

# **ADULT, COMMUNITY AND HOUSING SERVICES SCRUTINY COMMITTEE**

**TUESDAY 11<sup>TH</sup> NOVEMBER, 2013**

**AT 6.00 pm  
IN COMMITTEE ROOM 2  
THE COUNCIL HOUSE  
DUDLEY**

**If you (or anyone you know) is attending the meeting and requires assistance to access the venue and/or its facilities, could you please contact Democratic Services in advance and we will do our best to help you**

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## **IMPORTANT NOTICE**

### **MEETINGS IN DUDLEY COUNCIL HOUSE**

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Thank you for your co-operation.

Your ref:

Our ref:

Please ask for:  
Mrs K Buckle

Telephone No.  
(01384) 815243

31<sup>st</sup> October, 2013

Dear Councillor

**Adult, Community and Housing Services Scrutiny Committee**  
**Tuesday, 11<sup>th</sup> November, 2013 – 6.00PM**

You are requested to attend a meeting of the Adult, Community and Housing Services Scrutiny Committee to be held on Tuesday, 11<sup>th</sup> November, 2013 at 6.00pm in Committee Room 2 at the Council House, Dudley to consider the business set out in the agenda below.

The agenda and public reports are available on the Council's Website [www.dudley.gov.uk](http://www.dudley.gov.uk) and follow the links to 'Councillors in Dudley' and the Committee Management Information System.

Yours sincerely



Director of Corporate Resources

**A G E N D A**

1. APOLOGIES FOR ABSENCE

To receive apologies for absence from the meeting.

2. APPOINTMENT OF SUBSTITUTE MEMBERS

To report the appointment of any substitute members serving for this meeting of the Committee.

3. DECLARATIONS OF INTEREST

To receive Declarations of Interest in accordance with the Members' Code of Conduct.

4. MINUTES

To approve as a correct record and sign the minutes of the meeting of the Committee held on 24<sup>th</sup> September, 2013.

5. PUBLIC FORUM

To receive questions from Members of the Public.

6. REVENUE BUDGET STRATEGY 2014/15 (PAGES 1 – 21)

To consider a joint report of the Chief Executive, Treasurer and the Director of Adult, Community and Housing Services.

7. IMPACT OF THE BENEFIT CAP AND THE REMOVAL OF THE SPARE ROOM SUBSIDY ON INCOME COLLECTION WITHIN DUDLEY (PAGES 22 - 27)

To consider a report of the Director of Adult, Community and Housing Services.

8. IMPACT ON WELFARE REFORM ON DUDLEY HOUSING STOCK (PAGES 28 - 34 )

To consider a report of the Director of Adult, Community and Housing Services.

9. RECLASSIFICATION AND REMODELLING OF COUNCIL HOUSING STOCK OPTIONS PAPER (PAGES 35 - 39)

To consider a report of the Director of Adult, Community and Housing Services.

10. TO ANSWER QUESTIONS UNDER COUNCIL PROCEDURE 11.8 (IF ANY).

**To: All Members of the Adult, Community and Housing Services Scrutiny Committee:**

Councillors Baugh, Body, Evans, Herbert, Islam, James, J. Martin, Miller, Mottram, Vickers and M.Wilson

**ADULT, COMMUNITY AND HOUSING SERVICES**  
**SCRUTINY COMMITTEE**

Tuesday, 24<sup>th</sup> September, 2013 at 6.00 p.m.  
in Committee Room 2 at the Council House, Dudley

**PRESENT:-**

Councillor Islam (Chair)  
Councillor James (Vice Chair)  
Councillors Bills, Body, Miller, Russell and Vickers

**Officers**

Assistant Director, Customer Services (Lead Officer to the Committee);  
Assistant Director, Quality and Commissioning, Assistant Director, Health  
Reform Programme Lead and Head of Commissioning, Efficiency and Making it  
Real (all Directorate of Adult, Community and Housing Services) and Mr. J.  
Jablonski (Directorate of Corporate Resources)

**Observer**

Councillor Branwood

15. **APOLOGIES FOR ABSENCE**

Apologies for absence from the meeting were submitted on behalf of  
Councillors Evans, Herbert, J. Martin, Mottram and M. Wilson.

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16. **APPOINTMENT OF SUBSTITUTE MEMBERS**

It was reported that Councillors Russell and Bills had been appointed as  
substitute members for Councillors Herbert and J. Martin respectively for this  
meeting of the Committee only.

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17. **DECLARATIONS OF INTEREST**

No member made a declaration of interest in accordance with the Members'  
Code of Conduct.

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18. **MINUTES**

Arising from consideration of the minutes, in particular resolution (3) to Minute  
12 - Welfare Reform, it was

## RESOLVED

That, subject to the addition of the words “of the Controlling Group” in the third line of resolution (3) to Minute 12 - Welfare Reform - after the word “Members” , the minutes of the meeting of the Committee held on 12<sup>th</sup> August, 2013, be approved as a correct record and signed.

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### 19. THE MAKING IT REAL IN DUDLEY PROGRAMME

A report of the Director of Adult, Community and Housing Services was submitted on specific areas that members of the Committee at the meeting held on 12<sup>th</sup> June, 2013, had identified for further detailed scrutiny.

In connection with the terms of reference for this scrutiny topic, which were “To consider the impact of the Making it Real Programme on the people of Dudley”, a number of documents had been circulated electronically in advance of the meeting, comprising:-

- Programme Summary - an overview paper about Making it Real.
- Executive Summary of Adult Social Care Local Account
- The full Adult Social Care Local Account
- The Making it Real in Dudley Action Plan
- The Making it Real in Dudley Transformation Blueprint
- A Glossary of key terms/jargon buster

all of which were available on the Council's Committee Management Information System.

It was also noted that there was a dedicated website – [www.makingitrealindudley.org](http://www.makingitrealindudley.org).

In addition, paper copies of the above were circulated at the meeting.

The documents provided background information to the Making it Real in Dudley Programme which was the subject of a visual presentation by the Officers from the Directorate of Adult, Community and Housing Services present at the meeting.

A copy of the presentation would be e-mailed to all members of the Committee and be available on the Council's Committee Management Information System.

The presentation comprised:-

- Opening remarks about the Care and Support Bill, which should be enacted in April, 2014, bringing about fundamental changes to the way in which health and social care would be delivered.

The vision was to promote people's independence and well-being by enabling them to prevent and postpone the need for care and support; and to transform people's experience of care and support, putting them in control and ensuring that services respond to what they want.

- A short film about Making it Real
- Details of comparative performance information indicating a high degree of satisfaction in respect of social care - related quality of life and a higher than average proportion of people using social care who received self-directed support when comparing 2011/12 with 2012/13.
- How do we learn from the people of Dudley? Outlining in diagrammatic form from whom and how information data was received, these included the statutory and voluntary services, doctor's surgeries and could in future include the use of meetings of the Council's Community Forums.

It was considered that one of the key changes was how information was received by the right people at the right time.

- The Local Account - Reference was made to the four questions detailed in the presentation and the use of the format of "You Say, We Do".
- Emerging Themes - four areas for improvement were indicated, namely:-
  - the means of allocating resources (Resource Allocation System) takes too long.
  - carers assessments need to be quicker and more choice available
  - more overnight respite care is needed.
  - transportation needs to improve

There were also areas of success, some of which were:-

- that there had been over 10,000 hits on the Dudley Community Information Directory and over 80% had responded and said "it is easy to find information about adult social care".

- over 8,000 people have now benefited from the Telecare service; which enables people to stay at home.
- there are now over 30 micro-provider organisations in the Borough which were recently featured in the national press as an exemplar.
- the Dementia Gateway has proven very popular with people who use it and again received local and national praise having been shortlisted for an innovation award.

As regards the four areas for improvement, it was considered that there was a common denominator with these areas in that they were all aspects/reasons for no longer being able to live at home. Action to address all four areas for improvement were given at the meeting. Basically, the overall theme was what could be done differently and done better to manage down demand.

Following comments made on this aspect of the presentation, it was noted that of the 11,500 local account surveys sent out, approximately 10%, that is in excess of 1,000 had been returned and that there was considered to be further scope given the wide variety of voluntary organisations in the Borough to ensure further dissemination of information. It was further commented that any services commissioned from the various providers would have to be sustainable to ensure they were in business in future.

- The Future: Our Target Operating Model. This model showed the support that was available so that people could remain in their homes Steps 3 to 5, providing the support to enable this to happen.
- Prevention Activity: Dudley Community Information Directory. Details were given of the number of visits, unique visitors, page views and pages/visits to this site and an indication of the various activities that were available. The activities shown related to the period 1<sup>st</sup> April, 2013 to 19<sup>th</sup> September, 2013 and that an average of 573 visits were made from 437 unique visitors. It was also noted that approximately 10,000 people accessed community support information.

So that low level intervention could be effective there was a need to make more services visible and easily accessible so that they reached the people they needed to. It was again reiterated that the overall aim was to enable persons to stay living independently at home for as long as possible.

In response to a query from Councillor James on the actions a Dudley resident could take if they were being cared for in a hospital in another area, the Assistant Director, Health Reform Programme Lead, commented on this matter and also indicated that he would look into the issue and contact Councillor James direct.



In order to increase prevention activity, therefore, there was a need to ensure that services were visible and the view taken by Dudley was that Making it Real needed to be adapted in future to try to prevent needs becoming more complex, therefore, internal capacity was being focused on prevention unlike in some other Local Authorities. The aim was to re-design activity against the framework of reducing resources.

Regarding the making available at an early stage of information to assist prevention activity, a number of suggestions were made as to where information could be made available apart from doctor's surgeries and libraries, for example, in banks, pharmacies, at opticians and petrol stations, basically anywhere where people gathered. It was also considered that there was a need to go out into the community to engage with families and neighbours through the various outlets mentioned so that information was out in the community and again it was suggested that the Council's community forums could be used for this purpose. The use of Council Tax notification letters was also raised.

The aim of also engaging with people who did not usually wish to engage was also a task that it was considered needed to be addressed creatively so that the overall aim of maintaining people at home could be achieved. There was a need, therefore, to think about what could be done differently to achieve the various aims.

- Re-ablement Activity - Living Independently Team: It was noted that the Living Independently Team in 2012/13 provided 972 episodes of community-based re-ablement and that 44% of these led to no on-going care needs, whilst 78% of these led to a reduction in care needs. The preventative model was, therefore, the way to adapt to the future.

A number of members then commented that they agreed with the overall approach of prevention being the best method of future activity given the reducing resources in future years. The officers were also thanked for the work that had been carried out and for the comprehensive presentations that had been given.

In his concluding remarks, the Assistant Director, Quality and Commissioning commented that:-

- Over the last four financial years, the Directorate have lost over 400 employees and decreased the budget by in excess of £20 million. It was known that the financial context in the future would become increasingly challenging and whilst many Councils had taken a view that decreasing investment in preventative services was inevitable, in Dudley the Directorate were arguing a different approach and Making it Real was the means by which the Directorate would structure the future of Adult Social Care in the borough.

- As indicated in the information given in that part of the presentation on The future: Our Target Operating Model, the Directorate would be doing all it could to prevent care needs from becoming more complex. This would be done by supporting people at the earliest opportunity to remain independent in their own homes. Whilst it was acknowledged that there would always be a need for complex traditional services like residential care, internal capacity would focus on prevention, early intervention, intermediate care and re-ablement. Internally run services were more specialist and, therefore, more expensive. The Directorate had a duty to deploy its specialist resource where it would have the most impact and promote independent and good quality outcomes for the residents of the Dudley.
- The Directorate was already working in a mixed economy of care providers involving the private sector, independent and voluntary sector and in-house. The Directorate would continue to strengthen its approach to commissioning; to provide the most robust quality assurance, safeguarding and enable quality of life standards to be achieved.
- The Directorate had a shared philosophy with the Dudley Clinical Commissioning Group that any unplanned hospital or residential care admission would be viewed as a failure. Stronger preventative services would be built that were easier to access, via GP's, self-service and the Directorate's Access Team, many of which would operate on a 24/7 basis to meet demand. It was considered that this combined with the greater choice and control afforded by Making it Real would give the people of Dudley the greatest chance of fulfilled independent lives where institutions were the place of last resort.

The Assistant Director, Quality and Commissioning also reported that there were fortnightly briefing sessions on Making it Real, engaging with people in the borough and members of the Committee were invited to attend the sessions. He would arrange for dates for the sessions to be circulated to members in due course.

Following the presentation given and comments arising therefrom, consideration was then given to any further information/actions the Committee wished to undertake regarding the scrutiny of the impact of the Making it Real Programme on the people of Dudley.

In this connection, it was considered that the Committee should hear from the people of the Borough direct about the Making it Real Programme and receive further information on the Demand Management Tool relating to the resources employed given the need to adapt within the current financial climate.

**RESOLVED**

- (1) That the information contained in the report, as previously circulated to the Committee, and in the presentation given at the Committee on the Making it Real in Dudley Programme, be noted and that the officers concerned respond direct to members regarding queries raised at the meeting as indicated above.
- (2) That the Assistant Director, Quality and Commissioning, in consultation with other officers, as appropriate, be requested to draw up a rolling programme of visits by members of this Committee, and other members of the Council who wished to attend such visits, to a number of venues in the borough to hear from the people of the borough, including users of services and providers, regarding the Making it Real in Dudley Programme for consideration at a future meeting of this Committee, and that feedback from the visits together with the views of relevant persons, to be invited to attend a meeting of the committee, also be reported to a future meeting of the committee.
- (3) That the Assistant Director, Quality and Commissioning submit a report to a future meeting of the Committee on the Demand Management Tool used in connection with the Making it Real in Dudley Programme.

The meeting ended at 7.50 p.m.

CHAIR

**Meeting of the Adult, Community and Housing Service Scrutiny Committee – 11<sup>th</sup> November 2013**

**Joint Report of the Chief Executive, Treasurer, and Director of Adult, Community and Housing Services**

**Revenue Budget Strategy 2014/15**

**Purpose of Report**

1. To consult the Scrutiny Committee on the Revenue Budget Strategy for 2014/15 and the Medium Term Financial Strategy, with emphasis on those proposals relating to the committee's terms of reference. For this committee the relevant items are those relating to the Directorate of Adult, Community and Housing Services in paragraphs 31 and 32.

**Background**

2. At its meeting on 30<sup>th</sup> October 2013, the Cabinet considered a preliminary budget strategy for further consultation, including consultation with Scrutiny Committees, in accordance with the Constitution. In framing their responses to these budget proposals, Scrutiny Committees are being asked to consider both the spending and funding implications (including the impact on Council Tax) of any observations they may wish to make.
3. When the Revenue Budget and Council Tax for 2013/14 was approved, the Council endorsed a Medium Term Financial Strategy (MTFS) which recognised the following basic assumptions:
  - (a) Revenue Support Grant (RSG) for 2014/15 is as per the indicative figures announced with the 2013/14 settlement, and for 2015/16 changes in line with the 2012 Autumn Statement and subsequent Treasury indications.
  - (b) income from Business Rates will be in line with current forecasts;
  - (c) the underlying value of Council Tax Benefit/Support awarded will not substantially exceed current levels.
  - (d) New Homes Bonus funding for future years increases at the same rate as for 2013/14.
  - (e) there is no overall increase in employer pension contributions. The new Local Government pension scheme comes into operation from April 2014, which is also the commencement of a new valuation period. The impact of both is uncertain at this stage.
  - (f) Single Status and Equal Pay costs are no more than estimated;

- (g) general levels of inflation, pay and interest rates do not vary materially from current forecasts;
- (h) income and expenditure relating to treasury management activity, including airport dividend income, are in line with forecasts;
- (i) the impact of schools transferring to academy status can be managed within Directorate of Children's Services budgets.
- (j) there will be no other unplanned expenditure (including any resulting from demographic pressures) or shortfalls in income, which cannot be met from reserves;
- (k) Council Tax increases in future years are up to the referendum threshold based on current legislation and principles.

The risks relating to the above assumptions were recognised, together with the potential need to identify alternative funding sources or further savings to ensure that the strategy remained robust.

4. In order to ensure that the Council could properly manage its financial affairs over the medium term, and ensure resources would be available to deal with new spending pressures and other unforeseen eventualities, the strategy was therefore to:
  - (a) manage spending within approved budget levels;
  - (b) review spending priorities and the allocation of resources in line with Council Plan priorities;
  - (c) seek further efficiency and other savings;
  - (d) maximise opportunities for additional external funding;
  - (e) take action to replenish General Balances;
  - (f) regularly review risks and uncertainties and other relevant factors.

#### Forecast 2013/14 Position

5. Forecast General Fund revenue spend compared with budget for each Directorate is shown in Appendix A.
6. Latest monitoring indicates favourable Treasury variances amounting to a further £1.5m resulting from better than expected cashflows and returns on investments. Cabinet agreed that Council be recommended to amend budgets to reflect this variance.
7. The budget for 2013/14 included a contingency of £1.0m to cover inflationary and other pressures in excess of those assumed when the budget was set. The position will be carefully monitored and reported back to Cabinet as necessary, but at this stage it is proposed that the contingency be retained.

### Looked After Children

8. The outturn report to Cabinet in June 2013 highlighted a risk of an overspend arising from numbers of Looked After Children being higher than those allowed for in the budget.
9. As at August 2013, there were 757 Looked After Children as against 737 allowed for in the budget. The increase is primarily among high cost external residential and independent fostering agency placements. Whereas in previous years it has been possible to manage the costs of Looked After Children by holding back expenditure in other parts of the Directorate, the impact of reducing budgets means that that is no longer possible. Furthermore, the rising demand for services from social care has led to pressures on children's social care workloads. In order to ensure that social workers have manageable workloads and are able to progress cases in a timely manner including responding to externally imposed deadlines from the courts, it has been necessary to allocate additional resource to children's social work services and independent reviewing officers. Taken together, these factors lead to a projected overspend for the Directorate of Children's Services of £3m.
10. Cabinet in June agreed that the Director of Children's Services, the Chief Executive and Treasurer (in consultation with the Cabinet Member and Opposition Spokesperson for Children's Services and Lifelong Learning and the Deputy Leader) should monitor the position and report back to Cabinet in September. It was proposed that the report should include benchmarking of data and costs relating to Looked After Children against other comparable local authorities and should consider the implications for the longer-term budget strategy. This work has taken longer than anticipated due to its complexity, sensitivity and the need to obtain information from other authorities.
11. Preliminary benchmarking data has been shared with the Cabinet Member and Opposition Spokesperson for Children's Services and Lifelong Learning and the Deputy Leader. In addition, and as part of an approach to continuous performance improvement, the Directorate of Children's Services has commissioned a care practice diagnostic exercise by the Local Government Association. This will include an exploration and assessment of the application of thresholds for care and set this against a national context.
12. Cabinet agreed that a report be brought to its meeting in February 2014 outlining the outcomes of the diagnostic exercise and presenting any proposals that arise from it. In the meantime, it is considered prudent to assume that numbers of Looked After Children will remain at their current levels. Cabinet agreed that Council be recommended to amend the current year budget to reflect this variance and that future year forecasts are amended accordingly (see table under paragraph 31 below).

## General Fund Balances

13. The latest forecast position, compared to the original approved budget for 2013/14 and subject to the risks and uncertainties outlined above, is as follows.

|   | <b>Original<br/>Budget<br/>£m</b> | <b>Latest<br/>Position<br/>£m</b> |
|---|-----------------------------------|-----------------------------------|
| Forecast balance at 31 <sup>st</sup> March 2013       | 17.7                              | 17.7                              |
| Effect of 2012/13 outturn                             | -                                 | 1.7                               |
| <b>Actual balance at 31<sup>st</sup> March 2013</b>   | <b>17.7</b>                       | <b>19.4</b>                       |
| Planned addition 2013/14                              | 0.7                               | 0.7                               |
| Variations approved by Cabinet in June                | -                                 | 0.7                               |
| Favourable current year treasury variances (para 6)   | -                                 | 1.5                               |
| Looked After Children (paras 8-12)                    | -                                 | -3.0                              |
| <b>Forecast balance at 31<sup>st</sup> March 2014</b> | <b>18.4</b>                       | <b>19.3</b>                       |

## Budget Strategy 2014/15

14. In formulating the Council's Budget Strategy and tax levels for 2014/15, Members will need to consider carefully:
- (a) the levels of Government support allocated to the Council;
  - (b) spending pressures, opportunities to free up resources (including savings), and Council Plan priorities;
  - (c) the implications of spending levels in later years as part of the Council's medium term financial plan;
  - (d) the views of consultees;
  - (e) the external factors and risks inherent in the Strategy;
  - (f) the impact on Council Tax payers.
  - (g) the Government's stated intention to offer Council Tax Freeze Grant for 2014/15 and 2015/16 (see paragraph 18 below);
  - (h) the potential impacts on people with protected characteristics as defined in the Equality Act 2010. Members will need to have due regard to the public sector equality duty under the Equality Act 2010. (Further details are set out in the Equality Impact section below.)

## Government Funding

15. At the time of setting the current MTFS, RSG figures for 2015/16 onwards had not been announced. Our forecasts were based on the assumption that the ongoing reduction in government funding would continue in line with the reductions over the previous four years. This was supported by the Chancellor's 2012 Autumn Statement and subsequent Treasury indications. Subsequent Government announcements in the March 2013 budget, the 2013 Spending Round (SR2013) in June, and a subsequent "Technical Consultation" on RSG and related matters require these forecasts to be revised. Based on the latest figures set out in the Technical Consultation:

- For 2014/15 RSG will reduce by 18.6% (£16.9m) compared with 2013/14, rather than by the 16.8% provisionally announced in February along with the final 2013/14 settlement;
- For 2015/16 RSG will reduce by 28.4% (£20.9m) compared with 2014/15, rather than by the 15.4% based on previous Treasury indications and assumed in the MTFS

For 2016/17 we do not have any detailed Government funding figures. However the Chancellor indicated in SR2013 that the reduction in overall Government spending is likely to continue at least until 2017/18 at the same average rate as currently. We have therefore assumed a further reduction in RSG of 25.9% (£13.6m) being a best estimate based on underlying trends. This will need to be reviewed as and when the Government provides further details.

16. The Government has also announced that around 35% of 2015/16 New Homes Bonus (NHB) funding will be top-sliced and allocated to Local Enterprise Partnerships (LEPs) for them to spend on their priorities as part of the "Local Growth Fund". A consultation was issued in respect of the details of the proposals, but not the policy itself.
17. We have responded to the consultations on RSG and top-slicing of NHB as summarised in Appendix B.
18. The Council Tax Freeze Grant offered to Councils who froze their Council Tax in 2013/14 was initially guaranteed for only two years. This has now been extended to 2015/16 amounting to £1.1m per year for Dudley. In addition, the Government has indicated that it will also offer similar grant (i.e. equivalent to a 1% Council Tax increase) to Councils who freeze Council Tax in 2014/15 and/or 2015/16, but with funding guaranteed only up to 2015/16.
19. The Government has indicated that the maximum Council Tax increase for 2014/15 and 2015/16, above which a referendum would need to be held, will be 2% for most authorities. However, unlike previous years this "headline" figure will not be adjusted for individual authorities as a result of changes in levies.
20. The Government has indicated that Education Services Grant (the grant that funds support services to schools which become the responsibility of academies after conversion) will reduce by around 20% in 2015/16. It is being assumed that this will be managed within the Directorate of Children's Services' existing resources.



21. On the basis of previous Government announcements it is anticipated that there will be a real increase of approximately £0.5m in the ring-fenced grant which funds Public Health activities in 2014/15. We are also assuming that grant levels will at least match current levels of expenditure in subsequent years.
22. As part of SR2013, the Government announced the creation of a £3.8bn Integration Transformation Fund to support the integration of health and social care. Precise details are not available at the local level but it is clear that the Fund will include elements of funding that are already built into the Council's budget. The transfer of any additional money will be conditional on the Council transforming the way in which it delivers services so as to release savings within the Clinical Commissioning Group (CCG). Further details are set out as Health Integration (under Directorate of Adult, Community and Housing Services) in Appendix C. These proposals will be kept under review as local plans are developed with the CCG.

### Other Forecasts

23. The new Local Government pension scheme comes into operation from April 2014, which is also the commencement of a new valuation period. This will have a favourable effect on employers' contributions. However, on the basis of latest indications the adverse effect of market conditions will more than offset this, such that overall there is likely to be a significant increase in employers' contributions from 1<sup>st</sup> April 2014, although it may be possible to phase in those increases. However, the magnitude of the increase and how any phasing might operate remains uncertain.
24. In addition to the direct impact of changes in employer pension contributions, the current National Insurance rebate for employees and employers for "contracting" out of the Additional State Pension into the Local Government Pension Scheme will end from 1<sup>st</sup> April 2016 as part of the move to the new Single Tier State Pension from that date. Although the Government has indicated the impact of this on public sector employers will be taken into account in funding allocations, it would not be prudent to assume this means the cost will be funded.
25. A report elsewhere on this agenda considers a range of proposals regarding the local Council Tax Support scheme. The impact of any agreed changes will need to be reflected in the budget in due course. At this stage a prudent approach has been taken and the forecasts in this report are based on there being no change to the scheme.
26. The "localisation" of Business Rates from 1<sup>st</sup> April 2013 transferred significant new risks to Councils. In particular:
  - With 49% of Business Rates collected being retained by Dudley, any changes in rateable value as a result of new building, change of use, demolitions, or successful appeals, etc. will have a significant direct impact on the Council's income.
  - In addition to the current effect of appeals, these may also be backdated – sometimes as far as 2005 – giving rise to substantial refunds to ratepayers.

The impact of both the above is difficult to predict, and will continue to be monitored closely, although at present we do not have any reason to make any significant changes to our forecasts.

27. It is estimated that there will be a Collection Fund surplus of £0.6m at 31<sup>st</sup> March 2014 which can be utilised to fund the 2014/15 revenue budget. This will be reviewed prior to the setting of the budget, along with estimates of the taxbase and forecasts for New Homes Bonus and New Homes Bonus Adjustment Grant.
28. Whilst the final costs of Equal Pay Back Pay (EPBP) still remain uncertain, new Single Status pay and grading structures have now been introduced, and we are reaching the end of the appeals process in respect of these. It has been assumed that any costs relating to schools will be funded from school resources. Latest estimates indicate that ongoing annual costs will be around £2m higher than reflected in previous MTFS assumptions, of which £1m can be met from reallocating the contingency budget for 2014/15 onwards.

### Base Budget Forecasts

29. The following key assumptions have been made (and are also referred to in the risk analysis in paragraph 37):
- (a) We are expecting pay awards for local government to be settled at very low levels in the next few years. The budget provision for prices assumes that competitive contract management and tendering will continue to minimise the impact of price rises on Council budgets. We are therefore proposing a provision of 1% for pay and 2% for prices each year for the duration of the MTFS;
  - (b) Interest rates will continue to have a relatively low impact in the medium term.
30. Details of Base Budget Forecasts for the next three years are set out below.

|                                       | 2014/15<br>£m | 2015/16<br>£m | 2016/17<br>£m |
|---------------------------------------|---------------|---------------|---------------|
| 2013/14 Base                          | 247.6         | 247.6         | 247.6         |
| Pay & Prices                          | 3.7           | 7.3           | 10.8          |
| Capital Programme and Treasury        | -1.2          | -0.8          | -1.8          |
| Pensions and National Insurance       | 0.7           | 1.7           | 4.7           |
| Other Adjustments (*)                 | -0.9          | 0.3           | 0.5           |
| <b>Base Budget Forecast</b>           | <b>249.9</b>  | <b>256.1</b>  | <b>261.8</b>  |
| % change year-on-year (like for like) | +0.9%         | +2.5%         | +2.2%         |

(\*) Includes reduction in expenditure as a result of reviewing transfers between the General Fund and Housing Revenue Account, and the costs of Equal Pay Back Pay and Single Status which cannot be met from existing provision and the reallocation of the contingency budget (see para 28 above).

## Spending Pressures

31. Having reviewed existing budgets in the light of Council Priorities, additional legislative requirements and service pressures, the following package of additional spending to target key service areas for investment over the next three years is proposed:

|  | 2014/15     | 2015/16     | 2016/17     |
|--|-------------|-------------|-------------|
|  | £'000       | £'000       | £'000       |
| <b>Adult, Community and Housing</b>  |             |             |             |
| Increased numbers of adults with learning disabilities   | 346         | 721         | 1096        |
| Increased number of clients with dementia  | 582         | 1164        | 1746        |
|  | <b>928</b>  | <b>1885</b> | <b>2842</b> |
| <b>Children's Services</b>   |             |             |             |
| The demand for placements of looked after children in 2013/14 (LAC) exceeds the 2013/14 base budget by £3.0m as set out in paras 8-12 above. | 3000        | 3000        | 3000        |
|  | <b>3000</b> | <b>3000</b> | <b>3000</b> |
| <b>Urban Environment</b>   |             |             |             |
| Waste that goes to landfill is subject to a Landfill Tax set nationally  | 130         | 250         | 350         |
| Domestic waste entering the incinerator is subject to an inflationary contractual 'gate fee'   | 56          | 113         | 170         |
|  | <b>186</b>  | <b>363</b>  | <b>520</b>  |
|  |             |             |             |
| <b>Total</b>   | <b>4114</b> | <b>5248</b> | <b>6362</b> |

The proposals relating to the Directorate of Adult, Community and Housing Services fall within this committee's terms of reference.

## Savings

32. Following a detailed budget review process, which considered the base budget forecast, the need to redirect resources to the spending pressures set out in paragraph 31 and the level of resources likely to be available to the Council, a range of savings has been identified from existing budgets as follows. Detailed proposals are set out in Appendix C.

|                              | 2014/15     | 2015/16      | 2016/17      |
|------------------------------|-------------|--------------|--------------|
|                              | £'000       | £'000        | £'000        |
| Adult, Community and Housing | 3350        | 6707         | 13707        |
| Urban Environment            | 1490        | 3592         | 3692         |
| Children's Services          | 3037        | 4837         | 5087         |
| Corporate Resources          | 681         | 1689         | 2530         |
| Chief Executive's            | 100         | 688          | 751          |
| <b>Total</b>                 | <b>8658</b> | <b>17513</b> | <b>25767</b> |

The proposals relating to the Directorate of Adult, Community and Housing Services fall within this committee's terms of reference.

## Human Resource Implications

33. Details are set out in the separate report on this agenda. Redundancy costs are dependent on the age and length of service of the individuals being made redundant and therefore cannot be precisely calculated at this stage. However, it is anticipated that they can be met from use of resources earmarked for committed capital expenditure (which in turn could be funded from prudential borrowing) and general balances.

## Medium Term Financial Strategy

34. The MTFS reflecting the revised spending proposals set out above, and forecasts of likely resource availability can be summarised as follows.

|   | 2014/15<br>£m | 2015/16<br>£m | 2016/17<br>£m |
|---|---------------|---------------|---------------|
| <b>Base Budget Forecast</b>                   | 249.9         | 256.1         | 261.8         |
| - see para 30                                 |               |               |               |
| <b>Pressures</b>                              | 4.1           | 5.2           | 6.4           |
| - see para 31                                 |               |               |               |
| <b>Savings</b>                                | -8.6          | -17.5         | -25.8         |
| - see para 32                                 |               |               |               |
| <b>Total Service Spend</b>                    | <b>245.4</b>  | <b>243.8</b>  | <b>242.4</b>  |
| Revenue Support Grant (RSG)                   | 73.6          | 53.8          | 40.2          |
| Retained Business Rates                       | 48.1          | 49.1          | 50.3          |
| Top-Up Grant                                  | 15.1          | 15.4          | 15.8          |
| New Homes Bonus (net of LEP topslice)         | 3.4           | 2.7           | 3.3           |
| New Homes Bonus Adjustment Grant              | 0.9           | 0.9           | 0.9           |
| Council Tax Freeze Grant re. 2013/14*         | 1.1           | -             | -             |
| Collection Fund Surplus                       | 0.6           | -             | -             |
| Council Tax                                   | 95.0          | 97.2          | 99.5          |
| <b>Total Resources</b>                        | <b>237.8</b>  | <b>219.1</b>  | <b>210.0</b>  |
| <b>Deficit funded from Balances</b>           | <b>7.6</b>    | <b>24.7</b>   | <b>32.4</b>   |
| Balances brought forward                      | 19.3          | 11.7          | n/a           |
| <b>Balances carried forward (see para 35)</b> | <b>11.7</b>   | <b>n/a</b>    | <b>n/a</b>    |

\*Included in RSG from 2015/16

35. As demonstrated by the table above, balances are adequate to fund the deficit for 2014/15, but it will be necessary to take further action going forward over and above the savings proposed in this report.
36. In order to ensure that the Council can properly manage its financial affairs over the life of this MTFS and beyond, and ensure resources are available to deal with new spending pressures and other unforeseen eventualities, the strategy must therefore be to:
- (a) manage spending within approved budget levels;

- (b) seek further efficiency savings;
- (c) consider opportunities for additional external funding, including new or increased fees and charges;
- (d) take action to replenish General Balances, including the review and re-allocation of earmarked reserves where these are no longer required for their original purpose;
- (e) explore the viability of different models for service delivery;
- (f) prioritise services in line with Council Plan aims and, as a last resort in the event that other measures are insufficient to deliver a balanced budget, reduce or cease to provide the lowest priority services.

Given the scale and urgency of the financial challenge that the Council now faces, it will be necessary to commit significant time and resources to examination of the options set out above. Cabinet authorised the Chief Executive and Directors in consultation with the Leader, Deputy Leader and relevant Cabinet Members to examine the options set out above.

#### Estimates, Assumptions & Risk Analysis

37. The proposals in this report are based on a number of estimates, assumptions and professional judgements, which may need to be reviewed and amended either before the budget and Council Tax for 2014/15 is set, during the course of that year, or indeed over the term of the MTFS. These may lead to further increases in expenditure and, therefore, the need to identify alternative funding sources, and include:
- (a) Revenue Support Grant for 2014/15 and 2015/16 is as per the Technical Consultation issued in July 2013, and for 2016/17 is in line with Government indications of ongoing national deficit reduction. It should be noted that these forecasts in particular remain highly uncertain;
  - (b) income from Business Rates will be in line with current forecasts;
  - (c) the cost of Council Tax Support awarded will not substantially exceed previous forecasts. As set out above, the impact of any agreed changes to the scheme will need to be reflected in the budget in due course;
  - (d) New Homes Bonus funding for future years increases at the same underlying rate as for 2014/15.
  - (e) the increase in employer pension contributions from 1<sup>st</sup> April 2014 is no greater than estimated;
  - (f) Single Status and Equal Pay costs are no more than estimated;
  - (g) general levels of inflation, pay and interest rates do not vary materially from current forecasts;
  - (h) income and expenditure relating to treasury management activity, including airport dividend income, are in line with forecasts;

- (i) the impact of schools transferring to academy status can be managed within existing Directorate budgets;
- (j) there will be no other unplanned expenditure (including any resulting from demographic pressures) or shortfalls in income, which cannot be met from reserves;
- (k) Council Tax increases in each year are 2% in line with indicated referendum thresholds. If the Council were to decide to freeze Council Tax in April 2014 and/or April 2015 and accept Council Tax Freeze Grant (see paragraph 18), the funding deficit would be greater than indicated above.

### Consultation

- 38. Extensive public consultation was undertaken during the last budget round (the “Big Question” exercise). Over 4,500 responses were received, giving views about Council Tax increases and about the services that people would most want to protect or would be prepared to see cut. Of those who responded, approximately 1,200 people signed up to receive e-bulletins from the council with news and information from across the borough. In view of the volume of responses already received, and in order to minimise costs, it is proposed that this year’s consultation will be done primarily via free online channels. This will include using the e-bulletin system, which now has approximately 1,600 subscribers, as well as the website and social media channels.
- 39. Detailed consultation will also be undertaken with groups identified as being potentially affected by the specific savings proposals, with a particular emphasis on equalities issues. Further information is set out in the Equality Impact section below. Unions will be consulted in the context of the redundancy process considered in a separate report elsewhere on this agenda.
- 40. The Council is required by law to consult with representatives of Business Ratepayers before the final budget and Council Tax are agreed. A consultation meeting will be held to consider the issues set out in this report. Further detailed information (as required by law) will be distributed in February for comment before the Council Tax setting meeting.
- 41. In accordance with the Council’s Constitution, Scrutiny Committees are being asked to consider the issues set out in this report and in particular any proposals relevant to their terms of reference. For this committee the relevant items are those relating to the Directorate of Adult, Community and Housing Services in paragraphs 31 and 32. The Director of Adult, Community and Housing Services will be available at the meeting to address any queries. In framing their responses, the Scrutiny Committees are being asked to consider both the spending and funding implications (including the impact on Council Tax) of any observations they may wish to make.

### Finance

- 42. This report is financial in nature and relevant information is contained within the body of the report.

## **Law**

43. The Council's budget setting process is governed by the Local Government Finance Acts 1988 and 1992, and 2012 and the Local Government Act 2003.
44. The Local Government Act 2003 requires the Chief Financial Officer to report on the robustness of estimates made for the purpose of final budget calculations, and the adequacy of the proposed financial reserves and this will be included in the final budget report.
45. The Localism Act 2011 introduced a new chapter into the Local Government Finance Act 1992 making provision for council tax referendums to be held if an authority increases its council tax by an amount exceeding principles determined by the Secretary of State and agreed by the House of Commons.

## **Equality Impact**

46. Section 149 of the Equality Act 2010 - the general public sector equality duty - requires public authorities, including the Council, to have due regard to the need to:
  - eliminate discrimination, harassment and victimisation and other conduct that is prohibited by the Act;
  - advance equality of opportunity between people who share a protected characteristic and those who don't;
  - foster good relations between people who share a protected characteristic and those who don't.
47. Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
  - remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic
  - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it
  - encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
48. The legislation states that "the steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities." In practice, this means that reasonable adjustments should be made for disabled people so that they can access a service or fulfil employment duties, or perhaps a choice of an additional service for disabled people is offered as an alternative to a mainstream service.

49. Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- tackle prejudice, and
- promote understanding.

50. Compliance with the duties in this section may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by or under this Act.

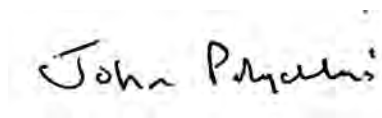
The duty covers the protected characteristics of age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

51. An initial assessment of the budget proposals has been made. Where proposals are likely to have a significant equality impact, they will undergo an equality impact assessment informed by consultation with the protected groups who may be adversely affected, during the autumn. The results of this process and any steps which emerge that might help to mitigate any potential impact of the budget proposals on the protected groups will be reported to Members so that they can pay due regard to the Public Sector Equality Duty in making decisions on the budget. In making decisions on budget proposals, Members will need to weigh the Public Sector Equality Duty against the forecast financial position, risks and uncertainties set out in this report.

52. With regard to Children and Young People, the proposed budget for the Directorate of Children's Services will be spent wholly on maintaining and improving services for children and young people. The expenditure of other Directorates' budgets will also have a significant impact on this group.

## **Recommendations**

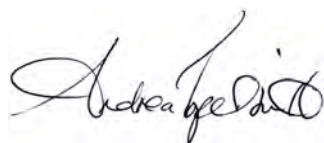
53. That the Committee considers the Cabinet's Revenue Budget Strategy proposals for 2014/15 and the Medium Term Financial Strategy, taking into account the considerations set out in paragraph 41.



.....  
John Polychronakis  
Chief Executive



.....  
Iain Newman  
Treasurer



.....  
Andrea Pope-Smith  
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**List of Background Papers**

HM Treasury Budget 2013

Spending Round 2013

Local Government Finance 2014-15 Technical Consultation Paper

## Latest Forecast 2013/14

| Directorate                  | Revised<br>Budget<br>£m | Outturn<br>£m  | Variation<br>£m |            |
|------------------------------|-------------------------|----------------|-----------------|------------|
| Adult, Community and Housing | 103.759                 | 103.759        |                 |            |
| Children's Services          | 68.556                  | 71.613         | 3.057           | See note 1 |
| Urban Environment            | 56.287                  | 56.287         |                 |            |
| Chief Executive's            | 3.635                   | 3.635          |                 |            |
| Corporate Resources          | 14.707                  | 13.201         | -1.506          | See note 2 |
| <b>Total Service Costs</b>   | <b>246.944</b>          | <b>248.495</b> | <b>1.551</b>    |            |

Note 1: Costs of extra Looked After Children.

Note 2: Better than expected cashflows and returns on investments.

### **Summary of response to Technical Consultation on RSG for 2014/15 and 2015/16**

- We are disappointed that this consultation does not give any opportunity to comment on the reduction in Government funding. Indeed what is essentially a political decision has been hidden within something that purports to be a purely technical consultation. For Local Government to continue to suffer a disproportionate share of the “deficit reduction” is unsustainable.
- In particular, we are disappointed that figures for 2014/15 provided in February, on which authorities based their medium term financial plans, were amended as soon thereafter as the March 2013 Budget.
- In respect of top-slicing RSG to fund New Homes Bonus (NHB), we would re-iterate the point already made by ourselves and others that NHB is redistributing resources to those areas with the greatest capacity for new construction at a time of unprecedented reductions in Council funding. Moreover NHB is no longer required to achieve its original purpose (to provide councils with funding from outside the formula grant system towards the pressure on services resulting from new homes being built in their area), as this is now integral to the new funding system. As a minimum, there should be no further increase in NHB or the hold back required to fund it.
- In respect of top-slicing RSG to fund safety net payments to authorities with large reductions in Non Domestic Rate income, we believe that the safety net requirement may have been overestimated and there should therefore be no upfront safety net hold back, but rather an adjustment in future years once costs are known.

### **Summary of response to consultation on pooling (top-slicing) New Homes Bonus and allocation to Local Enterprise Partnerships**

In addition to the general issues raised concerning NHB in the response to the consultation on RSG above:

- We are opposed to pooling New Homes Bonus (NHB) in this way. Pooling of NHB will divert more resources away from existing essential services, contrary to the DCLG’s own documentation which states “New Homes Bonus is an unringfenced grant, which means local authorities are free to decide how to spend it, as they are in the best position to make decisions about local priorities.”
- Whilst LEPs have a useful role to play, they are unelected bodies. Local authorities are better placed in terms of accountability and making decisions about local priorities, which will include the economy.
- Amounts of NHB which Councils have already included in their medium term financial plans (i.e. to fund existing services) should be taken into account by LEPs when determining their priorities for using pooled funding whether or not any expenditure has been contractually committed. Otherwise pooling will lead directly to further service reductions.

## Proposed Savings

The proposals relating to the Directorate of Adult, Community and Housing Services fall within this committee's terms of reference.

| <b>Adult, Community and Housing</b>  | <b>2014/<br/>15</b> | <b>2015/<br/>16</b> | <b>2016/<br/>17</b> |
|--|---------------------|---------------------|---------------------|
|  | <b>£'000</b>        | <b>£'000</b>        | <b>£'000</b>        |
| Learning Disability - Review the levels of residential care and care packages for people including supported housing. This will be achieved following a re modelling of how we deliver services to people with a Learning Disability which will see more people supported in community based settings and through the delivery of Direct Payments.   | 496                 | 871                 | 871                 |
| Health Integration - Working together with the Clinical Commissioning Group for Dudley we will introduce new ways in which people access care and support with revised working practices for staff across both Health and Social Care and the integration of Health and Social Care teams. The emphasis will be on building and maintaining community based services linked to Primary Health and Social Care in order to avoid unplanned hospital admissions and significantly reduce length of stay. This would result in a transfer of resources within the health and social care system to Social Care from Health. | 1267                | 3443                | 10443               |
| Mental Health Services - Review the levels of residential care and care packages for people including supported housing. This will be achieved by reducing the cost of new placements with providers; delivering improved value for money from existing care packages; through the use of telecare; extra care housing; and Direct Payments.   | 100                 | 256                 | 256                 |
| Transfer of home care hours from internal provision to external provider. The difference in unit costs will deliver the savings with no loss of care hours being provided.   | 300                 | 300                 | 300                 |
| Closure of the existing reablement homes for the elderly, with the transfer of required beds to Russell Court which has changed the use of beds in the home from long term residential care.   | 515                 | 515                 | 515                 |
| Older People - Reduction in number of residential placements being made from 6 residential home equivalents per week to 5 through more effective use of reablement to reduce long term care needs.   | 200                 | 200                 | 200                 |
| Reduction in social work and management posts as a result of the restructuring of the Directorate and the reduction in directly provided services.   | 200                 | 400                 | 400                 |
| Physical Disability - Savings from reviews of existing care packages. This will be achieved following a re modelling of how we deliver services to people with a Physical Disability which will see more people supported in community based settings and through the delivery of Direct Payments.   | 0                   | 200                 | 200                 |
| Libraries Archives and Adult Learning – Planned efficiencies across management and infrastructure costs whilst maintaining local provision.  | 272                 | 272                 | 272                 |

| <b>Adult, Community and Housing</b>  | <b>2014/<br/>15</b> | <b>2015/<br/>16</b> | <b>2016/<br/>17</b> |
|--|---------------------|---------------------|---------------------|
|  | <b>£'000</b>        | <b>£'000</b>        | <b>£'000</b>        |
| Older People/ Learning Disability - Review of existing shared lives service with development of extending existing service provision to provide alternative to residential care. | 0                   | 250                 | 250                 |
| <b>Total</b>   | <b>3,350</b>        | <b>6,707</b>        | <b>13,707</b>       |

| <b>Urban Environment</b>   | <b>2014/<br/>15</b> | <b>2015/<br/>16</b> | <b>2016/<br/>17</b> |
|--|---------------------|---------------------|---------------------|
|  | <b>£'000</b>        | <b>£'000</b>        | <b>£'000</b>        |
| <b>Service related savings</b>   |                     |                     |                     |
| Reduction in the Road reconstruction and resurfacing programme   | 120                 | 581                 | 581                 |
| Reduction in the Footway reconstruction programme and public right of way maintenance  | 100                 | 100                 | 100                 |
| Reduction in routine Street Lighting, signs and bollards maintenance   | 0                   | 50                  | 50                  |
| Reduction in Street Cleansing linked to increased community led litter picking   | 0                   | 71                  | 71                  |
| Reduction in Gully Drain Emptying with a greater focus on problem 'hot spots'  | 0                   | 52                  | 52                  |
| Reduction in the Grounds Maintenance of parks, open spaces, verges and other amenities including grass cutting, shrubs, hard surfaces & pitch marking and the pruning of trees | 5                   | 270                 | 270                 |
| Shortening the collection period for Green Waste to between April and the end of October   | 100                 | 100                 | 100                 |
| <b>Office staff related savings</b>  |                     |                     |                     |
| Staff related savings across all Divisions of the Directorate  | 217                 | 1175                | 1175                |
| <b>Income generation</b>   |                     |                     |                     |
| Increase car parking charges   | 225                 | 225                 | 225                 |
| <b>Other efficiency and contractual savings</b>  |                     |                     |                     |
| Selling the spare capacity of the Incinerator at Lister Road Depot   | 313                 | 313                 | 313                 |
| Introduction of Wheelie Bins for domestic waste as part of wider waste minimisation strategy   | 100                 | 100                 | 100                 |
| Gym equipment contract negotiated savings  | 40                  | 80                  | 80                  |
| New technology within Street Lights will reduce light pollution and save significant energy costs  | 0                   | 205                 | 205                 |
| Broadfield House - explore the potential for an Asset Transfer to a third party  | 170                 | 170                 | 170                 |
| Utilise route optimisation software in Council vehicles  | 100                 | 100                 | 100                 |
| Switch off selected Street Lighting from midnight  | 0                   | 0                   | 100                 |
|  |                     |                     |                     |
| <b>Total</b>   | <b>1,490</b>        | <b>3,592</b>        | <b>3,692</b>        |

| <b>Children's Services</b>   | <b>2014/<br/>15</b> | <b>2015/<br/>16</b> | <b>2016/<br/>17</b> |
|--|---------------------|---------------------|---------------------|
|  | <b>£'000</b>        | <b>£'000</b>        | <b>£'000</b>        |
|  |                     |                     |                     |
| <b>Directorate</b><br>Accommodation savings and the relinquishing of property leases.  | 237                 | 237                 | 237                 |
| <b>Education Services</b><br>Redesign the Information Advice and Guidance support to targeted groups of vulnerable young people. The achievement of efficiencies and the use of different delivery models of support will reduce the impact to the service user but a reduction in staffing will be required to achieve the savings together with the release of 2 fte vacant posts. | 550                 | 650                 | 650                 |
| <b>Education Services</b><br>Significantly reduce and redesign universal Youth Service activity offered to 11-19/25 year olds in the Borough. Resulting in the closure of up to 3 centres and a reduction in staffing including 2.6 fte vacancies. The service will also develop income opportunities including trading to schools, utilising buildings and activity programmes.     | 180                 | 380                 | 380                 |
| <b>Quality and Partnership</b><br>Reduce voluntary and community sector commissioning budget.  | 10                  | 60                  | 60                  |
| <b>Education Services</b><br>The Special Education Needs (SEN) home to school transport budget for pupils will be reduced through efficiencies and some redesign of the service provision to pupils and looked after children.   | 30                  | 250                 | 250                 |
| <b>Quality and Partnership</b><br>Savings will be achieved by releasing a 1fte vacant post and reducing the commissioned service for early Intervention mental health work.  | 40                  | 110                 | 110                 |
| <b>Asset Management</b><br>Asset Management Services will increase their traded service income targets and /or make staffing reductions.   | 40                  | 90                  | 90                  |
| <b>Children and Families</b><br>Proposals will be put forward for the restructuring of Children's Centres and the services they provide. These proposals will be subject to full and proper public consultation prior to any decision about the shape of future service delivery.  | 1,500               | 2,300               | 2,300               |
| <b>Education Services</b><br>Options will be explored for Dudley Performing Arts (DPA) service to become 100% financially sustainable by 2016/17, through traded service income, grants, partner contributions and trust status.   | 0                   | 0                   | 160                 |
| <b>Education Services</b><br>A service review of Early Years activities has released 1.5fte vacant posts to save £0.090m. The remaining £0.070m will be saved from either additional traded service income and/or a redesign of the Early Years service delivery with potential staff reduction.   | 50                  | 160                 | 160                 |

| <b>Children's Services</b>  | <b>2014/<br/>15</b> | <b>2015/<br/>16</b> | <b>2016/<br/>17</b> |
|---|---------------------|---------------------|---------------------|
|   | <b>£'000</b>        | <b>£'000</b>        | <b>£'000</b>        |
|   |                     |                     |                     |
| <b>Education Services</b><br>The saving will be achieved by the release of 3 vacant Education Improvement Advisor (EIA) posts together with potential staff reduction.  | 185                 | 185                 | 220                 |
| <b>Directorate</b><br>The Directorate will review and redesign its service provision from April 2014. This will include the release of 2.7 fte vacant posts saving £0.070m; service restructures saving £0.110m will result in some staff reduction; additional income targets of £0.070m; and other efficiencies of £0.050m. | 115                 | 245                 | 300                 |
| <b>Quality and Partnership</b><br>Reduce the commissioning budget for short breaks for children with disabilities and redesign and reduce service provision internally resulting in possible staff reduction.   | 100                 | 100                 | 100                 |
| <b>Education Services</b><br>The national policy changes to Special Education Needs (SEN) should allow for a service redesign to achieve £0.070m of efficiencies by reducing staff by 2015/16.  | 0                   | 70                  | 70                  |
| <b>Total</b>  | <b>3,037</b>        | <b>4,837</b>        | <b>5,087</b>        |

| <b>Corporate Resources</b>  | <b>2014/<br/>15</b> | <b>2015/<br/>16</b> | <b>2016/<br/>17</b> |
|---|---------------------|---------------------|---------------------|
|   | <b>£000</b>         | <b>£000</b>         | <b>£000</b>         |
| ICT - Consolidation of corporate and directorate-based ICT Services | 200                 | 350                 | 507                 |
| 100% Removal of Risk Management Funding                             | 195                 | 195                 | 195                 |
| Management restructure across directorate                           | 0                   | 110                 | 332                 |
| Other efficiency savings following process and service redesign     | 21                  | 31                  | 89                  |
| Increase Management & Valuation and conveyancing fees               | 0                   | 5                   | 25                  |
| Human Resources & Organisational Development staff savings          | 29                  | 197                 | 221                 |
| Accountancy staff savings   | 93                  | 93                  | 222                 |
| Staff savings across Customers division                             | 0                   | 100                 | 298                 |
| Staff savings from Law & Governance division                        | 143                 | 185                 | 218                 |
| Office accommodation savings  | 0                   | 423                 | 423                 |
| <b>Total</b>  | <b>681</b>          | <b>1689</b>         | <b>2530</b>         |

| <b>Chief Executive's</b>                             | <b>2014/<br/>15</b> | <b>2015/<br/>16</b> | <b>2016/<br/>17</b> |
|--|---------------------|---------------------|---------------------|
|  | <b>£'000</b>        | <b>£'000</b>        | <b>£'000</b>        |
| Community Safety staff savings                       | 0                   | 140                 | 140                 |
| Communications - income generation and staff savings | 0                   | 180                 | 200                 |
| Other staff savings across directorate               | 100                 | 268                 | 311                 |
| Reduction in Grant to DCVS / CFED                    | 0                   | 40                  | 40                  |
| Reduce running expenses across directorate           | 0                   | 60                  | 60                  |
| <b>Total</b>   | <b>100</b>          | <b>688</b>          | <b>751</b>          |



## **Report for DACHS Scrutiny Committee, 11<sup>th</sup> November 2013**

### **Report from the Director of Adult, Community & Housing Services**

### **Impact of the Benefit Cap and the Removal of the Spare Room Subsidy on income collection within Dudley**

#### **Purpose of Report**

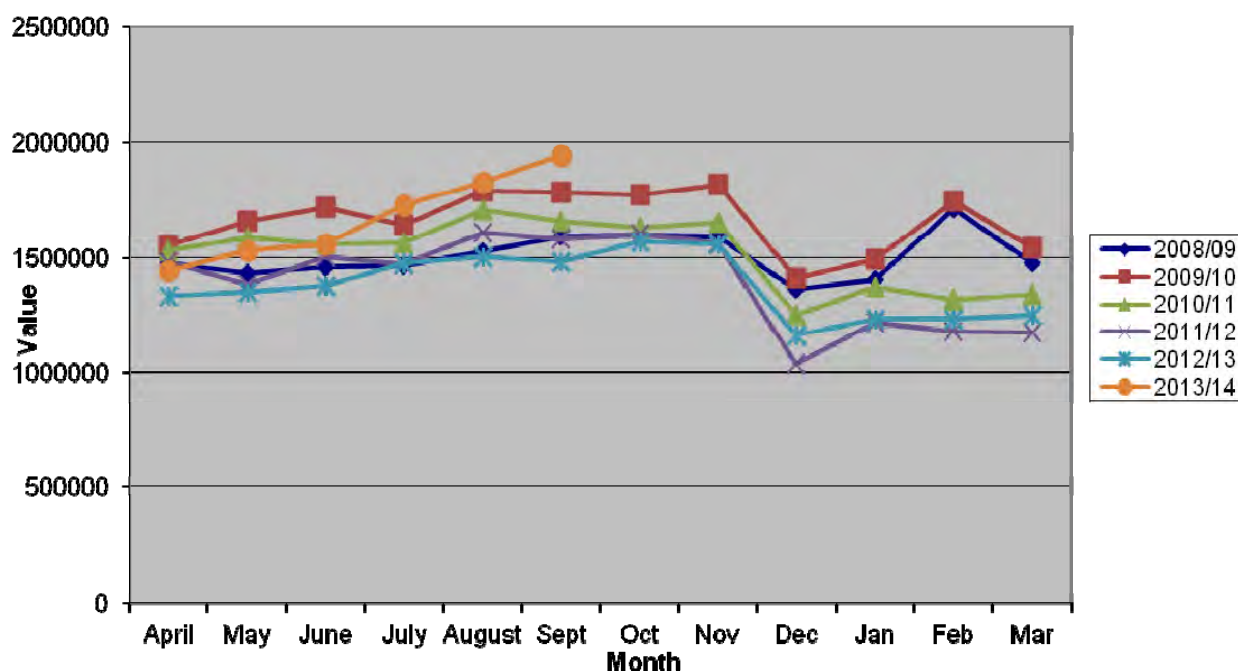
1. To provide an update to Scrutiny Committee on the impact of the Benefit Cap and the removal of the spare room subsidy on income collection within Dudley.

#### **Background**

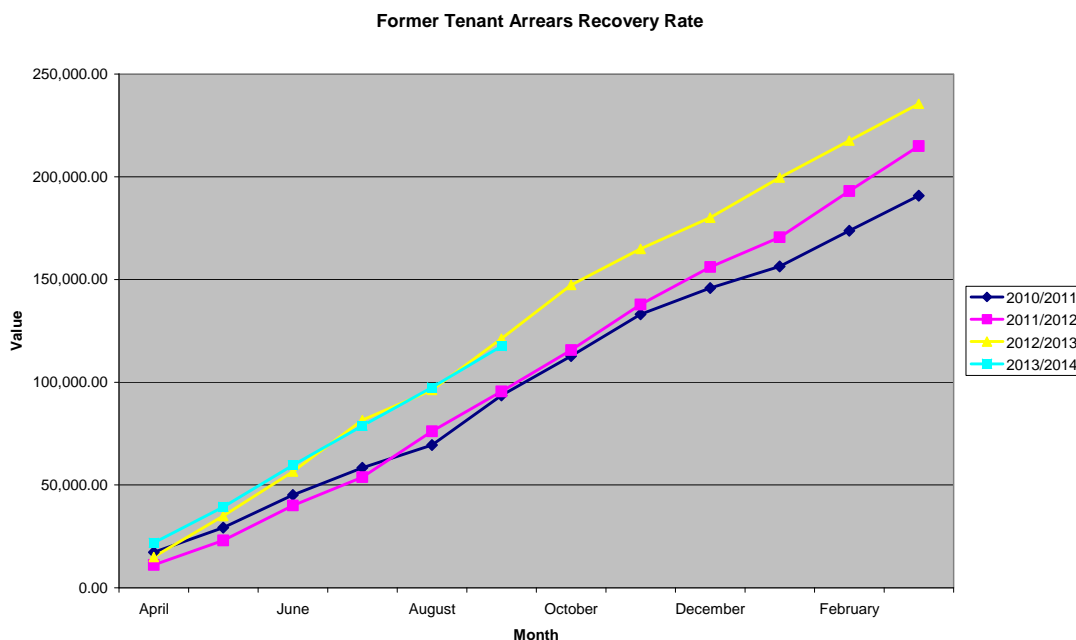
2. Following a presentation to Scrutiny Committee on the 12<sup>th</sup> August 2013, Members requested a further update on the impact on Dudley regarding the removal of the spare room subsidy. To place this update into context I need to set the scene by presenting information on the overall arrears position for the borough. Reason being that welfare reform in general and the economic position of the country has impacted on people's ability to pay rent amongst competing priorities. This has impacted on the workload of the team in addition to the benefit cap and the removal of the spare room subsidy.

The income teams up to the end of quarter 2 have seen a steady increase in the level of rent arrears outstanding. Their current level is the highest it has been since 2008/09. This is due to the impact of welfare reforms but also due to the increasing number of accounts falling into arrears. The number of accounts in arrears has increased from 8153 (sep 12) to 9601 (sep 13) which equates to a 17.76% increase. With the increase in the number of accounts falling into arrears, the teams are less able to tackle these quickly. In relation to the welfare reform accounts, these are very often more complex and require more time to deal with effectively.

**Borough Wide Net Rents 2008 - 2014**



3. In relation to former tenant arrears, the income teams are also responsible for the recovery of any outstanding debt once a tenancy ends. This area of work has also been impacted due to the increase in current accounts.
4. The monetary value of former tenant accounts recovered has not reduced, this is largely due to established repayment plans being in place and a revised former tenant arrears policy/debt recovery process being in place. To explain this further, the rate of former tenant arrears that are being added outweighs the rate at which we are recovering the debt. See graph below:



5. However, the total debt outstanding to the authority has significantly changed, see table below:

| Year    | April        | September    | % increase |
|---------|--------------|--------------|------------|
| 2012/13 | 5,069,926.94 | 5,358,999.23 | 5.7        |
| 2013/14 | 4,513,482.58 | 5,175,441.37 | 14.67      |

6. Since the last meeting of the Scrutiny Committee another welfare reform measure has been introduced. On 15<sup>th</sup> July 2013 the Benefit Cap came into force, which capped a household's income at the following levels:
  - £500 a week for couples (with or without children living with them)
  - £500 a week for single parents whose children live with them.
  - £350 a week for single adults who don't have children, or whose children don't live with them.
7. For example, if a families income was £600 per week, their income would be capped via their housing benefit to £500 per week. Tenants rent is £100 per week,

the tenant would be capped and would only receive £0.50 per week housing benefit. (see data below regarding impact).

### **Impact of changes**

8. The most significant impact of Welfare Reform has been on the level of rent arrears outstanding to us.
9. At the 30<sup>th</sup> September 2013 (end of quarter 2) there were 2704 (12%) of Council households whom were subject to the removal of the spare room subsidy. As explained previously the numbers are constantly changing for a variety of reasons, e.g. someone reaching pension age and therefore no longer subject to the removal of the spare room subsidy. On the 1<sup>st</sup> April when this change was implemented, 14% (3330) of Council households were affected. This shows that the numbers fluctuate as personal circumstances change.
10. Additionally, from the 15<sup>th</sup> July 2013 over a period of five weeks 52 tenants within Dudley had their benefit capped.
11. The total arrears figure at 30<sup>th</sup> September 2013 for accounts subject to the benefit cap and the removal of the spare room subsidy was £371,884. This amount includes accounts where there were arrears present before the welfare reform changes were implemented.

### **Removal of the spare room subsidy rent arrears**

12. As stated above there are 2704 tenants as at 30<sup>th</sup> September that are subject to the removal of the spare room subsidy. 1869 tenants are in arrears and 835 have clear rent accounts. Of the 1869 tenants that are in arrears, 1124 are making payments towards their arrears. Not all of the arrears on these accounts are solely attributable to the removal of the spare room subsidy. It is worth noting that of the 1869 tenants that are in arrears, 666 were in rent arrears before the changes took place.

|  | 1 <sup>st</sup> April 2013 | June 2013 | September 2013 |
|--|----------------------------|-----------|----------------|
| <b>Number of tenants in arrears &amp; subject to the "removal of spare room subsidy"</b> | 1345                       | 1898      | 1869           |
| <b>Value of arrears on above accounts – "removal of spare room subsidy" arrears</b>      | £198,125                   | £302,936  | £361,051       |

## **Benefit Cap**

13. As at the 30<sup>th</sup> September 2013 the total balances for the 52 accounts subject to the benefit cap stood at £10,833.28. All 52 accounts at the 31<sup>st</sup> March 2013 before the implementation of the benefit cap had a total arrears balance of £1,269.46. This shows an increase of 753.37%. Therefore there is a significantly greater impact on benefit cap tenants, many of whom are experiencing a considerable loss in income as their housing benefit has been substantially reduced. Prior to the benefit cap coming into force these accounts received full housing benefit.
14. How the benefit cap affects the claimant is dependent upon whether the amount of income they have over the cap is higher or lower than the amount of housing benefit they receive. The position is that any benefit income over the cap is deducted in total from their housing benefit entitlement. The following examples are taken from two households that are affected in Dudley.

Example 1, a family receives a total of £924.13 a week in benefits, of which £94.96 is housing benefits. The cap is £500 so the household is £424.13 over which should be deducted from their housing benefit. As they receive £94.96 housing benefit, their housing benefit has now been reduced by £94.46 to the set nominal amount of 50p.

Example 2, a family receives a total of £583.10 a week in benefits, of which £122.85 is housing benefit. The cap is £500 so the household is £83.10 over, which will be deducted from their housing benefit. They now receive housing benefit of £39.75 as part of their overall income.

|  |         |
|--|---------|
| <b>Number of tenants in arrears &amp; subject to the benefit cap</b> | 41      |
| <b>Value of arrears on above accounts – benefit cap arrears</b>      | £10,833 |

## **Arrears Action**

15. For tenants in arrears that have been impacted by welfare reforms (specifically the benefit cap and the removal of the spare room subsidy) and are experiencing financial difficulties additional support has been provided. More intervention stages have been added for arrears prevention and income maximisation. This involves extra home visits being built into the process to ensure all eligible benefits are being claimed, to ascertain income and expenditure details, assist with applying for discretionary housing payments, providing budgeting and debt advice, to advise on the housing options that are available and to secure a payment method.
16. Of those in rent arrears which are solely attributable to the removal of the spare room subsidy there are 35 cases that have been closely monitored as they have reached the final stages of our arrears recovery procedure. Home visits have been carried out to all 35 households unfortunately some have not engaged with the visiting officers. Of the 35, 10 have started making payments and starting to reduce the amount they owe. Additionally, the visits found that there are a number of issues affecting a household's ability to pay their rent. For example, due to a falling out within the family, the daughter of the tenant cancelled their bank card and put a

stop on their bank account. This left the tenant without any money and the tenant does not want to move. The tenant is in the process of setting up a new bank account and will be applying for Discretionary Housing Payments. Assistance was offered with budgeting and it was identified that she may be eligible for Personal Independence Payments. Another visit will be conducted to assist the tenant in completing the PIP form once it is received.

17. Another example is of a tenant that has been badly affected by a stroke. He now has difficulties with his memory and comprehension and relies on a family member for support. An appointment was made for the visiting officer, the family member that provides support and the tenant to meet at their home. A Discretionary housing payment application was completed and it was established that the tenant has an overnight carer. This updated information was provided to Housing Benefits so that his claim could be amended.
18. In addition to these 35 households, visits have also been carried out to all 52 homes that are subject to the benefit cap and attempts to contact and engage with 58 tenants who initially expressed that they can't or won't pay the removal of the spare room subsidy charge.
19. This has placed a greater demand for the service of the income team which has increased significantly since the start of this financial year. Prior to these changes each Income Management Officer managed approximately 600 rent accounts that were in arrears. This has risen sharply to approximately 800 accounts each. The table below shows a significant increase in the number of service requests to the income teams where customers have contacted Dudley Council Plus this year about their rent account. These enquiries necessitate a response and add to the workload already associated with managing an increased number of accounts.

| Yr / Month | April | May | June | July | Total |
|------------|-------|-----|------|------|-------|
| 2012       | 692   | 684 | 661  | 687  | 2724  |
| 2013       | 916   | 876 | 784  | 865  | 3441  |

19. There is also an increased demand for support services. Currently the Income Team work with Housing Support (previously referred to as Tenancy Sustainment) and external partners such as the Citizens Advice Bureau to provide this additional service. This has been facilitated by redirecting resources away from the day to day service and those that are not subject to the welfare reforms have had to be signposted to other agencies such as the CAB. This has led in some cases to a delay in the customer receiving the assistance they need.
20. However, this will be difficult to sustain and the need for additional resources have been identified and a decision sheet to this effect has been signed and is currently going through the scrutiny period on the decision sheet database.

## **Finance**

21. Expenditure on managing, improving and maintaining council dwellings is funded within the Housing Revenue Account (rental income from tenants) which is ring-fenced for income and expenditure on council landlord services. Any additional resources will be funded from reserves within the HRA, which have been set aside to mitigate the risks of Welfare Reform.

## **Law**

22. The powers and duties of housing authorities in relation to the allocation and management of Council housing are set out in the Housing Acts 1985 and 1996.

## **Equality Impact**

23. The HRA operates in line with the Council's Equality Policies and the impact of these changes is subject to an equality impact assessment.

## **Recommendation**

24. It is recommended that Members note the contents of this report.



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## **List of Background Papers**

None.

## **DACHS Scrutiny Committee 11<sup>th</sup> November 2013**

### **Impact of Welfare Reform on Dudley Housing Stock**

#### **Purpose of Report**

1. To provide further information to Committee in respect of questions raised at the previous meeting.

#### **Background**

2. There is a mismatch between the accommodation that we have available and the accommodation that customers need.

Simply in terms of number of bedrooms, our current stock consists of

| No of beds | 1 (incl bedsit) | 2      | 3      | 4+    | Total |
|------------|-----------------|--------|--------|-------|-------|
| Stock      | 6290            | 6751   | 9220   | 598   | 22859 |
| %          | 27.52%          | 29.53% | 40.33% | 2.62% | 100%  |

Our current waiting list (excluding transfers) by the number of bedrooms needed is

| No of beds   | 1      | 2      | 3      | 4+    | Total |
|--------------|--------|--------|--------|-------|-------|
| Waiting list | 2091   | 1420   | 441    | 143   | 4095  |
| %            | 51.06% | 34.68% | 10.77% | 3.49% | 100%  |

3. There is more of a mismatch than the figures suggest as a result of:
  - Households deemed to need two bedrooms are predominantly small families with one child/two children who can share, whereas of our 6751 two bedroom homes, just over half are houses (3932) are houses, whilst 1075 are family flats, and 1542 are flats reserved for single people and couples (the remainder being bungalows, sheltered housing and temporary accommodation etc).
  - Households deemed to need three bedrooms almost invariably want houses, but our stock of 9220 three bedroom homes includes 566 maisonettes and 56 family flats.
4. This is a basic analysis which does not include vacancy rates of different property sizes or the potential (that is already being exploited) to make better use of stock through our transfer policy, but it does highlight the immediate issues of:
  - High & competing demands for one bed stock
  - Excessive demand for two bed houses
  - Low demand for two bed flats (particularly high rise)
  - Low demand for three bed maisonettes.

5. A more detailed analysis is available in the Housing Needs Survey & Balancing Housing Markets Report 2012, which is currently being updated.
6. At the previous meeting in August, Members were interested to know how our stock profile compared with our Black Country neighbours, and the comparison is as follows:

| No of beds           | 1 (incl<br>bedsit) | 2                | 3                 | 4+             | Total           |
|----------------------|--------------------|------------------|-------------------|----------------|-----------------|
| <b>Stock (%)</b>     |                    |                  |                   |                |                 |
| <b>Dudley</b>        | 6290<br>(27.52%)   | 6751<br>(29.53%) | 9220<br>(40.33%)  | 598<br>(2.62%) | 22859<br>(100%) |
| <b>Sandwell</b>      | 7317<br>(25.52%)   | 8045<br>(28.06%) | 12708<br>(44.33%) | 600<br>(2.09%) | 28670<br>(100%) |
| <b>Walsall</b>       | Awaited            |                  |                   |                |                 |
| <b>Wolverhampton</b> | 5802<br>(25.00%)   | 7331<br>(31.59%) | 9391<br>(40.47%)  | 682<br>(2.94%) | 23206<br>(100%) |

7. In previous years, we have made the best overall use of our stock by allowing families to be allocated larger houses than they immediately need. Families with two children of any age and sex are allowed three bed houses, and those with two children of opposite sexes are regarded as overcrowded in a two bed as soon as one child is eight and the other five. The bedroom standard, however, says they do not need three bedrooms until one child is ten, (or 16 if they are of the same sex) and if they are in receipt of maximum housing benefit they will have a shortfall of 14% on a third bedroom until then.
8. Some landlords (especially Housing Associations) have altered their allocation policies to fit the bedroom standard, whereas we have been allowing informed choice, where the implications of the shortfall are explained and our customers make their own choices. Our reasoning is that if we adopt the bedroom standard for allocations
  - Pressure on our one and two bed stock will be even higher
  - Working families will be unfairly excluded from three bedroom homes
  - There will be more churn in our stock as children grow (more transfers & voids)
  - Communities will consequently be less settled.
9. Housing association tenants were also included in the Social Housing Size Criteria implemented from 1<sup>st</sup> April, and around 700 in Dudley were affected. Some associations responded by amending their eligibility for new lettings to match the bedroom standard, whilst others have recognised the local supply and demand issues and have continued to offer informed choice. Most lately, some who adopted the bedroom standard are softening their position because they have seen it affect demand, and also increase their proportion of benefit dependent tenants. We have been working with each association to align their policies as closely as possible to our own, and it has been agreed that the Nominations Agreement will be reviewed by the Dudley Housing Partnership in 2013/14.
10. However, it is very noticeable now that families are thinking seriously about their housing options and the financial implications, and since April 2013 when the Housing Benefit regulations changed, two bedroom houses advertised on Dudley at



Home have begun to attract two or three times as many bids as three bed houses in the same areas.

11. We are finding more council tenants downsizing - 166 between April and September 2013, compared to 74 in the corresponding months of 2012. However, 70 of these (42%) released flats and maisonettes rather than family houses, and of the 95 houses and one bungalow that were released, at least 51 were vacated by older people downsizing for example to bungalows and sheltered housing. Our rate of transfers is relatively high, and this has been a deliberate strategy for several years in order to meet the changing needs of our tenants and make the best use of our stock. It should be noted that a need or desire for larger or smaller accommodation may not have been the reason for moving; for example, a single person may move from a two bedroom home to a one bedroom home because it is in an area they like, or on a different floor level, or because it is within a sheltered housing scheme.
12. This policy of mobility within our stock is assisting us in responding to Welfare Reform, as evidenced by the fact that 115 tenants whose spare room subsidy was removed on 1<sup>st</sup> April have since moved. Of these, 100 were already on the transfer list at 1<sup>st</sup> April, and 15 had joined since April. We currently (24<sup>th</sup> October 2013) have 405 tenants on the transfer list whose housing benefit has been reduced, and of these 290 had already joined the list by 1<sup>st</sup> April and 115 have joined it since. It should be noted that we had been informing tenants of the changes since July 2012, so transfers were already taking place prior to April, and contributed to the number of tenants we expected to be affected being reduced from 4071 in August 2012 to 3333 in April 2013.
13. Members had expressed specific concerns about small families (ie those with one child or two children who would be expected to share a bedroom) in our three bed maisonettes. Of the 115 tenants mentioned above, 26 moved from maisonettes, of which two moved to bungalows, five to smaller flats, one to another three bed maisonette, and 18 to houses. Providing their tenancy has been well maintained, and if they did not move in after being made aware of the housing benefit changes, families in flats and maisonettes will be in at least band 4. The average waiting time in band 4 is 17 months, but can be considerably less with flexible bidding, and families who applied for transfer as soon as we advised them of the changes will generally have had opportunities to move by now.
14. In addition to the 115 tenants affected by the housing benefit change who have transferred since April, a further 23 have exchanged their tenancy, and 14 have moved to housing association tenancies. We are currently recruiting to two new temporary posts, one to work proactively with tenants seeking mutual exchange, and one to increase our capacity to deal with transfer applications and give housing options advice. Flexibility has been introduced to deal with situations where rent arrears may have started to accrue, and we are about to introduce new contracts to secure the repayment of any former tenancy arrears against the new tenancy.
15. In addition to working age households wishing to downsize because of the Housing Benefit changes, we have council tenants on the transfer list who are of pension age and also wish to downsize to more manageable accommodation. As at 1<sup>st</sup> October, there were 399 single people and 146 couples on our transfer list with a head of household aged over 60. However, not all of these 545 households are looking to move to downsize – 232 of them are already in one bed accommodation and wish to move for other reasons. The 545 are prioritised on the housing register as follows:

| <b>Band</b> | <b>Reason for band</b>  | <b>Number of households</b> |
|-------------|---|-----------------------------|
| <b>1</b>    | Disability & present home cannot be adapted, or downsizing from a family house to a flat or one bed bungalow                  | 209                         |
| <b>2</b>    | Urgent medical needs or other urgent exceptional need   | 21                          |
| <b>3</b>    | More than one need eg living in a flat designated for a different age group, plus moderate medical need                       | 28                          |
| <b>4</b>    | One need eg living in a flat designated for a different age group, or moderate medical need                                   | 69                          |
| <b>5</b>    | With a need but having less preference eg due to rent arrears   | 2                           |
| <b>6</b>    | No identified need nb this includes anyone who only applies for sheltered housing, as these are individually assessed by OPPD | 209                         |
| <b>7</b>    | No need and less preference   | 7                           |

16. Whilst the removal of the under occupation subsidy may have been intended to help us make full use of our stock, the nature of our stock here in Dudley has led to some unintended consequences in terms of the properties that are actually being released and our ability to let them. There has been an impact on voids, and a report elsewhere on this agenda will consider the possibility of reclassifying and/or remodelling some of our stock. We are also encouraging housing associations to build 1, 2 and 4+ bedroom homes and few or no 3 beds (unless an area has a particular shortage).
17. Hard to let/no wait properties are an increasing area of concern. We currently have 135 No Wait voids (predominantly high rise flats and maisonettes) of which 129 voids are immediately available, where no bids have been received or the property has been refused on multiple occasions. Of these 129, 35 have been void for more than 6 months. The remaining 24 are 'under offer', with most of these having a void date after April 2013. Although the number of 'no wait' properties has recently levelled, processing these properties through repeated advertising and viewings are a significant draw on staffing resources and lost revenue. In order to increase demand for these hard to let properties, a marketing plan is being developed and a leaflet has been produced for distribution to targeted locations to attract mature customers who may not have previously considered social housing as an option. A show flat open day is planned for the end of November.
18. The question has been posed whether we should open our high rise blocks to families with (teenage) children. We have 25 blocks, all designated for particular age groups but all reserved for couples and singles (although the restriction does not extend to mutual exchanges or private lettings of Right To Buy flats). The number of high rise flats of each size overall is

| No of bedrooms | One    | Two    | Three | Total |
|----------------|--------|--------|-------|-------|
| No of flats    | 458    | 1025   | 2     | 1485  |
| %              | 30.84% | 69.02% | 0.14% | 100%  |

19. As part of the recent review of allocation policies, there has been consultation on the designations of our flatted stock for particular age groups and household types, and

discussion with the High Rise Living Forum as to how we can maintain and improve demand for high rise accommodation. Presently, vacancies are only open to singles and couples, and at the very least we need to open them to sharers and to people with adult sons and daughters. Existing tenants are opposed to letting these properties to families with children, and we do not know whether there would be any demand.

20. It is easy to assume that the current void levels amongst (in particular) two bed high rise and three bed maisonettes are due to Housing Benefit changes, and we have therefore commissioned independent market research to understand the reasons for the low demand and to provide an insight into how this could be addressed, including:
- Why residents who have left in the last 6 months have given up their tenancies in these blocks
  - Why applicants who are eligible for these properties are not bidding for them
  - Whether there is a market that would create demand for these properties outside of our current waiting list and if so the reasons those who would create this demand cannot or do not access our services
  - Whether there is sufficient potential demand to support high rise Extra Care living.
21. In order to inform future planning, we have also started to routinely collect more detailed information from outgoing tenants as to why they are leaving and where they will be going. Since 1<sup>st</sup> April, 236 tenants affected by the removal of the spare room subsidy have left their tenancies, including the 115 who have transferred within our stock. Of the remaining 121, 12 have been evicted (due to arrears accrued prior to Welfare Reform) or have abandoned, 18 have moved to lodgings and 21 to private sector tenancies. The reason for the decision to move was recorded in 10 of these latter 39 cases, and in five of the ten was affordability.
22. Committee has asked to be informed of the availability and affordability of private sector and housing association stock to meet the shortfalls in our own smaller stock. The last Housing Needs Survey (2011/12) reported the following stock profile for housing associations and private landlords, from which it is clear that our stock is balanced to some extent by the housing association stock (although it amounted to only around 14% of the total social stock), whilst the private sector stock also exhibits a larger number of larger homes and is significantly less affordable:

| No of beds                       | 1 (incl<br>bedsit) | 2      | 3      | 4+    |
|----------------------------------|--------------------|--------|--------|-------|
| Council<br>(22972)               | 27.52%             | 29.53% | 40.33% | 2.62% |
| Housing<br>Association<br>(3873) | 33.9%              | 41.0%  | 24.0%  | 1.1%  |
| Private<br>sector<br>(7976)      | 16.8%              | 35.8%  | 40.3%  | 7.1%  |

23. In terms of affordability, the average council rent this year is £81.27 over 50 weeks. In May, an exercise was conducted to compare our rents with those charged in the private sector and by housing associations. The methodology was to take housing association rents from a survey that had been carried out in 2010/11 and uprate them using the housing association rent formula, and to analyse private rents from a

snapshot of 228 available on a lettings website. The outcomes (on a 52 week basis) were

| No of beds          | 1 (incl<br>bedsit) | 2       | 3       | 4+      |
|---------------------|--------------------|---------|---------|---------|
| Council             | £67.69             | £76.07  | £86.00  | £93.94  |
| Housing Association | £74.03             | £86.67  | £98.26  | £111.13 |
| Private sector      | £90.91             | £116.38 | £136.87 | £162.25 |
| LHA allowed         | £86.54             | £106.13 | £117.92 | £150.00 |

24. It follows that the average rent for a council property is 67% of the wider market average, noting that the differential increases with the size of the property, and that Council and Housing Association rent differentials have been reduced by the policy of social sector rent convergence.

| No of beds                            | 1 (incl<br>bedsit) | 2       | 3       | 4+      |
|---------------------------------------|--------------------|---------|---------|---------|
| Council                               | £67.69             | £76.07  | £86.00  | £93.94  |
| Housing Association                   | £74.03             | £86.67  | £98.26  | £111.13 |
| Council as a % of Housing Association | 91%                | 87%     | 87%     | 84%     |
| Private Sector                        | £90.91             | £116.38 | £136.87 | £162.25 |
| Council as a % of Private Sector      | 74%                | 65%     | 63%     | 58%     |

25. Currently, there is insufficient supply of housing association and private sector stock to address our shortfall of smaller units, and there is an affordability issue with the private sector stock. This is particularly the case for younger people because Local Housing Allowance is now capped at £60.00 per week for anyone under 35, and there are rarely properties available at this price.

## **Finance**

26. This report is for information and has no direct financial implications.

## **Law**

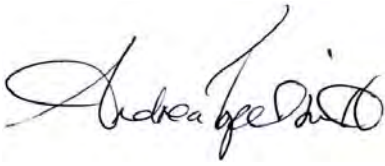
27. The powers and duties of housing authorities in relation to the allocation and management of Council housing are set out in the Housing Acts 1985 and 1996 and the Homelessness Act 2002.

## **Equality Impact**

28. The HRA operates in line with the Council's Equality Policies, and any major changes to allocation policies are subject to Equality Impact Assessment.

## **Recommendation**

29. It is recommended that Members note the contents of this report.



.....  
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**Director of Adult, Community & Housing Services**

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**DACHS Scrutiny Committee - 11 November 2013**

**Welfare Reform**

**Reclassification and remodelling of council housing stock – options paper**

**Purpose of Report**

1. To provide further information to the Committee as requested at the Scrutiny Committee on the 12<sup>th</sup> August 2013.

**Background**

2. According to our latest figures, we have 2,704 properties affected by the charges for under occupancy.
3. Of these 2,221 (82%) have one spare bedroom while 459 (17%) have two and 24 (1%) have three.
4. 1,889 of the 2,704 (70%) are in arrears, with an average of £84.71 arrears.
5. The government's removal of the "spare room subsidy", penalising under occupancy, effectively means that our housing benefit payments are reduced, as affected tenants are expected to pay 14% or 25% of their rent depending on how many "spare" bedrooms they have. We estimate that as a result of this government policy, we will see this year around £1.8m of rental income removed from housing benefit. The tenants concerned will now have to find the cash, and pay the rent, from their other income (benefits, wages, or a mixture of the two). The impact is that central government will see a saving of £1.8m as it is no longer paying the council this amount in housing benefit subsidy, and the HRA will see a potential loss of some proportion of this £1.8m as it now has to collect this element of the rent as cash payments from tenants.
6. Our options for addressing the issues around underoccupancy do include reclassification or remodelling of our stock, which are discussed in more detail below.

**Reclassification**

7. One of the key issues with the under occupancy penalty is that our current Lettings Policy specifically allocates certain 2 and 3 bedroom properties for single people and childless couples, and some 3 bedroom properties to small families who would be deemed only to need two bedrooms. In the main, this affects high rise flats and low rise maisonettes.
8. Reclassifying these properties would in effect redefine them as 1 or 2 bedroom properties, with a dining room / study rather than an additional bedroom. We

would be expected to adjust the rent to reflect the reduction in bedrooms, as this is a specific part of the current rent formula.

9. Reclassification of a property would, under the current rent formula, result in a rent reduction of around £6 per week (£300 per year) per bedroom. It is worth highlighting that the reduction in rent by reclassifying a bedroom is less than the loss of benefit through underoccupancy. Although this may appear an attractive option for landlords, very few housing authorities or housing associations appear to be taking this route. This may be because of the financial loss which would result in a reduced service and that it would appear that once a property has been reduced on the basis of a sound business case, it would be difficult to reclassify back to its original status even if the HB rules were changed.
10. Listed are examples of reclassification that has taken place or is being considered:
  - Nottingham City Council has reclassified just over 1,000 2 bedroom high rise flats as 1 bedroom, to match their lettings policy which is to allocate these to single people and childless couples. In addition, 112 houses have had very small bedrooms (under 50 sq feet) reclassified as studies.
  - Leeds City Council is considering reclassification of around 800 properties. These include 398 3 bedroom flats to 2 bedroom, 341 5 bedroom houses to 4 bedroom, and 126 2 bedroom flats to 1 bedroom. Leeds CC has said that these properties are where there is the greatest proportion of under occupancy and in most cases the “lost” bedroom is a box room / storeroom or a room off the living room which would not necessarily be used as a bedroom. It is worth noting that Leeds CC is not proposing to adjust the rent of these properties downwards to reflect the reduction in bedroom numbers, and is preparing to counter a legal challenge on this approach.
  - Knowsley Housing Trust is looking at reclassifying 566 2 and 3 bedroom properties to 1 and 2 bedroom. KHT has said that these are bedrooms that are not currently being used as bedrooms.
  - Wirral Partnership Homes is looking at reclassifying bedrooms with a vertical lift installed or with a gas boiler.
11. Issues to consider include:
  - Loss of rental income. Unless there is a corresponding increase in the valuation of the property, under the rent formula, the loss of a bedroom results in a weekly reduction in rent for that property of around £6 per week (£300 per year).
  - Equity. We cannot reasonably reclassify a property based on the personal circumstances of the current tenants: this would have to be consistent across all similar properties (e.g. type / location / block etc).
  - Overcrowding. It is possible that by reducing the number of bedrooms we create overcrowding in some properties.
  - Backdating and benefit entitlements. It has been noted that the housing benefit officer currently decides how many bedrooms a property has for benefit purposes, potentially regardless of the number of bedrooms that it has for rent purposes. So if we reclassify, we would need to have a mutual understanding with Benefits on the number of bedrooms in a property and the

date from which any reclassification applies. Without such an agreement it could impact on the tenants with previous HB being claimed back. Also any person not on benefit could mount a legal claim for what would effectively be seen as over payment of rent.

- DWP view. It is up to a council to decide how many bedrooms its properties have. Having said this, in June '13 the welfare reform minister, in a letter to council chief executives said there have been cases of councils reclassifying properties without reducing their rent to reflect a loss of a bedroom. It was expected that 'the designation of a property to be consistent for both housing benefit and rent purposes'. Blanket reclassification without a clear and justifiable reason and without reductions in rent, are inappropriate. Lord Freud said that where DWP suspects properties are being reclassified inappropriately, it will commission an independent audit to 'ascertain whether correct and appropriate procedures have been followed.' Where it is found that a local authority has reclassified properties without reasonable grounds and without reducing rents, DWP would consider either restricting or not paying their housing benefit subsidy. Business cases are crucial in a reclassification exercise.

10. Looking at the current areas where there is under occupancy, there are four key areas where we may wish to consider reclassification.

#### High rise flats

11. We have 1,485 flats in 25 blocks, of which 458 have one bedroom but 1,025 have two bedrooms and 2 have three bedrooms. The level of under occupancy by tenants of working age varies between blocks, and particularly in some of the mature blocks it is less than or around 10%. However, in 9 blocks, under occupancy is 33% or more. We are also seeing more tenants leaving these flats as they are unable to make the rent payments required, and as a result they are becoming more difficult to let.

|                 |     |
|-----------------|-----|
| Bredon Court    | 61% |
| Ankerdine Court | 56% |
| Claverley Court | 55% |
| Clent Court     | 43% |
| Worcester House | 43% |
| Compton Court   | 42% |
| Arley Court     | 38% |
| Malvern House   | 34% |
| Plant Court     | 33% |

12. The impact on rental income would be a loss of around £300k were we to reclassify **all** 2 bedroom high rise flats as 1 bedroom, or around £150k were we to reclassify all 2 bedroom high rise flats **in the above blocks** as 1 bedroom.
13. However, the potential rent loss if all affected tenants failed to pay the under occupancy element is for **all** high rise tenants only £200k. We would therefore restrict any reclassification to blocks with a higher proportion of tenants of working age who are under occupying. In this scenario, the loss of rental income through reclassification is less than that as a result of non-payment or leaving the property void.



### Low rise 3 bedroom maisonettes

14. We have similar issues with 2 and 3 bedroom maisonettes, where again we have not allocated these to families with a three bedroom need by the Bedroom Standard. However, we have so many individual blocks that it is not so easy to identify them on a block-by-block basis.

### New build apartments

15. Our 18 new build apartments for tenants with learning disabilities are all two bedroom, but in every case so far have been let to a single person. For our latest Care and Support Specialist Housing bid to the Homes and Communities Agency, we have proposed apartments that have one bedroom and an additional living / dining room.
16. We may wish to consider reclassifying our 18 existing apartments in the same way. We have recently agreed that these properties will be entitled to claim Discretionary Housing Payment (DHP) to meet the shortfall, but this is only guaranteed until the end of 2014/15 as there is no certainty that DHP will continue after that point.

### Houses with a third box room bedroom

17. We have a number of three bedroom houses with a very small third bedroom. Recent legal challenges in Scotland have started to define a minimum size for a bedroom, DWP have stated that they intend to mount an appeal against this tribunal decision. In Scotland they have limited size standard to overcrowding legislation which in Scotland is 50 sq ft. In England it is 70 sq ft. Further DWP appear to be saying that it is a bedroom if a single bed can fit into the room. It does appear that the final outcome will be determined by the courts.
18. We may wish to identify the houses that are affected and reclassify them as two bedroom houses. At this stage, we do not know whether there is a correlation between houses with boxrooms and houses where tenants are affected by the removal of the spare room subsidy. We will also need to bear in mind that there will again be a reduction in rent of around £300 per year as a result of the reduction of one bedroom.

### **Remodelling**

19. We may consider physical remodelling of some properties to remove walls and thus reduce the number of rooms in a property. We will take a strategic approach to this as part of the remit of the Future Housing Board which is being established to review our stock and manage new and replacement build.
20. Remodelling work may contribute to updating property layouts in some hard-to-let properties (e.g. maisonettes) as well as forming part of a general improvement / refurbishment programme. It might also include converting some maisonettes into larger houses. Flexible layouts may also be possible (subject to structural constraints), allowing partitions to be moved / put back in to create additional rooms.
21. However, we would need to consider the cost / benefit equation very carefully.

- What would the payback period for the cost of the work be?
- Are we confident that internal remodelling would improve lettability?
- Would any decants be required or would the works be done as properties became void – in which case how would this improve the position for current tenants affected by under occupancy?
- Would demolition and rebuilding prove more cost-effective?

## **Finance**

22. Expenditure on managing, improving and maintaining council dwellings is funded within the Housing Revenue Account (HRA), which is ring-fenced for income and expenditure on council landlord services.

## **Law**

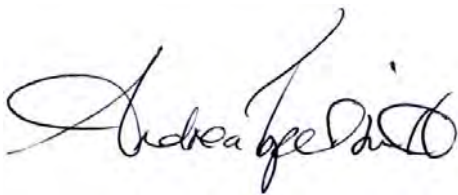
23. The powers and duties of housing authorities in relation to the allocation and management of Council housing are set out in the Housing Acts 1985 and 1996 and the Homelessness Act 2002.
24. HRA finances are governed by Section 74-78B and 85-88 in Part IV of the Local Government and Housing Act 1989. Sections 167-175 in Part VII of the Localism Act 2011 abolish the HRA Subsidy system (Sections 79-84 in Part IV of the Local Government and Housing Act 1989) and introduce self-financing.

## **Equality Impact**

25. The HRA operates in line with the Council's Equality Policies.

## **Recommendation**

26. It is recommended that Members note the contents of this report.



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