

London Borough of Hackney
Governance and Resources Scrutiny Commission
Municipal Year 2014/15
Date of Meeting: Monday, 14th July, 2014

Minutes of the proceedings of
the Governance & Resources
Scrutiny Commission held at
Hackney Town Hall, Mare
Street, London E8 1EA

Chair	Councillor Rick Muir
Councillors in Attendance	Cllr Deniz Oguzkanli, Cllr Will Brett, Cllr Laura Bunt and Cllr Nick Sharman
Apologies:	Cllr Rebecca Rennison
Officers In Attendance	Michael Honeysett (Assistant Director Financial Management), Christine Peacock (Assistant Director ICT) and Ian Williams (Corporate Director of Finance and Resources)
Other People in Attendance	Cllr Geoff Taylor (Cabinet Member for Finance)
Members of the Public	0
Officer Contact:	Jarlath O'Connell ☎ 020 8356 3309 ✉ jarlath.oconnell@hackney.gov.uk

Councillor Rick Muir in the Chair

1 Election of Chair and Vice Chair

- 1.1 The Overview and Scrutiny Officer opened the meeting and invited nominations for Chair. Cllr Sharman proposed Cllr Muir and Cllr Brett seconded. Cllr Muir was elected as Chair.
- 1.2 Cllr Muir took the Chair. He stated that the Commission would not be electing a Vice Chair at this meeting as the item had been postponed until the opposition groups took up the invitation to appoint members to committees. He stated that he hoped they would do as at Full Council on 23 July.

RESOLVED: That Cllr Muir be elected Chair.

2 Apologies for Absence

- 2.1 An apology for absence was received from Cllr Rennison.

3 Urgent Items / Order of Business

3.1 There were no urgent items and the order of business was as on the agenda.

4 Declarations of Interest

4.1 There were none.

5 Minutes of the Previous Meeting

5.1 The minutes of the meeting held on 9 April 2014 were agreed as a correct record and the matters arising were noted.

RESOLVED:	That the minutes of the meeting held on 9 April 2014 be agreed as a correct record and that the matters arising be noted.
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6 Introduction to Governance and Resources Scrutiny Commission

6.1 Members noted the briefing 'Introduction to Governance and Resources Scrutiny Commission'. The O&S officer stated this was particularly aimed at new members and should be read in conjunction with the *O&S End of Term Report 2010-2014* and the *O&S Members' Induction* booklet.

RESOLVED:	That the report be noted.
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7 ICT Review: Report

7.1 Members gave consideration to the draft report of the Commission's own review on 'ICT'. The Chair stated that this was a handover from the previous Commission and that at the April meeting some amendments had been requested before it could be agreed. These had now been made by the outgoing Head of O&S.

7.2 The Chair welcomed the AD ICT to the meeting who commented that she was pleased with the final outcome of this review.

7.3 The Chair stated that he was particularly supportive of the establishment of the Digital Advisory Board as outlined in Recommendation 2.

7.4 The O&S Officer noted that the report would now be sent to Cabinet for an Executive Response.

RESOLVED:	That the report be agreed.
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8 London Living Wage: Findings

- 8.1 The Commission gave consideration to the note “London Living Wage – findings from the short inquiry”. The Chair also welcomed Cllr Taylor (Cabinet Member for Finance) for this item.
- 8.2 The Chair stated that this was another handover from the previous Commission and Members were being asked to agree this wording which would be sent as a letter to Cllr Taylor for a formal response. The Chair stated that in his view the note contained all the key points but it needed to have some requests for action or recommendations added even though this had not been a full review. He suggested that it should state that this was not just an internal issue and that the Council had a wider ambition to raise levels of pay in the borough. Members agreed and stated that the Council must recognise its role in taking this forward. It was also suggested that the letter should request specific detail from Cabinet on how this might happen and how public and private sectors could be encouraged to work together here. Members also asked whether the response might also look at employment practice more generally and the zero hours issue in particular. It was also suggested whether it might be possible to look at whether some part of the Pension Fund could be invested locally.
- 8.3 The Chair undertook to draft a final ‘recommendations’ section and circulate it round Members for agreement before sending the letter to Cllr Taylor.

RESOLVED:	Chair to draft a ‘recommendations’ section to be circulated to members for comment before a final version of this letter is sent to Cabinet.
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9 Finance Update

- 9.1 The Chair welcomed Cllr Geoff Taylor (Cabinet Member for Finance), Ian Williams (Corporate Director of Finance & Resources) and Michael Honeysett (AD Financial Management) for this item.
- 9.2 Members gave consideration to presentation by the Corporate Director on the financial challenge and the budget update. Members also noted a report ‘General Fund Savings 2011/12-2013/14’ which had previously come to the Commission on 12 November 2013 but which outlined the major savings plans over three years and was being presented for further background information for the new Members.
- 9.3 In introducing his presentation the Corporate Director stated that his aim was to broaden out the focus wider than the financial aspects for the Council and address the impact of the changes in the global economy as well as the infrastructure and housing challenges. As part of this shared services had been, for example, seen by some as a panacea but this needed to be examined.

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- 9.4 It was suggested that with the NHS funding ring-fenced there was in effect a hole emerging in that ring fence now with the integration of health and social care which would go some way to help local government. The Corporate Director responded that they were taking a very cautious approach to the Better Care Fund, which represented just £3.8bn nationally. The problem with it he added was that the existing organisational boundaries remained in place and this limited the potential for progress.
- 9.5 In response to question about the process for the sale of assets the Corporate Director pointed out that the Council generally did not dispose of land as it generated much income. In relation to the educational estate there was a need to invest in schools infrastructure post BSF. It was also not possible to dispose of educational land as the Secretary of State would more than likely take it for a Free School so investment here allowed the Council to retain control of its asset base.
- 9.6 In response to a concern that high asset values were leading to the creation of “two boroughs” as per Islington, the Corporate Director replied that part of the Council’s response here was to use its commercial power to acquire assets in Shoreditch to help stem this. This allowed the Council to protect workspace areas. They were trying to acquire assets where appropriate e.g. in the fashion hub at Hackney Central. There was a need however to rethink how residents will wish to use services in the future. The country was only half way through the government’s austerity plans and low interest rates for a number of years had meant, for example, that the Council could make no income on its deposits as it would have done pre 2008.
- 9.7 He also added that since 2010 local government spend had been falling while central government spend continued to rise. He also reminded Members that for London Boroughs the Revenue Support Grant was expected to fall by 61% between now and 2017/18.
- 9.8 There was a discussion on the success of the Pension Fund of late. It was noted that it had grown each year since 2009 and had won the Pension Fund of the Year award this year. Its success was down to careful choices about where to invest. It was noted that there was no locally held element in the investment portfolio but work was on ongoing on developing a Collective Investment Vehicle which could pool investments and might allow for some local investment.
- 9.9 There was a discussion on some of the specific areas where savings had been made including at 33% increase in online transactions last year and savings in children’s social care.
- 9.10 The Chair stated that in the period 2015/16 to 2017/18 the Council is required to find £80m in savings. The presentation stated that £42m still had to be found implying that £38m for 2015/16 had already been achieved and he asked how this had been done. The Corporate Director replied that this was through a combination of a number of very different measures including an increase in the Council Tax yield, a better than expected turnout in the expected loss from the New Homes Bonus, a less than expected contribution to the Pension Fund etc.

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- 9.11 In response to a question about how the job efficiencies had been found the Corporate Director explained that this had been a process of job reductions going back to 2010. The number of Directorates had been reduced and they had looked at spans of control and planned management de-layering accordingly. The challenge was that the Council operates a very diverse business. In Revenues and Benefits for example there are big teams engaged in more uniform activity but this is not the case in other services, therefore ensuring that reductions do not damage service delivery is complex when there are different scenarios in each service area. They had looked at how the total pay bill was distributed across the grades.
- 9.12 In response to a question about the impact of management de-layering on the ability to make decisions, the Corporate Director replied that this had been looked at closely and in some instances this was obviously slower but also now people were operating at a different level. The Cabinet Member added that every organisation expands in good times and some of that is useful and some is not. The trick is to know when you're approaching the point when cost savings become dis-efficiencies. The wrong way to approach this was to wait until some major mistake is made before you realise you have removed too many middle managers from the organisation. It was commented by Members that you can have both too many and too few staff at the same time and that massive changes need to be made but it wasn't clear if these changes had been properly defined as yet. The Corporate Director added that his aim had been to get certainty on the 2015/16 budget position as early as possible so the organisation would have time to tease out these staffing challenges properly.
- 9.13 The Corporate Director was asked to clarify what 'internal borrowing' consisted of and he explained that it was using the organisations own money in the bank first and he explained broadly how the capital investment programme operated.
- 9.14 The Corporate Director stated that demand management in social services would be a big challenge and for example that there would be a need to 'manage the front door' in children's social care more robustly in future, an issue facing all local authorities.
- 9.15 Members stated that the 3 year *Medium Term Planning Forecast July 2014* which was just about to go to Cabinet presented some huge challenges and some concern was expressed as to whether the Council was grappling with the essential challenge here and how we use the public sector funding in a local context to improve outcomes for residents.
- 9.16 Cllr Taylor replied that there was a need to take a long view. The Council had spent 5 years getting out of the financial mess it had gotten into at the turn of the century. Local government broadly was under attack and at the same time the world was changing rapidly and expectations of residents were changing. He suggested that we can't be seen to be defending the status quo. We need to defend not the employees and the politicians but the residents and if this requires innovative approaches then these need to be explored he added. We would shortly reach the point where we wouldn't be able to keep cutting and his hope was that the Commission would be able to help Cabinet to think through innovative ways of doing things. The Reclaiming Social Work programme had been a great success and had produced both savings and better outcomes. Some ideas might need a hard sell as they will be innovative and everything

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- needed to be on the table e.g. refuse collections once a fortnight etc. Front line services hadn't been changed much but innovation would certainly be needed.
- 9.17 Members stated that attitudes to austerity would be difficult to manage as the country was only half way through with it and there was a need to think of innovative approaches now and we need to start implementing them now so would be able to cope with the financial challenges coming down the line.
- 9.18 A Member suggested that the Council needed to look at new ways to generate income. The Council had within its staff many professional services and it could offer these to the private sector e.g. pest control, garden services and the services of a finance team and the Council could probably offer better value for money on these. The Corporate Director replied that the Hackney Learning Trust model was operating in a quasi market as schools were buying services from them such as payroll. The Council also used to sell commercial waste services. For this to work he advised you need to have surplus capacity to sell and you need to be able to sell it at a rate high enough to generate a profit. He described how for example with fees for Planning and Licensing there were nationally imposed caps so these services were never able to recover their costs.
- 9.19 It was also suggested that there was a need to continue the Council's broader political stance against the government led austerity programme and its detrimental impact on our residents.
- 9.20 A Member asked about what work was being done on assessing the total cost of interventions for example for a person with complex needs. The Corporate Director replied there had but the challenge here was that you needed to have willing partners locally and the other partners need to be on the same page in terms of the savings you might be trying to achieve. He stated that in January he had attended a leadership day with his equivalents from the local NHS on the issues of health and social care integration. He stated that he had some concerns as to how this initiative might deliver real savings in the long term. Currently hospitals for example are financed on the basis of throughput and it was really difficult for the CCG to try and force change on this. GPs operate as private business and therefore can't really act altruistically he added.
- 9.21 Cllr Taylor commented on the integration of health and social care savings that the savings won't come quickly and in this sphere you don't really know where the savings will come from because this is about savings you will achieve in the future. The predicament for a budget holder is to decide whether they alter their plans to make economies when the savings will come not for them but somewhere else in the system in the future and so they are of no immediate help to them in achieving their own savings targets.
- 9.22 Members suggested that in this new financial climate there has to be an attempt to forge a new vision for local government and how all local public services can co-operate better.
- 9.23 The Chair thanked Cllr Taylor and the officers for their presentation.

RESOLVED: That the presentation and discussion be noted.

10 Governance and Resources Scrutiny Commission - 2014/15 Work Programme

- 10.1 The Chair stated that the Commission would now have to agree on its work programme for the year. It was noted that Members already had had a number of discussions on shaping the programme.
- 10.2 Members gave consideration to the draft work programme as well as a document tabled by the Chair '*Suggested themes for our work programme 2014/15*'. This listed proposed review topics which would be covered over the coming 4 years of the Council term as well as one-off items.
- 10.3 Members agreed to proceed first with a review on '*Hackney Pound – what public money is spent in Hackney to achieve what outcomes*'. The aim would be to look at the total volume of spend from all the public sector organisations in the borough as in the 'Total Place' approach. The review would attempt to analyse what might be done differently to save the overall public sector bill and what budgets could be brought together. Members suggested that the focus here be kept wide and to address the larger framework of public sector spend. It was suggested that the review would require a careful and fresh approach to methodology. The Corporate Director stated that he could assist in suggesting contacts to be approached for this review from his equivalents in the other main public sector organisations locally.
- 10.4 Members agreed that generally the work programme needed to focus on areas where it can add value and this should be prioritised over more routine oversight of budget proposals as had happened in the past. They questioned the value of receiving formal budget papers late in the day before they are just agreed at Cabinet. Leading on from the discussion of the great Medium Term financial challenges Members agreed that the focus of the Commission's work should not be looking back but on looking forward and providing helpful input to Cabinet.
- 10.5 A Member suggested that the work programme should involve working with citizens to look at investment options and at whether there was sufficient capacity in the Council to effect the change which is needed. More joined up commissioning would be the key. This also touched on issues of democratic engagement as change has to involve residents from the outset.
- 10.6 The Chair stated that the Deputy Mayor has asked Scrutiny Chairs to give consideration a 'Fairness Commission' and Members discussed how this element could be mainstreamed into reviews. It was suggested that a more specific piece of work on this should however be led by Community Safety and Social Inclusion Scrutiny Commission.
- 10.7 Members agreed the following changes to the work programme:
 - (a) That the first review would be 'Hackney Pound'.
 - (b) That another briefing on the 'Impact of the welfare reforms on local residents' be requested from Finance & Resources for the September meeting (these are regular ongoing updates shared between G&R and CSSI Commissions).

- (c) That a written update in response to the recommendation from the 'Council Governance' review on the proposal for a "Full Council work programme planning meeting" be requested from the Chief Executives office for the September meeting.
- (d) That the issue of 'Review of processes for providing ward based information to ward members' be removed from the work programme and be dealt with outside of the Commission.
- (e) That Cllr Taylor be invited to a Cabinet Member Question Time at the 8 December 2014 meeting. Responsibility for CQT had now passed to individual Commissions.

RESOLVED:	That the draft of the work programme be agreed.
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ACTION:	O&S Officer and the Chair to draft a scoping document for the 'Hackney Pound' review and share this round Members' for comment in time for the September meeting.
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11 Any Other Business

11.1 There was none.

Duration of the meeting: 7.00 - 9.30 pm