

# **Rotherham Metropolitan Borough Council**

## **Detailed Business Case Housing Income Service Review**

Housing Income Service Review

Version 4

Draft

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Confidential

Prepared by

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# Document Control

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| V4                | 11 April 2016   | Now includes 2015-16 year end performance data for rent collection  |

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# 1 Executive Summary

## Introduction

This detailed business case results from an independently commissioned review of the Housing Income Service and provides recommendations on how the service can be modernised and developed in the future to become best in class.

The timing of this review has allowed for the consideration of a number of externally driven challenges to how the Council collects rent and other charges from its 20,700 tenancies, in order to sustain these tenancies and protect the provision of essential housing and related services.

In the context of the size and complexity of Rotherham MBC the Housing Income Service is a relatively small service area, but one which is responsible for the collection of circa £85 million per annum in rent and other charges due from tenants.

Presently a large proportion of tenants are in receipt of full housing benefit (34%) or partial housing benefit (30%), but many of these have a responsibility to pay charges which housing benefit does not cover, such as a charge for district heating. The actual income due for collection by the service aside from housing benefit is currently set to increase incrementally due to a number of significant challenges for the rented housing sector as a whole.

The main challenge is the Government's continuation in their delivery of austerity measures including the suite of varied Welfare Reforms introduced since April 2013. Rotherham is now experiencing the effects from the nationally phased roll out of Universal Credit replacing other previously paid benefits, and this poses the most significant risk to the effective and timely collection of rent and other charges. This risk will be added to later in 2016 when there will be a further decrease to the 'benefit cap' levels for claimants, which imposes a limit on the total amount of benefits that most people aged 16 to 64 can receive.

While the external environment in which the Housing Income Service sits is changing the strategic objectives for the service and the Rent Collection and Arrears Recovery Policy which underpins its purpose remain valid.

These can be summarised as follows:

- Collect rent promptly from tenants to sustain tenancies
- Maximise Income Collection
- Minimise Bad Debts of tenants as customers.

The service also needs to deliver against appropriate legislation and it has a considerable role in ensuring Council tenants in Rotherham are able to access affordable housing and remain in their homes when they need them and for as long as they need them.

In considering how these strategic objectives can be achieved, and also future proofed, while mitigating the risks of Welfare Reforms and further anticipated austerity measures there is an evidence based requirement to change and modernise the structure and functionality of the Housing Income Service.

In addition to the need for a fresh structure, with additional capacity to deliver improved performance and additional services to tenants in order for them to better sustain their tenancies, the review has highlighted missed opportunities which prevent the service from delivering top quartile performance when compared to others.

Primarily these opportunities when realised would enhance performance and in doing so improve outcomes for tenants, increase the number of ways customers can access the service (in time driving down operating costs) and allow the service to be both modernised and developed.

### **Additional Drivers for Change**

In order to take the service forward to deliver much improved performance and in time become best in class there is a requirement to introduce a number of additional drivers for change. These include a requirement for the service to:-

- Maximise rent and housing income collection in all of its forms, ensuring an improved culture of tenancy compliance,
- Minimise costs by removing waste, increasing low cost payment opportunities and moving towards service access using 'digital by default',
- Deliver excellent customer service in a challenging service environment; recognising the diverse needs of customers and working to sustain their tenancies to enhance community stability across Rotherham.

The proposal for a restructure across Housing Income Services will enable the Council to improve income collection performance and also improve service provision to its tenants as customers.

By working in a more effective way and in taking forward and embracing a wide ranging service development and change management plan, to be delivered in a twin track approach, alongside and beyond the timeline for the restructure proposal, the service will in time have every opportunity to become 'best in class'.

The Housing Income Service at Rotherham MBC is not alone in needing to face up to and overcome the varied policy driven challenges including Universal Credit, or the impact of the under-occupation charge (or 'bedroom tax') which was introduced from April 2013, and which currently affects 15% of the Council's 20,700 tenancies.

It is also worth noting that social housing landlords issued approximately 10,000 (10.35%) fewer claims for possession during 2015 than the previous year, according to government's Ministry of Justice statistics, published on 11 February 2016. An article in Inside Housing commented on this stating 'falling possession claim figures are due to social landlords working more closely with tenants to prevent arrears building up in the face of welfare reform'. The figures also show a drop year-on-year in possession orders granted by courts to social housing landlords of 4.45%.

Improving tenancy support and sustainment, leading to a reduction in evictions would have a number of benefits.

### **Performance and Benchmarking Issues**

In this respect the performance of the service can be measured both internally and externally through benchmarking. Benchmarking is important to any service or business and it provides key comparisons with similar organisations.

To inform this review both the performance and resource analysis of the Housing Income Service have been considered using benchmarking through HouseMark. This has provided a comprehensive overview of rental income and arrears performance measures alongside the costs of collection against organisations in a peer group, which are chosen due to organisational similarities.

In respect of previously reported performance the service appeared to be delivering very favourably in recent years. In 2011-12, following the decision to transfer the management of Council housing back to the Council, the service was restructured to focus on key areas of income collection and arrears prevention and a new financial inclusion team was created. Performance reported at this time was upper quartile nationally with a collection rate of 99.89%.

Rent increases of 9.45% in 2012-13, then 6.19% in 2013-14 increased annual income to the HRA by approximately £11 million. While former tenant arrears increased by 33.5% during this period (April 2012 to April 2014), reported performance remained in the upper or middle quartile against a number of performance indicators.

During 2014-15 another rent increase of 6.57% was approved taking the total value of income collection for the year to £82.5 million. However, despite new initiatives, including a new Rent Collection and Arrears Recovery Policy, the process of collecting one week's 'rent in advance' before all new tenancies commence and new financial affordability checks made with prospective tenants, rent arrears were seen to increase.

In fact between April 2013 and April 2015 current tenants rent arrears increased by 57.6% and the benchmarking of the service for 2014-15 highlighted typically lower quartile performance, with the exception of collection costs and resources, which was top quartile. In summary the service is very low cost in comparison to others; however it has been and is currently delivering poor performance.

Using a bespoke HouseMark benchmarking report, requested to inform this review, performance of the service during 2014-15 for 'rent collected from current and former tenants (excluding arrears brought forward)' compared to 72 other similar organisations was 98.37%, with lower quartile being anything at or below 99.17%. Median (middle) performance was 99.45% and upper quartile performance was 99.76% or more. Rotherham's performance in fact ranked as 67<sup>th</sup> from the 72.

Conversely, using the same comparator group of housing organisations, Rotherham ranked 4<sup>th</sup> of 69 providing data on their direct cost per property for income collection and rent arrears recovery costs. For every 1,000 properties being managed the median number of FTE staff delivering these services from the 69 organisation providing data was 2.08 FTE per 1,000 properties being managed.

Rotherham's resource analysis highlights only 0.8 FTE per 1,000 properties, and some of this resource sits outside of the Housing Income Service for the collection of former tenant arrears as example. It ranks as the 5<sup>th</sup> lowest in respect of resources provided for the service, of the 69 comparator organisations. In considering this median figure the service here would notionally have 43 FTE. There are in fact 20.95 FTE in the wider service (which includes Financial Inclusion / Tenancy Support staff), two of which are temporary additional posts.

In addition to the benchmarking referred to above some further bespoke benchmarking with nine specifically chosen comparator organisations to better understand their service design and functionality, staffing levels and grades as well as their performance against a broad range of data sets was undertaken. Seven of these organisations have provided some, if not all of the requested information.

This has highlighted that for the income collection function the Housing Income Service is greatly under resourced. Where organisations provided the average number of rent arrears cases being managed per FTE in their income collection function, this totalled 275 cases per staff member. Here the average is 725 cases per staff member working in a collection role within the Housing Income Service.

In respect of current performance this has been difficult to measure accurately due to a change in the in house management system, which went live in October 2015. Since this large scale change in IT the reliability of performance information available to management within the service is questionable. Considerable efforts are being made to address and resolve the performance reporting functionality of the new system. However, the Finance (Neighbourhoods) team have been able to ensure accurate year end reporting on the key performance measures. This highlights that in the financial year 2015-16 current tenants rent arrears increased from £2,677,563 to £3,581,388. A one year increase of 33.75%.

One other important point of note in respect of this review relates to the backwards look at performance reporting over previous years, including the time the service was within Rotherham 2010, effectively outside the direct control of the Council.

Work carried out by the Business and Commercial Programme Manager, who became responsible for the service in November 2013, has cast clear doubts on the validity of previously reported performance outcomes. It would appear that the methodology used was inaccurate and this allowed for important factors affecting performance outcomes to be missed, resulting in potentially inflated performance reporting including those indicators previously viewed positively as being top quartile.

The transparency which has now been put in place is refreshing and allows for much clearer benchmarking to be delivered in the future, once the IT issues referred to are resolved.

### **Service Review Methodology**

The full service review methodology is highlighted within section 2.4 of this detailed business case. It has been undertaken using a range of appropriate tools and techniques, including key tasks as follows:

- Desktop review and virtual walk through of policies, procedures and operating systems in place
- Job Shadowing across a number of operational roles
- Structured 'One to One' interviews with all staff in the service, and with numerous internal and external stakeholders
- Review of existing benchmarking and performance information
- Assessment of volumetrics relating to Housing Income Service 'patches'
- Bespoke benchmarking with nine specifically chosen comparator organisations, considering performance, service design, and resources

- Bespoke benchmarking report provided through HouseMark, comparing the service with some 70 other similar housing providers
- Investigation and research to identify transferable best practice, gap analysis and action planning
- Research into any examples of, or opportunities for the outsourcing the service to a third party provider
- Production of a fluid Service Development and Change Management Plan, being built on, to in time deliver 'best in class'
- Options appraisal and analysis for future income service provision with a clear preferred Option and approach identified
- A market assessment of relevant job roles and salary levels
- Evidence based consideration to the required structure for a fresh Housing Income Service.

The detail and findings against each of these review areas has been documented, considered and prioritised accordingly when coming to an informed conclusion on the way in which the service could be redesigned and restructured as a result.

### **The Resulting Business Case for Change**

The options appraisal and analysis detailed in Section 3 tested the merits of where the Housing Income Service should in fact sit in the Council's wider organisational structure, and also if there were other opportunities for the service to be delivered through outsourcing given the Council's commitment to a 'mixed economy' of service provision and delivery.

In summary the four considered options were:

- Option 1: The Potential for Service Outsourcing
- Option 2: Transfer Income Services to Revenues and Benefits
- Option 3: Merging Income Service into Housing and Estates
- Option 4: A Whole Service Restructure Proposal

Consideration of each Option, and where relevant highlighting the potential risks and benefits has resulted in a view that the most appropriate way for the service to be taken forward, improved and restructured, is for it to remain located within the wider Housing and Neighbourhoods Service, in the Adult Care and Housing Directorate.

There are very clear alignments and service touch points particularly with Housing Options together with Housing and Estates which can be further built upon, and where improved future connectivity could be made with both Contract and Service Development and the Housing Strategy and Investment Service (particularly in respect of collecting outstanding Leaseholder service charges). More joined up working in the future and learning from Revenues and Benefits, particularly in respect of delivering online services moving to 'digital by default' is also important.

The review outcomes and resulting proposal is to grow the capacity of the Housing Income Service, and also to add resources to a much clearly defined financial inclusion and tenancy support service, built on the premise of tenancy sustainment.

As highlighted above this business case proposes change to the shape of current services, bringing benefits to the Council, its customers and to its staff.

This business case considers the entire range of functions currently grouped within the Housing Income Service added to with much broadened responsibilities for financial inclusion and the addition of responsibility for the collection of Former Tenant Arrears, presently within the corporate Revenues & Benefits Service.

The business case is for change to: service and staff structures, grades and reporting lines; job tasks and skill requirements; operational practice; and incremental service development and change to become best in class.

This business case has been considered carefully and a full review of functions undertaken which has involved:

- Development of delivery principles and high level outcomes
- Detailing the specific jobs and tasks involved and which roles currently undertake them (traditional methods)
- Challenge of both jobs and tasks against core priorities and delivery principles, considering required outcomes
- Consideration of work flows and volumes against; providing clear customer access arrangements and pathways to appropriate services
- Delivering improved and better targeted customer contact methods and in time delivering more customer opportunities for using 'digital by default'
- Wholesale service redesign; introducing new outcome focussed job roles, removing waste and reducing customer failure demand.

The business case also sets out the need for some degree of culture change across the wider housing service. It is widely accepted that the environment in which local government operates has transformed over recent times, and it is equally true that the world of 'housing' is facing up to similar challenges and change. Many housing organisations are moving towards an approach best expressed as 'Commercial Mind-Social Heart'<sup>1</sup>.

Furthermore, benefits in the sector are being achieved through the use of customer insight practices and more recently 'nudge theory'<sup>2</sup> which can be added to across housing services in order to deliver a more consistent message on tenancy compliance and tenant responsibility. This is an important message and one which will require senior management agreement and the buy in from other teams and services.

The revised and refreshed Housing Income Service has been designed to reflect current thinking in the field and built upon a set of principles which encompass contemporary operational practices and in placing the customer at the heart of the service, despite the service having the ability to deliver life changing sanctions.

The design of the service will require revised or new job roles in nearly all service areas which are in place presently. The proposal recommends a 'flatter, leaner management structure', which reduces the vertical nature of several layers of

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<sup>1</sup> Richardson et al (2014), Frontline Futures : New era, changing role for housing officers, CIH and Wheatley Group

<sup>2</sup> R.Thacker and C.Sunstein (2008) Nudge, Penguin Books

management and which in the future puts 70% of budget provision into front line service delivery, and 30% into management costs.

This is a significant change to the current arrangements which sees the split between management costs of 47% and front line service costs of 53%; which is proving in reality to be neither effective, or value for money given current performance outputs.

The additional benefit to the Council of this revised, flatter and leaner management structure will be to bring the Business and Commercial Programme Manager, as the senior manager responsible for the strategic direction and development of the service, much closer to what is being delivered operationally.

This will allow the post holder to see results, barriers and importantly influence and shape the service culture and motivational drivers in what will be a fresh, more coherent and outcome focussed Housing Income Service.

### **A New Housing Income Service and Resulting Benefits**

The review has highlighted a clear need for organisational, structural and cultural change to the Housing Income Service, and in some respects to the broader culture within the wider housing service, as previously highlighted. The existing and proposed structure charts are included as **Appendix 1 and Appendix 2**.

There are clear benefits which will be achieved by delivering a new service with new roles, improved and more efficient operating processes and in an environment which has a flatter, leaner management structure.

It should be noted also that the current operating arrangements, where the service is typically delivered between 08.30 and 17.30, Monday to Friday is outdated and does not create a platform to be best in class.

Many organisations have recognised this and offer service access which reflects their wider customer base; targeting opportunities for customers to access the service in the early evening midweek to 20.00, and also on Saturdays, often between 09.30 and 13.30. The proposal will include a number of appropriate job roles which meet such an aspiration for extended service access. Advice has been taken from Human Resources which highlights that this will have a small budget implication relating to non-standard hours of work for Saturdays where time and a quarter is paid.

#### **a) A Refocused Housing Income Recovery Service**

The proposal will deliver a refocused Housing Income Recovery Service, restructured and very specifically focussed on maximising housing income in all of its forms, with a joining up of responsibility for the collection of both current and former tenants rent arrears (FTA), which are split presently. The current structure (**Appendix 1**) is not fit for purpose, nor does it have the required capacity to deliver against its strategic and operational objectives.

An enhanced Income Recovery Team Leader position will provide operational leadership to the team, reporting directly to the Business and Commercial Programme Manager to deliver a flatter, leaner management structure. They will be supported in delivering sustained service development and change by a two year time limited Income Recovery Service Development Officer who will also provide the IT team with a first point of contact for the resolution of Civica (IHMS) issues.

A new role of Area Income Recovery Co-ordinator will provide senior officer capacity and deliver the co-ordination and management of all income recovery activity in three newly defined geographical areas. These three area teams (North, South and Central) will be co-terminus with the three areas established and in place for Housing and Estates; resulting in enhanced working arrangements and improved 'housing service' co-ordination.

Importantly they will be responsible for the consistent delivery and monitoring of income recovery activities, including the checking of court applications to ensure a balanced approach to enforcement and tenancy support work has been applied.

Income Recovery Officers, working in the three new area teams, will have a role which includes managing rent arrears cases on their own patch, up to the time where court action is required, drafting the application themselves. They will also be equipped and empowered to offer low level tenancy support interventions to every tenant they work with. In moving forward with this proposal for change it should be noted that the offer and provision of some degree of tenancy support will be built into every income recovery job role in the new service.

By including the responsibility for both garage and former tenants rent arrears, income recovery staff will have an increased view of the customer's total housing indebtedness. Income Recovery Officers will have patch based, tenure blind responsibility (including in Borough FTA cases) for delivering home visits and customer contacts to recover this and all other housing related debts.

The officer / rent arrears case ratio within the service will reduce from 725 to 500 but it anticipated this ratio would reduce further due to the increase in resources and revised operating processes. Three of the 14 Income Recovery Officer positions will be temporary (2 year fixed term contracts) to allow for some flexibility in the future.

There will be an enhanced telephony offer resulting in reduced customer failure demand and improved outcomes with direct telephone contact being promoted on correspondence as opposed to that of the corporate contact centre.

A new small Specialist Income Recovery and Court Team will represent RMBC at Court hearings in place of Legal Services, for the majority of cases. This team will also have responsibility for the income generating take up of low cost tenant's home contents insurance, district heating administration (totalling £840k pa) and the co-ordination of collection opportunities for former tenant's arrears. This team will in the future also co-ordinate the collection of outstanding Leaseholder service charges. This will be dependent on the development of new procedures for this purpose, which is being moved forward in a separate Leasehold service improvement plan.

#### **b) Financial Inclusion Team becoming Financial Inclusion and Tenancy Support Service**

There will also be a new and better equipped Financial Inclusion and Tenancy Support Service, which will have a broader responsibility for delivering the Council's, soon to be adopted, Financial Inclusion Strategy. Again, the current structure (**Appendix 1**) is not fit for purpose, nor does it have the required capacity to deliver against its strategic and operational objectives.

The service will be resourced to have the capacity to develop and deliver the practical interventions and projects which will under-pin this strategy and resulting action plan, and deliver against its ambitions.

An enhanced Financial Inclusion Team Leader position will provide operational leadership to the team, reporting directly to the Business and Commercial Programme Manager to deliver a flatter, leaner management structure. They will have lead officer responsibility for the Financial Inclusion Strategy and resulting projects and interventions, as well as and the provision of pre-tenancy advice and support, together with the overall tenancy support offer to Council tenants.

A Financial Inclusion Co-ordinator will provide capacity and be equipped to better monitor and prepare for the future impact of welfare reforms, including the wider roll out of Universal Credit, and forthcoming benefit tapers and a lower benefit cap. They will deliver targeted interventions and projects to increase financial inclusion in the Borough.

Also, within the service will be a 'Pre-Tenancy, advice and support team' focussed on the delivery of timely 'pre-tenancy' interventions, with more in depth affordability assessments being undertaken at the application, verification and offer stage of the housing options process. If agreed this function would move from Housing Options, who are also responsible for the relet time performance target, which may inadvertently create some degree of conflict of interest in this respect.

The outcomes from these more robust and independent assessments would be used pro-actively to traffic light any risks and then deliver appropriate support to ensure that offers of Council tenancies are evidenced as being affordable. Staff in this team will also monitor and liaise with all new tenants, and other staff in the Housing Income Service, for the first eight weeks; the period it should take for Housing Benefit or Universal Credit to be paid and rent payment arrangements to be established.

The current capacity of one permanent and two temporary Intervention and Advice Officers is inadequate for a Borough as large as Rotherham. A new larger team of six retitled Tenancy Support Officers, working under the ethos and guidance of a new Tenancy Support Co-ordinator will have the capacity to 'get in early' and make a real difference. Their primary focus will relate to tenancy sustainment, they will also be trained and empowered to take rent payments and establish payment arrangements. They will have clear links to specialist support providers, and refer on if required.

### **Resulting Benefits from the New Housing Income Service**

The recommended approach delivered by this proposal for change will have numerous benefits and anticipated outcomes. While a full listing is included in section 4.2, these include 'key benefits' summarised below:

- Modernising the relationship with tenants, creating a payment culture as well as a 'something for something' culture across all housing services
- Extending service access times to include staff working on a rota basis during early evenings midweek and a half day on Saturday's, while also promoting 'channel shift' for standard customer enquiries
- Ensuring tenants, as customers have a much clearer pathway to housing income and financial inclusion / tenancy support services

- Delivery of a new Housing Income Service, which has a single and complete view of a customer's overall housing debts
- Working to an ethos of 'get in early' and making 'every contact count' in order to drive up performance<sup>3</sup>
- Performance targets introduced which are clear, used to drive increased performance, support improved customer expectations while optimising income available from the asset
- Better use of customer insight and business intelligence to focus work priorities and drive up performance
- Develop 'nudge' theories and practices to improve outcomes for both the customer and the Council
- Much improved pre-tenancy affordability checks, at point of verification onto the housing register and at the offer stage, to identify and action any risks, in order to ensure tenancy compliance from the onset
- Offer an improved tenancy support package with much earlier interventions designed to meet demand from a broader range of customers in need
- Develop targeted interventions for financial inclusion, which add value to end users, and which focus on maximising benefit take up and minimising debts
- Mitigating the risk of the suite of Welfare Reforms and policy changes, particularly Universal Credit, by ensuring housing income and financial inclusion staff have a full circle picture of tenants (as customers)
- To improve the Housing Income and Financial Inclusion / Tenancy Support Service offer to tenants as customers and improve outcomes for the Council.

The new way of working will result in the delivery against the aforementioned drivers for change as highlighted earlier, in order to:-

- Maximise rent and housing income collection in all of its forms, ensuring an improved culture of tenancy compliance,
- Minimise costs by removing waste, increasing low cost payment opportunities and moving towards service access using 'digital by default',
- Deliver excellent customer service in a challenging service environment; recognising the diverse needs of customers and working to sustain their tenancies to enhance community stability across Rotherham.

Given the issues raised in the review there is a great opportunity to significantly change and improve the way this work is delivered in the future by realigning housing income recovery and rent arrears management, ensuring it is more closely aligned to a financial inclusion and tenancy support service which together create a fresh and fit for purpose Housing Income Service. In redesigning the delivery of this function there is the potential to create far greater accountability for performance as well as better targeting enhanced resources in a manner which will deliver improved outcomes.

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<sup>3</sup> To target activity that increases accountability and responsibility, reduces spend whilst maximising income (tackling rent arrears early, identify and action tenant damage and rechargeable repairs, maximising tenancy sustainment) and improving tenancy compliance.

As highlighted earlier across the wider housing service there are some messages which are not being delivered consistently which is resulting in 'lost opportunities', in changing and challenging tenant behaviours.

Overall these impact on the ability to bring in rent and other charges, enabling tenancies to be sustained. The wider housing service needs to adopt the consistent delivery of messages to tenants, use enhanced customer / tenant insight and introduce nudge theory in order to improve and reinforce tenancy conditions, working towards increasing the culture of tenancy compliance and tenant responsibility. This in time will modernise the relationship with tenants creating a payment culture as well as a 'something for something' culture across all housing services.

The proposals contained within this business case do not at this stage rely upon the introduction of mobile IT or any further significant changes to the current IT system, which remains in development.

### **Financial and Human Resources Implications**

The Housing Income Service has annual staffing costs (*including on-costs etc.*) for the financial year 2016-17 of £671,500; this has been calculated by Finance assuming a 1% annual pay award.

This total does not include the total (1FTE) salary costs for the Business and Commercial Programme Manager, £75,566 including on-costs. Presently 30% of this post holder's time is spent on housing income related work, totalling £22,670. Together these staff costs for 2016-17 total £694,170.

A number of current post holders are not yet at the top of their grades which has an impact on the current total. The figures presented below are based on the payment of salaries at the top of their respective scales in order to highlight the maximum financial impact of the proposal.

In summary the proposed restructure, in respect of 'year on year' staff costs requires initial revenue growth for the new Housing Income Service of £608,237.

The proposal includes a total of £125,411 of temporary capacity, covering four new, time limited posts, included in order to build in income recovery capacity at a time when evidence highlights it is most needed, together with one time limited resource to take forward medium term service development in a project managed way. Should this temporary capacity not be required after two years the annual growth in staff costs for the new Housing Income Service would in fact be £482,826.

Please refer to **Appendix 3** for a full breakdown of Proposed and Existing Staff Costings referred to above.

Given the proposal recommends for a much larger team, there will be additional overhead costs in respect of SLA's recharges for support services including IT, HR and Payroll. An additional 8 desk spaces in Riverside House will be required, costing c. £39,240 p.a. and the service will require additional IT equipment etc. From a wider Council perspective this may be seen as an opportunity, particularly given the cost pressures on the General Fund, and the likely continuation of reducing staffing levels across General Fund activities.

Further costs associated with delivering the proposal, including any resulting one off redundancy, pension release costs, or pay protection arrangements will need to be considered if this proposal is agreed in principle.

The funding for the service comes entirely from the Housing Revenue Account. There is no General Fund budget provision and any implications to the General Fund are related to increased payments for office accommodation and support service SLA's etc.

There is proposed budget growth required to deliver the restructure proposal and the impact of this will need to be fully considered in respect of the HRA Business Plan.

The expansion of the team is proposed to increase cash collection by approximately £933,000 per year. As a consequence there will be a reduction in bad debt provision of circa £93,000 per year for current tenant arrears. It is proposed the additional costs in Year1 of circa £308,000 (with implementation from September 2016) will be managed via monthly monitoring of cost pressures and savings to the HRA. Historically the HRA has generated significant surpluses against approved budgets for the past 4-5 years. It is proposed these savings are used to fund the Year1 implementation costs. Thereafter costs will be factored into the HRA Business Plan.

However these overall proposed budget increases can be ameliorated in a number of ways:

- a) The Housing Income Service had lower quartile performance for rent collection during 2014-15 when comparator data was last available. For rent collected from current and former tenants (excluding arrears brought forward) this totalled 98.37%. For the year 2015-16 a slightly lower amount of 98.05% has been collected. The restructure allows for just below median level resources. This should ensure that income collection performance improves to at least a median level, which for 2014-15 was 99.45%. If performance to this median level during 2014-15 had occurred this would have generated an additional £932,966 of income. In considering this modelling moving forward the proposal is self-financing and should also generate additional HRA income.
- b) By removing c. £40,000 funding per annum currently provided to the Revenue's service for the collection of Former Tenant Arrears. The relevant Service Development Manager in Revenues and Benefits has been consulted on this proposal.
- c) By removing c. £40,000 (£37,963 overrun for 2015-16) funding per annum currently provided to Legal Services to pay for 1 FTE to check and submit applications for possession proceedings and also in routinely attending court during all such proceedings on behalf of RMBC. The post holder delivering this role retired from the Council during March 2016 and temporary arrangements are in place, pending the outcome of the review.
- d) By varying the arrangements in place with the Customer Contact Centre who currently receive first point of contact enquiries from tenants sent rent recovery letters in the early stages of the recovery process. This element of the proposal has not yet been consulted on.

While the proposal highlights the requirement for significant growth, this constitutes the minimum resource required after an internal assessment of workload considering volumetrics where available, added to with benchmarking resource levels with peers.

The number of staff delivering this broad area of income recovery and financial inclusion activity would be set at just below the median of comparator organisations, which would if realised see a service with 43 FTE. The proposal recommends 40.8 FTE, of which 4 FTE would be temporary allowing for some degree of flexibility moving forward.

The proposal will provide the required capacity in the service to bring in more rent / deal effectively with arrears, and deliver robust tenancy support and financial inclusion services. The overall result will be to increase housing income collected by the Council and aim to sustain more tenancies which would in turn reduce void costs and the loss of rental income. This would also positively impact on community stability in the Borough.

However the extent of the impact which Universal Credit will have on rent collection performance remains estimated in Rotherham and across the social housing sector. The service development plan will include a range of systems and process changes focused on maximising rent collection from tenants moving to Universal Credit from other welfare benefits, and then being responsible for paying their rent instead of this being paid by Housing Benefit.

The success of this work and the overall change and restructure programme will be considered as part of a 12 and 18 month post implementation review. This will be carried out to ensure resources have been allocated appropriately, or whether due to any significant variation on performance Universal Credit has there is a need for further staffing proposals. Anticipated performance outputs and benefits across all housing income collection functions will also be reviewed to see if these have been achieved.

In relation to People, and Human Resources issues, the proposals will affect 25 staff (20.95 FTE) currently employed in the Housing Income Team, across both sections, those being Housing Income and Financial Inclusion.

This includes the Business and Commercial Programme Manager post, given they will need to have more operational involvement with the service. Of the 25 staff, three are either employed within the service on a temporary basis or employed through an agency and will not be affected in the same way.

In the proposed new structure there are a total of 36.8 Permanent FTE positions; (including 2 part time posts totalling 1.3 FTE). This is a net growth of 15.85 FTE. In addition, the proposal includes for 4 Temporary (2 year fixed term contracts) positions within the service to allow for some degree of flexibility in moving forward.

The proposal will affect all of the staff employed in the current service in some way, although in some cases this may only be revised reporting arrangements. All existing job roles will be subject to a detailed review, and will be redesigned or removed from the establishment, with new job roles also created.

A number of posts in the existing structure will be proposed for deletion from the establishment. Initial consideration to the new job / person profiles required means that it is not currently anticipated these posts will assimilate into new positions within

the new structure. These job / person profiles will need to be fully developed before being subject to both job evaluation and an assimilation exercise.

This means that there is the potential for a number of redundancies.

These posts in the current structure proposed for deletion are listed as follows:

| Current Post                | Number of Posts | Number of People   | Grade  |
|-----------------------------|-----------------|--------------------|--------|
| Housing Income Manager      | 1               | 1                  | Band L |
| Housing Income Team Leader  | 1               | 1                  | Band H |
| Financial Inclusion Manager | 1               | 1                  | Band I |
| Senior Income Officer       | 5               | 5                  | Band H |
| Income Officer              | 7               | 10* (8 permanent)  | Band F |
| Totals                      | 15              | 18* (16 permanent) |        |

\*Note: Two FTE Income Officer Posts are covered by agency or temporary staff, so a maximum of 16 permanent staff could be placed 'at risk'.

However, given the proposed growth for the service overall there will be a number of new positions available to affected staff through a competitive, competency based selection process. A small number of roles will not change, or change in a minor way which will make it likely that existing staff will assimilate to them.

Costs of the Housing Income Service have been considered against similar housing organisations (and through HouseMark). This revealed that whilst the Council's performance against key performance indicators was less than comparators, the service was compared as very 'low cost'.

All job / person profiles will be rewritten and then evaluated to establish the detailed staffing costs (subject to formal consultation). Comparisons have been drawn with the current recruitment market to confirm that potential grades for proposed new roles in the structure are in line with the median in respect of market expectations.

As highlighted earlier, many organisations provide service access which reflects their wider customer base; offering access in the early evening midweek up to 20.00, and also on Saturdays, often between 09.30 and 13.30.

The proposal will include a number of appropriate job roles which meet such an aspiration for extended service access. Advice has been taken from Human Resources which highlights that this will have a small budget implication relating to non-standard hours of work for Saturdays where time and a quarter is paid.

The review has taken account of an amount of work in collecting Former Tenant Arrears, which will migrate from the central Revenues Service to the new Housing Income Service. This establishes a 'full service approach' to housing income collection and more clearly reflects the required role for the service, as well as improving accountability for performance against a number of important Key Performance Indicators.

## **Detailed Recommendations**

This restructure provides for a new approach for the Council in delivering its Housing Income Service, although the proposal includes operating models and practices which are well established across other social housing providers including both Local Authorities and Housing Associations.

The key recommendations are:-

1. Implement the changes to the staff structure as outlined in this report.
2. Recognise that the proposal requires the deletion of a number of current job roles from the existing establishment, which will place affected staff at risk of redundancy. There will however be opportunities for staff affected in this way to apply for new positions, but these may be on lower grades. Salary protection arrangements in line with Council policy would then apply.
3. To note that for some staff, conditions of employment will need to be altered to align with new ways of working (i.e. operating hours which better meet the needs of customers).
4. Taking into account the provision of a suite of new job roles, fresh job profiles will be produced which will all then require job evaluation.
5. Indicative assimilations (job matching) will need to be considered in due course to inform the financial implications.
6. Recognise that as there are more positions in the proposed structure than current staff there will be potential job opportunities, in respect of some posts, for Council staff in the Talent Pool, at risk of redundancy due to the implementation of other restructures.
7. To carry out a 12 month and 18 month post implementation review in order to ensure resources have been allocated appropriately and anticipated outputs and benefits have been achieved or exceeded.
8. To approve the indicative timeline further and note the next steps towards implementation.

## 2 Housing Income Service Review

### 2.1 Introduction and Current Service Provision

#### Introduction

This detailed business case results from an independently commissioned review of the Housing Income Service and provides recommendations on how the service can be modernised and developed in the future to become best in class.

The timing of this review has allowed for the consideration of a number of externally driven challenges to how the Council collects rent and other charges from its 20,700 tenancies, in order to sustain these tenancies and protect the provision of essential housing and related services.

In the context of the size and complexity of Rotherham MBC the Housing Income Service is a relatively small service area, but one which is responsible for the collection of circa £85 million per annum in rent and other charges due from tenants.

Presently a large proportion of tenants are in receipt of full housing benefit (34%) or partial housing benefit (30%), but many of these have a responsibility to pay charges which housing benefit does not cover, such as a charge for district heating. The actual income due for collection by the service aside from housing benefit is currently set to increase incrementally due to a number of significant challenges for the rented housing sector as a whole.

The main challenge is the Government's continuation in their delivery of austerity measures including the suite of varied Welfare Reforms introduced since April 2013. Rotherham is now experiencing the effects from the nationally phased roll out of Universal Credit replacing other previously paid benefits, and this poses the most significant risk to the effective and timely collection of rent and other charges. This risk will be added to later in 2016 when there will be a further decrease to the 'benefit cap' levels for claimants, which imposes a limit on the total amount of benefits that most people aged 16 to 64 can receive.

While the external environment in which the Housing Income Service sits is changing the strategic objectives for the service and the Rent Collection and Arrears Recovery Policy which underpins its purpose remain valid.

These can be summarised as follows:

- Collect rent promptly from tenants to sustain tenancies
- Maximise Income Collection
- Minimise Bad Debts of tenants as customers.

The service also needs to deliver against appropriate legislation and it has a considerable role in ensuring Council tenants in Rotherham are able to access affordable housing and remain in their homes when they need them and for as long as they need them.

It is also worth noting that social housing landlords issued 10,000 (10.35%) fewer claims for possession during 2015 than the previous year, according to government's Ministry of Justice statistics, published on 11 February 2016. An article in Inside

Housing commented on this stating 'falling possession claim figures are due to social landlords working more closely with tenants to prevent arrears building up in the face of welfare reform'. The figures also show a drop year-on-year in possession orders granted by courts to social housing landlords of 4.45%. Improving tenancy support and sustainment, leading to a reduction in evictions would have a number of benefits.

In considering how these strategic objectives can be achieved, and also future proofed, while mitigating the risks of Welfare Reforms and further anticipated austerity measures there is an evidence based requirement to change and modernise the structure and functionality of the Housing Income Service.

In addition to the need for a fresh structure, with additional capacity to deliver improved performance and additional services to tenants in order for them to better sustain their tenancies, the review has highlighted missed opportunities which prevent the service from delivering top quartile performance when compared to others.

Primarily these opportunities when realised would enhance performance and in doing so improve outcomes for tenants, increase the number of ways customers can access the service (in time driving down operating costs) and allow the service to be modernised and developed.

### **The Current Housing Income Team**

The Council has a stock of c.20,700 and has short term plans to deliver some additional stock through effective investment as detailed within the HRA Business Plan. Due to the 'rent reduction' agreed in the summer 2015 Budget, there may not be the ability to add more Council stock from 2018-19.

In 2011-12, following the decision to transfer the management of Council housing back to the Council, the Housing Income Service was restructured to focus on key areas of income collection and arrears prevention and a new financial inclusion team was created. Both of these teams are the responsibility of the Housing Income Manager.

The Housing Income Team delivers income collection (primarily rent collection and rent arrears recovery) for those tenants who fall into and remain in rent arrears. Presently this totals 51.38% of tenants, who have some level of rent arrears, which equates to 10,624 actual cases (as at 17 March 2016). This is a far higher percentage of tenants in rent arrears to specifically benchmarked peer organisations, who have reported a median of 33.8%, which is a concern.

There is a one on one reporting arrangement for the Housing Income Manager to the Business and Commercial Programme Manager who provides strategic direction and development of the service. Under the Housing Income Manager, who also manages the Financial Inclusion Team, there are 17 staff which equates to 14 FTE.

The number of staff in the service is critically low and this impacts on the capacity available to effectively manage the larger than average number of rent arrears cases. Where specifically benchmarked peer organisations provided the average number of rent arrears cases being managed per FTE in their income collection function, this totalled 275 cases per staff member.

Here the average is 725 cases per member of staff, factoring in 50% of the Housing Income Manager post, and 15% of the Business and Commercial Programme Manager post. Even taking this in isolation to the other performance and benchmarking data highlighted in section 2.3 below, this poses a real concern.

The current staffing structure is highlighted in **Appendix 1**.

Current posts are as follows. Note the \*Housing Income Manager post is responsible for both the housing income and financial inclusion teams.

| Current Post                 | Number of Posts | Number of People | Grade  |
|------------------------------|-----------------|------------------|--------|
| Housing Income Manager*      | 1               | 1                | Band L |
| Housing Income Team Leader   | 1               | 1                | Band H |
| Senior Income Officer        | 5               | 5                | Band H |
| Income Officer               | 7               | 10               | Band F |
| Housing Income Assistant     | 1               | 1                | Band D |
| <b>Total number of posts</b> | <b>15 FTE</b>   | <b>18</b>        |        |

There are four temporary appointments to posts within the team, although two of these staff have substantive positions elsewhere within the service. Another member of the team has a temporary position within the financial inclusion team, but their substantive position is that of Income Officer. One member of staff is on a RMBC temporary contract and another is covering a vacancy through a recruitment agency arrangement.

The Housing Income Team Leader reports to the Housing Income Manager, and has five direct reports. These five Senior Income Officers have responsibility for a patch, or area of the Borough.

The Senior Income Officers become involved in the management of rent arrears cases at a point where the level of rent arrears and potential for legal action, including possession proceedings through the courts becomes necessary. Up until this point the case will have been managed solely by the Income Officer reporting to the senior in their own patch / area based team.

By default this process means that cases reach a critical level before the most knowledgeable and experienced operational officers in the current Housing Income Service structure become involved. The senior then manages the case, creating a new, previously unknown RMBC officer contact (relationship) for the tenant, at a time when they are potentially at risk of losing their home.

Reporting into the five Senior Income Officer roles are 7 FTE Income Officers; so typically there are 1.5FTE reporting to each senior officer post, which adds to the vertical structure of the service. Income Officers manage a work tray of cases in rent arrears to a point when legal action, or possession proceedings appear warranted and a hand off of the case to the Senior Income Officer then occurs. They also manage garage arrears within their defined area. The ratio of Income Officers to arrears cases is excessive and fundamentally needs to, and will be, addressed as part of this review.

One Housing Income Assistant provides administrative support to the wider team, and provides reports across a variety of work activity, ranging from introductory tenancies becoming secure, to issues relating to direct debit transactions etc.

Of note is that feedback from staff during one to one sessions has highlighted that many feel that the management arrangements are not fit for purpose. Staff described the service as being “managerially top heavy” with “a lot of layers of management in senior positions”.

### **The Current Financial Inclusion Team**

As previously referred to a restructure in 2011-12 delivered a new Financial Inclusion Team, which sits under the Housing Income Manager. The current staffing structure of the service is again highlighted in **Appendix 1**.

Current posts are as follows:

| Current Post  | Number of Posts | Grade  |
|---|-----------------|--------|
| Financial Inclusion Manager   | 1               | Band H |
| Intervention and Advice Officer                                     | 1               | Band G |
| Intervention and Advice Officer<br><i>(Temporary, Time Limited)</i> | 2               | Band G |
| District Heating Administrator                                      | 0.65            | Band E |
| Financial Inclusion Assistant                                       | 1               | Band D |
| <b>Total number of posts</b>  | <b>5.65 FTE</b> |        |

There are 3.65 FTE on the permanent establishment and 2 FTE temporary staff, making 5.65 FTE in total. This alone suggests that the service is greatly under-resourced, particularly as the 1.65 FTE positions deliver back office functions.

A Financial Inclusion Manager (*note the title includes manager, but the grade of this post is lower than the Housing Income Team Leader, which appears inequitable*) is responsible for policy development and action planning, and also co-ordinates the work of the team to provide tenancy support to those Council tenants who are experiencing financial difficulties and who are in the main referred to the team by income staff.

Tenancy Support activity is presently provided by one permanent Intervention and Advice Officer (who is funded from Furnished Homes income, prior to any funds being transferred to General Fund) and two recently appointed temporary Intervention and Advice Officers, making three in total. It is clear from benchmarking feedback and discussions with staff in a number of sections that this is not a sufficient resource to deliver effectively against this clearly important function.

The financial inclusion service is also responsible for the administration of over 1,100 Council tenancies which have a district heating charge applied to them, where their heating source is delivered through a communal heating scheme.

One District Heating Administrator (0.65FTE) has seen their hours reduce as requested from the original 1 FTE post, but without any backfilling of the resulting part time hours. Given the scale of the income generated from district heating

charges applied to tenants (c.£840,000 pa) and added to by the technical nature of the work required, this appears to present a risk to the service, in that there is limited capacity and the knowledge of this post holder is locked to them and no one else.

One Financial Inclusion Assistant provides administrative support to the team, and also has a responsibility for the administration of the Council's low cost home contents insurance scheme offered to Council tenants and Leaseholders. This scheme generates commission totalling on average £25,000 pa but could be better promoted.

In respect of the roles for district heating and tenant's insurance administration, these would appear to sit better moving forward within a specialist income recovery team within the Housing Income Service, as they are more aligned to income recovery and income generation, than financial inclusion and tenancy support.

## **2.2 Drivers for Change and Objectives**

While the external environment in which the Housing Income Service sits is changing the strategic objectives for the service and the rent collection and arrears recovery policy which underpins its purpose remain valid.

These can be summarised as follows:

- Collect rent promptly from tenants to sustain tenancies
- Maximise Income Collection
- Minimise Bad Debts of tenants as customers.

The service also needs to deliver against appropriate legislation and it has a considerable role in ensuring Council tenants in Rotherham are able to access affordable housing and remain in their homes when they need them and for as long as they need them.

In order to take the service forward to deliver much improved performance and in time become best in class there is a requirement to introduce a number of additional drivers for change. These include a requirement for the service to:-

- Maximise rent and housing income collection in all of its forms, ensuring an improved culture of tenancy compliance,
- Improve performance outcomes against a range of KPI's, working towards top quartile performance when compared against peers,
- Minimise costs by removing waste, increasing low cost payment opportunities and moving towards service access using 'digital by default',
- Deliver excellent customer service in a challenging service environment; recognising the diverse needs of customers and working to sustain their tenancies to enhance community stability across Rotherham,
- Ensuring consistent messages to tenants in order to create an improved culture of tenancy compliance, developing the ethos of 'something for something,'
- Using effective pre-tenancy advice, support and checking for clear evidence of tenancy affordability prior to an offer of Council accommodation being made,

- Support those customers experiencing significant change due to Welfare Reform, including Universal Credit claimants.

The proposal for a restructure across Housing Income Services will enable the Council to improve income collection performance and also improve service provision to its tenants, as customers.

By working in a more effective way and in taking forward and embracing a wide ranging service development and change management plan, to be delivered in a twin track approach alongside and beyond the timeline for the restructure proposal, the service will in time have every opportunity to become 'best in class'.

### **2.3 Service Benchmarking and Performance**

In this respect the performance of the service can be measured both internally and externally through benchmarking. Benchmarking is important to any service or business and it provides key comparisons with similar organisations, enabling understanding of strengths and weaknesses and underpinning an evidenced based approach to resource allocation, cost reduction or growth requirements and target setting.

In social housing, particularly around the landlord functions, competition and competitive advantage is less of an issue; but understanding differences and identifying areas for improvement are crucial areas where effective benchmarking can assist.

To inform this review both the performance and resource analysis of the Housing Income Service have been considered using benchmarking through HouseMark, a nationally recognised and long standing organisation specialising in the social housing sector. This has provided a comprehensive overview of rental income and arrears performance measures alongside the costs of collection against organisations in a peer group, which are chosen due to organisational similarities.

In respect of previously reported performance the service appeared to be delivering very favourably in recent years. In 2011-12 the decision was made to transfer the management of Council housing back to the Council, ending the Rotherham 2010 (ALMO) contract. Performance at this time was reported as upper quartile nationally, with a collection rate of 99.89%.

Rent increases of 9.45% in 2012-13, then 6.19% in 2013-14 increased annual income to the HRA by approximately £11 million. While former tenant arrears increased by 33.5% during this period (April 2012 to April 2014), reported performance remained in the upper or middle quartile against a number of performance indicators.

During 2014-15 another rent increase of 6.57% was approved taking the total value of income collection for the year to £82.5 million. However, despite new initiatives, including a new Rent Collection and Arrears Recovery Policy, the process of collecting one week's 'rent in advance' before all new tenancies commence and new financial affordability checks made with prospective tenants, rent arrears were seen to increase.

In fact between April 2013 and April 2015 current tenants rent arrears increased by 57.6% and the benchmarking of the service for 2014-15 highlighted typically lower

quartile performance, with the exception of collection costs and resources, which was top quartile. In summary the service is very low cost in comparison to others; however it has been and is currently delivering poor performance.

Using a bespoke HouseMark benchmarking report requested to inform this review Rotherham's performance for 'rent collected from current and former tenants (excluding arrears brought forward)' compared to 72 other similar organisations for 2014-15 was 98.37%, with lower quartile being anything at or below 99.17%. Median (middle) performance was 99.45% and upper quartile performance was 99.76% or more. Rotherham's performance in fact ranked as 67<sup>th</sup> from the 72.

Conversely, using the same comparator group of housing organisations, Rotherham ranked 4<sup>th</sup> of 69 providing data on their direct cost per property for rent collection and rent arrears recovery costs. For every 1,000 properties being managed the median number of FTE staff delivering these services from the 69 organisation providing data was 2.08 FTE per 1,000 properties being managed.

Rotherham's resource analysis highlights only 0.8 FTE per 1,000 properties, and some of this resource sits outside of the Housing Income Service for the collection of former tenant arrears as example. It ranks as the 5<sup>th</sup> lowest in respect of resources provided for the service, of the 69 comparator organisations. In considering this median figure the service would notionally have 43 FTE. There are in fact 20.95 FTE in the wider service (which includes Financial Inclusion / Tenancy Support staff), two of which are temporary additional posts.

In addition to the benchmarking referred to above some further bespoke benchmarking with nine specifically chosen comparator organisations to better understand their service design, staffing levels as well as their performance against a broad range of data sets was undertaken. Seven of these organisations have provided some, if not all of the requested information.

This has highlighted that for the income collection function the Housing Income Service is greatly under resourced. Where organisations provided the average number of rent arrears cases being managed per FTE in their income collection function, this totalled 275 cases per staff member. Here the average is 725 cases per staff member working in a collection role within the Housing Income Service.

In respect of current performance this has been difficult to measure accurately due to a change in the in house management system, which went live in October 2015. Since this large scale change in IT the reliability of performance information available to management within the service is questionable. Considerable efforts are being made to address and resolve the performance reporting functionality of the new system. However, the Finance (Neighbourhoods) team have been able to ensure accurate year end reporting on the key performance measures. This highlights that in the financial year 2015-16 current tenants rent arrears increased from £2,677,563 to £3,581,388. A one year increase of 33.75%.

One other important point of note in respect of this review relates to the backwards look at performance reporting over previous years, including the time the service was within Rotherham 2010, effectively outside the direct control of the Council.

Work carried out by the Business and Commercial Programme Manager, who became responsible for the service in November 2013, has cast clear doubts on the

validity of previously reported performance outcomes. It would appear that the methodology used was inaccurate and this allowed for important factors affecting performance outcomes to be missed, resulting in potentially inflated performance reporting including those indicators those indicators previously viewed positively as being top quartile.

The transparency which has now been put in place is refreshing and allows for much cleared benchmarking to be delivered in the future, once the IT issues referred to are resolved.

## **2.4 Service Review Methodology and Key Findings**

The independent review of the housing income service was commissioned by the Business and Commercial Programme Manager, and was endorsed by the Assistant Director, Housing and Neighbourhood Services.

This commission resulted in the appointment of the Interim Project Manager, Housing Rents and Revenues Service Development, who commenced a 12 week project to deliver this independent review between 11 January 2016 and 1 April 2016.

A workplan for the Interim Project Manager was provided by Business and Commercial Programme Manager (the project sponsor and client) highlighting a brief summary of tasks as follows:

Review the Housing Income Service and provide recommendations of how the service can be taken forward to become best in class. This review needs to consider the following points:

- How can collections be maximised and cost minimised?
- A service that is ready for Universal Credit
- Make use of private sector collection techniques
- Use of alternate technologies and software
- Review of legal processes – is it fit for purpose?
- How could the service be designed to sit alongside the Council's central Revenues and Benefits team?
- A service that in future recovers FTA's, Sundry Debts and leaseholder charges
- Where does the Financial inclusion team sit and be structured going forward?
- What other options are there to improve service delivery – retain in housing, external provider, what would these look like and costs?
- How does the service benchmark to other providers?
- Preparations for digital by default – sms, payment apps, online account management
- Ensure excellent customer service
- Are Job descriptions and person specifications fit for purpose?
- Are performance management measures appropriate?

The review of the Housing Income Service has been carried out using a detailed and robust methodology, set against the project brief and initial workplan provided.

In summary, the review methodology has been designed and implemented using a diverse range of appropriate tools and techniques, including delivering challenge

against internal practices; delivering comparisons against others, and importantly to consult openly with staff, and stakeholders in order to gain their views, opinions, suggestions and ideas. This last area of review activity has proved to be particularly valuable in shaping the structure and functionality of this proposal for a new Housing Income Service.

Listed below are the activities undertaken, added to with summarised key findings against each. The detail produced as a result of each action has been collated and stored in document and resource library, which will have been made available to the Business and Commercial Programme Manager. The key findings are summarised below, as for example the feedback report on the housing income team staff one to one's itself runs to 20 pages.

#### **Review activities undertaken and key findings or resulting outcomes:**

##### **a) A desktop review and virtual walk through of policies, procedures and operating systems in place.**

This highlighted that a new Rent Collection and Arrears Recovery Policy was introduced in November 2014 which very clearly sets out the strategic objectives for the service. The policy provides a clear platform to improve income collection using both enforcement and tenancy support activities.

There are however some commitments within this policy which are not being translated in respect of day to day practice. i) "Follow-up contact will be made for tenants deemed to be at a high risk of not paying sufficient rent upon moving into a RMBC property", which is not happening in a timely manner. ii) "As a general rule interviews will be undertaken without prior appointment being made", where it is noted that most home visits conducted by Income Officers are appointed in advance by letters sent to the tenants, and are viewed by them to be ineffective due to the number of tenants who are not at home for the appointment.

A new 'Rent in Advance' Procedure was also introduced during 2014-15, which is a clear step towards encouraging a 'payment culture' for new Council tenants and one which other organisations are yet to embrace. This could be built on with further nudge theory used to change behaviours and develop both a payment culture, and a culture of tenancy compliance in its wider context.

The Operational Procedures for the collection of income and rent recovery were drafted in 2008 and no longer reflect the current external environment in which the Housing Income Service is operating in. This is known to be the position and work to update and modernise these procedures has been on hold for some time, pending the change in IT 'in house management system', and the long-term secondment of the Housing Income Manager to assist deliver this project.

Within existing rent recovery procedures action commences when a tenant has 3 weeks rent arrears outstanding, with an automated letter sent which has the customer contact centre phone number as a contact point (not the Housing Income Team). Unless a payment is made a second letter follows the next (4<sup>th</sup>) week, again with the same contact point. Staff have advised that this can lead to customer failure demand.

More importantly the rent recovery process should start at week 1 or week 2 at the latest, and be a personal contact, rather than an automated letter. This has been included as a priority action, and highlighted with managers in the service.

**b) Job Shadowing across a number of roles, including some sitting outside of the service, but which impact on it, and day to day discussions with staff.**

This allowed for the Interim Project Manager to see first-hand some of the operational activity delivered under the policies and procedures referred to above. Some gaps were noted and highlighted in order to allow managers in the service to consider appropriate remedies, e.g. income staff being unsure on the merits of suggesting tenants in rent arrears take out a direct debit, due to concerns about how the direct debit payment schedule would be calculated. Importantly it also allowed for some understanding on the culture of the service, and the tools available to staff.

**c) Structured 'One to One' interviews with every member of staff in the service and with numerous internal and external stakeholders.**

In total all 24 staff working within the Housing Income Service were invited to a private one to one meeting with the Interim Project Manager between 26 January and 11 February 2016.

All of the staff were advised in advance of the meeting that no preparation was necessary, although they were advised of the areas for discussion and during the meetings an assurance was given (and repeated at the end) that what was discussed was private and confidential. This assurance was also reaffirmed at the Income Service Team meeting by the Business and Commercial Programme Manager on 28th January 2016.

Typically these meetings were scheduled for and ran for approximately one hour; although the longest ran for 1hour 45 minutes in order to provide the staff member with sufficient time to highlight all of the issues they wanted to refer to.

There were fifteen questions which have been used to provide high level and relevant feedback as part of the review process. A separate file for each of the participants has been numbered and recorded. However the confidential nature of the discussion was highlighted, as referred to above.

The content of the meeting was typed as close to 'verbatim' as possible, with any pertinent comments or observations, prompts for further investigation, or questions posed by the discussion bolded on the document to highlight the need for their further consideration. Most of these files run to 3-4 pages.

Throughout the meetings staff were typically very open and willing to take part, to share their thoughts and answer the questions posed (and supplemental questions which then arose). The meetings were described by several participants as relaxed and informal, and this was intended in order to get the most open feedback from them.

The questions were all (bar the first), searching and non-factual questions. While they were all asked of each member of staff for consistency; where the

participant felt they did not want to provide a detailed response there was only encouragement, rather than a requirement for them to do so.

The themes which arose were considered as part of the preparation for and delivery of similar one to one meetings with both internal (RMBC colleagues and supporting sections) and external stakeholders of the Housing Income Service. These twelve further meetings were conducted using a different set of questions. Some of these meetings highlighted excellent working arrangements were in place with the income service, such as those for Rush House, providing support to young tenants aged 16-25.

Similarly the themes or issues raised by staff and stakeholders have been fed into the overall change management and service development planning process being undertaken and have, where relevant, informed and added to the future redesign and restructure proposal within this business case. Some of the examples of feedback are included below.

Housing Income Service staff felt that there is a clear imbalance with the level of managerial and senior officer resource, compared to the number of staff delivering front line services. Some staff described the service as being “managerially top heavy” with “a lot of layers of management in senior positions”.

A clear message was echoed that in terms of value, the administrative support provided by two staff was excellent and could be built on. Increasing tenancy support capacity was a priority for actioning early support interventions with tenants but no one thought that the level of resource for front line income and enforcement work should be reduced. There were however clear and recurring concerns about the consistency of enforcement activity, which was seen as being dependent on the officer, not the application of procedures underpinning policy.

Having staff with the right skills was also an issue raised, and in this context the outputs from customer enquiries with the corporate contact centres and their skill base was very often questioned, with some staff advising this led to customer failure demand, with more calls from tenants then being made to the Housing Income Service in order to resolve an issue resulting from some of these contacts.

The links with other parts of the wider housing service (Housing and Estates, Housing Options and at times Contract and Service Development) was at times questioned in terms of how joined up the teams were. Also questioned was the rationale for FTA collection and Court representation (currently undertaken by Legal Services) not currently being within the team as a responsibility. There was a clear view from staff that these functions should be in the service moving forward.

Of concern were some views that the team was a poor team spirit and that communication between team managers and staff needed improvement. The transitional arrangements resulting in the secondment of the Housing Income Manager to an IT Project based role, the temporary arrangements put in place for some considerable time and the residual impact of the IT implementation, meant that at times staff questioned who was responsible for the service. The view that a restructure was required was specifically put forward by several members of the team.

**d) Mapping of financial support to, and outputs from other RMBC departments, such as Legal Services, Revenues, CYPS, Customer Contact Centre, and Rotherham Age Concern.**

The financial budget provision from the HRA to other Council departments (on behalf of the Housing Income Service) is understood in some cases, although there can be challenge to the rationale for this in others.

This has been referenced in the Financial Implications of this proposal. Positive comments and praise for the work and outputs from the Family Support Worker, employed in Children's and Young People's Services, but funded temporarily by the Housing Income Service could be singled out. The funding provided externally to the Council, to Rotherham Age Concern, was not tested as part of this review.

**e) Investigation and review of existing benchmarking and performance information, including data produced by the Performance and Quality Unit.**

A thorough review of available benchmarking and performance information was undertaken and detail is included within this business case.

In respect of current performance this is particularly difficult to measure accurately due to a change in the in house management system, which went live in October 2015. Since this large scale change in IT the reliability of performance information available to management is questionable. Work carried out by the Business and Commercial Programme Manager, who became responsible in for the service in November 2013, cast clear doubts on the validity of previously reported performance outcomes.

**f) Assessment of volumetrics relating to Housing Income Service patches, variations and resulting performance outputs, issues arising.**

Current data was request and analysed by the Interim Project Manager to inform a view on the level of work at varying rent arrears levels that both Senior and Income Officers were being held accountable for. This and an assessment of performance trends also allowed for some clear comparison against other specifically chosen organisations, in order to determine the scale of resource gaps within the Housing Income Service.

**g) Bespoke benchmarking with nine specifically chosen comparator organisations, considering detailed performance, service design, and resourcing information.**

This exercise has proved to be valuable, by gaining previously unseen insight into the structure, resourcing and salary levels in comparator organisations. Seven have provided some, if not all of the requested information, across 25 data sets and 6 service specific areas.

This has provided an opportunity to carefully reflect on performance issues including levels of direct debit take up, cases where the under-occupation charge is in place and the numbers of tenants facing this who are in rent arrears, whether organisations use contact centres and if they have procured any third party software to improve performance.

**h) One off benchmarking report provided through HouseMark, comparing the service with some 70 other similarly sized housing providers.**

Some of the outputs from this exercise (using data from the financial year 2014-15) is included within the main Service Benchmarking and Performance section above; although the volume of comparator data produced is such that it provides a very clear base line to be compared against in moving forward also.

**i) Investigation and research to identify transferable best practice, assessment of advancing technologies, gap analysis and action planning.**

A resource library of printed and electronically saved documentation has been made available to the Business and Commercial Programme Manager. This includes best practice guides (e.g. 2015 CASE Partnership Report on Tenancy Sustainment, HouseMark Welfare Reform Benchmarking Club Report) and alternative operating procedures and policies (e.g. Rent Collection Procedures for Ashfield Homes, Stockport Homes and Your Homes Newcastle Income Collection / Management Strategies; Harrow Council's approach to Debt Recovery).

A range of organisations perceived as delivering expert resources have been investigated, including HouseMark, Housing Quality Networks Rent Income Excellence Network (RIEN) and CIH Consult. The latter two of these have recently introduced consultancy and best practice offers to housing organisations, neither of which have been tested in the market as yet.

A review of new or emerging technologies in the sector has resulted in some decision making. It has been agreed with the Business and Commercial Programme Manager not to proceed with the procurement of a housing and rent payment app presently, given concerns highlighted about both value for money and evidenced outputs. Some other technological resources have been considered and the service has proceeded with the procurement of RentSense software, (by MobySoft) which it had commenced investigating prior to the review.

**j) Production of a fluid Service Development and Change Management Plan with quick wins taken forward in an agile project delivery environment.**

This draft action plan was produced during the first week of this project, based on pre-project research and initial observations. This is being built on and will be critical to the ongoing service development and change management plan, to be progressed alongside and beyond the timeline for the delivery of this restructure proposal. A time limited resource to project manage this delivery has been built into the Housing Income Service restructure proposal.

**k) Options Analysis for future service provision leading to a preferred Option and proposal for change.**

There was a clear challenge laid down at the start of this review, to consider all potential delivery options for the housing income service. It was not to be assumed by the Interim Project Manager that the service should remain within

the Adult Care and Housing Directorate, where other housing service functions are located.

Section 3 of this business case provides the detailed analysis of four options. This included research into any examples of, or opportunities for the outsourcing the service to a third party provider.

**l) A market assessment of current job roles and salary levels, in order to inform any pre-job evaluation process.**

This has been helpful in comparing salary grades here at RMBC with a wider range of housing providers, both in the Council and Housing Association sectors. Generally the pay levels within the service are either equitable (See Derby Homes) or slightly higher than the average with in the market (See Gateshead ALMO & North Tyneside Council). Some organisations did pay typically higher grades, e.g. Your Homes Newcastle.

This information has been used to inform the indicative pay grades in the proposed new structure which will, if the proposal is agreed, require individual job evaluation around new job / person profiles.

**m) Detailed financial appraisal and a zero based budget approach to service redesign, targeting improved income collection and tenancy sustainment.**

It was agreed that the future service requirements / objectives and resulting capacity to deliver these, as informed by the review, should allow an approach from a start point of a zero based budget.

The financial information (including staffing budget costs) to inform the financial implications in this proposal has primarily been sourced through the Principal Finance Officer (Neighbourhoods) and that team. There are some issues in respect of the budget support to other Council departments which will require further exploration, e.g. the actual HRA support to the running of the customer contact centre, which relates to housing income specific customer enquiries and contacts.

**n) Evidence based consideration to the required structure for a fresh housing income service, with new roles for income recovery, financial inclusion and tenancy support benefiting the Council, tenants as customers and staff.**

The detail and findings against each of these review areas has been documented, considered and prioritised accordingly when coming to an informed conclusion on the way in which the service could be redesigned and restructured as a result. The purpose of this proposal is to offer the Council with the opportunity to deliver a fresh, new Housing Income Service, which has the building blocks and capacity to become in time, best in class.

**General Review Issues**

Updates on the progress of the review have been given by the Interim Project Manager, and Business and Commercial Programme Manager at three Housing Income Team meetings during January, February and March 2016.

These have allowed for questions to be raised by team members, and answers given to allow for transparency to the process. A further update on the high level review outcomes and recommendations was presented a specially arranged meeting of all affected staff on 24<sup>th</sup> March 2016. Those staff who were absent or on leave have all been updated separately.

The project sponsor, that being the Business and Commercial Programme Manager, has been updated on the progress of the review, any barriers and important issues arising requiring action, on a weekly basis.

From February the Assistant Director, Housing and Neighbourhood Services has become regularly involved. This has been to test and challenge the proposed model in development and also to gain further assurances that the project was being taken forward in a timely and well-structured project management framework.

## 3 Options Analysis

As part of the review process a number of potential Options for the future delivery of the Housing Income Service and the functions within it including Financial Inclusion and Tenancy Support, have been considered.

Consideration has also been given to potential new areas of work activity which could sit in the service moving forward, including the responsibility for Former Tenants Arrears, Rechargeable Repairs, Pre-Tenancy advice and support and the collection of outstanding Leaseholder service charges.

These Options are highlighted as described below together with an assessment as to whether they can be recommended after considering (where applicable) the key risks and benefits that may be associated with the Option.

### 3.1 Option 1: The Potential for Service Outsourcing

While the following three Options concentrate on where the Housing Income Service could in fact be located within the wider Council structure, testing the merits of it remaining as a single business unit in moving forward, this Option considered a more radical approach.

This Option considered if there were other opportunities for the service to be delivered through outsourcing; given the Council's commitment to a 'mixed economy' with the current outsourcing and partnering arrangements in place for services including the delivery of Council housing repairs.

In respect of the outsourced delivery of housing income collection services only one model is known to exist nationally, which is operated relatively locally to Rotherham at Chesterfield Borough Council.

As part of the research phase put in place to test this Option an in depth telephone interview took place with the Head of Revenues and Benefits for Chesterfield Borough Council, which operates in partnership with Derbyshire Dales and Slough Council's under the wider outsourced service provision of the 'Arvarto Partnership.'

In 2010 Chesterfield Borough Council invited invitations to tender (ITT) for a number of functions which sat within their wider 'Finance Business Stream.' These included the provision of Revenues and Benefits functions, Customer Services and also Housing Income (rent and other charges) Collection and Recovery. The housing income collection functionality had been placed in the wider finance service for some time, and it was felt appropriate to include this in the ITT.

Arvarto successfully bid for the tender and were appointed approximately during 2010 to deliver the range of services including housing income collection and recovery for 10 years, with an option for this to be extended. The current Head of Revenues and Benefits was TUPE'd to the service and in fact prepared the service specification in advance of that. Efficiencies were required of the contract, with an 8% efficiency 'bounty' being paid to the Council when the contract commenced.

In asking what challenges the partnership had brought, in respect of housing income collection and recovery, a number were outlined:

- The letting of Council properties remains a Council responsibility, the appropriateness of some lettings, regarding tenant affordability was an issue
- There were some complexities for staff dealing with customers with multiple indebtedness, including rent, but housing rent arrears were given priority

During the telephone interview it was highlighted that Chesterfield Borough Council had one priority debt, which was Council Housing Rent, sitting above Council Tax and other indebtedness known to be in place for the customer.

It was highlighted there were at time complexities for the Council when dealing with an outsourced partner, with Welfare Reform presenting such a challenge, given its impact had not been foreseen when the contract specification was agreed. However, overall 'decent staff had nothing to fear' as there had been natural wastage to drive efficiencies, but no redundancies.

One issue was highlighted in that the partnership in place with Chesterfield BC was not viewed as being financially predatory; unlike other (named) outsourcing providers who the respondent suggested used variation orders to add considerable additional cost to the client, and which they believed were in other outsourcing partnerships made routinely.

Due to the commercial sensitivities of the contract it was not possible to explore the staffing levels and resources allocated to the housing income collection and recovery function, and performance information from the Council itself has not been provided as part of the specific benchmarking request made to them.

Through desk top research this outsourcing of housing income collection and recovery is the only one known to be in place, although there may be other broad partnership agreements that follow this model.

There are no known outsourcing organisations who are marketing themselves as delivering housing income collection and recovery as a single service.

Pinnacle PSG, who have in the last 15 years gained some market share for housing management outsourcing, deliver outsourcing of housing management and neighbourhood management services but these contracts do not include rent collection as a function for the client organisation.

Capita is a long established partner with the public sector, but their specialism related to customer service, contact centre provision and revenues and benefits. They do offer a "housing related services including repairs and housing management" but nowhere in their literature is a reference to housing income collection.

Similarly Liberata, who highlight a large number of public sector clients and in delivering "transformational partnerships, built on the foundation of efficiency and high quality services," have a Revenues and Benefits outsourcing offer, but there is no reference to housing income collection within their literature.

The Interim Project Manager has asked the Director of Housing of a national consultancy firm, operating primarily out of London, if he was aware of any organisations offering housing income collection in an outsourced environment. None was known.

In view of the unique nature of arrangements at Chesterfield BC and given the outcome of research highlighted above it is concluded that this Option is not in fact a viable Option and will not therefore be recommended.

### **3.2 Option 2: Transfer Income Services to Revenues and Benefits**

The Council delivers income collection in a variety of forms aside from housing income. Within the Revenues and Benefits this includes the responsibility for the collection of Council Tax and Non-domestic Rates (business rates) which account for very large proportions of the Council's overall General Fund income.

These are added to with the other collection functions for the recovery of housing benefit overpayments and a great number of sundry debts arising from business activity across Council departments.

There are therefore specialist teams working in the Council delivering a broad spectrum of income collection functions together with a long standing and clearly established set of collection principles built around legislation, policy and procedure.

As part of this review the Interim Project Manager has held several discussions with the Service Development Manager within Revenues and Benefits together with other officers working in specialist teams. These discussions took place in order to provide an understanding of the current (if any) relationships with housing income, and whether the Council was considering the introduction of an all-encompassing corporate debt process which would include housing debt (in all of its forms).

What was clear was that there is a very clear driver within that service to maximise income streams in order to benefit the Council and the citizens of the Borough. The reduced level of funding imposed by government spending cuts and reduction in government grant provided to Local Authorities means that this responsibility and the maximisation of income collection has never been more important in order to provide statutory and also essential public services.

The Service Development Manager was very open to the potential of housing income collection and recovery functions transferring to that service, citing a number of opportunities which could benefit the delivery and performance against this. These included the advancement which have been made to collect income using technology, such as online account management, and the wide-scale promotion of 'Your Account' as a digital tool now working successfully.

Adding to this were the benefits being realised using SMS (text) messaging for individual and mass customer contacts. This both improves collection rates and reduces costs and work is ongoing to develop further uses including two way conversational SMS and payments.

This digital and self-service functionality is much advanced in comparison to the on-line or 'digital by default' housing income offer, which has been stalled in respect of development, in part through the protracted nature of the change to Civica as a new in house management system.

There are however some concerns about whether the culture of the existing revenues collection service(s) would in fact be transferable in a positive way when considering this Option to transfer housing income collection and recovery services.

There is no doubt that processes are designed to maximise income. In saying that, the collection and recovery routes in place, particularly in respect of Council Tax collection are extremely process driven by default, and in respect of their design and delivery they are very much 'fit for purpose'.

The challenge considered in coming to a view of the risks and benefits of recommending a transfer of responsibility for housing income collection to Revenues and Benefits relates to the very diverse and at times challenging 'people' issues rent collection from 20,700 Council tenancies generates. There is an additional challenge given Council Rent is a weekly charge, which will be charged (and billed) every week of the financial year from 2016-17, compared to Council Tax being an annual charge, billed in a number of ways.

Also, although the Revenues and Benefits service has visiting officers, the majority of customer contacts are driven by letters and resulting telephone contacts. These customer contacts are then managed directly by the revenues staff (not the customer contact centre) in order to ensure a satisfactory arrangement is agreed. More recently a move to supplement standardised letters with more cost effective SMS messages has occurred as referred to earlier.

More face to face (unannounced and non-appointed) contact out on estates at tenant's homes in order to secure satisfactory rent arrears repayment arrangements will be required moving forward. While not a deal breaker this could be viewed as a significant change in process delivery and is potentially a small but viable risk.

The greatest concern (and risk) with this option however is that this would in effect split the functionality of the housing income service, as the proposed new and re-engineered Financial Inclusion and Tenancy Support Service would not benefit from being moved from Adult Care and Housing.

It is the Interim Project Managers informed view that the Financial Inclusion and Tenancy Support Service needs to remain in Adult Care and Housing in order to deliver joined up and co-ordinated activity with other sections of the wider housing service. This was understood during the discussions with the Service and Development Manager. In a revised Housing Income Service with new roles in both housing income, financial inclusion and tenancy support there will be more co-ordinated and joined up working arrangements.

There is a clear need to modernise the Housing Income Service in respect of its structure, its functionality and also culturally, in order to offer a better balance of enforcement and importantly more timely tenancy support interventions.

There is no driver presently towards a corporate debt process, which would include housing debt in all of its forms. Given the requirement to improve the performance of the Housing Income Service across a range of areas and provide more joined up and co-ordinated tenancy support activity, it is not felt that this Option would presently provide the Council with an opportunity for improved performance.

**Key Benefits of this Option include:**

- Advanced use of on-line customer account access, 'Your Account'
- Procurement and use of additional third party software to drive down transaction costs using SMS and secure online payment portals

- Tried and proven corporate collection processes, with standardised methodologies built around legislation
- Management with clear 'debt collection' expertise who are willing to embrace an additional function within the service
- The Revenues and Benefits service has considerable combined knowledge and expertise, at both managerial and operational levels, of income collection techniques
- Better linkages to the Former Tenants Arrears collection function within Revenues
- Transfer would allow the move towards a corporate debt process, which would include housing debt in all of its forms.

**Key Risks of this Option include:**

- Collection techniques in Revenues and Benefits are very much process driven, resulting in a culture where process may be seen as more of a driver than people
- Management have not previously collected housing rental income and other charges and may need to rely on transferring staff in respect of legislation
- Weekly rent charging differs greatly from an annual Council Tax charging cycle
- There is limited face to face interaction in the service (which more of will be required), with more reliance on letters and telephone contact
- This would not best support the driver to deliver a 'something for something' culture across housing services, to improve tenancy compliance, as transferring staff would not be aware of, or consider, other tenancy breaches
- This review and evidence produced as a result clearly suggests that the housing income service is not presently fit for purpose; a transfer would not be timely or beneficial to the Council given the requirements for improvement
- There would be a requirement for the incumbent management team to provide considerable improvement, modernisation and change, which would place other business critical income generating services at risk
- Crucially, the transfer of Housing Income Services to Revenues and Benefits would split the service from a revised Financial Inclusion Service. This would hamper the future co-ordination of housing income / financial inclusion and tenancy support activity.

What is clear from the work undertaken with managers in Revenues and Benefits is that there are opportunities for the Council and the Housing Income Service to work more closely together. This would include building on the success of 'Your Account' in order to extend customer online access and service delivery for rent account management. This could also be added to by further advancements of 'digital by default' which Revenues and Benefits are planning following the procurement of 'Arcus' to deliver a portal for online service functionality.

While there are clearly some arguments that the Housing Income Service could in fact be transferred in its current make up, this would require intensive resourcing from a managerial perspective from the incumbent service in order to improve,

modernise and change the service to be fit for purpose moving forward. For this reason added to with the other risks highlighted, this Option is not recommended.

### **3.3 Option 3: Merging Income Service into Housing and Estates**

The Housing and Estates Service has a wide ranging list of responsibilities. These include delivering effective housing management to the council's 20,700 tenancies and the now cross tenure estates they are located in, actions to improve community safety and in taking action against anti-social behaviour. The service also has a responsibility for developing effective localised, area partnership arrangements with others which support community stability.

This manner in which housing services are currently established within Adult Care and Housing can be described as specialist, given that in operational terms (excluding Housing Strategy and Investment) there is a Housing Options, Contract and Service Development (Repairs), Housing Income, and Housing and Estates Service operating within it.

This is in line with the make-up of many other housing providers delivering a full landlord function under their control. On the opposing spectrum some housing providers deliver services in a generic way, where patch management includes officer responsibility for housing and tenancy management, income collection and rent arrears control, lettings and void property management and even resident involvement.

There is no right or wrong way in which housing services are configured and typically there appears to be a cyclical period of change and preference for one of the two described structures, or a mixture of both.

Two large and successful housing organisations have recently, or are about to change their operating arrangements in this context. After close to 30 years of operating in a generic way, Your Homes Newcastle (with 26,000 properties in management), and who have previously received 3 stars from the Audit Commission in recognition of the delivery of excellent services, have in 2014 moved to three specialist teams. These comprises of Tenancy and Estate Management, Housing Options and then Income Management.

North Tyneside Council (with 15,000 properties in management) have just undertaken a restructure which has moved from specialist teams back to a fully generic housing and neighbourhood management service.

Similarly Sheffield City Council who since bringing housing management services back in house have direct control of the management of their 40,000 council housing stock, are digressing from their specialist functions in order to add more capacity to their front line housing and tenancy management service. They are soon to move some 14 staff from their 100 FTE housing income service to tenancy management, strengthening that service and giving their neighbourhood based housing officers responsibility for 'low level' rent arrears.

Due to both planned and then unforeseen circumstances the Housing and Estates Service Manager was not at work for much of the period this project was being progressed, to the point a decision on the preferred option and approach was made.

In the Service Manager's absence constructive and helpful discussions have taken place at the next level of management on the service structure, relationships with the Housing Income Service and opportunities from both perspectives to improve the co-ordination and delivery of services.

An example raised in this context is that Housing and Estates have three areas with three area managers, where housing income has five areas (which are aligned to fit into the three) with five senior officers. This has been considered and actioned as a result in the proposal for change.

The Business and Commercial Programme Manager has referred to a value for money exercise which is soon to commence across housing services (aside from Housing Income Services due to this review taking place) to test the current effectiveness of their structures. This will ensure that the structure and functionality of each housing service is able to demonstrate value for money moving forward.

There are two potential options for merging the Housing Income Service into Housing and Estates. Firstly the two services at the newly proposed Team Leader level of management could be moved post restructure, so that they report into the Service Manager for Housing and Estates. There is little to suggest this would add any value to the development and improvement of the housing income service, given the breadth of responsibility the service manager has currently. This is not therefore a viable option.

Secondly the Housing and Estates service could be totally re-engineered as part of the forthcoming value for money exercise, so that the responsibility for income collection and rent arrears management could be built into new job roles. This would be a major restructure project in itself, and would not offer a timely resolution to the issues affecting the Housing Income Service. Also if taken forward this would have the potential to open up much wider industrial relations issues than will occur under the fourth option, a whole service restructure proposal for Housing Income Services.

For these reasons Option 3 is not recommended and is not viewed as being viable to achieve the required benefits and results.

#### **3.4 Option 4: A Whole Service Restructure Proposal – Preferred Approach**

The Options Appraisal and Analysis detailed in this section has tested the merits of where the Housing Income Service should in fact sit in the Council's wider organisational structure. It has also tested if there is an opportunity for the service to be delivered through outsourcing given the Council's commitment to a 'mixed economy' of service provision and delivery.

Consideration of each Option, and where relevant highlighting the potential risks and benefits has resulted in a view that the preferred approach for the Housing Income Service to be taken forward, improved and restructured, is for it to remain located within the wider Housing and Neighbourhoods Service, in the Adult Care and Housing Directorate.

However the service requires a whole service restructure to become fit for the future and have the building blocks to achieve the ambition of becoming best in class.

There are very clear alignments and service touch points particularly with Housing Options together with Housing and Estates which can be further built upon, and

where improved future connectivity could be made with both Contract and Service Development (Repairs) and the Housing Strategy and Investment Service (particularly in respect of collecting outstanding Leasehold service charges). More joined up working in the future and learning from the central Revenues and Benefits Service, particularly in respect of delivering online services moving to 'digital by default' is also important.

The review outcomes and resulting proposal is to grow the capacity of the Housing Income Service, and also to add resources to a much clearly defined financial inclusion and tenancy support service, built on the premise of tenancy sustainment.

### **A Business Case for Change**

As highlighted above this business case proposes change to the shape of current services, bringing benefits to the Council, its customers and to its staff.

This business case considers the entire range of functions currently grouped within the Housing Income Service added to with much broadened responsibilities for financial inclusion and the addition of responsibility for the collection of Former Tenant Arrears, which presently sits within the corporate Revenues service.

The business case is for change to: service and staff structures, some grades and reporting lines; job tasks and skill requirements; operational practice; and incremental service development and change to in time achieve the ambition of becoming best in class.

This business case has been considered carefully and a full review of functions undertaken which has involved:

- Development of delivery principles and high level outcomes
- Detailing the specific jobs and tasks involved and which roles currently undertake them (traditional methods)
- Challenge of both jobs and tasks against core priorities and delivery principles, considering required outcomes
- Consideration of work flows and volumes against; providing clear customer access arrangements and pathways to appropriate services
- Delivering improved and better targeted customer contact methods and in time delivering more customer opportunities for using 'digital by default'
- Wholesale service redesign; introducing new outcome focussed job roles, removing waste and reducing customer failure demand.

The business case also sets out the need for some degree of culture change across the wider housing service. It is widely accepted that the environment in which local government operates has transformed over recent times, and it is equally true that the world of 'housing' is facing up to similar challenges and change. Many housing organisations are moving towards an approach best expressed as 'Commercial Mind-Social Heart'<sup>4</sup>.

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<sup>4</sup> Richardson et al (2014), Frontline Futures : New era, changing role for housing officers, CIH and Wheatley Group

Furthermore, benefits in the sector are being achieved through the use of customer insight practices and more recently 'nudge theory'<sup>5</sup> which can be added to across housing services in order to deliver a more consistent message on tenancy compliance and tenant responsibility. This is an important message and one which will require senior management agreement and the buy in from other teams and services. This is referred to as a very small, but potential risk within Section 5.2 (Risk 6) of this business case, 'Risks and Mitigation.'

The revised and refreshed Housing Income Service has been designed to reflect current thinking in the field and built upon a set of principles which encompass contemporary operational practices and in placing the customer at the heart of the service, despite the service having the ability to deliver life changing sanctions.

The design of the service will require revised or new job roles in nearly all service areas which are in place presently. The proposal recommends a 'flatter, leaner management structure', which reduces the vertical nature of several layers of management and which in the future puts 70% of budget provision into front line service delivery, and 30% into management costs.

This is a significant change to the current arrangements which sees the split between management costs of 47% and front line service costs of 53%; which is proving in reality to be neither effective, or value for money given current performance outputs.

The additional benefit to the Council of this revised, flatter and leaner management structure will be to bring the Business and Commercial Programme Manager, as the senior manager responsible for the strategic direction and development of the service, much closer to what is being delivered operationally. This will allow the post holder to see results, barriers and importantly influence and shape the service culture and motivational drivers in what will be a fresh, more coherent and outcome focussed Housing Income Service.

The detail of how the revised and refreshed Housing Income Service will be designed and structured, together with the resulting benefits from this approach are included in the Section 4 which follows.

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<sup>5</sup> R.Thacker and C.Sunstein (2008) Nudge, Penguin Books

## 4 A New Housing Income Service

### 4.1 Overview of the New Service

The revised and refreshed Housing Income Service has been designed to reflect current thinking in the field and built upon a set of principles which encompass contemporary operational practices and in placing the customer at the heart of the service, despite the service having the ability to deliver life changing sanctions.

The design of the service will require revised or new job roles in nearly all service areas which are in place presently. The proposal recommends a 'flatter, leaner management structure', which reduces the vertical nature of several layers of management and which in the future puts 70% of budget provision into front line service delivery, and 30% into management costs.

This is a significant change to the current arrangements which sees the split between management costs of 47% and front line service costs of 53%; which is proving in reality to be neither effective, or value for money given current performance outputs.

The Business and Commercial Programme Manager will retain responsibility for the strategic direction and development of the service, but will be required to take a more 'hands on' approach to the management of the service given the proposed reduction in layers of management

The additional benefit to the Council of this revised management structure will be to bring the Business and Commercial Programme Manager, as the senior manager responsible for the strategic direction and development of the service, much closer to what is being delivered operationally. This will allow the post holder to see both results, barriers and importantly influence and shape the service culture and motivational drivers in what will be a fresh, more coherent and outcome focussed Housing Income Service.

The review has highlighted a clear need for organisational, structural and cultural change to the Housing Income Service, and in some respects to the broader culture within the wider housing service, as previously highlighted.

There are clear benefits which will be achieved by delivering a new service with new roles, improved and more efficient operating processes in an environment which has a flatter, leaner management structure. These are highlighted in section 4.2 below.

It should also be noted that the current operating arrangements, where the service is typically delivered between 08.30 and 17.30, Monday to Friday is outdated and does not create a platform to be best in class.

Many organisations have recognised this and offer service access which reflects their wider customer base; targeting opportunities for customers to access the service in the early evening midweek to 20.00, and also on Saturdays, often between 09.30 and 13.30. The proposal will include a number of appropriate job roles which meet such an aspiration for extended service access. Advice has been taken from Human Resources which highlights that this will have a small budget implication relating to non-standard hours of work for Saturdays where time and a quarter is paid. This has been estimated to total £5,000 p.a. There are a number of departments in the Council where such extended service access is now provided.

The proposed Housing Income Service will have two separate teams within it, one specialising in housing income recovery in all of its forms, and one leading on the Council's responsibilities for financial inclusion, together with the delivery of tenancy support to Council tenants.

The proposal will deliver a refocused Housing Income Recovery Service, restructured and very specifically focussed on maximising housing income in all of its forms, with a joining up of responsibility for the collection of both current and former tenants rent arrears, which are split presently. Further detail about the responsibilities, make-up, and functionality of this service is provided in section 4.3 below.

There will also be a new and better equipped Financial Inclusion and Tenancy Support Service, which will have a broader responsibility for delivering the Council's, soon to be adopted, Financial Inclusion Strategy. It will be resourced to have the capacity to develop and deliver the practical interventions and projects which will under-pin this strategy and resulting action plan, and deliver against its ambitions. Further detail about the responsibilities, make-up, and functionality of this service is provided in section 4.4 below.

Given the issues raised in the review there is a great opportunity to significantly change and improve the way this work is delivered in the future by realigning housing income recovery and rent arrears management, ensuring it is more closely aligned to a financial inclusion and tenancy support service which together create a fresh and fit for purpose Housing Income Service.

As highlighted earlier across the wider housing service there are some messages which are not being delivered consistently which is resulting in 'lost opportunities', in changing and challenging tenant behaviours.

Overall these impact on the ability to bring in rent and other charges, enabling tenancies to be sustained. The wider housing service needs to adopt the consistent delivery of messages to tenants, use enhanced customer insight together with business intelligence and introduce nudge theory in order to improve and reinforce tenancy conditions, working towards increasing the culture of tenancy compliance and tenant responsibility.

The proposals contained within this business case do not at this stage rely upon the introduction of mobile IT or any further significant changes to the current IT system, which remains in development.

## **4.2 Resulting Benefits from the New Housing Income Service**

The recommended approach delivered by this proposal for change will have numerous benefits to both the Council and tenants, as customers, which will add value to the wider housing income and financial inclusion offer. While not exhaustive these benefits include:

- Modernising the relationship with tenants, creating a payment culture as well as a 'something for something' culture across all housing services
- Delivery of efficient and effective operational services, which facilitate a coherent point of customer reference for housing income collection, financial inclusion and tenancy support enquiries

- Extending service access times to include staff working on a rota basis during early evenings midweek and a half day on Saturday's, while also promoting 'channel shift' for standard customer enquiries
- Ensuring tenants, as customers have a much clearer pathway to housing income and financial inclusion / tenancy support services
- Delivery of a new Housing Income Service, which has a single and complete view of a customer's overall housing debts
- Working to an ethos of 'get in early' and making 'every contact count' in order to drive up performance<sup>6</sup>
- Performance targets introduced which are clear, used to drive increased performance, support improved customer expectations while optimising income available from the asset
- Housing Income Service staff having the 'right of representation' at Court, able to provide more timely and greater factual information, together with respectful challenge during possession proceedings in all of their forms
- Better use of customer insight and business intelligence to focus work priorities and drive up performance
- Much improved pre-tenancy affordability checks, at point of verification onto the housing register and at the offer stage, to identify and action any risks, in order to ensure tenancy compliance from the onset
- Service delivery designed and organised to deliver for RMBC outcomes, should also take account of the wider customer relationship and experience
- Develop 'nudge' theories and practices to improve outcomes for both the customer and the Council
- Outcomes achieved by targeting underlying "causes" rather than constantly addressing "effects"
- Offer an improved tenancy support package with much earlier interventions designed to meet demand from a broader range of customers in need
- Facilitate speedier access to a range of relevant tenancy support services (e.g. Rush House, Laser Credit Union etc.)
- Moving to the future use of mobile technology to allow real time, remote decision making and reducing waste and duplication in respect of data input
- Develop targeted interventions for financial inclusion, which add value to end users, and which focus on maximising benefit take up and minimising debts
- Mitigating the risk of the suite of Welfare Reforms and policy changes, particularly Universal Credit, by ensuring housing income and financial inclusion staff have a full circle picture of tenants (as customers)
- To improve the Housing Income and Financial Inclusion / Tenancy Support Service offer to tenants as customers and improve outcomes for the Council.

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<sup>6</sup> To target activity that increases accountability and responsibility, reduces spend whilst maximising income (tackling rent arrears early, identify and action tenant damage and rechargeable repairs, maximising tenancy sustainment) and improving tenancy compliance.

The new way of working will result in the delivery against the aforementioned drivers for change as highlighted earlier, in order to:-

- Maximise rent and housing income collection in all of its forms, ensuring an improved culture of tenancy compliance,
- Minimise costs by removing waste, increasing low cost payment opportunities and moving towards service access using 'digital by default',
- Deliver excellent customer service in a challenging service environment; recognising the diverse needs of customers and working to sustain their tenancies to enhance community stability across Rotherham.

In redesigning the delivery of this function there is the potential to create far greater accountability for performance as well as better targeting enhanced resources in a manner which will deliver improved outcomes for tenants and the Council.

### 4.3 A Refocused Housing Income Recovery Service

The proposal will deliver a refocused Housing Income Recovery Service, restructured and very specifically focussed on maximising housing income in all of its forms, with a joining up of responsibility for the collection of both current and former tenants rent arrears (FTA), which are split presently. The current structure (**See Appendix 1**) is not fit for purpose, nor does it have the required capacity to deliver against its strategic and operational objectives.

Current posts are as follows. Note the \*Housing Income Manager post is responsible for both the housing income and financial inclusion teams.

| Current Post                 | Number of Posts | Number of People | Grade  |
|------------------------------|-----------------|------------------|--------|
| Housing Income Manager*      | 1               | 1                | Band L |
| Housing Income Team Leader   | 1               | 1                | Band H |
| Senior Income Officer        | 5               | 5                | Band H |
| Income Officer               | 7               | 10               | Band F |
| Housing Income Assistant     | 1               | 1                | Band D |
| <b>Total number of posts</b> | <b>15 FTE</b>   | <b>18</b>        |        |

An enhanced Income Recovery Team Leader position will provide operational leadership to the team, reporting directly to the Business and Commercial Programme Manager to deliver a flatter, leaner management structure. They will be supported in delivering sustained service development and change by a two year time limited Income Recovery Service Development Officer who will also provide the IT team with a first point of contact for the resolution of Civica (IHMS) issues.

A new role of Area Income Recovery Co-ordinator will provide senior officer capacity and deliver the co-ordination and management of all income recovery activity in three newly defined geographical areas. These three area teams (North, South and Central) will be co-terminus with the three areas established and in place for Housing and Estates; resulting in enhanced working arrangements and improved 'housing service' co-ordination.

These Area Income Recovery Co-ordinators will have improved IT reporting tools which will allow them to prioritise and allocate work to the Income Recovery Officers in their team. They will use appropriate performance management tools to initiate hot spot income collection activity, to include the collection of FTA where this is in Borough, as well as co-ordinating bespoke localised campaigns targeting income recovery, working closely with the financial inclusion and tenancy support teams in doing so.

Importantly they will be responsible for the consistent delivery and monitoring of income recovery activities, including the checking of court applications to ensure a balanced approach to enforcement and tenancy support work has been applied.

Income Recovery Officers, working in the three new area teams, will have a role which includes managing rent arrears cases on their own patch, up to the time where court action is required, drafting the application themselves. They will also be equipped and empowered to offer low level tenancy support interventions to every tenant they work with. In moving forward with this proposal for change it should be noted that the offer and provision of some degree of tenancy support will be built into every income recovery job role in the new service.

Each of the 14 new 'income recovery' patches will have a workload which is equitable, recognising for example the far higher turnover and levels of customer enquiries generated from the Boroughs flatted estates. Patches will be established and agreed using the detailed local knowledge of managers and relevant staff, together with data and volumetrics now being produced and considered.

There is a benefit of working to a strengthened and better defined patch management arrangement. It allows for an individual income officer to be responsible for the full range of rent arrears functions for a designated number of tenants, as customers. It enables individuals to be held accountable for performance outcomes rather than being 'hidden' in a team approach.

Patch management leads to knowledge and ownership of an area, more co-ordinated actions with other partner agencies and improved visibility of the service to tenants.

By including the responsibility for former tenants rent arrears, income recovery staff will have an increased view of the customer's total housing indebtedness. Income Recovery Officers will have patch based, tenure blind responsibility (including in Borough FTA cases) and for delivering home visits and customer contacts to recover this and all other housing related debts.

The rural nature of some estates within the Borough will also be a factor in agreeing the final patch boundaries. The officer / rent arrears case ratio within the service will reduce from 725 to 500 but it anticipated this ratio would reduce further due to the increase in resources and revised operating processes. This remains at the upper end of the officer / property ratio, within housing organisations. Three of the 14 Income Recovery Officer positions will be temporary (2 year fixed term contracts) to allow for some flexibility within the service in moving forward.

There will be an enhanced telephony offer resulting in reduced customer failure demand and improved outcomes with direct telephone contact being promoted on correspondence as opposed to that of the corporate Customer Contact Centre.

A new Specialist Income Recovery and Court Co-ordinator supported by one Court Officer will gain the 'right of representation' in order to represent RMBC at Court hearings in place of Legal Services, for the majority of cases. This will allow for the provision of greater factual information and where necessary respectful challenge during possession proceedings in all of their forms

This team will also have responsibility for the income generating take up of low cost tenant's home contents insurance (which gains a commission of c. £25k pa), district heating administration (c. £840k pa) and the co-ordination of collection opportunities for both former tenant's arrears and outstanding Leaseholder service charges. The latter will be dependent on the development of new procedures for this purpose, which is being moved forward in a separate Leasehold service improvement plan

Recent discussion have highlighted that the administration of rechargeable repairs should sit in this team, although these debts would still be collected and 'chased' by the sundry debtors team within Revenues and Benefits. Some Administrative support capacity will be built into the team, but will support the wider income recovery service.

### **Housing Income Recovery Service proposed structure (See Appendix 2)**

In order to determine the number of required officers, work volumes where available against a number of functions delivered in the team have been assessed. To support this, additional benchmarking analysis has been undertaken.

This has generated a requirement for:

| Proposed Post  | Number of Posts | Indicative Grade<br>(Job Evaluation Required) |
|--|-----------------|---|
| Income Recovery Team Leader  | 1               | Band J  |
| Area Income Recovery Co-ordinator  | 3               | Band H  |
| Specialist Income Recovery & Court Co-ordinator                              | 1               | Band H  |
| Income Recovery Service Development Officer ( <i>Temporary for 2 years</i> ) | 1               | Band H  |
| Court Officer  | 1               | Band G  |
| Income Recovery Officer  | 14*             | Band F  |
| District Heating Administrator 1.3FTE<br>(split 0.8FTE and 0.5FTE)           | 1.3 FTE         | Band E  |
| Income Recovery Assistant (Former Tenants Arrears)                           | 1               | Band E  |
| Advice & Support Assistant (Home Contents Insurance)                         | 1               | Band D  |
| Income Recovery Assistant  | 1               | Band D  |
| <b>Total number of posts</b>   | <b>25.3 FTE</b> |   |

\*3 of these Income Recovery Officers will be temporary, 2 year posts

#### 4.4 Financial Inclusion Team becoming Financial Inclusion and Tenancy Support Service

There will also be a new and better equipped Financial Inclusion and Tenancy Support Service, which will have a broader responsibility for delivering the Council's, soon to be adopted, Financial Inclusion Strategy. Again, the current structure (**See Appendix 1**) is not fit for purpose, nor does it have the required capacity to deliver against its strategic and operational objectives.

Current posts are as follows:

| Current Post   | Number of Posts | Grade  |
|--|-----------------|--------|
| Financial Inclusion Manager  | 1               | Band H |
| Intervention and Advice Officers                                       | 1               | Band G |
| Intervention and Advice Officers<br>( <i>Temporary, Time Limited</i> ) | 2               | Band G |
| District Heating Administrator   | 0.65            | Band E |
| Financial Inclusion Assistant  | 1               | Band D |
| <b>Total number of posts</b>   | <b>5.65 FTE</b> |        |

The service will be resourced to have the capacity to develop and deliver the practical interventions and projects which will under-pin this strategy and resulting action plan, and deliver against its ambitions.

An enhanced Financial Inclusion Team Leader position will provide operational leadership to the team, reporting directly to the Business and Commercial Programme Manager to deliver a flatter, leaner management structure.

While the senior position in the current service is named 'Financial Inclusion Manager' the enhanced and renamed 'team leader' post will in effect have greater responsibility for the delivery of financial inclusion activities. They will have lead officer responsibility for the Financial Inclusion Strategy and resulting projects and interventions, as well as the provision of pre-tenancy advice and support, together with the overall tenancy support offer to Council tenants.

A Financial Inclusion Co-ordinator will provide capacity and be equipped to better monitor and prepare for the future impact of welfare reforms, including the wider roll out of Universal Credit, and forthcoming benefit tapers and a lower benefit cap. They will deliver targeted interventions and projects to increase financial inclusion in the Borough.

Also, within the service will be a 'Pre-Tenancy, advice and support team' focussed on the delivery of more timely 'pre-tenancy' interventions with more in depth affordability assessments being undertaken at the application, verification and offer stages of the housing options process.

There is some work delivered against this function by staff in the Housing Options Service, but they are also responsible for the relet performance target, and there may be a conflict of interests in this respect. Certainly staff within both the Housing Income Service and Housing and Estates team felt that there were too many cases where affordability was a concern at sign up, and the result was a failed tenancy.

The outcomes from these more robust and independent assessments would be used pro-actively to traffic light any risks and then deliver appropriate support and interventions to ensure that offers of Council tenancies are evidenced as affordable.

Staff in this team will also monitor and liaise with all new tenants, and other staff in the Housing Income Service, for the first eight weeks; the period it should take for Housing Benefit or Universal Credit to be paid and rent payment arrangements to be established. This is the most important period for establishing tenant compliance with the required 'payment culture' the Council seeks, and timely personal (telephone contact and visits) will take place prior to and around the timeline for formal rent reminder / rent recovery letters 1 and 2 being sent at weeks 3 and 4 of rent arrears respectfully.

The current capacity of one permanent and two temporary Intervention and Advice Officers is inadequate for a Borough as large as Rotherham. A new larger team of six retitled Tenancy Support Officers, working under the ethos and guidance of a new Tenancy Support Co-ordinator will have the capacity to 'get in early' and make a real difference.

While their primary focus will relate to tenancy sustainment, they will also be trained and empowered to take rent payments and establish arrangements. They will have clear links to other specialist support providers, and refer to these services as required.

A Financial Inclusion Assistant will provide general administrative support across the financial inclusion and tenancy support service as required.

### **Financial Inclusion and Tenancy Support Service proposed structure (See Appendix 2)**

In order to determine the number of required officers, workloads against a number of functions currently delivered, or proposed for the new team have been considered. To support this, additional benchmarking analysis has been undertaken.

This has generated a requirement for:

| Proposed Post   | Number of Posts | Indicative Grade<br>(Job Evaluation Required) |
|---|-----------------|---|
| Financial Inclusion Team Leader                             | 1               | Band J  |
| Financial Inclusion Co-ordinator                            | 1               | Band H  |
| Tenancy Support Co-ordinator                                | 1               | Band H  |
| Tenancy Support Officer                                     | 6               | Band G  |
| Financial Inclusion Officer<br>(Interventions and Projects) | 1               | Band G  |
| Advice & Support Officer (Pre-Tenancy)                      | 1               | Band G  |
| Advice & Support Assistant (Pre-Tenancy)                    | 3               | Band E  |
| Financial Inclusion Assistant                               | 1               | Band D  |
| <b>Total number of posts</b>                                | <b>15 FTE</b>   |   |

## 4.5 HR Implications

In relation to People, and Human Resources issues, the proposals will affect 25 staff (20.95 FTE) currently employed in the Housing Income Team, across both sections, those being Housing Income and Financial Inclusion.

This includes the Business and Commercial Programme Manager post, given they will need to have more operational involvement with the service, potentially needing to spend 50% of their time on housing income service activity, and increase of 20%. Of the 25 staff, three are either employed within the service on a temporary basis or employed through an agency and will not be affected in the same way.

In the proposed new structure there are a total of 36.8 Permanent FTE positions; (including 2 part time posts totalling 1.3 FTE). This is a net growth of 15.85 FTE. In addition, the proposal includes for 4 Temporary (2 year fixed term contracts) positions within the service to allow for some degree of flexibility in moving forward.

A full schedule of the posts in the proposed new structure is currently held in a separate document, which includes indicative salary bands, which would be subject to job evaluation.

The proposal will affect all of the staff employed in the current service in some way, although in some cases this may only be revised reporting arrangements. All existing job roles will be subject to a detailed review, and will be redesigned or removed from the establishment, with new job roles also created.

A number of posts in the existing structure will be proposed for deletion from the establishment. Initial consideration to the new job / person profiles required means that it is not currently anticipated these posts will assimilate into new positions within the new structure. These job / person profiles will need to be fully developed before being subject to both job evaluation and an assimilation exercise.

This means that there is the potential for a number of redundancies.

These posts are listed as follows:

| Current Post                | Number of Posts | Number of People   | Grade  |
|-----------------------------|-----------------|--------------------|--------|
| Housing Income Manager      | 1               | 1                  | Band L |
| Housing Income Team Leader  | 1               | 1                  | Band H |
| Financial Inclusion Manager | 1               | 1                  | Band I |
| Senior Income Officer       | 5               | 5                  | Band H |
| Income Officer              | 7               | 10* (8 permanent)  | Band F |
| Totals                      | 15              | 18* (16 permanent) |        |

\*Note: Two FTE Income Officer Posts are covered by agency or temporary staff, so a maximum of 16 permanent staff could be placed 'at risk'.

However, given the proposed growth for the service overall there will be a number of new positions available to staff affected in this way through a competitive, competency based selection process.

A small number of roles will not change, or change in a minor way which will make it likely that existing staff will assimilate to them.

There are therefore employment risks to individuals and financial implications to the Council in terms of potential redundancies and potential for (capital) pension release. As there are more positions in the proposed structure than current staff there will be potential job opportunities, in respect of some posts, for Council staff in the Talent Pool, at risk of redundancy due to the implementation of other restructures.

The review outcomes and the competitive competency based recruitment process to be used in delivering the restructure may also see some staff gaining new posts on lower grades, where salary protection in line with existing Council policy will apply for two years.

This could have the potential for financial consequences for directly affected staff in the longer term, whilst the Council takes the risk of some staff morale concerns in the shorter term for those who are detrimentally affected, but who remain within the service.

New job / person profiles will need to be drawn up for all areas. All jobs are to be evaluated in partnership with staff from Human Resources. To ensure that the evaluation outcome is in line with market thinking an exercise has been undertaken which will allow for new evaluation outcomes to be compared against recruitment advertisements for similar jobs. This will provide assurance that grades are equitable with the median position in the market, sufficient to attract candidates with experience, internally or from Housing Associations and other Local Authorities.

As highlighted earlier, many organisations provide service access which reflects their wider customer base; offering access in the early evening midweek up to 20.00, and also on Saturdays, often between 09.30 and 13.30.

The proposal will include a number of appropriate job roles which meet such an aspiration for extended service access. Advice has been taken from Human Resources which highlights that this will have a small budget implication relating to non-standard hours of work for Saturdays where time and a quarter is paid. This has been estimated to total £5,000 p.a.

The review has taken account of an amount of work in collecting Former Tenant Arrears, which will migrate from the central Revenues and Benefits Service to the new Housing Income Service. This establishes a 'full service approach' to housing income collection and more clearly reflects the required role for the service, as well as improving accountability for performance against a number of important Key Performance Indicators. This transfer will affect the post holder delivering this work and the relevant Service and Development Manager has been consulted on this proposal.

One additional 'people related' challenge for a new Housing Income Service relates to the availability of adequate desk space in Riverside House to allow for effective team working. That said, the majority of staff roles within the service require a degree of time spent out on estates visiting tenants, as customers, and home working arrangements are well established.

## 4.6 Financial Implications

The Housing Income Service has annual staffing costs (*including on-costs etc.*) for the financial year 2016-17 of £671,500; this has been calculated by Finance assuming a 1% annual pay award.

This total does not include the total (1FTE) salary costs for the Business and Commercial Programme Manager, £75,566 including on-costs. Presently 30% of this post holder's time is spent on housing income related work, totalling £22,670. Together these staff costs for 2016-17 total £694,170.

A number of current post holders are not yet at the top of their grades which has an impact on the current total. The figures presented below are based on the payment of salaries at the top of their respective scales in order to highlight the maximum financial impact of the proposal.

In summary the proposed restructure, in respect of 'year on year' staff costs requires initial revenue growth for the new Housing Income Service of £603,237. Should the proposal to extend service provision to include non-standard working hours on Saturdays (09.30 to 13.30) an estimated £5,000 p.a. in additional staffing costs would be required bringing the total to £608,237.

The proposal includes a total of £125,411 of temporary capacity, covering four new, time limited posts, included in order to build in income recovery capacity at a time when evidence highlights it is most needed, together with one time limited resource to take forward medium term service development in a project managed way. Should this temporary capacity not be required after two years the annual growth in staff costs for the new Housing Income Service would in fact be £482,826.

Please refer to **Appendix 3** for a full breakdown of Proposed and Existing Staff Costings referred to above.

Given the proposal recommends for a much larger team, there will be additional overhead costs in respect of SLA's recharges for support services including IT, HR and Payroll. An additional 8 desk spaces in Riverside House will be required, costing c. £39,240 p.a. and the service will require additional IT equipment and the rental of mobile phones etc. From a wider Council perspective this may be seen as an opportunity, particularly given the cost pressures on the General Fund, and the likely continuation of reducing staffing levels across General Fund activities.

Further costs associated with delivering the proposal, including any resulting one off redundancy, pension release costs, or pay protection arrangements will need to be considered if this proposal is agreed in principle.

A 12 month and 18 month post implementation review will be carried out in order to ensure resources have been allocated appropriately. Anticipated performance outputs and benefits will also be carefully reviewed in order to see if these have been achieved or exceeded.

However these overall proposed budget increases can be ameliorated in a number of ways:

- a) The Housing Income Service had lower quartile performance for rent collection during 2014-15 when comparator data was last available. For

rent collected from current and former tenants (excluding arrears brought forward) this totalled 98.37%. For the year 2015-16 a slightly lower amount of 98.05% has been collected. The restructure allows for just below median level resources. This should ensure that income collection performance improves to at least a median level, which for 2014-15 was 99.45%. If performance to this median level during 2014-15 had occurred this would have generated an additional £932,966 of income. In considering this modelling moving forward the proposal is self-financing and should also generate additional HRA income.

b) By removing c. £40,000 funding per annum currently provided to the Revenue's service for the collection of Former Tenant Arrears. The relevant Service and Development Manager in Revenues and Benefits has been consulted on this proposal.

c) By removing c. £40,000 (£37,963 overrun for 2015-16) funding per annum currently provided to Legal Services to pay for 1 FTE to check and submit applications for possession proceedings and also in routinely attending court during all such proceedings on behalf of RMBC. The post holder delivering this role retired from the Council in March 2016 and temporary arrangements have now been put in place, pending the outcome of this review. There would still be a need to use Legal Services for complicated case support, which is the sector norm. Feedback from Legal Services colleagues also highlighted that in not using a solicitor in the process, £126.25 of fixed costs that are currently awarded to the Council in each case where a possession order is made and then recharged to tenants, would be lost. While it is not feasible to disaggregate this specific charge, data available suggests the impact of this change in respect of 'Court costs' collected generally would be minimal.

d) By varying the arrangements in place with the Customer Contact Centre who currently receive first point of contact enquiries from tenants sent rent recovery letters in the early stages of the recovery process. Taking this element of work back into the Housing Income Service would ensure an 'income recovery expert' negotiates and agrees appropriate repayment arrangements with tenants. If agreed in principle, the actual cost of this work, included in a wider recharge to Housing Services, requires more detailed investigation which has now commenced. This element of the proposal has not yet been consulted on.

While the proposal highlights the requirement for significant growth, this constitutes the minimum resource required after an internal assessment of workload considering volumetrics where available, added to with benchmarking resource levels with peers.

The number of staff delivering this broad area of income recovery and financial inclusion activity would be set at just below the median of comparator organisations, which would if realised see a service with 43 FTE. The proposal recommends 40.8 FTE, of which 4 FTE would be temporary allowing for some degree of flexibility moving forward.

This will allow the Council in moving forward, to bring in more rent / deal effectively with arrears, and deliver robust tenancy support and financial inclusion services. The overall result will be to increase housing income collected by the Council in all of its forms and aim to sustain more tenancies, which would in turn reduce void costs and the loss of rental income. This would also positively impact on community stability in the Borough.

Costs of the Housing Income Service have been considered against similar housing organisations (and through HouseMark). This revealed that whilst the Council's performance against key performance indicators was less than comparators, the service was compared as very 'low cost' cost in comparison to others; however it has been and is currently delivering poor performance.

All job profiles will be rewritten and then evaluated to establish the detailed staffing costs (subject to formal consultation). Comparisons have been drawn with the current recruitment market to confirm that potential grades for proposed new roles in the structure are in line with the median in respect of market expectations.

The proposals contained within this business case do not rely upon the introduction of mobile IT or any significant changes to the current IT system.

#### **4.7 Housing Revenue Account Implications**

The funding for the service comes entirely from the Housing Revenue Account. There is no General Fund budget provision and any implications to the General Fund are related to increased payments for office accommodation and support service SLA's etc.

There is proposed budget growth required to deliver the restructure proposal and if agreed the impact of this will need to be fully considered in respect of the HRA Business Plan. The expansion of the team is proposed to increase cash collection by approximately £933,000 per year. As a consequence there will be a reduction in bad debt provision of circa £93,000 per year for current tenant arrears.

It is proposed the additional costs in Year 1 of circa £308,000 (assuming implementation from September 2016) will be managed via monthly monitoring of cost pressures and savings to the HRA. Historically the HRA has generated significant surpluses against approved budgets for the past 4-5 years. It is proposed these savings are used to fund the Year 1 implementation costs. Thereafter costs will be factored into the HRA Business Plan.

# 5 Delivering the Recommended Option

## 5.1 Approach to Recommended Option

The revised and refreshed Housing Income Service has been designed to reflect current thinking in the field and built upon a set of principles which encompass contemporary operational practices and in placing the customer at the heart of the service, despite the service having the ability to deliver life changing sanctions.

It is widely accepted that the environment in which housing operates has transformed over recent times as it faces up to new challenges, pressures and change.

Many housing organisations are moving towards an approach best expressed as 'Commercial Mind-Social Heart'.

The proposal for change recommends the requirement and resulting benefits of delivering Option 4 as the preferred Option of those detailed within Section 3. This will therefore require a whole service restructure to the current Housing Income Service, which has been designed to reflect current thinking in the field and built upon a set of drivers for change and strategic objectives for the service.

The recommended approach for housing services proposes a refreshed relationship between the Council and its tenants, and in some respect its applicants. It requires a shift in service design, in how work flows and also of the expectations placed on tenants as customers; recognising their rights but emphasising, using nudge theory, their own responsibilities and requirement for tenancy compliance.

The proposal has been developed in a robust way with all job roles required in the new structure considered. If agreed two suites of fresh job / person profiles for each of the two new teams will need to be drafted in advance of, and then agreed following the required staff consultation phase and then evaluated. In preparation for this comparative salary scales using both research and benchmarking have been proactively considered.

Subject to the sign off by senior management, consideration from DLT (and gaining approval from SLT) resulting in the agreement to progress this proposal and whole service restructure, it is proposed this be delivered in tandem with a wide ranging service development and change management plan, progressing alongside and beyond the timeline for the delivery of the restructure proposal.

This would provide a further foundation for change and improvements to the service focussing on the refreshed drivers for change highlighted below; supporting the service to in time become best in class:-

- Maximise rent and housing income collection in all of its forms, ensuring an improved culture of tenancy compliance,
- Minimise costs by removing waste, increasing low cost payment opportunities and moving towards service access using 'digital by default',
- Deliver excellent customer service in a challenging service environment; recognising the diverse needs of customers and working to sustain their tenancies to enhance community stability across Rotherham.

The delivery of this proposal will require time limited additional resource to support the Business and Commercial Programme Manager in driving this forward.

This has so far been achieved using the capacity of the Interim Project Manager, but this is a temporary resource. In the next phase of the delivery of this review the expertise and input of the Human Resources team will be essential and is in plan.

This business case identifies a wide range of resulting benefits which are achievable by changing the way the service is structured and operates. There are however a number of risks and mitigating actions as set out below. The ownership of these and other risks which are likely to become evident through the restructure and change plan is dependent upon who will be best placed in supporting the Business and Commercial Programme Manager.

## 5.2 Risks and Mitigation

These are summarised as follows:-

| <b>Table One: Risks</b> |  |  |                         |                     |                   |  |
|-------------------------|--|--|-------------------------|---------------------|-------------------|--|
| <b>ID</b>               | <b>Risk Title &amp; Description</b>  | <b>Owner</b>   | <b>Likelihood (1-4)</b> | <b>Impact (1-4)</b> | <b>Risk Score</b> | <b>Mitigating Actions</b>  |
| <b>1</b>                | Staff buy-in to restructure to ensure a positive 'one team' approach to deliver future outcomes                | <b>Business and Commercial Programme Manager</b>                                   | 2                       | 2                   | <b>4</b>          | <b>Ensure benefits for RMBC and tenants are well communicated. There has been informal staff consultation in shaping the final proposal.</b> |
| <b>2</b>                | Robust information being available to complete detailed business case and inform design of proposal            | <b>Interim Project Manager</b>   | 1                       | 2                   | <b>2</b>          | <b>Involvement of key staff and managers, together with horizon scanning and considering comparator services.</b>                            |
| <b>3</b>                | It is difficult to recruit to the new posts  | <b>Interim Project Manager</b>   | 1                       | 2                   | <b>2</b>          | <b>Proposed grades have been checked against sector pay levels.</b>  |
| <b>4</b>                | Costs associated with implementation and delivery are perceived to outweigh the value of improving the service | <b>Business and Commercial Programme Manager</b><br><b>Interim Project Manager</b> | 2                       | 3                   | <b>6</b>          | <b>Detailed business case completed with due diligence undertaken to include implementation costs.</b>                                       |
| <b>5</b>                | Limited changes to staff behaviours due to long term   | <b>Business and Commercial Programme</b>   | 2                       | 2                   | <b>4</b>          | <b>Proposed transfer from the way services are</b>   |

|          |   |  |   |   |          |  |
|----------|---|--|---|---|----------|--|
|          | embedded service practices  | <b>Manager</b>                                   |   |   |          | <b>delivered encouraging and delivering changed behaviours and practices.</b>  |
| <b>6</b> | Lack of buy-in and delivery of a revised culture promoting tenant responsibility across all housing services in a consistent manner   | <b>Assistant Director of Housing</b>             | 1 | 3 | <b>3</b> | <b>Ensure staff in the wider housing service sign up to the concept of tenants, as customers giving 'something for something' resulting in increased tenancy compliance.</b> |
| <b>7</b> | A 12 month & 18 month post implementation review to ensure resources have been allocated appropriately following implementation and that anticipated outputs have been achieved or exceeded | <b>Business and Commercial Programme Manager</b> | 2 | 3 | <b>6</b> | <b>Full review of staff perception, staff absence data, workloads, performance measures and outputs to be evaluated.</b>   |

### 5.3 Proposed Spending Plan

This project is mainly driven by existing revenue costs, added to with an initial £608,237 of annual growth relating to staff costs. Of this total £125,411 is temporary time limited growth for two years (subject to a review) therefore revenue budgets will need to be realigned. Included within the financial implications section(s) it is highlighted how a number of changes to the funding of other services could ameliorate this total in a number of ways.

Given the proposal recommends for a much large team, there will be additional overhead costs in respect of SLA's recharges for support services including IT, HR and Payroll. An additional 8 desk spaces in Riverside House will be required, totalling c. £39,240 p.a. and the service will require additional IT equipment etc.

Further costs associated with delivering the proposal, including any resulting one off redundancy, pension release costs, or pay protection arrangements will need to be factored into the budget for 2016-17. Should this outcome occur the main 'one off' budget spend is likely to be required between September and October 2016.

### 5.4 Key stakeholders

The Key Stakeholders have been identified as being:-

- Assistant Director, Housing & Neighbourhood Services
- Service Development Manager, Revenues & Benefits
- Legal Services Team
- Human Resources Business Partner
- Principal Finance Officer (Neighbourhoods)
- Directorate Leadership Team
- Interim Strategic Director
- Cabinet Member for Housing
- Strategic Leadership Team
- Housing Income Team management and staff
- Trade Union representatives
- Internal Council Stakeholders
- External Stakeholders Groups

## 6 Timescale and Implementation

### 6.1 Indicative Timescales

It is apparent that in order to deliver this restructure and also deliver in tandem a service development and change proposal successfully it will require the appropriate level of management, planning and resources.

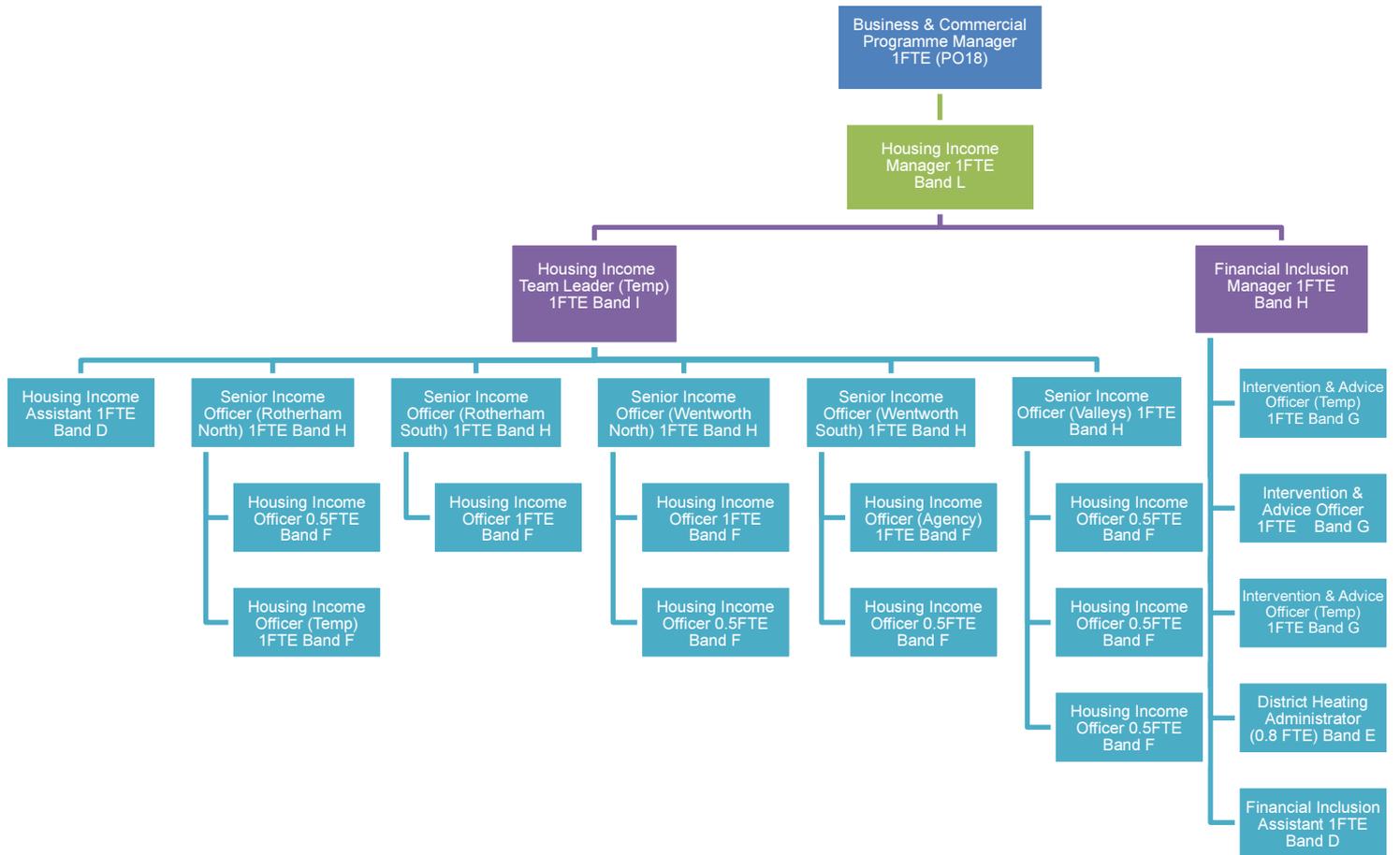
Changes to working practices and employment terms and conditions will also need to be dealt with. An indicative timetable covering the high level actions and key stages is shown below. The dates are currently as follows:-

|                           |                                 |
|---------------------------|---------------------------------|
| Informal consultation     | Undertaken                      |
| Draft proposal            | 10 March to 1 April 16          |
| Asst. Director approval   | Early April 16                  |
| Prepare new job profiles  | Mid April 16                    |
| DLT approval              | 4 May 16                        |
| Pay & grading panel       | 16 May 2016                     |
| SLT consideration         | 14 June 16                      |
| Formal staff consultation | During July 16                  |
| Trade union consultation  | During July 16                  |
| Respond to feedback       | Early August 16                 |
| Confirm proposals         | Early August 16                 |
| Advertise positions       | Early August 16                 |
| Assimilations etc.        | By Mid August 16                |
| Invites and interviews    | August to September 16          |
| Talent Pool referrals     | Mid August 16                   |
| Notice periods            | Mid August to end of October 16 |
| New team in place         | September to October 16         |
| New ways of working       | From October 16                 |

\*Recruitment to be carried out using a bespoke competency based framework and external adverts for some positions can be placed at the same time as internal priority interviews.

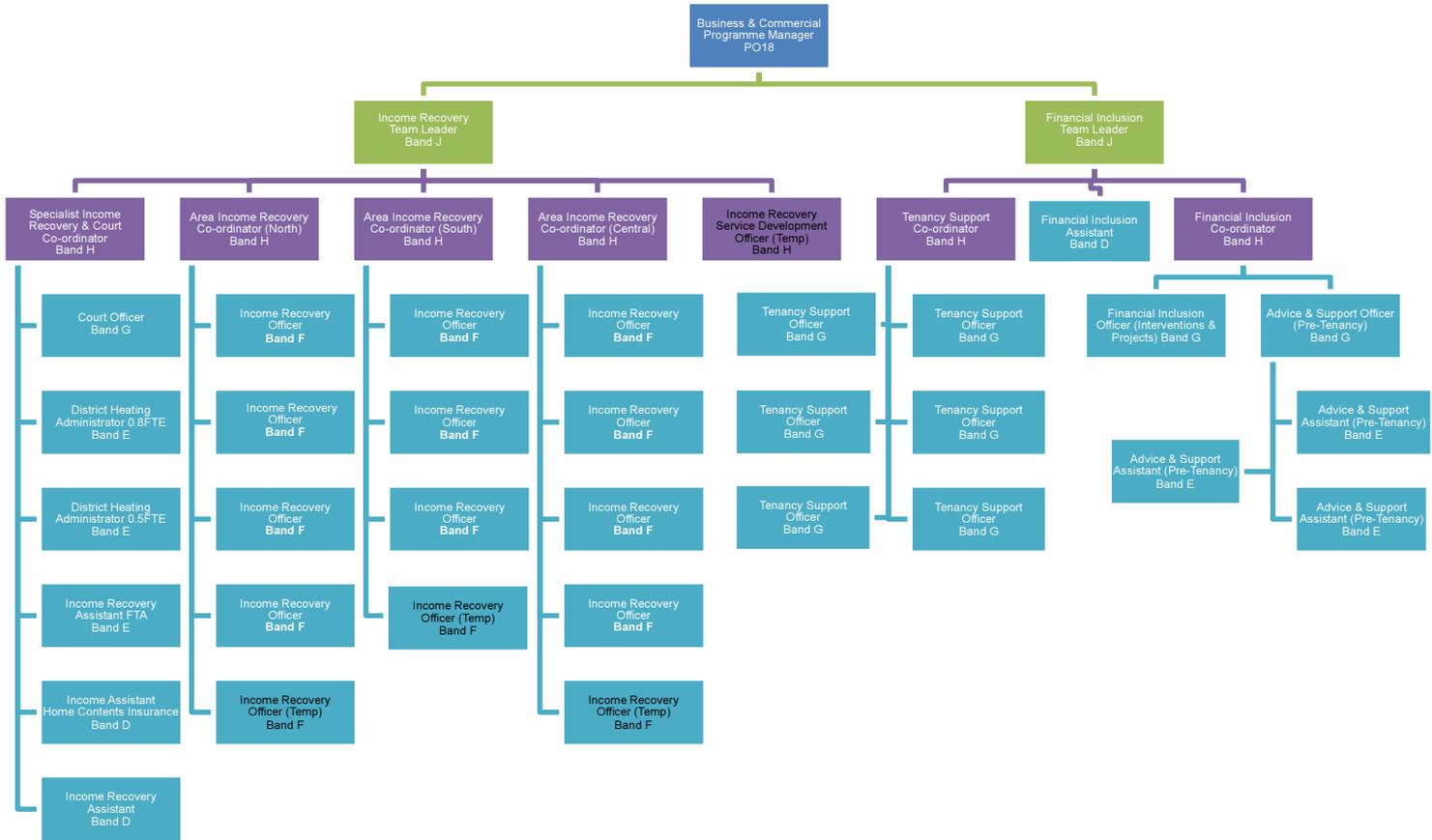
\*\*New Team in place will be incremental and subject to potential external appointments being made to, at minimum, a number of new positions.

## Appendix 1 Existing Structure – Housing Income Team



**Appendix 2 Proposed Structure – A New Housing Income Service to include:**

**Housing Income Recovery Service, and Financial Inclusion & Tenancy Support Service**



### Appendix 3 – Proposed and Existing Staff Costings

| PROPOSED STAFF STRUCTURE - HOURS AND COSTS - YEAR ONE (full year impact)               |           |                      |                   |                  |
|--|-----------|----------------------|-------------------|------------------|
| Service Area   | Grade     | Full Time Equivalent | Job Working Hours | Annual Salary    |
| <b>A: Income Recovery Service</b>  | BAND J    | 1                    | 37                | 47,441           |
| One Post is Temporary (Two Years)*   | BAND H    | 5                    | 185               | 190,120          |
|  | BAND G    | 1                    | 37                | 33,523           |
| Three Posts are Temporary (Two Years)*   | BAND F    | 14                   | 518               | 407,806          |
|  | BAND E    | 2.3                  | 92.5              | 59,259           |
|  | BAND D    | 2                    | 74                | 45,080           |
|  | Total A   | 25.3                 | 943.5             | 783,229          |
| <b>B: Financial Inclusion &amp; Tenancy Support</b>                                    | BAND J    | 1                    | 37                | 47,441           |
|  | BAND H    | 2                    | 74                | 76,048           |
|  | BAND G    | 8                    | 296               | 268,184          |
|  | BAND E    | 3                    | 111               | 77,295           |
|  | BAND D    | 1                    | 37                | 22,540           |
|  | Total B   | 15                   | 555               | 491,508          |
| Sub Total - New Structure Staff Costs  | Sub Total | 40.3                 | 1,498.5           | 1,274,737        |
| M3 Manager @ 50% (potential commitment)  |           | 0.5                  | 18.5              | 37,783           |
| Potential Saturday (Half Day) Working Costs  |           |                      |                   | 5,000            |
| <b>TOTAL COST OF PROPOSED STRUCTURE</b>  |           | <b>40.8</b>          | <b>1,517</b>      | <b>1,317,520</b> |
| EXISTING STAFFING STRUCTURE COSTS - 2016/17  |           |                      |                   |                  |
|  | Band      | FTE                  | Hours             | Total Cost £     |
|  | BAND L    | 1                    | 37                | 57,373           |
|  | BAND H    | 6                    | 222               | 227,026          |
|  | BAND G    | 3                    | 111               | 96,882           |
|  | BAND F    | 8                    | 314.5             | 228,392          |
|  | BAND E    | 0.65                 | 24                | 16,747           |
|  | BAND D    | 2                    | 74                | 45,080           |
|  | Total     | 20.65                | 782.5             | 671,500          |
| M3 Manager @ 30% (current commitment)  |           | 0.3                  | 11                | 22,670           |
| <b>TOTAL COST OF EXISTING STRUCTURE</b>  |           | <b>20.95</b>         | <b>793.50</b>     | <b>694,170</b>   |
| <b>M3 Manager post already funded so does not need additional funding requirements</b> |           |                      |                   |                  |
| Total cost of Proposed Structure - minus 50% M3 Manager (potential commitment)         |           |                      |                   | 1,279,737        |
| Total cost of Existing Structure - minus 30% M3 Manager (current commitment)           |           |                      |                   | 671,500          |
| <b>ADDITIONAL FUNDING REQUIRED PER ANNUM</b>   |           |                      |                   | <b>608,237</b>   |
| ADDITIONAL FUNDING INCLUDED FOR 4 TEMPORARY (TWO YEAR) POSTS                           |           |                      |                   | 125,411          |
| <b>ADDITIONAL FUNDING REQUIRED PER ANNUM (TEMP POSTS END 2 YEARS)</b>                  |           |                      |                   | <b>482,826</b>   |