

## **Report to Resources Select Committee**

**Date of meeting: 13<sup>th</sup> October 2015**

**Portfolio: Housing – Cllr D. Stallan**

**Subject: Charging Plan for Housing Related Support Services**



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**Committee Secretary:** Adrian Hendry (01992 564246)

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### **Recommendations:**

**That the Select Committee considers the following proposals of the Housing Portfolio Holder for a Charging Plan for future charges in respect of Housing Related Support (HRS) Support Services and makes comments and recommendations to the Finance and Performance Management Cabinet accordingly:**

**(1) That the separate charges for the Council's Careline Service, Scheme Management Service and Intensive Housing Management Support be increased annually in accordance with the following principles:**

- (a) The expected amount of reduction in ECC funding for the forthcoming year should be added to the current service deficit (or subtracted from the current service surplus) - this is the total deficit/surplus to be recovered/repaid;**
- (b) The deficit for the Scheme Management Service should be recovered over a 10 year period and should therefore be divided by the number of years remaining between April 2016 and April 2026 - this is the service deficit to be recovered in the forthcoming year;**
- (c) Any deficit/surplus for the Careline Service should be recovered/repaid in the following year - this is the service deficit/surplus to be recovered/repaid in the forthcoming year;**
- (d) The prevailing level of annual pay increases, as calculated by the Office of National Statistics (ONS), should then be applied to the total current income received from current charges and added/deducted to/from the service deficit/surplus to be recovered/repaid, in the forthcoming year - this results in the total amount to be recovered/repaid in the forthcoming year;**
- (e) The total amount to be recovered/repaid should then be spread across service users, in the same proportions as currently, as follows:**
  - Scheme management and intensive housing management charges - Sheltered tenants and area tenants; and**
  - Careline charges – Council tenants and private users;**

- (f) The resultant monetary increase (but not the percentage increase) for those both in receipt and not in receipt of housing benefit should be the same;
  - (g) The increase for those not in receipt of housing benefit should be no more than 10% in any one year; and
  - (h) The methodology used to calculate the increases in accordance with the above principles should be as set out at Appendices 2 and 3;
- (2) That only 50% of the expected ECC HRS funding reduction in 2016/17 is taken into account when calculating HRS charges for 2016/17; and
- (3) Accordingly, using the above principle and the methodology at Appendices 2 and 3, the HRS charges for 2016/17 be set as follows:

**Careline**

<b>Council tenants:</b>	
<i>Self-funders</i>	- £3.60 per week
<i>In receipt of housing benefit</i>	- £0.55 per week
<b>Private users</b>	- £112 per annum

**Scheme Management**

<b>Sheltered tenants:</b>	
<i>Self-funders</i>	- £8.30 per week
<i>In receipt of housing benefit</i>	- £1.26 per week
<b>Area tenants:</b>	
<i>Self-funders</i>	- £2.09 per week
<i>In receipt of housing benefit</i>	- £0.32 per week

**Intensive Housing Management (not paid by those in receipt of housing benefit)**

<b>Sheltered tenants</b>	- £1.46 per week
<b>Area tenants</b>	- £0.37 per week

**Executive Summary:**

Although the Careline Service now breaks even when its income is compared to its expenditure, there is currently a deficit on the income received for the Council's scheme management service. The Council is dependent on funding for Housing Related Support (HRS) services from Essex County Council (ECC), which is reducing in 2016/17 and is likely to reduce further in future years.

The Cabinet has therefore previously agreed that the Housing Portfolio Holder should come forward with a Charging Plan on how HRS charges should be increased each year from April 2016 until the cost of the Scheme Management Service becomes self-funded, having regard to any annual reductions in HRS funding from Essex County Council.

The report therefore proposes a Charging Plan for future years and charges for 2016/17.

**Reasons for Proposed Decision:**

To approve a Charging Plan - to be used to calculate charges for Housing Related Support Services in 2016/17 and future years.

## Other Options for Action:

- (1) Not to seek to eradicate the current deficit for the Scheme Management Service over time.
- (2) To reduce the current service deficit over a different period than the proposed 10 years.
- (3) To take into account the expected ECC funding reduction in full when calculating next year's charges.
- (4) Not to take into account any expected funding reduction when calculating next year's charges
- (5) Not to include an annual increase for average pay increases within the charges for the following year.
- (6) To use RPI, CPI or another index for inflationary increases instead of average pay increases.
- (7) To spread the total amount to be recovered across service users in a different way than proposed.
- (8) To increase charges for tenants both in receipt and not in receipt of housing benefit by the same percentages, rather than the same monetary amounts.
- (9) Not to apply a cap, above which increases for those not in receipt of housing benefit should not be increased
- (10) To apply a different cap, than the 10% proposed
- (11) To also apply a cap above which increases for those in receipt of housing benefit should not be increased – either the same as for those not in receipt of housing benefit, or a different cap.

## Background

1. At its meeting on the 11<sup>th</sup> June 2015, the Cabinet considered a report on the approach to be taken following the Council increasing its Housing Related Support (HRS) charges to private Careline users and Council tenants living in sheltered and other housing designated for older people for 2015/16 by amounts higher than inflation.

2. Housing Related Support covers the Council's:

**Careline Service** - Which is the Council's 24-hour speech alarm service based at Parsonage Court, Loughton;

**Scheme Management Service** - Which is provided by Scheme Managers (previously known as "wardens"), who visit all older tenants in sheltered housing daily, and tenants living in other housing designated for older people on a less frequent basis (dependent on individual tenants' risk assessments) to assess their well-being; to provide any assistance they need to enable them to sustain their tenancy (e.g. co-ordinate their care needs, report repairs, access other Council services etc); to liaise with relatives and carers; and to provide emergency assistance; and

**Intensive Housing Management** – Which is a service charge for housing management services provided to older people, which are more intensive than housing management services provided more generally to tenants, and is not eligible for HRS funding from Essex County Council (ECC). Tenants in receipt of housing benefit receive housing benefit to cover their Intensive Housing Management Service Charge.

3. The Council increased its HRS charges for 2015/16 in order to recover 50% of the expected reduction in the Council's HRS funding from ECC in 2015/16 - that ECC officers had advised would be made – but also included an additional increase to achieve a position whereby the Council's Careline Service would break-even (i.e. become fully self-funded). It was planned that the Council would increase HRS charges by a further amount in 2016/17, in order to recover the remaining 50% of the expected 2015/16 ECC funding reduction.

4. However, in the event (and at a very late stage), ECC decided not to proceed with the planned HRS funding reduction for 2015/16. However, since the Council had already implemented the increased charges and had advised all affected tenants, the Housing Portfolio Holder provided a report to the Cabinet in June 2015 on five options to respond to the associated implications of this late decision by ECC.

5. This options exercise highlighted the fact that the combined income from HRS charges and ECC's funding for the Scheme Management Service no longer bears any resemblance to the cost of the providing the service, due to annual reductions in HRS funding from ECC over the years since 2003. The current deficit for providing the Scheme Management Service is around £50,250 per annum.

6. Having considered the five options, the Cabinet agreed that the HRS charges made to Council tenants and private Careline users for 2015/16 should continue for the remainder of the current year and that the Housing Portfolio Holder should recommend to the Cabinet, in advance of the budget cycle for 2016/17, a Charging Plan on how much HRS charges should be increased each year from April 2016 until the cost of the Scheme Management Service becomes self-funded, having regard to any annual reductions in HRS funding from Essex County Council.

7. It was also agreed by the Cabinet that, due to the deficit that has now developed between the cost to the Council of providing the Scheme Management Service and the income received from tenants through HRS charges, tenants who receive the Scheme Management Service should, over time, be charged appropriate amounts that meet the staffing costs of the Council providing the Service in full, so that all other tenants who do not receive the service (i.e. the majority) are not required to subsidise the costs.

8. Therefore the Cabinet agreed that charges for future years should be increased by amounts above inflation, over a period of time, until the income from charges fund the staffing costs of the Scheme Management Service in full, with the annual pace and amount of annual increases determined by the Cabinet each year.

9. However, as a result of increasing the charges for Careline in 2015/16 and ECC not implementing its planned reduction in funding, the Council's Careline Service now breaks even (i.e. is fully self-funded). However, this will change if the County Council significantly reduces the funding that it contributes to the Council to provide the service in the future.

10. The purpose of this report is therefore to recommend a Charging Plan for future HRS Charges.

### **Current charges**

11. The current (2015/16) charges for the Council's Careline Service are as follows:

#### **Council tenants:**

Tenants not in receipt of housing benefit	£3.58 per week
Tenants in receipt of housing benefit	£0.53 per week

#### **Private users:**

Alarm and up to 4 sensors (Monitoring only)	£109.32 per annum
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12. The current (2015/16) combined Scheme Management and Intensive Housing Management Charges are as follows.

#### **Sheltered tenants:**

Self-funders	£9.28 per week
On-HB	£2.24 per week

**Area tenants:**

Self-funders	£2.35 per week
On-HB	£0.58 per week

**Proposed HRS Charging Plan**

13. As explained above, in the event, ECC did not reduce the Council's funding from April 2015 as expected. However, all providers of telecare services and sheltered housing have recently received a letter from ECC's Head of Commissioning (Vulnerable People), attached as Appendix 1, advising that it is ECC's intention to reduce the funding across Essex from April 2016 by the same amounts that they originally proposed from April 2015 (and consulting providers on the proposal). The letter states that the final decision will be taken by ECC's members in September 2015 and will be confirmed when the Council sets its budget in the New Year, but that ECC wanted to inform providers of the likely impact on their services to enable them to plan for the potential impacts.

14. It therefore now seems somewhat fortuitous that the Council has already increased its HRS charges by amounts equivalent to 50% of ECC's expected funding reduction in readiness for this proposal. However, it should be noted that many other county councils have now reached the position whereby they no longer provide any (or very little) funding for HRS services. It therefore seems only a matter of time until ECC's funding to providers is eradicated totally.

15. In terms of a long-term Charging Plan for HRS services, in order to ensure that the Council's Careline Service continues to break even and that, over time, so does the Council's Scheme Management Service, it is suggested that an approach is agreed that takes account of the following issues:

- The current deficit between the cost of providing the Scheme Management Service and the income received
- The current break-even position of providing the Careline Service between income received and expenditure
- Over what period the Council should aim to eradicate any deficit
- The expected reduction in funding from ECC in the following year
- The prevailing level of annual pay increases, as calculated by Office of National Statistics (ONS)
- The maximum annual increase in HRS charges that should be applied (i.e. a cap)

16. In view of the difference between the staffing cost for the Scheme Management Service and the income received, the likelihood of future reductions in ECC's funding and the need to ensure that annual increases are reasonable, it is suggested that the Council should aim to make its Scheme Management Service break over the next ten years.

17. Accordingly, it is suggested that, for the future, the separate charges for the Careline Service, Scheme Management Service and Intensive Housing Management Support should be increased annually in accordance with the following principles:

- The expected amount of reduction in ECC funding for the forthcoming year should be added to the current service deficit (or subtracted from the current service surplus) - **this is the total deficit/surplus to be recovered to be repaid;**
- The deficit for the Scheme Management Service should be recovered over a 10 year period and should therefore be divided by the number of years remaining between April 2016 and April 2026 - **this is the service deficit to be recovered in the forthcoming year;**

- Any deficit/surplus for the Careline Service should be recovered/repaid in the following year - **this is the service deficit/surplus to be recovered/repaid in the forthcoming year**;
- The prevailing level of annual pay increases, as calculated by the Office of National Statistics (ONS), should then be applied to the total current income received from current charges and added to the service deficit to be recovered, or deducted from any surplus to be repaid, in the forthcoming year - **this results in the total amount to be recovered/repaid in the forthcoming year**;
- The total amount to be recovered/repaid should then be spread across service users, in the same proportions as currently, as follows:
  - Scheme management and intensive housing management charges - Sheltered tenants and area tenants; and
  - Careline charges – Council tenants and private users;
- The resultant monetary increase (but not the percentage increase) for those both in receipt and not in receipt of housing benefit should be the same;
- The increase for those not in receipt of housing benefit should be no more than 10% in any one year; and
- The methodology used to calculate the increases in accordance with the above principles should be as set out at Appendices 2 and 3.

#### **Proposed increases for 2016/17**

18. As explained earlier, ECC has given advanced notification that it intends to reduce its HRS funding for scheme management and telecare (Careline) from April 2016 by the same amount that the Council expected ECC to reduce its funding for the current year (2015/16). However, the Council has already incorporated 50% of this funding reduction within its current charges.

19. Therefore, it is suggested that only 50% of the expected ECC funding reduction, together with 1/10 of the current service deficit for the Scheme Management Service and the prevailing level of annual pay increases - as calculated by Office of National Statistics (ONS) - be taken into account when calculating next year's charges. The current level of annual pay increases is 2.8% which, generally, is the amount by which all of the Council's other fees and charges will be increased for 2016/17.

20. On this basis, the proposed calculation methodologies for HRS increases attached as Appendices 2 and 3 show the proposed increases for 2016/17, which are set out in the recommendations at the beginning of this report.

#### **Comments to Housing Portfolio Holder and Finance and Performance Management Cabinet Committee**

21. At its meeting on 12<sup>th</sup> November 2015, the Finance and Performance Management Cabinet Committee will be considering the above proposals and the proposed HRS charges for 2016/17 at the same time as it considers all of the Council's fees and charges for next year.

22. The Select Committee is therefore invited to provide any comments to the Housing Portfolio Holder and the Cabinet Committee on the above proposals, for the Cabinet Committee to take into account when it makes its recommendations to the Cabinet.

### **Resource Implications:**

The proposed charges will result in increased income of £11,742 per annum for the Council's Scheme Management Service and additional of £4,900 for the Council's Careline Service.

### **Legal and Governance Implications:**

The ability to apply these charges is covered by the Council's standard tenancy agreement, and the agreement with private users for the Careline Service.

### **Safer, Cleaner and Greener Implications:**

None

### **Consultation undertaken:**

The Tenants and Leaseholders Federation is due to consider this report and the proposals at its meeting on 12<sup>th</sup> October 2015. The Federation's comments will be reported orally to the Select Committee at its meeting, and included within the report to the Finance and Performance Management Cabinet Committee.

### **Background Papers:**

None.

### **Risk Management:**

The main risk is that the charges are either insufficient to meet the Council's costs over time, or are more than should be recovered from service users.

## **Due Regard Record**

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

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Since this is contractual issue, there are no groups of people with protected characteristics that would be unduly affected by the issues under consideration.

The main group of people with protected characteristics who are affected by the proposals are those older and disabled people who receive the services covered by the report.

The main effect is in relation to service users' ability to meet the increased cost of the charges. The report explains that there is currently a deficit on the income received for the scheme management service, which needs to be recovered.

It is not considered that the increase in charges will significantly impact service users' ability to meet the charges, when compared with the current charges. The greatest impact will be felt by those in receipt of housing benefit, since the proposed increases (in percentage terms) will be greatest for this group of tenants. However, in monetary terms, the increases are still relatively modest and, to some extent, the impact of the increases for the scheme management service are mitigated by some of the costs being covered by the intensive housing management service charge, which is covered by housing benefit.