regular monitoring will ensure that risks and uncertainties are addressed at an early stage and hence kept to a minimum.

10. Policy and Performance Agenda Implications

Effective treasury management will assist in delivering the Council’s policy and performance agenda.

11. Background Papers and Consultation

Audit Committee - 30 October 2013
CIPFA Code of Practice for Treasury Management in Local Authorities
Local Government Act 2003
CIPFA “Prudential Code”

Contact Name: Derek Gaffney, Chief Accountant, ext 7422005 or 22005
derek.gaffney@rotherham.gov.uk

Appendix

Mid Year Prudential Indicators and Treasury Management Monitoring Report

1. Introduction and Background to the Report

1.1 Revisions to the regulatory framework of treasury management during 2009 introduced a requirement that the Council receive a mid year treasury review, in addition to the forward looking annual treasury strategy and backward looking annual treasury report required previously.

1.2 This report meets that revised requirement. It also incorporates the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's prudential indicators (PIs). The Treasury Strategy and PIs were previously reported to Audit Committee and Cabinet in February 2013 and approved by Council on 6 March 2013.

1.3 The Council's revised capital expenditure plans (Section 2.2 of this report) and the impact of these revised plans on its financing are set out in Section 2.3. The Council's capital spend plans provide a framework for the subsequent treasury management activity. Section 3 onwards sets out the impact of the revised plans on the Council's treasury management indicators.

1.4 The underlying purpose of the report supports the objective in the revised CIPFA Code of Practice on Treasury Management and the CLG Investment Guidance. These state that Members receive and adequately scrutinise the treasury management service.

1.5 The underlying economic and financial environment remains difficult for the Council, foremost being the improving, but still challenging, concerns over investment counterparty risk. This background encourages the Council to continue maintaining investments short term and with high quality counterparties. The downside of such a policy is that investment returns remain low.

1.6 The Director of Financial Services can report that the basis of the treasury management strategy, the investment strategy and the PIs are not materially changed from that set out in the approved Treasury Management Strategy (March 2013).

2. Key Prudential Indicators

2.1. This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the PIs and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

2.2 **Capital Expenditure (PI)**

2.2.1 This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget. The revised estimate reflects the latest position in the 2013/14 capital monitoring report presented to Cabinet on 16 October 2013

.

Capital Expenditure by Service	**2013/14 Original Estimate £m**	**2013/14 Revised Estimate £m**
Children & Young People's Services	9.906	20.493
Environmental & Development Services	16.954	25.536
Neighbourhoods & Adult Services – Non-HRA	3.419	4.292
Resources	1.260	2.280
Total Non-HRA	**31.539**	**52.601**
Neighbourhoods & Adult Services – HRA	30.228	32.307
Total HRA	**30.228**	**32.307**
Total	**61.767**	**84.908**

2.3 **Impact of Capital Expenditure Plans**

2.3.1 **Changes to the Financing of the Capital Programme**

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the expected financing arrangements of this capital expenditure.

Capital Expenditure	**2013/14 Original Estimate £m**	**2013/14 Revised Estimate £m**
Total spend	61.767	84.908
Financed by:		
Capital receipts	1.412	1.775
Capital grants, capital contributions & other sources of capital funding	51.599	69.154
Borrowing Need	8.756	13.979
Total Financing	**61.767**	**84.908**
Supported Borrowing	0.188	0.000
Unsupported Borrowing	8.568	13.979
Borrowing Need	**8.756**	**13.979**

The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

2.3.2 As reported to Audit Committee in July 2013 actual expenditure financed by borrowing in 2012/13 was £7.643m less than anticipated. The increase in borrowing need for 2013/14 therefore reflects both the re-profiling of projects within the approved capital programme and new approvals.

2.3.3 **Changes to the Capital Financing Requirement (PI), External Debt and the Operational Boundary (PI)**

The table below shows the CFR, which is the underlying external need to borrow for a capital purpose. It also shows the expected debt position over the period. This is termed the Operational Boundary which was set at the beginning of the financial year at £602.844m.

2.3.4 **Prudential Indicators – Capital Financing Requirement & External Debt / the Operational Boundary**

In addition to showing the underlying need to borrow, the Council's CFR has since 2009/10, also included other long term liabilities which have been brought on balance sheet, for example, PFI schemes and finance lease assets. No borrowing is actually required against these schemes as a borrowing facility is already included in the contract. The estimate for 2013/14 does not require any revision as there is no change in the borrowing need from such arrangements.

2.3.5 As actual capital expenditure financed by borrowing in 2012/13 was £7.643m less than anticipated this resulted in an overall year-end CFR of £755.036m compared to the £762.679m estimated. Whilst the revised CFR for 2013/14 of £756.960m is less than originally estimated (£759.101m) the figure represents an increase of £1.924m when compared to the 2012/13 year-end position.

RMBC	2013/14 Original Estimate £m	Current Position £m	2013/14 Revised Estimate £m
Prudential Indicator – Capital Financing Requirement			
CFR – Non Housing	324.737		322.596
CFR – Housing	306.959		306.959
Total CFR excluding PFI, finance leases and similar arrangements	631.696		629.555
Net movement in CFR	-1.645		3.857
Cumulative adjustment for PFI, finance leases and similar arrangements	127.405		127.405
Net movement in CFR	-1.933		-1.933
Total CFR including PFI, finance leases and similar arrangements	759.101		756.960
Net movement in overall CFR	-3.578		1.924
Prudential Indicator – External Debt / the Operational Boundary			
Borrowing	475.439	487.301	490.020
Other long term liabilities*	127.405	127.405	127.405
Total Debt 31 March	602.844	614.706	617.425

* - Includes on balance sheet PFI schemes, finance leases and similar arrangements, etc.

Former SYCC	2013/14 Original Estimate £m	Current Position £m	2013/14 Revised Estimate £m
Prudential Indicator – External Debt / the Operational Boundary			
Borrowing	96.121	96.121	96.121
Other long term liabilities	0	0	0
Total Debt 31 March	96.121	96.121	96.121

3. Limits to Borrowing Activity

3.1 The first key controls over the treasury activity is a PI to ensure that over the medium term, gross and net borrowing will only be for a capital purpose. Gross and net external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2013/14 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent to do so.

RMBC	2013/14 Original Estimate £m	Current Position £m	2013/14 Revised Estimate £m
Gross Borrowing	475.439	487.301	490.020
Plus Other Long Term liabilities*	127.405	127.405	127.405
Total Gross Borrowing	602.844	614.706	617.425
CFR*	759.101	755.998	756.960
Total Gross Borrowing	602.844	614.706	617.425
Less Investments	10.000	30.300	20.000
Net Borrowing	592.844	584.406	597.425
CFR*	759.101	755.998	756.960

* - Includes on balance sheet PFI schemes, finance leases and similar arrangements, etc.

3.2 The Director of Financial Services reports that no difficulties are envisaged for the current or future years in complying with this PI.

3.3 A further PI controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt (RMBC)	2013/14 Original Indicator £m	Current Position £m	2013/14 Revised Indicator £m
Borrowing	633.597	487.301	631.456
Other long term liabilities*	127.405	127.405	127.405
Total	761.002	614.706	758.861

* - Includes on balance sheet PFI schemes, finance leases and similar arrangements, etc.

Authorised limit for external debt (Former SYCC)	2013/14 Original Indicator £m	Current Position £m	2013/14 Revised Indicator £m
Borrowing	100.000	96.121	100.000
Other long term liabilities	0.000	0.000	0.000
Total	100.000	96.121	100.000

4. Treasury Strategy 2013/14 – 2015/16

4.1 Debt Activity during 2013/14

4.1.1 The expected borrowing need is set out below:

RMBC	2013/14 Original Estimate £m	Current Position £m	2013/14 Revised Estimate £m
CFR	759.101	755.998	756.960
Less Other Long Term Liabilities*	127.405	127.405	127.405
Net Adjusted CFR (y/e position)	631.696	628.593	629.555
Borrowed at 30/09/13	478.222	487.301	487.301
Under borrowing at 30/09/13	153.474	141.292	142.254
Borrowed at 30/09/13	478.222		487.301
Estimated to 31/03/14	-2.783		2.719
Total Borrowing	475.439		490.020
Under borrowing at 31/03/14	156.257		139.535

* - Includes on balance sheet PFI schemes, finance leases and similar arrangements, etc.

4.1.2 The Council is currently under-borrowed. The delay in borrowing reduces the cost of carrying the borrowed monies when yields on investments are low relative to borrowing rates. There is also an interest rate risk, as longer term borrowing rates may rise, but this position is being closely monitored and the overall position carefully managed.

4.1.3 During the six months to 30 September 2013 the Council has not borrowed any amounts on a long-term basis

4.1.4 During the six months to 30 September 2013, the Council has repaid the following amounts:

Lender	Principal	Type	Interest Rate
PWLB	£1,000,000	Fixed rate (EIP)	3.46%
PWLB	£65,000	Fixed rate (EIP)	3.79%
PWLB	£71,180	Fixed rate (Annuity)	Various

One EIP loan for £20m is being repaid in equal half yearly instalments of £1m over its 10 year term. A second EIP loan is for £1.3m which is being repaid in equal half yearly instalments of £65,000 over its 10 year term. There are 5 Annuity loans on which variable amounts of principal are repaid each six months.

4.1.5 There has been no restructuring or early repayment of existing debt in the first six months of 2013/14.

5. Investment Strategy 2013/14 – 2015/16

5.1 Key Objectives

The primary objective of the Council's investment strategy is the safeguarding the repayment of the principal and interest of its investments on time – the investment return being a secondary objective. The current difficult economic and financial climate has heightened the Council's over-riding risk consideration with regard to "Counterparty Risk". As a result of these underlying market concerns officers continue to implement an operational investment strategy which further tightens the controls already in place in the approved investment strategy.

5.2 **Current Investment Position**

The Council held £30.3m of investments at 30 September 2013 (excluding Icelandic Banks), and the constituent parts of the investment position are:

Sector	Country	Up to 1 year £m	1 - 2 years £m	2 – 3 years £m
Banks	UK	0	0	0
DMO	UK	30.300	0	0
Local Authorities	UK	0	0	0
Total		30.300	0	0

5.3 **Risk Benchmarking**

A regulatory development is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance. Discrete security and liquidity benchmarks are new requirements to the Member reporting.

The following reports the current position against the benchmarks.

5.3.1 **Security** – The Council monitors its investments against historic levels of default by continually assessing these against the minimum criteria used in the investment strategy. The Council's approach to risk, the choice of counterparty criteria and length of investment ensures any risk of default is minimal when viewed against these historic default levels.

5.3.2 **Liquidity** – In respect of this area the Council set liquidity facilities/benchmarks to maintain:

- A Bank overdraft facility of £10m
- Liquid short-term deposits of at least £3m available within a week's notice.

The Director of Financial Services can report that liquidity arrangements were adequate during the year to date.

5.3.3 **Yield** – a local measure for investment yield benchmark is internal returns above the 7 day LIBID rate

The Director of Financial Services can report that the return to date averages 0.25%, against a 7 day LIBID to end September 2013 of 0.36%. This is reflective of the Council's current approach to risk whereby security has been maximised by using the Debt Management Office and other Local Authorities as the principal investment counterparties.

6. Revisions to the Investment Strategy

6.1 The counterparty criteria are continually under regular review but in the light of the current market conditions no recommendations are being put to Members to revise the Investment Strategy.

7. Treasury Management Prudential Indicators

7.1 Actual and estimates of the ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (financing costs net of interest and investment income) against the net revenue stream.

	2013/14 Original Indicator %	2013/14 Revised Indicator %
Non-HRA	7.94	7.84
HRA	18.36	18.13

7.2 The revised non HRA indicator reflects the impact of borrowing being at rates less than originally anticipated for 2013/14. The HRA indicator has increased slightly due to the final HRA revenue budget being less than that assumed in the original indicator.

7.3 Prudential indicator limits based on debt net of investments

- **Upper Limits On Fixed Rate Exposure** – This indicator covers a maximum limit on fixed interest rates.

- **Upper Limits On Variable Rate Exposure** – Similar to the previous indicator this identifies a maximum limit for variable interest rates based upon the debt position net of investments.

RMBC	2013/14 Original Indicator	Current Position	2013/14 Revised Indicator
Prudential indicator limits based on debt net of investments			
Limits on fixed interest rates based on net debt	100%	94.53%	100%
Limits on variable interest rates based on net debt	30%	5.47%	30%

7.4 **Maturity Structures Of Borrowing**

These gross limits are set to reduce the Council's exposure to large fixed rate loans (those instruments which carry a fixed interest rate for the duration of the instrument) falling due for refinancing.

Unlike previous years the indicator and current position shown below now reflect the next call dates on the Council's LOBO loans rather then the actual maturity date of those loans. This gives a better indication of risk and whilst there is a possibility that a loan is called with an increase in interest payable the likelihood of any LOBO loans being called in the current climate is assessed as zero for the next three years.

RMBC	2013/14 Original Indicator		Current Position	2013/14 Revised Indicator	
	Lower	Upper		Lower	Upper
Maturity Structure of fixed borrowing					
Under 12 months	0%	35%	18.85%	0%	35%
12 months to 2 years	0%	35%	10.23%	0%	35%
2 years to 5 years	0%	40%	22.04%	0%	40%
5 years to 10 years	0%	40%	16.73%	0%	40%
10 years to 20 years	0%	45%	4.89%	0%	45%
20 years to 30 years	0%	50%	7.52%	0%	50%
30 years to 40 years	0%	50%	5.52%	0%	50%
40 years to 50 years	0%	55%	14.24%	0%	55%
50 years and above	0%	60%	0.00%	0%	60%

The former SYCC account is due to be wound up by the end of 2020/21 and the maturity structure is now largely fixed as the need and indeed opportunities to re-finance within the remaining 10 years will be limited. As a result future limits are currently set in line with the on-going maturity profile.

Former SYCC	2013/14 Original Indicator		Current Position	2013/14 Revised Indicator	
	Lower	Upper		Lower	Upper
Maturity Structure of fixed borrowing					
Under 12 months	0%	50%	0.00%	0%	50%
12 months to 2 years	0%	70%	0.00%	0%	70%
2 years to 5 years	0%	100%	61.51%	0%	100%
5 years to 10 years	0%	100%	38.49%	0%	100%

7.5 **Total Principal Funds Invested**

These limits are set to reduce the need for the early sale of an investment, and show limits to be placed on investments with final maturities beyond each year-end.

The Council currently has no sums invested for periods exceeding 364 days due to market conditions. To allow for any changes in those conditions the indicator has been left unchanged. The above also excludes any Icelandic investments that are due to be recovered after more than 364 days.

RMBC	2013/14 Original Indicator £m	Current Position £m	2013/14 Revised Indicator £m
Maximum principal sums invested > 364 days	10	0	10
Comprising			
Cash deposits	10	0	10

8. Treasury Management Advisors

8.1 **Re-appointment of Treasury and Asset Finance Advisors**

The Council's three year contract with Sector Treasury Services for the provision of treasury management and asset finance services expired on 6 October 2013.

In accordance with the Council's Standing Orders, a tendering exercise has been carried out for the re-procurement of these services for a further three year period.

An open tender exercise was held from which two submissions were received – one from Sector Treasury Services (now trading as Capita Asset Services Treasury Solutions) and a second from Arlingclose.

These were evaluated on quality and price with Capita Asset Services Treasury Solutions bid ranking slightly higher on both criteria.

Accordingly, a decision has been taken to re-appoint Capita Asset Services Treasury Solutions for a further term of three years with effect from 7 October 2013.

The cost of the contract over the 3 year period is £16,000 in year 1, £16,500 in year 2 and £17,000 in year 3. The annual cost in the final year of the three year contract which has just expired was £16,500.

1	**Meeting:**	**CABINET**
2	**Date:**	**27th November 2013**
3	**Title:**	**Revenue Budget Monitoring for the period ending 30th September 2013**
4	**Directorate:**	**Resources (for all)**

5 Summary

This report provides details of progress on the delivery of the Revenue Budget for 2013/14 based on performance for the first 6 months of the financial year. It is currently forecast that the Council will overspend against its Budget by £5.460m (+2.5%). This represents a slight improvement in the forecast outturn by £15k since the last (August) monitoring report. The main reasons for the forecast overspend continue to be:

- The continuing service demand and cost pressures for safeguarding vulnerable children across the Borough;
- Income pressures within Environment and Development Services;
- Continuing Health Care income pressures within Adult and Children's Services, with concern that this pressure is increasing further;
- Additional, one-off property costs relating to the continued rationalisation of the Council's asset portfolio as part of the efficiency drive to reduce operational costs;
- ICT income pressures; and
- Some savings targets are currently pending delivery in full in 2013/14.

When the last Budget Monitoring report was presented to Cabinet on 16th October, Cabinet agreed to the immediate implementation of a moratorium on all except 'essential' spend. Evidence of the impact of the moratorium will take 4-5 weeks before we expect to see the forecast overspend reducing. Further, the recent opening of the offer for staff to apply for Voluntary Early Retirement/Voluntary Severance (VER/VS) will also generate savings which will contribute to both reducing the in year pressure and contribute to closing the 2014/15 Budget Gap.

It is proposed that more frequent budget monitoring reports than were planned into the 2013/14 budget monitoring timetable will now be brought to Cabinet to enable close monitoring of progress towards delivering a balanced outturn.

Recommendations

Cabinet is asked to:

- **Note the current forecast outturn and significant financial challenge presented for the Council to deliver a balanced revenue budget for 2013/14 and the actions implemented to address the forecast overspend.**
- **Escalate to the Clinical Commissioning Group (CCG), concern about access to and timely payment of Continuing Health Care income for clients with Continuing Health Care needs.**

7.1 Proposals and Details

This report presents details of spending against budget by Directorate covering the first 6 months of the 2013/14 financial year – April 2013 to September 2013 – and forecast costs and income to 31st March 2014.

7.2 The Overall Position

Directorate/Service	Annual Budget 2013/14 £'000	Projected Outturn 2013/14 £'000	Variance after Actions (over(+)/under(-) spend) £'000	%
Children & Young People Services	46,108	47,541	+1,433	+3.1
Environment and Development Services	37,246	38,001	+755	+2.0
Neighbourhoods & Adult Services	75,272	76,577	+1,305	+1.7
Resources	26,789	27,830	+1,041	+3.9
Central Services	36,059	36,985	+926	+2.6
TOTAL	**221,474**	**226,934**	**+5,460**	**+2.5**
Housing Revenue Account (HRA)	73,090	72,403	-687	-0.9

Appendix 1 to this report provides a detailed explanation of the key areas of forecast over / underspend by Directorate. The summarised position for each Directorate is described below.

<u>Children & Young People's Directorate (+£1,433k forecast overspend)</u>

The forecast overspend for Children's Services has deteriorated by £267k since the last report. (+£1.166m in the May monitoring report). The forecast overspend position is largely due to pressures within the Children & Families Safeguarding Service. The number of looked after children requiring placements at the end of September 2013 was 390, a reduction of 2 since the end of March 2013.

Pressures on budgets for provision of Out of Authority Residential placements (+£1.277m), remand placements (+£235k) and the provision of independent Foster Care placements (+£252k) are the main service pressures. Although the number of Looked After Children has fallen since March 2013 the cost of placements has increased as children are presenting with more complex needs. The service is looking at how they can find suitable, value for money placements to meet the needs of these young people.

The investment received in Fostering & Adoption is showing results. The service is projecting to have 34 new adopters by the end of March 2014 which is 13 above the Invest to Save target. The service is also projecting to be on target for the recruitment of new foster carers at a net gain of 21.

Forecast savings across other parts of the Directorate are helping to mitigate these key pressures. Details are shown in Appendix 1.

Children's Social Care services remain under pressure despite the services' proactive approach to drive down costs including:

- Continued operation and challenge by the Multi-Agency Support Panel
- Successful work undertaken by the Commissioning Team which has resulted in the commissioning and re-commissioning of service provider contracts with significant cost reductions/cost avoidance (£437k) to date in 2013/14.

Environment & Development Services (+£755k forecast overspend)

The Directorate is currently forecasting an overspend of +£755k largely due to pressures in Streetpride (+£57k), Customer Services (+£345k) and Planning and Regeneration (+£359k). This is an improvement on the May monitoring report of -£237k. The forecast overspend assumes that the Winter Pressures budget is sufficient to contain costs incurred over the Winter months (2013/14). It should however be noted that in 2012/13 this budget overspent by £466k. Details of the forecast overspend are included in Appendix 1.

Neighbourhoods and Adult Services (+£1,305k forecast overspend) and Public Health (-£358k forecast underspend)

Overall the Directorate (excluding ring-fenced Public Health funded services) is forecasting an overspend of +£1.305m. This shows a reduction in forecast overspend of -£484k since the August monitoring report. Within this, Adult Services are forecasting an overspend (+£1.409m) and Neighbourhood services a forecast underspend of -£104k. Key pressures include slippage on achieving budgeted income levels for clients with continuing health care needs (£1.5m) and the delays in implementing the restructure within in- house residential care services.

There are also recurrent budget pressures on demand for Direct Payments (Older People, Physical & Sensory Disability and Mental Health clients), Older People's domiciliary care, and day care provision for clients with Learning Disabilities.

Public Health Services are currently forecasting an underspend of -£358k. (Ring-fenced funding).

The forecast position for Neighbourhoods and Adult Services is made up of a number of under and overspends, detailed in Appendix 1.

Resources Directorate (+£1,041k forecast overspend)

Overall the Directorate is forecasting an overspend of +£1,041k. This is a deterioration of +£155k since the August monitoring report (+£886k).The key pressures are in respect of the Council's Land Bank within Asset Management services due to the need to keep secure properties which have been vacated until they are sold or demolished and income pressures in relation to the ICT service.

The forecast position for Resources is made up of a number of forecast under and overspends, detailed in Appendix 1.

Central Services (+£926k forecast overspend)

In setting the 2013/14 Budget, the Council proposed a recurrent savings target of £300k in respect of renegotiating Staff Terms and Conditions. Options for progressing this saving have been considered and rejected by the Unions. This target currently remains undelivered.

The Council also set a savings target of £341k to be delivered from the 'Critical Friend Review of Front-line Services'. To date £147k of this has been delivered, the balance (£194k) is still to be identified.

When the 2012/13 budget was agreed it included a £2m savings target for Commissioning Savings. Currently £387k of that target remains to be delivered. Progress against delivery of this balance will be reported in future Cabinet budget monitoring reports.

There is also a forecast pressure of £45k in respect of Statutory Costs (eg Planning Notices and key investigations). In 2011/12 it was agreed that the 'top-up' account would be closed and in the event of any future pressure above the level of budget (£75k), this would be met from general reserves.

7.3 Housing Revenue Account (HRA) (Forecast underspend -£687k)

The Housing Revenue Account is forecasting a reduction in the transfer from reserves compared with the agreed budget. The HRA had budgeted to use £2.599m from reserves but current forecasts only require £1.912m, a reduction of £687k.

7.4 Agency, Consultancy and Non-Contractual Overtime Costs

The forecast outturn position includes costs in respect of Agency staff, Consultancy and non-contractual overtime. Detailed below is the analysis by Directorate, including comparisons with 2012/13 financial year:

Agency

Directorate	**Outturn 2012/13**	**Cumulative to Sept 2012**	**Cumulative to Sept 2013**
	£'000	£'000	£'000
Children & Young People's Services	546	157	392
Neighbourhoods & Adult Services	519	126	231
Environment & Development Services	266	98	380
Resources	194	123	42
TOTAL	**1,525**	**504**	**1,045**

Agency spend in Children's Services is largely due to the need to cover vacant social worker and team manager posts. Four newly recruited Social Work staff have been appointed in the last two weeks; three can start within the next month (checks permitting), with the other appointment working a 2 month notice period. Extra agency costs have been incurred due to the departure of 3 team managers within a 6 week period, and all replacement officers (two of which have been recruited from another authority) have had 3 month notice periods to serve. The Fostering service is currently using an Agency Team Manager as the post has been advertised twice and no applications received. Recruitment is currently underway once more.

The main reason for the agency costs increase over 2012 levels relates to agency costs for the interim Director of Safeguarding to cover the vacant post. This key post provides much needed stability as the service continues its responsive work to child sexual exploitation in the borough and also prepares for systemic changes to the OfSTED inspection framework.

The use of agency staff in Adult Services has increased compared to September 2012 levels due to social work vacancies and the need to maintain essential cover in some services areas, and provision of cover arrangements pending the implementation of the new staffing structure in Residential Care.

Environment and Development Services agency costs are greater compared with the cumulative spend to September last year due to cover arrangements within Waste services pending the implementation of a new structure and resourcing additional Highway Maintenance capital works. Also, seasonal Grounds Maintenance work is now undertaken by a combination of seasonally employed staff and agency workers to minimise the cost of cover arrangements.

Agency spend within the Resources Directorate has reduced compared with September 2012 levels. The main area of Agency spend is ICT support where Agency staff are covering a key role (Senior Network Specialist) which the service has been unable to recruit to.

Consultancy

Directorate	**Outturn 2012/13**	**Cumulative to Sept 2012**	**Cumulative to Sept 2013**
	£'000	£'000	£'000
Children & Young People's Services	338	120	54
Neighbourhoods & Adult Services	0	0	0
Environment & Development Services	83	7	67
Resources	26	15	39
TOTAL	**447**	**142**	**160**

Consultancy spend within Children's Services for the first six months of 2013/14 has reduced considerably when compared with the same period last year. The consultancy expenditure predominantly relates to the School Effectiveness Service. This is funded from a combination of revenue budget, Dedicated Schools Grant (DSG) and earned income from Schools.

Consultancy costs within EDS predominantly relate to review of potential development sites and transportation links within the Local Development Plan.

Consultancy spend within the Resources Directorate is predominantly in respect of specialist ICT services and Legal Services associated with the investigation into sexual exploitation of children.

Non-Contractual Overtime

Directorate	**Outturn 2012/13**	**Cumulative to Sept 2012**	**Cumulative to Sept 2013**
	£'000	£'000	£'000
Children & Young People's Services	84	33	58
Neighbourhoods & Adult Services	456	171	198
Environment & Development Services	397	235	254
Resources	188	98	89
TOTAL	**1,125**	**537**	**599**

Children's Services overtime is largely in respect of safeguarding in residential care homes. Recruitment to permanent posts at the homes has been delayed and OfSTED requirements are that agency staff are not used to cover vacancies, hence the increased reliance on overtime in the short term.

Overtime spend within Adult Services is mainly due to the need to maintain statutory staffing levels in residential, home care, day care services and social work posts and represents cover for sickness and slippage in recruiting to vacant posts.

Environment and Development Services overtime spend is predominantly in respect of Streetpride Services – Highways, Network Maintenance, Street Lighting, Street Cleansing and Grounds Maintenance (£193k) where work is often undertaken at times to avoid inconvenience and danger to the public. Planning and Regeneration Services (£18k) and Waste Management Services (£43k) for sickness and holiday cover.

The Resources Directorate's overtime is predominantly in respect of Revenues and Benefits associated with the service carrying a number of vacancies and significant workload pressures primarily brought about by welfare reform changes that are resulting in additional customer contact and income collection and recovery activity (£38k), maintaining ICT Support Services (£20k), maintaining Financial systems (£1k), HR and Payroll Services (£6k), Town Hall attendants (£8k) and provision of cover within Facilities Services (£16k).

7.5 Collection Fund

Council Tax: Based on the first 6 months of 2013/14 collection rates indicate that the Council is on target to achieve the budgeted level of Council Tax - £78.3m. (97% Collection Rate).

Business Rates: The Council is currently on target to collect the budgeted level of Business Rates - £34.3m (the Council's 49% share). It should however be noted that Appeals regarding Business Rates are made direct to the Valuation Office Agency (VOA) and like other Authorities, we have been having difficulty obtaining appeals information from the VOA. The number and value of appeals can have a significant impact on the Business Rates collected as they may date back several years.

Following recent meetings with VOA staff it is now hoped that there will be greater clarity on appeals as the VOA has agreed to supply information on a timely basis.

8. Finance

The financial issues are discussed in section 7 above.

Management actions need to be identified and implemented across all Directorates to bring projected spend in line with Budget limits by the end of March 2014.

9 Risks and Uncertainties

At a time of economic difficulty and tight financial constraints, managing spend in line with the Council's Budget is paramount. Careful scrutiny of expenditure and income across all services and close budget monitoring therefore remain a top priority if the Council is to deliver both its annual and medium term financial plans while sustaining its overall financial resilience.

Although both Council Tax and Business Rates collection levels are currently on target there remains a risk that this could change during the final six months of the year.

The current forecast assumes that costs associated with the Winter Pressures will be contained within budget. In 2012/13 these costs exceeded budget by £466k.

10. Policy and Performance Agenda Implications

The delivery of the Council's Revenue Budget and Medium Term Financial Plan within the parameters agreed at the start of the current financial year is essential if the objectives of the Council's Policy agenda are to be achieved. Financial performance is a key element within the assessment of the Council's overall performance framework.

11. Background Papers and Consultation

- August Revenue Budget Monitoring Report – Cabinet 16th October 2013
- May Revenue Budget Monitoring Report – Cabinet 24th July 2013
- Revenue Budget and Council Tax for 2013/14 Report to Council 6th March 2013.
- Strategic Directors and Service Directors of the Council

Contact Name: Stuart Booth, Director of Financial Services, *ext. 22034*
Stuart.Booth@Rotherham.gov.uk

Appendix 1

Key reasons for forecast over / underspends

Children & Young People's Services (£1.433m forecast overspend)

The key factors contributing to the forecast overspend are:

School Effectiveness (+£24k)
Although Rockingham PDC is covering it's own costs, this forecast overspend is due to not being able to fully achieve it's additional income target of £33k.

Special Education Provision (-£191k)
Forecast overspends on Education Welfare (+£11k) due to loss of academy income caused by a change in legislation, SEN Assessment/Admissions Team (+£26k) due to additional hours to cover sickness and printing costs & the Get Real Team (+£5k) on supplies & services are all offset by staff savings from vacant posts in both Early Years ASD Support (-£7k) and Education Psychology Service (-£33k). A further forecast underspend on Complex Needs placements (-£193k) is due to the projected achievement of commissioning savings.

Safeguarding, Children and Families Service Wide (+£50k)
The forecast over spend on legal fees (+£105k) and Agency costs (+£14k) is partially offset by staff cost savings (-£69k) in Business Support.

Child Protection Teams (+£6k)
This forecast overspend is on Agency staff within the Safeguarding Unit.

Children in Need Social Work Teams (+£95k)
This forecast overspend is on Agency staff costs & additional staff appointments within the Children in Need North team & the Borough Wide team.

Looked After Children (+£1,531k)
The service is now forecasting an over spend mainly due to out of authority residential placements (+£1,277k), remand placements (+£235k) and independent fostering placements (+£252k). Further details of placements are below:

- The number of children in residential out of authority placements as at 30th September is 28 (an increase of 5 since August). Since 2011/12 the average number of children in OOA residential placements per week has increased from 18 to 22.7 currently. Due to the increasing complexity of children's needs in Rotherham & despite successful negotiations by the Commissioning team to minimise the cost of these placements, the average cost per week of these has also increased over this period from £3,022 to £3,404,
- From 1 April 2013 children's remand placements are fully funded by the Local Authority & RMBC was provided with a grant of £78k to cover these additional costs. The current projected cost of these placements is £313K which shows that the grant was grossly inadequate. There is currently 1 remand placement. (a reduction of 1 since August).
- The number of children in Independent foster care as at 30th September is 115 (an increase of 4 since August but a reduction of 3 since the end of March 2013). The average number of children in these placements has reduced from 125 per week in 2011/12 to 108 so far in 2013/14.

- The number of children in in-house fostering placements as at end of September is 164 .
- The number of looked after children was 390 at 30th September, a reduction of 2 since 31st March 2013

Additional overspends in this area are (+£2k) in the LAC service due to a court ordered care package, (+£28k) Consultancy costs to review health acre contributions towards children's continuing health care needs, (+£14k) agency team manager and (+£18k) agency costs on Contact workers. These pressures are partially offset by projected underspends in Children's Homes (-£86k) mainly due to not staffing the Silverwood annexe, Fostering Services (-£93k) due to a forecast underspend on fostering allowances, Residence Orders & Families together placements, (-£98k) due to the re-profiling of adoption placements and the impact of this on inter-agency adoption costs & (-£18K) on Leaving care accommodation costs.

Remaining CYPS Services (-£82k)
The overall CYPS overspend is also partially offset by projected under spends on Pension costs (-£12k) due to a reduction in numbers receiving pension payments, (-£6k) due to reallocation of grant in the Early Years service and staff cost savings in the Integrated Youth Support Service (-£46k) and the Disability Team (-£18k).

Environment & Development Services (+£755k forecast overspend)

The above forecast overspend assumes that the Winter Pressures budget is sufficient to contain costs incurred over the Winter period - In 2012/13 these costs exceeded budget by £466k.

Streetpride (+£57k forecast overspend)

Network Management is projecting a pressure of +£99k.

Network Management is projecting a shortfall on income recovery (+£137k) where income targets were inflated on Parking Services budgets by 2.5%, and a further (+£10k) to fund free parking on Saturdays prior to Christmas. Other service pressures (+£19k) are mitigated by increased income from Adoptions and Searches and reduced Street Lighting energy costs (-£50k), and reduced costs on Highways Maintenance (-£17k).

Waste Services +£91k

Waste Management services have pressures primarily on income from sale of recyclables as a result of a general reduction in waste volumes, and from commercial waste contracts which are still less than budgeted following the downturn in economic activity. Current projections show a pressure of +£360k, but negotiations with waste disposal contractors are mitigating this by -£263k. Additionally, small savings on the waste PFI are showing a small surplus (-£6k).

Corporate Transport Unit is showing a forecast saving of -£136k mainly due to expected reduced costs on Home to School Transport. A surplus on Stores is now anticipated --£51k as a result of the materials issued.

Leisure and Green Spaces +£150K.

Green Spaces position shows +£36K forecast overspend, allotments saving proposal pressure and +£160K retrospective VAT adjustment relating to RVCP & TCP Cafes, following an audit report. This is partially off-set by some savings on recreational grounds and urban parks mainly due to vacant posts, -£66k. Leisure are reporting +£14k pressure on Sports Development due to late implementation of saving at Herringthorpe Stadium, and small pressures across other areas totalling +£6k.

Across the rest of Streetpride services an improved position is being reported, partially due in increased income from current transportation and highways work, which is offsetting some pressures within Community Services, mainly due to fly-tipping, a net saving of -£96k.

Regeneration, Planning, Customer and Cultural Services (+£704k forecast overspend)

The key pressures within Regeneration and Planning total +£359k are : +£426k from Planning due to reduced income from planning applications, additional required spend on the Local Development Plan and a VAT payment due from previous years, resulting from an audit. Smaller pressures are reported in Building Control (+£4k) and Markets (+£46k). These are being partially offset by identified savings -£80k from higher than expected occupancy levels at the Business Centres, and further savings of -£37k from other areas

Within Customer and Cultural Services there is an overspend of +£345k. Heritage Services are projecting a net pressure of +£27k (pressure relating to Clifton Park Museum, partially offset by a not filling a vacant post). Other areas within Cultural Services are reporting a net pressure of +£37k. Within Customer Services there remains an unachievable saving from 2012/13 of +£80k and a further +£120k from the 2013/14 savings proposals and a further +£82k due to delays in implementing 2013/14 savings within the Customer Contact Centre.

These pressures continue to be reviewed, and wherever possible, the budget holders will look to reduce any costs to mitigate the forecast overspend.

Neighbourhoods & Adult Services (+£1.305m forecast overspend) and Public Health Services (-£358k forecast underspend)

Adult Services are currently forecasting an overspend of **+£1.409m**.The key underlying budget pressures include:

Older People (+£661k)

Forecast over spend on In-House Residential Care due to delays in implementing the 2013/14 budget savings target (+£325k), increase in Direct Payments over budget (+£568k) and overall forecast over spend on Domiciliary Care services (+£582k) due to an increase in demand for independent sector care.
These is also a forecast overspend on independent sector residential and nursing care (+£512k) due to lower than expected discharges than forecast (23 additional clients in placement than budgeted), this is after additional income from property charges is being received. These pressures are being reduced by a number of forecast underspends including planned delays in developing dementia services (-£248k), carers breaks (-£183k) and additional income and delays in enhancements in Rothercare (-£130k). Higher than anticipated staff turnover within Assessment & Care Management and community support plus additional income from Health (-£648k), staff vacancies within Day Care services (-£73k), additional income in Extra Care Housing (-£19k) and under spends on non-pay budgets due to the moratorium on non essential spend (-£25k).

Learning Disabilities (+£442k)

There is a forecast overspend on Day Care (+£224k) due to delays in implementation of the day care review including an increase in fees and charges, plus a recurrent budget pressure on transport. There is a forecast overspend in independent sector home care (+£98k) due to slippage in meeting an agreed budget saving. Additional admissions into residential care are resulting in a forecast overspend of +£155k. High cost placements within independent day care and community support are resulting in a forecast overspend of +£182k. These forecast overspends are partially mitigated by slippage on developing Supported Living schemes plus additional funding from health (-£116k), efficiency savings on Service Level Agreements (SLA's) for advice and information (-£60k), lower than expected increase in demand for direct payments (-£50k) and additional health and safety spend in respect of In-house residential care (+£9k).

Mental Health (-£192k)

There is a projected overspend on the residential care budget due to slippage on the budget savings plan to move clients into community support services and a continued pressure on the direct payments budget (+£177k). These are more than offset by forecast underspends in the community support budget (-£369k).

Physical & Sensory Disabilities (+£595k)

Further increase in demand for Direct Payments (+10 clients) together with recurrent cost pressure (+£634k) and a continued increase in demand for domiciliary care +£248k. These pressures are being partially offset by forecast underspends within residential and nursing care, day care, provision of equipment and savings on contracts (-£287k).

Adults Safeguarding (+£15k)

Forecast overspend due to lower than expected staff turnover and use of agency support.

Supporting People (-£83k)

Efficiency savings on subsidy contracts have already been identified against budget (-£83k).

Adults General (-£29k)

This includes the cross cutting budgets (Workforce planning and training, and corporate charges) which are forecasting an overall slight underspend based on the level of charges incurred last year.

Neighbourhoods General Fund (-£104k)

The projected year end outturn position for Neighbourhoods shows a forecast under spend of (-£104k).

The main reason for the forecast underspend is higher than expected staff turnover within Trading Standards and Licensing, savings on non pay budgets due to the moratorium on non essential spend plus additional income from the Dignity contract. The overall forecast underspend includes underspends within the Members Community Leadership Fund (-£16k) and Dispersed Units Trading Account (-£62k) which are likely to be subject to a request for carry-forward at the year end.

Public Health (-£358k)

Public Health services were transferred from Health to Local Authorities on 1 April 2013. The service is funded by a ring fenced specific grant from the Department of Health. For Rotherham this is £13.790m for 2013/14 and the service is currently forecasting an overall underspend of -£358k. The main reason is a variation in the sexual health contracts from the original budget. The grant conditions however allow for any underspend at the year end to be carried forward in a Public Health Grant Reserve.

Housing Revenue Account (HRA)

The overall forecast as at end September 2013 is that the HRA will outturn on budget with a planned (budgeted) use of its working balance (reserves) of £1.912m a reduction of £687k from the original budget.

Currently forecasts show an over-recovery of income from charges for services and facilities together with minor under spends on housing repairs and supervision and management and the cost of borrowing.

Resources Directorate (+1,041k forecast overspend)

Asset Management (+£673) – There is currently a forecast pressure of +£350k on the Land Bank within Asset Management services due to the need to keep vacant council owned properties secure until they are sold or demolished. There are also pressures across the wider Asset Management service: unbudgeted property disposal fees (+£80k), Land & Property income under-recovery (+£55k), operational costs of Community Buildings (+£16k), increased accommodation costs, including energy, (+£108k), Other service wide pressures (+£64k).

ICT – The service is currently forecasting a pressure of +£675k. This is as a result of lower than budgeted income because of reduced demand by Schools (relating to both Rotherham Grid for Learning and general IT provision); £300k and reduced spend on IT by Council services (£375k); the latter being partly as a result of the moratorium on non-essential spend.

Legal Services – A forecast overspend of +£83k due to staff cost pressures.

Internal Audit – A forecast overspend of +£44k due to staff cost pressures.

Communications & Marketing are forecasting an overspend of +£36k due to staff cost pressures.

Human Resources & Payroll are forecasting an underspend of -£168k largely in respect of staff cost savings.

Commissioning, Policy & Performance services are forecasting an underspend of -£208k mainly in respect of staff cost savings.

Procurement Team – a forecast underspend of -£8k in respect of staff cost savings.

Management savings are also forecast across the service amounting to -£86k.

Agenda Item 11

ROTHERHAM BOROUGH COUNCIL – REPORT TO CABINET

1.	**Meeting:**	**Cabinet**
2.	**Date:**	**27th November 2013**
3.	**Title:**	**Integration Transformation Fund**
4.	**Directorate:**	**Neighbourhoods and Adult Services**

5. Summary

The Department of Health issued joint letters on 10th and 17th October 2013 relating to the Integration Transformation Fund. This was followed up on 1st November with further initial guidance notes. Copies of these guidance notes are provided in the Appendices. Full guidance and timetables will be issued in December 2013.

These guidance notes are intended to assist commissioners to address issues highlighted in two reports published earlier in the year by NHS England and Monitor which warned of impending challenges driven by an ageing population, increase in Long Term Conditions, rising costs and public expectations.

This report sets out the practical implications of the planning guidance that is so far available which will require action in an extremely tight timescale.

6. Recommendations

Cabinet is asked to:

- **Support the approach set out under the section of this report headed *Next Steps*.**

- **Receive a further report setting out detailed proposals in relation to a vision for integration in Rotherham.**

7. Background

What is the purpose of the fund?

The planning guidance issued by the Department of Health supports the establishment of 'a ring fenced budget for out of hospital care'. It is intended to stimulate innovation and encourage NHS Commissioners to reinvest some of their spending in social care and other Local Authority services. The guidance describes this fund as a device which should be seen as a 'game changer' and 'a catalyst to improve services and value for money'.

In effect, the fund should be used to transform both NHS and local authority services and move resources into local communities to support people in their homes or in residential care.

The funding involved

The ITF will not be comprised of any additional funding. It will be made up of existing specified pooled funding arrangements, captured under a formal (Section 256) agreement and additional funding that CCG's will need to free up through efficiencies and disinvestment. At a national level this funding stream will amount to approximately £3.8 billion. In Rotherham we estimate that the figure will be around £20 million, with £10m of existing pooled arrangements and with the CCG needing to free up a further £10 million to contribute towards the mandated, pooled funding streams.

The guidance encourages Health and Wellbeing Boards to extend the scope of the plan and pooled budgets, to create a shared plan for the totality of health and social care activity and expenditure that will have benefits well beyond the effective use of the mandated pooled fund. This is more a medium/long term aim.

The ITF presents an immediate challenge to the NHS to disinvest in some services and then to work closely with the local authority to agree how to reinvest in services that keep people out of hospital.

Producing a robust plan

NHS Commissioners are required to work closely with the local authority to produce a five year strategic plan for use of the ITF which is informed by the priorities set out in the Joint Strategic Needs Assessment. This strategic plan should also include a two year operational plan with effect from April 2014. This plan needs the CCG and the local authority to be clear and agree on the things that will make the biggest difference to keeping people out of hospital.

There is an expectation that the plan will be measured against outcomes in seven areas:

- Reducing the number of years of life lost by the people of England from treatable conditions (e.g. including cancer, stroke, heart disease, respiratory disease, liver disease);
- Improving the health related quality of life of the 15 million+ people with one or more long-term conditions;
- *Reducing the amount of time people spend avoidably in hospital through better and more integrated care in the community, outside of hospital;*
- *Increasing the proportion of older people living independently at home following discharge from hospital;*
- Reducing the proportion of people reporting a very poor experience of inpatient care;

- Reducing the proportion of people reporting a very poor experience of primary care;
- Making significant progress towards eliminating avoidable deaths in our hospitals.

Developing a vision

There have been many different interpretations of what is meant by integration nationally however for the first time the government has provided advice that may lead to the adoption of a single definition. It would be helpful to adopt a common language to support the work to develop our own Rotherham vision for integrated services which helps deliver improvements against our locally determined priorities. This should help us develop a strategic approach to increase investment into early intervention and prevention, to reduce avoidable demand.
It is important that integration is not seen as an end in itself, rather a means to an end, namely the delivery of our priorities for improving the health and wellbeing of Rotherham people.

Working with Providers

The guidance sets out specific requirements for engaging with providers so that they can help shape a shared view of future services, manage through a period of transition and gear up for future provision. It is essential for the CCG and the local authority to develop a single framework to engage with all providers, both NHS and social care, likely to be affected by the use of the fund in order to achieve the best outcomes for local people.

Logically there is merit in extending the scope of the market position statement that has been produced for social care to include NHS markets. Furthermore it makes sense to align and synchronise our planning and commissioning arrangements in future years.

Critical requirements

Initial timetables have now been published which set out key dates, the most important being the requirement to agree a detailed plan by 14th February 2014. This plan needs the agreement of the Health Wellbeing Board which meets on **22nd January 2014**.

A draft template has been produced which will allow Department of Health to evaluate our plans. These plans will need to comply with six national funding conditions previously set out as part of the Comprehensive Spending Review:

- Plans to be jointly agreed
- Protection for social care services (not spending)
- As part of the agreed local plans, 7 day services in health and social care to support patients being discharged and prevent unnecessary admissions at weekend
- Better data sharing between health and social care, based on the NHS number
- Ensure a joint approach to assessments and care planning and ensure that, where funding is used for integrated packages of care, there will be an accountable professional
- Agreement on the consequential impact of changes in the acute sector.

We will also be required to provide an agreed shared risk register, with agreed risk sharing and mitigation covering steps that will be taken if performance does not improve as planned.

The LGA will have a national monitoring role and readiness assessments may need to be completed before the end of November.

Role of the Health and Well Being Board

The Health and Wellbeing Board has been given a critical role in agreeing the plans and monitoring delivery.

We have already acknowledged the need to review the governance arrangements next year and this review now assumes even greater importance given the guidance that has been issued.

Programme Management

The Department of Health intend to put in place a mechanism which will hold back 50% of the funding allocation subject to achievement of agreed targets. The amount that will be paid on a pay for performance element will be determined by ministerial decisions. It is vital therefore that a programme management approach be adopted to ensure strong planning, performance and risk management. As part of this, it is of critical importance that our performance management arrangements have transparency and are informed by people with experience of using services.

As the scope of the programme widens there may be merit, later on, in considering a joint appointment of a programme manager.

Next Steps

1. Develop a simple local vision for Integration in Rotherham which supports the delivery of locally determined priorities and is consistent with the national definition.
2. Adopt a programme management approach, with NHS Commissioners, to produce a five year strategic plan which is informed by the priorities set out in the JSNA.
3. Jointly review existing pooled budget arrangements to help agree a two year operational plan.
4. Jointly develop a single framework that ensures that the views of providers from the health and social care economy drive change from a bottom up perspective.
5. Seek to align planning and commissioning arrangements to operate to a similar timetable.
6. Consider the development of a single Market Position Statement for NHS and Social Care Services.
7. Develop a shared risk register.

8. Finance

The Integration Transformation Fund (ITF) will be worth £3.8billion nationally of existing funding in 2015/16. Of this, £1.9bn of existing funding in 2014/15 allocated across health and social care (includes - Carers Funding, CCG Reablement Funding, Capital funding including Disabled Facilities Grant and the existing Health Support for Social Care from NHS England).

The remaining £1.9billion will be transferred from existing NHS funding to support adult social care services, which also has a health benefit.

9. Risks and Uncertainties

The timescale for producing an initial draft strategic plan to deliver the ITF is tight, however, the CCG, local authority and providers need to work collaboratively within this timescale to ensure the plan is right for the Rotherham population.

Not working quickly on this, and having an agreed plan which the Health and Wellbeing Board signs up to, will result in us not being in a position to meet the requirements of the ITF.

Further full guidance on the process and expectations of local strategic plans will be published week commencing 16 December.

10. Policy and Performance Agenda Implications

The NHS together with local authorities face an unprecedented level of future pressures, driven most importantly by an ageing population and increase in those with long-term conditions. Locally our JSNA tells us that the number of people aged over 65 will increase from 45,100 (2011) to 54,100 in 2021, and the number of people over 85 will increase from 5,500 to 7,100. Although people will tend to remain healthy for longer than they do now, over 65s with a limiting life-long illness or disability is higher in Rotherham than the England average (61% compared with 53%), and this is projected to rise.

These factors present major challenges and implications for health and social care services within a changing financial environment. Locally the Health and Wellbeing Strategy sets out the Health and Wellbeing Board's joint priorities, which includes 'prevention and early intervention', 'dependence to independence' and 'long-term conditions', all of which have a crucial role in ensuring actions are delivered to deal with some of these challenges.

The HWBB will play a leading role in developing the strategic plan for integration and will therefore need to consider whether the priorities set out in the HWB strategy are appropriate for, and aligned to, the strategic plan to deliver the expected outcomes of the ITF.

11. Background Papers and Consultation

Letter from Chief Executive NHS England, *Planning for a sustainable NHS: responding to the 'call to action'*, 10th October 2013.

Joint Letter NHS England/LGA, *Next Steps on implementing the Integration Transformation Fund*, 17 October 2013.

Joint Letter and initial draft guidance from NHS England, Monitor, NHS Trust Development Authority and LGA, *Strategic and operational planning in the NHS*, 1st November 2013.

Contact Name: Tom Cray
Strategic Director of Neighbourhoods & Adult Services
01709 823401
Tom.cray@rotherham.gov.uk

Publications Gateway Reference No: 00542

4W12
Quarry House
Quarry Hill
Leeds LS2 7UE

To: NHS Commissioners: CCG leaders and NHS England Area Directors

CC: Chief Executives of NHS providers
Chief Executives of upper tier Local Authorities
Chair and Chief Executive of LGA
ALB Chief Executives
Permanent Secretary, Department of Health
NHS England National and Regional Directors

10 October 2013

Dear Colleague

Planning for a sustainable NHS: responding to the 'call to action'

Earlier this year, we published a landmark document: *The NHS belongs to the people – a call to action.* This document sets out the challenges facing the NHS and makes the case for developing bold and ambitious plans for the future. Commissioners have embraced the *call to action* and are leading discussions locally about how the NHS needs to change. Commissioners now face the task of crystallising the conclusions of these discussions into comprehensive plans.

We heard from the NHS Commissioning Assembly last month about the importance of giving early advice to commissioners, so I am writing to set out my assessment of the challenges facing us as commissioners and the key actions that need to be taken. We will be issuing planning guidance later in the year, but I thought it would be helpful to highlight ten key points at this stage:

1. **Improving outcomes** - commissioners need to place improving outcomes for patients at the heart of their work. For that reason, commissioners should prioritise an approach to planning which combines transparency with detailed patient and public participation**.** We need to construct, from the bottom up, quantifiable ambitions for each domain of the NHS Outcomes Framework. We will, therefore, be asking CCGs and NHS England Area Teams to work together to determine local levels of ambition, based on evidence of local patient and public benefit, against a common set of indicators that place our duty to tackle health inequalities front and centre stage. This will ensure that we can clearly articulate the improvements we are aiming to deliver for patients across seven key areas:

- Reducing the number of years of life lost by the people of England from treatable conditions (e.g. including cancer, stroke, heart disease, respiratory disease, liver disease);
- Improving the health related quality of life of the 15 million+ people with one or more long-term conditions;
- Reducing the amount of time people spend avoidably in hospital through better and more integrated care in the community, outside of hospital;
- Increasing the proportion of older people living independently at home following discharge from hospital;
- Reducing the proportion of people reporting a very poor experience of inpatient care;
- Reducing the proportion of people reporting a very poor experience of primary care;
- Making significant progress towards eliminating avoidable deaths in our hospitals.

2. **Strategic and operational plans** – given the scale of the challenges we are facing, we are asking commissioners (CCGs and NHS England commissioners) to develop ambitious plans that look forward to the next five years, with the first two years mapped out in the form of detailed operating plans. Taking a five year perspective is crucial, as commissioners need to develop bold and ambitious plans rather than edging forward on an incremental basis one year at a time. It will be essential for commissioners to work closely with providers and social care partners as they develop these plans, and we are in dialogue with the relevant national bodies to define fully aligned planning processes to facilitate this.

3. **Allocations for CCGs**– we want to provide certainty to commissioners. To this end, we intend to notify CCGs of their financial allocations for both 14/15 and 15/16 to help them plan more effectively. We are currently working with a subgroup of the Commissioning Assembly to finalise proposals for future allocation formulae for CCGs and direct commissioning, but stability is a key consideration and the pace of change is likely to be slow, given that we are operating with very limited financial growth overall.

4. **The tariff** – we recognise the importance of stability of tariff as well as its accuracy and responsiveness to the needs of patients. Together with Monitor, we intend to minimise changes to the structure of the tariff for 14/15. By December we plan to jointly publish our priorities for tariff in 15/16, giving commissioners and providers the maximum amount of time to assess any impact on the financial position of their services and respond systematically to tariff signals.

5. **The integration transformation fund** – the financial settlement for 15/16 includes the creation of an integration transformation fund (ITF). This will see the establishment of a pooled budget of £3.8bn, which will be committed at local level with the agreement of Health & Wellbeing Boards. (Locally, CCGs can decide to place additional resources into the ITF if they wish). The ITF is a 'game changer': it creates a substantial ring-fenced budget for investment in out-of-hospital care. However, it will also require us to make savings of over £2bn in existing spending on acute care. This implies an extra productivity gain of 2-3% across the NHS as a whole in 15/16. We will work with Monitor

to determine how this is reflected in the expectations placed on commissioners (in the form of QIPP savings from demand management, pathway change, etc) and providers (in the form of the efficiency deflator incorporated in tariff). We are currently exploring the feasibility of bringing forward an element of the 15/16 saving requirement into 14/15 to avoid a financial 'cliff edge' in 15/16.

6. **Developing integration plans** – the NHS will only be sustainable in 15/16 if we put the ITF to the best possible use and reduce significantly the demand for hospital services. It is my view that investment should be targeted at a range of initiatives to develop out of hospital care, including early intervention, admission avoidance and early hospital discharge - taking advantage, for example, of new collaborative technologies to give patients more control of their care and transform the cost effectiveness of local services. This will require investment in social care and other Local Authority services, primary care services and community health services. We are currently exploring how an accountable clinician can be identified to coordinate the out-of-hospital care of vulnerable older people and the ITF might be used to accelerate this initiative. We will write to you over the next few days (jointly with the Local Government Association) with more details on the process for developing integration plans.

7. **Working together** – a critical ingredient of success for the transformation fund will be the quality of partnership working at local level. Health & Wellbeing Boards will need to have strong governance arrangements for making transparent and evidence-based decisions about the use of the ITF. The Chief Executive of NHS England will remain the accounting officer for the ITF, accountable to parliament for its use, and in that context I am asking NHS England Area Directors to take a close interest in the effectiveness of local arrangements for governance and implementation.

8. **Competition** – there has been considerable discussion about the impact of competition rules on commissioners over recent months. The key requirement for commissioners is to determine how to improve services for patients including how to use integrated care, competition and choice. Commissioners should adopt transparent decision making processes which use competition as a tool for improving quality, rather than as an end in itself. NHS England and Monitor will support commissioners who adopt this approach to competition.

9. **Local innovation** – while we will set a national framework for planning we want to encourage local innovation and don't want to be overly prescriptive. Within the scope of the new tariff rules for 14/15 agreed with Monitor, we will welcome innovative local approaches that enable change to happen on the ground. For example, commissioners could add additional resources to the transformation fund or they could agree local variations to the national tariff in line with the recently published 14/15 national tariff system rules, where they can demonstrate that it is in the interests of patients to do so. Commissioners could explore new contracting models, such as giving acute providers responsibility for patients 30-100 days following discharge from hospital and introducing prime contractor arrangements for integrated care.

10. **Immediate actions** – I would encourage commissioners to focus on three immediate tasks. First, you should progress the development of five year plans and engage local people in this work. Second, you should strengthen your local partnership arrangements so that you are well placed to make decisions about the use of the ITF. Third, you should identify the things that will make the greatest difference to patients locally and maintain a relentless focus on putting them into action at pace.

Over the coming months we will be publishing further material to help commissioners navigate their way through the planning process. This will include detailed planning guidance, financial allocations and ‘commissioning for value’ packs for CCGs which will help each CCG to identify where there is the greatest opportunity.

We are committed to working in partnership with CCGs, and I would encourage feedback from CCGs via the Commissioning Assembly planning and finance working group chaired by Paul Baumann, NHS England’s Chief Financial Officer. More immediately, however, I advise you to press ahead with development of your plans, and I hope the points I have highlighted in this letter will help you make early progress. The challenges facing both commissioners and providers are significant, and it is essential we start to address them without delay.

Yours faithfully

Sir David Nicholson
Chief Executive

17 October 2013

To: CCG Clinical Leads
Health and Wellbeing Board Chairs
Chief Executives of upper tier Local Authorities
Directors of Adult Social Services

cc: CCG Accountable Officers
NHS England Regional and Area Directors

Dear Colleagues

Next Steps on implementing the Integration Transformation Fund

We wrote to you on 8 August 2013 setting out the opportunities presented by the integration transformation fund (ITF) announced in the spending review at the end of June. While a number of policy decisions are still being finalised with ministers, we know that you want early advice on the next steps. This letter therefore gives the best information available at this stage as you plan for the next two years.

Why the fund really matters

Residents and patients need Councils and Clinical Commissioning Groups (CCGs) to deliver on the aims and requirements of the ITF. It is a genuine catalyst to improve services and value for money .The alternative would be indefensible reductions in service volume and quality.

There is a real opportunity to create a shared plan for the totality of health and social care activity and expenditure that will have benefits way beyond the effective use of the mandated pooled fund. We encourage Health and Wellbeing Boards to extend the scope of the plan and pooled budgets.

Changing services and spending patterns will take time. The plan for 2015/16 needs to start in 2014 and form part of a five year strategy for health and care. Accordingly the NHS planning framework will invite CCGs to agree five year strategies, including a two year operational plan that covers the ITF through their Health and Wellbeing Board.

A fully integrated service calls for a step change in our current arrangements to share information, share staff, share money and share risk. There is excellent practice in some areas that needs to be replicated everywhere. The ingredients are the same across England; the recipe for success differs locality by locality.

Integrated Care Pioneers, to be announced shortly, will be valuable in accelerating development of successful approaches. We are collaborating with all the national partners to support accelerated adoption of integrated approaches, and will be launching support programmes and tools later in 2013.

Where does the money come from?

The fund does not in itself address the financial pressures faced by local authorities and CCGs in 2015/16, which remain very challenging. The £3.8bn pool brings together NHS and Local Government resources that are already committed to existing core activity. (The requirements of the fund are likely to significantly exceed existing pooled budget arrangements). Councils and CCGs will, therefore, have to redirect funds from these activities to shared programmes that deliver better outcomes for individuals. This calls for a new shared approach to delivering services and setting priorities, and presents Councils and CCGs, working together through their Health and Wellbeing Board, with an unprecedented opportunity to shape sustainable health and care for the foreseeable future.

Working with providers

It will be essential for CCGs and Local Authorities to engage from the outset with all providers, both NHS and social care, likely to be affected by the use of the fund in order to achieve the best outcomes for local people. They should develop a shared view of the future shape of services. This should include an assessment of future capacity requirements across the system. CCGs and Local Authorities should also work with providers to help manage the transition to new patterns of provision including, for example, the use of non-recurrent funding to support disinvestment from services. It is also essential that the implications for local providers are set out clearly for Health and Wellbeing Boards and that their agreement for the deployment of the fund includes agreement to the service change consequences.

Supporting localities to deliver

We are acutely aware that time is pressing, and that Councils and CCGs need as much certainty as possible about how the detail of the fund will be implemented. Some elements of the ITF are matters of Government policy on which Ministers will make decisions. These will be communicated by Government in the normal way. The Local Government Association and NHS England are working closely together, and collaborating with government officials, to arrive at arrangements that support all localities to make the best possible use of the fund, for the benefit of their residents and patients. In that spirit we have set out in the attached annex our best advice on how the Fund will work and how Councils and CCGs should prepare for it.

The Government has made clear that part of the fund will be linked to performance. We know that there is a lot of interest amongst CCGs and Local Authorities in how this “pay-for-performance” element will work. Ministers have yet to make decisions on this. The types of performance metrics we can use (at least initially) are likely to be largely determined by data that is already available. However, it is important that local discussions are not constrained by what we can measure. The emphasis should be on using the fund as a catalyst for agreeing a joint vision of how integrated care will improve outcomes for local people and using it to build commitment among local partners for accelerated change.

Joint local decision making and planning will be crucial to the delivery of integrated care for people and a more joined up use of resources locally. The ITF is intended to support and encourage delivery of integrated care at scale and pace whilst respecting the autonomy of locally accountable organisations.

This annex to this letter sets out further information on:

- How the pooled fund will be distributed;
- How councils and CCGs will set goals and be rewarded for achieving them;
- Possible changes in the statutory framework to underpin the fund;
- The format of the plans for integrated care and a template to assist localities with drawing up plans that meet the criteria agreed for the fund;
- Definitions of the national conditions that have to be met in order to draw on the polled fund in any locality; and
- Further information on how local authorities, CCGs, NHS England and government departments will be assured on the effective delivery of integrated care using the pooled fund.

Leads from the NHS and Local Government will be identified to assist us to work with Councils and CCGs to support implementation. More details on this can be found in the annex. We will issue a monthly bulletin to Councils and CCGs with updates on the Integration Transformation Fund.

Yours faithfully

Carolyn Downs
Chief Executive
Local Government Association

Bill McCarthy
National Director: Policy
NHS England

NHS England Publications Gateway Ref. No.00535

Annex

Advice on the Integration Transformation Fund

What is included in the ITF and what does it cover?

Details of the ITF Fund

The June 2013 SR set out the following:	
2014/15	2015/16
An additional £200m transfer from the NHS to social care, in addition to the £900m transfer already planned	£3.8bn pooled budget to be deployed locally on health and social care through pooled budget arrangements

In 2015/16 the ITF will be created from the following:
£1.9bn NHS funding
£1.9bn based on existing funding in 2014/15 that is allocated across the health and wider care system. Composed of:
• £130m Carers' Breaks funding
• £300m CCG reablement funding
• £354m capital funding (including c.£220m of Disabled Facilities Grant)
• £1.1bn existing transfer from health to social care

1. The Integration Transformation Fund will be £3.8 billion worth of funding in 2015/16 to be spent locally on health and care to drive closer integration and improve outcomes for patients and service users. In 2014/15 an additional £200m transfer from the NHS to social care in addition to the £900m transfer already planned will enable localities to prepare for the full ITF in 2015/16.

2. In 2014/15 use of pooled budgets remains consistent with the guidance[1] from the Department of Health to NHS England on 19 December 2012 on the funding transfer from NHS to social care in 2013/14. In line with this:

3. *"The funding must be used to support adult social care services in each local authority, which also has a health benefit. However, beyond this broad condition we want to provide flexibility for local areas to determine how this investment in social care services is best used.*

4. *A condition of the transfer is that the local authority agrees with its local health partners how the funding is best used within social care, and the outcomes expected from this investment. Health and wellbeing boards will be the natural place for*

[1] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/213223/Funding-transfer-from-the-NHS-to-social-care-in-2013-14.pdf

discussions between the Board, clinical commissioning groups and local authorities on how the funding should be spent, as part of their wider discussions on the use of their total health and care resources.

5. *In line with our responsibilities under the Health and Social Care Act, NHS England is also making it a condition of the transfer that local authorities and clinical commissioning groups have regard to the Joint Strategic Needs Assessment for their local population, and existing commissioning plans for both health and social care, in how the funding is used.*

6. *NHS England is also making it a condition of the transfer that local authorities demonstrate how the funding transfer will make a positive difference to social care services, and outcomes for service users, compared to service plans in the absence of the funding transfer"*

7. In 2015/16 The fund will be allocated to local areas, where it will be put into pooled budgets under joint governance between CCGs and local authorities. A condition on accessing the money in the fund is that CCGs and local authorities must jointly agree plans for how the money will be spent, and these plans must meet certain requirements.

How will the ITF be distributed?

8. Councils will receive their detailed funding allocation following the Autumn Statement in the normal way. When allocations are made and announced later this year, they will be two-year allocations for 2014/15 and 2015/16 to enable planning.

9. In 2014/15 the existing £900m s.256 transfer to Local Authorities for social care to benefit health, and the additional £200m will be distributed using the same formula as at present.

10. The formula for distribution of the full £3.8bn fund in 2015/16 will be subject to ministerial decisions in the coming weeks.

11. In total each Health and Wellbeing Board area will receive a notification of its share of the pooled fund for 2014/15 and 2015/6 based on the aggregate of these allocation mechanisms to be determined by ministers. The allocation letter will also specify the amount that is included in the pay-for-performance element, and is therefore contingent in part on planning and performance in 2014/5 and in part on achieving specified goals in 2015/6.

How will Councils and CCGs be rewarded for meeting goals?

12. The Spending Review agreed that £1bn of the £3.8bn would be linked to achieving outcomes.

13. In summary 50% of the pay-for-performance element will be paid at the beginning of 2015/16, contingent on the Health and Wellbeing Board adopting a plan that

meets the national conditions by April 2014, and on the basis of 2014/15 performance. The remaining 50% will be paid in the second half of the year and could be based on in-year performance. We are still agreeing the detail of how this will work, including for any locally agreed measures.

14. In practice there is a very limited choice of national measures that can be used in 2015/6 because it must be possible to baseline them in 2014/5 and therefore they need to be collected now with sufficient regularity and rigour. For simplicity we want to keep the number of measures small and, while the exact measures are still to be determined, the areas under consideration include:

    - Delayed transfers of care;
    - Emergency admissions;
    - Effectiveness of re-ablement;
    - Admissions to residential and nursing care;
    - Patient and service user experience.

15. In future we would hope to have better indicators that focus on outcomes for individuals and we are working with Government to develop such measures. These can be introduced after 2016/7 as the approach develops and subject to the usual consultation and testing.

16. When levels of ambition are set it will be clear how much money localities will receive for different levels of performance. In the event that the agreed levels of performance are not achieved, there will be a process of peer review, facilitated by NHS England and the LGA, to avoid large financial penalties which could impact on the quality of service provided to local people. The funding will remain allocated for the benefit of local patients and residents and the arrangements for commissioning services will be reconsidered.

Does the fund require a change in statutory framework?

17. The Department of Health is considering what legislation may be necessary to establish the Integrated Transformation Fund, including arrangements to create the pooled budgets and the payment for performance framework. Government officials are exploring options for laying any required legislation in the Care Bill. Further details will be made available in due course. The wider powers to use Health Act flexibilities to pool funds, share information and staff are unaffected and will be helpful in taking this work forward.

How should councils and CCGs develop and agree a joint plan for the fund?

18. Each upper tier Health and Wellbeing Board will sign off the plan for its constituent local authorities and CCGs. The specific priorities and performance goals are clearly a matter for each locality but it will be valuable to be able to:

    - Aggregate the ambitions set for the fund across all Health and Wellbeing Boards;

- Assure that the national conditions have been achieved; and
- Understand the performance goals and payment regimes have been agreed in each area.

19. To assist Health and Wellbeing Boards we have developed a draft template which we expect everyone to use in developing, agreeing and publishing their integration plan. This is attached as a separate Excel spread sheet.

20. The template sets out the key information and metrics that all Health and Wellbeing Boards will need to assure themselves that the plan addresses the conditions of the ITF. We strongly encourage Councils and CCGs to make immediate use of this template while awaiting further guidance on NHS planning and financial allocations.

21. Local areas will be asked to provide an agreed shared risk register, with agreed risk sharing and mitigation covering, as a minimum, steps that will be taken if activity volumes do not change as planned. For example if emergency admissions increase or nursing home admissions increase.

What are the National Conditions?

22. The Spending Review established six national conditions:

National Condition	Definition
Plans to be jointly agreed	The Integration Plan covering a minimum of the pooled fund specified in the Spending Review, and potentially extending to the totality of the health and care spend in the Health and Wellbeing Board area, should be signed off by the Health and Well Being Board itself, and by the constituent Councils and Clinical Commissioning Groups. In agreeing the plan, CCGs and Local Authorities should engage with all providers likely to be affected by the use of the fund in order to achieve the best outcomes for local people. They should develop a shared view of the future shape of services. This should include an assessment of future capacity requirements across the system. The implications for local providers should be set out clearly for Health and Wellbeing Boards so that their agreement for the deployment of the fund includes recognition of the service change consequences.
Protection for social care services (not spending)	Local areas must include an explanation of how local social care services will be protected within their plans. The definition of protecting services is to be agreed locally. It should be consistent with the 2012 Department of Health guidance referred to in paragraphs 2 to 6,

National Condition	Definition
	above.
As part of agreed local plans, 7-day services in health and social care to support patients being discharged and prevent unnecessary admissions at weekends	Local areas are asked to confirm how their plans will provide 7-day services to support patients being discharged and prevent unnecessary admissions at weekends. If they are not able to provide such plans, they must explain why. There will not be a nationally defined level of 7-day services to be provided. This will be for local determination and agreement. There is clear evidence that many patients are not discharged from hospital at weekends when they are clinically fit to be discharged because the supporting services are not available to facilitate it. The forthcoming national review of urgent and emergency care sponsored by Sir Bruce Keogh for NHS England will provide guidance on establishing effective 7-day services within existing resources.
Better data sharing between health and social care, based on the NHS number	The safe, secure sharing of data in the best interests of people who use care and support is essential to the provision of safe, seamless care. The use of the NHS number as a primary identifier is an important element of this, as is progress towards systems and processes that allow the safe and timely sharing of information. It is also vital that the right cultures, behaviours and leadership are demonstrated locally, fostering a culture of secure, lawful and appropriate sharing of data to support better care. Local areas will be asked to: • confirm that they are using the NHS Number as the primary identifier for health and care services, and if they are not, when they plan to; • confirm that they are pursuing open APIs (ie. systems that speak to each other); and • ensure they have the appropriate Information Governance controls in place for information sharing in line with Caldicott 2, and if not, when they plan for it to be in place. NHS England has already produced guidance that relates to both of these areas, and will make this available alongside the planning template. (It is recognised that progress on this issue will require the resolution of some Information Governance issues by the Department of Health).

National Condition	Definition
Ensure a joint approach to assessments and care planning and ensure that, where funding is used for integrated packages of care, there will be an accountable professional	Local areas will be asked to identify which proportion of their population will be receiving case management and a lead accountable professional, and which proportions will be receiving self-management help - following the principles of person-centred care planning.
Agreement on the consequential impact of changes in the acute sector	Local areas will be asked to identify, provider-by-provider, what the impact will be in their local area. Assurance will also be sought on public and patient engagement in this planning, as well as plans for political buy-in.

How will preparation and plans be assured?

23. Ministers will wish to be assured that the ITF is being used for the intended purpose, and that the local plans credibly set out how improved outcomes and wellbeing for people will be achieved, with effective protection of social care and integrated activity to reduce emergency and urgent health demand.

24. To maximise our collective capacity to achieve these outcomes and deliver sustainable services we will have a shared approach to supporting local areas and assuring plans. This process will be aligned as closely as possible to the existing NHS planning rounds, and CCGs can work with their Area Teams to develop their ITF plans alongside their other planning requirements.

25. We will establish in each region a lead local authority Chief Executive who will work with the Area and Regional Teams, Councils, ADASS branches, DPHs and other interested parties to identify how Health and Wellbeing Boards can support one another and work collaboratively to develop good local plans and delivery arrangements.

26. Where issues are identified, these will be shared locally for resolution and also nationally through the Health Transformation Task Group hosted by LGA, so that the national partners can broker advice, guidance and support to local Health and Well Being Boards, and link the ITF planning to other national programmes including the Health and Care Integration Pioneers and the Health and Well Being Board Peer Challenge programme. We will have a first review of readiness in early November 2013.

27. We will ask Health and Well Being Boards to return the completed planning template (draft attached) by 15 February 2014, so that we can aggregate them to provide a composite report, and identify any areas where it has proved challenging to agree plans for the ITF.

Publications Gateway Reference No: 00658

To: CCG Clinical Leads
CCG Accountable Officers
Chief Executives of NHS Trusts
Chief Executives of NHS Foundation Trusts
Chief Executives of Local Authorities
Directors of Adult Social Services
CSU Managing Directors

cc: NHS England Regional and Area Directors
Monitor Regional Directors
NHS TDA Directors of Delivery and Development

1 November 2013

Dear Colleagues

Strategic and operational planning in the NHS

The NHS faces an unprecedented level of future pressure. This is the definitive conclusion of the recent 'Call to Action' and 'Closing the Gap' reports issued by NHS England and Monitor respectively, which warns of substantial impending challenges driven by an ageing population; increase in long-term conditions; and rising costs and public expectations within a challenging financial environment.

In order to respond to these significant challenges the NHS is likely to have to change; all parties - CCGs, foundation and non-foundation trusts - need to play a leading role. They must develop and implement bold and transformative long-term strategies and plans for their services, otherwise many will become financially unsustainable and the safety and quality of patient care will decline.

This long-term transformation will only be achieved through our commitment to create a fully integrated service between the NHS and local government. NHS England and the Local Government Association have recently written to outline the next steps for implementing the £3.8bn Integration Transformation Fund for 2015/16, which will have significant implications for commissioners and providers alike. But changing services and spending patterns will take time. The plan for 2015/16 needs to start in 2014 and form part of a five year strategy for health and care. This is why Health and Wellbeing Boards must also play a leading role in developing local strategic plans and why the LGA is a co-signatory of this letter.

All four bodies, NHS England, NHS Trust Development Authority, Monitor and LGA consider robust planning to be of paramount importance to both providers and commissioners. Robust plans should be coherent long term strategic plans, underpinned by medium-term detailed operational plans that are consistent in their intentions across local health economies and are developed applying consistent ground rules as articulated in national policy e.g. standard national contract and Payment by Results. Given the scale of the challenges we are facing, we are moving away from incremental one year planning and instead asking bodies to develop bold and ambitious plans which cover the next five years, with the first two years mapped out in the form of detailed operating plans. This is crucial to enabling us to take a longer term, strategic perspective of the direction of travel across the health and social care landscape.

We recognise it is our role and responsibility to provide the right framework for this to happen. We have recently engaged with a range of stakeholders to understand the needs of the sector. We have heard the importance of making the planning process as rigorous and consistent as possible, to ensure alignment and agreement to the key dates across all parties and to release information and guidance as early as possible.

We have taken this feedback on board and we have taken, or will take, the following actions:

- provide draft guidance now as to the process and expectations (as set out in Appendix 1) and full guidance in December, including a joint set of assumptions agreed by all parties;
- align our respective timelines in regards to the planning process. The detail of this joint timetable is set out in appendix 2;
- each body is revisiting their own process to consider how these can be adapted to better facilitate operational and strategic planning; and
- further support will be provided and this will be communicated separately by each body as appropriate.

The initial guidance gives some of detail of the planning process so that commissioners, providers and local authorities know the expectations of them and can start working together over the coming months before final guidance is issued in December.

Sir David Nicholson Chief Executive NHS England	**David Bennett** Chair and Chief Executive Monitor	**David Flory CBE** Chief Executive NHS Trust Development Authority	**Carolyn Downs** Chief Executive Local Government Association

Appendix 1: Initial guidance – key objectives of planning process and changes made

1. **Improving outcomes –** improved outcomes must be at the heart of the strategic and operational planning process. All bodies should prioritise an approach to planning which combines transparency with detailed patient and public participation*.*

   We need to construct, from the bottom up, quantifiable and deliverable ambitions for each domain of the NHS Outcomes Framework. We will, therefore, be asking providers and commissioners to work together to determine local levels of ambition, based on evidence of local patient and public benefit, against a common set of indicators.

   Setting levels of ambition against the NHS Outcomes Framework is intended to galvanise the whole commissioning system around a clear and common purpose, aligning the development of our long term strategy and the *Call to Action* with the development of our 5 year strategic and 2 year operating plans and allowing us to articulate the improvements we are collectively aiming to deliver for patients across the seven ambitions.

2. **Quality, Expectations and Sustainability –** while we want the five year plans to reflect local need and be ambitious we are keen to ensure that actions are taken as early as possible in order to deliver the maximum benefit over the period. With that in mind we shall expect more granular detail covering the first two years that set out the measures that will be used to demonstrate progress against improving outcomes while delivering patients' rights and pledges under the NHS Constitution and operating with robust financial control.

3. **Joint assumptions –** a number of planning assumptions are included under the relevant headings in this document, and further joint planning assumptions will be published in December. NHS England, Monitor and the NHS TDA also have planning expectations that relate to the organisations which each of us oversee and these are set out in Appendix 3.

4. **Tariff –** Monitor and NHS England plan to publish the 2014/15 tariff in December.

   The 2014/15 tariff guidance has been strengthened to confirm that where a Trust is being reimbursed at less than 100% of the national tariff, both the provider and commissioner will be jointly engaged in the reinvestment decision. The scope of this improved arrangement includes the non-payment for emergency readmissions and the marginal rate emergency tariff and we would expect to see plans that demonstrate how this funding has been transparently re-invested in appropriate demand management and improved discharge schemes.

5. **Allocations –** we will be able to notify CCGs of their financial allocations for both 14/15 and 15/16 in the week commencing 16 December and will also provide broad assumptions regarding allocations for years 3 – 5 to the same timescale.

6. **Efficiencies**

	2014/15	2015/16 – 2019/20
Efficiencies -	4.0%*	Published in December

* Subject to consultation

7. **Cost Inflation**

	2014/15	2015/16 – 2019/20
Weighted average cost inflation	2.1%*	Published in December

* Subject to consultation

8. **Price deflation – tariff**

	2014/15	2015/16 – 2019/20
Average tariff deflation	1.9%*	Published in December

* Subject to consultation

Any further forward guidance provided in December will be indicative only and will not represent a commitment to future tariff pricing beyond 2014/15, which will be subject to consultation in future years.

9. **CQUIN –** NHS England is refreshing the CQUIN scheme and associated guidance for 2014/2015. It is proposed that the final CQUIN scheme will be agreed and published in December 2013.

10. **Integration Transformation Fund –** the Local Government Association and NHS England published further guidance on 17 October 2013 on how CCGs and councils should work together to develop their plans for the pooling of £3.8 billion of funding, announced by the Government in the June spending round, to ensure a transformation in integrated health and social care.

The 'Integration Transformation Fund' is a single pooled budget to support health and social care services to work more closely together in local areas. The publication provides further advice, ahead of the formal planning guidance in December, on how the Fund will operate. The publication also includes a draft plan submission template.

Whilst the fund itself does not address the financial pressures faced by local authorities and CCGs, it can act as a catalyst for developing a new shared approach to delivering services and setting priorities.

It is essential, therefore, that CCGs and Local Authorities engage from the outset with all providers likely to be affected by the use of the Integration Transformation Fund so that plans are developed in a way that achieves the best outcomes for local people. Commissioner and provider plans should have a shared view of the future shape of services. This should include an assessment of future capacity requirements across the system. CCGs and Local Authorities should also work with providers to help manage the transition to new patterns of provision including, for example, the use of non-recurrent funding to support disinvestment from services.

This new shared approach to delivering services needs to be reflected in the planning units chosen for the development of 5 year strategic plans.

11. **Joint working –** it will be essential for all health (commissioners and providers) and social care practitioners to work together with other partners to develop locally owned and agreed plans. We expect the shape of size of planning units to depend on local arrangements, but all relevant parties should be included and national coverage is required.

    To support mutual working between commissioners and providers, we expect local organisations to share their own assumptions with each other. For commissioners, this will mean ensuring plans reflect the local Health and Wellbeing Strategy and have been discussed with providers. Providers will need to be satisfied that their plans reflect the commissioning intentions of CCGs and NHS England's Area Teams.

12. **Unit of planning –** as CCG sizes and local configurations differ, a larger unit of planning is required for the development of consistent and integrated long-term strategic plans**.** Each statutory body (CCG, Trust, FT) must produce its own operational plan that reflects the wider strategic plan. For the five year strategic plans CCGs will work with Trusts and local government to identify and communicate the larger footprint within which they will sit. The guidance is that each CCG should only sit in one larger footprint. This unit of planning will consist of at least one CCG and CCGs will contribute to a larger footprint where one CCG is too small. CCGs will be required to nominate their choice of planning unit to NHS England by 8 November 2013 through Area Team Directors of Operations and Delivery.

    Table 1 – unit of planning guidance

Each commissioner is asked to cast its strategic plan in a wider footprint that meets the following characteristics:
• each CCG to belong to one unit only; • the unit has been locally agreed and has clear clinical ownership and leadership; • it is based on existing health economies that reflect patient flows across Health & Wellbeing Board(s) and local provider footprints with no CCG to be split across boundaries; • it includes significant local trusts (e.g. where CCG spend is > 25%) and some trusts may participate in more than 1 unit of planning;

• it has sufficient scale to deliver geography wide clinical improvements; • it enables the pooling of resources to reduce risk associated with large investments; • it does not cut across existing locally agreed collaboration agreements; and • engagement has been secured from Local Authorities.
The Integration Transformation Fund will need to be identified within each plan so that the CCG can identify its contribution to the amount and approach to be agreed by its Health & Wellbeing Board(s).

13. **Support –** we recognise that producing fully integrated and assured strategic plans is a challenging task and to support this programme NHS England, NHS TDA, Monitor and LGA are exploring the possibility of a joint approach to support packages.

14. **Proposed assurance / challenge process –** the assurance processes used in the 2013/14 planning will be enhanced. For 2014/15 planning we are including an additional step to ensure that commissioner and provider plans are aligned by reconciling activity and revenue figures between CCGs, foundation and non-foundation trusts. The assurance on alignment will be conducted jointly between NHS England, Monitor, NHS TDA and LGA. Please note that every step will be taken not to prejudice the position of any provider or commissioner, no information will be shared without first contacting the appropriate party. This exercise is to highlight risk where parties within the local health economy are planning on a directional inconsistent basis.

15. **Further guidance –** further detailed guidance will be issued in December 2013 and will be tailored to providers and commissioners respectively.

Appendix 2: Key dates

Key dates – NHS England

Planning Units received from CCGs	8 November 2013
Final guidance, templates and tools issued	w/c 16 December 2013
Allocations issued	w/c 16 December 2013
1st Submission	14 February 2014
Contracts signed	28 February 2014
Refresh of plan post contract sign off	5 March 2014
Dispute resolution for 2014/15 with NHS TDA	From 5 March 2014
Plans approved by Boards	31 March 2014
Submission of final 2 year plans and draft 5 year	4 April 2014
Submission of final 5 year plans • Years 1 & 2 of the 5 year plan will be fixed per the final plan submitted on 4 April 2014	20 June 2014

Key dates – Monitor

Final guidance, templates and tools issued	w/c 16 December 2013
Planned publication date of the 2014/15 National tariff Payment System (subject to the outcome of a statutory consultation process)	December 2013
Contracts signed	28 February 2014
Submission of final 2 year plans	4 April 2014
Submission of final 5 year plans • Years 1 & 2 of the 5 year plan will be fixed per the final plan submitted on 4 April 2014	20 June 2014

Key dates – NHS TDA

Final Guidance, templates and tools issued	w/c 16 December 2013
Initial, high level plans	13 January 2014
Contracts signed	28 February 2014
Full plan collection	5 March 2014
Dispute resolution for 2014/15 with NHSE	From 5 March 2014
Plans approved by Boards	31 March 2014
Submission of final 2 year plans	4 April 2014
Submission of 5 year LTFMs and IBPs • Years 1 & 2 of the 5 year plan will be fixed per the final plan submitted on 4 April 2014	20 June 2014

Key dates – LGA

HWBs to return completed template on the ITF	15 February 2014

Appendix 3: Assumptions

Further guidance to commissioners on the feasibility of bringing forward an element of the 15/16 saving requirement into 14/15 to avoid a financial 'cliff edge' in 15/16, in order to fund strategic change, will be given by December.

Table 2 – NHS England specific assumptions

CCGs	
Demographic growth	Local determination using ONS age profiled weighted population projections
Non-demographic growth	Local determination based on historic analysis and evidence.
Price inflation - prescribing	Local determination - would expect this to be in a range of 4% to 7% per annum increase
Price inflation – continuing health care	Local determination - would expect this to be in a range of 2% to 5% per annum increase
Business rules	• Minimum 0.5% contingency fund held • 1% surplus carry forward • 2% underlying surplus • 2% non-recurrent spend • Local determination of impact of ITF on plans
Primary care	
Demographic growth	Local determination based on resident population in line with crude population projections
Price increase	1.3% per annum increase
Business rules	• Minimum 0.5% contingency fund held • 1% surplus carry forward • 2% underlying surplus • 2% non-recurrent spend
Direct commissioning (excluding Primary Care and Public Health)	
Demographic growth	Local determination using ONS age profiled weighted population projections for population covered by Area Teams
Non-demographic growth	Local determination based on historic analysis and evidence
Business rules	• Minimum 0.5% contingency fund held • 1% surplus carry forward • 2% underlying surplus • 2% non-recurrent spend

Public health	
Demographic growth	Local determination using ONS age profiled weighted population projections for population covered by Area Teams
Price increase	0% per annum increase
Business rules	• Minimum 0.5% contingency fund held • 0% surplus carry forward • 0% underlying surplus • 0% non-recurrent spend

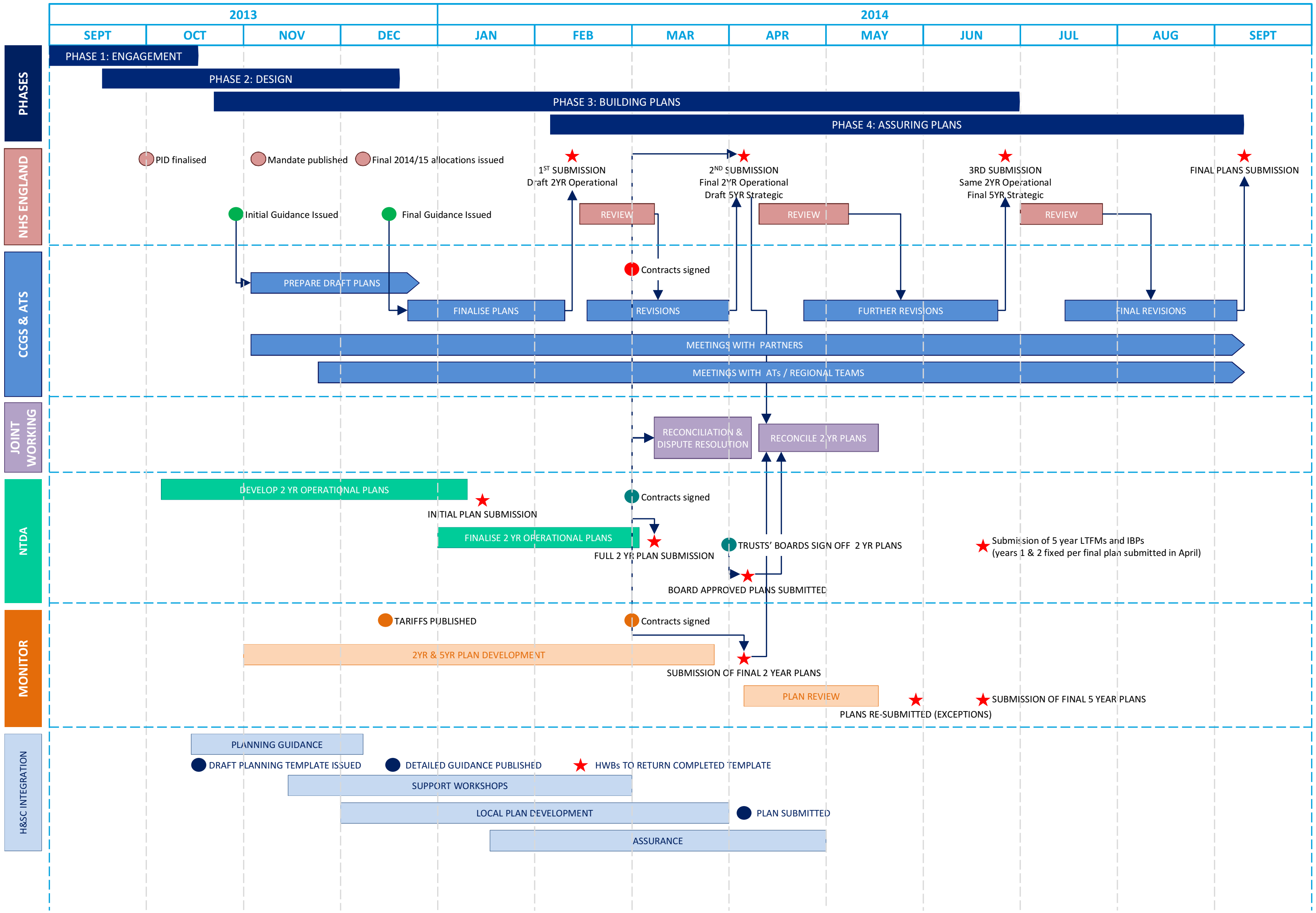
Table 3 – NHS TDA specific assumptions

Business Rules	• Minimum 0.5% contingency fund held • 1% surplus requirement or for those NHS Trusts in formal recovery the planned outturn should be consistent with the recovery plan signed off by the NHS TDA

Table 4 – Monitor specific assumptions

Business rules	Monitor does not require foundation trusts to deliver a surplus. The provider licence requires foundation trusts to have regard to the desirability of maintaining an acceptable continuity of service risk rating. In practice, a lower risk rating will prompt Monitor to ask whether there is a risk to the continuity of services. Where foundation trusts plan for a lower risk rating, they should explain their rationale to Monitor.

Appendix 4 - Joint Timeline



Integration Transformation Fund

Draft Plan Submission Template

Local Authority	**<Name of Local Authority>**
Clinical Commissioning Groups	**<CCG Name/s>**
	<CCG Name/s>
	<CCG Name/s>
	<CCG Name/s>
	<CCG Name/s>
Boundary Differences	**<Identify any differences between LA and CCG boundaries and how these have been addressed in the plan>**
Date agreed at Health and Well-Being Board:	**<dd/mm/yyyy>**
Date submitted:	**<dd/mm/yyyy>**
Minimum required value of ITF pooled budget: 2014/15	**£0.00**
2015/16	**£0.00**
Total agreed value of pooled budget: 2014/15	**£0.00**
2015/16	**£0.00**

Authorisation and Sign Off

Signed on behalf of the Clinical Commissioning Group	<Name of ccg>
By	<Name of Signatory>
Position	<Job Title>
date	<date>

Signed on behalf of the Clinical Commissioning Group	
By	<Name of Signatory>
Position	<Job Title>
date	<date>

<Insert extra rows for additional CCGs as required>

Signed on behalf of the Local Authority	
By	<Name of Signatory>
Position	<Job Title>
date	<date>

Signed on behalf of the Health & Wellbeing Board	
By Chair of the HWB:	<Name of Signatory>
Position	<Job Title>
date	<date>

Service provider engagement

Please describe how health and social care providers have been involved in the development of this pla, and the extent to which they are party to it

Patient, service user and public engagement

Please describe how patients, services users and the public have been involved in the development of this plan, and the extent to which they are party to it

Related documentation

Please include information/links to any related documents such as the full project plan for the scheme, and documents related to each national condition

Vision for Health and Care Services

##

Integration Aims & Objectives

##

Description of Planned Changes

##

Implications for the Acute Sector

Set out the implications of the plan on the delivery of NHS services including clearly identifying where any NHS savings will be realised and the risk of the savings not being realised. You must clearly quantify the impact on NHS service delivery targets including in the scenario of the required savings not materialising. The details of this response must be developed with the relevant NHS providers.

Governance

Please provide details of the arrangements are in place for oversight and governance for progress and outcomes

National Conditions

1 Protecting social care services

Please outline your agreed local definition of protecting social care services.

Please explain how local social care services will be protected within your plans.

2 7-day services to support discharge

##

3 Data-sharing

Please confirm that you are using the NHS Number as the primary identifier for correspondence across all health and care services.

If you are not currently using the NHS Number as primary identifier for correspondence please confirm your commitment that this will be in place and when by

Please confirm that you are commited to adopting systems that are based upon Open APIs and Open Standards (i.e. secure email standards, interoperability standards (ITK))

##

4 Joint-assessments and accountable lead professional

##

Outcomes and metrics

Please provide details of the expected outcomes and benefits of the scheme and how these will be measured.

Outcome measures- Examples only	Current Baseline (as at....)	14/15 Projected delivery (full year?)	15/16 Projected delivery (full year?)
Delayed transfers of care			
Emergency admissions			
Effectiveness of reablement			
Admissions to residential and nursing care			
Patient and service-user experience			
<Local measure>			
<Local measure>			
<Local measure>			

Finance

Please summarize the total health and care spend for each commissioner in your area. Please

Organisation	2013/14 spend	2013/14 benefits	2014/15 spend	2014/15 benefits	2015/16 spend	
Local Authority Social Services						
CCG						
Primary Care						
Specialised commissioning						
Local Authority Public Health						
Total						

Please summarize where your pooled budget will be spent. NB the total must be equal to or more than your total ITF allocation

ITF Investment	2014/15 spend	2014/15 benefits	2015/16 spend	2015/16 benefits
Scheme 1				
Scheme 2				
Scheme 3				
Scheme 4				
Scheme 5				
Total				

Approximately 25% of the ITF is paid for improving outcomes. If the planned improvements are not achieved, some of this funding may need to be used to alleviate the pressure on other services. Please outline your plan for maintaining services if planned improvements are not achieved.

Contingency plan:		2015/16	Ongoing
Outcome 1	Planned savings (if targets fully		
	Maximum support needed for other		
Outcome 2	Planned savings (if targets fully		
	Maximum support needed for other		

Page 79

Key Risks

Please provide details of the most important risks and your plans to mitigate them. This should include risks associated with the impact on NHS service providers

Risk	Risk Rating	Mitigating Actions
Risk 1		
Risk 2		
Risk 3		
Risk4		

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	**Meeting:**	**The Cabinet**
2.	**Date:**	**27th November 2013**
3.	**Title:**	**Business Case to consider the Selective Licensing of Private Rented Accommodation in Rotherham**
4.	**Directorate:**	**Neighbourhoods and Adult Services**

5. Summary

Further to the report to Cabinet on 22nd May 2013 on "Improving Standards in the Private Rented Sector", this report presents the findings of the Business Case to assess the potential introduction of Selective Licensing in some parts of the borough which are suffering from the effects of low housing demand and/or Anti-Social Behaviour.

The review identified areas which meet the primary low housing demand criteria in the Housing Act 2004 which have:

- Low values of residential premises in the area when compared with similar areas
- High proportions of empty properties
- High turnover of occupiers of residential property.

The analysis concludes that there are consistent indicators of low housing demand in three areas of the Borough compounded by high Anti-Social Behaviour rates in all the areas, high rates of disrepair complaint in most, and increasing crime rates in more than half of the individual Super Output Areas considered.

The areas identified as suffering from low housing demand and to be prioritised for consideration for licensing are:

- Rotherham Central, including the Town Centre, Canklow, South Central & Boston Castle, Eastwood and Masbrough
- Dinnington
- Maltby South East

The decisions arising from this report are likely to have a significant effect on communities living or working in an area comprising two or more wards, and therefore, under the provisions of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, these decisions are deemed as **Key Decisions**. Accordingly, the required 28 day pre-meeting public notice has been made.

6. Recommendations

It is recommended that Cabinet approve that:

6.1 Selective Licensing should be considered in the areas identified by Option 1 of this report.

6.2 The required public consultation be commenced to introduce Selective Licensing and that its outcome be reported to Cabinet

7.0 Proposals and Details

7.1. Introduction

This report looks towards a contributory proactive solution for a number of neighbourhoods where the private rented sector is contributing to ***low housing demand*** and ***Anti-Social Behaviour*** (ASB). The proposal for the introduction of a Selective Licensing scheme takes into consideration that these areas exist despite the Council using its enforcement powers and providing guidance to landlords to improve standards over many years. In addition previous significant investment from such schemes as the Housing Market Pathfinder initiative in these areas has not brought sustained community and infrastructure improvement. The review undertaken to assess the need for such an approach is detailed in a Business Case which has been available to Members and can be viewed on the Council's website.

Low demand is indicated by factors which demonstrate that areas are not as desirable as others, such as high rates of empty property, high rates of occupier turnover, low property values and other social factors.

To effectively tackle the problems associated with low housing demand it is necessary to ensure that all stakeholders take their share of responsibility in the areas in which they live, work and invest. Historically, intervention with problem tenants and properties has been focussed on criminal enforcement methods, which tackle the problem at the time, rather than the area as a whole. By ensuring landlords have an investment in their communities as well as the properties they own, we will enable a reduction in ASB incidents. In a similar way, reactive housing enforcement to complaints about poor housing standards and landlord/tenant relationships can only have a limited and short term impact in some areas with entrenched problems.

Poor housing conditions and excessively cold and damp properties have significant health impacts on occupiers, in addition to the physical safety risks to tenants of poorly maintained property.

The private rented sector is growing in response to the demand for lower cost housing outside of the social rented sector, and the Council is committed to supporting and promoting private landlords to provide quality and affordable housing. However, there are concerns that standards within the private rented sector are falling below the minimum expected under the Housing Act 2004. In some areas the significant increases in the private rented sector, high rates of empty properties (10% in some areas) and short term tenancies are having a negative impact on those communities.

In some Local Super Output Areas (SOA's)[1] the private rented sector accounts for up to 41% of the housing market with an increase of up to 14% in some areas since 2001 and is becoming a significant part of the overall housing market.

Because of the concerns about low demand, ASB and limited impact of existing interventions in some of our neighbourhoods, the use of Selective Licensing under the Housing Act 2004 is being considered as a means of ensuring private sector landlords manage their properties better and to ensure tenants fulfil their responsibilities to the communities they live and work within.

---

[1] The UK is divided into geographical areas called Local Super Output Areas (SOA) for statistical purposed by the Government, whose areas are determined by the number of households and the populations. In each area there are on average 1500 people and 500 households.

The Business Case provides discussion of the following elements:

- What is Selective Licensing?
- The Legislative Requirements
- Previous Interventions and alternatives to Selective Licensing
- Benefits of a Selective Licensing Scheme
- Critical data analysis
- Evidence Supporting progression of a Selective Licensing Scheme, and
- Identification three areas of the Borough for consideration for a scheme

Making designations for Selective Licensing schemes, along with other partnership interventions, are designed to reduce problems associated with low housing demand, improvement in housing standards and a reduction in ASB and crime.

The objectives of a designation in should be based on the evidence on which the designations are made and these should be:

- Reduction in the turnover of occupiers in areas which will in turn provide a more stable community and greater pride by residents in their area,
- Reduction in rates of empty properties through the promotion of the areas for both buying and letting residential properties,
- Ensure minimum standards are met by landlords for the safety of properties
- Reductions in crime and ASB brought by more stable communities.

A designation would require all privately rented properties within the identified boundary (subject to statutory exemptions) to be licenced for up to 5 years. Each licence will be charged at a standard rate with the potential for discounts. The anticipated maximum cost of a licence is currently £687 for the 5 year period, with some proposed reductions for accredited landlords and for single payments. Further details are in Section 8 of this report.

The Council will provide a dedicated landlord liaison officer, direct support for landlords in the scheme and regular landlord and tenant meetings through the life of the scheme.

The potential benefits for landlords of a Licensing scheme will be:

- more informed and responsible tenants,
- cheaper maintenance bills for properties,
- reduced crime and vandalism,
- reduced levels of fly tipping and waste issues,
- more involved landlords sharing good practice,

- and more desirable communities attracting higher sale values for properties.

The benefits to the wider community, Rotherham Council and partners are:

- lower levels of deprivation in these communities,

- lower turnover of occupiers with more stable communities,

- reductions in ASB and Crime,

- potential savings in reactive enforcement work across the Council and service partnership;

- a more "professional" landlord community.

Accredited[2] landlords (by national organisations or other local authorities) will benefit from lighter touch regulation while all un-Accredited landlords will have properties inspected prior to, or as soon as possible after Licences are granted. All licenced property will be part of a sampling inspection programme through the life of the scheme with the aim of inspecting at least 50% of all licenced property for compliance with licence conditions.

Each Licence holder will receive a standard set of conditions with additional conditions added where appropriate following an inspection of the property. These conditions will be monitored through the administration of the scheme.

The administration, compliance monitoring and support for the scheme will be financed solely from the licence fee's received. In order to provide the best value for money for landlords, it is desirable that the application handling be fully digital, with online application and automated processing which will reduce the processing time for applications. This will enable the staffing costs for administering the scheme to be kept to a minimum. A summary to the financial breakdown is included in Section 5 of the Business Case and provided in Section 8 below.

7.2. <u>Proposals for a Selective Licensing Scheme</u>

From an analysis of data relating to the housing market in the Borough there are three distinct areas of Rotherham which show characteristics of low housing demand consistent with the definitions in the Housing Act 2004 and the associated guidance. The boundary maps for these areas can be found in Appendix 1. These are:

- **Rotherham Central**, comprised mainly of the Super Output Areas Rotherham Town Centre, Canklow and South Central & Boston Castle and the SOA's within Eastwood and Masbrough,
- **Dinnington** Central and East SOA's
- **Maltby South East** made up of the Town Centre, Muglet Lane and Maltby Main SOA'S.

In all parts of these areas there is clear evidence of:

- High rates of empty properties
- high rates of occupier turnover,

[2] Accredited Landlords or Managing Agents are those who have received Accreditation by either another local authority run accreditation scheme or by a national body, and can demonstrate that a training programme has been completed to achieve accredited status.

- high rates of ASB
- high proportions of rented and privately rented property
- lower than average rates of owner occupied property

Most areas suffer from lower than average house values. Where property values have been found to be more towards the average or above the average, those areas are adjacent to another SOA which is suffering those problems.

Disrepair complaints in all the areas were higher than the average for the Borough with concentrations of overcrowding complaints in the Eastwood, Masbrough and Town Centre/Canklow SOA'S. Criminal activity in half the SOA's was also found to be increasing, with sharp increases in the Masbrough West and Bradgate areas.

There are just over 2,400 privately rented properties (excluding registered providers of social housing) in the proposed areas with **2,029** properties likely to be licensable. The difference being due to some properties are legally exempt from Licensing. These include those where tenants are close family members or where the tenant is sharing the accommodation with the owner of the house[3].

A set of the draft licence conditions are drafted in Section 4 of the Business Case and replicated in Appendix 2 of this report.

7.3. Options Appraisal

<u>Option 1 – Introduce Selective Licensing in all the areas identified as suffering from low housing demand.</u>

This option provides a large scheme of approximately 2,029 licensable properties and efficiencies for landlords through its size and scale. These premises are within the areas shown in Appendix 1. The key benefits of this option are dedicated staff to the scheme to provide full time support and advice to landlords and tenants and as a licence fee which is as low as possible for landlords.

Additional short term inspection capacity will be required for the routine inspections for non-accredited landlords to ensure houses can be inspected within a reasonable time scale of the application and fee being received. As most applications will be received within the first 12 months it would be impractical for the Council to directly employ enough inspectors for that short period to meet the demand.

There is a risk that in developing a large scheme covering all the areas there will be a heavier burden on existing enforcement services without the ability to recover finances from the licence fee. This number of individual designations also may result in an increased risk of challenge through the Courts. National and regional landlord organisations have objected to large schemes previously in other parts of England.

Consideration has been given to adjusting this option to limit it to streets in those areas where there are identified issues and problems with tenants and landlords. To, however, prevent a migration or displacement/transference of a problem within similar priced or located areas, an inclusion of the whole area it is viewed that it is more appropriate, with some additions, to ensure communities are considered as a whole with this intervention.

---

[3] Article 2 of The Selective Licensing of Houses (Specified Exemptions) (England) Order 2006

With all street areas having equal distributions of rented properties the de-selection of some streets from the scheme would also place the finances at risk on not achieving the required income as not all streets areas have equal distributions of rented properties. The financial operational model for the scheme is based on self-financing with little/no cost burden being borne from the Council's general fund revenue account.

Option 2 – Introduce Selective Licensing in Eastwood and Masbrough.

This option introduces a limited size scheme (700 licensable households) which would cover two areas in the centre of Rotherham with the most acute levels of low housing demand. This could be paired with a voluntary accreditation scheme (Option 3) in other areas of Rotherham, with which to compare the effectiveness of different options.

A smaller scale project would provide the ability to introduce selective licensing in Rotherham at a gradual pace, annually considering outcomes of the first designations before considering introducing further designations.

Due to smaller numbers of licensable properties it is likely that licence fees would be higher for landlords and the scheme would not provide a dedicated team for the administration of the scheme. Enforcement relating to the scheme would have to form part of the existing functions within the Community Protection Unit which, without providing additional resources to cover the additional work, may be difficult to carry out effectively. The voluntary accreditation scheme would require the identification of additional resources to manage and facilitate.

Option 3 – Voluntary Accreditation Scheme

The Council did run a voluntary accreditation approach in 2004 but this was not successful due to a low uptake by landlords. Establishing a new scheme would provide an opportunity to work proactively with landlords and agents on a voluntary basis and to build a co-operative approach to improving standards in the sector. This may be considered more appropriate by landlords, agents and national landlord groups.

Other authorities in South Yorkshire and across the country have voluntary accreditation schemes; however these usually result in the most professional landlords registering. It does not force absentee or irresponsible landlords to register, nor does it place any additional responsibilities upon those for which the scheme is designed. Hence, such an approach would be unlikely to cover those landlords who may be viewed to be those who need to most improve both their management and standards of their properties.

Accreditation of landlords by the Council would also require the identification of additional resources with which to manage and facilitate a scheme, as opposed to requiring landlords to be accredited through any Licensing Scheme. Where landlords have properties which fall under multiple schemes in different areas they could also use their accreditation under a different scheme or a National scheme by a Landlord association.

Operating a voluntary accreditation scheme is not a financially viable option for the Council.

7.4. Process of Designating Areas and Timescales

Following a decision by the Cabinet to proceed with proposals, a public and targeted consultation is required. This 12 week consultation will include:

- A consultation report with the draft designations will be prepared and posted on the website.

- A Selective Licensing consultation web page with an online questionnaire and information about the scheme.
- Advertisements in the local newspapers.
- A series of press releases promoting the consultation throughout the 12 weeks
- A questionnaire posted to all addresses within the proposed areas (residential and businesses).
- A letter and questionnaire to every private sector landlord for which the Community Protection Unit has direct contact details
- Consultation meetings in each locality with drop in sessions throughout the consultation period
- Landlord consultation meetings in each locality
- Direct contact with Landlord associations and representatives
- A door to door survey with tenants and residents in areas where there are language and communication barriers

The following is an approximate schedule for different stages of the process should the recommendations in this report be agreed.

Time period	Completion Date	Type of activity
10 weeks	Feb 14	Consult landlords and stakeholders and report on consultation
4 weeks	March 2014	Management and Cabinet decision process. Forward to Full Council to Designate if approved.
	April 2014	Designation made and Selective Licensing in place.
3 months	May – August 2014	Statutory communication and introduction period (Housing Act 2004, s82(8)). 1. Recruitment and establishment of delivery team/organisation 2. Communication of new designation to the communities affected and landlords 3. Direct contact with respondents to consultation and other people identified by regulations
5 years	August 2014	Start implementation for a maximum period of 5 years

8. Finance

The council can recover the costs incurred in administering the scheme from a fee for each licence. The proposed standard fee is **£687** for a Licence which lasts for up to 5 years. It is proposed that the following discounting should be part of the fee structure:

- Reduction of £100 for applications where the applicant or proposed Licence Holder is an accredited landlord at the time of the application. This reflects that accreditation would reduce:
    - the inspection of each house prior to or shortly after a Licence is issued
    - revisits to check on compliance with any advice/requirements of that initial inspection
    - the generation of an inspection report and,

- administration time to process inspections.

- Reduction of £10 for application payments made via direct debit or invoicing. Payments by credit/debit card are not subject to additional internal processing charges.

An inspection programme covering a sample of 50% of licenced houses for compliance checks will be part of the scheme and therefore accredited landlords may receive an inspection part way through the scheme.

The proposed staffing needs for Option 1 are as follows:

- Team Leader – Single point of contact for landlords and licence holders in the designated areas, staff and contractor performance management, annual reviews and quality assurance.

- Housing Licensing Officer (x2 reducing to 1 in year 5) – Deputise for Team Leader, application consultations, carry out annual reviews of licences and checking submitted documents and confirming licence conditions, technical guidance and assistance to Administrative staff. Reduced from two to one officer in year 5.

- Licensing Administration Officers (x3 reducing gradually to 1 in year 5) – Application and enquiry management, processing of licences and updating records from inspections, licensing correspondence.

The ability to pay by instalments over a 12 months period would provide flexibility and make it easier for landlords to pay. These proposed fees could change if there are changes due to considerations in a later consultation or increased/reduced costs for infrastructure and administration.

Some schemes (for example Thanet District Council) have also provided larger portfolio landlords (10 or more properties) with the ability to pay for a single year licence in the first year and then to pay for the remaining four years just before year 2. This would be of significant benefit and encouragement to these landlords who could face a significant bill in the first year of the scheme. If they were to fail to renew the licence before the end of the first year and pay the remaining 4 years fee then the licence lapses and they are then required to pay for a full licence fee for each property with no further reductions.

As a delivery model, it may be possible to look to the private sector to deliver the scheme on behalf of the Council, however there are no schemes currently in operation in other authorities with private providers assuming all the functions and the process of engaging with an untested provider may have additional risks to the scheme and timescales for implementation. A level of outsourcing is planned into the initial licensing process to enable efficient and timely inspections of properties prior to licensing.

It is proposed that the licence fee be set and reviewed annually in the fees and charges review process to ensure value for money new landlords (those that have acquired a house to let in the preceding 3 months).

There will be additional financial burdens placed on the Community Protection enforcement team (estimated as 2 fte) has the cost of enforcement cannot be recovered by the license fee.

In managing the financial arrangements of the scheme, the income collected from the licence fee will be accounted for over the full 5 year period that the licence covers in order to meet the costs of administration of the scheme over the full period. It is anticipated that the scheme will operate in a deficit for the first 6 months due to employment and infrastructure costs. Figure 6 demonstrates the income and expenditure over the life of the scheme.

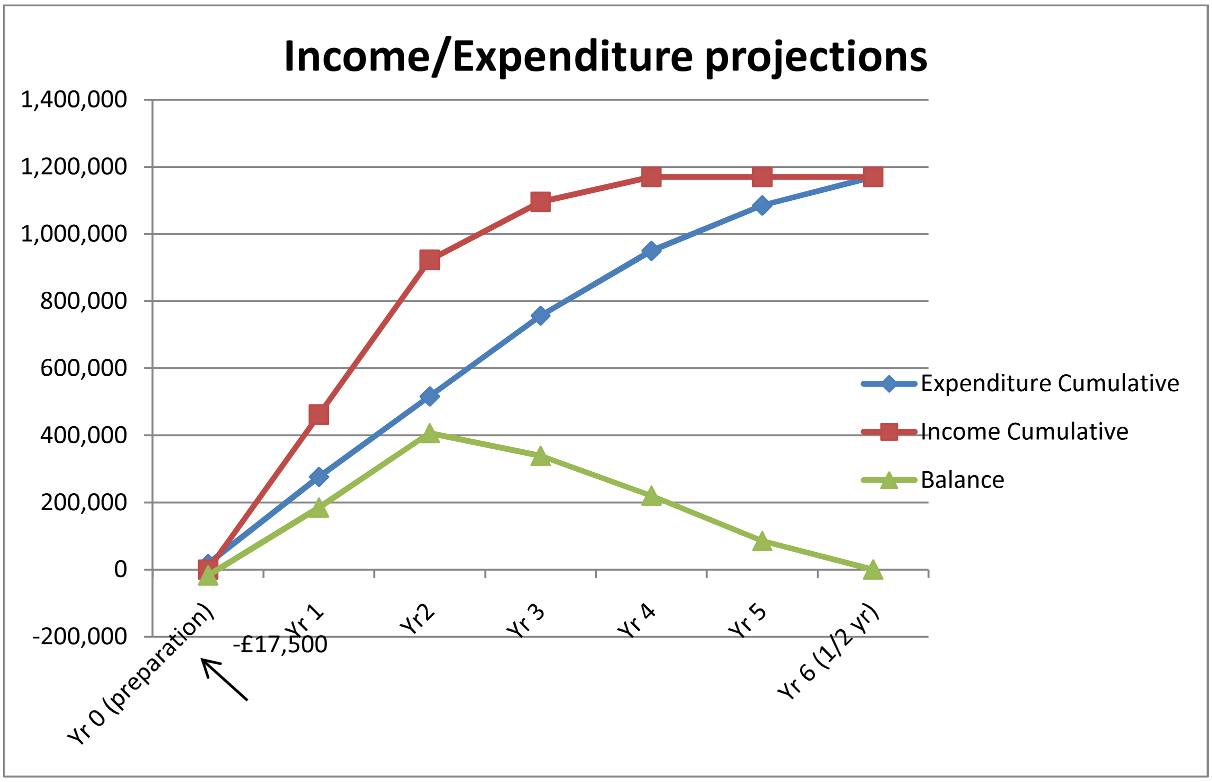


Figure 1 - Income, Expenditure and balance profiled for the end of each financial year, assuming the scheme begins in the final quarter of 2013/14

9. Risks and Uncertainties

A risk register has been developed for the business case and steps put in place to reduce the likelihood that these will be realised. The most significant risks are:

a) There is a risk of a significant budget shortfall if the scheme does not receive applications and fees from the anticipated number of licensable premises or if there is a lack of additional enforcement resource outside the scheme.

b) Judicial Review of the scheme which leads to a delay in full implementation, unexpected and unrecoverable legal costs.

c) There is a risk of a significant number of enforcement actions which may place an additional burden on both the existing enforcement team in the Community Protection Unit (estimated to be 2fte of current resourcing) and Legal Services.

10. Policy and Performance Agenda Implications

Improving the Private Rented Sector housing in Rotherham has a positive impact on helping to narrow the gap in our most deprived neighbourhoods and is a commitment in Rotherham's new draft Housing Strategy.

The aims the recommended scheme are consistent with aims of the Council's Housing Strategy and Homelessness Strategy.
The use of Selective Licensing will also contribute to tackling Anti-Social Behaviour which is a key priority and set out in the RMBC Corporate Plan

- ***helping to create safe and healthy communities, and***
- ***ensuring people feel safe where they live, particularly that Anti-Social behaviour and crime is reduced and people from different backgrounds get on well together***.

In particular the proposal contributes in ensuring that;
- People feel safe where they live
- ASB and crime is reduced
- Our streets are cleaner

Through the effective use of Council resources, in this case CPU and Legal staff resources and, in conjunction with other regenerative initiatives, the Council is delivering much needed improvements in the private rented sector and offering a viable alternative to social affordable housing which is in great demand and so demonstrating value for money.

11. Background Papers and Consultation

The Business Case (made available to Members and posted on the Council website) and the supporting evidence has been reviewed by Legal Services and Finance Services. The appendices to the Business Case are:

Appendix 1 – Housing Market Data and Analysis

Appendix 2 – Correlation of Private Rented Housing and Anti-Social Behaviour

Appendix 3 – Maps of Proposed Selective Licensing Areas

Appendix 4 – Draft Licence Conditions

Appendix 5 – Expenditure and Income Projection data

Appendix 6 – Risk Register Summary

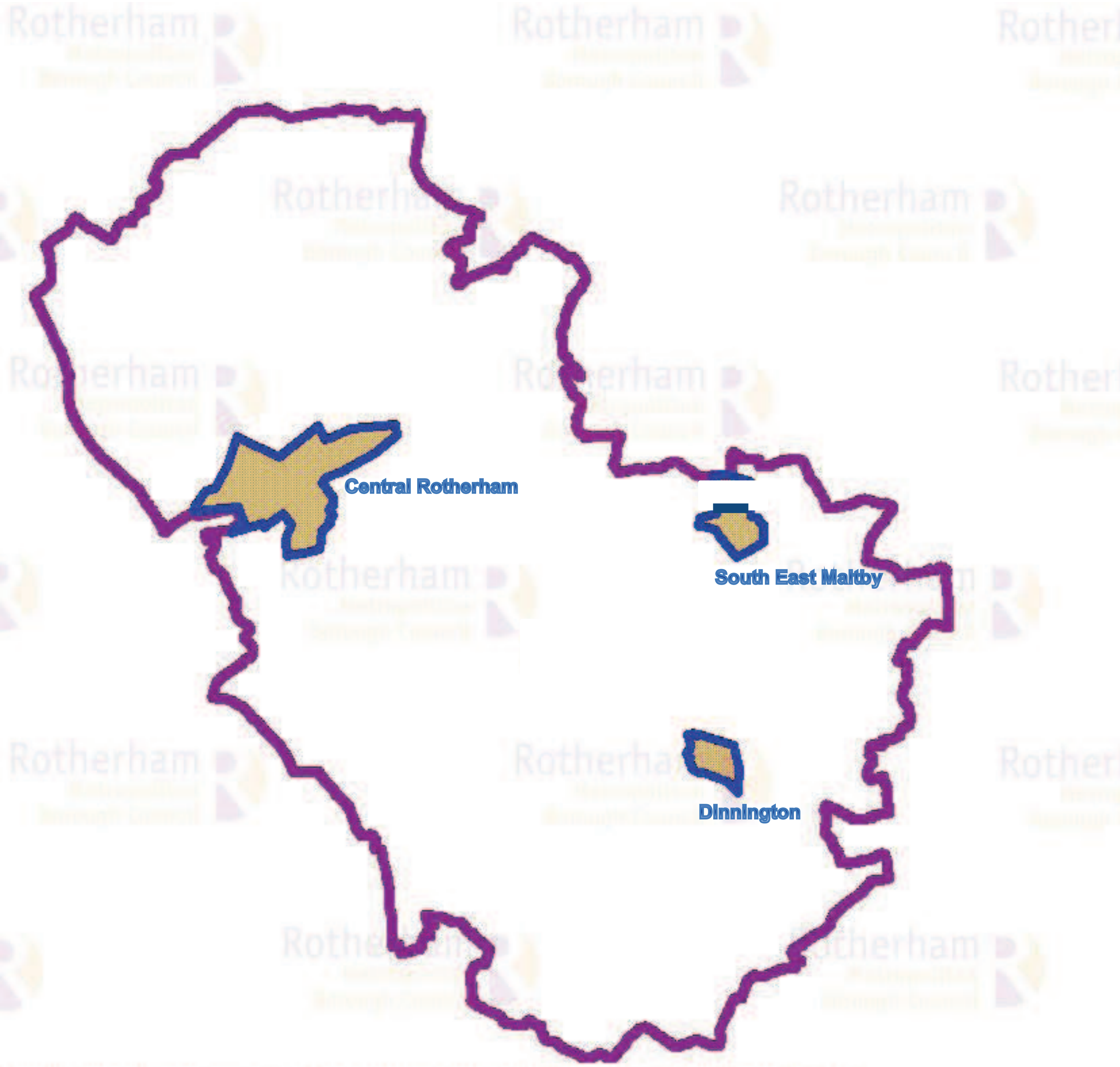
- The Housing Act 2004, Part 3
- The Licensing and Management of Houses in Multiple Occupation and Other Houses (Miscellaneous Provisions) (England) Regulations 2006.
- The Selective Licensing of Houses (Specified Exemptions) (England) Order 2006
- Approval steps for additional and selective licensing designations in England – Revised Edition, February 2010, Department for Communities and Local Government.
- Selective Licensing of Privately Rented Housing, Standard Note SN/SP/4634, House of Commons Library, 16 June 2010
- House Proud: How Councils Can Raise Standards in the Private Rented Sector: Lauren Lucas, LGiU Policy Briefing, 12th September 2013
- Rotherham Warmer Homes Strategy 2012-2015
- Keeping Warm In Later Life Project findings (KWILLT), Rotherham NHS, 2011
- Initial informal consultation meetings with affected Ward Councillors June-July 2013
- Informal consultation with National Landlords Association, Rotherham & District Residential Landlords Association, Shelter and Rotherham Citizens Advice Bureau, August 2013

Contact Name: Matthew Finn, Community Protection Manager,
matthew.finn@rotherham.gov.uk 01709 823134

Appendices

Contents

Appendix 1 - Boundary maps for areas which could be subject to Selective Licensing

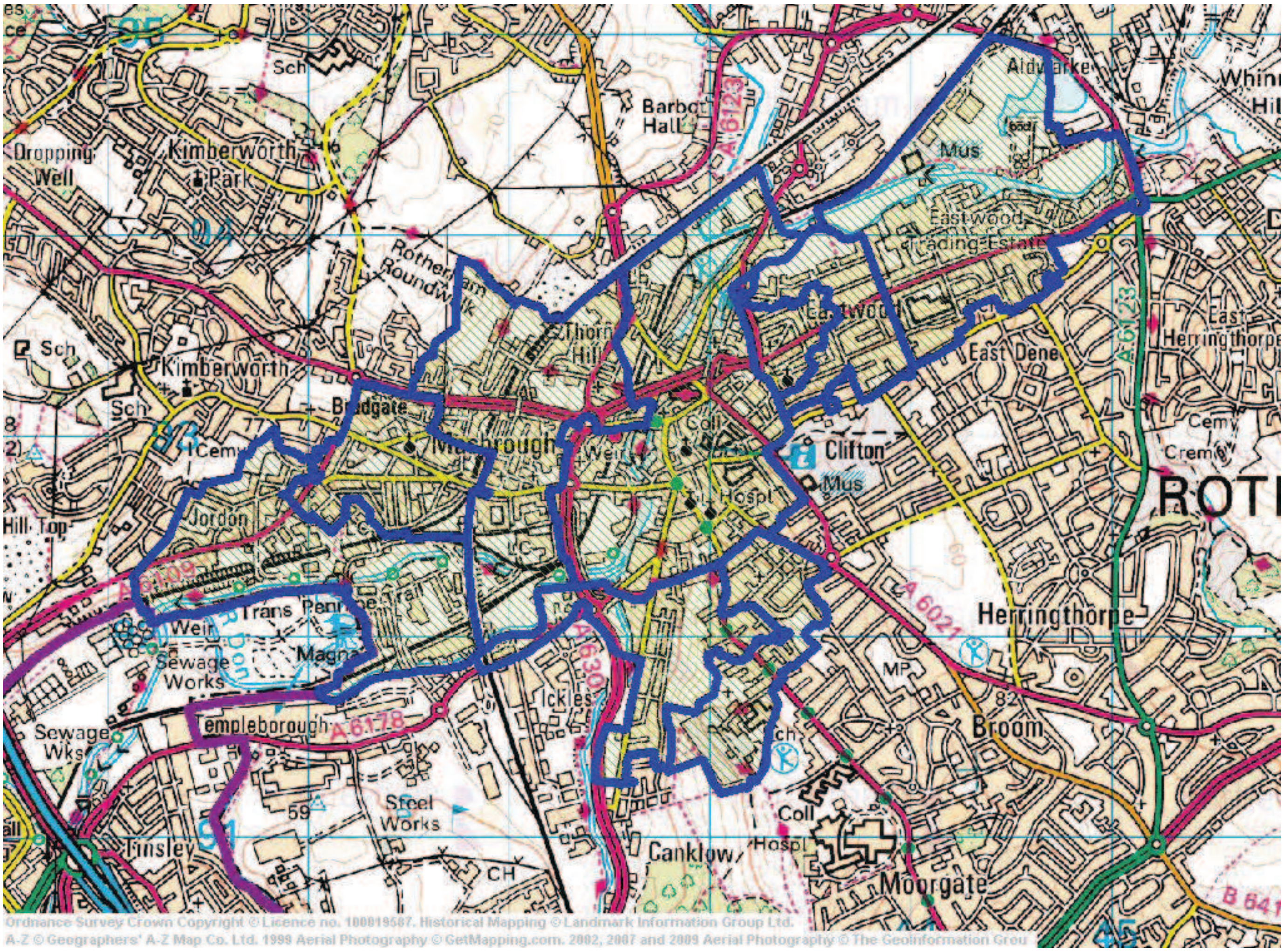


These maps are complemented by lists of addresses which are included within licence areas

Rotherham Central

Rotherham Central Super Output Area Maps

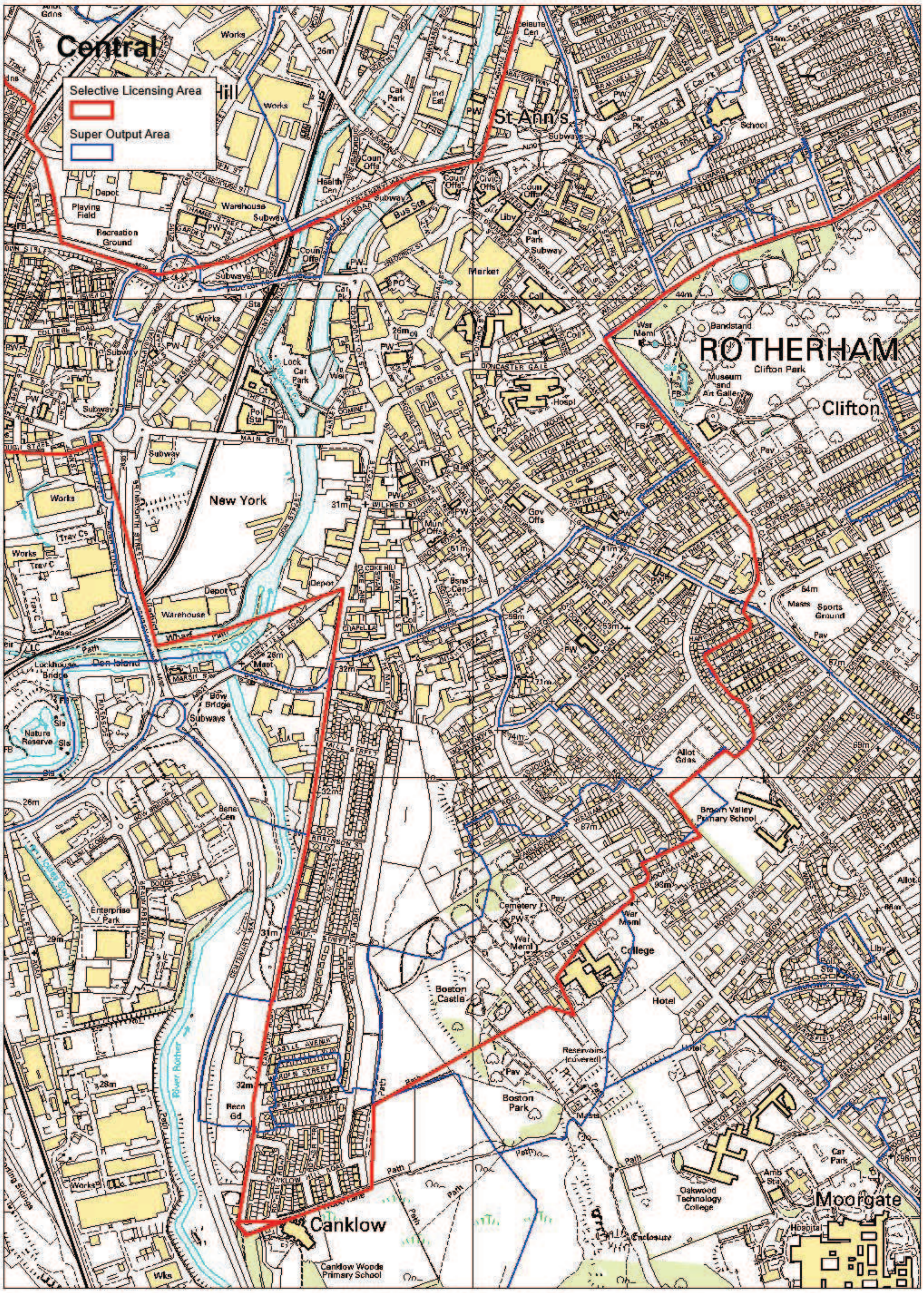
The areas outlined in blue are the Super Output Areas which are identified as suffering from low housing demand and have high rates of privately rented accommodation. The maps on the following pages are the boundary maps for the proposed selective licensing areas

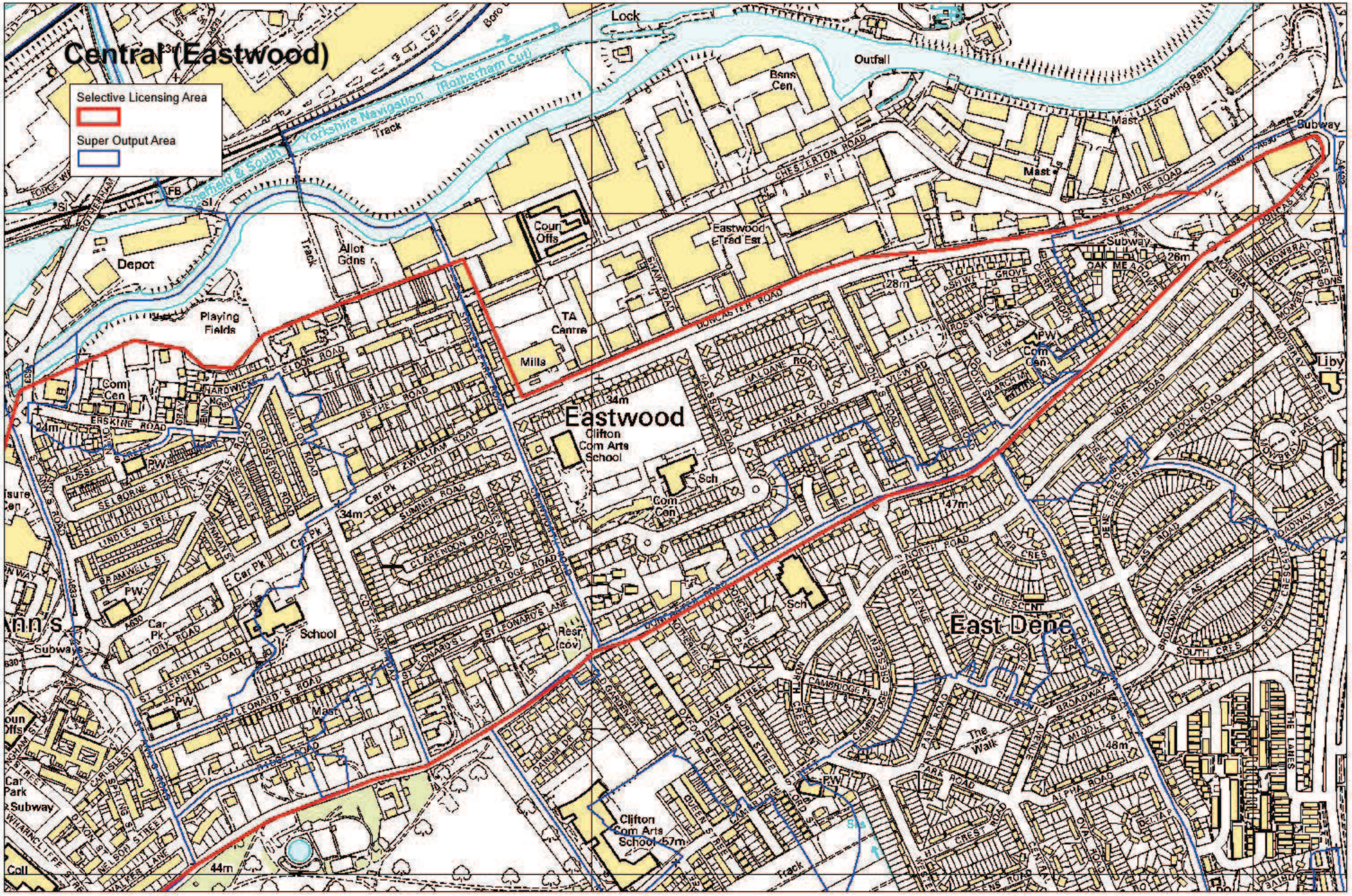


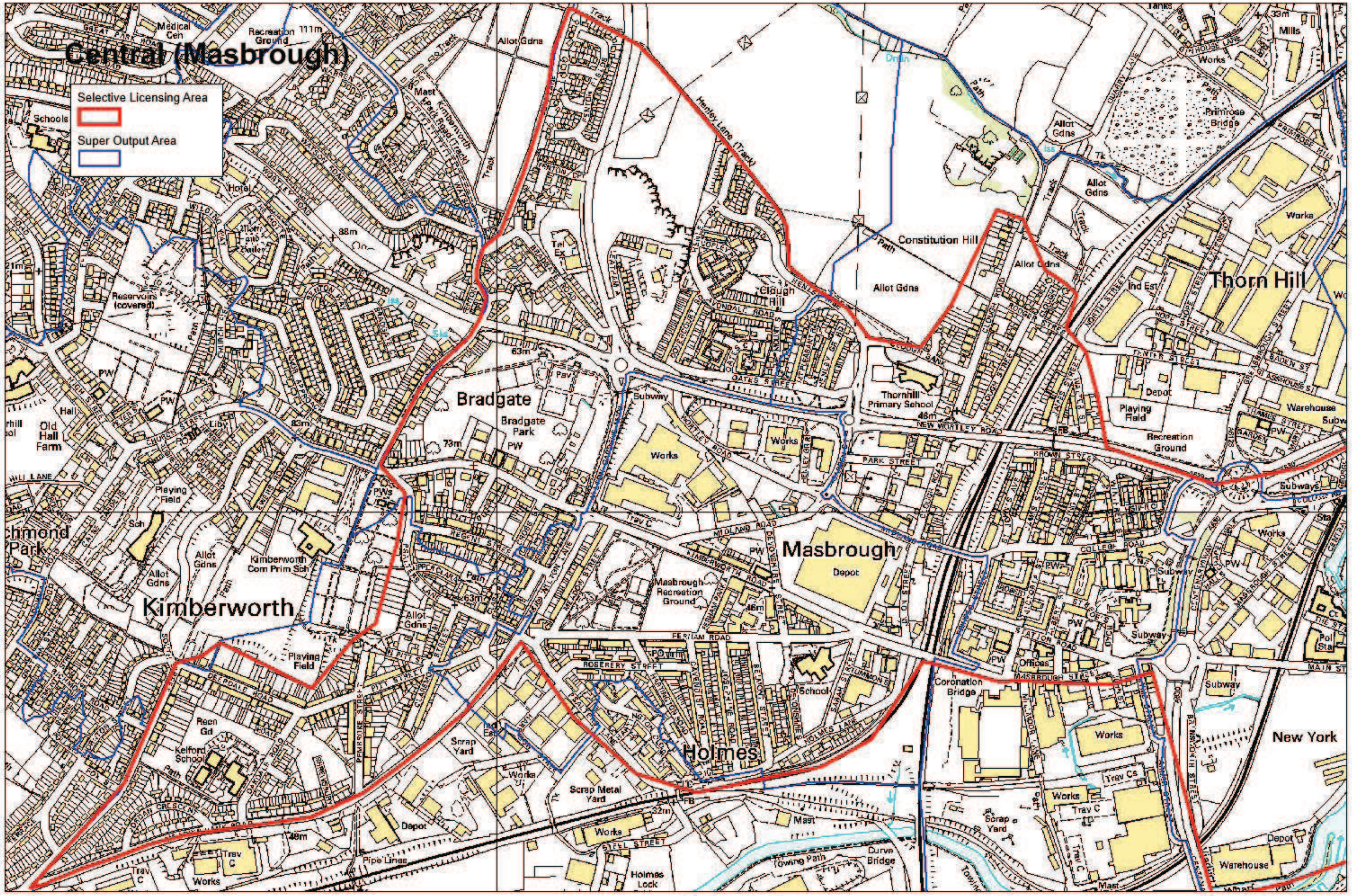
Rotherham Central proposed Selective Licensing Area

The following three maps show the Central Area licensing area. To ensure the detail can be see the mpa has been split over three images. *More detailed larger scale maps of the whole will be made available.*

The area outlined in red is the area where a Selective Licensing Designation is proposed.



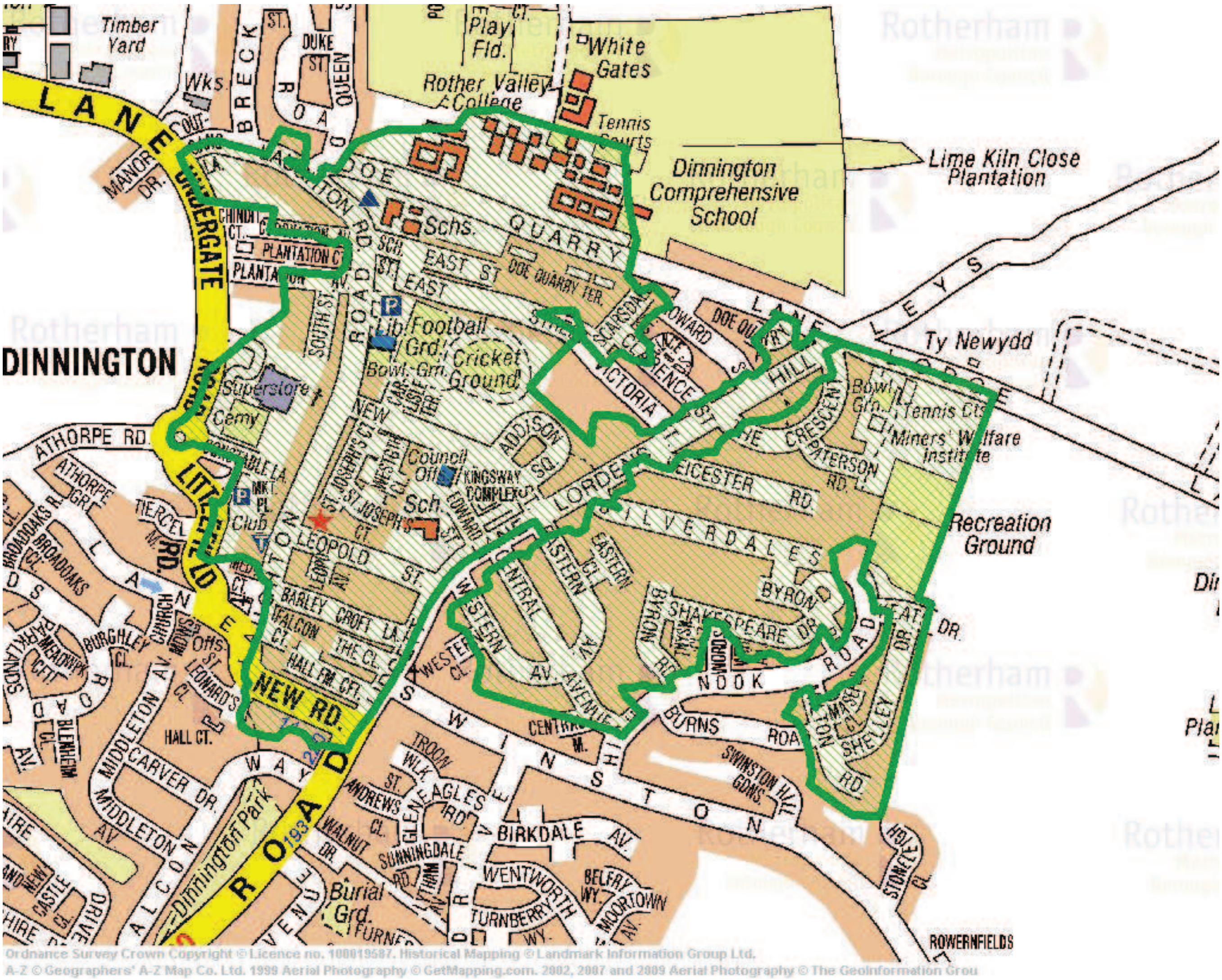

Central (Eastwood)
Selective Licensing Area
Super Output Area
Sheffield & South Yorkshire Navigation (Rotherham Cut)
Lock
Outfall
Bsns Cen
Towing Path
Subway
Mast
Depot
Allot Gdns
Playing Fields
Coun Offs
Eastwood Trad Est
TA Centre
Mills
Eastwood
Clifton Com Arts School
Sch
Com Cen
School
East Dene
The Walk
Clifton Com Arts School
Car Park
Coll
Track
DONCASTER ROAD
CHESTERTON ROAD
SYCAMORE ROAD
ELDON ROAD
ERSKINE ROAD
SELBORNE STREET
FINLAY ROAD
NORTH ROAD
BROADWAY
ALPHA ROAD
MIDDLE LANE
HILL CRES
CAMBRIDGE PL
CLARENDON ROAD
COLERIDGE ROAD
SUMNER ROAD
ST LEONARD'S ROAD
ST STEPHEN'S ROAD
YORK ROAD
LINDLEY STREET
BRAMWELL ST
FITZWILLIAM ROAD
BETHEL ROAD
HARDWICK
28m
34m
47m
48m
44m
57m


Central (Masbrough)
Selective Licensing Area
Super Output Area
Bradgate
Bradgate Park
Kimberworth
Masbrough
Holmes
Thorn Hill
New York
Constitution Hill
Clough Hill
Thornhill Primary School
Kimberworth Com Prim Sch
Masbrough Recreation Ground
Coronation Bridge
Old Hall Farm
Kelford School
Primrose Bridge
Depot
Works
Scrap Metal Yard
Holmes Lock
Allot Gdns
Recreation Ground
Playing Field
Henley Lane (Track)

Dinnington

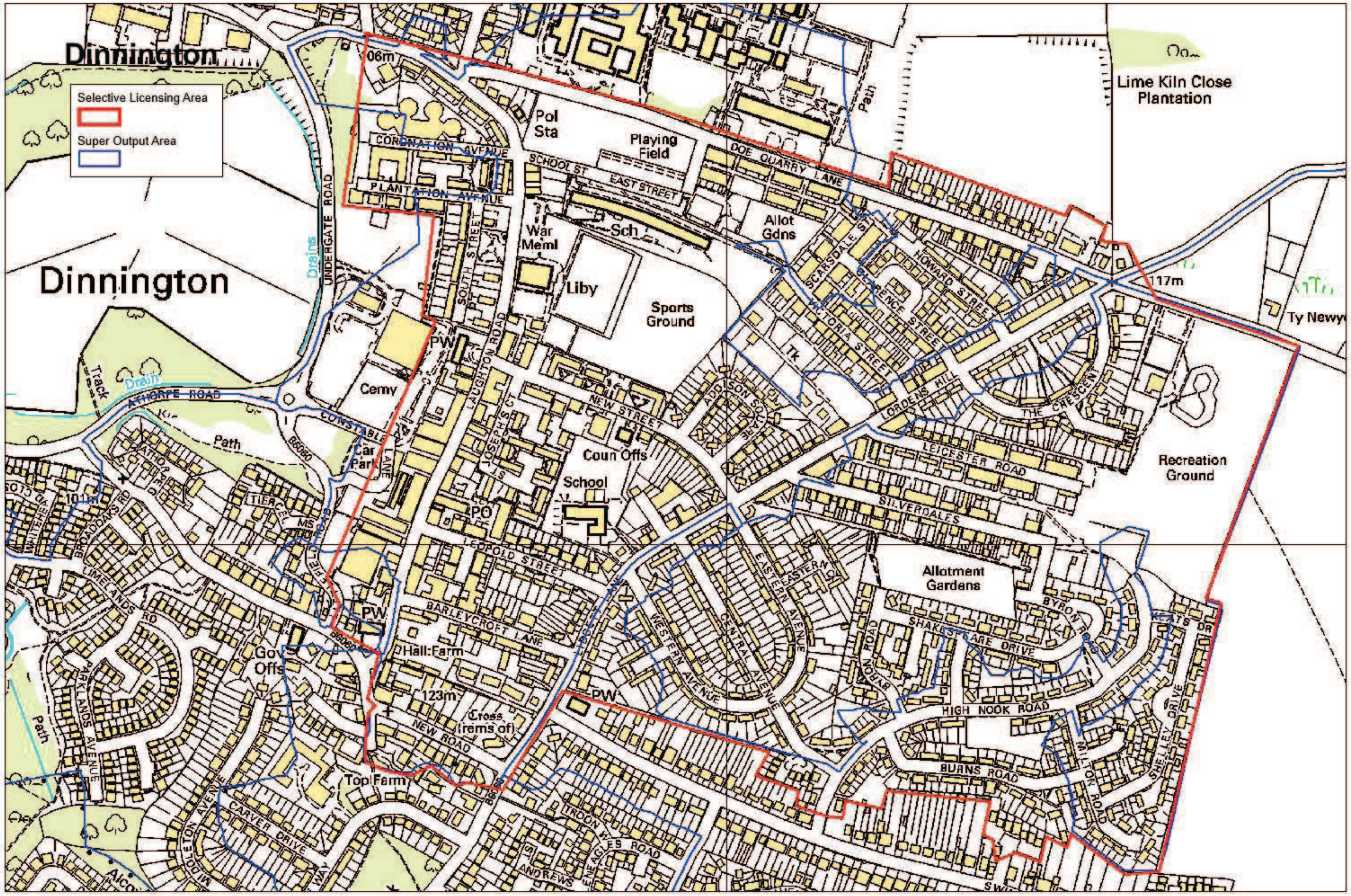
Dinnington Super Output Areas

The areas highlighted green cover the Super Output Areas which are identified as suffering from low housing demand and have high rates of privately rented accommodation. The map on the following page is the boundary map for the proposed selective licensing area.



Dinnington proposed Selective Licensing Area

The area outlined in red is the area where a Selective Licensing Designation is proposed.

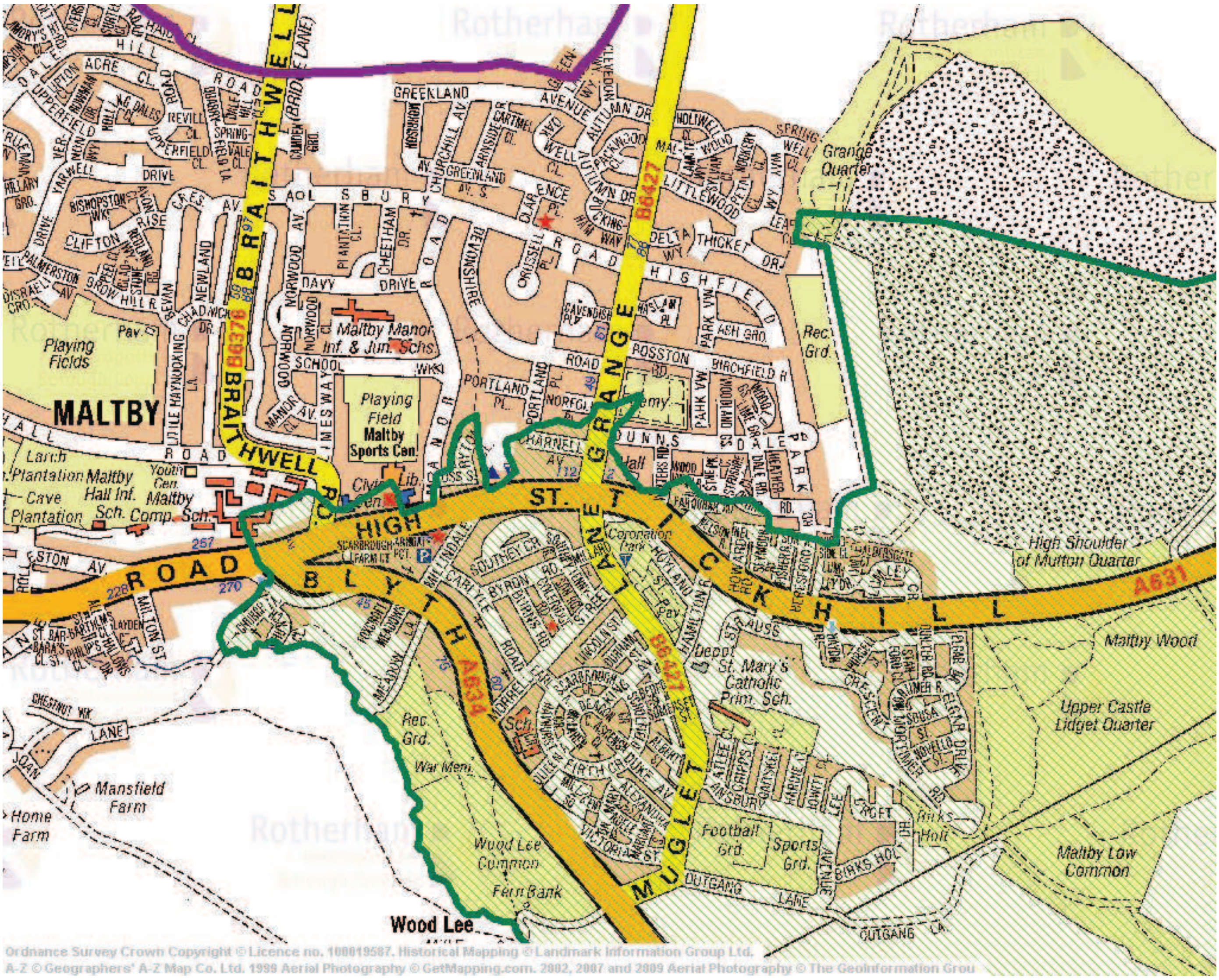


Page 98

Maltby

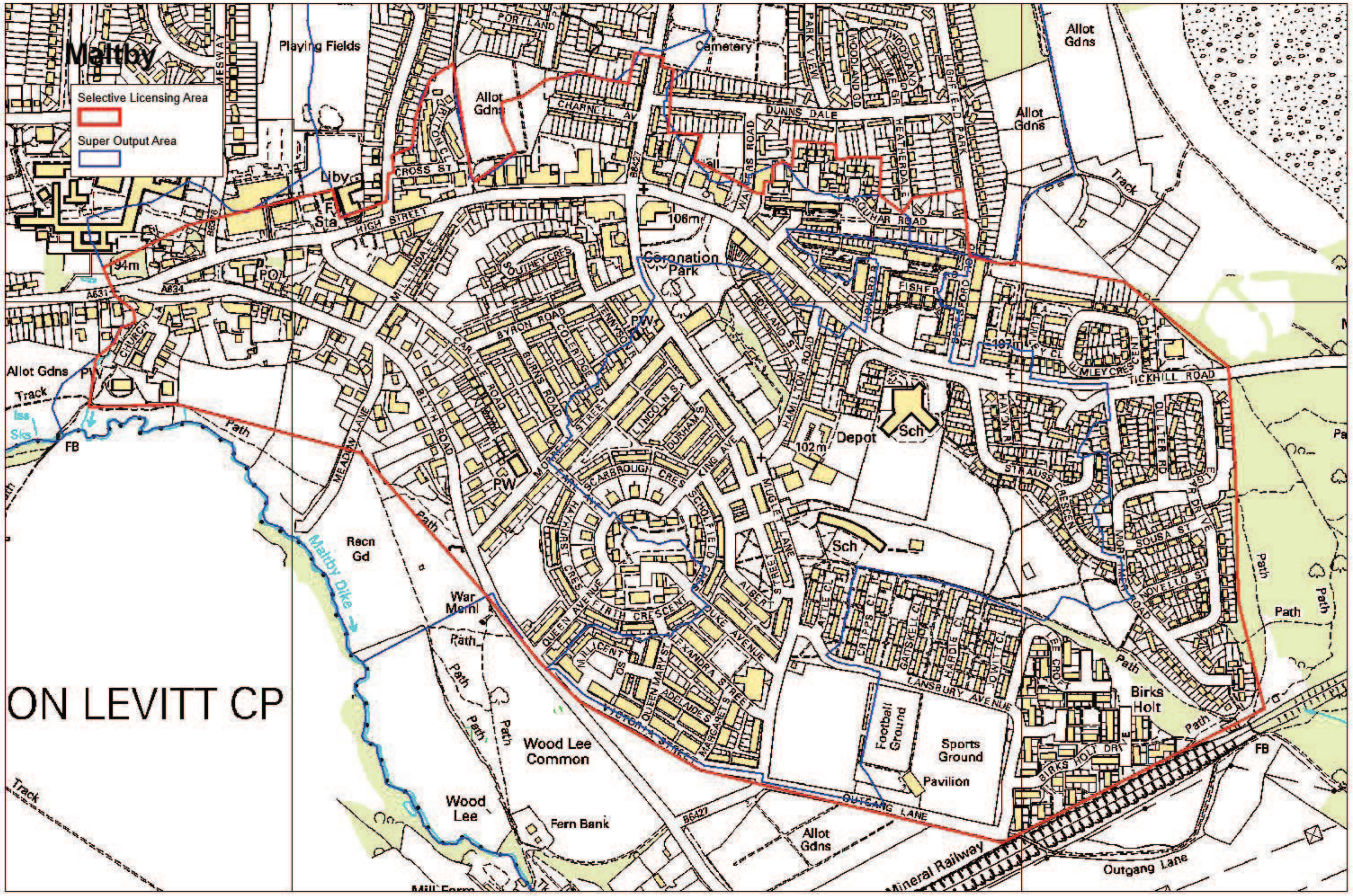
Maltby Super Output Areas

The areas highlighted green cover the Super Output Areas which were identified as suffering from low housing demand and have high rates of privately rented accommodation. The map on the following page is the boundary map for the proposed selective licensing area.



Maltby licensable area

The area outlined in red is the area where a Selective Licensing Designation is proposed.



Reproduced from the Ordnance Survey mapping with permission of the Controller of Her Majesty's Stationary Office @ Crown copyright. Unauthorised reproduction infringes Crown copyright and may lead to prosecution or civil proceedings. Rotherham MBC License No. 100019587. Historical Mapping Copyright The Landmark Information Group. Map produced by Sarah Watts, Strategic Housing & Investment Service, RMBC. 26.09.13

Appendix 2 – Selective Licence Conditions

In these conditions, "house" is meant to refer to the building or part of a building, which is licensed under Part 3 of the Housing Act 2004.

Housing Act 2004 Prescribed Conditions

1. The licence holder must obtain a valid gas safety certificate on an annual basis, if gas is supplied to the house. This must be provided to the Council as part of the application process and on an annual basis thereafter. A copy must also be provided to the tenant.

2. The licence holder must:
   a. keep electrical appliances and furniture made available by him in the house in a safe condition and
   b. supply the authority, on demand, with a declaration by him as to the safety of such appliances and furniture.

3. The licence holder must:
   a. Ensure that smoke alarms are installed in the house and are kept in proper working order
   b. Supply the Authority, on demand, with a declaration by him as to the condition and positioning of such alarms.

4. The licence holder must provide each occupier of the house with a written statement of the conditions of the terms on which they occupy the house (tenancy agreement). The licence holder shall provide a copy of the said terms to the authority on demand. The licence holder must abide by the conditions and responsibilities contained in the tenancy agreement and carry out all landlord functions as laid down.

Conditions relating to the property

5. The Licence holder should submit an annual declaration as to the safety of the property on a copy of the form in Appendix 2 to these conditions at the same time as the Gas Safety Certificate. The form will also be available on the Council's website.

6. The License Holder shall ensure that the house is kept free of Category 1 and 2 Hazards under the Housing Health and Safety Rating System.

7. The Licence Holder shall ensure that all Category 1 and 2 hazards under the Housing Health and Safety Rating System which have been identified by an inspection by the local authority, are rectified within the timescales given in the inspection report.

8. The licence holder must provide prospective tenants with a copy of the Energy Performance Certificate (EPC) prior to the commencement of the tenancy.

9. The licence holder must:
    a. ensure that throughout the period of the licence, that the premises are covered by a valid periodic electrical survey inspection report. Such a report should be provided by a suitably trained, experienced and competent person i.e. a NICEIC or ECA member;
    b. ensure any Category 1 remedial works be recommended on the periodic electrical survey report, the licence holder must ensure that such works are completed within the given timescales and must inform the selective licensing team upon completion of such works; and
    c. supply the authority, on demand, with a copy of the periodic inspection report.

10. The licence holder must ensure that all furniture supplied complies with the Furniture and Furnishings (Fire) (Safety) Regulations1988. A declaration to this effect must be supplied to the Council upon request.

11. Where any qualifying works are to be carried out to the house, the licence holder must ensure the appropriate consent is obtained from the Councils Building Control service prior to works commencing.

12. The licence holder will ensure that any remedial works to rectify disrepair issues identified during the ‘sign up’ stage are undertaken within period of time agreed with the tenant and no later than 28 days from the beginning of the tenancy.

13. The licence holder must ensure that any disrepair identified by the tenant or through periodic inspection by the licence holder, other managing agent or landlord are undertaken within period of time agreed with the tenant, and no later than 28 days of it being identified.

14. The licence holder must ensure that all repairs to the house or any installations, facilities or equipment within it are to be carried out by competent and reputable persons and that they are completed to a reasonable standard.

15. The licence holder must ensure that the water supply and drainage system serving the house is maintained in good, clean and working order.

16. The licence holder must not unreasonably cause any service supplied to the property under the terms of the tenancy agreement to be interrupted.

17. The licence holder must provide the tenant and their household with suitable alternative accommodation where necessary if substantial remedial works are undertaken.

18. The licence holder must ensure that they carry out regular inspections of the property to ensure the minimum standards are maintained in accordance with current legislation.

19. The licence holder shall ensure that the tenant is provided with wheeled bins of suitable capacity and type as specified by the Council at the property and that

the Council's arrangements for refuse collection including recycling are issued to the tenant at the outset of the tenancy.

20. The licence holder must take steps to remove graffiti on the property within five working days of it being reported to them.

Management of the licensed property

21. The licence holder shall ensure that the occupancy level at the property is in accordance with the criteria as determined by the Rent Officer (Housing Benefit Functions) Order 1997 Schedule 2, Size Criteria.

22. The licence holder must obtain references in respect of the person(s) who wish to occupy the property in order to make an informed decision regarding the occupancy of the property. Copies of these references must be made available to the council upon request.

23. The licence holder must provide the occupiers of the house, with details of the following:
    a. Name of the licence holder
    b. A contact address, daytime telephone number
    c. An emergency contact number and details of the arrangements in place to deal with repairs and emergencies should they arise.

24. The licence holder must provide all tenants with a copy of the licence and the licence conditions.

25. This information must be supplied within 28 days of receipt of the licence document and should be clearly displayed in a prominent position within the house. An emergency contact telephone number for the licence and/or management agency shall also be available and notified to the authority.

26. The licence holder must ensure that all monies in respect of the licence fee are paid to the authority by the terms imposed by the invoice.

27. The licence holder will make every attempt to provide each occupant of the house with copies of user manuals for any installations or equipment provided as part of the agreement for the occupation of the house.

28. The licence holder will arrange to undertake a detailed inventory to be agreed with each occupant upon commencement of their occupation of the house and kept on file by the licence holder at their business address.

29. The licence holder must provide the tenant with a written receipt for all cash rental payments received. (This does not affect the legal requirement to provide a rent book for rent paid on a weekly basis).

30. Where the rent is paid monthly, the licence holder must provide the tenant with a clear rent statement, on a six monthly basis. This must also be provided at any other time when requested by the tenant.

31. The licence holder must ensure that all new tenancy deposits are protected in a government authorised scheme within 14 days of receiving it from the tenant. The licence holder must also ensure that the tenant is given;
    a. The details of any utilities or other charges included in the rent
    b. The responsibility for payment of council tax
    c. The responsibility for payment of utilities and arranging provision of such

32. The licence holder will not discriminate against prospective occupiers of the house on the grounds of race, disability, gender, religion or sexual orientation.

33. The licence holder must inform the Council of any change of circumstances which may affect their suitability to continue to remain the licensee. This must be done within five working days of the changes taking effect. (See Appendix)

34. The licence holder must ensure that any person(s) who assist in the management of the property not detailed in the original licence application must be a 'fit and proper' person to do so and must notify the Council of these changes. Where necessary the Council will require a declaration to be signed by the person assisting in the management of the property stating that they meet the **'fit and proper'** person criteria.

35. The licence holder must inform the Council, within 5 working days, if there is a change of managing agent and provide the Council with proof that they are a 'fit and proper person' to do so.

36. The licence holder must adhere to legal requirements when seeking possession of the property from the tenant.

37. The licence holder must inform the council of any steps being taken to sell the property including the details of any successful purchaser(s).

38. The licence holder must be a permanent resident in the United Kingdom.

Security

39. The licence holder will ensure that keys are provided to the tenant where window locks are provided.

40. Where previous occupants have not surrendered keys, the licence holder and will arrange for a lock change to be undertaken, prior to new occupants moving in.

41. Ensure front and rear doors are secure and fitted with good quality locking systems.

42. The licence holder must ensure that all reasonable measures are taken to ensure that the property is made secure from unauthorised entry during periods of unoccupancy.

Environmental Management / Amenity of the Neighbourhood

43. The licence holder shall ensure that the exterior of the house is maintained in a reasonable decorative order and in reasonable repair.

44. The licence holder must ensure that all outbuildings, yards, forecourts and gardens surrounding the house are maintained, in reasonable repair and ensure that the tenant is aware of their responsibility to keep them in a clean, tidy and safe condition and free from infestations.

45. The licence holder must ensure that all yards, gardens, outbuildings and any other external areas within the curtilage of the property are kept free from rubbish and fly tipping deposits at all times. If employing a third party to carry out any such clearances, care must be taken to ensure that they are a registered waste carrier.

Preventing and Reducing Anti-Social Behaviour

46. The licence holder must take all reasonable and all practicable steps for preventing and dealing with anti-social behaviour in accordance with the Housing Act 2004 and undertake a thorough process of incremental steps to deal with any complaints, which have been made either directly to them, or via the Local Authority or any Police service, regarding their occupiers. For the purposes of these conditions, anti-social behaviour is taken to comprise behaviour by the occupants of the house and/or their visitors, which causes a nuisance or annoyance to other occupants of the house, to lawful visitors to the house or to persons residing in or lawfully visiting the locality of the house.

47. The licence holder is required to provide an authorised officer of the Local Authority, a Police Officer or Police Community Support Officer, upon request, information regarding the full names and dates of birth of each occupant.

48. The licence holder will ensure that the occupants of the house are aware of the assistance available to them to deal with anti-social behaviour and how they can report nuisance and anti-social behaviour to the authority.

49. The licence holder will respond to reference requests within given timescales and provide an honest and accurate reference relating to existing or past tenants.

50. The licence holder must take steps to terminate the tenancy following advice and recommendation from the Council, should it be found that the property is being used for illegal, immoral use or where there is evidence of persistent anti-social behaviour.

date

Appendix 1

Suitability of Licence Holder

1) Details of any unspent[1] convictions not previously disclosed to the Local Authority, that may be relevant to the licence holder and/or the property manager and their fit and proper person status and In particular any such conviction in respect of any offence involving fraud or dishonesty, or violence or drugs or any offence listed in Schedule 3 to the Sexual Offences Act 2003.
2) Details of any finding by a court or tribunal against the licence holder and /or the manager that he/she has practiced unlawful discrimination on grounds of sex, colour, race, ethnic or national origin or disability in, or in connection with, the carrying on of any business
3) Details of any contravention on the part of the licence holder or manager of any provision of any enactment relating to housing, public health, environmental health or landlord and tenant law which led to civil or criminal proceedings resulting in a judgment or finding being made against him/her
4) Information about any property the licence holder or manager owns or manages or has owned or managed which has been the subject of:
    i. A control order under section 379 of the Housing Act 1985 in the five years preceding the date of the application; or
    ii. Any appropriate enforcement action described in section 5(2) of the Act
5) Information about any property the proposed licence holder or manager owns or manages or has owned or managed for which a local housing authority has refused to grant a licence under Part 2 or 3 of the Act, or has revoked a licence in consequence of the licence holder breaching the conditions of his/her licence
6) Information about any property the proposed licence holder or manager owns or manages or has owned or managed that has been the subject of an interim or final management order under the Housing Act 2004;
7) Advertising of the property for sale;
8) Change in managing agent or the instruction of a managing agent;
9) The undertaking of any substantial works to the property including conversions and modernisations;

[1] The Rehabilitation of Offenders Act 1974 enables some criminal convictions to become 'spent', or ignored, after a 'rehabilitation period'. A rehabilitation period is a set length of time from the date of conviction. After this period, with certain exceptions, an ex-offender is not normally obliged to mention the conviction when applying for a job or obtaining insurance, or when involved in criminal or civil proceedings.

Appendix 2

Annual Declaration in respect of a Selectively Licenced Property

The Licence Holder should complete this form

Name of Licence Holder:____

Licenced property Address:____

______________________________Reference number of licence: __________

☐I also enclose a copy of the current Gas Safety Certificate for the house.

And

☐ The house is free from defects which may constitute a Category 1 or Category 2 Hazard under the Housing Health and Safety Rating System.

Or:

☐ The house is not free from category 1 or 2 hazards. The issue and the time it will take to resolve are listed below (continue on a separate sheet if necessary):

Issue	Cause	Date when the work will be completed

I accept that in connection with the checking of the accuracy of this declaration that the local authority may carry out an inspection of the property. Should an inspection of the property or the information identify defects which were present at the time of the declaration, and the issues were not identified in this declaration, this document may be used as evidence in any prosecution case.

Name: Signed:

Date:

If signed for a company please tick box to confirm you are able to sign on behalf of the company ☐

Guidance for agents or those confirming declarations provided by others.
Please ensure that all persons working for your business who are involved in the management of licensed properties have signed up to date declarations.

Copies of all other declarations will need to be held for the duration of the relevant licence if granted.

Please note the Council has powers to require the provision of documents including any declarations. Checks will be made from time to time to make sure that agents are meeting their obligations. Failure to comply with formal requests to provide information can lead to legal action including prosecution.

Address to return form and contact details :

ROTHERHAM BOROUGH COUNCIL – REPORT TO CABINET		
1	**Meeting**	**Cabinet**
2	**Date**	**27th November 2013**
3	**Title**	**Housing Growth Report.**
4	**Directorate**	**Neighbourhoods and Adult Services**

5.0 Summary

It can be established, in both the local and national context, that there is an immediate and increasing need to provide more homes both public and private across the Borough.

Whilst the Council is successfully enabling the delivery of around 540 new homes each year, this does not meet overall housing need nor the Local Planning Authority target of 850 homes.

This report introduces concepts to enable growth, if supported these will be described in more detail in subsequent reports. The report also explores delivery mechanisms for a medium to long term programme of building new public and private sector homes, and considers the Council's enabling role and financing options to support a housing growth agenda. Growth delivery mechanisms include; using the Housing Revenue Account (HRA) 30 Year Business Plan as a catalyst for growth, using up to £500,000 per year from corporate capital resources, making best use of public land and buildings and establishing a 'growth' capital fund.

It is proposed that the HRA capital resources are integrated into a much broader private sector housing growth agenda. The aim is to significantly increase the construction of new homes across the Borough. This will stimulate the local economy and meet our regeneration aims which will mean more opportunities to meet our priorities around skills, jobs, deprived communities and relieve budget pressures through more New Homes Bonus and specialist housing.

6.0 Recommendations

This report seeks approval to:-

- Release £20m of resources to fund a new affordable social house building programme, utilising part of the borrowing headroom provided through the Housing Self-Financing Settlement. This is affordable within the HRA 30 Year Business Plan.
- Develop and refine the draft Housing Growth Plan set out in this report and review progress within appropriate Council Forums and decision making Boards.
- Explore with Corporate Finance, the viability of establishing a capital investment pot of up to £10m to help deliver the private sector elements of the Housing Growth Plan. In conjunction with this, to develop the principle of establishing a Housing Growth JV, which will be the subject of a more detail report setting out its operation, value and implications of entering into such a relationship.
- Review and identify HRA and General Fund land in the corporate property asset plan that can help deliver the Housing Growth agenda alongside other corporate objectives.
- Identify and resource 3 New Housing Business Development staff to work in the Strategic Housing Investment Service

- Explore with Financial Services the options for creating and funding a pump priming capital fund of up to £500,000 per annum to mitigate any impact on the Council's Medium Term Financial Strategy.

7.0 Proposals and Details

7.1 Background

The Council is already successfully enabling the development of around 540 new homes each year; *see Appendix 1, Historic Housing Delivery Figures*.

Around 36% of new housing is taking place as a result of the Council making land available, with the benefit of Homes and Communities Agency Grant and investment support, including:

- Kick Start and Get Britain Building funding private housing development
- Affordable Housing funding to support Housing Association development

The major housing development underway at Waverley has the potential to deliver 3,500 new homes and has recently been awarded Major Development Infrastructure Funding. Bassingthorpe Farm urban extension is our second potential major housing development site and is at an advanced stage of strategic planning, with the potential to deliver 2,000 new homes. Both these sites create the potential to significantly contribute to the growth agenda if the right conditions are put in place.

The Council is also working on a series of innovative solutions to get stalled developments and unviable housing schemes moving. However, despite these successes and pipeline schemes, delivery could be accelerated further if more resources were made available.

The context for available resources is one where grant funding is almost a thing of the past and General Fund expenditure is reducing year on year. Government funding is now equity and/or loan based. This creates significant challenges in Rotherham, as we often face viability gaps due to low property values and sites having abnormal development costs. The lack of external grants and resources means that the Council must adopt an enabling and entrepreneurial role to stimulate local housing growth and utilise its own resources to help with delivery.

To maximise the benefits of a housing growth agenda, the Council will need to align economic growth and asset management plans together to meet general and specialist housing need. Specialist housing will include the provision of housing to meet the needs of young people, elderly and those with a disability.

7.2 The need for Housing Growth

There is a need to deliver more housing across the Borough and our Local Planning Authority target has been set at 850 new homes per year. The need is detailed in *Appendix 2*

7.3 The Housing Revenue Account (HRA) 30 Year Business Plan

Within the HRA Self Financing model, the base case 30 year Business Plan has total surplus resources plus reserves of £628m in Year 30, illustrating that there are, in the longer term, significant resources available to fund the reprovision of Council stock. However, these resources do not begin to accumulate until Year 10 onwards, thus creating difficulties in accessing monies to fund substantial re-provision in the early years.

In addition to the £628m surplus resources, the Council also has the option to undertake limited additional borrowing.

As part of the Self Financing settlement, the Council was allocated an additional £15.188m of debt, resulting in an overall debt position of £303.959m as at 31st March 2012. In addition, a total "debt cap" of £336.623m was issued to the Authority with the remit that overall borrowing could not exceed this cap. This generated "borrowing headroom", i.e. the value of additional borrowing which could be taken up, of £32.7m.

This borrowing headroom is immediately available as a funding source, but is strictly limited to this sum, as the Council cannot exceed this cap. Any borrowing exercised under this option will attract debt charges which will be charged to the HRA and impact on the Business Plan.

In summary, the Council has immediate access to £32.7m of borrowing headroom to facilitate reprovision, plus substantial additional resources of £628m within the 30 Year Business Plan.

The balance of this report explores a plan for housing growth, including the utilisation of HRA resources outlined above.

7.4 Utilising HRA Funding

It is proposed that we use part of the £32.7m borrowing headroom, to generate additional resources to begin an immediate programme of new affordable social housing.

The routes for delivery include;

a) Section 106 Acquisitions. The Council would purchase completed units from developers at discounted rates under a S106 agreement. The Council has already been approached by a number of developers who have expressed an interest in selling off their affordable housing.

b) Right to Buy – Buy Backs. The Council has the opportunity to buy ex-Council Stock, where the property has been repossessed or is on the market for sale. The properties may require additional work to bring them up to the Decent Homes standard.

c) New build on Regeneration Land. The Council has aspirations to build new homes on a number of key regeneration sites in deprived neighbourhoods. These developments are unviable in the current market conditions. However, by the Council acquiring homes from the developer, the viability gap can be closed and stalled schemes kick started. A pilot approach is currently being worked up for Phase 1 of the Chesterhill Regeneration Scheme.

d) New Build on Infill Sites. This is a tried and tested method. The Authority recently delivered 132 new Council houses with resounding success. However, this is the most expensive delivery option, albeit, one which the Council has overall control of. The average cost of new build would be in the region of £115k per property. This option does deliver wider regenerative benefits on the surrounding community by bringing back into use land that is causing local blight.

A potential programme of 250 additional affordable social homes utilising HRA borrowing and using a mixture of the 4 routes described above is summarised as follows;

Delivery Option	**Yr 1**	**Yr 2**	**Yr 3**	**Yr 4**	**Yr 5**	**Total**
Section 106 Acquisitions	14	28	2	20	20	84

Right to Buy – Buy Backs	0	3	3	5	5	16
New Build on Regeneration Land	0	0	11	26	73	110
New Build on Infill Sites	0	4	8	12	16	40
Totals	**14**	**35**	**24**	**63**	**114**	**250**

The cost of delivering this programme would be in the region of £20.6m. Due to the weak housing market, the cost of acquisition is low when compared to building new, it therefore offers good value for money. If funding is used exclusively to build new Council Homes on Council land £20.6m would only build 179 new homes at an average cost of £115,000 per home.
The current rules on Right to Buy protect the Councils capital investment it has made on new properties. In effect a tenant is prevented from paying less than the capital invested in the property for 15 years. The Council need to consider the long term scenario, where the value of our new stock increases significantly above the capital invested over a 15 year period. This will make the Right to Buy discounts an attractive purchase proposition for tenants. The Council will need to consider how it can protect itself against this. For example, differing models of (arms length) ownership for newly built stock may provide opportunities in this regard. This will require detailed consideration and be the subject of a further report.

Delivering a programme of new affordable social housing is recommended as a starting point for growth.

7.5 Delivery mechanisms

Housing Growth will not be achieved by building affordable social housing alone, therefore it is proposed this programme is aligned and integrated into a much broader programme of growth. It is proposed our investment into more affordable homes works as a catalyst to deliver many more private sector homes. This will be achieved by enabling private and intermediate new housing to be built alongside new affordable homes. The type and range of housing provided will not only meet general needs but also specialist housing provision. A summary of the range of delivery mechanisms is set out below:-

- **More Affordable Social Housing** - New HRA financing arrangements offer significant opportunities to create the necessary catalyst for new private development alongside new affordable social homes including affordable specialist housing.
- **Accelerating large scale residential development -** This will focus on Waverley and Bassingthorpe Farm. Waverley has planning permission for 3,500 new homes. Three house builders are on site building around 120 new homes per year. By attracting other developers with a different offer and introducing other forms of tenure, including intermediate housing, we should be able to accelerate the development programme. Bassingthorpe Farm includes Council land assets, we need to identify the most appropriate delivery model that creates efficiencies across multiple sites.
- **Establishing a JV vehicle -** This will enable a long term delivery programme of new housing development to take place, attracting investment from the private sector to work alongside Council investment and assets. A JV would harness the expertise, commercial acumen and substantial resources from the private sector partner to work alongside the Council's resources and skill sets. A shared vision and objectives will drive development, which can take place at scale across multiple sites and focus on delivering major developments such as Bassingthorpe Farm. A procurement process will need to be developed and a detailed report to members, which sets out the pros and cons and

details of such a working arrangement will follow. *Appendix 3 illustrates how the JV would operate using a flow diagram.*

- **Maximise National Affordable housing investment -** The average number of homes delivered over the last 4 years was 544 per annum, of which 198 were affordable; this represents 36% of the total new homes built over the period. Therefore, we must continue to attract developers and Housing Associations to invest and develop in Rotherham, supported by HCA grant and investment. Development with Housing Associations and the HCA will enable development using grant, in combination with private finance, on our land, to enable affordable homes to be built.
- **Kick Start stalled housing developments -** Interventions may include a guarantee to purchase some units as Council Homes or intermediate housing, or deferring Affordable Housing obligations to the later phases of developments. The Council will also work with the developer and HCA to implement their growth tools.
- **Asset Management -** The Council as a major land holder can stimulate new housing development on its land by making best use of Council and other publicly owned land and buildings. Interventions may include clustering land sales, holding property events, demonstrating investment options and tax incentives, deferring capital receipts, de-risking sites and getting them development ready.
- **Conversions and bringing long term empties back into use -** Every new home and long term empty brought back into use generates an average of £6,600 of New Homes Bonus over a six year period. This is becoming an increasingly important element of General Fund income. We therefore must fully explore ways of getting more empty homes brought back into use. We should also target living over the shop and commercial empties with potential for change of use, using government incentives, including tax concessions.
- **Build to Rent -** The private rented sector is a rapidly growing market (doubling over the last ten years and continuing to grow) with high quality rented stock scarce. The Council needs to help enable Build to Rent developments until this new emerging market matures.
- **Institutional Investment -** Investors are beginning to offer long term residential development investment funding on lease back arrangements. Developers are keen to work with the Council and investors to identify new development opportunities and models of delivery. We need to fully explore these opportunities and if there is justification enter into such arrangements.
- **Promote and enable new delivery models –** Work with the HCA and delivery partners to explore the viability and delivery of, Custom Build, Intermediate Housing, Community Build, self-build and social self build.

Appendix 4 sets out the draft Growth Plan

7.6 Using Corporate Capital Resources to Accelerate Growth

The officer resource in the Council to embark on a Housing Growth agenda was decimated following the end of the Housing Market Renewal Programme in 2010. We therefore need to consider establishing a new housing development team, with the right entrepreneurial skills to enable housing growth.

- The existing Council's budget planning assumes that the entire NHB will be used to underpin the Council's General Fund finances. In addition, the Government has recently announced that 35% of Rotherham's New Homes Bonus from 2015/16 will be diverted to the Sheffield City Region. It is not clear how this mechanism will work, but there may be an opportunity to use some of the pooled SCR money for housing growth in Rotherham.

However, if we are to accelerate housing growth in the Borough, and in turn generate additional NHB, it will be necessary to find the funds to finance this activity**.** This could be done in part by capitalising pump priming fund site activity and using either a proportion of this resource to fund new posts or pooling staff resources from existing teams, to increase the overall number of new homes built.
By setting aside up to £500K annually it will pay for the following (see below):-

- 3 private sector Housing Growth Officers at a cost of up to £150K (see below), to be integrated into the Strategic Housing and Investment Team. They will work alongside 3 Council Housing development officers (HRA Funded) in a new Housing Development Team, which will also include Affordable Housing and Green Deal Officers).
  - A pump priming fund of up to £350,000 per year. This will fund planning applications, site viability assessments, site surveys and associated enabling activity, to de-risk marginal sites
  - Some of the costs will be recouped from land owners and developers as developments come into fruition

Such an investment would need to be long term with an annual review focusing on value for money. The value for money argument for 3 additional staff is; they will increase the number of new homes built by 10% year on year over the next 3 years. This will increase house building from 550 to 726 in 3 years' time with an opportunity exceed these targets. This will create more, skills and employment opportunities and income from NHB and Council Tax. By building just 65 additional new homes each year it will generate £500,500 of new income.(65x £6,600NHB + 65 x £1,100 Council Tax = £500,500. Wider benefits will be; increased specialist housing provision, improved investor confidence and broader economic benefits, all of which relieve council budget pressures.

The 3 officers will have a specific focus on private sector development and have an enabling role. They will be accountable for delivering housing growth targets and have specialist commercial housing development and entrepreneurial skills. Recruitment will need to be carried out in consultation with the Directors of Housing and Neighbourhoods, Human Resources, Audit and Asset Management and Planning Regeneration and Culture to identify opportunities for staff secondment and or permanent transfers.

7.7 Creating a Capital Pot

Creating a housing growth capital pot of £10m needs to be considered as it could significantly help private sector development take place. Available funding would need to be significant, but could help enable site assembly, finance construction with a return on investment to replenish the pot, gap fund unviable development and provide infrastructure investment funding. Developing this idea further may generate interest from the HCA, SCR and JV partners, who may then be willing to put their capital into the pot where they see the benefits of investment.

It is therefore proposed that this is explored with Corporate Finance, to assess the viability of establishing a capital investment pot of up to £10m to help deliver the private sector elements of the Housing Growth Plan. Consideration will also be given to ensuring that any proposed models comply with the Authority's legal powers to operate in this area. A further joint report with Finance will follow.

7.8 The Outcomes

Indicative outcomes are:-

- A third more new homes built (176 per year from year 3)
- The NHB is estimated to increase by £10.44m (which far exceeds the NHB enabling funding)
- Help deliver the Rotherham Economic Growth agenda and Deprived Communities agenda
- Increased opportunities for local training, skills and employment (using local procurement frameworks will help maximise opportunities)
- Improved housing to meet local need and reduced general fund expenditure on care and support.

Appendix 5 sets out details of the expected outputs

7.9 Governance

Consideration needs to be given to establishing an Economic and Housing Growth Forum including Asset Management, Planning and CYPS. This would help maximise the added value new investment will bring to Rotherham.

7.10 Next Steps

- Present a further report to Cabinet on progress made in developing a 5 year programme – May 2014.
- In conjunction with Financial Services, to present a report on proposals for establishing an investment pot to achieve the aims set out in this report - February 2014
- Continue to develop the corporate Asset Management Strategy through CSART and complete this by January 2014
- Recruit delivery team – Autumn 2013.
- Explore the mechanisms for procuring a Housing Growth JV, and the associated risks and benefits, utilising consultant expertise. – February 2014

8.0 Finance

Finance is covered in detail in Section 7 above.

9.0 Risks and Uncertainties

Housing Market Dynamics both Micro and Macro affect the number of new homes built. Rotherham needs to create the right ingredients for local growth, whilst keeping an eye on the national housing market picture and make adjustments to the pace of our programme according to these dynamics. Economic Conditions, Interest rates, access to finance also affect the housing market and again it will be vital that delivery reflects these conditions

The Council's reputation will be significantly enhanced by delivering successful housing schemes, however it can equally be damaged through raising false expectations of delivery and or communities being unwilling to accept change in their neighbourhoods. It will be important therefore to ensure full risk assessments are carried out on projects and risk registers reviewed on a regular basis together with thorough community consultation

If the Council were to Do Nothing and allow the market to respond without any enabling support and financial stimulus Rotherham would be in danger of failing to meet its corporate objectives. We will also miss out on opportunities presented by a strengthening housing market as developers look for more conducive development opportunities in neighbouring Authorities. The consequence of doing nothing will mean we are unable to meet local housing need and this will place further financial pressures on public services. The Role of HCA has moved to an investor in development programmes and projects that meet their investment objectives. Much of this is around Housing Growth and therefore by demonstrating our commitment to developing more housing we will encourage financial and partnering support from the HCA.

Long term agreements vs changing objectives. Setting long term objectives and entering into long term delivery arrangements creates certainty, confidence and economies. However this needs to be carefully considered as unplanned events can create the need to make adjustments. Therefore a degree of flexibility will need to be built into such plans.

Rent convergence and future rent increases – DCLG are about to begin a process of consultation on ending the system of rent convergence, with effect from 2015/16, the proposal having being announced in June's Comprehensive Spending Review. This is the system that allows social landlords to increase rents by £2 per week above an assumed increase of RPI plus 0.5%. The proposal is to switch to CPI plus 1%. As Rotherham was starting from a low rent base, actual convergence will not be achieved until 2016/17. If the Government's proposals are implemented, this will leave a shortfall in the Business Plan. The Business Plan is in the process of being refreshed to incorporate updated revenue and capital budget assumptions. The impact of this change will be assessed as part of this refresh.

One of the key requirements in respect of the Business Plan is to continue with above inflation rent increases, or this will have a significant impact on the resources available for capital investment.

Inflation / Interest Rates – The long range assumptions in the HRA Business Plan assume 2.5% annual inflation and a prudent assumption on interest rates of 6% per annum. If interest rates increase above this level, there will be an increase in HRA debt charges, leading to a reduction in the resources available for capital investment.

10.0 Policy and Performance Agenda Implications

By establishing a clear and ambitious programme to build new homes, the Authority will achieve the following outcomes:

- Significant economic stimulus through major investment, bringing extensive training and employment opportunities.
- Obtain additional resources through the New Homes Bonus and any future funding mechanisms that incentivise growth.
- People living in good quality, energy efficient homes that meet their needs, as the new homes can be designed to address demographic changes in the Borough.

- A contribution to carbon reduction targets and fewer families living in fuel poverty.
- The citizens of Rotherham will be able to live in affordable homes that meet their needs.
- The provision of dwellings in line with current demand that will stimulate mobility within the existing stock.
- A contribution to housing growth in the Borough as set out in the LDF.

All of these contribute to RMBC's corporate priorities, and align with the delivery of the draft new housing strategy, and the NAS Service Plan, which includes the requirement to develop a programme of new Council housing.

11.0 Background Papers and Consultation
Consultation has taken place with Finance, Asset Management and Economic Strategy colleagues.

Contact Name:
Tom Bell, Strategic Housing and Investment Manager, NAS tom.bell@rotherham.gov.uk; x 54954

Appendix 1

Historic Housing Delivery Figures

Year	Total New Homes	Total Open Market Homes	Total Affordable Homes	Affordable Housing Delivery Methods: NAHP	S106	Kickstart	LANB	Strategic Acquisitions
2009/10	420	254	166	125	41	0	0	0
2010/11	544	361	183	146	30	0	7	0
2011/12	697	357	340	98	51	66	125	0
2012/13	513	409	104	70	31	0	0	3

Appendix 2
The Need for Housing Growth

The main drivers to provide more homes are as follows:-

- The current stock profile does not meet existing needs due to demographic changes.

- The delivery of regeneration projects over the last few years has resulted in properties lost through demolition.

- Demand for affordable housing is ever-increasing; the housing register now stands at 25,000. It is anticipated that demand will continue to increase, as household real income continues to fall in the present economic climate.

- Our population is steadily increasing and household size is reducing, this means there are more and more emerging new households.

- There is a greater need for more specialist housing to meet the needs of our changing demographics, such as an increasing number of frail and elderly people.

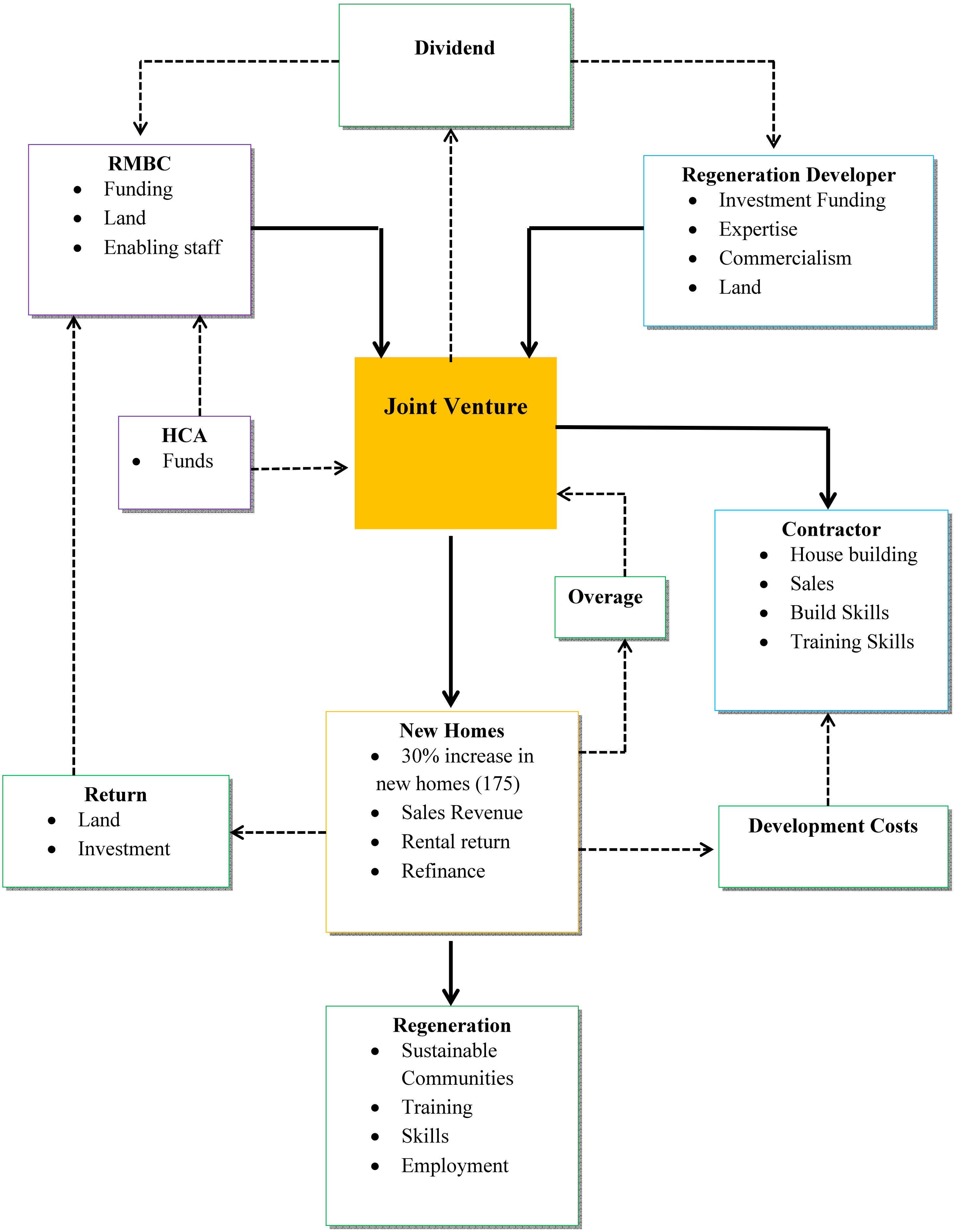
- Developing new homes if done correctly, will create a significant local economic stimulus and support the wider Sheffield City Region.

In addition to private sector housing, there is a need to develop more public sector affordable housing to meet the additional demand arising due to a lack of mortgage availability and the reduction of affordable homes provided through private developers under Section 106 agreements. We also need intermediate housing to meet new demand from those households who are struggling to get into home ownership. This is because of big deposits being demanded, and their affordability due to a low wage economy locally.

We also need to continue with capital investment in our neighbourhoods to improve the desirability of estates and address Anti Social Behaviour issues, as this will increase developer investor confidence.

Appendix 3

Joint Venture to Enable Housing Growth



Appendix 4

Housing Growth Development Plan

Theme	Delivery Model	Impact/Scale	Timescales	Progress
More Affordable Housing	Acquisitions via Section 106, stalled development and R to B buy backs	17 in year 1, 25 year 2. Unlocks stalled development	Immediate delivery	1^{st} 17 acquired started negotiation with developers for second phase
	New Affordable Housing on HRA land using HRA borrowing	100 per year totalling 500. R to B and borrowing will affect scale	2 year lead in due to major procurement exercise planning and gearing up	Cabinet report tabled at SLT Further decisions required on delivery model if supported
	New Affordable Housing on General Fund land using HRA borrowing	Unit cost will increase on above as cost of land will need to be factored in	Same as above	Same as above
	Commission New Afffordable Housing via Private Developer on private land	Will help deliver on stalled sites	22 in first phase of Chesterhill delivered in 2014 25 on Barbers Ave 2015/16	Planning application submitted in May 2013
	Commission specialist Older Person housing via Lease back model with Private Developer on LA land and or private land	Significant scale is possible but there is a significant gap between rental income and lease premium that needs resolving.	18 months lead in time to get onto site. **Needs gap funding!**	Business dialogue with developer/constructors

Maximise National Affordable Housing Investment	Registered Providers build on HRA Land	Tried and tested route delivering on average 110 units per year. Not a sustainable model as the Council will run out of land to subsidise development.	Looking at development opportunities for in year bids to HCA	103 in pipeline with HCA funding allocated 62 further units could be delivered subject to site identification
Build to Rent	Utilise HCA capital funding with Registered Provider capital building on LA land	2 sites identified in Rotherham town centre delivering 36 units as part of 149 unit Sheffield City Region project	Scheme delivered by March 2015	Engaged SYHA as lead developer, HCA funding application made and currently going through due diligence
	Identify second phase schemes possibly Waverley	Needs market to mature more to ease viability of future development without HCA investment	2016 and beyond	SCR officer group and SCR Housing Regen Board awareness raised
Custom Build	Utilise HRA land at Braithwell Road Maltby to pilot	Up to 90 new homes. Will create a capital receipt for land to be recycled in to further residential development in Maltby	Release site in Autumn 2013	Member engagement and soft marketing to gauge interest
	Promote opportunities on Waverley with land owner	Open up further phase of development potentially 25 to 50 units per year	2014 potentially on	In dialogue with land owner Harworth Estates
	Council owned infill sites	Released as part of asset management plan. 12 units per year	2014 and beyond	No progress todate
Cluster Land Sales for House Builders	Batching and Marketing Council owned sites and to	Cluster 6 sites as pilot opportunity to build 100	2014 and beyond	Dialogue with developer. Model discussed at

	enable Developer to bridge viability gap on poorer sites by moving Affordable Housing obligations off most viable sites	new homes of which 25 affordable		CSART
Town centre property Event	Showcase development opportunities in Rotherham Town Centre to developers Architects and investors	Up to 2000 new homes could potentially be built in Rotherham Town centre	Event held in October 2013	Officer group discussion in May
Speculative House Building	Get Britain Building Executive housing Land Viability Assessments Phasing Affordable Housing Site assembly Specialist Housing	Continue to hold dialogue with developers to unlock new development opportunities where direct benefit to Borough	Target to increase by 10% year on year	Continued dialogue with developers and HCA.
Bring back long term empty properties into use	Residential Commercial	Working on Hope initiative with Action Housing. New PRS tools including licencing. Bid for HCA funding Utilise tax breaks	Consistent but small scale delivery	First phase Hope
Accelerate large scale residential development	Waverley and Bassingthorpe Farm Enabling role, supporting grant and infrastructure	Significant scale possible	12 month lead in	Supported Waverley infrastructure investment bid to HCA

	investment accelerating development through innovative delivery models			
Conversions	Change of use of commercial space into residential including living over the shop	Will support renaissance agenda Planning, high costs and building ownership make schemes complex and challenging to deliver	Long lead in times	Little progress since pilot scheme delivered
Community Right to Build	By targeting rural communities	Small numbers but high impact	Long lead in times	Idea stage

Appendix 5

Outputs

Activity	New Homes (units)	New Homes Bonus in £m (6 Years Allocation)	Development Value in £m	Jobs (FTE)	Training Placements	Capital Receipts Generated in £m
Affordable Socialil Housing	250	2.16	25.00	25	17	0
Affordable Housing (RSL)	368	3.18	46.00	46	31	0
Develop Build to Rent Offer	110	0.95	13.75	14	9	0
Promote Custom/Self Build	33	0.28	4.13	4	0	0.83
Promote Town Centre Developments	170	1.47	21.25	21	14	2.55
Bring Back Empties (Residential and Commercial)	73	0.63	9.13	9	0	0
Accelerate Delivery of Large Scale Private Developments	200	1.72	24.97	25	0	0
Support Community Right to Build (Rural Exceptions)	6	0.05	0.00	0	0	0
Total Outputs Housing Growth	**1210**	**10.44**	**144.22**	**144**	**71**	**3.38**
Baseline						
Planned delivery of Large Scale Private Developments	799	6.90	99.88	100	0	0
Private Sector Other Sites	2176	18.78	271.94	272	181	0
Total Baseline Housing Delivery	**2975**	**25.68**	**371.82**	**372**	**181**	**0**

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	**Meeting:**	**Cabinet**
2.	**Date:**	**27th November 2013**
3.	**Title:**	**Payday Lenders**
4.	**Programme Area:**	**Environment and Development Services**

5. Summary

The report provides a summary of the policy and practice issues relating to payday lenders, including initiatives in other areas aimed at discouraging their use and promoting lower cost alternatives. It also sets out potential action that could be pursued locally, including blocking lenders' websites and building on existing efforts to support credit unions and provide money management advice.

This issue was discussed at the welfare reform steering group meeting on 20th November, where the recommendations below were supported, subject to agreement by cabinet.

6. Recommendations

That Cabinet:

- Agree to block the websites of payday lenders on all council-run computers (both staff and public access)
- Agree to ringfence £25,000 to ensure Rotherham's credit unions have sufficient loan finance to support vulnerable people over Christmas and the new year
- Agree to establish a task and finish group, chaired by the cabinet member for communities and cohesion, to investigate payday lending, debt and financial inclusion issues in more detail, making recommendations for action via the welfare reform steering group and cabinet by April 2014.

7. Proposals and Details

Background

High interest payday lenders have come under increasing scrutiny lately, with large profits reported by industry leader Wonga fuelling concerns that ever rising numbers of people are taking out loans they can't afford, leading to spiralling debt.

An estimated 8.2 million loans were taken out in 2011/12, with the industry worth around £2.2 billion according to the Office of Fair Trading (OFT), up from £900 million in 2008/09.

Nationally, Citizens Advice have seen a ten-fold increase in four years in the proportion of clients receiving debt advice that included a payday loan. They are calling for:

- Enforced, effective regulation for all payday lenders
- Removal of irresponsible advertising
- Levies paid by payday lenders to the new regulator, the Financial Conduct Authority (FCA), from April 2014 used to increase funding for debt advice

In June, the OFT referred the payday lending industry to the Competition Commission due to concerns about "deep-rooted problems with the way competition works". In particular, the OFT suggested competition was based on the speed of approving loans rather than cost (i.e. interest rates).

"The competitive pressure to approve loans quickly may give firms an incentive to skimp on the affordability assessment which is designed to prevent irresponsible lending and protect consumers," the OFT said in a statement.

The OFT also said that some of the business models of companies operating in the payday loans industry were causing concern, because they were "predicated on making loans which are unaffordable, leading to borrowers paying far more than expected through roll overs (loan extensions), additional interest and other charges".

It said that lenders appeared to make 50% of their revenues from such practices.

The FCA, which will take over regulation of the industry next year, is proposing tougher controls, including limiting the number of times a loan can be extended/rolled over to two, and preventing lenders from making repeated use of continuous payment authorities (CPAs) to reclaim repayments from consumers' bank accounts.

Currently, some lenders hit accounts multiple times in a day, often clawing back whatever they can if there is not enough for the full amount owed. They are "preferred creditors", which means they are able to take money from customers before they pay their housing costs or other bills. Under the FCA proposals, they would have to stop after two unsuccessful attempts and would be unable to collect just part of the planned repayment.

Lenders would also have to publish risk warnings on adverts and provide information on free debt advice to anyone who wants to roll over a loan. Critically, current guidance on checking whether a borrower can afford a loan before making it would become binding rules.

Earlier this month, Labour leader Ed Miliband called for a ban on payday loans being advertised during children's TV programmes, with money adviser Martin Lewis suggesting this practice risked "grooming a new generation towards this type of borrowing".

The government has now announced plans to cap the cost of payday loans as part of the banking reform bill, which is currently going through parliament. The level and exact form of the cap, which the chancellor has said will control charges (e.g. penalty fees) as well as interest rates, will be determined by the FCA.

<u>Local action</u>

A number of local authorities have already taken action to curb payday lenders and promote credit unions as an ethical and affordable alternative.

- **Plymouth** – In July, Plymouth City Council were believed to be the first to block access to websites offering payday loans - numerous councils have since followed suit - and also worked with partners to stop such lenders advertising on billboards and bus stops.
- **West Yorkshire** – In September, it was announced that the five West Yorkshire local authorities, plus City of York Council, were also blocking the websites of high interest lenders from council-run computers. In Leeds, the city council is coordinating a partnership campaign to make Leeds a "payday loan free city". This includes promoting credit unions as an alternative and raising awareness of money and debt advice services. Efforts to increase financial inclusion form a central plank of the council's developing anti-poverty strategy.
- **Glasgow** – The city has a particular focus on credit unions, with the council allocating credit union accounts to new secondary school pupils and handing them £10 towards their savings. In the summer, each high school was allocated a credit union partner. Their leaders will soon start visiting schools to explain how the 5,000 new recruits can save into their accounts and, once they are 18, take out a loan. The city's trading standards officers tour shopping parades to check on offers for loans agreements and APRs that breach the Consumer Credit Act. The council has cut business rates for credit unions to zero and this year reduced rents by 50% on council-owned shops they use.

Voluntary Action Rotherham (VAR) have overseen a local partnership approach to addressing financial exclusion over the last few years, working with a wide range of organisations, including the council and Rotherham CAB.

VAR's 2010 "Quids in" report on financial inclusion in Rotherham identified that:

- 24.7% of adults were at risk of financial exclusion
- 14,680 adults had no bank account
- The sub-prime lending market was worth an estimated £50m per year

The report highlighted research conducted in Leeds, which showed that for every £1 invested in financial inclusion, £8.40 was generated for the regional economy.

As part of the local *credit crunch* initiative, instigated by the council, funding was provided to boost the capacity of credit unions and meet increasing demand for debt advice.

The council and other partners have a range of resources to support and advise people in financial difficulty, including:

- Money advice for council tenants provided by the housing income team (2 additional posts created in light of welfare changes)
- Benefits and debt advice via RMBC's advocacy and appeals service (2 temporary staff added following introduction of the bedroom tax)
- Tenancy sustainability officer based in furnished homes team
- Employment solutions officer based in Key Choices property shop
- Targeted support and advice provided to families affected by the benefit cap via housing income team and *families for change* (troubled families)
- Financial capability training for frontline staff provided by VAR/CAB
- Specialist debt advice via Rotherham CAB
- Fund for change providing interest free loans (via LASER Credit Union) for vulnerable people, including sourcing/delivering furniture where there is an urgent need
- Budgeting and rent direct accounts provided by LASER, who also offer various furniture schemes
- Range of food bank provision across the borough and coordinated "food in crisis" scheme now in place, working with FareShare Yorkshire
- Family CAF process coordinates a multi-agency support package for families, which will include debt advice where appropriate.

The council will also refer people to a range of other organisations, such as Stepchange Debt Charity, based on their individual needs and circumstances.

Details
Blocking lenders' websites and preventing local advertising should be seen as a statement of intent that will be supported by wider action to promote credit unions, encourage better money management and address financial exclusion.

In practical terms, the council will be able to block specific websites and redirect searches to another site, though it is not possible to set up an automatic filter based on "pay day loans". This means we will have to compile a comprehensive list of companies/sites and keep it up-to-date. The director of legal and democratic services has confirmed that there is nothing unlawful about this proposal, providing we have a reasonably robust method for identifying those websites that are to be barred.

It is recommended that cabinet agree to the website block on all council computers, both staff and public access. If this is agreed and implemented immediately, it may have some impact in the run up to Christmas, when the demand for payday loans can be expected to increase.

The council is already working with LASER Credit Union on various schemes, such as the fund for change (crisis loans), which are helping to increase LASER's membership and capacity. We also have an arrangement for payroll deduction with Rothersave, the borough's other credit union.

There may be further opportunities to support and raise the profile of LASER and Rothersave, looking at initiatives in Glasgow and elsewhere.

The government are also supporting credit unions through the Department for Work and Pensions' £38m credit union expansion project, which was launched earlier this year and aims for credit unions to have up to one million more members by 2019.

LASER is signed up to the project, which will help credit unions to offer a wider range of products and benefit from the latest online technology.

It should be recognised, however, that credit unions are not currently able to compete with payday lenders, particularly when it comes to offering web or phone based instant decision loans. The danger is that, while the demand for short term finance remains, any attempts to reduce the use of regulated payday lenders, may push people towards illegal loan sharks.

A continued focus on money management advice and influencing people's behaviour is needed, perhaps incorporating an "every contact counts" approach via front-line staff and/or integrating debt and money advice with the fund for change or discretionary housing payment processes.

A local communications campaign, utilising various media, could take the twin approach of highlighting the dangers of payday lenders whilst promoting alternatives and avenues of support and advice.

Overall, we need a holistic approach that addresses the underlying problems, whilst recognising that issues such as low wages and rising living costs – the "cost of living crisis" - and unhelpful banking practices (e.g. high overdraft fees) are hard to tackle at a local level.

The proposed task and finish group would look in more depth at the various options and issues, try to better understand the scale of the problem in Rotherham, and make recommendations for coordinated action.

8. Finance

There are no direct financial implications.

9. Risks and Uncertainties

Though blocking lenders' websites is a positive initial step, it is important to look at any wider actions in the context of other related local and national initiatives and based on a better understanding of the scale and nature of the problem in Rotherham.

Attempting to restrict payday lenders and promote credit unions as an alternative, when they are not equipped to meet demand, risks pushing people towards illegal loan sharks.

10. Policy and Performance Agenda Implications

The new (draft) corporate priorities/commitments emphasise the need to protect vulnerable people and mitigate the effects of poverty. The council's health and wellbeing strategy also focuses on reducing poverty and building community resilience, tackling issues such as depression and anxiety which would be associated with financial pressures.

The welfare reform steering group has looked at financial and money management issues as part of a wide-ranging response to the impact of benefit reductions and system changes.

11. Background Papers and Consultation

OFT payday lending compliance review

Contact Name:
Michael Holmes, policy officer, telephone (2)54417, michael.holmes@rotherham.gov.uk
Karl Battersby, strategic director, telephone (8)23815, karl.battersby@rotherham.gov.uk

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted