

OVERVIEW AND SCRUTINY MANAGEMENT BOARD

Date and Time :- Wednesday, 12 December 2018 at 10.00 a.m.
Venue:- Town Hall, Moorgate Street, Rotherham.
Membership:- Councillors Brookes, Cowles, Cusworth, Evans, Keenan, Mallinder, Napper, Sansome, Short, Steele (Chair) Walsh and Wyatt.

This meeting will be webcast live and will be available to view [via the Council's website](#). The items which will be discussed are described on the agenda below and there are reports attached which give more details.

Rotherham Council advocates openness and transparency as part of its democratic processes. Anyone wishing to record (film or audio) the public parts of the meeting should inform the Chair or Democratic Services Officer of their intentions prior to the meeting.

AGENDA

1. Apologies for Absence

To receive the apologies of any Member who is unable to attend the meeting.

2. Declarations of Interest

To receive declarations of interest from Members in respect of items listed on the agenda.

3. Questions from Members of the Public and the Press

To receive questions from members of the public or press who are present at the meeting.

4. Exclusion of the Press and Public

To consider whether the press and public should be excluded from the meeting during consideration of any part of the agenda. Items 8 and 9 each have an exempt appendix. Therefore, if necessary when considering those items, the Chair will move the following resolution:-

That under Section 100(A) 4 of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12(A) of such Act indicated, as now amended by the Local Government (Access to Information) (Variation) Order 2006.

For Information/Monitoring:-

5. Quarterly Update Adult Social Care: the Budget Forecast and Continued Improvement Plan Update (Pages 1 - 16)
Cabinet Portfolio: Adult Social Care and Health
Strategic Directorate: Adult Care, Housing and Public Health
6. Council Tax Support and the Impact of Universal Credit (Pages 17 - 24)
Cabinet Portfolio: Corporate Services and Finance
Strategic Directorate: Finance and Customer Services

Items for Pre-Decision Scrutiny

In accordance with the outcome of the Governance Review in 2016, the following items are submitted for pre-scrutiny ahead of the Cabinet meeting on 12 December 2018. Members of the Overview and Scrutiny Management Board are invited to comment and make recommendations on the proposals contained within the report.

7. Medium Term Financial Strategy 2018 - 2021 (Pages 25 - 59)
Cabinet Portfolio: Corporate Services and Finance
Strategic Directorate: Finance and Customer Services
8. Rotherham Town Centre Masterplan - Forge Island Agreements (Pages 60 - 74)
Cabinet Portfolio: Jobs and the Local Economy
Strategic Directorate: Regeneration and Environment
9. Riverside House Cafe (Pages 75 - 81)
Cabinet Portfolio: Jobs and the Local Economy
Strategic Directorate: Regeneration and Environment
10. Recommendations from Pre-Decision Scrutiny

To consider and confirm recommendations made by Overview and Scrutiny Management Board in respect of the Community Energy Switching Scheme considered on 28 November 2018 and by the Improving Places Select Commission in respect of Immobilisation of vehicles - Persistent Evaders and Untaxed Vehicles and Improving Air Quality in Rotherham.

For Discussion/Decision:-

11. Scrutiny Review - Modern Methods of Construction (Pages 82 - 104)

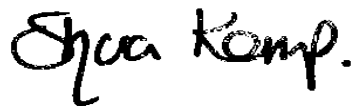
To receive the report and recommendations from the review of Modern Methods of Construction.

12. Urgent Business

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

13. Date and time of next meeting

The next meeting of the Overview and Scrutiny Management Board will be held on Wednesday 16 January 2019 commencing at 11.00 a.m. at Rotherham Town Hall.

A handwritten signature in black ink that reads "Sharon Kemp". The signature is written in a cursive, flowing style.

**SHARON KEMP,
Chief Executive.**

QUARTERLY OSMB UPDATE REPORT

Directorate:	Adult Care, Housing and Public Health
Date of report:	12 December 2018
Title:	The Budget Forecast and Continued Improvement Plan Update

1 The purpose of the report is to update OSMB members on the following;

- Budget Forecast
- The continued ASC Improvement Plan

2 Adult Social Care Budget

2.1 Adult Care Services are currently forecasting an overall overspend of £6.221m in 2018/19. See table 1 below.

Table 1	£000
Budget 2018/19	57,778
Remaining savings to be achieved (17/18 plus new 18/19 savings)	
Review of Learning Disabilities	3,324
Review of all Community care packages	1,812
Focussed enablement service	340
Review in house service provision formally funded by Supporting people subsidy/Housing related support	1,530
Review provision of in-house residential and intermediate care for older people	1,640
	8,646
Savings already implemented/on track	
Housing Related Support	(811)
Learning Disabilities	(250)
	(1,061)
Savings still to be delivered	7,585
Overspends - recurring	
Staffing including Agency and Consultancy	370
Transport - external provision	39
	409
Underspends - recurring	
Recurring underspends - staffing and Supported Living	(287)

Demand Pressures			
Residential and Nursing Care	3,843		
Domiciliary Care	1,815		
Direct Payments/Managed Accounts	517		
	6,175		
Assumed use of iBCF - additional funding not yet formally agreed with CCG			
2017/18 iBCF allocation	(4,000)		
2018/19 proposed iBCF additional allocation - funding demand pressures and mitigating savings	(1,979)		
	(5,979)		
Revised forecast	65,681		
Estimated Adverse variance	+7,903		
Further Planned Actions - to deliver existing savings			
	2018/19	2019/20	2020/21
My Front Door- Learning Disability	(1,268)	(3,074)	(3,074)
Reassessment Programme	(414)	(2,847)	(2,847)
Reduction in bed base		(1,640)	(1,640)
Review in-house service provision formally funded by supporting people subsidy/housing related support		(342)	(342)
Total planned actions to deliver existing savings	(1,682)	(7,903)	(7,903)
Revised position (overspend) for 18/19	+6,221	0	0

2.2 Table 2 (below) provides the current budget position and a summary of savings achieved up-to the end of October 2018.

2.3 This shows that in the remaining five months of the financial year a further £343K of savings is required in order to reduce the overspend as planned.

2.4 The directorate is confident that the reduced overspend will be achieved via the actions indicated in the last OSMB update report and the continued review programme outlined in section 3 of this report.

Table 2**Current 2018/19 Budget Position (Period 7 – October 2018) £000s**

Directorate Budget	74,484
Total savings outstanding (Adults)	8,646
Savings achieved – Total (breakdown below)	(1,422)
> Savings on track to be delivered in 2018/19	(811)
> Savings from case reviews to date	(418)
> Savings on night visiting contract	(193)
Balance of savings still to be delivered	7,224
Other (under)/overspends	(48)
Other one off mitigating actions already identified - underspends/savings on Public Health and Housing General Fund	(612)
Forecast outturn	81,048
Estimated year-end overspend before any further savings/mitigation - as at Oct' 18	6,564
Further savings to be achieved in 2018/19 to achieve reduction in overspend	(343)
Estimated forecast of overspend	6,221

3. Budget Projects

3.1 Care Package Review Programme

- 3.1.1 The key delivery mechanism for delivering the in-year savings continue to be improving practice, reducing reliance on residential/nursing care, and ensuring that care packages are proportionate across all client groups by undertaking care package reviews of existing eligible customers.
- 3.1.2 At the project's inception (May '18) a total of 3815 customers were identified as eligible to receive a care package review, if unchanged the original support costs for these packages would total almost £71M in 2018/19.
- 3.1.3 To date, of the baseline, a total of 202 customer care package reviews have been completed with an additional 45 Mental Health reviews, which were not in original base line due to difficulties in data collection from system one . In total this has achieved an in-year saving of £612K, (against their original projected 2018/19 support costs).

Table 3 (below) provides further breakdown by client group. NB not in target group refers to the status of reviews at the point of 1.5.18.

Table 3: Care Package Reviews by customer group

Customer Group	Baseline – May 2018		Progress to Date		
	Customers Eligible for Review	Total Predicted cost 2018/19 (£)	Customers reviewed to date	Original costs for customers reviewed (£)	Change in predicted costs for reviews completed cost/(saving) (£)
1 - In House Daycare Only	82	60,534	7	0	5,670
2 - In House Daycare Plus Other	199	5,828,743	8	263,188	(5,265)
3 - In House Residential	41	1,133,313	3	92,013	119
4 - Night Visiting	21	491,253	12	297,804	(24,020)
5 - Managed Direct Payment	529	7,268,143	65	1,045,996	(15,395)
6 - Community Support Under 10hrs	571	2,927,074	32	129,738	(11,676)
7 - Direct Payment	526	7,766,658	15	332,365	(23,500)
8 - Under £150	114	477,898	3	22,026	(5,510)
9 - Short Stays	85	2,467,289	7	184,167	(47,939)
10 - JPOC	52	2,084,743	0	0	0
12 – High Cost	157	10,504,138	1	49,719	1,964
13 - Transition This Year	2	31,644	0	0	0
14 - Annual Review Overdue	631	14,820,204	26	626,818	(63,421)
15 - Residential Not in Targeted Group	315	7,895,880	14	335,419	(64,455)
16 - CBS Not in Targeted Group	490	7,195,186	9	162,830	(17,512)
Total:	3815	70,952,700	202	3,542,082	(270,940)
Mental health reviews			45	1,097,178	(147,230)
Saving on Night Visiting contract			0	258,000	(193,000)
Grand Total	3815	70,952,700	247	4,897,260	(611,170)

3.2 My Front Door

- 3.2.1 My Front Door reviews are underway with 60 assessments already completed, for clients with a learning disability, out of the 750 required. The results of these assessments are shown in the table above, which includes reviews on all client groups. However, this project will not deliver significant savings in the current year. The savings will, in the main, come from the closure of existing facilities, which are expected to occur in 2019/20 and 2020/21. The reviews for clients using Oaks are well underway and are on track, which should enable closure early in 2019/20.

3.3 Increase the number of Direct payment customers

- 3.3.1 Direct payments offer value for money and improve outcomes if delivered appropriately. Current performance is 21.25% which is an improvement on last quarter
- 3.3.2 To maximise the use of direct payments for new and existing adult social care customers, all assessment staff are attending direct payments training and are supported by on-line resources, and a comprehensive set of fact sheets have been produced to support the policy and procedures. This will ensure that the DP is of the right size and will also provide an opportunity to reclaim un spent direct payments

3.4 Transforming Care

- 3.4.1 Transforming Care has been identified as a potential area risk for in year demand as funding responsibility moves from specialist commissioning (NHSe) to CCGs and Local Authorities To mitigate risks Fortnightly meetings have been established, to include commissioners, finance and senior managers, to ensure that this complex and vulnerable group of individuals are appropriately supported and that any financial pressures for the local authority are identified and planned for as early as possible.
- 3.4.2 Although this won't deliver any savings the approach will enable the Council to monitor and manage potential additional costs more effectively.

4 Summary

- 4.1 Original projections estimated the Directorate overspend to be £8.646m. In the year-to-date there has been £1.422m savings achieved in adult's social care with additional savings support from other service areas within the Directorate of £660K. This has reduced the projected overspend to £6,564m with £343K of savings still to be secured.
- 4.2 The care package review programme, supported by the promotion of Direct Payments, is on target to achieve the additional £343K required and successfully reduce the 2018/19 overspend to £6.221m. Other projects are in place to ensure known areas of risk for unplanned, high cost spend are mitigated.

5 Improvement Plan

- 5.1 As indicated in the last update, of the 19 key areas of accountability contained within the improvement plan:
- 8 progressed on to become routine activity;
 - 9 formed part of the Medium Term Financial Strategy (MTFS) project plans, either directly or as an enabler to delivery;
 - 2 became the focus of DLT challenge sessions - Commissioning and Safeguarding Adults.
- 5.2 A final detailed “deep cleanse” of the original improvement plan took place on 11th October 2018 led by the Strategic Director. This cross-referenced all improvement plan actions to ensure they were completed or are contained within the Continued Improvement Plan or MTFS project plans.
- 5.3 Thematic deep dive workshops covering complex areas such as mental health, reablement, and continuing health care (CHC) are taking place. This will determine the more detailed work streams that are required to progress both the improvement actions and MTFS projects plans.

6 Improvement Plan Key Areas of Accountability

Performance Update

- 6.1 Currently the latest available benchmarking data available is 2016-17 - we expect the 2017-18 data to be available imminently.
- 6.2 The data shows a mixed picture of some areas still having too high a request or provision outcome than our comparators, so probably reflecting where the changes to service / practice and our current offer is. More encouraging is Delayed Transfers of Care (DTOC), whilst a challenge for all partners, Adult Social Care is performing well.
- 6.3 Although demand rates remain high, the good news is over 65 reduced permanent residential admissions rates show changes are positively reflected in this area of improvement.
- 6.4 Safeguarding Adults figures show that, whilst there is a high referral rate, there has been a reduction in the number of safeguarding concerns which are progressed further to safeguarding enquiries. This evidences that making safeguarding personal is becoming embedded within practice.
- 6.5 The overall figures show that Rotherham is not an outlier.
- 6.6 More work will be able to be done on analysis when the full 2017-18 all council data is published November / December.

7 Improvement Plan Key Areas of Accountability

Narrative Update

- 7.1 With support from the Local Government Association (LGA) a Commissioning Strategy has been developed covering 2018-20.
- 7.2 The strategy will inform a refreshed Market Position Statement for all cohorts to drive market shaping and improve engagement. Delivery of the Commissioning Strategy is crucial as this is a major enabler to the improvement activity and MTFS actions.
- 7.3 A series of workshops have been held to strengthen the interface with social work and commissioning to involve frontline staff in co-production and also in identifying gaps in the existing offer.
- 7.4 Targeted events, such as voluntary sector engagement session, have been facilitated. The purpose has been to raise awareness of the local offer and encourage take-up of community asset based solutions by social work staff applying strength-based approaches.
- 7.5 A Quality Board has been established to drive multi-agency working to proactively manage service quality and drive up standards of CQC registered services.
- 7.6 Financial Management Processes to ensure that Adult Support Plans meet RMBC's required quality standards, adhere to legal frameworks and meet the eligible outcomes of adults have been implemented across all services.

8 Workforce Development

- 8.1 Building upon the evidence provided by the externally commissioned file audit, the Directorate commissioned a programme of legal literacy and strength based practice training to support practitioners and managers.
- 8.2 The voluntary sector organisation 'Active Independence' was commissioned to deliver direct payments training to all frontline staff in October. This training is to support the implementation of the revised Direct Payments Policy and aligned procedures, applying a customer perspective and embedding personalisation.
- 8.3 The Adult Social Care Quality Assurance Framework has been strengthened with the monthly programme of case audits now in place. Where areas of improvement are identified these inform further staff learning and development.
- 8.4 The outcomes of the case file audit work are also considered at performance meetings.
- 8.5 Supervision is also fundamental to practice change and a quality assurance process and training is now being set up to ensure RMBC are able to practice competently and confidently.

8.6 The Wellbeing Forums are held weekly and provide a necessary framework to monitor the quality of support plan, enable consistent decision-making, assures shared learning and assist staff to consider alternative solutions if they have not already done so.

8.7 The Best Practice group is finalising a review “top tips” booklet.

9 Tracking Progress

9.1 A Performance data refresh has recently been agreed by the Performance SMT. This will assist Managers to understand what sits beneath the data and use it more effectively to drive performance activity.

9.2 The financial and performance tracker continues to be utilised and provides monthly updates into the project assurance group on savings against the MTFS.

9.3 The tracker also forms part of the performance clinic structure. A fortnightly performance report is now being used to manage team performance.

9.4 The Continued Improvement Plan will report into the monthly Project Assurance Meeting (PAM) which are chaired by the Strategic Director (SD) of Adult Social Care, Housing and Public Health.

9.5 Internal Audit, at the request of the Assistant Chief Executive, has recently undertaken a review of the Phase 2 Corporate Improvement Plan to provide assurance that improvement actions are being maintained. One of the actions chosen for review related to “Delivery of the Adult Social Care Development Programme”.

9.6 The general view from Internal Audit (awaiting final report to be issued) is that ASC has provided positive assurance in respect of maintaining implementation of the Development Programme.

10 Next Steps

- To continue the monitoring of the right-sizing of care packages at SMT and take any mitigating actions.
- Governance and implementation of the Continued Improvement Plan via the Project Assurance meetings.
- Continued Quarterly review of programme and project plans against milestone plans.
- Electronic reporting process to facilitate collation of data so that arising practice development themes can be addressed (working towards continuous improvements).
- Recruitment activity within reablement to increase scope of the service so that more Rotherham residents can benefit from this intervention.

- Audit safeguarding cases across all teams and embed this as part of a wider quality assurance framework.
- Design the New Target Operating Model for the ASC structure.
- Implement refreshed performance data.

. **11 Accountable Officer**

Anne Marie Lubanski, Strategic Director for Adult Care, Housing and Public Health.

WORK PLAN : PSW

November 2018-June 2019

- 1 Embed Strengths Based Approach
2. Improving Quality and Driving up Practice Standards
3. Legal Literacy

No.	Action	Action Owner	End Date	Progress and Monitoring	Outcomes and RAG Rating
Priority 1: Embed Strengths Based Approach					
1.1	Develop and implement Strengths based training and approach	Sally Morris-Shaw	June 2018	<p>2 x 1 day strengths based assessment course provided to first cohort of assessment staff. This being evaluated by Nigel Mitchell, L and D training manager and PSW in relation to this being delivered wider</p> <p>PSW working with SMT, Team Managers and Best Practice Group to determine which Strengths based model should be adopted eg Signs of Safety or 3 Steps</p> <p>Work Force Development plan in progress . PSW working with L and D manager to complete</p>	Active
1.2	<p>Review of Financial Management Document and Wellbeing Forum ToR.</p> <p>Extend Wellbeing Forum across all Service areas</p>	Legal Department / Sally Morris-Shaw	December 2018	<p>27/11/18 : ToR now reviewed via Legal department and being amended by PSW. Financial Management Document.</p>	Active

				<p>Updates need to documents / any processes be uploaded and circulated to staff via intranet via Team Managers meeting</p> <p>PSW meetings in progress with Mental Health Management re extension of WBF to Mental Health Services. Briefings now being scheduled / progressed for MH Teams to increase staff awareness / understanding</p>	
1.3.1	Produce range of resources / learning materials for staff and also communications	Sally Morris-Shaw	February 2018	<p>Strengths Based Charter now disseminated to all staff and uploaded for</p> <p>Staff attended ADASS Regional Strengths based conference 24th October</p> <p>PSW now part of Communications and Engagement Group where such materials will be formulated and progressed</p> <p>PSW has oversight and lead role in relation of practice library, which being developed as part of ACH directorates intranet page</p>	Active

1.4	Operational Framework development and Publication		February 2019	<p>PSW has lead role re development of Operational Framework in relation to Policies and Procedures (see under Priority 2 for full details). Monthly meetings to monitor progress</p> <p>As of 27th November following policies live on ACH directorate page:</p> <ul style="list-style-type: none"> • Wellbeing Principle • Assessment and Eligibility Policy • Support Planning Review • Ordinary Residence Policy • Information and Advice Policy • Direct Payments Policy and Guidance for Staff 	Active
Priority 2: Improving Quality Assurance and Driving up Practice Standards					
2.1	Case File Audit Report	Sally Morris-Shaw	Ongoing	<p>Report now given to Performance SMT and Team Manager Meeting</p> <p>PSW working with performance , Quality and Improvement Team to develop electronic process further so that arising practice themes can be identified and targeted in</p>	Active

				terms of practice development	
2.2	Best Practice Development Group	Sally Morris-Shaw		Best Practice Group established and monthly meets arranged	Active
2.3	Operational Framework development and Publication	Sally Morris-Shaw / Operational Framework Group	End January 2019	<p>PSW has lead role re development of Operational Framework in relation to Policies and Procedures (see under Priority 2 for full details). Monthly meetings to monitor progress</p> <p>As of 27th November following policies live on ACH directorate page:</p> <ul style="list-style-type: none"> •Wellbeing Principle •Assessment and Eligibility Policy •Support Planning Review •Ordinary Residence Policy •Information and Advice Policy •Direct Payments Policy and Guidance for Staff 	Active
	Development of Performance Clinics	Sally Morris-Shaw / Andrew Wells	End February 2018	PSW working with HoS. Andrew Wells Safeguarding Performance Clinics being set up currently to commence in December 2018	Active
Priority 3: Legal Literacy					
3.1	Support staff to develop further legal competencies and confidence through the provision of training and development	Sally Morris-Shaw	Ongoing	Delegated decision-making briefing delivered to legal department undertaken with team managers 23 rd October	Active

				<p>Legal Literacy Webinars in progress re Assessment and Eligibility, Care Planning, Direct payments delivered by Belinda Schwehr</p> <p>PSW working with legal department and Marie Staves to develop further briefings for staff in relation to S117 , MCA</p> <p>PSW working with Nigel Mitchell , L and D Manager re creation of work force development plan including legal literacy</p> <p>Social Work staff enrolled in South Yorkshire Teaching Partnership Post Graduate Certificate Modules relating to legal frameworks and advanced practice, (Adults) Social Work in the Court Room</p>	
3.2	Support staff to develop legal literacy through the availability of electronic resources including legal updates , policies and procedures			<p>Legal Literacy resources being uploaded to Adult Social Care Resources intranet webpage within ACH Directorate section</p> <p>Operational Framework in development and published</p>	

				policies and procedures now available as per 2.3 for staff usage to ensure practice is compliant with legal frameworks	

Public Report
Overview and Scrutiny Management Board Meeting

Summary Sheet

Committee Name and Date of Committee Meeting

Overview and Scrutiny Management Board – 12 December 2018

Report Title

Council Tax Support and the Impact of Universal Credit

Is this a Key Decision and has it been included on the Forward Plan?

No

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director of Finance and Customer Services

Report Author(s)

Robert Cutts, Service & Development Manager, Revenues, Benefits & Payments
01709 823320 or robert.cutts@rotherham.gov.uk

Ward(s) Affected

All

Summary

Universal Credit (UC) is being introduced nationally to replace 6 key benefits for customers and following a number of delays was fully rolled out in Rotherham on the 11th July 2018.

Universal Credit includes Housing Benefit (HB) but does not include local Council Tax Support (CTS) for which residents are required to apply directly to the Council. There is a concern, supported by anecdotal evidence from other councils and a few reports published on the subject, that following the introduction of UC there was a risk that there could be a decline in CTS applications. This was due to the CTS application becoming an additional and separate process to the UC application which is made directly to The Department for Works and Pensions (DWP).

Where the decline in CTS applications is as a result of a genuine reduction in the level of support required, for example when it is the result of an economic upturn, it will have a positive impact to the Council's budget with Council Tax income increasing. However, if the decline is a result of those who would be entitled to support failing to claim, it will result in an increase in Council Tax arrears together with the costs of collection and for UC claimants an increase in personal debt levels.

The Revenues and Benefits Service have therefore introduced a number of actions to encourage those potentially entitled to CTS to apply.

Recommendations

That the report be shared with all Elected Members and all relevant Departments of the Council in order that where appropriate their constituents and service users be encouraged to apply for Council Tax Support where they are either in receipt of or are applying for Universal Credit.

List of Appendices Included

None

Background Papers

Waiting for Credit: The delivery of Universal Credit, Citizens Advice Bureau, 2015

[http://www.boltoncab.co.uk/Global/Waiting%20for%20Credit%20PDF%20final%20\(03\)%20Nov%202015.pdf](http://www.boltoncab.co.uk/Global/Waiting%20for%20Credit%20PDF%20final%20(03)%20Nov%202015.pdf)

Three years on: An independent review of Local Council Tax Support Schemes, Ollerenshaw, 2016

<https://www.gov.uk/government/publications/local-council-tax-support-schemes-an-independent-review>

Universal Credit and debt, Citizens Advice Bureau, 2017

<https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/debt-and-money-policy-research/universal-credit-and-debt/>

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No

Council Approval Required

No

Exempt from the Press and Public

No

Council Tax Support and the Impact of Universal Credit

1. Recommendations

- 1.1 That the report be shared with all Elected Members and all relevant Departments of the Council in order that where appropriate their constituents and service users be encouraged to apply for Council Tax Support where they are either in receipt of or are applying for Universal Credit.

2. Background

- 2.1 Universal Credit (UC) is being introduced nationally to replace 6 key benefits for customers and following a number of delays was fully rolled out in Rotherham on the 11th July 2018. Some areas of Rotherham in specific postcodes had previously rolled out where they are covered by the Barnsley, Doncaster & Worksop Job Centres although this is a relatively small number of cases when compared with the total caseload.
- 2.2 Universal Credit includes Housing Benefit (HB) but does not include local Council Tax Support (CTS) for which residents are required to apply directly to the Council.
- 2.3 There has been a general consensus nationally that for many claimants the driver for completing an application form was primarily to receive help towards their rent via HB and that the assessment of CTS was a subsidiary of that due to it being a joint form and assessment process.
- 2.4 There was therefore a concern that following the introduction of UC there was a risk that there could be a decline in CTS applications due to it becoming an additional and separate process to the UC application which is made directly to The Department for Works and Pensions (DWP).

Information supporting a decline in CTS applications

- 2.5 In 2016 an independent report, commissioned by DCLG, was undertaken by Eric Ollerenshaw in respect of CTS. Whilst the report concluded that help with Council Tax should remain a local scheme administered by the Council, it did acknowledge that experience showed that lower numbers claimed CTS when in receipt of UC.

The report stated the following;

Research by the Citizens Advice across 16 offices found that individuals were not always aware they can claim CTS, given there were different claims systems for UC and CTS. Their report on Universal Credit suggests that, because there is no passporting (where individuals on certain benefits would automatically receive CTS), many individuals on UC do not know about the availability of CTS. The report states that: There was also a lot of confusion about Council Tax Reduction [CTS] – approximately a third of the sample of those who would be likely to be eligible for CTR [CTS] (about 70% of all respondents) had either applied for it late or were unaware that they were likely to be eligible.

- 2.6 Anecdotal information from other Councils who have moved to full UC has supported this concern with many experiencing problems with a reduction in CTS take up. A Council local to Rotherham advised that they had seen a reduction of 2,000 in their CTS caseload following the move onto UC of 4,000 claims in 2017. There have, however, not been any national studies of the impact of UC on CTS claim levels and it is often difficult to attribute the reason for a failure to claim to one particular cause.

Importance of UC claimants applying for CTS

- 2.7 It is important for those on UC to receive the CTS that they are entitled to as this helps;
- Assist UC claimants in managing their finances and reduces personal debt problems.
 - Stops Council Tax arrears accruing.
 - Reduces the burden on the Council of collecting large Council Tax balances from those with the lowest incomes, who realistically have little chance of maintaining the required payments.
- 2.8 The CAB issued a further report in respect of UC in September 2017 which concluded that its evidence showed the following;
- UC claimants are more likely to have debt problems than those on legacy benefits
 - A quarter (26%) of the people they help with UC also needed help with debt compared to 19% of those on legacy benefits
 - More than 2 in 5 (41%) of debt clients on UC have no spare income to pay creditors compared to a third (33%) on legacy benefits

Rotherham experience

- 2.9 Prior to being rolled out in Rotherham in July 2018 only a relatively low number of Rotherham residents were claiming UC however the CTS caseload had significantly decreased by 1,886 from April 2017 to July 2018. In the three months following the roll out the caseload has decreased by a further 541. This fall will have been impacted by a number of factors including a move of some claimants onto UC;
- A general change in the economy with more people moving into work and no longer qualifying
 - An increase in the state pension credit age resulting in lower numbers of pension age applicants claiming CTS
 - Changes to Rotherham's CTS scheme which came into effect in April 2018
- 2.10 It is difficult to assess accurately the degree to which those on UC not claiming CTS has been responsible for the decline in caseload particularly as not all claimants groups were affected prior to roll out. Since December 2015 only a small client group (single job seekers) have been compelled to apply for UC regardless of where they lived and other household groups in certain areas of Rotherham being introduced in the past six months (those covered by Barnsley/Doncaster and Worksop Job Centres).

- 2.11 Prior to UC roll out Rotherham had 1,016 UC applicants on CTS, however, it is considered that a significant proportion of these were on CTS at the time they moved to UC and as such their claim has continued without the need for a new application.

The UC Application process

- 2.12 As part of the UC online claim, administered by the DWP, the claimant is asked whether they are already in receipt of CTS or wish to claim CTS. If the answer to this question is "Yes" the DWP will supply certain information to the Councils Benefits Team. If the answer is "No" the Council will be unaware of the UC application or the claimants financial circumstances.
- 2.13 Where someone is already in receipt of CTS the data the Benefits Team already have together with the information provided by the DWP is sufficient to re-assess CTS entitlement.
- 2.14 However, where an applicant is not currently in receipt of CTS additional information is required in order to assess CTS entitlement and the claimant is therefore invited to apply by Rotherham's Benefits Team. An analysis of 30 cases where invites to apply were sent in February/March 2018 has been conducted which showed the following;
- 8 applications (27%) were returned
 - 22 applications (73%) were not returned
 - Of the 22 not returned there was a high possibility based on the available information that 3 would qualify for some CTS entitlement
 - The remaining 19 had earnings and it is difficult to ascertain whether or not they would have been entitled to CTS without the form and accompanying proofs, such as payslips

The above figures may also be distorted by the fact that the predominant claimant of UC in Rotherham up to recent times has been single job seekers who are more inclined to be in and out of work and may choose to not claim during short periods of unemployment.

- 2.15 From the 11/07/2018 all of Rotherham is a UC full service area and therefore all different types of household, with a few exceptions, are now required to apply for UC when making a new claim for support.

Actions to maximise appropriate CTS applications

- 2.16 The Revenues and Benefits Service are encouraging those potentially entitled to CTS to apply by various methods.
- Ensuring that the Council's website benefit pages are clear that claims for Housing Benefit can no longer be made with the exception of the exempted groups (specified accommodation and those with 3 or more children) and that instead claims for UC should be made directly to the DWP and claims for CTS should be made directly to the Council.

- Promoting CTS on other appropriate Council Tax documentation such as the Frequently Asked Questions.
- Where the Benefits Team issue an invite to apply following the DWP data share this is considered to be the intention to claim CTS, and if the form is returned within one month of the invite then the date which is used as the start date of CTS will be the date of the DWP data share.
- Developing automated reminders where there is no response to the initial invite to apply.
- Where good cause is shown for a delay in an application for CTS the Benefits Team will utilise the 6 month backdating rules which exist in the Council's CTS scheme.
- Ensuring that other teams within the Revenues and Benefits Service, who are responsible for the billing and collection of Council Tax, are aware of the need to encourage CTS applications where appropriate. This will form part of their everyday work where they will promote take up of all discounts and exemptions, particularly when dealing with Council Tax arrears. Where they come across a case for which it appears CTS may be appropriate they will issue advice and direct customers to further assistance on the Councils web site.
- The need for applicants to apply for CTS has been highlighted as part of the Councils Universal Credit working group which covers other Council areas including the Housing Department who regularly sign tenants up for new tenancies and work with existing tenants.
- Following the on-line UC claim, each applicant is required to attend the local Job Centre to finalise their claim. Agreement is being sought with the Job Centre Partnership manager to issue a pocket sized card to the claimant during this meeting promoting CTS and explaining how to apply.

3. Key Issues

- 3.1 To promote the need to make a CTS application to UC claimants where appropriate.

4. Options considered and recommended proposal

- 4.1 A number of options were considered to encourage those potentially entitled to CTS to apply and those options considered appropriate have been introduced as outlined above.

5. Consultation

- 5.1 None

6. Timetable and Accountability for Implementing this Decision

- 6.1 Universal Credit (UC) is being introduced to replace 6 key benefits for customers and following a number of delays was fully rolled out in Rotherham on the 11th July 2018. Some areas of Rotherham in specific postcodes had previously rolled out where they are covered by the Barnsley, Doncaster & Worksop Job Centres.

7. Financial and Procurement Implications

- 7.1 A decline in CTS applications will reduce the cost of the scheme and deliver a cost saving for the Council and its preceptors.
- 7.2 Where the decline in applications is as a result of a genuine reduction in the level of support required, for example when it is the result of an economic upturn, it will have a positive impact to the Council's budget with Council Tax income increasing. If however the decline is a result of those who would be entitled to support failing to claim it will result in an increase in Council Tax arrears together with the costs of collection and an increase in personal debt levels.

8. Legal Implications

- 8.1 No direct implications from this report

9. Human Resources Implications

- 9.1 No direct implications from this report

10. Implications for Children and Young People and Vulnerable Adults

- 10.1 A decline in CTS applications from those entitled to support, particularly vulnerable adults, could lead to a subsequent increase in Council Tax bills for those affected which may increase the numbers of families with children in financial difficulties.

11. Equalities and Human Rights Implications

- 11.1 No direct implications from this report

12. Implications for Partners and Other Directorates

- 12.1 A decline in CTS applications from those entitled to support could lead to a subsequent increase in Council Tax bills for those affected which may increase the numbers engaging with advice agencies in respect of financial difficulties.

13. Risks and Mitigation

- 13.1 A decline in CTS applications from those who would be entitled to support will result in an increase in Council Tax arrears together with the costs of collection and an increase in personal debt levels.

13.2 In order to mitigate this actions have been put into place in order to maximise applications from who may be entitled to support.

14. Accountable Officer(s)

Approvals Obtained from:-

	Named Officer	Date
Strategic Director of Finance & Customer Services	Judith Badger	29 th November 2018
Assistant Director of Legal Services	Dermot Pearson	29 th November 2018
Head of Procurement (if appropriate)	N/A	
Head of Human Resources (if appropriate)	N/A	

Report Author: Robert Cutts, Service & Development Manager, Revenues, Benefits and Payments

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Summary Sheet

Committee Name and Date of Committee Meeting

Cabinet – 17 December 2018

Report Title

Medium Term Financial Strategy

Is this a Key Decision and has it been included on the Forward Plan?

Yes

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director of Finance and Customer Services

Report Author(s)

Paul Stone, Head of Corporate Finance
01709 822013 or paul.stone@rotherham.gov.uk

Ward(s) Affected

All

Executive Summary

The Council's Medium Term Financial Strategy (MTFS) sets out a framework for understanding the challenges the Council faces and supports corporate planning. It helps the Council to shape its finances over the medium term by examining the projected resources available to meet the s priorities as set out in its Council Plan.

The Strategy sets out the framework and principles upon which current and future financial projections, over the medium term, will be predicated. The MTFS financial projections were revised and updated alongside the setting of the revenue budget 2018/19 and illustrated budget gaps of £29.7m over the period 2019/20 and 2020/21. The updated budget gaps were re-affirmed in the Financial Outturn 2017/18 report to Cabinet in July 2018 and the financial assumptions underpinning the budget gaps were reviewed again in Summer 2018 with no changes required to key financial assumptions. The financial projections have been reviewed and updated again alongside the development of a two-year budget for 2019/20 and 2020/21 and are incorporated into the MTFS. The details of the budget including outcomes of consultation will be reported to Cabinet and Council in February 2019 when the Budget and Council Tax Report 2019/20 is considered.

The Strategy provides both national and local context of the challenges faced by councils in delivering services, particularly the demand pressures in respect of adults and children's social care. It sets out a clear set of objectives that will support the Council in developing its annual budgets and ensuring financial resilience. Furthermore, it provides details of the risks and uncertainties that are characteristic of local government finances.

The Strategy document attached to this report represents an interim update to the Council's medium term financial plans, which will be further updated following completion of budget consultation and the receipt of further information on the Council's funding from Government to be provided on 6th December 2018 within the Provisional Local Government Finance Settlement for 2018/19.

The final version of the Medium Term Financial Strategy will be submitted to Cabinet and Council in February 2019 alongside the Budget and Council Tax 2019/20 Report.

Recommendation

1. That the updated Medium Term Financial Strategy be approved and that it be noted that the final version of the Strategy will be submitted to Cabinet and Council in February 2019.

List of Appendices Included

Medium Term Financial Strategy

Background Papers

None.

Consideration by any other Council Committee, Scrutiny or Advisory Panel

Overview and Scrutiny Management Board – 12 December 2018

Council Approval Required

No

Exempt from the Press and Public

No

Medium Term Financial Strategy (MTFS)

1. Recommendations

- 1.1 That the updated Medium Term Financial Strategy be approved and that it be noted that the final version of the Strategy will be submitted to Cabinet and Council in February 2019.

2. Background

- 2.1 The Council's Outline Medium Term Financial Strategy 2016-2019 was approved by Council on 9th December 2015. Since that time, financial projections have been updated and regularly reported to Commissioners, Cabinet and Council. The Strategy document which sets out the framework and principles which the Council follows in developing its budgets and financial strategies has been re-written and an interim update is attached to this report in advance of the final document being submitted to Cabinet and Council in February 2019.

3. Key Issues

- 3.1 Councils have had to address significant reductions in their funding since the Government implemented austerity measures in 2010. This is coupled with unprecedented demand for social care services. The Local Government Association has estimated that there will be a £8bn funding gap nationally for local government services by 2025.
- 3.2 In developing a financial strategy, councils complete an appraisal of their current financial position and the financial challenges that they face. From this, stems the values of how they will develop financial sustainability in both the short and medium term. In doing so, a series of objectives is then formed, which, in turn, help to shape the finances by considering both the expenditure and resource implications, assessing their impact on the functions across the Council and the services that it delivers.
- 3.3 The challenges and objectives referred to in section 3.2 above are emphasised in the Strategy which sets out the Council's proposed approach to setting a balanced budget over the next two financial years.

4. Options considered and recommended proposal

- 4.1 The Council's MTFS considered by Council on 28 February 2018 demonstrated a funding gap of £29.7m over the period 2019/20 to 2020/21. The MTFS outlines how this has been addressed.

5. Consultation

- 5.1 The MTFS will be shared with key stakeholders and partners.

- 5.2 Public consultation on budget proposals for 2019/20 and 2020/21 commenced on 26 October 2018 and ceased on 30 November 2018. The outcomes from the consultation will inform the Council in finalising the Budget and MTFS. The response to the budget consultation will be formally reported to Overview and Scrutiny Management Board on 16th January 2019.

6. Timetable and Accountability for Implementing this Decision

- 6.1 The Council's medium term financial projections have been updated within the interim MTFS document following analysis of the impact on the Council of announcements made within the Chancellor's Autumn Budget 2018. They will be further reviewed from the Provisional Local Government Finance Settlement 2019/20 which is to be released on 6th December 2018.
- 6.2 The final MTFS will be presented to Cabinet and Council in February 2019 alongside the Budget and Council Tax Report 2019/20.

7. Financial and Procurement Implications

- 7.1 The financial implications are set out in the Strategy.
- 7.2 There are no direct Procurement implications arising from this report.

8. Legal Implications

- 8.1 No direct legal implications.

9. Human Resources Implications

- 9.1 HR support will be required in delivering service changes that will enable the Council to meet its financial challenges.

10. Implications for Children and Young People and Vulnerable Adults

- 10.1 The Strategy provides details of the pressures faced in respect of adults and children's social care at both the national and local level and the funding identified within the Council's budget for services.

11. Equalities and Human Rights Implications

- 11.1 Where appropriate, a detailed Equality Impact Assessment will be completed for budget savings proposals considered by Cabinet or Council as part of the Budget and Council Tax Report 2019/20.

12. Implications for Partners and Other Directorates

- 12.1 Where the Council is working with partner organisations on specific revenue or capital projects, budget options will be developed in conjunction with these organisations.

13. Risks and Mitigation

13.1 Risks and uncertainties are detailed in the updated MTFS.

14. Accountable Officer(s)

Judith Badger, Strategic Director of Finance and Customer Services

Approvals obtained on behalf of:-

	Named Officer	Date
Strategic Director of Finance & Customer Services	Judith Badger	3 rd December 2018
Assistant Director of Legal Services	Dermot Pearson	3 rd December 2018
Head of Procurement (if appropriate)	Karen Middlebrook	3 rd December 2018
Assistant Director of Human Resources (if appropriate)	Lee Mann	3 rd December 2018

Report Author: Paul Stone, Head of Corporate Finance

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Medium Term Financial Strategy 2018 to 2021

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Foreword by Leader

Rotherham Council is entering the next stage of our journey. In the last two years we have redefined what we stand for, through a clear vision for the borough and organisation. We've changed how we make decisions, so we're more open and accountable than ever before. We've redesigned how we work with other agencies, to drive forward some of the key changes we want to see. And even as we face unprecedented financial pressures, we're working hard to deliver better services, focussed on the priorities set for us by the public.

We have some of the best performing schools in the region, and we have invested heavily in the improvement of our Children's Services to ensure we offer the best support to our most vulnerable children, in order to give them the best start in life.

We are transforming our adult social care, to empower every adult. We are working alongside communities to keep our neighbourhoods looking their best, and we're cracking down on those who would litter and damage the local environment.

And we continue to work alongside the private sector and our partners in the Sheffield City Region to create jobs, opportunities and new businesses.

As we move to the next stage with this, our updated Medium Term Financial Strategy, two themes stand out that will be necessary to deliver our Council Plan Priorities; working closely with our partners - in all sectors - so we can deliver seamless services to residents in the most efficient way; and working more closely with our neighbourhoods so that we're meeting residents' needs more effectively and helping people to live healthier, happier lives in their own communities.

In achieving our priorities, it is important that the Council has robust procedures in place to ensure that it is aligning its budget with the stated priorities and managing its finances effectively. Financial planning is a key aspect of setting a balanced budget each year. The Medium Term Financial Strategy helps us to focus on the financial challenges, risks and uncertainties ahead, in the delivery of value for money services.

It is a measure of the progress that we've made over the last two years that all decision making powers were returned to the Council in September 2018 with the Council now having full democratic control of all its services. We will continue to see that journey through, to ensure that government and residents alike can be assured of strong and effective governance into the future.

Councillor Chris Read

Leader of Rotherham Council

Shaping our Financial Future

Rotherham – A great place to live, work and invest

Rotherham covers 110 square miles encompassing a wide variety of urban, suburban and rural environments, with 70% of the area being open countryside, nearly all green belt. Rotherham lies close to the city of Sheffield and enjoys easy access to the Peak District National Park. The Borough has a growing population of 263,400 which is becoming increasingly diverse, with around one person in 10 from a minority ethnic group.

Rotherham has a proud industrial heritage of coal mining and steel making, the latter still being a large employer in the town. Former industrial areas have been regenerated, creating thousands of new jobs or reclaimed for greenspace. Rotherham has one of the fastest growing local economies and employment has grown rapidly over recent years whilst unemployment has fallen. The Advanced Manufacturing Park and neighbouring Waverley housing development are delivering 3,900 new homes and 3,500 jobs over a 20 year period.

Health in Rotherham is generally poorer than average with life expectancy below the English average although it has risen over the last decade. Rates of coronary heart disease have reduced significantly over the last 10 years but the Borough still has high rates of disability and long term sickness.

Adult qualification levels are below average, notably degree level skills, but these have improved greatly in recent years and Rotherham College has just opened a university centre in the Town Centre. Most children attending Rotherham's schools have good achievement, above the national average at Foundation Stage whilst attainment and progress between primary (KS2) and secondary (KS4) is just below the national average.

Rotherham has excellent transport links to the rest of the region and country, being well served by the motorway network. Bus services provide good local transport and there are rail connections to Sheffield, Leeds, Manchester, York and other cities. A new innovation is the Tram Train which connects Parkgate, Rotherham Central, Meadowhall and Sheffield. There are five international airports within 80 km of Rotherham, including Manchester.

Rotherham offers a good quality of life combined with a relatively low cost of living. House prices have risen over the years and the average house in Rotherham costs £135,000 but this is far below the English average of £235,000. Rotherham people are very proud of their local parks and country parks, particularly Clifton Park which has won national awards.

Rotherham has numerous visitor attractions, notably the stately home of Wentworth Woodhouse which is now being restored. The Magna Science Adventure Centre is a well-established visitor attraction and a major new development is the £37 million Gulliver's Valley family resort in the south of the Borough. There are also the ruins of Roche Abbey and the award winning Clifton Park Museum which has recently been refurbished. The Borough also has a Civic Theatre, a thriving sports scene and four leisure centres.



Rotherham has a steadily growing population which reached a record total of 263,400 in 2017. The population is growing as a result of natural increase (more births than deaths), net inward migration and increased life expectancy. Rotherham has 161,400 people of working age (61%), slightly lower than the English average.

Rotherham has an ageing population whereby the number of older people is increasing fastest, and their health and social care needs place increasing pressure on social care budgets at a time of prolonged financial constraint. There are 51,000 people aged 65 or over including 6,000 people aged 85 or over, whose numbers are projected to increase by a third over the next 10 years. Rates of disability place further pressures on social care budgets, with 11.4% of the population (30,000 people) claiming disability benefits compared with 7.8% nationally.

There are 50,900 children aged 0-15 in Rotherham and 26,100 young people aged 16-24. Whilst most children get a good start in life, child poverty is polarised across the Borough and life chances vary. Rotherham has a lower proportion of young people aged 18-24 than the national average due to people moving elsewhere to study or work. The number of Looked after Children has increased from 380 in 2012 to 662 in 2018 and Children in Need increased from 1,423 in 2016 to 1,683 in 2018. These increases have placed significant pressure on the cost of children's social care.

The Council has undergone a major improvement journey since May 2015. A corporate Improvement Plan has been fully implemented and Children's Services have been transformed, now rated "Good" by Ofsted. The Government appointed Commissioners departed in September 2018 and all decision making powers were returned to the Council. An independent health check will be conducted in February 2019 and submitted to Government before the formal end of the intervention in March 2019.

The Council is committed to invest in improvements and this Strategy is critical in setting out our approach over the next 3/5 years.

Shaping our financial future to deliver our priorities

The Council's vision is:

"Rotherham is our home, where we come together as one community, where we seek to draw on our proud history to build a future we can all share. We value decency and dignity and seek to build a town where opportunity is extended to everyone, where people can grow, flourish and prosper and where no one is left behind."

To achieve this as a Council we must work in a modern, efficient way, to deliver sustainable services in partnership with other local agencies and our communities, looking outwards but focused relentlessly on the needs of our residents. To this end we set out four priorities:

- Every child making the best start in life,
- Every adult secure, responsible and empowered,
- A strong community in a clean, safe environment,
- Extending opportunity and planning for the future,

The Council values and prioritises collaboration with its partners and the Rotherham Plan provides a framework for partners' collective efforts to create a borough that is better for everyone who wants to live, work, invest or visit here.

The Rotherham Plan sets out the significant initiatives or "game changers" that partners will be focusing on until 2025. Development of the Plan drew on the extensive consultation programme carried out in 2015 and the subsequent engagement. The Plan builds on the themes of the Rotherham Together Partnership which were:

- Bringing people together to create a stronger sense of community spirit;
- Promoting opportunity and equality to help everyone benefit from a growing economy and;
- Creating welcoming places where people feel safe and encouraged to lead active lives.

Our resources are aligned to the delivering of these priorities in a more transparent and effective way with a clear focus on value for money.

Sheffield City Region

Rotherham lies at the centre of the Sheffield City Region and its Combined Authority. Further powers and resources may be devolved to the Mayor and Combined Authority if agreement can be reached in the future. This could include the powers from the 2015 Devolution Deal with Government, such as the £900m of funding to help grow the city region economy and improve adult skills and training.

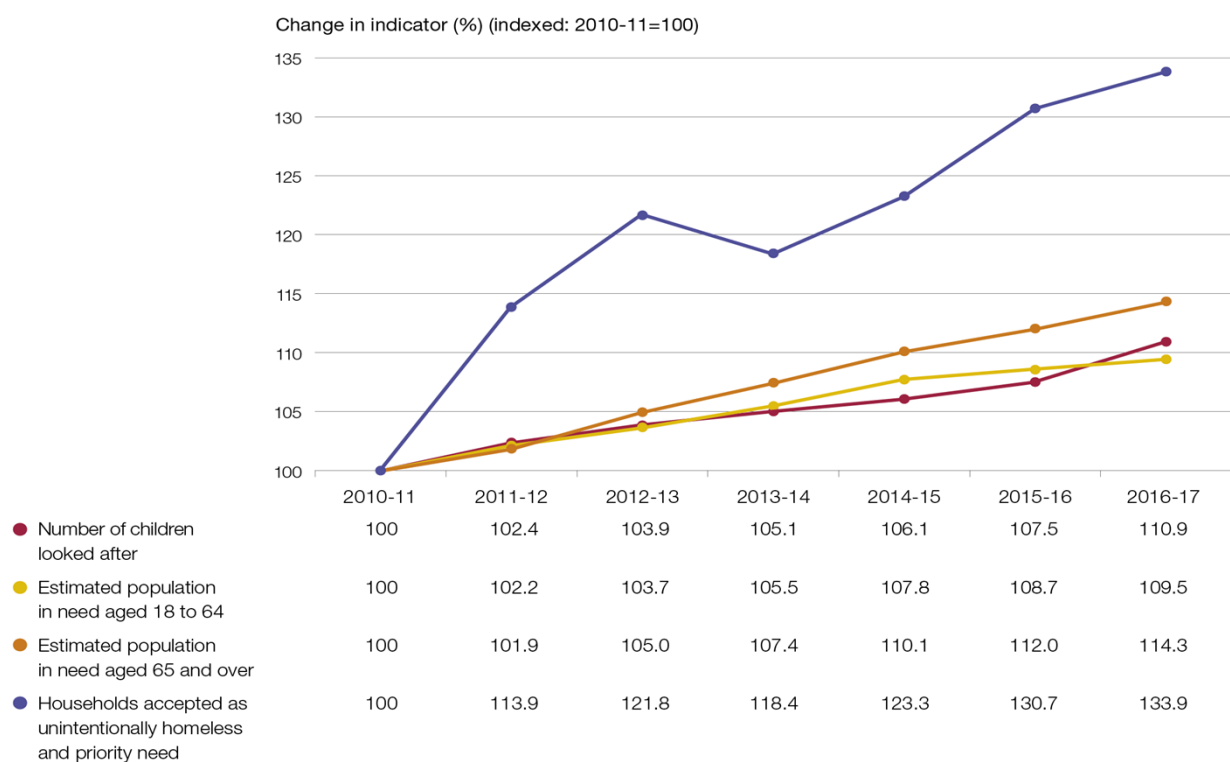
2019 and beyond

National and Financial and Economic Context

Local authorities in the UK are under continued pressure for demand for services, particularly regarding social care. The Local Government Association estimates an £8bn funding gap for local government services by 2025. This is coupled with a period of funding uncertainty as the move to 75% business rates is not expected until 2020/21, the Adult Social Care Green Paper has not yet been published and the next Comprehensive Spending Review not being announced until Spring 2019.

Change in demand in key local authority service areas in England

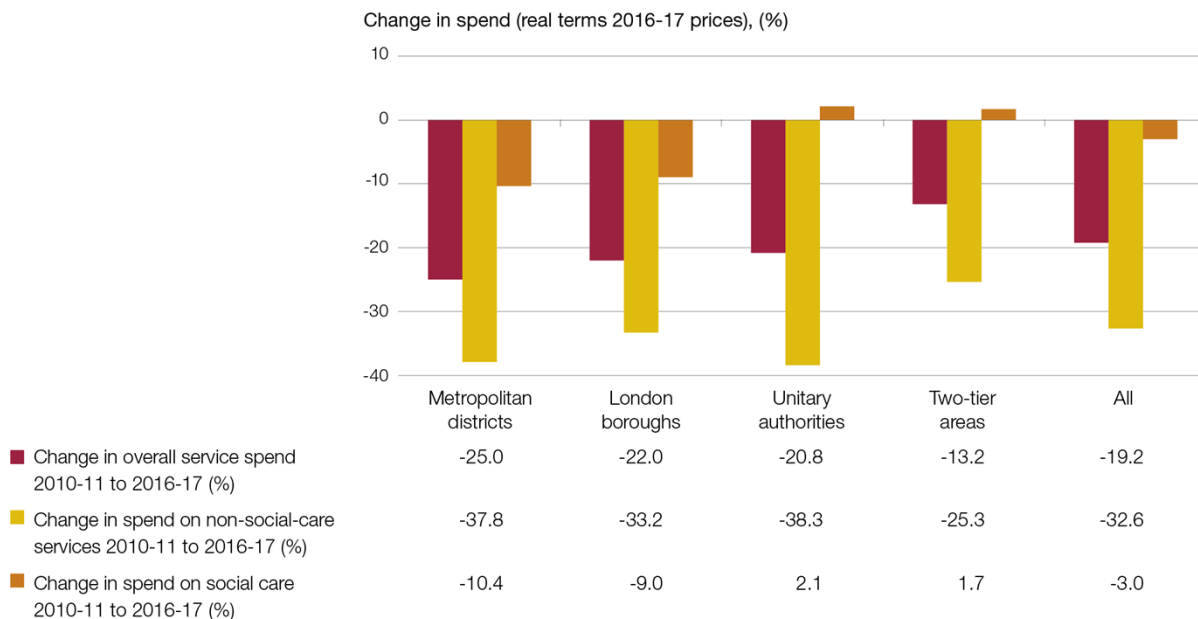
There has been growth in actual or potential demand in a range of core service areas



Source: National Audit Office analysis of departmental data. See standalone methodology

Change in overall service spending by type of local authority in England, 2010-11 to 2016-17

The reduction in overall service spend in different authority types is the net outcome of limited falls or even growth in social care spend offset by large falls in other service spending



Notes

- 1 'Non-social-care services' includes non-schools education services.
- 2 The 'Two-tier areas' data series combines the data from the shire districts and county councils.

Source: National Audit Office analysis of Ministry of Housing, Communities & Local Government data. See standalone methodology

Funding

In October 2015, the Chancellor of the Exchequer announced that the Government was committed to allowing local authorities to retain 100% of locally collected business rates, with a planned implementation date of 2019/20. However, following the General Election in May 2017, the implementation was paused. Notwithstanding, the Government announced alongside the Local Government Finance Settlement 2018/19, that it will look to move to 75% business rates retention in 2020/21. The intention is that local authorities will keep the same share of growth on their baseline levels from 2020/21, when the system is reset. Details of the new system are still awaited, however it will be based on a needs assessment which is subject to the ongoing 'Fair Funding Review'. This Review is aimed to examine the existing finance formula with a view of moving to a 'foundation formula' based on common cost drivers to all services.

Local authorities have set out their concerns through the Local Government Association and SIGOMA and will continue to seek to work with Government to ensure that the sector is properly funded to ensure that social care services, in particular, can be delivered within budget whilst facing continued increase in demand for these services. The Council will monitor the progress of the Government's Fair Funding Review and continue to lobby for a fair funding distribution.

More recently, the Government has implemented measures to address some of the social care pressures, which have included the option for local authorities to raise additional income for adult social care by increasing Council Tax above the previously imposed referendum limit. In addition, there has been further support

through the Adult Social Care Support Grant for both 2017/18 and 2018/19. Whilst this additional funding is welcome to support the delivery of services, these are only short-term measures and do little to support the long term sustainability of the service.

It is also worth noting that the ability to increase Council Tax does little to help those authorities, such as Rotherham, who have a higher proportion of properties in the Council Tax bands A-C, and are therefore unable to raise additional income to the same levels as other more affluent areas of the country.

The government continues to place limits on the amount that can be raised through Council Tax by continuing to implement a set of principles alongside the Local Government Finance Settlement which restricts the amount of annual increases. Prior to 2018/19, the limit was set at 2% annually since 2013/14, however, after calls from local authorities for additional funding support to address demand pressures, the Government increased the core principle up to 3% stating that it was 'minded to' set the same limit for 2019/20.

In the Government's Technical Consultation in respect of the Local Government Finance Settlement 2019/20 published in July 2018, there was an indication that there may be further adjustments to the baseline. This will be reviewed and details published alongside the Provisional Settlement. Further, the Government has stated that it will explore how to incentivise housing growth most effectively, for example, by using the Housing Delivery Test results to reward delivery. Autumn Budget 2018 announced that the Housing Revenue Account cap which controls local authority borrowing for house building was being abolished from 29th October 2018.

Comprehensive Spending Review 2019

During the Spring Statement in March 2018, the Government announced that it would set out the total public spending quantum for the years beyond 2020, with a Spending Review in 2019 that would set out the departmental allocations. Local authorities have called for indicative funding allocations to be announced up to at least 2020/21 alongside the Local Government Finance Settlement 2019/20, as this will help local authorities to plan their finances over the short-term.

Adult Social Care Green Paper

In 2017, the Government announced that it would publish its Green Paper on care and support for older people by summer 2018. However, the publication date was put back to Autumn 2018 and it is now uncertain when it will be published. The paper will set out plans for how Government proposes to improve care and support for older people and tackle the challenge of an ageing population.

Whilst the Government has provided some short-term funding support i.e. the additional £2bn Improved Better Care Fund and the Adult Social Care Support Grant, this funding effectively gives local authorities a 'financial cliff edge' if funding is not provided beyond 2020. The Council will actively lobby Government to ensure that any proposals are properly funded.

In October 2018, the Government announced details of additional funding of £240m in 2018/19 to support winter pressures for adult social care. Whilst this funding is welcome, local authorities are calling for a sustained level of funding over the medium term to meet the demands of an ageing population.

Welfare Reform

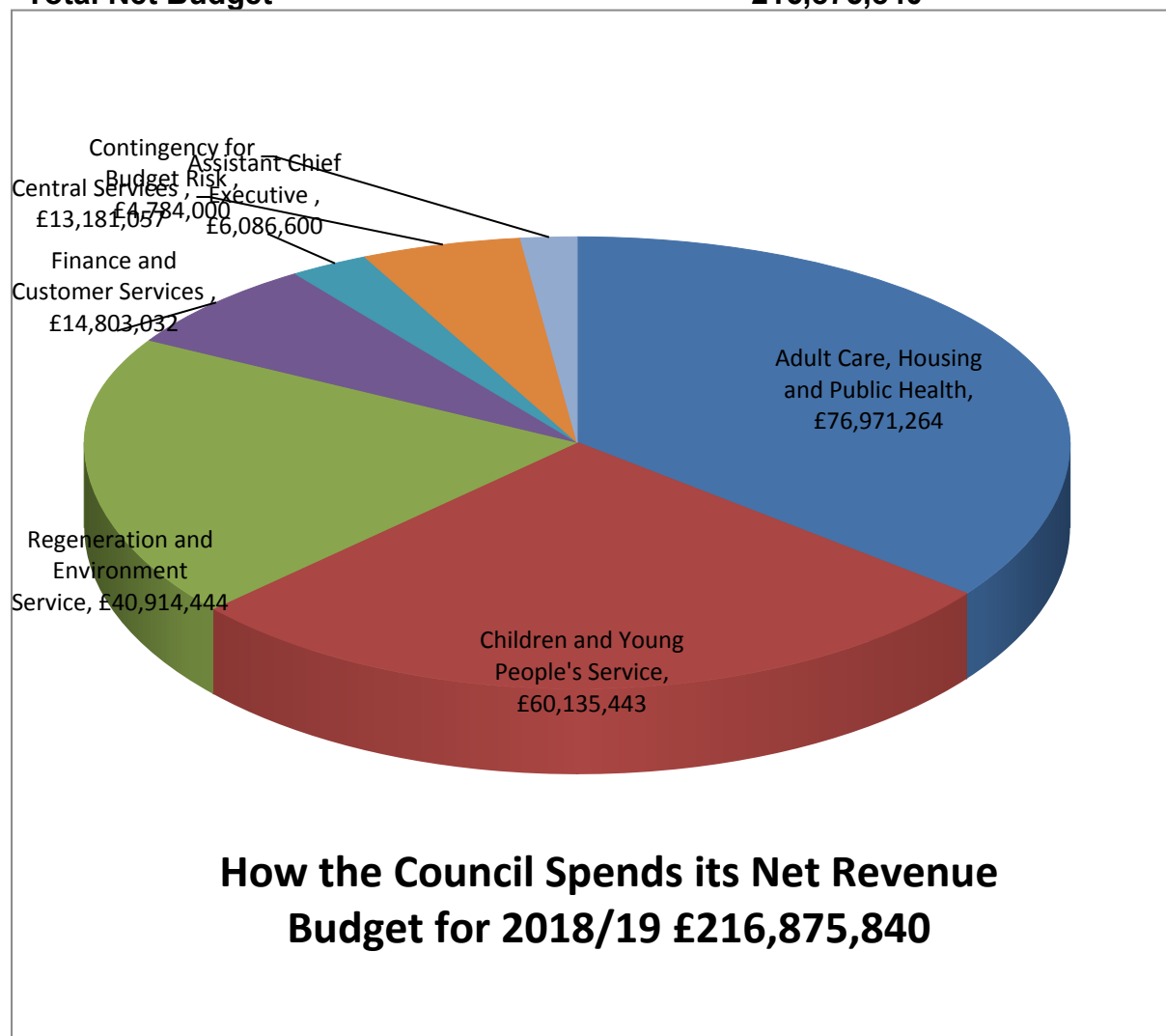
Welfare changes are an ongoing process as part of the Government's changes to welfare policy. The Government believes that the changes increase incentives to return to work, improve fairness and will save £20bn in national expenditure by 2020. However there are continuing concerns that many households will continue to see real decreases in income which are likely to further limit life opportunities, increase debt (including Council rent and Council Tax debt) and have other social implications. The Council will need to continue to understand the ongoing welfare changes and their effects on both residents and families and demand for Council services as the next phase of these (reduction in Tax Credits, implementation of Universal Credits) are implemented. The move to Universal Credit is a significant move in benefit payments as it replaces six working age benefits.

The Council's Revenue Spending Plans

It is helpful to consider the financial challenge facing the Council by putting this into context. This table and graphs below provide a summary of the Council's budget for 2018/19.

Directorate Net Revenue Budgets 2018/19

	2018/19 £
Adult Care, Housing and Public Health	76,971,264
Children and Young People's Service	60,135,443
Regeneration and Environment Service	40,914,444
Finance and Customer Services	14,803,032
Assistant Chief Executive	6,086,600
Central Services	13,181,057
Contingency for Budget Risk	4,784,000
Total Net Budget	216,875,840



How the Council's Net Revenue Budget is Funded

	2018/19
	£
Council Tax Requirement	102,337,886
Business Rates	68,063,224
Central Government Grant - RSG	21,922,973
Public Health Grant	16,304,000
Other Government Grants	5,247,757
Collection Fund Surplus	3,000,000
TOTAL	216,875,840

Social Care

Demand for both adults and children's social care continues to rise.

With regard to children's social care, demand continues to increase across all key areas of the service which include children in need of help, protection and children requiring care. The budget for 2018/19 is forecast to overspend significantly due to a continued increase in the number of children admitted into care. The number of Looked After Children was 662 as at November 2018. This is against a baseline budget position in April 2016 that supports a cohort of 400.

Whilst savings and cost reductions implemented by the Council over this time period have had a positive impact, they have not delivered the net savings required due to continued high demand for statutory services. LAC numbers increased significantly in 2017/18 from 485 at the start of the year to 619 at March 2018.

The Council has implemented further demand management strategies and actions to mitigate the impact of rising demand. These actions will help to drive efficiencies and realise substantial budget savings over the medium term whilst continuing to prioritise safe and effective practice to keep our most vulnerable children and young people safe.

In order to set a robust budget for 2019/20 and 2020/21 the estimated cost reductions that can be expected to be achieved over and above delivery of the budget savings have been established, leaving a net additional budget requirement of £9.5m in 2019/20 reducing to £7.5m in 2020/21.

There continue to be pressures for adult social care services namely residential and domiciliary care and the provision of direct payments/managed accounts across all client groups.

Adult Care recognises that the primary pressures centre on previously undelivered savings. As a result, a suite of high level project plans were developed during 2018 which focused on the review of learning disability services, right sizing care packages and developing effective operating models.

The aim of care and support is for people to live the best life that they can, meaning living independently, in their own home when possible, utilising the assets and the people around them to do the things that make them happy and fulfilled.

Rotherham is implementing a new way of providing care and support to people that utilises personal, social, neighbourhood and community assets along with social care. This requires thinking differently about what people can do for themselves, about how the council communicates with people and also how people can communicate back into the council, how planning is done for support and what people need to understand about what is available to them. The scale of this change will require a fundamental shift in how care is delivered, one that is financially sustainable and puts the person at the centre of their own care.

In partnership with the Clinical Commissioning Group, Rotherham Foundation Trust Hospital, Rotherham, Doncaster and South Humber NHS Foundation Trust (RDASH) and Voluntary Action Rotherham, the Council has a shared Integrated Health and Social Care Plan. The shared vision is:

“Supporting people and families to live independently in the community, with prevention and self-management at the heart of our delivery”.

Digital Transformation, Work Force Development and the Intermediate Care and Reablement Pathways are enablers that support the implementation of this plan and the Adult Social Care transformation. .

Government Grant Reductions

It is worth noting the significant reductions in Revenue Support Grant following the introduction of austerity measures. The table below shows the reduction in Revenue Support Grant since 2013/14, this being the point at which changes to the local government finance system were made, namely the Business Rates Retention Scheme. The table shows the significant reduction in central government funding up until 2018/19 with a further reduction of £7.066m to be made in 2019/20 as the final year of the Government’s four year Finance Settlement. .

		<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>
RSG	£m	84.302	70.112	50.925	39.405	28.943	21.923
Change year on year	£m		-14.190	-19.187	-11.520	-10.462	-7.020
	%		-16.8%	-27.4%	-22.6%	-26.5%	-24.3%
Cumulative	£m		-14.190	-33.377	-44.897	-55.359	-62.379
Cumulative	%		-16.8%	-39.6%	-53.3%	-65.7%	-74.0%

Further reductions to other funding streams have been made in addition to the Revenue Support Grant including New Homes Bonus, Education Services and Public Health Grants..

Setting a Balanced, Sustainable Budget

Rotherham Council has had to make savings of £177 million since 2010, leading to more than 1,800 fewer jobs in the organisation. By the end of our two year budget

the level of savings that the Council has had to make will have increased to over £200m.

The Council reviewed its medium term financial planning assumptions as part of setting the 2018/19 Budget in February 2018. This review identified that to set a balanced budget in 2019/20 and 2020/21, overall budget savings of £15.8m in 2019/20 and £13.9m in 2020/21 (a total of £29.7m) would be required.

Budget savings options totalling £23.6m have been presented to Overview and Scrutiny Management Board and issued as part of public consultation on the budget.

These are summarised below by Directorate.

Directorate	2019/20 £'000	2020/21 £'000	Total £'000
Assistant Chief Executives	184	50	234
Corporate	494	0	494
Finance & Customer Services	815	0	815
Adult Care, Housing and Public Health	3,098	6,053	9,151
Regeneration & Environment	915	1,998	2,913
Children & Young People	2,265	7,742	10,007
Total	7,771	15,843	23,614

The budget proposals reflect the Council's approach to re-shaping service provision and delivery over the next two years and include :

- Customer services and digital transformation, including back office efficiencies
- A new target operating model for Adult Care
- Development of an early help and social care pathway for children's social care
- Market management and procurement of children's services

The theme of the budget proposals is to modernise and streamline services making them more cost effective, whilst seeking to enhance the customer experience.

Further savings from corporate efficiencies and strategic financing decisions as part of finalising balanced budget proposals for the next two years are shown in the table on Balancing the Budget on Page 18.

These include maximising flexibility in the use of capital receipts to support revenue budget transformation, in line with the Council's Flexible Use of Capital Receipts Policy, and maintaining a Treasury Management Strategy which maintains the Council's cash-flow and capital loans requirements through taking advantage of the availability of short-term loans which are currently at low interest rates, and delays the take-up of longer term, more expensive loans.

Work continues to finalise the total position of the budget for the next two years and a final version of this Medium Term Financial Strategy will be presented to Cabinet and Council in February 2019 alongside the Budget and Council Tax 2019/20 report.

There are a number of factors influencing the final position of the budget for the next two financial years and the medium term:

- The Council's current budgetary position for 2018/19 as set out within the Financial Monitoring Report on the Cabinet agenda of 19th November 2018 and the impact of that on the 2019/20 and 2020/21 budgets, particularly with regard to demand and cost for Children's Social Care.
- The Chancellor's Autumn Budget 2018 released on 29th October which announced some additional funding for 2019/20 and provided updated outline indications of how Public Sector funding from 2020/21 onwards might be reflected in Spending Review 2019.
- The Provisional Local Government Finance Settlement for 2019/20 which will be released on 6th December 2018.
- The outcomes of budget consultation activity with the public, partners and other key stakeholders.

The Provisional Settlement (with the Final Settlement expected in February) will confirm the Government funding to be received and alongside feedback from public consultation and Overview and Scrutiny Management Board, together with consideration of the other items above, will enable the budget to be finalised.

The Settlement will confirm details of the final year of the four-year offer made to Local Government in 2015. Beyond 2020 there is uncertainty in the level of funding available to Local Government pending the outcomes of the Government's Spending Review, expected in 2019, and the Fair Funding Review which will examine and revise how Local Authorities are funded from April 2020 onwards.

However, within the Autumn Budget 2018, the Government has provided aggregate departmental resource budgets up to 2023/24, split between NHS England and all other departmental spending.

Whilst the Autumn Budget states that the figures provided do not represent the final envelope for Spending Review 2019, they provide some basis for the Council to utilise within financial planning assumptions across the medium term in finalising the Medium Term Financial Strategy.

Autumn Budget 2018

The Government's Autumn Budget 2018 announced details of additional funding to support social care. Whilst this funding is welcome it does not provide the sustainable level of social care funding that is required to support budget planning beyond 2019/20.

The main announcements from the Statement were:

- £240m nationally in both 2018/19 and 2019/20 for adult social care
- £410m nationally in 2019/20 for adults and children's social care
- An additional £55m nationally for Disabled Facilities Grant
- £84m over 5 years for up to 20 local authorities to help more children to stay at home safely with their families

- Business rates cut by a third for business with a rateable value below £51,000
- 100% business rates relief for all public lavatories will be introduced from 2020/21
- Continuation of £1,500 business rates discount for office space occupied by local newspapers in 2019/20
- Local authorities to be fully compensated for loss of income as a result of the above business rates measures
- £675m Future High Streets Fund to be launched to support local areas to develop and fund plans to make their high streets and town centres fit for the future.
- £400m this year for schools in England to spend on their equipment and facilities.
- £420m to local authorities in 2018/19 to tackle pothole repairs

The allocations for winter pressures announced in the Autumn Budget 2018 equates to £1.34m for the Council. However, the funding can only be utilised for:

- Improvement of Delayed Transfer of Care
- Focused enablement services to facilitate smooth discharge and prevent admission
- Maximising the use of equipment and assistive technology to facilitate hospital discharge

Therefore, this funding cannot be used to support the current base position i.e. it does not alleviate the current in-year overspend on adult social care budgets.

The £410m national allocation for adults and children's social care equates to an allocation of £2.3m for the Council. This grant has no conditions and decisions on its use will be reported in the Budget and Council Tax Report 2019.

The Council's funding assumptions in 2020/21 have been updated following announcements in the Autumn Budget and assume that funding from Government for 2020/21 will be provided on a "flat cash" basis, consistent with the level of funding to be provided in 2019/20. Funding provided on this basis would still be a cut in real-terms. Funding assumptions will be reviewed following the release of the Local Government Finance Settlement for 2019/20 on 6th December and any updates will be included within the MTFS to be presented to Cabinet and Council in February 2019. The MTFS will be refreshed again when Spending Review 2019 is issued, expected to be Spring 2019.

Assumptions

In determining the funding gap over the medium term, a number of key assumptions are or will be made. These are set out below.

Expenditure

Pay Awards

Provision for Pay Awards is made based on the pay agreement for 2018/19 and 2019/20 and incorporating the impact of the Living Wage. Provision for 2020/21 is made at 2%, in line with the anticipated prevailing rate of inflation.

Price Inflation

Contractual inflation is provided for at levels between 2.5% and 3% in each year of the MTFS. Provision for energy inflation is 5% annually. There is no provision within the MTFS for indexation on general non-pay budgets. Services are expected to contain any inflationary impact through improved efficiency.

Fees and Charges

Council's fees and charges should increase annually by at least the rate of inflation. Assumed increases of 3% for 2019/20 and 2.5% for 2020/21 have been built into the MTFS.

Provisions

The MTFS includes funding for investment in Adults & Children's services which recognises current demand and activity levels and the plans in place for budget savings and cost reductions, to enable the services to be delivered within a sustainable funding envelope.

The Council's reserves strategy has been refreshed alongside the development of a two-year balanced budget proposal for 2019/20 and 2020/21 and taken together demonstrate a sound financial position for the Council.

In addition, within the Budget and Council Tax 2018/19 report, Council agreed to continue to take advantage of the flexibility allowed to use capital receipts to fund revenue transformational expenditure. This is agreed up to 2020/21. Following clarification in the Final Local Government Finance Settlement for 2018/19 the intention is to extend this agreement to 2021/22

The capital receipts flexibility and the options of support to the revenue budget puts the focus on the importance to the budget strategy of the Council prioritising the delivery of capital receipts from assets sales.

Resources

Council Tax

Council Tax income is estimated based on annual growth in the council tax base of 1%, in line with recent trends and annual increases in the rate of council tax of 2.99% for 2019/20 and 2020/21 subject to confirmation by the Government of the council tax referendum threshold to be applied to those years.

The Council Tax Base is set assuming a 97% collection rate of council tax. This is in line with the in-year collection rate in recent years. The ultimate collection rate of council tax is around 99% which has enabled the Council to release funds from the council tax collection fund to support the budget on an annual basis. A sum of £3m

support from the collection fund is built into the 2018/19 budget and £3m per annum thereafter.

The Council has levied Adult Social Care Precepts at 3% for 2017/18 and 2018/19 and therefore has now applied the current maximum 6% ASC precept allowed between 2017/18 and 2019/20. On that basis there is no further additional ASC precept assumed for 2019/20. Also there is no assumption of further ASC precepts being allowed in 2020/21. Should the Government decide to allow further ASC precepts and should the Council agree to levy a further precept then this would provide additional resources above the level assumed in the MTFS.

Business Rates

Business Rates income is based on annual indexation at 3% and local growth expectations of around 3% over the next two years, split as 2.2% in 2019/20 and 1% in 2020/21. Business Rates top-up grants, compensation for the multiplier cap and Section 31 Grants are based on Government information for 2019/20 and an assumption that the benefit of those grants continues within the move to 75% Business Rates Retention.

New Homes Bonus Grant

New Homes Bonus Grant is based on a similar level of annual growth of 1% and assumes that the Government maintains the 0.4% baseline annual increase below which no New Homes Bonus is payable.

Public Health Grant

The Government has issued indicative Public Health Grant allocations for 2019/20. The MTFS assumes that allocations from 2020/21 onwards will reflect the outline for Public Sector funding as set out in Autumn Budget 2018.

Housing Benefit Administration and Local Council Tax Support Administration Subsidies

There is an assumption that there will be a cash-standstill with the expectation that the grant will be rolled into the 75% Business Rates Retention from 2020/21.

Update to the 2019/20 funding gap

The latest financial monitoring position reported to Cabinet in November 2018 highlighted significant demand pressures, particularly in relation to social care. These pressures are acknowledged within the two-year budget proposals which will be put to Council for approval in February 2019. The table below demonstrates how a proposed balanced budget for the next two years has been put together.

This includes recognition of rising costs of social care, as described on Page 11 and a range of financing and strategic decisions taken by the Council with regard to capital financing, use of capital resources and treasury management strategies.

Further details of budget savings will be set out in the Budget and Council Tax Report 2019/20.

<u>Balancing the Budget</u>	2019/20	2020/21
	£m	£m
Budget Gaps as per Budget Report 2018/19	15.8	13.9
<u>Social Care Related Cost Increases</u>		
In-house residential care (ASC)	2.0	0.0
Adults transitions and transforming care	1.5	1.9
Children's Services – rebasing linked to current and forecast		
future LAC activity	9.5	(2.0)
Legal Services Support to Social Care	1.1	0.0
Total Budget Gaps/Overspends to address	29.9	13.8
<u>MTFS Adjustments</u>		
Revenue and Capital Financing decisions	(10.6)	6.5
General Efficiencies	(1.0)	(2.7)
SY Pension Fund – anticipated benefit from 2019 revaluation	0.0	(4.0)
Updated Funding Forecasts	(3.7)	(3.2)
Total Corporate Efficiencies & MTFS Adjustments	(15.3)	(3.4)
Updated Net Budget Gap	14.6	10.4
<u>Future Decisions</u>		
New Budget Options pending final approvals	(7.9)	(16.1)
Increase Council Tax by 2.99%	(1.0)	(1.1)
Council Tax Empty Property Premium increase	0.0	(0.2)
Total Impact of Future Decisions	(8.9)	(17.4)
Net Position before other actions to Balance Budget	5.7	(7.0)
<u>Finalisation of a Balanced Budget</u>		
Remove General Budget Contingency in 2019/20	(2.7)	2.7
Non-contribution to reserves in 2019/20	(3.0)	3.0
Further replenishment of reserves in 2020/21	0.0	1.3
Balanced Budget Position	0.0	0.0

Risk Based Reserves Policy

The Council needs to maintain an appropriate level of General Fund balances to maintain financial stability and to manage any identified and increased financial risk. In determining the minimum level of balances, key factors include:

The risks inherent in the budget;

- The level of specific reserves and associated financial provisions;
- The future risks the Council may be exposed to;
- The Council's history in delivering services within the budgetary provision set.

The Council has undertaken a review of all its General Fund Reserves and the commitments and liabilities against them. This review has established that some of the reserves are no longer needed for the purpose that they were originally established.

Taking into account the proposed balanced budget over the next two years and the level of uncommitted reserves which the Council expects to be in place by March 2021, a refreshed reserves strategy is being put into place which adds those reserves no longer required to the Council's Minimum Balance and retains a number of smaller reserves which can be used more flexibly if/as required.

This is summarised below and is considered to be a sustainable financial position for the medium term.

General Fund Reserves Forecasts

Reserve	Balance 31Mar 2018 £000	Expected Balance 31Mar 2019 £000	Expected Balance 31Mar 2020 £000	Expected Balance 31 Mar 2021 £000
Minimum Balance	28,377	17,785	15,845	18,012
<u>Corporate Reserves</u>				
Transformation	2,733	2,733	2,733	2,733
Insurance Fund	350	350	350	350
Business Rates	4,000	4,000	4,000	4,000
Pensions	4,925	4,925	4,925	4,925
Looked After Children	1,000	0	0	0
Total Corporate Reserves	13,008	12,008	12,008	12,008
Public Health Grant	850	410	0	0
Total Reserves	42,235	30,203	27,853	30,020

In setting the annual budget, the Strategic Director of Finance and Customer Services will continue to review the reserves position and advise as to a prudent and necessary minimum level of uncommitted balances/reserves.

Financial risks will continue to be effectively identified, quantified and managed to ensure that the available General Fund balance alongside other reserve provision is reasonable to protect the Council from these potential risks as detailed in the following section.

Risks and Uncertainties

Business Rates

The Government's announcement in December 2017 that there will be a move towards 75% business rates retention in 2020/21 provides uncertainty in the funding system. There will be a significant period of consultation with local government around the new scheme and it is likely local government will know the final outcome at the end of 2019.

There are some key sensitivities in relation to business rates, some of which have been highlighted in the funding section above. These include:

- Growth forecasts
- Revaluations
- Reset of the system during the move to 75% business rates retention
- Appeals – this is a highly volatile area and one which the sector has been asking the Government to address at the national level rather than the local level given its instability. The appeal in relation to NHS trusts is still ongoing. The outcome of this could be significant for local government.
- Potential loss of income in the event of a significant business in the Borough ceases trading

Council Tax

The Government may reduce the referendum limit below the threshold seen in recent years. This would restrict councils' ability to raise Council Tax levels. Rotherham has assumed a 2.99% increase over the medium term, based on Government indications that this would be the likely referendum limit in line with the limit set for 2018/19. Any restrictions below this threshold means a reduction in the level of Council Tax income assumed. However, at present, it seems unlikely that the threshold will be reduced given that Government announced in the consultation on the Finance Settlement that it was minded to maintain the 3% referendum threshold for 2019/20.

New Homes Bonus

There is a risk that the Government provides further amendments to the scheme which sees a significant fall in the level of funding for the Council. For example, further reducing the payments from 4 years to 3 years or increasing the growth threshold above the current 0.4% limit. This is possible following the publication of the 2019/20 Settlement Technical Consultation announced in July 2018 which confirmed that the Government would consider raising the threshold for 2019/20 and will consider other incentives to encourage Housing Growth.

Social Care Funding

The additional improved Better Care Fund announced in March 2017 is for the three financial years 2017/18 to 2019/20. In the event that the funding ceases, local authorities will be faced with a financial 'cliff-edge' that may impact on the delivery of social care services.

Public Health Grant

The Strategy has assumed that from 2020/21 the level of grant will reflect the outline for Public Sector funding indicated in Autumn Budget 2018 and be maintained at 2019/20 levels. This will not be confirmed until the details of spending Review 2019 are announced. In addition, the move to 75% Business Rates Retention is likely to see Public Health Grant rolled-in to the scheme and the Council will have to be mindful of this impact.

Pay and Price Inflation

The Strategy has assumed annual pay awards of 2% in line with recent pay awards. Anything over and above this will be an additional budget pressure.

Budget Savings

Where a Directorate is unable to meet previously agreed budget savings, it must mitigate this by producing alternative budget savings. Failure to do so may result in an overall Council overspend that will see the General Fund balance depleted. The implementation of budget savings is monitored monthly to reduce and address risks.

Funding Reviews

The recent Public Accounts Committee Report on the Financial Sustainability of local authorities highlights the funding uncertainty existent within the system:

- The Spending Review 2019 will be announced in March 2019 with the potential for further cuts to the sector
- Fair Funding Review which will examine a 'cost driver' approach to ensure the funding system is fair and transparent
- Move to 75% Business Rates Retention in 2020/21

The Report goes on to recommend that local authorities are provided with the outcome of the Fair Funding Review as early as possible in 2019 and to provide certainty that local authority funding for 2020/21 and 2021/22 will be within a certain margin of change and that they will put in place transitional arrangements to mitigate the effects of substantial changes in funding levels over the medium term.

Brexit

According to the Government's EU exit analysis of January 2018, the geographical impact of Brexit could be greater in areas that are more "exposed to the change in trade barriers" because of their "export composition", meaning economies that rely more on goods than services may see a greater negative impact. It also suggests that areas with "a higher dependence on exports" may be more adversely affected. In addition to this, any overall drop in growth may translate into further cuts to council funding, affective service quality and the availability of public sector jobs. This ultimately means that some areas may be harder hit than others.

Local areas stand to lose £8.4bn of EU structural investment when the UK leaves the EU.

The Local Government Association has highlighted that local areas in England have been allocated a share of £5.3 billion of EU regeneration and infrastructure funding up to 2020. The value of the European Structural and Infrastructure Fund to the Sheffield City Region (SCR) is around £180 million. To access the money, each area has put forward numerous proposals and programme outlines, to create jobs, improve skills or build new infrastructure; and it is up to the Government (current “devolution deals” aside) to decide which projects the money can be spent on. The LGA estimates that billions of this EU funding has yet to be released to local areas; and key element of the SCR devolution deal, as consulted on, has been the devolution of greater decision making over this funding to the local area from Whitehall.

There will be no departure from the EU until 2019 at the very earliest and transitional arrangements are expected to last until the end of 2020 so there is a strong likelihood that the current EU budget to 2020 will stay in place along with all Structural Funds. However, there will be no EU structural funds after 2020 and there must be concern about what, if anything, will replace them from the UK Government. Policy since 2010 has not favoured regeneration funding (e.g. SRB or Neighbourhood Renewal) so the outlook for deprived areas is not positive. The real impact though, will be the difference between what Rotherham might have received through structural funds beyond 2020 and what alternative funding regimes may be put in place by the British government in future.

Pension Fund

The Council participates in three separate pension schemes relating to: Teachers, Local Government employees and staff performing Public Health functions who transferred to the Council on 1 April 2016. All three schemes require contributions from both the employer and the employee, and provide members with benefits calculated by reference to pay levels and length of service.

Rotherham Council also participates in the Local Government Pension Scheme (LGPS), administered by the South Yorkshire Pensions Authority (SYPA), which provides retirement and other benefits for the majority of its staff - some 84% of those staff eligible are members of the scheme.

The most recent triennial actuarial revaluation was in March 2016 and the next will show the position as at 31st March 2019. The results of this revaluation on contribution rates for employers and employees will take effect from April 2020. As part of the revaluation SYPA reviews its investment strategy to match investment returns to the expected benefits payments.

At the last triennial revaluation Rotherham Council’s share of the Fund deficit was assessed by actuaries as £129 million in March 2016 - 88% of scheme liabilities. In accordance with the Pension Fund investment strategy and deficit recovery plan the Council has made contributions towards its portion of the deficit.

Recently, in common with other local government pensions funds, the SYPA’s funding level has improved to the extent that it is currently close to eliminating the deficit and being fully funded. The pensions authority has set in place a strategy to protect this position and to mitigate the risk of future deficits. Going forward into the 2019 Triennial review the Fund is aiming to stabilise contributions rates in light of the funding level, liabilities and the effect of future investment and changes in ill health

and life expectancy. In consequence, it is anticipated that the ongoing service contribution rates will increase following the revaluation, however as there is not expected to be a deficit, it is also likely that there will be a material net reduction in Local Authority contributions which would take effect in 2020/21 onwards.

IFRS9

The Public Accounts Committee report referred to earlier in this section also raises the issue of the new international accounting requirements for the treatment of gains and losses from investments and the significant volatility to local authorities general funds that this could have.

The Council's Capital Spending Plans

In order to provide services and deliver the Corporate Plan objectives, the Council needs access to long term assets such as buildings and roads. These long term assets are defined as capital expenditure. Capital expenditure is governed and operated under the Prudential Framework for Local Authorities in England. This Framework is a general term for a number of statutory provisions and professional requirements that allows authorities to determine their own plans for capital investment and expenditure, subject to a council following due process in agreeing these plans and being able to provide assurance that they are prudent and affordable. The Council's Capital Programme is funded through a number of sources including Prudential Borrowing, capital grants and contributions, revenue contributions and capital receipts.

The Capital Strategy and Capital Programme to 2021/22 sets out the Council's future capital investment plans to ensure that investment decisions are clearly aligned with the Council's strategic priorities and vision for Rotherham.

The Capital Strategy will help to deliver a Capital Programme that is affordable and sustainable, and contributes to the Borough's economic growth.

The Housing Revenue Account Capital Programme aligns with the priorities set out in the HRA Business Plan.

The Council's funding strategy in respect of the Capital Programme is based on the following key principles:

- Capitalisation opportunities will be maximised, where accounting rules allow;
- The Government's capital receipts flexibilities will be maximised to fund revenue transformational expenditure, with an indicative £2m of capital receipts built into the revenue budget for 2018/29 to 2020/21. As a general principle, capital receipts will be earmarked to minimise revenue costs.

The Capital Programme for the period 2018/19 to 2021/22 sees investment of over £200m in the Borough which recognises the importance of capital investment in our built environment and infrastructure environment in bringing about economic growth and improving the attractiveness of the Borough as a place to live, learn, work, visit

and play. Details of the revised and updated Capital Programme will be reported to Council in February 2019 as part of the Budget and Council Tax Report 2019/20.

Whilst interest rates remain low, the Council has continued to take advantage of the current availability of short-term cash loans at very favourable rates and did not take out any new long-term loans in 2017/18. The approach is considered low risk. In the event that the markets change, the Council is in a position to take out long-term loans which would be a more cost effective option.

The Council's Capital Spending Plans are aligned to the Council Plan priorities:

Every child making the best start in life

The Primary mainstream school population has increased by 15% and the Secondary mainstream school population has increased by 1% since 2010 as confirmed by the latest Department for Education (DfE) School Capacity and Planning (SCAP) scorecard for Rotherham. There is a projected further 5% increase in the school aged pupil population by 2021, further increasing the need for additional SEND places to be created in the Local Authority area. Following completion of the SEND sufficiency analysis, an additional 125 SEND places will be needed across the Authority to meet current and expected future demand up to 2021. A total of 75 places are required to reduce out of authority placements by half and 50 places to add additional capacity and provision within the Borough to support future increase in demand from population increase. This will generate a recurrent £3.5m in DSG savings.

The Council has a duty to provide sufficient accommodation for looked after children. There is also a requirement to ensure that looked after children are placed in foster or adoptive homes with their siblings, unless there is a child welfare reason not to do so. Funding is provided to enable foster carers and adopters to enlarge their homes, or in some circumstances to obtain an alternative larger home, is designed to increase the Council's capacity to accommodate looked after children locally and in particular to provide for additional capacity to secure permanence for sibling groups with foster carers and adopters.

Every adult secure, responsible and empowered

Digital technology and the independence provided to individuals through assistive technology is key part of adult social care's transformation and capital funding of £2.7m has been identified to enable the continued development of products and services.

The Assistive Technology service provides vulnerable customers with a range of personal triggers and auto alerting telecare equipment. This equipment is installed in customer's properties to alert the Rothercare service or an on-site carer; if for example the person has fallen, exited the property at an inappropriate time of day/night or has an Epileptic seizure. GPS trackers are also issued for vulnerable people to still be able to access the community but can be located if there is concern.

The service provides a diverse range of equipment which can create bespoke packages to meet individual needs/risks to enable the individual to remain as

independent as possible whilst reducing the risks.

A range of non-telecare preventative equipment is also issued e.g. orientation clocks, lockable automated medication dispensers; automated reminder screens; also specialist equipment to support both Visual and Hearing impaired individuals.

A strong community in a clean safe environment

Highway Authorities Rotherham's footway network has been gradually deteriorating after suffering from years of under investment. Winter freeze / thaw actions and severe weather events have served to accelerate the already deteriorating footways and highlight the poor structural condition.

In order to arrest the decline in condition of the footway network it is essential that this part of the highway network is adequately maintained and accorded sufficient priority for funding over the coming years. The Council recognises the importance of the network being well maintained, to avoid a negative impact on Rotherham's economy and residents quality of life. The importance of maintaining the footways is aligned with Sheffield City Region Local Transport Plan goal; which is to "Support Economic Growth by ensuring our highway networks are well maintained to keep people and goods moving effectively".

In 2018/19, the Council prioritised an initial investment of £1m in the Councils footway network in 2018/19 to slow the decline of the condition, which is currently around 4% per year.

Investment in two mechanical cleaning vehicles will support the provision of mechanical across the Authority. Rotherham Metropolitan Borough Council undertakes scheduled street cleansing using a mixture of manual (litter-picking) and mechanical (path/road sweeping) resources. Mechanical cleansing is by far the most efficient and effective way to keep the public highway clear of litter and detritus. Regular mechanical cleaning of highway channels removes litter, but also prevents the build-up of detritus and weed growth, and supports the cleanliness of drainage gullies. The machines are currently being procured.

The Council services 1,880 litter bins across the borough (7.2 per 1,000 head of population). Of these around 120 are in the main town centre of Rotherham. A recent audit showed that around 15% of the litter bins are damaged, missing or inappropriate, and require repair or replacement. At present the number of requests for repair or replacement of litter bins outstrips our financial capacity, and has led to a backlog of reactive repairs. At present there are around 150 requests for litter bins to be replaced across the Borough. In addition to this, there are a number of litter bins across the Borough which, whilst not damaged beyond repair, would merit replacement. We plan to replace 160 bins across the borough.

Our investment in solar compaction litter bins will help with remote monitoring, that can inform the operational service when bins are full, and support operational services to plan bin emptying more effectively, with an assumption that they can reduce the number of required collections by around 80%, and

that this also leads to reductions in the use of bin liners, and vehicle wear and tear and fuel consumption. In turn the manufacturers claim that the high cost of these bins can be offset by savings through productivity and route efficiency, through optimised collections, reallocated resources and reduced man hours.

Investment in Rother Valley Country Park means that it will have its own camping and caravan site. The site will offer 129 pitches for touring caravans and motorhomes, plus spaces for 34 tents, along with modern toilet and shower facilities, a reception block with café bar, a shop for visitors and a children's play area. The business generated by these facilities is expected to help the long-term future of Rother Valley Country Park and ensure it continues to be a popular destination for those in the borough and surrounding areas.

The Council plans to deliver 12 bungalows for older people, through a pilot to test alternative modern construction methods. Funding for the pilot will come from the Housing Revenue Account (HRA) and, subject to confirmation, grant funding from the Sheffield City Region's Housing Fund. 'Modern methods of construction' (MMC) is a generic term used to cover several different types of homes that are manufactured in a factory environment and either fully or partially assembled in the factory, or the component parts are assembled on site. MMC could provide an efficient alternative to traditional construction methods for the following reasons:

- Increased pace of delivery
- Quality and energy efficiency can be higher
- Some providers claim the costs are lower than traditional construction

Extending opportunity, prosperity and planning for the future

The town centre masterplan details how major development will take place - from a vibrant leisure quarter at Forge Island, attractive outdoor spaces, and high quality riverside living. Highlights of the plan include:

- Forge Island developed into a major leisure destination including a new cinema, a quality hotel, food and drink and potentially a new theatre
- More than 350 high quality riverside homes, offering buyers spacious, well-designed waterfront living at competitive prices
- The opening-up of Rotherham outdoor market, with a new attractive stepped entrance and space for a new community advice hub
- A new higher education development at Doncaster Gate scheduled to open in September 2018
- A refurbished bus interchange and multi-storey car park, funding for which has already been secured
- A series of upgraded streets and spaces including a vibrant green space at Effingham Square and new pedestrianised setting and traffic calmed environment at Grimm & Co.

Rotherham Metropolitan Borough Council wishes to improve the vitality and viability of the town centre of Swinton, introducing additional residential accommodation in close proximity to the centre together with a civic and community offer

complemented by an enhanced retail offer in the form of a limited number of new units and refurbishment of the existing parade.

Technology

All of us, to varying degrees, now expect technology to be part of our lives and part of the way we do business. We need to make it easy for people to do business with the Council online whilst recognising that there will still be a proportion of the population that will still want to do business on the telephone or indeed face to face.

The Council's Digital Strategy sets out its vision for putting technology at the forefront of the Council's journey to become a modern, high performing local authority. The Strategy recognises what digital can do for Rotherham: bringing communities together, strengthening relationships between the Council and its customers.

The updated Capital Programme proposals for 2018/19 to 2022/23 include implementation of Office 365, a customer management system and technology to support social care.

Asset Rationalisation and Disposals

The Council has been actively rationalising its operational and non-operational estate for the last five years, which has delivered both capital receipts to help fund further investment priorities as well as revenue savings. A Corporate Property Strategy sets out how the Council will manage its property portfolio over the next 5 years and how it will work with and challenge services on their proposed use of property to deliver services.

Housing Revenue Account

The Housing Revenue Account (HRA) records all expenditure and income relating to the provision of council housing and related services, and the Council is required to produce a HRA Business Plan setting out its investment priorities over a 30 year period.

The Council's published the HRA Business Plan 2018/19 in January 2018 covering the next 30 years.

As of April 2017 the Council had £304 million housing debt and a borrowing limit set by the Government of £336 million. Total HRA Operating expenditure for the year 2018-19 is projected to be £75m. Income for the year is forecast to be £83.5m. Appropriations to support capital investment will total approximately £8.5m.

The objectives of this business plan are to ensure the HRA has balanced budgets for the next five years, support housing growth, continuing stock investment that will satisfy tenant expectations and targeted investment in key services that will improve services to tenants. The main areas of investment in the early years will be:

- Supporting housing growth where we plan to spend over £50m by 2023
- Activity to mitigate the impact of welfare reform
- Ensuring we prioritise the completion of essential investment associated with our statutory duties including but not limited to the Regulatory Reform (Fire Safety) Order 2006.

The main source of funding for the business plan is from tenant rents which will continue to be set in line with the Government's national social rent policy.

Key priorities of the HRA Business Plan are :

- Contributing to the Borough's housing growth objective of 900 homes per year through building and/or purchasing new properties
- Maintaining and continuing to improve the Council's 20,500 homes
- Contributing to the development of low cost home ownership products that are needed locally and will play a critical role in the overall economic growth of Rotherham Borough.

Delivering and Monitoring the Financial Strategy

This Strategy has set out the challenges and the options facing Rotherham MBC over the next 3 years. The underpinning budget is being developed using a policy-led approach that is corporately owned and will consider and explore opportunities to modernise services, do things differently and ensure that the longer-term implications of both savings and investments in the short-term are fully considered across all services.

The budget setting process identifies the services pressures faced by the Council and ensures that resources are allocated to where they meet with Council Plan priorities and are affordable. Robust budget saving options are developed to ensure that the Council addresses its funding gap and these options are widely consulted with key stakeholders including the electorate. Development of the Council budget adopts robust governance principles ensuring both members and officers are involved in the process considering all relevant information. There is a strong emphasis on understanding both the national and local environment which inform the decision making process. Evaluation of key pressures including pay and price levels, statutory changes and demand for service is undertaken.

Each month managers receive timely information on expenditure and income on each budget which is sufficiently detailed to enable them to fulfil their budgetary responsibilities.

Financial monitoring reports which include an up to date outturn forecast are submitted to Cabinet at least 6 times a year. Overview and Scrutiny Management Board also review Financial Monitoring reports on a quarterly basis alongside quarterly performance reports on the Council Plan.

The Medium Term Financial Strategy will be kept under review alongside the monitoring of delivery of the Council's budget and performance objectives as set out in the Council Plan.

In particular the MTFS will be refreshed following the publication of Spending Review 2019 which is expected to be in Spring 2019.

Summary Sheet

Name of Committee and Date of Committee Meeting

Cabinet – 17 December 2018

Report Title:

Rotherham Town Centre Masterplan: Forge Island Agreements

Is this a Key Decision and has it been included on the Forward Plan?

Yes

Strategic Director Approving Submission of the Report

Paul Woodcock – Acting Strategic Director of Regeneration & Environment

Report Author

Daniel Watson – Investment & Economics Initiatives Manager
01709 254569 or daniel.watson@rotherham.gov.uk

Ward(s) Affected

Boston Castle

Executive Summary

The Town Centre Masterplan was adopted by the Council in September 2017. The Masterplan identifies the redevelopment on Forge Island as an essential catalyst to wider regeneration.

Following an extensive selection process, a development partner has been identified for the Forge Island development, this report seeks Cabinet approval for the approach required to deliver this. This includes both the legal and financial aspects outlined in the 'Agreement for Lease' and 'Development Agreement' documents.

Recommendations

1. That approval be given to enter into a development agreement and the granting of the long lease of the Forge Island development site to the selected developer, Muse Developments Ltd.
2. That approval be given to the outlined financial approach to deliver the Forge Island development and the Strategic Director for Regeneration and Environment be authorised to approve the final proposal in consultation with the Cabinet Member for Jobs & the Local Economy; subject to confirmation by the Strategic Director Finance and Customer Services that the final proposal is affordable within the Budget and Financial Strategy and within the following parameters:

- The initial rents the Council is entitled to receive from occupiers are greater than the initial head lease rent and
- The financial modelling over the 35 year period shows that the Council's anticipated income from the development exceeds the total anticipated head lease costs.

3. The Assistant Director of Legal Services be authorised to agree the final legal documentation.

List of Appendices included

Appendix 1 (Exempt) Financial Modelling

Background Papers

A copy of the Town Centre Masterplan is available at

https://www.rotherham.gov.uk/downloads/download/345/town_centre_masterplan

The 2016 Supplementary Planning Document can be found at

http://www.rotherham.gov.uk/downloads/download/113/additional_planning_guidance

Forge Island Development Cabinet Report, 11 June 2018

Rotherham Town Centre Implementation Masterplan, Cabinet Report 11th September 2017

Consideration by any other Council Committee, Scrutiny or Advisory Panel

Overview and Scrutiny Management Board – 12 December 2018

Council Approval Required

No

Exempt from the Press and Public

An exemption is sought for Appendix 1; 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 sensitive commercial information with regards to costing for works and commercial agreements which could disadvantage the Council in any negotiations if the information were to be made public.

It is considered that the public interest in maintaining the exemption would outweigh the public interest in disclosing the information, as the parties' commercial interests could be prejudiced by disclosure of commercial information.

Rotherham Town Centre Masterplan: Forge Island Agreements

1. Recommendations

- 1.1 That approval be given to enter into a development agreement and the granting of the long lease of the Forge Island development site to the selected developer, Muse Developments Ltd.
- 1.2 That approval be given to the outlined financial approach to deliver the Forge Island development and authorises the Strategic Director for Regeneration and Environment to approve the final proposal in consultation with the Cabinet Member for Jobs & the Local Economy; subject to confirmation by the Strategic Director Finance and Customer Services that the final proposal is affordable within the Budget and Financial Strategy and within the following parameters:
 - The initial rents the Council is entitled to receive from occupiers are greater than the initial head lease rent and
 - The financial modelling over the 35 year period shows that the Council's anticipated income from the development exceeds the total anticipated head lease costs.
- 1.3 The Assistant Director of Legal Services be authorised to agree the final legal documentation.

2. Background

- 2.1 In 2016 the Council adopted a Supplementary Planning Document (SPD) which sets out the spatial and planning framework for the regeneration of the town centre. The SPD identified a series of development sites, which were essential to the sustainable regeneration of the town centre.
- 2.2 Subsequent to the SPD it was agreed that a full Masterplan was required for the town centre, providing further detail on the projects required to revitalise the town centre and how they could be delivered. The Town Centre Masterplan was prepared and adopted by the Council in September 2017.
- 2.3 The site identified in both the SPD and Town Centre Masterplan as key to deliver the transformation and regeneration needed was Forge Island. Both documents also identified Forge Island as a catalyst site suitable for development as a mixed use leisure-led scheme to provide facilities and services currently lacking in the town centre and encourage further investment and development.
- 2.4 Following approval of the Town Centre Masterplan in September 2017, the Council prepared a 'Development Brief' for the Forge Island site and invited expressions of interest from developers. Thirty five initial expressions of interest were received at Stage 1 and three developers were selected to progress to Stage 2 of the selection process. This required the submission of detailed masterplans for the site, financial appraisals illustrating development costs and funding proposals.

2.5 Two full bids were received at Stage 2; an in-depth and thorough evaluation of the bids was then undertaken by the 'Evaluation Board' comprising of Council officers with support provided from independent experts. Bids were evaluated and scored under the following headings and weightings:

- Project Delivery 5%
- Proposal 60%
 - Development Proposal and Design Quality 40%
 - Timeline/Phasing 5%
 - Marketing, Letting and Sales Strategy 5%
 - Pre-let or end users 5%
 - Stewardship and management 5%
- Financial Proposal 20%
 - Financial Development Appraisal 10%
 - Residual Land Value 5%
 - Funding Mechanism 5%
- Legal arrangements 15%

2.6 Following the evaluation and scoring of bids Muse Developments Ltd, was contacted on 09 August 2018 and informed it had been selected as the preferred development partner. Following a 'standstill' period the Council was able to progress discussions with Muse to agree the legal and financial delivery model to bring the site forward.

2.7 The scheme proposed by Muse is anticipated to cost in the region of £35m and will deliver the following elements:

- Cinema
- Hotel
- Food and beverage units
- Apartments (on the Riverside site and Magistrates site)
- Approx. 350 car parking spaces
- A new bridge over the River Don and the Canal and high quality public realm including a 'Riverside Park'

2.8 The Council is also progressing a flood defence scheme for Forge Island in advance of main works commencing to help de-risk the site, increase viability and provide further flood protection as part of a wider scheme for the town centre. The planning application for this work has been submitted and work is anticipated to start in February 2019. The costs of this work are to be covered from the £17m capital budget the Council set aside for the Town Centre.

3. Key Issues

3.1 It was identified during the background research and evidence gathering stage of preparing the 'Development Brief' for Forge Island, that the current market and economic conditions in the leisure and food and beverage industry meant it was likely that bidders may require some form of public sector intervention to make the redevelopment of Forge Island financially viable.

- 3.2 Both of the detailed bids submitted at Stage 2 of the selection process required financial support or intervention from the Council to enable their delivery. The successful bid submitted by Muse Developments Ltd included options for the delivery model including the Council providing the capital funding for the scheme and a 'head lease' approach. These are outlined in section 4 of this report.
- 3.3 The head lease approach requires that the developer raises funding for the total development costs and builds out the scheme in return for the Council taking a head lease of the completed development over a fixed term. The Council, as head lessor, will sublet to and collect rents from operators, which will generate an income stream to fund the head lease costs. This is the option being proposed.
- 3.4 Under the proposal submitted by Muse, the Council does not take on the head lease until the various phases of the development are completed and a sufficient number of sub-tenants have been secured and have entered in to lease agreements, thereby minimising the financial risk for the Council.
- 3.5 The precise details of the development costs, head lease rent and income to be received cannot be specified until later in the development process when the scheme is fully designed, funding secured and operator lettings are agreed. The Muse proposal is an incremental approach that allows for options to be considered as the development progresses and gives the Council discretion as to whether it wishes to invest. The information provided at exempt Appendix 1 shows a detailed analysis of the anticipated costs and income based on a thorough assessment of the current market and a prudent financial assessment (from the Council's point of view) of what could be achieved.

4. Options considered and recommended proposal

- 4.1 **Do nothing** – the Council has the option of not progressing or delaying the delivery of a leisure scheme on the Forge Island development site. This will risk further decline in the vitality and viability of the town centre and have significant negative impacts in terms of market confidence in the Council's commitment to deliver the required regeneration and transformation of the town centre set out in the Town Centre Masterplan.
- 4.2 **Enter into a development agreement, grant a long lease of the Forge Island Site to Muse Developments Ltd and agree to take a head lease of the development.** This is the preferred option. As explained in the key issues section above the Muse proposal allows for the Council to consider options at its discretion once the full commercial detail is agreed. In agreeing this as a preferred option the Council is not committed to entering into a head lease until it is satisfied with the business case and commercial offer. Based on the information currently available, taking this option provides a viable and affordable route to deliver a key component of the town centre's regeneration and a Council priority. The risks attached to this option are relatively small in comparison to the regeneration benefits that the scheme will deliver.

4.3 **The Council provides capital funding for the whole scheme.** This would require funding over and above the capital programme allocation for the town centre investment fund. It would require that the Council takes on significant additional borrowing or de-commits and re-allocates funding from projects in the current capital programme to supplement the town centre investment fund. Other reasons for not pursuing this option include

- the Council would be taking on all of the development risk
- This would be a different way of delivering the regeneration of Forge Island requiring a different procurement approach. Re-procurement would result in significant delays to delivery of the scheme and consequently undermine market confidence that it will be achieved.

4.4 **The Council provides partial capital funding for the whole scheme.** This would require the Council to allocate some of the existing town centre investment fund towards the project in return for a reduction in the head lease cost. Based on the indicative values provided and current borrowing rates this option would be cost prohibitive for the Council and thus is not recommended.

5. Consultation

5.1 There was extensive consultation on the future use of Forge Island undertaken during the production of the Town Centre Masterplan. This has included:-

- Member workshops
- Stakeholder workshops
- Presentations to the Looked after Children's Council, Rotherham Together Partnership, Business Growth Board, Rotherham Voice, Barnsley and Rotherham Chamber of Commerce Construction Network, Rotherham Pioneers and Rotherham Older Person's Forum.
- Individual meetings with private sector land and property owners.
- Soft market testing with developers and end-users
- Discussions with Historic England,
- An open public exhibition in the town centre

5.2 Most recently, progress was reported to the Improving Places Select Commission on 14th March 2018.

5.3 Further consultation will take place with local residents and other stakeholders as part of the planning application process in line with statutory requirements. The Council will also undertake further engagement throughout the planning and construction process.

6. Timetable and Accountability for Implementing this Decision

6.1 Development of Forge Island has been identified as a priority by both the Council and Muse; as such it is critical that momentum is not lost.

Task	Date
Cabinet report for legal and financial approach	December 2018
Flood Defences – Start on Site	February 2019
Submission of initial planning application for the site (anticipated to be full for peninsular, outline for rest of site)	March/April 2019
Start on site	November 2019
Flood Defences - Completion	November 2019
Practical completion of cinema and first 2 food and beverage units	October 2020

7. Financial and Procurement Implications

- 7.1 This is anticipated to be a £35m project (at current prices), which will be funded initially by the developer partner and their investors. Under the preferred option the Council would take on a head lease for the development for a 35 year term, with no break clause. At the end of that period the Council has the option to purchase the development (including all built assets) for the sum of £1. The exact details of the head lease cannot yet be specified until later in the development process when the scheme is fully designed, funding secured and operator lettings are agreed. However, based on current information and assumptions it is anticipated that the project will be self-financing over the 35 year period and the business rates growth should aid the wider economy.
- 7.2 The Council's Capital Strategy (2016-2021) was approved by the Council on 2nd March 2016 and allocated £17million to regeneration projects in the town centre. This includes the development of key strategic sites, such as Forge Island and enhancements to the leisure/night-time offer. This sum includes funding for flood defence works in respect of Forge Island, which are necessary to allow the development to progress. This work will be commissioned and funded by the Council as planned.
- 7.3 The exempt Appendix 1 provides additional information on the agreement and the financial implications.
- 7.4 The process adopted for the selection of a Forge Island development partner is objective, open, fair and transparent. In designing this process the Council has taken specialist legal advice.

8. Legal Implications

- 8.1 The Council will continue to engage specialist external legal advice to ensure that the Council complies with its procurement and regulatory obligations. In addition, the external legal advisors will negotiate the legal documentation on behalf of the Council to protect the Council's position, mitigate risk (in particular those risks identified in paragraph 13 below due to void periods) and clarify the obligations of the respective parties thereafter.

9. Human Resources Implications

9.1 There are no Human Resource implications to this paper

10. Implications for Children and Young People and Vulnerable Adults

10.1 There are no direct implications for Children and Young People and Vulnerable Adults from the recommendations in this paper. However, the Town Centre Masterplan makes clear the important role the redevelopment of Forge Island will play in creating a town centre that is attractive to all users including young people.

11. Equalities and Human Rights Implications

11.1 None specifically from this report

12. Implications for Partners and Other Directorates

12.1 There are no direct implications for partners and other directorates from the recommendations in this paper. Forge Island is a Council regeneration priority identified as having a major catalytic impact on the town centre and is included in the Rotherham Plan. There are benefits to be gained from successfully delivering regeneration of this key site.

13. Risks and Mitigation

13.1 The Potential risks and mitigation for this project are shown in the table below:

Potential Risks	Identified Mitigation(s)
<p><u>Void periods</u></p> <p>The Council will be committed to a head lease for 35 years with no break clause. There is a risk that there may be void periods for the sub-let units at the lease break periods.</p> <p>The initial lease periods will be 20 years for the hotel and cinema and 10 years for the restaurant/café units. So if units are vacant for any length of time there is a risk that annual income would not be sufficient to cover costs and in addition the Council would be required to cover any business rates payable for vacant units and shortfall in maintenance costs due to reduced service charge income</p>	<ul style="list-style-type: none"> • At the beginning of the lease term the head lease rent will not be more than 70% to 75% of the sub lease rents the Council is entitled to receive. • The agreement with the Developer will include a requirement that the Cinema, Hotel and two of the restaurant units will be pre-let before the head lease is signed. • The Council will have a right to agree all lettings and thus can review the financial stability of proposed lessees to ensure only those with strong covenants are selected. • The Council will be aware of lease durations, this allows for forward planning when expiry dates are approaching. The Council will actively commence marketing 12 months prior to all expiry dates to minimise any void periods.

<p>Tenant business failure – this would have similar consequences to the void periods above.</p>	<ul style="list-style-type: none"> • The Council will have a right to agree all lettings and thus can review the financial stability of proposed lessees to ensure only those with strong covenants are selected
<p><u>Inflationary increases</u></p> <p>These are index linked but with a potential higher cap on the head lease than on the sub leases. This is a standard arrangement for an investment of this nature. This poses a risk to the Council that in periods of high inflation, the head lease rent could escalate at a higher rate than the sub-lease income which could lead to a reduction in the headroom or surplus available to the Council. Ultimately the level of sub-lease income will be dependent on market conditions.</p>	<ul style="list-style-type: none"> • The worst case scenario could be a 3% differential between the inflationary rates applied. However, given recent historical and prevailing inflationary increases this is considered low risk for the foreseeable future.
<p><u>Ongoing costs of maintenance</u></p> <p>The Council's head lease will be on a full repairing and insuring basis. This arrangement will be mirrored in the sub-lease arrangements. The Council will also be responsible for the facilities management and repair and maintenance of the common areas of the development, including the car park, lifts and public realm.</p>	<ul style="list-style-type: none"> • All maintenance costs will be recovered via the annual service charge, which will be charged to tenants on top of the rent. This is a standard arrangement. • The Council will have input in to the design of the site and thus has the ability to influence the design so as to minimise future maintenance requirements. • All sub-tenants will be responsible for repair and maintenance costs of their own building in line with the head lease approach.
<p><u>Council's share of business rates</u></p> <p>Under the current local government finance system, the Council retains 49% of locally collected business rates. From 2020/21, the Government has confirmed that local authorities can retain 75% of business rates under a revised funding regime. However, the details of the amended scheme are uncertain, as</p>	<ul style="list-style-type: none"> • The Council will model the financial impact as more details are released by Government over the next 12 months and respond accordingly addressing any significant concerns.

proposals for the new scheme are still being negotiated, with the final outcomes not expected until the end of 2019.	
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14. Accountable Officer(s)

Approvals Obtained from:-

Role	Named Officer	Date
Strategic Director of Finance & Customer Services	Julie Copley	
Assistant Director of Legal Services	Lesley Doyle,	20/11/2018
Head of Procurement (if appropriate)		
Assistant Director of Human Resources (if appropriate)		

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<http://moderngov.rotherham.gov.uk/ieDocHome.aspx?Categories=>

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of the Local Government Act 1972.

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Summary Sheet

Name of Committee and Date of Committee Meeting

Cabinet – 17 December 2018

Report Title

Riverside House Cafe

Is this a Key Decision and has it been included on the Forward Plan?

Yes

Strategic Director Approving Submission of the Report

Paul Woodcock, Acting Strategic Director, Regeneration and Environment

Report Author

Kim Phillips, Catering & Facilities Services Manager
01709 254025 or kim.phillips@rotherham.gov.uk

Ward(s) Affected

Boston Castle

Executive Summary

The purpose of this report is to detail the implementation proposal to achieve a proposed 2019/20 budget saving, by commissioning an external partner to deliver the Riverside House Café provision.

Riverside House has now been open for seven years during which time the café has become an established feature.

Soft market testing of the opportunity as a business venture has established interest and it is considered that a commissioned partner could offer a more cost effective solution to opening the café.

Recommendations

1. That approval be given to conducting an open tender procedure process in accordance with the Council's Contract Procedure Rules and Domestic and European Procurement Law, in order to identify a partner to deliver the Riverside House Café through a lease and profit share tenancy agreement.

List of Appendices Included

Appendix 1 Exempt Addendum

Background Papers

Equalities Impact Assessment

Consideration by any other Council Committee, Scrutiny or Advisory Panel

Overview and Scrutiny Management Board – 26 October and 12 December 2018.

Council Approval Required

No

Exempt from the Press and Public

This report contains an Exempt Appendix.

An exemption for the appendix 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 sensitive commercial information.

It is considered that the public interest in maintaining the exemption would outweigh the public interest in disclosing the information, as the Councils commercial interests could be prejudiced by disclosure of this commercial information.

Riverside House Café

1. Recommendations

- 1.1 That approval be given to conducting an open tender procedure process in accordance with the Council's Contract Procedure Rules and Domestic and European Procurement Law, in order to identify a partner to manage the Riverside House Café through a lease and profit share tenancy agreement.

2. Background

- 2.1 Upon the opening of Riverside House a café facility was included on the ground floor, for use by Council employees and the general public. The seating area enables 60 covers and the facility is managed by the Council's Catering & Facilities Services section.
- 2.2 Analysis of the café usage has identified that around 70% of customers are Council employees, the majority of which choose the take-away option, consuming their purchases on the upper floors of the building in the break-out areas.
- 2.3 The business is very well established and soft market testing has indicated interest from the private sector in the opportunity to operate the cafe. Progression through a competitive tender process to establish a business partner is considered the most cost effective solution for future provision.
- 2.4 As highlighted in the exempt appendix the trading position for the cafe is not achieving a good return for the time and resources spent on this activity. The main reasons for this is expensive overheads; staffing costs; procurement and a limited kitchen facility. It is therefore expected that an improvement, in terms of the financial position, will be realised following a competitive tender process.

3. Key Issues

- 3.1 The management of the café facility would be passed to the successful business partner, following the procurement exercise. A lease tenancy payment and a profit sharing agreement (from 2nd year of trading) will be the suggested terms of contracting. An estimate, based on a commercial lease, has been offered by the Estates Team, Asset Management, see exempt Appendix 1, but it should be recognised that the competitive process and market interest will dictate what is achievable.
- 3.2 This report requests that the proposal, which forms part of the budget consultation exercise for 2019/20, is agreed in order to progress the required action to realise any financial savings during 2019/20.

4. Options considered and recommended proposal

- 4.1 Three options were considered to maximise the future financial return to the Council from the ground floor space currently occupied by the café and restaurant seating area.

The following options were considered:-

Option 1

Close the facility and consider alternative use for the area. This option would require significant capital investment to achieve an effective change of use.

Option 2

Retain in house with an improvement plan.

Preferred Option 3

Complete a competitive tender process for the Riverside House Cafe as a business opportunity.

- 4.2 Soft market testing has established a level of interest in the facility as a business opportunity. Therefore, this report confirms the recommended option to progress a specification to the market through an open tender process, in line with the Council's Contract Procedure Rules and Domestic and European Procurement Law.

The specification will state the opportunity to rent a business premises with an established patronage; included in the package will be existing equipment with the liability for future repairs and replacement clearly stated. The detail of the specification will be through consultation with all affected Directorates.

A profit-sharing arrangement for year two will be included in the terms of the lease.

This option will include the requirement to TUPE the existing 6 staff to the successful bidder.

5. Consultation

- 5.1 The Cabinet Member has been consulted and the proposal is in the budget options consultation.
- 5.2 The proposal is included within the Council's future budget options, which has been subject to public consultation concluding on 30 November 2018.

6. Timetable and Accountability for Implementing this Decision

- 6.1 A specification and lease agreement will be completed by March 2019 to enable an open tender procedure to commence. The target would be to achieve a chosen bidder by July 2019. There will be a requirement to discuss an implementation/mobilisation process with the chosen bidder, which will include the legal consultation period for the TUPE process.
- 6.2 During this period of commissioning activities the current café management and activities will be reviewed to ensure income streams are maximised.

7. Finance and Procurement Implications

- 7.1 This proposal forms part of the budget savings proposals for 2019/20, (RE 13). Further information is provided in the exempt addendum to the report – Appendix 1.
- 7.2 The proposal outlined within this report would be considered as a Concession arrangement. The Council's Contract Procedure Rules and the Concession Contracts Regulations 2016 would therefore govern the procurement procedure followed.

8. Legal Implications

- 8.1 The proposed procurement exercise will be carried out in accordance with domestic and European procurement legislation. Upon the appointment of a partner, the appropriate contractual documentation will be concluded. Other than this there are no direct legal implications arising from this report.

9. Human Resource Implications

- 9.1 All affected employees have been updated regularly on the progress of this proposal. TUPE will apply to this process and a full consultation will take place under this agreement as the project progresses.

10. Implications for Children and Young People and Vulnerable Adults

- 10.1 None considered

11. Equalities and Human Rights Implications

- 11.1 An Equalities Impact Assessment has been through the appropriate approval process with concerns identified and is available.

12. Implications for Partners and Other Directorates

- 12.1 None considered

13. Risks and Mitigation

13.1 The following are considered the main risk to this actions:

- Little or no interest from the market leading to a non-competitive process.
- The process does not result in the required income to meet the savings proposal.
- The chosen bidder does not achieve a profitable return and therefore there is a reduction in the anticipated income receipt.
- Future changes to the occupation of the building impact on footfall and therefore the profitability of the business.

14. Accountable Officer(s)

Paul Woodcock, Acting Strategic Director of Regeneration & Environment
Kim Phillips, Catering & Facilities Services Manager

Approvals obtained from:-

	Named Officer	Date
Strategic Director of Finance & Customer Services (S.151 Officer)	Julie Copley	05.11.2018
Assistant Director of Legal Services (Monitoring Officer)	Stuart Fletcher	09.11.2018
Assistant Director of Human Resources (if appropriate)	John Crutchley	09.11.2018
Head of Procurement (if appropriate)	Karen Middlebrook	12.11.2018

Report Author: *Kim Phillips, Catering & Facilities Services Manager*
01709 254025 or kim.phillips@rotherham.gov.uk

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of the Local Government Act 1972.

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Committee Name and Date of Committee Meeting

Overview and Scrutiny Management Board – 12 December 2018

Report Title

Scrutiny Review into Modern Methods of Construction

Is this a Key Decision and has it been included on the Forward Plan?

No

Strategic Director Approving Submission of the Report

Shokat Lal, Assistant Chief Executive

Report Author(s)

Christine Bradley, Scrutiny Officer
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Ward(s) Affected

Borough-Wide

Report Summary

The aim of this report is to present the findings from the scrutiny review into modern methods of construction which are highlighted in Appendix 1.

The review was undertaken by a group of members from across the political parties in Rotherham. The justification for completing this piece of work came from evidence that the:-

- housing market is not fit for purpose with the housing market locally reflecting national information and trends.
- demand for homes outweighs provision e.g. more one bedroom and larger properties are required in Rotherham
- number of homeless people is on the increase, this number could continue to increase due to the introduction of Universal Credit.
- Insufficient affordable properties available – which includes cheaper, renewable sources of energy to heat the homes.
- private and social owned properties are not being build quick enough to meet demand

The options for providing affordable homes, in a quicker timescale to traditional build homes, which are energy efficient and where possible use renewable sources of energy to keep running cost low. Two main options were looked at these were container and modular homes.

Recommendations

1. That consideration of any learning experiences identified as part of the Council's pilot projects using modern methods of construction be utilised as part of any future projects.
2. That Housing Services develop a pilot project of up to 10 pods at various locations throughout the borough.
3. That a pilot project of 5 Modern Methods of Construction homes for families be developed.
4. That the option of various energy packages be developed, for example, solar power and cavity wall insulation for residents of the borough whether in social or private rented accommodation.
5. That each property involved in the pilot schemes be allocated an individual finance code to allow for easier monitoring of associated costs.

List of Appendices Included

Appendix 1 Scrutiny Review of Modern Methods of Construction

Background Papers

None

Consideration by any other Council Committee, Scrutiny or Advisory Panel

Council – 23 January 2019

Cabinet – 19 February 2018

Council Approval Required

No

Exempt from the Press and Public

No

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1. Background

- 1.1 At the meeting of Full Council on 28th February 2018, the Leader of the Opposition – The United Kingdom Independent Party put forward an amendment to the annual budget to ring fence an amount from the Housing Revenue Account to develop homes using modern methods of construction and sustainable/renewable energy sources.
- 1.2 This was as a result of a survey among younger people and young families concluded that a major cause of their inability to find suitable accommodation was the lack smaller properties coupled with the punitive spare room subsidy, the so called 'Bedroom Tax'.
- 1.3 The amendment was not carried as it was not a proposal that could not be considered and a decision reached at the meeting. (CM157)
- 1.4 However the outcome was that a cross party review into modern methods of construction was undertaken.

2. Key Issues

- 2.1 There are several issues identified as part of the review :-
 - 2.1.1 Overall there is a lack of affordable housing for young people and young families.
 - 2.1.2 Many Local Authorities are unable to meet the demand for social housing in their area.
 - 2.1.3 Introduction of Welfare Reform/Universal Credit and the implications for individuals and
 - 2.1.4 An increase in the number of people / families who are homeless.
 - 2.1.5 Traditional build houses take longer to complete than that of container or modular build homes.

3. Options considered and recommended proposal

- 3.1 The report is presented for consideration by Overview and Scrutiny Management Board.

4. Consultation on proposal

- 4.1 Like any scrutiny review, the enclosed report details the outcomes of meetings with officers, external organisations and experts in this field to inform the report and recommendations presented.

5. Timetable and Accountability for Implementing this Decision

- 5.1 If the Board is minded to approve the report and recommendations, they will be forwarded to Council on 23 January 2019 for information. Following this, the Cabinet will formally respond to the report and recommendations in February 2019, in accordance with the provisions of the Overview and Scrutiny Procedure Rules.

6. Financial and Procurement Advice and Implications

- 6.1 These are detailed within the enclosed report. Any advice or implications arising from the Cabinet's consideration of the recommendations will be reported back to Overview and Scrutiny Management Board.

7. Legal Advice and Implications

- 7.1 There are no legal implication arising from this report.

8. Human Resources Advice and Implications

- 8.1 There are no human resources implications arising from this report

9. Implications for Children and Young People and Vulnerable Adults

- 9.1 There are no implications for children and young people or vulnerable arising from this report

10. Equalities and Human Rights Advice and Implications

- 10.1 There are no equalities or human rights implications arising from this report.

11. Implications for Partners

- 11.1 There are no implications for partners arising from this report.

12. Risks and Mitigation

- 12.1 There are no risks directly associated with this report.

13. Accountable Officers

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This report is published on the Council's [website](#).



Scrutiny Review: Modern Methods of Construction.

Review from the Task Group from Overview
and Scrutiny Management Board and
Improving Places Select Commission

November 2018

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Background

Following the general election of 2016, a survey among younger people and young families concluded that a major cause of their inability to find suitable accommodation was the lack smaller properties coupled with the punitive spare room subsidy, the so called 'Bedroom Tax'.

This was the catalyst for this piece of work, which prompted a discussion to take place at the Council meeting on 28th February 2018 into the Council's annual budget for 2018/2019

An amendment to the budget proposals was put forward by the Opposition Party United Kingdom Independent Party, to ring fence £4m out of £55m unallocated funds, of the Housing Revenue Account, specifically for a project to develop modular one and two bedroomed homes and **where possible** the criteria for each home is to;

- Provide accommodation at a lower cost than traditional on site construction
- Fund as many homes as practicable on Council owned sites
- Delivery homes with an expected asset life span of 25 years or more
- Consider payback periods for the investment, aiming for the project to be revenue generating as soon as practicable
- Where possible, promote and utilise micro renewable and eco technologies so each home has very low running costs for the occupier
- Utilise local innovation where possible (e.g. graphene battery technology to support solar panels and solar spray if available).
- Consider delivering homes which can be picked up and moved to another site if necessary
- Design properties to meet the needs of homeless people, young and or older persons to assist them make a start on the housing ladder or down size to a more affordable home.

The amendment was not carried as it was a proposal that could not be considered at the meeting. (CM157)

However the interest highlighted during the discussions resulted in a cross party review group being formed, with Councillor Cowles as Chair and Councillor Sansome as Vice Chair.

Legal and Policy Drivers

Homelessness Reduction Act 2017 is the biggest change in homelessness legislation for many years and came into force on April 3rd 2018. It aims to prevent homelessness, and not only find accommodation, but continue to support people to ensure they do not become homeless in the future. A new duty placed on local authorities is to prevent homelessness of all people regardless of priority need, who are eligible for assistance who are threatened with homelessness. The additional duty of identified public authorities to refer will mean that most referrals will result in a homeless application being submitted.

It is anticipated that homeless applications will rise by at least 50% or possibly double as a result of this.

Welfare Reform/Universal Credit

Councils have raised concerns about the design and implementation of the Universal Credit (UC) Full Service to date. Feedback from councils shows that the initial payment waiting period for claimants is resulting in a marked increase in debt and rent arrears. This is damaging for households and councils' ability to invest in social housing.

Welfare reform has coincided with rising housing costs and lower incomes. This has led to an increase in the 'affordability gap' (household incomes v housing costs). A symptom of this is the marked increases in homelessness acceptances in recent years.

Rising private sector rents and changes to the Local Housing Allowance (LHA) rate, without a corresponding increase in housing benefit support, have contributed to an increase in the number of households that turn to the Council for support.

Some claimants migrating from existing welfare programmes will not receive transitional protection. Only those who move on to UC as part of the 'managed migration' in 2019 will receive protection. Councils are already reporting confusion and stress about the potential financial impacts for claimants who will move on to UC after a break in claim.

One of the key features of UC is its emphasis on making work pay and supporting in-work progression. DWP has produced very little information on support for in-work progression. The Local Government Association would like to see the Government take up the recommendations in the 'Work Local' report which would enable councils to provide more support to low-income working households. This is particularly important as recent research shows evidence of increasing levels of in-work poverty.

The reforms to housing-related benefits are a major contributor to the gap between living costs and affordability. Recent studies have shown that tenants in the private rented sector are facing among the largest real losses in income as a result of welfare changes. This is driven in particular by the freezing of the LHA rate, alongside the rise in private rents. It is estimated that private rents in 2020 will be 5 per cent higher than in 2016.

Many local authorities have recognised that the freeze to the LHA rate is exacerbating the pressures facing many recipients of UC. Councils' ability to support homeless households is already severely stretched. The combined impact of these changes risk undermining the objectives of the Government's welfare reform programme.

National Housing Context

The housing market in Britain is broken which is the starting point for a recent white paper "Fixing our broken housing market" and this is because simply:-

- Not enough local authorities are able to deliver the social houses they need

- House building that is too slow
- A construction industry too reliant on a small number of big companies.

The law of supply and demand means that since 1998 the ratio of average house prices to average earnings has more than doubled. The issue for society is that less people are able to afford one of the basic needs – a home.

The Council of Mortgage Lenders predicts that by 2020 only one quarter of all 30 year olds will own their own homes. This is in contrast to the generation currently approaching retirement, half of whom owned a property by the age of 30.

A national housing charity Shelter has recently conducted an analysis of government data culminating in the report, “In work, but out of a home” which concluded that:-

- The proportion of working families who are homeless has been growing steadily across the last five years.
- The absolute number of working families has risen dramatically, from over **19,000** households in 2013 to over **33,000** in 2017.
- A sharp increase in the total number of homeless families - **43,750** in 2013 to **60,520** in 2017

The rates of change indicate that there is a problem specific to working families. Between 2013 and 2017 the number of working families in temporary accommodation rose by 73%, in comparison to the total population of families which grew by 38%.

Underpinning this trend is the chronic lack of affordable housing.

- There are currently 1.2 million households on council waiting lists for a new social home
- There are four households in need for each home that becomes available each year
- Housing benefit is now inadequate across most of the country
- Our research shows that by 2020, four fifths (83%) of England will be unaffordable to private tenants claiming housing benefit
- Working families are turning to the Council for emergency help because they have few other options
- The lack of stability in the privately rented sector is also likely to play a role in this trend – a privately rented home is rarely a home for life
- The loss of a private tenancy was the single biggest cause of homelessness in the country in the last year – accounting for 27% of all households accepted as homeless

These findings show that moving more people into work would not be sufficient to end or address homelessness.

By 2020 it is predicted that only a quarter of 30 year olds will own their own home, which is in contrast to more than half the generation approaching homeowners by their 30th birthday. It is much harder for young people to get a foot on the housing

ladder than their parents/grandparents. Home ownership amongst 34 year olds has fallen from 59 per cent over a decade ago to just 37 per cent today.

A New Deal for Social Housing

The recent Government Green Paper sets out a new vision for social housing and the following five principals which will underpin a fairer deal for social housing residents:

- A safe and decent home which is fundamental to a sense of security and our ability to get on in life.
- Improving and speeding up how complaints are resolved.
- Empowering residents and ensuring their voices are heard so that landlords are held to account.
- Tackling stigma and celebrating thriving communities, challenging the stereotypes that exist about residents and their communities
- Building the social homes that we need and ensuring that those homes can act as a springboard to home ownership

Rotherham Social Housing Provision

The table below shows the breakdown by type of property of housing stock at Rotherham Metropolitan Council as at September 2017. The total number of properties was 20,393.

	0	1 bed	2 bed	3 bed	4 bed	5 bed	6 bed	Grand
BEDSIT	72							72
BUNGALOW	1	2783	1921	49				4754
FLAT	3	2122	2609	264	6	2		5006
HOUSE		4	1938	8136	258	2	1	10339
MAISONETTE		2	185	34	1			222
Grand Total	76	4911	6653	8483	265	4	1	20393

A point to note relates to tenants' "Right to buy". In 2017/2018 the total properties sold under this initiative was 202 reducing the overall number of housing stock held by the Council.

The below table is from the housing register at 31st March 2018, splitting applicants into number of bedrooms required. This clearly shows that the vast majority (71%) of applicants to Rotherham's housing register need a one bedroomed property.

Bedrooms required	No. of applicants
1	4,763
2	922
3	866
4+	123
TOTAL	6,674

The Housing Register

There are currently 6,628 applicants on the Housing Register. Applicants who join the Housing Register are assessed and placed into one of the following bands:

Band 1 - There are 268 applicants with immediate housing need

Band 2 - There are 1,446 applicants with very urgent housing needs

Band 3 - There are 1,817 applicants with urgent housing need

Band 4 - There are 1,860

Transfer Band – There are 1,237 Council or Housing association tenants with no housing need

Total 6,628

There were 1,446 registered in Band 2 for a variety of reasons, for example due to medical requirements. The households detailed below have approached the authority due to homelessness issues and have been placed in Band 2 on the Housing Register:

- 148 households not ready to leave supported accommodation
- 99 households subject to domestic abuse
- 65 households ready to leave supported accommodation
- 37 households who have been assessed as statutory homeless

The temporary accommodation units of 41 (crash pads) are fully occupied 90% of the time.

Homelessness

The review identified the level of need both in number and type of accommodation for homeless households. With regard to need, during the autumn of 2018 there were 132 open homeless cases undergoing assessment. The outcome of these cases could be potential prevention cases or potential acceptances.

The number of Homelessness acceptances: 2017/2018 = 122

As of 12th October 2018 the case load increased from 132 in April 2018 to 354

- 54 in intervention stage
- 149 prevention stage
- 143 relief stage
- 8 Main Duty stage.

The number of homelessness preventions

- 2017/18 = 714
- April 2017 to 2nd February 2018 = 451

Two rough sleepers were identified on the Rough Sleepers Count in November 2017. This count in November 2018 was 4 – an increase of 100%

The main reasons why people become homeless are:

- Loss of an Assured Shorthold (private rented) tenancy
- Relatives or friends no longer willing or able to accommodate
- Parents no longer willing or able to accommodate
- Required to leave accommodation provided by the Home Office
- Relationship breakdown

During the same period, the top five priority need categories were:

- Applicants with dependent children
- Pregnancy
- Vulnerable due to a physical disability
- Vulnerable due to a mental illness
- Fleeing home because of domestic abuse or threat of violence

Sheffield Rough Sleepers. The link below shows an example of how partnership working is providing some comfort for rough sleepers.

<https://www.thestar.co.uk/news/sheffield-rough-sleeper-partnership-hailed-a-success-1-9084195>

Housing performance indicators

Performance indicators 2017/18 the target for the number of new homes to be built in the Borough was 641 units, the number achieved was 479 units, a shortfall of 162 units.

Although the task of increasing the supply of new homes is difficult to achieve the Council is still continuing to work really hard to stimulate growth. The Council's efforts however are sometimes fettered by external influences, for example the bids it made to secure additional funding through the Government's Housing Infrastructure Fund that would help deliver new homes in key sites in the Borough. Despite the setback the Council is continuing to work with representatives from Homes England, the body responsible for administering these funds to identify how future bids should be made.

Gaps in Housing Provision

Night shelter/hostel/assessment bed – provision is needed for people who are not classed as priority need but until benefits claims are completed and income is available the accommodation options are very limited.

- Inadequate numbers of bedsit accommodation – both in the public and private sector
- Complex needs – there is a group of people who are stuck in a cycle of repeat offending and homelessness, whose previous behaviours prevent future access to property provided by Rotherham's partner organisations. Housing First ¹ is appropriate in this situation, but more units need to be provided

¹ **Housing First** England is a new project to create and support a national movement of **Housing First** services, improving the lives of, and support for, some of society's most excluded people.

- Accommodation for single people who may not meet the criteria of complex needs, but need a degree of support due to their vulnerability, and inability to get a tenancy (eg offending history/previous anti-social behaviour)
- Rent in advance/bond scheme. No current scheme in operation and discretionary housing payment (DHP) cannot be utilised unless there is an active claim. More work needs to be done with landlords to encourage them to accept certain client groups
- Need to increase number of temporary accommodation units for people with a priority need in accordance with homelessness legislation – currently being reviewed

The Housing First model and vulnerable adults' pathway will provide much needed supported accommodation for single people who have complex needs and become homeless on more than one occasion. However, the number of units may need to be increased dependent on funding. The pilot will be reviewed and further consideration will be given then on the future of this approach.

Population Trends

Rotherham has an aging population with 50,500 (19.3%) aged 65+ in 2016, projected to increase to 58,500 (21.7%) by 2026 and 68,300 (24.8%) by 2036. There are no local statistics on divorce trends. However, divorce has been one factor leading to more people living alone, alongside older people who have been widowed.

The number of single person households in 2014 was 32,000 (29.1% of all households) and this is projected to increase to 38,000 (31.1%) by 2039. The demand for one bedroom housing is more likely to come from young people starting out or older people downsizing.

Scope of the Review

The basis of this review came from the inability of young people and others in receipt of housing benefit/UC, to find suitable smaller accommodation. This finding was the driver for exploring solutions.

As the Group's knowledge of the modular market increased so did the scope of the project. Consideration was given to the provision of a range of larger and higher value MMC properties to make this housing option available to larger households. Thus the report reflects this wider brief:

- Original scope to meet the needs of younger single people reaching adult hood needing somewhere to live and older people who wish to downsize, and
- What is available and should modular housing be used to meet broader housing needs?

Initially, members' thoughts reflected their recollections of historic, modular housing such as post war 'prefabs' and there was a tendency to contrast and compare conventional housing with modular. As the study progressed and knowledge of the new modular housing offer grew, thinking changed to ask, why not modular housing rather than traditional build?

Agreed Scope

The scope for the review is to look into the viability of providing affordable housing for young single individuals and larger families via MMC and, wherever possible, incorporating suitable technology to reduce running costs as well as with the ability to move the buildings where they are most needed.

Method

The initial meeting of the Review Group on 12th April 2018 agreed the scope for the review along with other areas of research.

Councillor Cowles and Councillor Sansome explored the options of various modular buildings with visits to nearby manufacturers, REACH Homes in Sheffield, and Premier Modular and Ilke Homes in East Yorkshire

Councillor Napper and Councillor Walsh looked at technology to provide energy sources for heating and lighting the modular home; Councillor Walsh attended an Energy Source Conference, in Liverpool on 14th June 2018.

Councillor McNeely and Councillor Julie Turner worked with the Homelessness Team to identify the scale of homelessness in Rotherham.

The view of the Chair was that a key element of this review was to seek the views of the young people who could potentially become tenants/owners of modular homes. To achieve this, the Review involved Christian Palfrey, House Project, Leaving Care Service.

The officers who provided their knowledge and expertise included

- **Judith Badger** – Strategic Director, Finance and
- **Miles Crompton** - Performance, Intelligence & Improvement
- **Sharon Crook** - Scrutiny Support Officer.
- **Jane Davies** - Head of Housing Strategic Development
- **Paul Elliott** - Business and Commercial Programme Manager
- **Andrew Farmer** - Senior Quantity Surveyor
- **Wendy Foster** – Strategic Housing Coordinator
- **Liz Hunt** - Affordable Housing Officer
- **Jill Jones** - Housing Solutions Manager
- **Christine Lamont** - Business Development Manager, Premier Housing.
- **Andy Lumb** - Partnership Manager
- **Paul Maplethorpe** - Domestic Energy Officer
- **Mark Nearney** - Head of Contracts, Investment and Compliance
- **Christian Palfrey** – House Project, Leaving Care Service
- **Craig Rutherford** – Supported Housing Assistant
- **Billy Wilson** - Technical Officer

Findings

For clarity, the definition of “Affordable Housing” for the sake of this report is **housing** units that are **affordable** by that section of society whose income is below the median household income.

Modern Methods of Construction. (MMC)

Rather than using traditional methods of construction of bricks and mortar to build a property, the modern way is that the property is built in a factory. The finished products are transported to their new locations, where they are assembled by a builder. A property built using modern methods of construction (MMC) is not a mobile home. These homes are often called factory-built, system-built or homes built off-site. The term “prefabricated homes” conjures up visions of homes erected post 1945 for speed and ease of providing accommodation after the war. Current MMC properties are spectacular, versatile and adaptable units where sustainability, the environment, waste management, thermal efficiency and recycling issues are taken into account in the making of properties.

Suppliers visited by Members of the Scrutiny Group manufactured homes in a number of stages. The units were craned from stage to stage inside a large warehouse, similar to a production line in the automobile industry. Producing homes in this way offers far greater control of the manufacturing/build process than traditional build:

- Panel insulation - each panel is individually inspected during the process to ensure it is fully insulated and hence the overall thermal efficiency of the completed unit can be guaranteed within defined parameters
- The size of walls and window openings are machined to exact dimensions ensuring that they fit together exactly and there are no gaps allowing for cold bridges or drafts
- Interior fixtures and fittings slot exactly into the space provided and the doors and skirting boards fit without gaps that need filling.

Put simply, the process provides end to end quality control throughout the build process. This also applies to suppliers of components who as well as their own internal quality control checks receive visits and component inspections from the MMC manufacturer. This overall quality regime and management of the build process ensures that each unit can be guaranteed to meet strict production and performance parameters and avoids the 'Friday Afternoon House' where things are not quite as they should be. **Further information can be provided on request**

Types of Modular Home

The Group was provided with an outline of the various types of modular homes currently available on the market. Two different types of homes were identified as being the most relevant type to meet the criteria set by the Scrutiny Group; Container/modular homes and panelised homes.

Container Homes

Container homes are used widely in Northern Europe as student accommodation and, have more recently been used in Brighton to house homeless applicants whilst their claim is being assessed. The lifespan of a container home is 20+ years is well maintained. Other examples in the UK include:

- Container City opposite the O2 Arena in London Docklands
- Box Park in Croyden, and
- Raynes Court in Stoke Newington.

Reach Homes (Sheffield.) www.reachhomes.org

Reach Homes is a not-for-profit business which aims to change the market by converting shipping containers into viable eco-friendly homes. Each unit costs around £37,000 - 90% less than a traditional build home and uses up to 60% recycled local materials.

For around £37,000 the container home could include solar PV and battery storage system so that the excess electricity produced during the day can be stored for use at night. The owner of the business, who lives in this house, stated his utility bills were in the region of £100 p.a. making this type of accommodation a very attractive offering for our original target market.

The owner also stated that he is looking for assistance in locating a production development site; this may be something in which the Council may be interested. Contact has been made with officers from Rotherham Industrial Development Office to assist with this enquiry.

Panelised

In order to gain a better understanding of modular homes, a group from RMBC staff, including technical officers, visited the factory of Premier Modular and Ilke Homes – in East Yorkshire.

The panels are manufactured to exact measurements and are usually supported by a timber or galvanised metal frame.

The units were constructed in the factory and then transported and placed in situ by lorry and crane.

The delegates who visited the various modular homes were very impressed by what they saw from the perspective of speed of build/erection, to the quality of the workmanship and less snagging issues.

Points to consider when comparing MMC properties versus traditional build

- The buildings often sit on a concrete raft, so there is no need for extensive ground works

- Once the concrete raft is in place the building is delivered on a lorry and installed using a crane to place the main sections that are then fixed together – this minimised disruption to neighbours, traffic and the environment, sites can easily be returned to green space with the removal of the unit
- The build timeframe is greatly reduced as ground works can be carried out alongside the manufacture of the unit unlike the linear nature of traditional build homes.
- MMC units are still subject to building regulations and planning permission
- Modular home designs vary in style/size, can be customised and more easily extended than traditional build
- Modular homes are permanent structures — “real property”
- The Buildoffsite Property Assurance Scheme (BOPAS) is a structural warranty insurance scheme which covers a period of 10 years after completion; it is the equivalent of NHBC (National Housing Builder Council) for traditional build
- Mortgages for most MMC homes are the same as traditional built homes, (although financial institutions have been slow to recognise the longevity of MMC, this is rapidly changing as they recognise the potential of this market)
- Building/contents insurance is required
- Because MMC homes are so flexible, they can be fully accessible and designed to comfortably house individuals throughout the changing requirements of their lives
- MMC is ideal for smaller, constrained sites (of which RMBC has 300+) as long as the access is adequate for the crane to position the units – some manufacturers, such as [HUSK](#), specialise in redeveloping old garage sites
- For small units, MMC is approximately 10%-20% more expensive than traditional build but significant savings can be made when delivering a substantial number of units
- Modular homes usually have better sound proofing than traditional builds due to construction methods
- Containers can be stripped down and melted down to be reused/recycled

Maintenance Costs

In order to undertake a financial appraisal of the whole life costs of the scheme information will be required around the ongoing maintenance of the units. As the units are of non-standard construction, they may not be included in existing contract agreements with maintenance partners. Further investigations into the likely costs of maintaining the units as well as the arrangements for procuring this service will need to be undertaken to understand the whole life costs of the units and this will form part of the financial appraisal of any scheme.

The Council will re-procurement the repairs and maintenance contract in the New Year and maintenance of MMC units will be written into the contract.

Strategic Housing and Development Service are delivering two MMC pilot schemes; 12, two bedroomed bungalows and 10 single person modular pods. The bidders who have submitted tenders to carry out this work have stated that repairs and maintenance costs are similar to traditional built homes.

The workforce needed to maintain this type of housing may require different skill sets from those need to maintain traditional built properties. The pilot scheme will allow

assessment of this requirement and if necessary allow the workforce to up-skill to provide support and maintenance to a larger development in the future.

Views of Young People

Three young people (Leaving Care) took part in the review and viewed both modular and container homes.

The visit to REACH Homes elicited these comments

- JS said “I would be up for living in one”, he said he had enjoyed the visit.
- KG said “the containers are better than the other modular housing we saw”, “would be nice if it could be made even more affordable for care leavers”, and finally he said “I want one, I’ll move in now.”
- CPa said “Rite good, mint idea, would live in one if had money, but it’s a bit Bullseye – here’s what u could have won” CPa felt that £35,000 was out of reach for most care leavers.

In summary, the views of the young people were wholly positive, the style, size, ease of up keep/maintenance, low energy bills and the variable locations for the units appealed to them. They preferred the one person container units over the larger houses. Communal/or shared living was not an option that the young people would chose, each preferred their own space to make it home.

External Funding Programmes

If the scheme progresses the Council may wish to submit a bid to Homes England to secure grant funding to support MMC development. The amount of grant funding will vary according to the total scheme cost and will only pay for a proportion of the costs, not the whole scheme. There has been a recent announcement on future funding programmes. They are to cover the period 2016-21 (current programme), 2018- 2022 and 2022 -2026. The terms of the grant funding will be explored if any additional finance is required.

Legal and Financial considerations

Different specifications, contracts and payment terms may need to be adopted if the Council wishes to deliver significant numbers of MMC housing. For modular build, in particular, the bulk of supplier costs are incurred upfront as the unit is manufactured in a factory and the staged payment terms used with traditional built properties do not fit.

RMBC Finance

Councillor Cowles put forward a suggestion that in addition to any new MMC units being subject to the standard financial viability appraisal, they should to be individually monitored for performance, repairs and maintenance. This should provide a full and clear cost and revenue breakdown for the property. This information may help the Council better understand asset life/depreciation cycle.

Land Assets.

It is proposed that the units will be delivered on Council owned land. Suitable small sites can be identified by the Council's Asset Management Team. A review of Housing Revenue Account (HRA) land assets is underway. Officers have visited all of the HRA sites and inspected them to determine possible future use. The review includes garage sites (with fixed garages) and garage plot sites (where plots are offered to tenants to provide their own building).

Tenancy Options

Although this topic was not explored in depth as part of the review, careful consideration needs to be given to the ownership of the properties as this will determine the types of tenancy which can be issued. Further details are provided in <https://www.rotherhamkeychoices.org.uk/content/Information/PolicyDocuments>

Energy Options

The energy supply market for domestic customers offers a number of options, each with their own advantages and disadvantages. In the long term, the decisions the Council takes may not reflect future technology gains or future Government policy.

Decisions around energy efficiency measures will be taken with consideration to price, increase of supply and the offset of capital costs (the price of the technology used) against payback period. High-end energy efficiency technologies tend to bring additional cost to the Council but the benefits of the technology is realised by the tenant only.

Value for money may have to be compromised if some of the options are adopted but the Council must limit the risk of tenants being exposed to fuel poverty. It must be understood that a change in behaviour is needed to get the most of many new technologies; this is often very difficult to establish.

Depending on the site, it may be possible to deliver off-grid pods with self-sufficient solar power. This would be of significant benefit to the tenant of that property in terms of fuel costs.

Tenants of in-grid properties with solar photovoltaics (solar PV) would benefit from selling excess energy back to the grid; the sums received would depend on the weather and the tenant's behaviour.

Battery storage was considered as part of the original solar power idea. It turned out that battery storage could offer advantages in its own right in grid-connected pods without solar arrays. Lithium ion batteries were the only technology likely to be useful on the envisaged scale of individual pods or groups of perhaps up to a dozen at this time.

One option is to simply store the electricity till it's needed and the best option is at the source of use in the tenant's home. By charging a battery at off peak times the price of energy can be less. The exact times vary, but the off-peak period will begin between 10pm and 12pm, and last for 8 hours. This stored electricity can then be

used during the day offsetting the peak cost of electricity. The cost of the battery and its installation would have to be borne by the consumer or third party and this may mean the resident is tied into one supplier contract which would not be practical or possible under current legislation or tenant landlord agreements/legislation. Although the battery could be supplied as part of such a tariff, this would require a long term commitment which might not be compatible with tenancy agreements. Therefore this option would require the battery to form part of the capital investment in the pod, unless the cost of the metre can be removed from the capital investment and offered separately.

If a group of pods were to be located some distance from existing power supplies, a communal battery for peak-opping could reduce the required capacity of the mains connection. Depending on the length of the connection, it could be cheaper to install a battery and a low-rated power line than to install a high-rated line. This could become relevant if there was an intention to locate pods in rural parts of the Borough.

Another consideration is the life span of the batteries. This depends on how often the batteries are charged and discharged and the conditions in which they are charged and discharged. The lifespan of a battery will depend on how it is used but it is not unusual for a battery to last 15 years. Alternatively, a large battery could have the capacity to serve a small group homes. The council could enter into An Energy Service Company (ESCo)², buy a storage battery and buy energy at off peak times to sell to the estate. Capital outlay would be expensive and may not be possible with the Council acting alone.

Complications with this system include:

- Possible security of supply should the battery fail
- Reputationally, the Council may not wish to disconnect non-paying tenants
- Battery storage (behind the meter³ or not) should not be considered as the only option

Conclusion

Evidence shows that the housing market is broken due to insufficient homes being built at a rate quick enough to meet the demand of the changing demographics at a local and national level.

Overall the construction industry is reliant on a few large companies who dominate the industry. Insufficient affordable homes are being built and fewer people are able to buy their own homes as the ratio of average house prices to averages earnings

² An Energy Service Company (ESCo) is a commercial structure created specifically to produce, supply and manage the local delivery of decentralised energy to a 'whole site' development. For example, an ESCo can be formed to support a regeneration area, a large residential development, a single commercial initiative such as an office or manufacturing plant, or a hospital or multi-unit development of commercial offices or retail outlets. High initial capital costs can be seen as an obstacle to the provision of decentralised energy.

³ "behind-the-meter" means the energy storage system is installed on the customer's property and on the customer's side of the utility meter. The use of a BTM energy storage system, therefore, can reduce the customer utility bill.

has more than doubled since 1998. The proportion of working families who are homeless has grown in the last five years. It is anticipated that homeless applications will rise by at least 50% as a result of this and the introduction of the Homelessness Reduction Act 2017.

The introduction of Government initiatives such as Welfare Reform and Universal Credit has had an impact as the initial waiting period between submitting a claim and receiving money can be six weeks. This often leads to an increase in the claimant's individual debt and rent arrears.

The number of applicants on the Council's housing register is 6,628 against a housing stock of 20,393 properties.

The tenant's "Right to buy" continues to reduce the number of social house.

The need for single person accommodation is set to rise in the coming years.

One of the ways identified in the Green Paper – A New Deal for Social Housing to assist the growth of the housing market is by building social homes to act as a springboard to home ownership.

There are renewable energy options available to the Council to introduce in to MMC properties, however further consideration needs to be given to the preferred option. Points for consideration include the efficiency of type of energy used, the capital cost of installing new technology/equipment, to prevent possibility of tenants falling into "fuel poverty" and finally and the most difficult is to change behaviours surrounding the use of renewable energy options.

It has been suggested by the Government that a radical rethink is required to reshape the housing market, by:

- Encouraging Councils to plan for the right homes in the right places based on evidence of need
- Building homes faster to make the planning system open and accessible to prevent unnecessary delays in the process
- Diversify the housing market by opening the market to smaller builders and to those who embrace innovative and modern efficient methods
- Supporting housing associations and encouraging local authorities to build again
- Encouraging investment in the private rented sector
- Promoting modular and factory built homes.
- Making it easier for individuals to build their own homes

Summary

A positive outlook from this review is that options have been discussed that if carried out would assist in repairing the broken housing market locally. One solution is to provide new affordable container and modular homes, with renewable, cheaper energy sources, for young people and small families.

The idea of container homes received positive comments from young people who wanted to move in straight away.

There are currently two small MMC pilot projects underway in the Borough which in time will offer learning to support future MMC developments. As with all expenditure made on behalf of the council, value for money needs to be delivered. It is estimated that the cost of one container home is around £37,000. This would be reduced should the Council seek deliver greater numbers of units or if there was to be a guaranteed pipeline of properties.

A quote for consideration.....

“Normal ways of doing things are there to be challenged. If we're going to make life better, we need to try new things”. (Citu Team)

Recommendations

1. That consideration of any learning points identified as part of the RMBC's MMC pilot schemes be used to inform any future MMC housing projects
2. That Housing develops a pilot project of up to 10 pods at various locations throughout the Borough
3. A pilot project of 5 MMC homes for families be developed
4. Develop the option of various energy packages in the MMC properties e.g. solar power and high energy efficiency measures for residents of the Borough whether in social or private rented accommodation
5. That each individual MMC property is monitored to demonstrate capital cost and repairs/maintenance costs over a set period of time to allow practical comparison with traditional built homes.

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