

Overview & Scrutiny

Governance and Resources Scrutiny Commission

All Members of the Governance & Resources Scrutiny Commission are requested to attend the meeting of the Commission to be held as follows:

Monday, 9th February, 2015

7.00 pm

**Hackney Learning Trust, Meeting Room 2, 3rd Floor, 1 Reading Lane,
London, E8 1GQ**

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Corporate Director of Legal, Human Resources and Regulatory Services

Contact:

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**Members: Cllr Rick Muir (Chair), Cllr Deniz Oguzkanli, Cllr Will Brett,
Cllr Laura Bunt, Cllr Rebecca Rennison and Cllr Nick Sharman**

Agenda

ALL MEETINGS ARE OPEN TO THE PUBLIC

- 1 Apologies for Absence**
- 2 Urgent Items / Order of Business**
- 3 Declarations of Interest**
- 4 Minutes of the Previous Meeting** (Pages 1 - 14)
- 5 North London Waste Authority Update** (Pages 15 - 22)
- 6 Fees and Charges Update** (Pages 23 - 90)
- 7 Whole Place Review: Long Term Unemployment and Mental Health** (Pages 91 - 108)
- 8 Governance and Resources Scrutiny Commission - 2014/15 Work Programme** (Pages 109 - 116)
- 9 Any Other Business**

Access and Information

Getting to the Town Hall

For a map of how to find the Town Hall, please visit the council's website <http://www.hackney.gov.uk/contact-us.htm> or contact the Overview and Scrutiny Officer using the details provided on the front cover of this agenda.

Accessibility

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Induction loop facilities are available in the Assembly Halls and the Council Chamber. Access for people with mobility difficulties can be obtained through the ramp on the side to the main Town Hall entrance.

Further Information about the Commission

If you would like any more information about the Scrutiny Commission, including the membership details, meeting dates and previous reviews, please visit the website or use this QR Code (accessible via phone or tablet 'app')

<http://www.hackney.gov.uk/individual-scrutiny-commissions-governance-and-resources.htm>



Public Involvement and Recording

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Those wishing to film, photograph or audio record a meeting are asked to notify the Council's Monitoring Officer by noon on the day of the meeting, if possible, or any time prior to the start of the meeting or notify the Chair at the start of the meeting.

The Monitoring Officer, or the Chair of the meeting, may designate a set area from which all recording must take place at a meeting.

The Council will endeavour to provide reasonable space and seating to view, hear and record the meeting. If those intending to record a meeting require any other reasonable facilities, notice should be given to the Monitoring Officer in advance of the meeting and will only be provided if practicable to do so.

The Chair shall have discretion to regulate the behaviour of all those present recording a meeting in the interests of the efficient conduct of the meeting. Anyone acting in a disruptive manner may be required by the Chair to cease recording or may be excluded from the meeting. Disruptive behaviour may include: moving from any designated recording area; causing excessive noise; intrusive lighting; interrupting the meeting; or filming members of the public who have asked not to be filmed.

All those visually recording a meeting are requested to only focus on recording councillors, officers and the public who are directly involved in the conduct of the meeting. The Chair of the meeting will ask any members of the public present if they have objections to being visually recorded. Those visually recording a meeting are asked to respect the wishes of those who do not wish to be filmed or photographed. Failure by someone recording a meeting to respect the wishes of those who do not wish to be filmed and photographed may result in the Chair instructing them to cease recording or in their exclusion from the meeting.

If a meeting passes a motion to exclude the press and public then in order to consider confidential or exempt information, all recording must cease and all recording equipment must be removed from the meeting room. The press and public are not permitted to use any means which might enable them to see or hear the proceedings whilst they are excluded from a meeting and confidential or exempt information is under consideration.

Providing oral commentary during a meeting is not permitted.

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Governance and Resources Scrutiny Commission 9 th February 2015 Minutes and Matters Arising	Item No 4
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Outline

Attached are the draft minutes from the meeting on 19th January 2015.

Action

The Commission is asked to agree the minutes.

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**London Borough of Hackney
Governance and Resources Scrutiny Commission
Municipal Year 2014/15
Date of Meeting Monday, 19th January, 2015**

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, Cllr Rebecca Rennison and Cllr Nick Sharman
Apologies:	
Co-optees	
Officers In Attendance	Rob Blackstone (Assistant Director Adult Social Care), Gareth Wall (Public Health) (Public Health Manager), Michael Honeysett (Assistant Director Financial Management), Genette Laws (AD Commissioning, Health and Community Services), Andrew Munk (WiW Programme Manager), Joanna Sumner (Assistant Chief Executive) and Ian Williams (Corporate Director of Finance and Resources)
Other People in Attendance	Councillor Geoff Taylor (Cabinet Member for Finance), Amina Begum (Borough Relationship Manager Tower Hamlets) and Stephen Hanshaw (Borough Relationship Manager)
Members of the Public	
Officer Contact:	Tracey Anderson ☎ 020 8356 3312 ✉ tracey.anderson@hackney.gov.uk

Councillor Rick Muir in the Chair

1 Apologies for Absence

1.1 None.

2 Urgent Items / Order of Business

2.1 As per the agenda.

3 Declarations of Interest

3.1 None.

4 Minutes of the Previous Meeting

4.1 The minutes of the meeting held on 8th December 2014 were agreed.

RESOLVED	Minutes	were
	approved.	

4.2 Matters arising

4.2.1 Members referred to the discussion item related to the Corporate Committee and concluded this matter was still outstanding and should be reviewed following informal discussions outside the meeting.

5 Public Spend Information Session For Review

5.1 The Chair outlined the aims of the Governance & Resources Scrutiny Commission review to the service provider representatives at the meeting. The service providers in attendance presented information about the current service provision, client group and service budget / spend for the long term unemployed in Hackney

5.2 The Chair explained this information would be useful to the commission when they engage with service users to understand the service user journey.

5.3 Presentations were from:

- London Borough of Hackney Adult Social Care - Rob Blackstone, Assistant Director Adult Social Care and Genette Laws, Assistant Director Commissioning.
- LBH Public Health - Gareth Wall, Public Health Manager
- Job Centre Plus - Stephen Hanshaw, Borough Relationship Manager (Hackney) and Amina Begum, DWP Relationship Manager for the borough of Tower Hamlets
- Ways into Work Team - Andrew Monk, Programme Manager.

5.4 Information about the services commissioned and provided by Adult Social Care, Public Health and East London Foundation trust was presented as a joint presentation by LBH AD Commissioning and an information paper was circulate to Members of the Commission on 16th January 2015.

5.4.1 The key points from the LBH Adult Social Care, Public Health and East London NHS Foundation Trust presentation were:

- Adult social care and public health are in the same directorate within the Council

- London Borough Hackney (LBH) has two employment support services paid for by Adult Social Care
 - Lee House - an employment and training service for people with mental health issues
 - Hackney Recruitment Partnership (also known as Hackney One Team) - supports people with learning disabilities.
- The Lee House provision is currently a Section 31 agreement between Adult Social Care and East London Foundation Mental Health Trust (ELFMHT).
- A value for money review of Adult Social Care supported employment services was completed in June 2014. The aim of the review was to assess current service models, outcomes for service users and effectiveness of services.
- The review highlighted the need for the service to be commissioned with the following key features:
 - To work with Ways into Work and other services who are delivering employment support
 - To offer a more specialist targeted service for residents who are long term unemployed regardless of the type of disability they may have
 - A supported employment pathway is designed that builds on the success of other services rather than trying to replicate it
 - Achieve efficiency savings and therefore improve value for money
- The next steps following this review is to draft a specification, this will be completed in consultation with service users
- Spend on this service provision is approximately £800,000 per annum
- This service provision is not limited to being an in house provision. A number of VCS organisation service providers are commissioned. This includes a new commissioning model being implemented in the form of their Integrated Mental Health Network (IMHN). The network of providers is led by City and Hackney Mind.

5.5 The key points from the Ways into Work Team presentation were:

- Ways into Work Team is the Council's umbrella employment programme and the service is open to all unemployed residents in the borough
- The aim of the service is to provide employers in the borough with a single point of contact to access potential employees and to enable local residents to benefit from the economic growth in the borough
- The team focuses on the economic growth areas in the borough and ring fencing jobs for local residents
- The service has been operational since April 2010 and as at September 2014 they have engaged with 8,300 residents
- The service has provided job opportunities for residents like apprenticeships
- The service is not a mandatory service, so apply for external funding. This can mean specifically funded programmes for particular groups.
- The Programme cost is £1.4 million
- The service aims to put social value in a contract
- The teams has advisers that work closely with the resident and provide intensive one to one support to residents. The support provided could be

long or short depending on the individual. The support provided is tailored to suit individual need.

- The WiW team would be relocating to new premises called a 'Hub' from the end of January and this location will provide residents with drop in facilities and support which will help the team to identify barriers to employment. Support includes: career advice, soft skills, employability and on-going support in work
- The advantage of being an in-house service is being able to liaise with other departments within the Council
- The service relies on strong partnership working and works closely with the Council's Benefit Team.
- WiW team deliver training programmes with businesses in mind and in consultation with businesses
- The WiW team are currently delivering a GLA funded programme but this funding comes with restrictions on the eligibility criteria for access
- WiW have secured 700 jobs of which 439 was sustainable for 26 weeks and 261 for 52 weeks.

5.6 The key points from the Department of Work and Pensions - Job Centre Plus presentation were:

- For JSA new claimants who are single fit and healthy and have no children or hindering circumstances to finding a job are referred to Universal Credit. JSA is for people with children 5 years old and over
- If you are on ESA you are referred to the mandatory employment work programme. This service is provided by nationally contracted providers
- If you are on Income Support it has a less mandatory regime and access to this benefit is dependent on the individual's circumstances
- Their core offer is employment and employment skills
- JCP recognise there may be a number of challenging issues for an individual and their aim is to identify them early
- Changes to legislation has changed the way JCP operate. JCP recognise the need to resolve some issues first before they can expect the individual to focus on employment such as drug addiction, homelessness. JCP explained the more they understand the needs of the individual the better they can support them
- For people with a larger number of barriers to employment JCP identify organisations to refer them to who are better suited to support their needs. This is the JCP Flexible Support Fund.
- JCP recognise the benefits of partnership working.

5.7 **Discussion, Comments and Queries**

- a) In response to Member's queries about the Ways in Work programme in relation to referrals and service user journey. The WIW Team Manager informed the team proactively looked for people they could enter into the work programme. If they funding for a specific benefit group they will seek to attract individuals from that group into the programme. Currently there are 100 companies signed up to the WIW programme and they are registering approximately 100 people per month.

- b) Members referred to the number of residents known to LBH who either have a, physical or mental disability and that currently the number of service users accessing support from this group was approximately 10%. Members queried what was being done collectively and asked about their thinking in relation to joining up services, to tackle the 90% of service users not in touch with or accessing the good support services available locally. Members wanted to identify if commissioners or service providers had plans for joint commissioning; who would be the responsible body and their thoughts on using a commissioning model like Troubled Families.

The AD for Commissioning from LBH pointed out in times of austerity there is a tendency to reduce duplication and ensure no one group is over represented. LBH spends £800,000 to deliver support services and this can be through adult social care directly or commissioned services. The support provided was dependant on the client's needs

The Ways into Work Manager from LBH advised his service was not statutory and it was challenging to deliver the employment support service. One of the key challenges they noted was how to start the conversation about employment with the individual regardless of who they visited first, GP or benefit adviser.

The AD of Adult Social Care from LBH informed the support services were holistic but out of date. The review of LT unemployed support services was welcomed by service providers to encourage them to review provision and the number of people getting into employment. He highlighted Social Workers were more proactive but it was still a challenge for providers to get people into sustainable employment.

The AD Commissioning from LBH informed there was an appetite to try a new commissioning model. The Council was challenging service providers to work together in a coordinated way. LBH has developed a new contract model with City and Hackney Mind as the lead for a network of providers. This has been difficult for the organisation grasp.

- c) Members enquired about joint working and asked how RSLs with similar projects fit into the service provision landscape to share the coordinated working. Members also queried if there were any disadvantages to sharing information by the individual entering the support services.

The AD of Commissioning from LBH There is a legal requirement to state if they shared information and why. The ability to share information is dependent on the individual. The AD of Commissioning from LBH agreed social landlords have supporting people programmes and a number of them are commissioned by LBH. The key was how they bring all the support services together and one of the ways they do this is through their system called iCare, but this relies on providers keeping their information up to date. Currently they are identifying the strengths and gaps and will look at how they can fill those gaps highlighted. It is important to separate out statutory and non-statutory services but what was important was the look and feel of the service and who delivers the service. The challenge was to make sure there was a range of opportunities and options available to give people a choice.

The Ways into Work Manager from LBH informed they deliver their own service connected to a number of RSLs and VCS organisation and have a strong relationship with employers. One of the key things they are trying to encourage is for all organisations (working together) to use the same paper work. This will enable the individual to feel it is one organisation as they move on the pathway or if they are referred from one organisation to another.

- d) Members referred to the Post Olympic scheme receiving £1.5 million and the Troubled Families works in practice. Members enquired if the Hackney One and Lee House service users that moved into the WiW programme was by design or did it evolve.

The Ways into Work Manager from LBH advised the cost of the service was a political conversation and one on which they lobbied. The Troubled Families programme has enabled the WiW team to work closely with Social Workers in a preventative way.

The AD of Commissioning from LBH explained the service has evolved and this has been the reason for reviewing the service and the case for change.

- e) Members thanked officers for the information about services and stated what they wanted was information that provided an overall picture of the funding / spend on LT unemployment support services.

The Ways into Work Manager from LBH explained the cross cutting review would be collating the spend information for services. In relation to their services, as they apply for funding it meant on occasions the funding came with restrictions that dictates the client group they could work with. In his view the development of a common commissioning framework will help to monitor commissioning.

The Public Health Manager Health Manager from LBH informed the frame work is being identified to map the spend. This will require all giving consideration to the definition that will be applied to LT unemployment and the outcomes. So it was key to be clear if the outcome was a job output or included health and wellbeing.

- f) The Chair agreed with Members and requested if LBH Officers could collate the budget spend information for the service provision across the borough, so the Commission can see how the money was being spent.

The Assistant Chief Executive for Programmes, Projects and Performance explained to Members the cross cutting review by the Council was looking at internal and external service, therefore it would be possible to get the budget spend information for services across all service providers.

ACTION	The Assistant Chief Executive Programmes, Projects and performance to provide details of the service spend for LT employment support
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	services across all service providers.
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- g) Members enquired how many clients with a mental illness entered the WiW programme. In response the Ways into Work Manager from LBH confirmed half of their clients had low level mental health. He highlighted for their work on the GLA funded programme they found that clients did not always disclose this from the outset.
- h) Members enquired how the Council's WiW programme interacted with the national work programme. Bearing in mind one is a national programme and one is a local programme did they sign post or make referrals. The Ways into Work Manager from LBH confirmed the two programmes were not integrated and pointed out they did not register people who were on the national work programme. Clients on their programme were usual pre the national work programme.
- i) Members enquired if there was a strategic forum where they all came together. The Borough Relationship Manager from JCP pointed out there was good partnership working in Hackney. It was his view having a high level forum group would help the overarching programme of support in the borough; and help to deal with challenges like funding streams coming and going.
- j) Members commented on the need to make the case for funding without restrictions to allow flexibility in spending to meet need.

6 ICT Review Executive Response

- 6.1 The Chair referred to the Executive response from LBH to the Commission's ICT Review. The Commission was asked to note the response and discuss if they wish to keep the recommendations under review.

6.2 Discussion, Comments and Queries

- a) Members commented on the role of ICT in an organisation being critical to services being able to evolve. Members enquired if LBH had developed a 5 year plan and if the organisation had a strategy for ICT provision that would help them to lead the way.

The Corporate Director Finance and Resources from LBH pointed out many organisations changing their IT system implement incremental changes. For the migration of 4,500 staff to myoffice 2013 this was completed in one go with success and did not cause any business failures. He explained when the ICT support service moved back in-house the previous providers did not provide the Council with data on the type of calls the helpdesk received. The move to myoffice and taking the service back in-house has highlighted a real skills gap among staff in relation to using IT.

The Corporate Director Finance and Resources noted the next phase of the ICT system development was upgrading Councillors and he acknowledged that Councillors interaction with IT required improvement. He informed the

commission Councillors would be invited to participate in the project developing the IT system for Councillors.

- b) Members commented to help reduce costs and improve services a good ICT strategy was important.
- c) Members requested for an update on the Council's ICT strategy and its implementation.
- d) Members commented in relation to their review exploring joint commissioning. This would require a strong ICT system that could work across the whole service sector. Members appreciated implementing a large ICT system was risky but to reduce risk consideration should be given to incremental implementation. In response it was pointed out for the ICT to support service improvement services needed to have a clear vision for their future service provision.
- e) Members wanted assurance that all the different ICT updates linked into the Council's overarching strategy. Although the organisation has a number of different services, it was important they could interact with each other. Members acknowledged this needed to start with services having clarity about their service needs.

ACTION	Finance and Resources to update on ICT Strategy and the activity both positive and negative.
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7 Budget and Finance Update

7.1 The Chair welcomed Ian Williams, Corporate Director Finance and Resources from LBH, he presented information about the financial settlement for 2015/16 and the impact of this on the Council's budget for 2015/16. Also in attendance was the Councillor Geoff Taylor, Cabinet Member for Finance.

7.1.1 The presentation outlined:

- The opportunities and challenges in relation to economic and political landscape
- Local Government Settlement
- Hackney's budget 2015/16.

7.1.2 The main points of the presentation were:

- Markets are more concerned with the outcome of the election and the impact this would have on austerity (the pace) and EU Membership
- A graph showed the UK economy was closely aligned to France and Spain and it was highlighted both of those economies were quite fragile; which may be an indication the UK economy is not as stabled as believed
- All the major political parties have relatively small differences between them in relation to austerity plans

- The level of wage growth and rises has been low. Raising the lower level income tax threshold results in lower tax yields and this will have a long term impact for the economy
- House prices saw demand and supply fall and the trend for London is starting to turn
- It is not just oil prices pushing down inflation. The UK runs a trade deficit in oil as a % of GDP, so falling oil prices are not good for the UK
- The UK economy has started to perform stronger than the Eurozone
- The Bank of England monetary policy committee is maintaining its current stance
- Based on the investment markets the pension fund value has fluctuated greatly and Hackney's currently stands at 72%
- UK income receipts are struck at 37-38% of GDP
- Cutting public expenditure is a small part of reducing the deficit. There needs to be sustainable strategy to managing the UK debt long term
- UK borrowing is up and spend on protected services is up. Whereas spend on unprotected services such as local government, police, home office and capital investment has been cut sharply
- UK debt is £1.5 tr and rising. The low inflation levels mean the value of debit is not being eroded
- From the beginning of the austerity measures local government expenditure has remained the same
- The deficit of GDP is £20 billion and is expected to fall to £12.6 billion by 2019/20
- In 2009/10 the spend per person was £3020 this will fall to £1219 per person in 2019/20
- OBR highlighted local government was 4% of UK GDP in 2009/10 and this is predicted to fall to 2% by 2019/20
- There is substantial variation in the level of cuts within similar types of local authorities. The range in cuts for London Boroughs has been 15-35% and not the reported reduction of 6.4% or less
- Funding for local government has been cut by 37% which translates into 25% reduction in spending power
- Local authorities have held reserves to off set incidents they cannot predict. In the current climate of uncertainty in relation to public sector finances it is important to have healthy reserves for Hackney
- Local context is:
 - The 13th successive year for the Council maintaining a budget in balance
 - The capital programme on track
 - No material cuts to local services
 - Pressures are: Looked after children, Homelessness, Temporary accommodation, Welfare reforms, Care reforms, London living wage
 - Increasing number of rent and council tax reminders and visitors to the HSC
 - Income from council tax and business rates has increased
 - Hackney has suffered a loss of 30% (equivalent to £36million) in its revenue support grant
- Concluding points are:
 - Election is key

- Wage growth is muted
- Drop in oil price is positive for the UK
- Settlement clearly highlighting challenges for local government
- Planning is underway for 2015/16 budget and keeping a close eye on global financial impacts.

7.2 Discussion, Comments and Queries

- a) Members commented the Council on being able to absorb the cuts in funding to date. Members enquired if the trajectory of reductions to public sector funding continues, did the Council have an indication of what services might be impacted.

The Cabinet Member for Finance from LBH highlighted the cuts cannot continue forever. The Council recognised there are always new ways to do things that can result in cost reduction for service provision. The Council is using the benefits of property prices to off set income reduction. He pointed out the changes in the population demographic have also helped the impact of the revenue reductions.

- b) Members pressed the Council for a prediction on the impact to services if there were further reductions to public sector funding.

The Corporate Director of Finance and Resources highlighted until the outcome of the election it was hard to predict what the next spending review would bring. There have been a number of different changes that have impacted the spending power in London, but locally the risks were a rising population, increasing asset prices. It would be beneficial to have a 5 year prospective; which they were lobby for. In the meantime the Cabinet Member advised the Council did have a plan but this currently had several caveats.

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

- 8.1 The work programme for the Commission on pages 43-50 of the agenda was noted for information.
- 8.2 Members enquired if the notes from the site visit would be circulated to Commission Members who were unable to attend. The Chair confirmed they would be.
- 8.3 Members referred to the North London Waste Authority discussion item in February and requested for the Overview and Scrutiny Officer to ensure paper were provided in advance for this item; because the Members of the Commission have no prior knowledge of the subject area or the joint borough service provision.
- 8.4 The Cabinet Member for Finance from LBH explained the NLWA was making changes to the service, levy and pricing and the Executive wanted to provide an update on the proposed changes and role of the Council in this joint borough partnership.

- 8.5 Members discussed having a panel of experts for the G&R meeting in March to hear about good examples of joint commissioning across a service sector.

ACTION	The Overview and Scrutiny Officer to request for written report for NLWA discussion item.
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9 Any Other Business

- 9.1 None.

Duration of the meeting: 7.00 - 9.25 pm

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Governance & Resources Scrutiny Commission 9 th February 2015 North London Waste Authority - Update	Item No 5
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Outline

The report attached provides information about the North London Waste Authority (NLWA) and information about participative boroughs.

The report outlines their strategy, prevention plan, procurement, agreement and pricing plan.

Action

The Commission is asked to note the report and ask questions.

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Governance and Resources Scrutiny Commission

9 February 2014

North London Waste Authority

Background

The North London Waste Authority (NLWA) was established in 1986 as a joint statutory waste disposal authority after the abolition of the Greater London Council (GLC). The Authority's prime function is for arranging the disposal of waste collected by its seven constituent boroughs:-

- The London Borough of Barnet
- The London Borough of Camden
- The London Borough of Enfield
- The London Borough of Hackney
- The London Borough of Haringey
- The London Borough of Islington
- The London Borough of Waltham Forest

The Authority has a membership of 14 councillors, with each constituent borough appointing two councillors. The Authority normally meets 5 times a year, with provision for extraordinary meetings as required. NLWA's primary function is to arrange for the transport and disposal of waste collected by these seven boroughs and to promote waste minimisation and recycling.

Arising from the requirements of the Environmental Protection Act 1990, the Authority in 1992 entered into a process leading to the formation of a Local Authority Waste Disposal Company (LAWDC) and subsequently a Joint Venture. The Authority selected SITA (GB) Ltd (now called SITA (UK) Ltd) as its preferred partner, and a joint venture company, called LondonWaste Ltd was set up. The Authority subjected its waste disposal needs for twenty years to competitive tender with LondonWaste Ltd being one of the bidders.

After 18 months of negotiations the arrangements for the Joint Venture were finalised and received the Secretary of State for the Environment's approval in December 1994. The divestment of the Authority's operational arm to LondonWaste Limited took place on 15th December 1994. At the same time, a twenty-year contract for the incineration and disposal of the Authority's waste was awarded to LondonWaste Ltd.

The requirement for local authorities to contract out waste disposal functions was repealed by section 47 of the Clean Neighbourhoods and Environment Act 2005. This meant that the Authority could again own and operate waste disposal facilities, and in December 2009 the Authority acquired SITA's shares in LondonWaste and

became the sole owner as part of its wider approach to procuring the next generation of waste services for north London.

The Authority does not employ any staff directly, but makes cross-borough arrangements for support services, involving the boroughs of Camden, Enfield, Haringey and Waltham Forest.

The North London Joint Waste Strategy

The North London Joint Waste Strategy (NLJWS) provides the strategic framework for municipal waste management in North London for the period 2004 - 2020. The NLJWS sets out the targets for reducing, reusing and recovering a greater proportion of the municipal waste which is generated in the North London Waste Authority area and for reducing the amount which is sent for disposal to landfill.

The targets include:-

- To achieve a 35% recycling and composting target for household waste by 2010, 45% by 2015, and 50% by 2020.
- Reduce municipal waste sent to landfill to 15% of arisings.
- To provide door-to-door recycling services to 95% of relevant households
- To provide all residents in multiple occupancy housing with either door-to-door collection services or a minimum of one 'near-entry' recycling site per 500 households as soon as possible
- To achieve 60% recycling and composting diversion rates at all North London Reuse and Recycling Centres by 2015.

The first draft of the NLJWS was published in 2004 (Mayor's Draft, September 2004) but was subsequently updated and subjected to a new Strategic Environmental Assessment or SEA in 2008 before final adoption.

The NLJWS completed the process of adoption by all eight partners (Barnet, Camden, Enfield, Hackney, Haringey, Islington, Waltham Forest and the NLWA) in February 2009. (July 2008 Hackney Cabinet Formal adoption of the North London Joint Waste Strategy (NLJWS) and January 2009 Hackney Delegated report – NLJWS Adoption of results of Equality Impact Assessment).

The NLWA's annual report in June 2014 reported data from constituent borough councils indicating provisional performance in 2013/14 across North London (with 2012/13 for comparison) as follows:-

- 579 kg (586 kg) residual waste per household was collected (NI 191).
- 33% (32%) of household waste was re-used, recycled or composted (NI 192).
- 25% (25%) of municipal waste was sent to landfill (NI 193).
- 100% (100%) of residents continued to receive a door-to-door or communal recycling service.

The North London Waste Prevention Plan

In partnership with the seven boroughs we also produce the Waste Prevention Plan 2014-16. This sets out in more detail how the waste prevention objectives within the North London Joint Waste Strategy will be met. This regularly updated plan details a series of short to medium term actions to minimise the amount of waste produced by north London. The implementation of the prevention plan is carried out by ourselves and the constituent borough councils (together or separately).

Procurement of Waste Treatment

The NLWA had started a major procurement in April 2010 with the publication of an OJEU notice for two contracts, one for waste services including the production of a solid recovered fuel, and the second for the use of that fuel.

Following notification to the Authority in December 2012 that Veolia Environmental Services was withdrawing from both procurements, the remaining bidders were

- i) FCC Skanska - Waste Services – processing of all waste streams including transport and household waste recycling centres; and
- ii) E.ON/Wheelabrator Technologies - Fuel Use – energy-from waste with combined heat and power.

The NLWA continued its process pursuant to published government guidance on managing a premature ending of a competitive process. This guidance made clear that the NLWA needed to consider the strength and quality of the remaining bid for each contract, consider the extent to which the competition up to that stage has been effective, and consider whether value for money can be demonstrated with only one bidder for each contract.

The evaluation of draft final tenders, received in March 2013, continued, and was reported to the Authority in June 2013.

The Authority had to decide whether or not it remained in the NLWA's best interest to proceed with the final stages of the procurement process, which might have led to the award of significant long-term contracts, notwithstanding that there remained only one bidder for each of the contracts.

However, at its meeting in September 2013, the Authority decided to end its procurement for long-term waste management services, in favour of a less expensive solution to north London taxpayers' waste management needs, which became deliverable as a result of developments in the planning policy situation in north London earlier in 2013.

At that time, the NLWA considered that the alternative strategy would be based on continued use of the existing Edmonton facility, to be followed by a new energy

recovery solution to take over from the existing facility that will continue to provide electricity for the national grid and could provide the potential to supply heat for local homes and businesses.

In September, the Authority noted also that the existing Edmonton facility was now projected to be available, with an appropriate maintenance programme, until 2025. The timing of the procurement of a new facility would be a matter for consideration during 2016, taking account of this anticipated life of the existing facility.

Planning policies which had been published and were referred to in the taking of the decision to end the procurement were:

- The publication in May 2013 of the London Borough of Enfield Supplementary Planning Document (SPD) which had been prepared during 2012. The Authority's position, when the draft was published early in 2013 for public consultation, was to express overall support for the SPD but to highlight a small number of specific concerns with its drafting. These concerns related inter alia to the requirements to host and connect to an energy centre for the planned Lee Valley Heat Network and to requirements that part of the site be reserved for a future low carbon heat source.
- The Mayor's Upper Lee Valley Opportunity Area Planning Framework, published in July 2013, which contained as one of its eight objectives the proposed Lee Valley heat network supported by energy from the Edmonton EcoPark.

This decision will not impact on joint targets which remain in place to achieve a 50% household recycling rate and to reduce the amount of waste sent to landfill to 35% (of 1995 amounts) by 2020.

This decision will save north London money in the short to medium term, and could save us a total of up to £900 million (note 2) over almost 30 years.

Inter Authority Agreement

An Inter Authority Agreement (IAA) was previously agreed between the NLWA and all constituent Boroughs in 2011 but not entered into (Hackney Cabinet June 2011) The IAA was intended to govern relations between the parties under the NLWA's previously proposed procurement and was structured in that context. A simpler document has subsequently been developed to reflect the current context. A key component of the IAA is a change to a menu pricing system to apportion the NLWA's costs more fairly than at present.

It is currently proposed that some outstanding issues are negotiated and the IAA is formally agreed by all parties so that it can be entered into to allow menu pricing from 16/17.

Menu Pricing

The revised IAA sets out a proposed menu pricing system to replace the current levy and charging arrangements in the form of a process and set of principles that are largely unchanged from that agreed in the previously agreed IAA. Under menu pricing Boroughs incur costs based upon the differential costs and amounts of the different types of waste they deliver which is not the case under the current system.

Furthermore, the levying of the costs relating to HWRC's operated by the Authority will under menu pricing be apportioned based upon the proportion of the visitors to each HWRC from each Borough. Currently these costs are levied directly upon the Borough in which the HWRC is located or, in the case of HWRC residual waste, the relative proportion of Council Tax Band D properties. The HWRC residual waste costs for non-transferred sites (LB Enfield and Barnet) are expected to be borne directly by the Boroughs operating the sites under menu pricing. Other costs will be levied or charged to reflect the fairest and most appropriate allocation.

The menu pricing system will be more complex than the current system and this will be reflected in the management of balances which will be retained on a Borough specific basis for each waste stream.

North London Waste Plan

The seven boroughs are also working together as planning authorities to identify sufficient land for waste management and to establish common planning policies which will guide decision-making about waste facility planning applications within the area. The boroughs are developing a joint waste development plan or 'DPD' titled "The North London Waste Plan" which will run to 2027. The production of the DPD will ensure the boroughs' statutory responsibilities in relation to land-use planning policy are met. The North London Waste Plan includes lists of existing and new sites which need to be provided for waste management purposes.

Finance Comments

The table below shows what we have paid in charges to NLWA since 2010/11 and what we are currently expecting to pay for 2015/16 (which will be confirmed at the February NLWA meeting). The 2015/16 figures are based on a standstill levy position from 2014/15, which was agreed at the last Directors of Finance meeting for NLWA and the NLWA's Member Finance Working Group. The overall position uses £8m of forecast balances retaining £2m to help fund the 2016/17 budget.

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m (estimate)
Domestic	5.284	5.412	4.722	5.109	6.027	5.876
Chargeable domestic waste				0.553	0.595 (Dec forecast)	0.559
Non domestic	1.688	1.628	1.627	1.701	1.839 (Dec forecast)	1.734
CIPS (recycling income)	(0.132)	(0.211)	(0.256)	(0.386)	(0.316) (Dec forecast)	(0.344)

Menu pricing has the impact of redistributing NLWA's costs from what happens currently (i.e. it has zero effect on NLWA's bottom line), and will provide further incentive to boroughs to recycle and reduce residual waste rather than pay for more expensive waste treatment and disposal. The current expectation is that Hackney as a borough will pay more than we do at the moment, as a result of our recycling rate. Furthermore, it will mean boroughs paying one rate across household and non-household residual waste, whereas at the moment we pay a far higher gate fee for non-household residual waste disposal. This will have the impact of pushing a greater proportion of cost onto boroughs' household waste disposal charges.



Governance and Resources Scrutiny Commission 9 th February 2015 Fees and Charges – 2015/16 Budget Setting Process	Item No 6
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Outline

The purpose of the attached reports are to provide Members with an update on the annual budget setting process – The setting of Fees and Charges.

Attached are the following:

- Fees and Charges cover report
- Medium Term Planning Forecast Document
- Appendix 1
- Appendix 2
- Appendix 3

The 2015/16 budget report is still being finalised. G&R is provided with the MTPR report discussed by Cabinet, this outlines the 15/16 budget strategy approved. This information will be accompanied by a presentation on the night.

Action

The Commission is requested to note the reports and ask questions.

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Fees and Charges 2015/16

Introduction

The purpose of this note is provide Cabinet Members with an update on an important aspect of the annual budget setting process – The setting of Fees and Charges.

As part of the budget process Cabinet Members and Officers review fees and charges across the services provided by the Council which are then formally approved, subject to any amendments as agreed by Council, as part of the Budget and Council Tax setting report. In setting the levels of fees and charges, departments have continued to have regard to the principles established by Governance & Resources Scrutiny Commission and agreed by Cabinet.

In broad terms fees and charges fall into three main categories.

- Those which are set by Statute or other Government Departments e.g. Licensing Act 2003 or DEFRA. The Council has little or no control over these.
- Those which are set by third parties e.g. North London Waste Authority for Commercial Waste or Greenwich Leisure Ltd. for Leisure centre fees. Although set by third parties the Council hopes have some control over these and is included in a consultation and agreement process before the fees are agreed.
- Those set independently by the Council service department. In the main the Council has full control over setting these but in some instances there are external restrictions on what can be charged and of course also there is an element of comparison of charges with neighbouring Boroughs. The remainder of this report deals in the main with these fees and charges.

The purpose of this note is to provide members with an opportunity to comment on the draft fees and charges for 2015/16 as they are currently known in advance of the schedule going to Cabinet / Council at the end of February and as in previous years to avoid any last minute surprises on the night!

Framework

Fees and charges (F&C) are set within the overall budget framework. Income budgets for 2015/16 from F&C have been kept at 2014/15 levels except where either there has been specific approval to increase them e.g. through formal approval of a plan to increase charges to meet savings proposals or where there has been a Delegated Powers or Cabinet report agreeing specific changes to

charges e.g. the August 2014 DPR setting out a revised Building Control charging scheme.

Income inflation has not been added to budgets so the general expectation is a base position that F&C for 2015/16 will not be inflated. However, it is recognised that in some cases the cost of providing the service has increased, the existing charge is significantly different to other London Boroughs, and there are some policy or service design changes. These and a variety of other reasons have resulted in some of the increases shown below.

However, in light of the default position being no increase, every increase no matter how small has had to be agreed and discussed with the Cabinet Member for that service prior to inclusion in the fees and charges schedule to Cabinet and the reason for the increase is included in the schedule attached.

Key points (these are all proposed subject to formal approval)

- The great majority of F&C have no increase for 2015/16. The services included in this category are, Environmental Services, Planning, Licensing, Libraries Parks and Leisure (not supplied by Greenwich Leisure Ltd.) Shop Front Trading, Hackney Today, Debt recovery Services, Children's services and Parking.
- Charges for Leisure Centre activities supplied by Greenwich Leisure Ltd. have generally increased at RPI although rounding to the nearest 5p means in some cases (where the charge is small) the increase % is higher than RPI.
- Building Control charges have changed in line with the August DPR from Legal HR and Regulatory Services.
- The charges for the hire and use of Council venues has been reviewed to ensure that they are more consistent with the full costs of provision. This is the first increase since 2011 and in some case now includes staffing costs which previously had been an additional charge.
- Registrars' fees have been updated in line with the income generation savings proposals included in the report to Cabinet in July 2014.
- The changes in relation to planning fees reflect the recent report to Cabinet in relation to the pre application fees to bring our charges more in to line with other Boroughs. Although the headline increase for these appears high, this was explained in detail in the Cabinet Report.

New Charges

There are a number of new charges for 2015/16. There are also a few "new" charges where these are not truly new charges but simply changes in the way we charge following consultation with service users and to better reflect the provision of the service. In general these have resulted in no overall increase in the charge.

There are a few exceptions to this as follows

- New charges for events at the West Reservoir
- Charges for food recycling (as a stand-alone service)
- Charges under the Anti-Social Behaviour Crime and Disorder Act 2014

Compliance with recommendations of the Governance and Scrutiny Commission

At its meeting on 12 December 2011, the commission considered a report on Fees and Charges and adopted the following principles:

1. Services should raise income wherever there is a power or duty to do so
2. Charges need to be simple to understand and administer
3. We will set our pricing to reflect the true cost of providing each service, including overheads
4. Any departure from the above principles will be justified with reference to specific Council priorities and policies
5. General presumption in the budget setting process is for no increase in charges where the Council has discretion, over and above those required to reflect the true cost of provision of service (subject to below)
6. We will benchmark key fees and charges we levy and seek to bring them into line with levels set by similar councils, having due regard to our social and environmental responsibilities
7. Where evidence suggests that a differential charging policy would increase overall use of a council facility, such a policy will be introduced, particularly if this increases accessibility to non commercial groups
8. Any proposal to raise external income by increasing fees and charges or by imposing a new charge where none existed before, must seek the approval of the Executive.

In reaching the proposed charges, Officers have considered how they fit in with the above principles. Consultation has taken place with Service Heads, Assistant Directors and Cabinet Members and the Directorate Finance teams to ensure these principles were considered and this is evidenced in the schedule.

Further details of how the above principles have been considered are retained within the individual service areas in the form of emails and minutes of budget setting meetings. Service areas have been made aware that from time to time evidence of how their charges meet the above principles may be required by Members and other interested parties.

Please contact me if you require any further information or have any questions. I am mindful that the sheer volume and number of these means that the schedules

are substantial and for next year (2016/17) I am going to develop options including possible changes to the constitution / Financial Procedure Rules for you to consider that look to reduce the size of these schedules having to go to Council ultimately but ensure that democratic oversight is not lost.

Corporate Director of Finance and Resources
5 January 2015

: MEDIUM TERM PLANNING FORECAST JULY 2014

KEY DECISION NO: FR J54

CABINET MEETING DATE (2014/15)

21st July 2014

CLASSIFICATION:

Open

If exempt, the reason will be listed in the main body of this report.

WARD(S) AFFECTED

All Wards

CABINET MEMBER

Mayor Pipe

KEY DECISION

Yes

REASON

Spending or Savings

CORPORATE DIRECTOR

Ian Williams Corporate Director of Finance and Resources

1. MAYOR'S INTRODUCTION

- 1.1 This report updates the financial forecasts and plans that were included in Overall Financial Reports (OFP) and reports to Cabinet in 2013/14 and 2014/15, and sets out the considerable financial challenges that this council faces. This report also sets out a draft 2015/16 Revenue Budget that proposes to freeze Council Tax for the tenth successive year as well as continue to implement the policies that have enabled us to protect front line services without any material reductions to front line services.
- 1.2 The 2010 Comprehensive Spending Review implemented a 28% cut in central government funding for local government over the period 2010/11 to 2014/15 but this has been increased further because of subsequent incremental cuts. In fact local authority core funding has reduced by 35% over the period 2010/11 to 2014/15.
- 1.3 In 2014/15, our revenue support grant has reduced by nearly £28m (19%) compared to the previous year and on the basis of the 2015/16 Provisional Settlement will fall by a further £36m (31%) in this year. Furthermore, analysis presented in subsequent sections in this report indicate that it is likely that there will be no easing up in the cuts to local government spending over the period 2016/17 to 2019/20.
- 1.4 Despite assurances by the Government that grant settlements will be progressive and fair between different parts of the country, this is simply not the case. The loss of government financial support to Hackney and other grant dependent authorities is, per household, seven or eight times larger than the losses suffered by authorities with a greater proportion of relatively wealthy households. A similar result is observed for losses in spending power (the Government's preferred measure of funding).
- 1.5 Through a combination of initiatives including management de-layering, investing in services to reduce costs in long term, service transformation and reducing back office costs, we have maintained vital services for residents while at the same time freezing the Council's element of Council Tax for nine years. Resident satisfaction with the Council's performance and of the area as a place to live continues to be high. Maintenance of this position will be a key challenge as the Coalition Government austerity measures continue to prioritise the reduction of local government funding.
- 1.6 In order to meet the financial challenges ahead as set out in this Forecast, it will be necessary to build upon the Council's proven record in relation to tight financial management and control with an increased emphasis on solutions that increase financial sustainability, get things right first time, and drive out value from our asset base. Paramount will be to continue to create the conditions for improved local economic growth, harnessing it for the benefit of our residents and business.

- 1.7 Although it is not possible for Hackney to escape the impact of the Government's policies in relation to public sector funding, this administration remains determined and committed to continue shielding residents from the effects of the Government's relentless attack on the nation's public services.
- 1.8 The financial challenge ahead is considerable and the budget process is one that is a continual process. In light of this we have been working hard to plan savings that anticipate the continual government reductions and so avoid any crisis responses that would damage front-line services.
- 1.9 This report sets out a draft 2015/16 budget and includes proposals to freeze Council Tax for a record tenth year, when it is presented to Council in February 2015. It builds upon the continuation of a number of our existing policies that have driven out inefficiencies alongside gains made from the most recent actuarial valuation, improved income yields from Council Tax, business rates and commercial property as well as changes to the treatment of the New Homes Bonus top slice. We have continued with the initiatives noted in this report such as Service Transformation, Service Reviews, further rationalisation of directorate support services, reducing back office costs, management de-layering, procurement savings and spend to save initiatives. Although originally borne out of the necessity to reduce Hackney's relatively high council tax a decade ago, recent tax freezes are also the consequence of very little financial benefit now being derived from any increases due to Government policies to limit local authority spending.

I commend this report to Cabinet

2. CORPORATE DIRECTOR'S INTRODUCTION

- 2.1 This report deals with the Council's budget strategy for the financial years 2015/16 to 2017/18. The financial considerations within this report are pivotal to the authority's financial future well-being. The MTPF is based on current policies and a review of the service and financial planning horizon and resources forecasts based on the 2014/15 and 2015/16 Settlements and OBR public spending forecasts.
- 2.2 This report presents Members with a three year indicative budgetary forecast. Some potentially unavoidable growth items, such as levies and concessionary fares and sustainability items have been added to arrive at a forecast budget position for each year.
- 2.3 Proposals will need to be developed to manage an expected further reduction in resources of approximately £80m by 2017/18. To date, we have £38m of expenditure reduction plans in place and we have broadly balanced the 2015/16 budget. Following the agreement of the 2014/15 Revenue Budget by Council in February, this report has continued to be put together against the backdrop of some of the most significant reductions in Central Government support to Local Government since World War Two. The considered approach to the development of the budget has continued and we are now looking to develop

further proposals beyond 2015/16 that look at the impact on the residents and business of overall resource reductions of potentially a further £42m by 2017/18.

- 2.4 It is also important however not to simply allow the scale of the reductions to undermine the real achievements that have arisen over a sustained period. It is important to remain positive and upbeat. Hackney Council is one of London's leading local authorities and was recognised in the peer review as high performing and effective. We have come from being the worst performing Council in the UK to one of the very best in a decade. Public services and infrastructure in Hackney have been transformed. Schools, leisure facilities, public transport, parks, libraries; all have seen significant levels of investment and improvement, giving Hackney one of the most impressive public service offers in the capital.
- 2.5 The transformation of Hackney's public services has created the conditions for the unprecedented economic regeneration that Hackney is now experiencing, with rapid growth in the technology, creative and hospitality sectors. The 2012 Games provided another great catalyst for change, and we have worked to harness the benefits, including securing a transformative economic legacy and the creation of up to 6,000 local jobs.
- 2.6 The critical measure of any Council's performance is resident satisfaction. In February 2013, Ipsos MORI found that 89% of Hackney people were satisfied with the area, and that satisfaction with the Council has risen to 74%, up from only 23% in 2001. This places Hackney comfortably above the national average for Council satisfaction, and on a footing with far more affluent boroughs for place satisfaction. It should be noted that the public sector spending squeeze will continue beyond 2015/16. Section 4.6 below analyses the spending plans released with the 2014 Budget and concludes the cuts from 2015/16 and 2017/18 will be as severe as the average annual cuts over the 2010 SR period.
- 2.7 Turning to the 2015/16 Revenue budget proposals set out in this report, and in relation to the efficiency proposals reported to Cabinet and Governance and Resources throughout the last financial year; we have developed proposals that do not materially impact on the front line services provided and commissioned directly by the Council. We have continued to make back office savings throughout the Council, renegotiate contracts on more favourable terms, rationalise the corporate estate and re-engineer services to drive out inefficiencies.
- 2.8 Turning to the level of Council Tax, this report again sets out the intention to freeze the Hackney element for what will be the tenth successive year. As a result of the introduction of the CTRS in April 2013, a 1% increase would only raise an additional £0.580m and not the £0.800m one might expect as £0.220m would have to be spent funding the increased cost of the CTRS. The reality is therefore that the Council is better off taking the Council Tax freeze grant that is paid at the rate of a 1% increase based upon 2014/15 without having to adjust the payments for CTRS. In addition the current regime has introduced a cap around the 2% level above which a referendum would kick in. So even if we were to increase our tax by the effective maximum of 1.99%, we would still only be £0.360m better off than if we had frozen the tax and qualified for the grant.

- 2.9 In taking decisions in regard to the budget it is important that Members have regard to financial performance to date and recognise that any non-delivery of savings will have a material impact upon future years. It is against this backdrop that Members should consider the latest outturn position when making decisions regarding the budget for 2015/16 and beyond reported to Cabinet each month in the OFP.
- 2.10 The financial challenge ahead is considerable and the budget process is one that is a continual process. In light of this we have been working hard to stay ahead of the game. To conclude this report sets out a draft 2015/16 budget and includes proposals to freeze Council Tax for a record tenth year, when it is presented to Council in February 2015. It builds upon the continuation of a number of our existing policies that have driven out efficiencies alongside gains from the most recent actuarial valuation, improved income yields from Council Tax, business rates and commercial property as well as the repayment of the New Homes Bonus top slice. We have continued with the initiatives noted in this report such as Service Transformation, Service Reviews, further rationalisation of directorate support services, reducing back office costs, management de-layering, procurement savings and spend to save initiatives.
- 2.11 In order to meet the financial challenges ahead, It will be necessary to build upon the Councils proven record in relation to tight financial management and control with an increased emphasis on financial solutions that increase financial sustainability, get things right first time, drive out value from our asset base and create the conditions for and to harness economic growth, with a real focus on the customer, residents and business.

3. RECOMMENDATIONS

Cabinet is recommended to:

- 3.1 Note that this report updates Cabinet on the recent announcements contained within the 2013 Autumn Statement, 2014 National Budget and the 2014/15 and 2015/16 Provisional Local Government Settlement, and how these impact upon the Council and its financial position.**
- 3.3 Endorse the financial strategy set out in this report and the proposed 2015/16 draft budget and Council Tax.**
- 3.4 Note the forecast position on resources as set out in section 4.9**
- 3.5 Note the cost pressures set out in section 4.12**
- 3.6 Note the forecast indicative budgets 2015/16 to 2017/18 as set out in section 4.13 and the need to generate £80m savings over the period 2015/16 to 2017/18.**
- 3.7 Note the Capital Strategy set out in section 4.15**
- 3.8 Note the summary position on the HRA set out in section 4.16.**

4.0 REASONS FOR DECISION

4.1 To facilitate financial management and control of the Council's finances. The next sections examine the Council's resource base and in particular, the impact of recent Government announcements on the Council's current and future finances. Further sections examine expenditure, pressures and risks, Capital and the HRA. A list of these is as follows:

SECTION	DESCRIPTION
4.2	FINANCIAL STRATEGY UNDERLYING THE MTPF
4.3	WHAT THE COUNCIL SPENDS ITS MONEY ON
4.4	2014/15 BUDGET
4.5	FINANCIAL PERFORMANCE 2010/11 TO 2014/15
4.6	LONGER TERM FINANCIAL OUTLOOK – NATIONAL PICTURE
4.7	RECENT CHANGES TO THE REGIME OF LOCAL GOVERNMENT EXTERNAL FUNDING
4.8	2015/16 REVENUE SUPPORT GRANT PROVISIONAL SETTLEMENT -DECEMBER 2013
4.9	EXTERNAL FUNDING FORECASTS
4.10	OTHER RESOURCES
4.11	SUMMARY OF TOTAL RESOURCES
4.12	EXPENDITURE AND COST PRESSURES
4.13	INDICATIVE BUDGETARY POSITION 2015/16 TO 2017/18
4.14	EDUCATION FINANCE
4.15	CAPITAL STRATEGY
4.16	HOUSING REVENUE ACCOUNT

4.2 Financial Strategy Underlying the MTPF

4.2.1 The financial strategy provides the strategic framework and overarching corporate financial policy document within which the Council's finances are constructed and managed, ensuring sound governance and best practice.

4.2.2 The detailed forecast for 2016/17 to 2018/19 will be updated following the 2015 General Election and Comprehensive Spending Review. The specific long term drivers of the financial strategy pertinent to this MTPF (2015/16 to 2017/18) are:

- to keep to a minimum any additional call on the council taxpayer through continuous driving of the efficiency agenda;
- to address the need to develop an income strategy that reduces the Council's reliance on central government grant income. These sources of funding are under threat of gradual erosion yet Council is currently heavily reliant upon them;
- to preserve the Council's financial resilience through holding a minimum of £15m in general fund unallocated reserves. This is maintained at the level of previous strategies reflecting the increasing volatility and uncertainty of funding sources and spending pressures - a situation expected to continue for several years and;
- to continue to prioritise our investment in Hackney and wherever possible, strive to invest in assets to generate annual income streams;
- to develop delivery models that manage demand and influence behaviours.

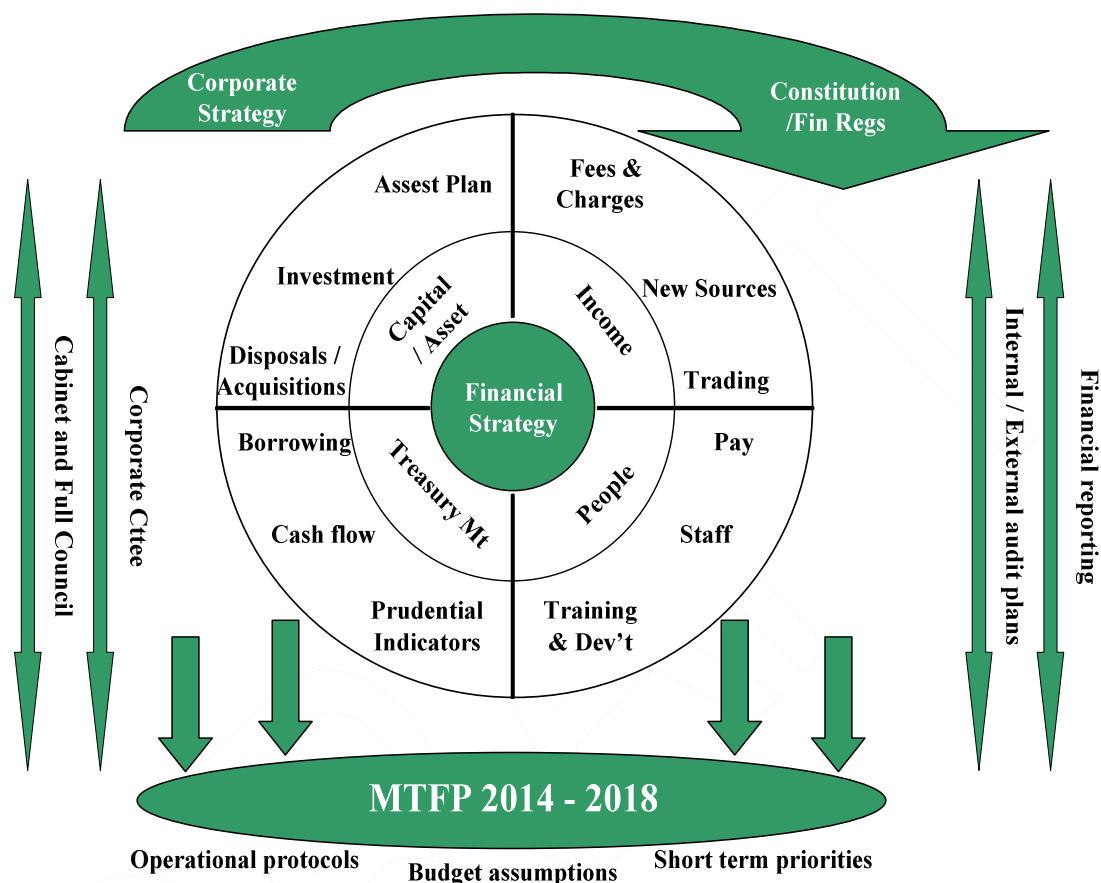
4.2.3 Turning to the erosion of central government grant, in 2013/14 we received £146m of revenue support grant but this reduces to £82m in 2015/16 – a reduction of £64m (44%). It is true that we did receive increases in other external funding streams over this period but these only reduced the grant loss by c. £14m. Further, it is anticipated that by 2018/19, revenue support grant will reduce to £31m and will be our fourth largest funding stream (behind the top-up, Council Tax and business rates) whereas in 2013/14, it was our largest funding stream and was two times greater than the second largest stream.

4.2.4 Over the medium term, the Council's strategy is to minimise the tax levels on both residents and businesses. The Council strives to enable informed and effective engagement in its financial planning through conversations with residents, businesses and other interested stakeholders in a timely manner.

4.2.5 The financial strategy links a number of other strategies and essential governance arrangements as illustrated below.

Financial Strategy in Context

Public value:



4.2.6 The Council will ensure it understands activity levels as well as the cost base, cost drivers and income potential, to inform cost reduction and charging policies. The Council will share its understanding transparently with operational managers and key stakeholders. Being familiar with benchmarking and trend performance and opportunities to improve, the Council will focus on cost reduction and good, long term forecasting. The Council will invest in the future and promote economic growth through innovation and constant challenge in how services are delivered. By facilitating these investments, the financial strategy will enable the Council to continue to build a thriving local economy that creates employment opportunities for local people, with training and support for job seekers; and to create affordable work space, apprenticeships, thereby continuing to promote Hackney businesses both locally and to a global audience.

- 4.2.7 **Partnerships:** The Council will ensure co-operative and effective working with other public bodies, including the voluntary sector, through clear objectives, responsibilities and accountabilities that are agreed, understood and recorded by all parties. Effective partnership allows us to maintain our award-winning parks, libraries and leisure centres; secure ethical social care provided by staff on a living wage; and reduce health inequalities across our communities. Also we work effectively with secondary schools to ensure that they secure five good GCSEs, including English and Maths, for at least 70% of pupils by 2018. Further all of our schools are assessed as 'good' or 'outstanding'; and we deliver popular, effective youth services and outstanding social care that keeps children safe and supports families.
- 4.2.8 **Quality:** The Council will maintain best practice financial governance, in terms of both policy and practice. The Council will maintain an unqualified audit opinion and value for money conclusion on its accounts each year.
- 4.2.9 **People:** The Council will determine clear objectives for employees and Members underpinned by investment in appropriate financial training. This will help employees and Members achieve the financial objectives. The Council will ensure that employees' skills and equipment are equal to keep pace with the financial challenges faced. Keeping pace with the financial challenges enables Hackney to divert sufficient resources to keep the borough clean with streets that are great for cyclists and pedestrians; and to take a sustainable approach to building, planning and the environment.
- 4.2.10 **Stewardship:** The Council will continue to produce a balanced and sustainable budget where income equals expenditure and an appropriate level of financial resilience is assured. The Council will make adequate provision to cover financial risks and ensure key assumptions are 'stress tested' (for public benefit, political acceptability and practical achievability). The continuation of a balanced and sustainable budget has enabled the Council to deliver one of the UK's largest affordable housing programmes, including more than 600 Council-built homes for social rent and shared ownership; raising housing standards by completing investment in all Hackney Homes stock, and developing a Council-backed lettings agency and licensing scheme for the private rented sector.
- 4.2.11 The financial strategy will remain largely stable to 2018, whilst annual budget assumptions, operational protocols and financial drivers may alter in the short term and each will be reflected in the annual budget planning process through the MTPF as relevant. These actions will make the MTPF the practical means by which this strategy is translated into reality.

4.3 What the Council spends its money on

4.3.1 The 2014/15 budget including the HRA contain £1.1bn gross expenditure plans. This is spread across a vast array of services to local residents and businesses and other stakeholders including local Primary Healthcare Trusts and Voluntary Organisations. This significant investment is funded from a combination of sources including, government grants, housing rents, other fees and service charges and Council Tax although it is possibly worth noting that Council Tax at circa £60m funds only about 6% of all the services provided.

4.3.2 An indication of some of the services provided by the Council is given in **Appendix 3.**

4.4 2014/15 Budget

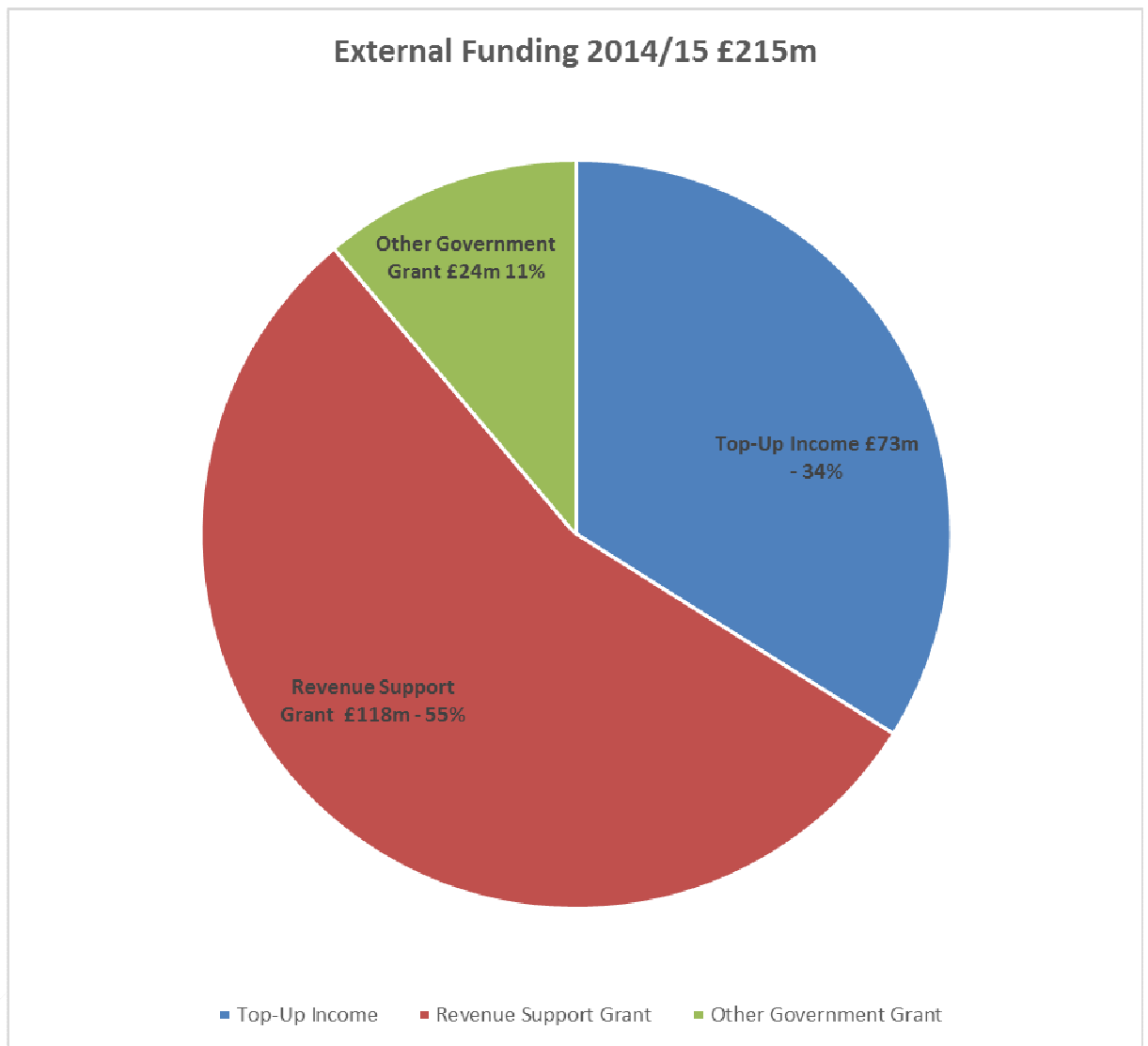
4.4.1 The Council's budgetary strategy has produced a balanced budget for 2014/15 based upon the Local Government Finance Settlement which allowed all the spending proposals put forward by service areas to be met by a combination of Central Government support, Council Tax, Local Business rates and other grants.

4.4.2 The cash limits for each directorate are shown below and are compared to those in 2013/14.

General Fund Cash Limits	2014/15	2013/14
Directorate	£m	£m
Children & Young Peoples Services	49.431	48.026
Education (including capital charges)	27.430	32.841
Education – Schools Budget (estimate)	220.000	216.774
Less Dedicated Schools Grant (estimate)	(220.000)	(216.774)
Health and Community Services	126.968	130.677
Public Health Grant related expenditure	29.818	29.000
Public Health Grant	(29.818)	(29.000)
Chief Executives	11.497	11.040
Legal, HR and Regulatory Services	10.307	11.682
Finance & Resources	48.102	54.984
Housing	1.343	1.225
HRA Recharge	(8.000)	(8.000)
Total Cash Limit	267.078	282.475

4.4.3 This has been achieved despite the fact that in 2014/15, Hackney's external funding reduced by £28m, primarily as a result of its dependency on central funding and reinforces the value of the financial strategy that establishes a multi-year approach.

4.4.4 The make-up of our external funding (which doesn't include Council Tax income or business rates) is shown in the chart below.



4.4.5 The total capital programme in 2014/15, after reprofiling from 2013/14, is currently £357.1m - £203.9m Housing and £153.2m Non-Housing, and is summarised in the table below.

Capital Programme 2014/15 – Gross Expenditure

Directorate	Gross Expenditure £k
Chief Executive	1,297
LHRR	88
CYPS	90,347
H&CS	38,538
F&R	22,952
HOUSING	203,889
Total	357,111

4.4.6 Indicative budgets are available in respect of 2015/16 and 2016/17, developed as part of the 2014/15 capital budget setting process and used in order to set prudential indicators. However, following the closure of the 2013/14 capital accounts, an exercise will be undertaken to identify resources that can be released to the general programme.

4.4.7 Further to this, a strategy is to be developed to ensure that proposed schemes maximise outputs across the services required, looking at ways that will generate income to fund the capital programme going forward.

4.5 Financial Performance 2010/11 TO 2014/15

4.5.1 Over the period of the 2010 CSR, the following funding reductions have been made:

FUNDING	2010/11 £m	FUNDING	2014/15 £m
Formula Grant 2010-11	253.597	Revenue Support Grant	118.168
CTRS Grant (Estimated)	26.333	Top-up	73.129
Council Tax	49.740	Council Tax	60.714
Learning disability grant	1.805	Business Rates Total	28.592
Early Intervention Grant	23.035	Freeze Grant	0.854
Migration Impact Fund	0.072	New Homes Bonus Grant	13.000
WNF	12.200	New Homes Bonus Adjustment Grant	0.339
Prevent	0.248	ESG (LACSEG)	3.500
Preventing Homelessness	1.113	NHS funding for Social Care	6.644
Supporting People	21.300		
TOTAL RESOURCES	389.442	TOTAL RESOURCES	304.940
FUNDING LOSS FROM 2010/11 £m			-84.502

4.5.2 Additionally, there were £12m of unavoidable cost pressures including concessionary fares (see para 4.12.1 (c) below), NWLA levy (see para 4.12.1 (d) below) and commissioning contract increases; which produced a savings requirement of £96m.

4.5.3 This requirement was achieved through the following initiatives:

- (a) Management de-layering
- (b) Investing in services to reduce costs in long term e.g. Children's Social Care
- (c) Corporate Estate Asset Management
- (d) Service transformation e.g. Co-mingling
- (e) Reducing Back Office Costs
- (f) Performance Management of staff and focus on productivity

4.5.4 Specifically, £58m of the savings were achieved by directorates through service reviews and transformation, commingling, management reductions and delayering, procurement savings, performance management of staff, rationalisation of directorate support services and redundancies. The balance of £38m was achieved through corporate savings - it should be noted that in the 2011/12 budget, the Working Neighbourhood Fund savings (£12.2m) were classed as corporate and are included in this category. Other corporate savings have been achieved by reviews and transformations of central support services (i.e. directorate financial support), reduced contract costs following negotiation (i.e. external audit fees) debt restructuring, rationalisation of the corporate estate, bringing back services in-house (i.e. in ICT and Audit for example) and reduced insurance fees. There were no material front line service cuts but considerable changes in how a number were provided. It should be noted that in proportionate terms expenditure on the back office is a fraction of that in the front office even with the line being 'blurred' in many cases and this is evidenced in the table below. Notwithstanding that efficiencies will always be forthcoming the reality of the position is that it will not be an option to rely solely on back office or efficiencies in the front office to deal with the challenges ahead but it is equally important not to simply be resigned to believing that simply cutting services is an option.

4.5.5 The savings achieved by directorates are as follows:

SERVICE/DIVISION	2010/11 Net Budget Adjusted for 2011/12 & 2012/13 Savings	Total Savings 2011/12 to 2014/15 £	Savings as a % of net budget
F&R	41,141,403	18,015,000	43.79%
LHHR	13,579,947	4,764,000	35.08%
CE	12,627,259	4,303,000	34.08%
Housing	1,297,384	382,000	29.44%
Other	34,152,915	8,689,000	25.44%
TOTAL H&CS	122,172,554	23,697,000	19.40%
Adult Social Care and Commissioning	88,019,639	15,008,000	17.05%
CYPS	49,076,679	6,989,000	14.24%
TOTAL	239,895,226	58,150,000	24.24%

4.6 Longer Term Financial Outlook – National Picture

4.6.1 In the Budget announcement, the Government did not publish individual Departmental Spending plans post 2015/16 but updated two of the spending plans tables which show the plans for future total departmental spending in aggregate terms.

4.6.2 Table 2.3 reproduced below shows Total Managed Expenditure which comprises the Resource Departmental Expenditure Limits (RDEL) and Annual Managed Expenditure (AME).

4.6.3 RDELs cover revenue spending that the government argues can be controlled rather than being driven by demand. For example, most spending on the NHS, transport and education falls into this category. DELs are supposedly 'firm limits' for departments' spending over a three-year period. Since 1998 they have been determined in Spending Reviews once every one, two or three years.

4.6.4 The remainder of spending, which the government argues cannot sensibly be planned for in advance, is allocated annually. It is known as Annually Managed expenditure. The major components of the Resource (Revenue) AME are social security payments, pensions and debt interest

4.6.5 The Resource DEL is the most significant for Local Government because this is where its revenue spending that is covered by Revenue Support Grants, Business Rates and Council Tax sits.

Table 2.3: Total Managed Expenditure

CURRENT EXPENDITURE £Billion	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Resource AME	326.2	341.6	356.3	373.6	391.6	407.5
Resource DEL, excluding depreciation	315.4	317.9	312.9			
Ring-fenced depreciation	26.4	20.4	22.3			
<i>Implied Resource DEL, including depreciation</i>	341.8	338.3	335.2	325.2	314.8	311.8

4.6.6 The Resource DEL (including depreciation) is planned to be cut by £10bn in 2016/17, by £10.4bn in 2017/18 and by £3bn in 2018/19. This produces a £23.4bn reduction over the three year period after 2015/16. This equates to the following real terms cuts:

2016/17: 4.5%
 2017/18: 5.3%
 2018/19: 2.9%

And to a cash cut of 7% over the three year period.

4.6.7 However, this assumes that the cuts will be made from a 2015/16 spending base of £335.2bn. But as is shown in the table below, if the Government continues to protect the NHS, Schools and International Development, then the total of expenditure from which the savings can be made reduces to £140m and the £23.4bn cut increases to 17%. Further, the plans for Scotland, Wales and Northern Ireland Departmental spending are determined by the Barnett Formula and from 2013/14 to 2015/16 there was very little change in these plans. If we also assume therefore that no cuts will be made to these budgets over the period 2016/19 then the spending total against which the savings can be made reduces to £91bn and the spending cut increases to 26%.

4.6.8 In the past, the % cut in the LG DEL has exceeded the average reduction in DELs and so the cut may well be higher than this. This does though assume a continuation of current policies which could of course change by the time we get to the next Spending Review and so the estimates in this report must be regarded as indicative.

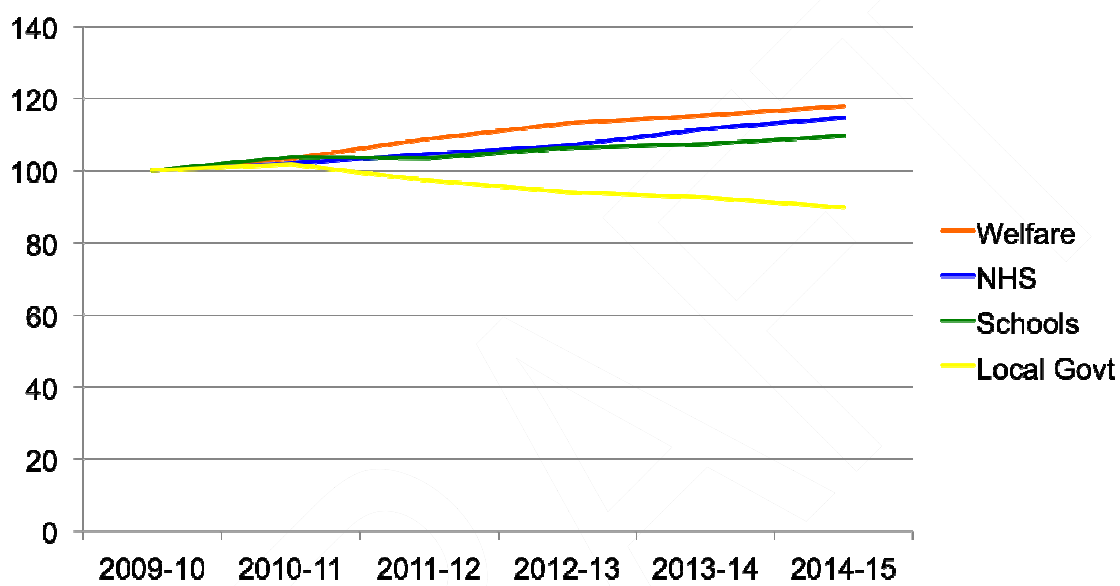
Table 2.4: Departmental Expenditure Limits

Departmental Programme and Administration budgets (Resource DEL excluding depreciation) £billion	Estimate	Plans	Plans
	2013-14	2014-15	2015-16
Education	51.7	53.5	53.5
NHS (Health)	105.6	108.3	110.4
Transport	3.8	4.0	3.2
CLG Communities	2.0	2.5	1.1
CLG Local Government	16.6	13.8	12.1
Business, Innovation and Skills	14.8	13.8	13.2
Home Office	10.7	10.4	9.8
Justice	7.4	6.7	6.2
Law Officers' Departments	0.6	0.5	0.5
Defence	27.1	25.3	23.6
Foreign and Commonwealth Office	2.0	1.5	1.1
International Development	8.1	8.3	8.5
Energy and Climate Change	1.2	1.5	1.3
Environment, Food and Rural Affairs	1.8	1.8	1.6
Culture, Media and Sport	1.1	1.2	1.1
Work and Pensions	7.2	7.8	6.2
Scotland	25.5	25.8	25.8
Wales	13.9	13.7	13.7
Northern Ireland	9.7	9.7	9.7
Chancellor's Departments	3.2	3.6	3.3
Cabinet Office	2.2	2.3	2.0
Small and Independent Bodies	1.5	1.9	1.6
Reserve	0.0	2.4	2.5
Special Reserve	0.0	0.6	1.0
Adjustment for Budget Exchange	0.0	-2.2	0.0
Spending commitments not yet in budgets	0.0	0.0	0.9
Total Resource DEL excluding depreciation plans	317.8	318.7	313.9
<i>OBR allowance for shortfall</i>	-2.4	-0.8	-1.0
OBR Resource DEL excluding depreciation forecast	315.4	317.9	312.9
Total Excluding Protected Departments			140.5
Total Excluding Protected Departments and Departments governed by the Barnett Formula			91.3

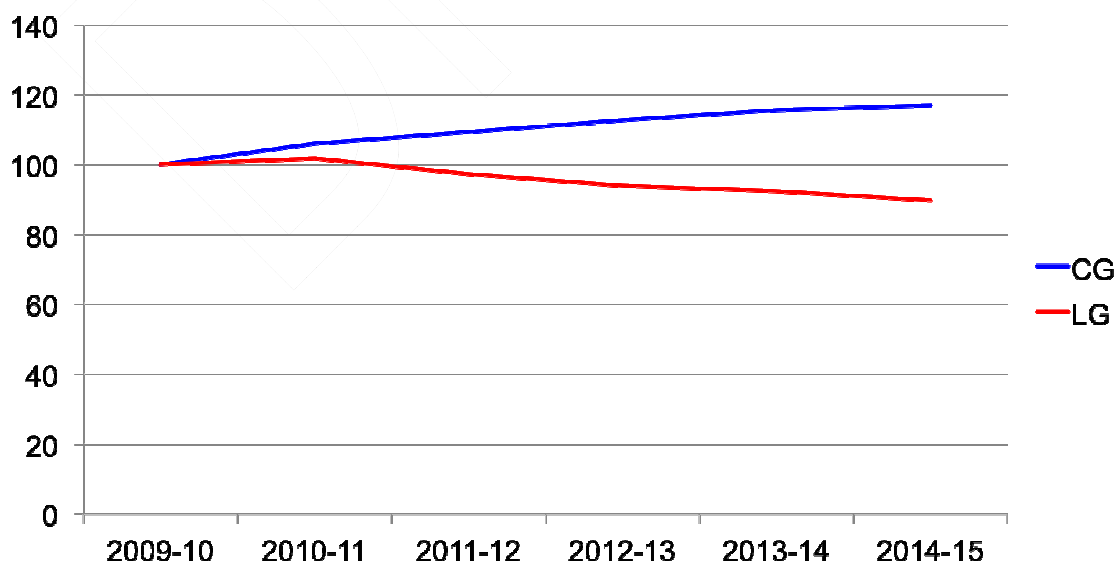
4.6.9 The effects of the current government's policy set out above is shown graphically in the next two graphs. These show clearly the impact of the rising expenditure bill for welfare and the policy of protecting both schools and NHS related expenditure from the cuts. In each of these areas, expenditure has risen in absolute terms over the past 5 financial years, whilst that for local government has fallen.

4.6.10 Indeed the second of the graphs below shows the same in overall terms for central government expenditure vs local government expenditure over the same period.

Current spending, by service group



Comparison of central and local government current expenditure



4.7 Recent Changes to the Regime of Local Government External Funding

- 4.7.1 On 1 April 2013 a new system of business rates retention began in England. Before April 2013 all business rate income collected by councils formed a single, national pot, which was then distributed by government in the form of formula grant. Through the Local Government Finance Act 2012, and regulations that followed, the Government gave local authorities the power to keep up to half of business rate growth in their area by splitting business rate revenue into the 'local share' and the 'central share'. The central share is redistributed to councils in the form of revenue support grant in the same way as formula grant. In London, the 50% local share is split between the boroughs and the GLA – the boroughs keep 60% and the GLA keeps 40%. So taking account of the central share, LBH keeps only 30% of the business rates it raises locally.
- 4.7.2 The Government recognised that some councils collect a lot more business rates than others and so it calculated a baseline funding level for each authority (broadly what funding they would have got had the business rates retention system not been introduced) and introduced top ups and tariffs. Authorities who have more business rates than their baseline funding level pay a tariff to Government, which is used to fund top-up payments to those authorities whose business rates are less than their baseline funding levels. Hackney receives a top-up payment.
- 4.7.3 Similarly, there are some councils who currently have lots of business property and who will enjoy relatively large further growth, while there are other councils which are starting from a low level of business rates revenue and will see only relatively small increases in business rates growth. Where a council's increase in revenue from business rates outstrips the increase in its funding level, it pays a levy on that 'disproportionate benefit'. This is then used to fund a safety net which will provide support to councils whose business rates receipts fall by more than 7.5 per cent below their baseline funding level
- 4.7.4 The baseline will be updated each year to take account of inflation, but apart from this, the Government does not intend to reset the system before 2020. It is argued by Government that this gives local government stability and certainty, but this is not the case because revenue support grant (still a key funding element) varies from year to year. The actual amount of revenue support grant which will be available in 2015/16 is £800m less than the total implied by the 2015 CSR because the Government chose to 'top-slice' the revenue support grant total to fund other spending items. This had the effect of reducing LBH's 2015/16 revenue support grant by £8m compared to the total implied by the CSR. And so the idea that the new system introduces greater certainty in funding was simply not borne out in 2015/16.
- 4.7.5 The business rate retention system outlined above resulted in councils facing an increasing amount of financial risk, mostly arising from potential losses of income due to appeals and avoidance schemes. Previously, the risk was pooled and borne by the Government at a national level. Exposure to the business rate appeal risk is one of the biggest concerns of English councils under the new system. This is especially the case in small councils, or other places dependent on a small number of large businesses, such as power stations.

- 4.7.6 Each business rate revaluation process results in some commercial properties seeing their rateable value grow, which can mean that the amount of business rates payable by an individual business increases as well. This fuels a wave of appeals as businesses dispute the valuation results. Historically, decisions on appeals were taken following a lengthy deliberation and negotiation process. As a result, some councils still have a number of outstanding appeals from the 2005 revaluation waiting to be settled. The VOA is responsible for maintaining, and periodically updating, the national list of property values which is used to calculate business rates due. At the same time, the VOA and the Valuation Tribunal are responsible for making decisions on valuation appeals which usually arise as challenge to the VOA's initial judgement.
- 4.7.7 Under the business rate retention system, the costs of all successful valuation appeals that are decided from April 2013 are being shared equally between the local and central shares of total collected business rates. While previously councils did not bear any risk from successful appeals, they are now liable for half of the cost as a result of the reform. This includes any backdating liability, which in some cases may go back to 2005, or earlier. This feature of the system has caused concern for councils with outstanding appeals from before April 2013. As the old business rate pool was closed with no transitional period, the time when the appeal was expressed has no bearing on whether the cost is pooled nationally or shared between councils and the Government. For local authorities with outstanding appeals of a major value this is an even bigger issue, as in some cases a long-standing appeal, if lost, could push a council into the safety net even though the appeal was lodged several years before the reform. In setting our business rates parameters in 2013/14 and 2014/15 we have built in an allowance for successful appeals but there is much uncertainty as we won't know the outcome of any appeal until the VO has ruled.

4.8 2015/16 Revenue Support Grant Provisional Settlement - December 2013

4.8.1 Introduction

On 18th December, the Government published the Indicative 2015/16 Settlement. The 2015/16 revenue support grants have been derived by the scaling back all authorities' 2014/15 entitlements by a broadly common %. This impacts most adversely on those authorities, such as Hackney that are most deprived and grant dependent. In presenting the headline numbers the Government has again used its favoured method of referring to reductions in spending power which manifests itself in wide variations. For example in 2015/16 Hackney will see a **reduction** in spending power of £171 per dwelling whereas Surrey will see an **increase** in spending power of £51. A listing of losers and gainers is presented in **Appendix 1**.

4.8.2 Key Facts and Figures

- The reduction in spending power across England (excluding the GLA) is £1.4 billion (2.9%) in 2014-15 and £0.9 billion (1.8%) in 2015-16.
- The reduction for London Boroughs is £328 million (3.9%) and £268 million (3.3%) in 2014-15 and 2015-16 respectively.
- There is an overall cap in the reduction of spending power of 6.9% in 2014-15.
- In England, overall Settlement Funding Assessment (core funding) for England is £23.8 billion in 2014-15 and £20.7 billion in 2015-16.
- This represents an overall reduction of £5.6 billion (21%) from 2013-14 based on the adjusted 2013-14 baseline.
- In London, boroughs will receive £4.3 billion in 2014-15 and £3.7 billion in 2015-16 in core funding.
- For London, this is an overall reduction of £1.1 billion from 2013-14.
- In 2014-15, London boroughs will receive this funding through Revenue Support Grant (£2.4 billion or 55%) and locally retained business rates (£1.9 billion or 45%).

4.8.3 Business Rates Retention Scheme

The principal scheme architecture remains broadly the same. There are no changes to whether an authority is a top up or tariff authority and tariffs and top-ups will rise by 2% to reflect the recent policy announcement at the Autumn Statement 2013 (this is discussed below). The safety net threshold remains at 7.5% of an authority's baseline funding level. There are no changes to individual levy rates, including the 50p cap on the levy rate.

The Autumn Statement 2013 announced a set of reliefs and discounts to rates paid by businesses. All apply to 2014/15 and are likely to apply in 2015/16:

- The business rate rise in 2014/15 will be capped at 2 per cent (it would otherwise have risen by 3.2 per cent, in line with the increase in the September 2013 Retail Prices Index).
- The temporary extension of small business rate relief which was due to expire on 31 March 2014 will be extended until 31 March 2015. There will be additional help for businesses who are expanding and would otherwise lose small business rates relief.
- There will be a discount of up to £1,000 against each business rates bill for retail premises, such as pubs, cafes, restaurants and charity shops, with a rateable value of up to £50,000 in 2014/15 and 2015/16.
- There will be a new temporary reoccupation relief granting a 50 per cent discount from business rates for new occupants of previously occupied retail premises for 18 months.
- The Government announced that they will legislate to allow businesses to pay rates over 12 months rather than 10 with effect from 2014. They will also discuss with business options for long-term administrative reform post 2017.

Local Authorities were compensated for the revenue losses associated with these changes by payment of a specific grant in 2014/15 and should be for any extended into 2015/16.

4.8.4 Hackney Issues

There a number of issues in relation to 2015/16. Firstly in the 2015/16 Spending Power comparisons, CLG is including an estimated gross NHB payment of £17m but as we are required to give the GLA/LEP 35% or £5m of our gross entitlement then this is clearly wrong. It is also using very optimistic estimates of Council Tax base / property growth (3% per annum) which will almost certainly overstate our income from this source ultimately diluting the real loss in our spending power. Additionally, CLG is including our £18.6m Better Care Fund (BCF) grant allocation in our 2015/16 spending power estimate. Now there are major conditions affecting its usage and so it is also wrong to include this funding stream.

If we adjust CLG's spending power comparisons in 2015/16 to properly reflect the NHB top-slice and remove the Better Care Fund adjustment then our true underlying reduction in spending power is nearer 10% rather than the 5.4% shown in CLG's figures and the key component – the Settlement Funding Assessment (Revenue Support Grant, Top-Up and Business Rates Baseline) - has reduced by £33m or 15%.

ADJUSTED SPENDING POWER: 2015/16 COMPARED TO 2014/15

Spending Power Components		Adjusted 2014-15	Adjusted 2015-16
Council Tax Requirement excluding parish precepts	£m	60.7	62.9
Settlement Funding Assessment (Revenue Support Grant, Top Up & Business Rates Baseline)	£m	217.1	183.7
SFA: Adjustment to reflect Section 31 grants for business rates initiatives	£m	1.0	1.0
Lead Local Flood Authorities	£m	0.1	0.0
Local Welfare Provision (Admin + Programme funding) 2014-15	£m	1.7	0.0
Indicative Council Tax Freeze Grant 2014-15	£m	0.9	0.9
Indicative Council Tax Freeze Grant 2015-16	£m	0.0	0.9
Provisional and Illustrative New Homes Bonus	£m	13.1	11.3
New Homes Bonus: returned funding	£m	0.3	0.9
Council Tax Support New Burdens Funding	£m	0.2	0.0
LA Social Housing Fraud	£m	0.1	0.0
Local Reform and Community Voices DH revenue grant	£m	0.3	0.3
Public Health Grant (Ring-fenced)	£m	29.8	29.8
NHS Funding for Social Care	£m	9.0	9.0
Adult Social Care New Burdens	£m	1.7	1.7
Estimated 2014-15 Revenue Spending Power including NHS support for social care	£m	336.0	302.4
Change in estimated 'revenue spending power' 2015-16	£m		-33.6
Change in estimated 'revenue spending power' 2015-16 %			-10.0%

However you look at it, the proposed 2015/16 Settlement will have a very diverse impact on local authorities. Deprived and grant dependent authorities such as LBH, many Inner London and Outer London Boroughs and many Metropolitan Districts, will suffer huge funding losses; while other councils, primarily 'leafy' Shire Counties and Unitary Authorities in the South, and some Outer London Boroughs will suffer relatively small funding reductions and in financial terms, will be relatively unaffected by the Settlement.

4.9 External Funding Forecasts

4.9.1 In order to derive an indicative LBH funding position over the longer term, we have made various assumptions reflecting the national position outlined above and previous funding cuts by central government. These are considered below.

Revenue Support Grant

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Revenue Support Grant	118.168	82.068	60.828	43.796	31.533	22.704

In deriving the estimates, we have assumed that the 2016/17 grant will be equal to the 2015/16 grant reduced by 28% and that this % grant reduction will be repeated throughout the remainder of the period. In line with CLG's statement that it will build freeze grant into the base we have included the 2015/16 entitlement in the 2016/17 grant.

Top-up

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Top-up	73.129	75.148	77.177	79.261	81.401	83.599

The top-up will be increased in line with the RPI until 2019/20. We have assumed the current value of the RPI in all years – 2.7%

Business Rates

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Business Rates Total	28.592	31.146	32.149	33.182	34.247	35.343

We have assumed that the current arrangements regarding the 2% increase in the multiplier etc. will remain place ; and have assumed the amount collected will increase by 3.25% in all years - 2% for the increase in the multiplier and 1.25% for tax base growth.

Council Tax

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Council Tax	60.670	63.000	64.500	66.000	67.500	69.000

We have assumed income from tax base increase will increase by £1.5m in each year from 2015/16 onwards and have removed Freeze Grant and have built it into the Revenue Support Grant base. We have not included any assumed Council Tax increase or additional freeze grant and have assumed that the CTRS scheme remains unchanged.

New Homes Bonus Grant

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
New Homes Bonus Grant	13.000	11.500	11.500	10.500	10.000	9.500

The NHB Grant comprises 2 elements after 2015/16 – the grant itself and the payment to the GLA/LEP. We have assumed that the LEP transfer will be ongoing and expect that there will be some drop off in new build towards the end of the period which will reduce our grant.

ESG

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
ESG (LACSEG)	3.500	2.800	2.380	2.023	1.720	1.462

We have assumed that there will be a 15% reduction in each year after 2015/16.

Adult Social Care and Public Finance Grant

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
NHS funding for Social Care	6.644	7.740	7.740	7.740	7.740	7.740
Additional Better Care Funding	0.000	10.866	10.866	10.866	10.866	10.866
Adult Social Care New Burdens	0.000	1.668	1.668	1.668	1.668	1.668
Public Health Grant	29.818	29.818	28.818	27.818	26.818	25.818

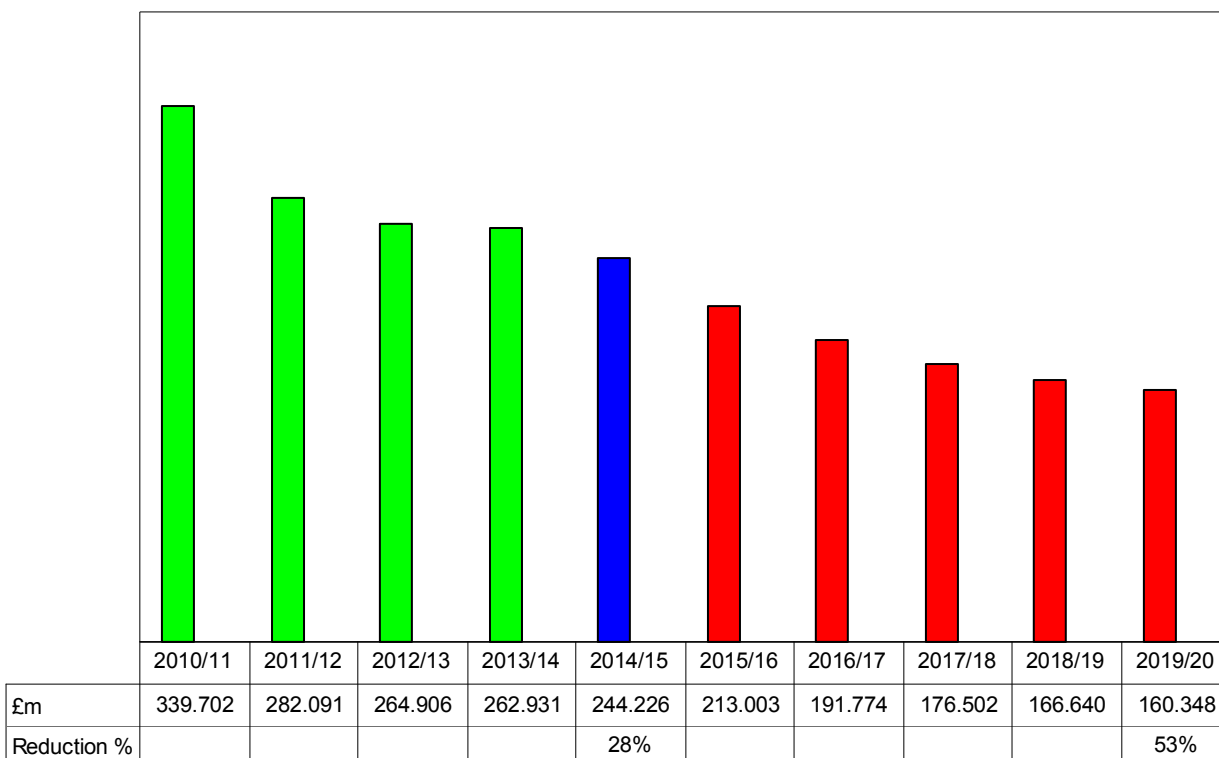
We have assumed that all the grant allocations are fixed in cash terms over the period other than Public Health Grant where we have assumed a £1m loss per annum to reflect the fact that our current grant is above our target grant; and that our grant may be reduced to meet the target in a stepwise fashion. Expenditure has also been reduced accordingly. With regards to the Adult Care New Burdens and Better Care Funding Grants, and the Public Health Grant, it is assumed at this stage all will be matched by equivalent expenditure and no savings have been assumed.

4.9.2 On the basis of these assumptions about the individual external funding elements, the following overall position emerges for the period 2015/16 to 2019/20. To put this into context, the changes in funding from 2010/11 are also shown. Chart 1 and 2 following, graphically represent the changes. The analysis excludes the Adult Care New Burdens and Better Care Funding Grants, and the Public Health Grant, which will be used to fund new functions, and will not be available for general use.

FUNDING	2010/11 £m	FUNDING	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Formula Grant 2010-11	253.597	Revenue Support Grant	118.168	82.068	60.828	43.796	31.533	22.704
CTRS Grant (Estimated)	26.333	Top-up	73.129	75.148	77.177	79.261	81.401	83.599
Learning disability grant	1.805	Business Rates Total	28.592	31.146	32.149	33.182	34.247	35.343
Early Intervention Grant	23.035	Freeze Grant	0.854	1.739	0.000	0.000	0.000	0.000
Migration Impact Fund	0.072	New Homes Bonus Grant	13.000	11.500	11.500	10.500	10.000	9.500
WNF	12.200	New Homes Bonus Adjustment Grant	0.339	0.862	0.000	0.000	0.000	0.000
Prevent	0.248	ESG (LACSEG)	3.500	2.800	2.380	2.023	1.720	1.462
Preventing Homelessness	1.113	NHS funding for Social Care	6.644	7.740	7.740	7.740	7.740	7.740
Supporting People	21.300							
TOTAL RESOURCES	339.702	TOTAL RESOURCES	244.226	213.003	191.774	176.502	166.640	160.348
FUNDING LOSS FROM 2010/11 £m			-95.476	126.699	147.928	163.200	173.062	179.355
FUNDING LOSS FROM 2010/11 %			-28.1%	-37.3%	-43.5%	-48.0%	-50.9%	-52.8%

4.9.3 As you can see, on the assumptions made we are forecast to lose £179m or 52.8% of our external funding over the period. This table does not include Council Tax.

Change in External Funding from 2010/11



4.10. Other Resources

- 4.10.1 **Income Collection:** In 2013/14 the collection of the key local debts was above or broadly at target. Benefit is also gained from recovery of arrears, as this will reduce the need to use bad debt provisions. Again, this is being monitored rigorously by Directorates and our work in this area has started to enable the Council to reduce provisions when completing the Statement of Accounts.
- 4.10.2 For the period of this MTPF, we have not factored in any increases in income above inflation, however, these will continue to be reviewed and revised as part of the budget process and built into the base budget at that point. Our previous practice has been not to increase income until we are clear that such increases are sustainable.
- 4.10.3 **Fees and Charges** Fees and charges provide income to the Council to help pay for services. In some cases they reflect the exact cost of the service provided e.g. Commercial Waste and in other cases they are set on a basis of a contribution toward the cost of providing the service. In terms of Medium Term Planning increases in Fees and Charges are assumed to be at the same rate as assumed inflation.

4.11 Summary of Total Resources

4.11.1 A summary of the total indicative resources the Council will receive from 2015/16 to 2017/18, is shown below. It includes Council Tax income and specific grants such as Public Health Grant and our share of Better Care Funding.

INDICATIVE BUDGETARY POSITION 2015/16 TO 2017/18	2015/16 £m	2016/17 £m	2017/18 £m
Revenue Support Grant	82.068	60.828	43.796
Top-up	75.148	77.177	79.261
Business Rates	31.146	32.149	33.182
Council Tax	63.000	64.500	66.000
Freeze Grant	1.739	0.000	0.000
New Homes Bonus Grant	11.500	11.500	10.500
New Homes Bonus Adjustment Grant	0.862	0.000	0.000
New Homes Bonus Grant - Clawback from GLA/LEP	3.000	3.000	3.000
ESG (LACSEG)	2.800	2.380	2.023
NHS funding for Social Care	7.740	7.740	7.740
Additional Better Care Funding	10.866	10.866	10.866
Adult Social Care New Burdens	1.668	1.668	1.668
Public Health Grant	29.818	28.818	27.818
TOTAL RESOURCES	321.355	300.626	285.854

4.12 EXPENDITURE AND COST PRESSURES

4.12.1 The Council faces some significant cost pressures that need to be managed and addressed in the financial strategy and Medium Term Financial Plans. These include:

- (a) Temporary Accommodation costs arising from a significant increase in homeless applicants and an increase in rental values in the local area, in particular in annexes which are required to manage the service during the current increased demand in housing needs.
- (b) Adult Social Care resulting from increased demand, higher commissioning unit costs with providers, and the far-reaching welfare reforms which are likely to increase demand for care and support services and impact further on our ability to raise income. And the care and support reforms, including the capped-cost model of funding reform and Care and Support Bill, may entail substantial additional costs for the sector.
- (c) There has been a significant and sustained increase in the concessionary fares charge in recent years – the charge has increased from £4.8m in 2009/10 to £12.3m in 2014/15 – an increase of 156%. If we assume the same annual increase in the charge that occurred between 2013/14 and 2014/15 is ongoing then the charge will be an estimated £3.6m higher in 2019/20 compared to 2014/15 and £11m higher than in 2010/11. This is shown in the table below.

Concessionary Fares Expenditure – All figures are £m

2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
4.821	7.083	10.307	11.450	11.581	12.285	12.989	13.693	14.397	15.101	15.805

If we instead assume that the annual increase from 2015/16 to 2019/20 was equal to the average annual increase from 2009/10 to 2014/15, then the forecast expenditure would be considerably higher in 2015/16 onwards. i.e.

Concessionary Fares Expenditure – All figures are £m

2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
4.821	7.083	10.307	11.450	11.581	12.285	13.778	15.117	16.079	17.004	18.089

It follows that Concessionary Fares Expenditure is very likely to be an ongoing and sustained financial risk.

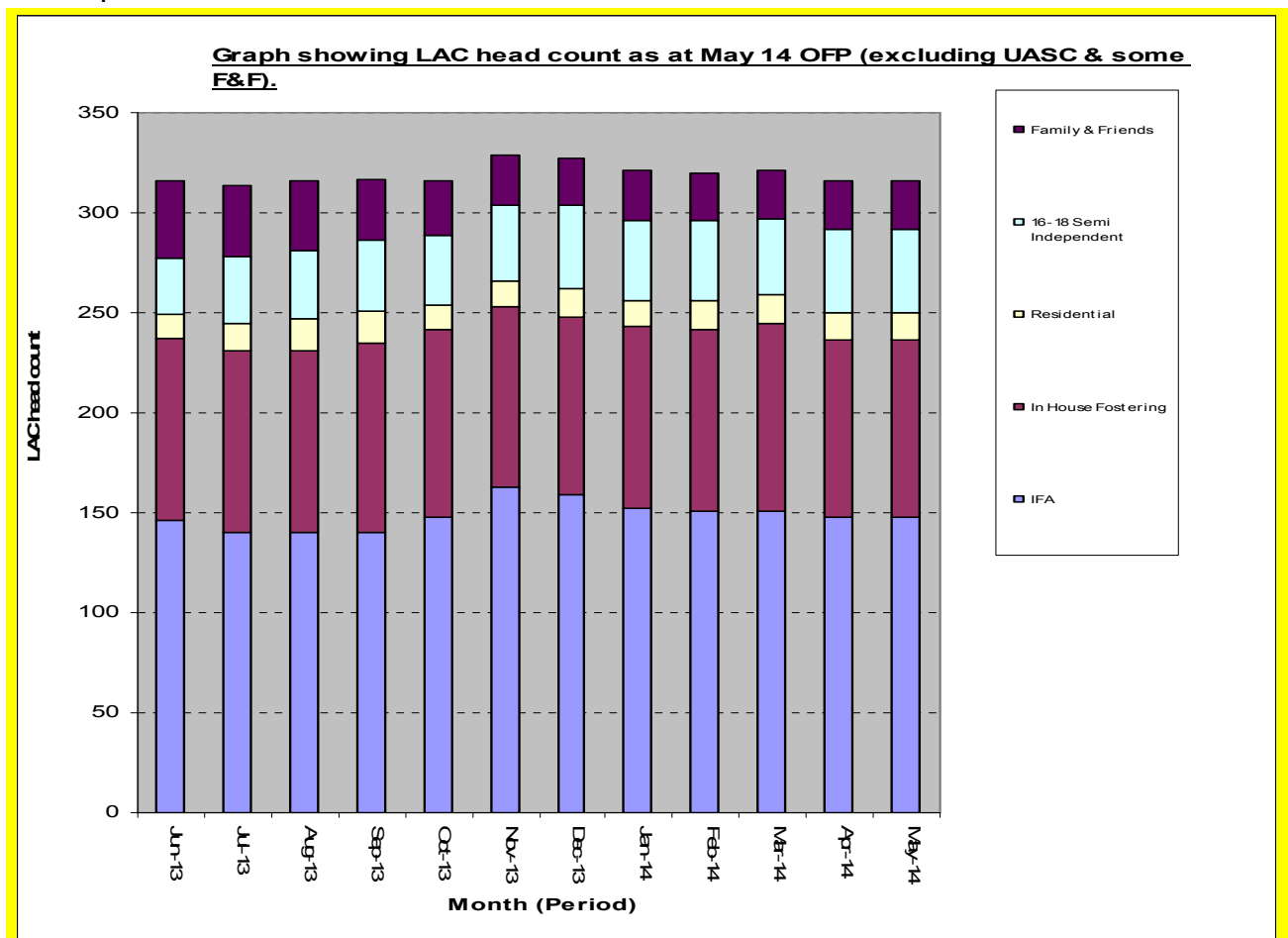
- (d) There is also a potential significant cost pressure arising from increases in the NLWA levy. Whilst the levy payment remained fairly stable from 2009/10 to 2012/13, there were significant rises in 2013/14 and 2014/15. It should be noted though that of the increases in these years, £0.56m and £0.6m respectively resulted from the treatment of chargeable domestic waste under the new Controlled Waste Regulations Act. The cost to boroughs of treating household waste from a range of sources such as local authority maintained schools, nursing homes and charity shops can no longer be recovered via the levy but must instead be regarded as chargeable on a per tonne basis in much the same way as boroughs are charged for the treatment of non-household waste delivered taken from the borough. However current legislation prevents us from passing this charge onto most of the establishments responsible for producing the waste which cost us £0.56m in 2013/14 and £0.6m in 2014/15. It is possible that there may be legislative changes to correct this but we have assumed in the forecast below that the extra cost will remain.

Forecast NLWA Levy – All figures are £m

2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
5.679	5.284	5.615	4.722	5.700	6.800	7.800	8.500	9.500	9.900	10.600

- (e) The Welfare Reforms which have led to an increase in homeless applicants which has increased costs and as we have seen may impact on care costs and revenues. Additionally the transfer of the Social Fund to local authorities has increased workload and its abolition in April 2015 may create funding pressures for the Council depending on whether or not we want to continue with crisis and other payments after this date. For example, in Children's Social Care we are currently reviewing whether increases we are seeing in S17 payments, paid to families in crisis, are linked into Welfare Reform and may be further pressured by the abolition of the social fund.

- (f) Increases in the London Living Wage.
- (g) Looked After Children where there is a continuing financial pressure in the looked after children's service resulting from increases in the number of children and young people that have come into care since 2011/12 and the shortage of in-house foster carers and although the position has stabilised to an extent a cost pressure remains.



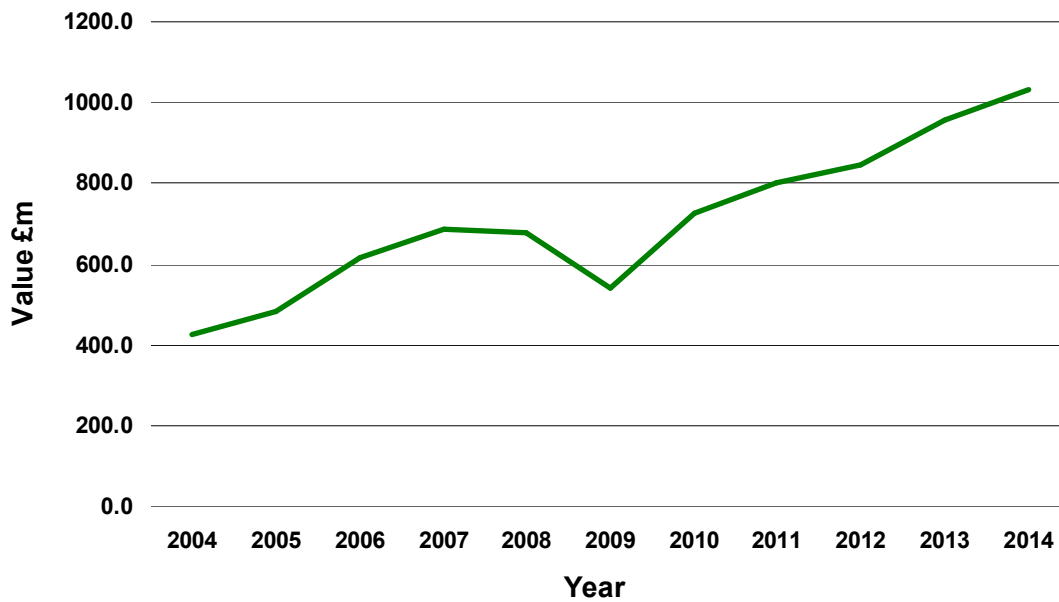
Note: Unaccompanied Asylum seekers and family and friends placements excluded where they do not result in a net cost to the Council

- (h) Funding manifesto commitments.
- (i) External focus on Parking and other legislative changes
- (j) Academy conversion and review of Education Support Grant and other associated schools funding changes.
- (k) Deprivation of liberty judgement: A recent Supreme Court judgement relating to deprivation of liberty could create a significant cost pressure for local authorities going forward, although the scope and scale of this is largely dependent upon further cases which are currently before the courts nationally, as well final guidance awaited from the Court of protection. One London Borough has estimated that additional costs of anywhere between £0.340m and £2.069m could arise as a result of this judgement.

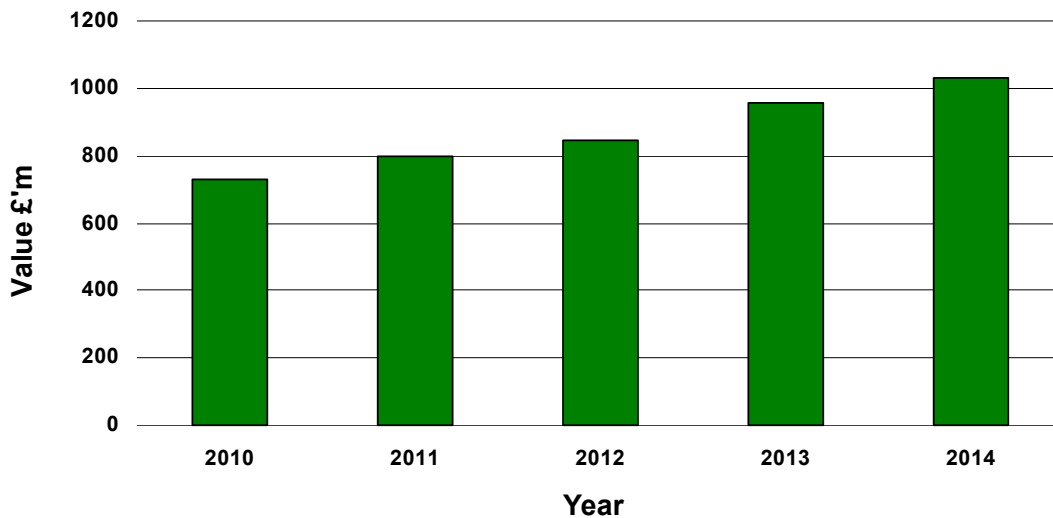
4.12.2 Alongside these pressures are other areas of expenditure over which the Council have very little control and can be seen as “fixed”, at least in the medium term. These include:

- (a) Pensions Back funding: At the latest triennial valuation, the funding level for the Pension scheme had increased from 65.8% to 70.2% (The value of the fund has increased significantly in both the last 5 years and last 10 years. This is shown in the charts below). As a result of this and the accompanying analysis of future asset and liabilities, it was determined that the Council’s overall contribution would be held at 36.9% for 2014/15 and then reduce by 0.5% in each of the subsequent years. However, that contribution rate is made up of 2 elements – future service rate at 19.6% of payroll and an additional 17.3% (reducing to 16.8% and 16.3% in the latter years) for past service deficit. This past service element however is underpinned by a minimum lump sum payment of c. £21m per annum.

Fund Value over 10 Years 31st March



Fund Value over 5 Years to 31st March



- (b) London Pensions Fund Authority Levy: The London Pensions Fund Authority (LPFA) raises a levy each year to meet expenditure on premature retirement compensation and outstanding personnel matters for which LPFA is responsible and cannot charge to the pension fund. These payments relate to former employees of the Greater London Council (GLC), the Inner London Education Authority (ILEA) and the London Residuary Body (LRB). Whilst the levy is not fixed and is determined by relative tax base calculations of all London Boroughs, it is relatively stable at c. £1m per annum.

- (c) PFI – Technology Learning Centre (TLC): The annual payment in respect of rent and rates for the TLC under the PFI agreement is £4.6m per annum. We currently receive a grant of some £1.4m against this cost, leaving a net of £3.2m per annum.

4.12.3 Under current arrangements, the costs of the concessionary fares scheme and the NLWA levy included above, which combined cost the Council c. £19m in 2014/15 are also “fixed” in as much as they are largely uncontrollable by the Council. As set out above, these costs are expected to rise significantly in future years.

4.12.4 These uncontrollable items of expenditure alone amount to £44m in 2014/15 and are likely to rise in future as set out above.

4.13 INDICATIVE BUDGETARY POSITION 2015/16 TO 2017/18

4.13.1 The analysis presented to Cabinet in October 2013 identified a gap of £80m to be found over this period, comparable to the position faced by other Inner and some outer London Boroughs. Since then, the organisation has reduced this gap to £42m. This in part reflects: - increases in 2015/16 Income over October Forecast (Revenue Support Grant and other Grants and Council Tax through increased tax base); reduced Levy Payments; reduced Debt Charges and Depreciation Charges; and reduced expenditure and increased income resulting from reviews of ongoing underspends, historic growth and a review of business rates assumptions.

4.13.2 Additionally, we have continued with the initiatives noted early in this report such as Service Transformation, Service Reviews, further rationalisation of directorate support services, reducing back office costs, management de-layering, procurement savings and spend to save initiatives.

4.13.3 With regards to reducing back office costs, we are combining the Business Analysis, Policy and Partnerships, and Programmes and Projects functions in Chief Executives into a multi-disciplinary team which will reduce staff costs. Savings will be made in F&R as a result of a review of Senior Management / Administrative Support which will reduce numbers via the further consolidation of teams and functions. Within ICT, further savings will be derived from the review of print and design and future IT development. We have also undertaken a further review of the Contact Centre, Front of House and Business Support operational hours alongside the channel migration work to ensure that resources and opening hours are more in line with demand. Savings have also been made in relation to the costs of facilities management as the Council makes savings from a reduction in the number of buildings being maintained corporately.

- 4.13.4 In relation to Service Review and Transformation, we are continuing to see a reduction in the reliance on Residential Care placements within Adult Social Care with a stronger emphasis on promoting independence.. There will also be a continued approach to strategically targeted support and a move to an outcomes based model within the Supporting People's service. Also within ASC, we will establish new ways of delivering day care services including the development of a specially designed Resource Centre, which we aim to open in 2016. This will deliver day care that is flexible, innovative and multi-agency and which is more economic than current provision and alongside the other measures set out will continue to deliver the services people want at less cost.
- 4.13.5 Within CYPS, savings from the Children's Social Care restructure in 2014/15 has exceeded those initially proposed, and these will be applied to the 2015/16 budget alongside measures such as re-provision of reparation work currently undertaken at Vernon Hall and re-procurement of the careers advice and guidance service (now that careers advice is a schools responsibility, with the Council responsible for advice and guidance for all NEET and vulnerable young people).. There will also be a further reduction in the costs of waste collection and management arising from the integration of street based collections and the bringing back of this service in-house in 2013/14. Across a number of services a further review of vacant posts has also identified further opportunities to deliver savings without impacting upon service. These posts will now be deleted alongside reviews to make further efficiencies within the Policy and Performance teams.
- 4.13.6 Current budget monitoring has identified improved income from a range of areas including parking where income from usage of pay and display is continuing to increase across the borough as well as within Registration Services; and the yield of Section 106 and estimates of CIL.
- 4.13.7 We also expect to make significant savings from a renegotiation of the Leisure Management Contract. Additionally, the current contract for the managed service for CedAr expires in March 2015. A full options appraisal has now been undertaken and we anticipate significant savings arising from a retender of the current service. This recognises the changes in the market for the provision of the managed service since we first implemented CedAr 9 years ago, along with a reduced dependence on consultancy for development work given in-house knowledge that has now been grown
- 4.13.8 Even with these savings, there is still a further requirement of £42m to be achieved by 2017/18. In line with our existing practice of looking to stay ahead of the game we will continue to identify and deliver where possible efficiencies ahead of a new financial year to mitigate the impact of the reductions in Government funding anticipated in coming It should also be noted that the assumptions underpinning the latest forecast is for no increase in the Hackney element of Council Tax for what will be the 10th successive year or for any change to the Council Tax reduction scheme (CTRS) as currently in place although in future years this will need to be reviewed. By way of reminder a 1% increase in the Band D tax rate raises circa £800k but after the impact of CTRS only £580k is yielded per 1%.

4.13.9 The current indicative budgetary position for the period 2015/16 to 2017/18 is shown below.

INDICATIVE BUDGETARY POSITION 2015/16 TO 2017/18	2015/16 £m	2016/17 £m	2017/18 £m
Revenue Support Grant	82.068	60.828	43.796
Top-up	75.148	77.177	79.261
Business Rates Collected NDR1	28.720	29.653	30.617
Add Cost of Collection Allowance	0.508	0.508	0.508
Grants for Rates Losses arising out of Autumn Statement	1.918	1.988	2.057
Business Rates Total	31.146	32.149	33.182
Council Tax	63.000	64.500	66.000
Freeze Grant	1.739	0.000	0.000
New Homes Bonus Grant	11.500	11.500	10.500
New Homes Bonus Adjustment Grant	0.862	0.000	0.000
New Homes Bonus Grant - Clawback from GLA/LEP	3.000	3.000	3.000
ESG (LACSEG)	2.800	2.380	2.023
NHS funding for Social Care	7.740	7.740	7.740
Additional Better Care Funding	10.866	10.866	10.866
Adult Social Care New Burdens	1.668	1.668	1.668
Public Health Grant	29.818	28.818	27.818
TOTAL RESOURCES	321.355	300.626	285.854

ESTIMATED EXPENDITURE	2015/16 £m	2016/17 £m	2017/18 £m
Directorate Expenditure	263.324	248.324	220.632
Directorate Savings	-15.000	-2.700	0.000
Directorate Expenditure	248.324	245.624	220.632
Public Health Expenditure	28.818	27.818	26.818
Estimated Additional NHS funding for Social Care 2015/16 & beyond	10.866	10.866	10.866
Adult Social Care New Burdens	1.668	1.668	1.668
GFA			
TLC	0.393	0.393	0.393
Pension fund and added years	17.008	17.008	17.008
Capital Charges	-14.761	-14.761	-14.761
Fuel	0.268	0.268	0.268
RCCO base	7.969	7.969	7.969
RCCO ICT Renewal	0.564	0.564	0.564
Whole Life Costing of HSC	0.400	0.400	0.400
Carbon Trading	0.300	0.300	0.300
Directorate contingencies	2.000	2.000	2.000
Sustainability			
Pay inflation	3.200	4.810	6.420
Additional Employers NI	0.000	2.500	2.500
Growth per Budget report 13/14 b/f but not given to directorates and other items	1.650	1.650	1.650
Nth London Waste Levy	7.800	8.500	9.500
Concessionary Fares	1.500	2.200	3.000
Directorate cost pressures	2.000	4.000	4.000
R&B Hardship Fund	0.500	0.500	0.500
London Living Wage/travel time (Homecare)	0.950	1.900	1.900
Contribution to Reserves (Public Realm)	0.441	0.441	0.441
Contribution from reserves (Pensions)	-0.500	-1.000	-1.000
TOTAL GFA	31.682	39.642	43.052
TOTAL EXPENDITURE	321.358	325.618	303.036
GAP	0.003	24.992	17.182
Required Directorate Savings to balance	0.000	-24.992	-17.182

- 4.13.10 The analysis demonstrates that there remains an indicative budget gap of £42m. It follows that we must be relentless in driving out efficiencies and securing economies. We must also continue to: - review and transform services; secure savings through our procurement activities and contract negotiation; and review the balance between in-house and externally provided services.
- 4.13.11 Given the need for any new government to reduce public sector spend and the likelihood that the NHS and Schools will continue to be protected in 2016/17 onwards, it is unlikely that our funding allocations will be materially higher than those shown above.
- 4.13.12 Other initiatives that are currently underway to reduce the gap include the continued rationalisation of the Corporate Estate that is already realising significant savings ahead of programme, £0.500m to date, in addition to the sums already realised since 2010. The aims of the programme are to rationalise the corporate office estate, reducing costs and overheads to create opportunities for income generation or where logical capital realisation. It aligns closely with regeneration programmes, particularly Hackney Central, depots rationalisation, the leisure and cultural estate, schools estate and other public sector bodies etc. This also by definition covers our offer to customers going forward and the decisions that will be needed on maintaining levels of face to face provision versus digital interaction.

4.14 EDUCATION FINANCE

- 4.14.1 **Appendix 2** presents a detailed analysis of the Education Service financial position. It looks at funding streams and funding levels for both Schools and the LEA and the changes which were introduced in 2013/14. It also provides an overview of the HLT budgetary position and school budgets, reviews HLT's financial planning and potential savings, and identifies emerging risks.
- 4.14.2 The report also examines the recent Fair Funding Formula Consultation Paper and considers the implications of a move to a National Funding Formula. It concludes that at best, LBH's per pupil Dedicated Schools Grant is likely to remain fixed in cash terms for some years to come.

4.15 CAPITAL STRATEGY

- 4.15.1 The capital programme for 2014/15 currently stands at a gross expenditure of £357m (£204m Housing and £153m non-Housing). This includes slippage and reprofiling from 2013/14 financial year following the completion of the closure of accounts process. Clearly this is a significant sum of expenditure that is funded from a variety of sources including government grants and other external contributions, capital receipts and revenue contributions.

- 4.15.2 At present, external borrowing is only anticipated in respect of the Housing capital programme in 2014/15 in line with that set out in the HRA Business Plan. However, it is clear that this position will change in future years, with decisions required in respect of some potential major capital schemes in the non-Housing programme, including significant further investment in the schools estate, the leisure estate and specific schemes such as Hackney Wick alongside further significant borrowing required in future years in order to deliver the regeneration schemes.
- 4.15.3 In the past, we have delivered a very significant capital programme but have also had significant grant funding to support the largest schemes such as Building Schools for Future. Going forward, it is clear that the same levels of capital grants are not going to be available and we will therefore need to look at alternative funding options. This is likely to include the extensive generation and use of capital receipts via, for example, innovative mixed development schemes. However, it is likely that for many of the schemes being considered at present, there will be a need to borrow in the short to medium term in order for a scheme to proceed, before capital receipts can be generated.
- 4.15.4 Given this change in funding source and the risk associated with forward funding through borrowing (i.e. cost of borrowing increases due to slippage in delivery of programmes and therefore delay in generation of capital receipts), the Council need to take a very different approach to the development of its capital programme going forward. We need to ensure that individual schemes are not considered in isolation but instead that the entire risk and cost profile of the associated financing options are brought together in a capital strategy that aligns with and informs the Treasury Management Strategy going forward.
- 4.15.5 Of course alongside these larger specific schemes, there will always be ongoing maintenance of the Council's infrastructure, not least its highways and footpaths. For 2015/16, the assumption is that the level of investment in this particular area will remain at the current level of £4m. This will need to be reviewed going forward in light of other pressures as set out above.
- 4.15.6 The work identified above to develop a strategic Capital Strategy for the Council is in progress and when complete will ensure that future papers to Cabinet regarding the individual schemes are fully informed by the "bigger picture" regarding the changing financing options available to the Council.

4.16 HOUSING REVENUE ACCOUNT

- 4.16.1 The HRA Business Plan sets out a 30 year plan for the sustainable investment and planned maintenance of the Council's housing stock and other housing assets, including the Estate Regeneration and Woodberry Down Regeneration Programmes.

- 4.16.2 The abolition of the HRA subsidy system and the introduction of Self Financing in the HRA, has enabled longer term planning for the HRA. But also it also imposed a debt cap to limit HRA borrowing for investment, which means substantial savings are required to enable the Council to complete the Decent Homes programme, replace key housing components at the end of their useful life and deliver the Regeneration programmes, while staying within the debt cap.
- 4.16.3 The HRA Business Plan shows that this can be achieved without cutting the services delivered to tenants but services will need to be reviewed and delivered efficiently, considering the impact of the change on tenants. The Plan is set in the context of wider housing delivery and corporate objectives, and provides long term financial projections so that the Council, along with tenants and other stakeholders, can determine the service and investment priorities to ensure the long-term financial viability of the housing service and its assets. The business plan also provides information on the profile and condition of the housing stock, and identifies the current stock investment needs
- 4.16.4 Whilst the business plan covers a period of 30 year, more focus is on the medium term (5 years) as there is more certainty on costs, demands and pressures, which will enable the prioritisation of housing investment. However, this view of the medium term will also be considered in the light of the strategic objectives of the Council. The Plan will be annually reviewed to ensure that it is sustainable in the longer term, taking account of arising pressures and changes in policies.
- 4.16.5 The Council has a housing stock of 31,350 homes, of these some 8,625 are leasehold or freehold dwellings. It identifies that flats and maisonette comprise almost 89% of the stock with houses and bungalows making up the remaining 11%. Properties are located in a variety of blocks and estates with 31% of stock in high rise blocks (6+ floors) and 61% in medium rise blocks (3 to 5 floor).
- 4.16.6 The Council wishes to sustain its investment in the housing assets by ensuring all dwellings are maintained through a wide range of works and cyclical programmes to comply with legal and safety regulations and to protect and prevent deterioration of buildings and the services provided within them.
- 4.16.7 Stock condition information is primarily based on periodic survey data. In 2006, a survey was conducted that covered 80% of dwellings' external elements and 9% of internal elements. More recently, in November 2012 a stock condition survey was conducted that covered 15,000 (50%) properties externally and 3,000 (10%) properties internally.
- 4.16.8 The Asset Management Plan cost profile is based on the unit cost, component lives and condition, and is fed into the business plan financial model to specify an amount that is needed to maintain the housing stock and also the timing of the spend. This is a key element to the financial planning for the HRA business plan.

- 4.16.9 The overall investment requirement over 30 years amounts to £1.3bn at 2013/14 prices including management fees and adjustments for changing stock numbers arising from both the current regeneration programmes and RTB property sales. When elements such as inflation and contingency are factored in, the investment requirement rises to £1.8bn
- 4.16.10 However, before any major investment programme is proposed, properties are surveyed and the most effective investment strategy is planned, which could result in a reduced investment/replacement need, deferred investment or an alternative investment option where component replacement is not cost effective.
- 4.16.11 The council is progressing two regeneration programmes within the borough; Woodberry Down and Estate Renewal. Each programme has developed over a number of years with each having its own history, but more recently both programmes have started to deliver new mixed tenure developments for the residents of the borough.
- 4.16.12 Building on the current regeneration programme, the Council is considering sites for future regeneration and the information in the business plan will assist in identifying sites to inform this work which will enable the Council to make best use of its housing land.

5.0 DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

As this report is primarily an update on the Council's financial position, there are no alternative options.

6. BACKGROUND

6.1 Policy Context

Members require the Corporate Director of Finance and Resources to ensure that good management of the Council's finances is maintained and expect directorates to continue to deliver services within agreed budgets.

There remain, however, a number of internal and external pressures which it is important to understand and update Members on, so that expectations can be appropriately managed, and to ensure that risks are highlighted and, wherever possible, managed. These pressures coupled with the changes to the general Local Government finance system, make this a complex area, the impact of which we have sought to predict in this report. This report builds on the 2014/15 budget and incorporates a projection of resources for the financial years 2015/16 to 2017/18; and identifies some potentially unavoidable growth pressures in the period 2015/16 to 2017/18.

6.2 Equality Impact Assessment

Equality impact assessments are carried out at budget setting time and included in the relevant reports to Cabinet. Such details are not repeated in this report.

6.3 Sustainability

As above

6.4 Consultations

Relevant consultations have been carried out in respect of the forecasts contained within this report involving, the Mayor, the Member for Finance, HMT, Heads of Finance and Assistant Directors of Finance.

6.5 Risk Assessment

The risks associated with the schemes Council's financial position are detailed in this report.

7. COMMENTS OF THE CORPORATE DIRECTOR OF FINANCE AND RESOURCES

The Corporate Director of Finance and Resources' financial considerations are included throughout the report.

8. COMMENTS OF THE CORPORATE DIRECTOR OF LEGAL, HR AND REGULATORY SERVICES

8.1 This MTPF sets out the framework for setting future budgets and levels of the Council Tax.

8.2 The Council has a legal duty to set a balanced budget each year, and under Section 25 of the Local Government Act 2003, the S151 Chief Finance Officer must report on the robustness of the budget.

8.3 The report sets out indicative proposals for the 2015/16 budget and the Corporate Director of Finance and Resources has commented on the proposed budget as required by law.

Appendices 1 2 & 3

BACKGROUND PAPERS

Report Author	Russell Harvey ☎020-8356-2739
Comments of the Corporate Director of Finance and Resources	Ian Williams ☎020-8356-3788
Comments of the Corporate Director Legal, HR and Regulatory Services	Gifty Edila ☎020-8356-3265

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CHANGE IN PER DWELLING SPENDING POWER 2015/16 COMPARED TO 2014/15

Local Authority	2014-15 Spending Power (adjusted) per Dwelling (£ per dwelling)	2015-16 Spending Power inc pooled NHS and LA Better Care Fund and Efficiency Support Grant per Dwelling (£ per dwelling)	Change (£ per dwelling)	Rank
Newham	3,055.20	2,869.04	-186.16	1
Knowsley	2,911.56	2,737.75	-173.81	2
Hackney	3,151.40	2,980.61	-170.79	3
Tower Hamlets	3,045.46	2,886.20	-159.26	4
Birmingham	2,606.18	2,459.03	-147.15	5
Middlesbrough	2,565.91	2,420.54	-145.37	6
Southwark	2,719.47	2,575.34	-144.13	7
Camden	2,959.07	2,815.50	-143.57	8
Liverpool	2,509.76	2,366.88	-142.89	9
Manchester	2,443.96	2,305.70	-138.26	10
Lambeth	2,616.18	2,480.06	-136.11	11
Haringey	2,589.86	2,459.60	-130.26	12
Barking and Dagenham	2,512.47	2,382.59	-129.88	13
Leicester	2,474.14	2,346.09	-128.04	14
Nottingham	2,386.54	2,260.48	-126.06	15
Islington	2,779.22	2,654.87	-124.35	16
Sandwell	2,502.26	2,378.18	-124.07	17
Lewisham	2,533.24	2,410.05	-123.19	18
Wolverhampton	2,516.09	2,393.56	-122.53	19
Kingston upon Hull	2,205.63	2,083.22	-122.41	20
Cambridgeshire	1,527.29	1,549.28	22.00	133
Leicestershire	1,416.49	1,440.20	23.72	134
Bromley	1,695.51	1,719.92	24.40	135
Wiltshire	1,754.94	1,779.51	24.57	136
Bracknell Forest	1,880.24	1,905.56	25.33	137
Kingston upon Thames	2,195.38	2,223.57	28.18	138
Cheshire East	1,729.72	1,758.68	28.96	139
Hertfordshire	1,697.04	1,726.19	29.15	140
Dorset	1,534.54	1,564.12	29.58	141
West Berkshire	1,895.40	1,927.97	32.58	142
Poole	1,702.71	1,736.04	33.33	143
Hampshire	1,468.71	1,505.18	36.47	144
Richmond upon Thames	2,087.87	2,124.94	37.07	145
Buckinghamshire	1,633.49	1,672.14	38.66	146
Windsor and Maidenhead	1,539.55	1,580.97	41.42	147
Central Bedfordshire	1,902.98	1,945.05	42.08	148
West Sussex	1,601.64	1,645.65	44.01	149
Isles of Scilly	4,270.65	4,317.01	46.37	150
Surrey	1,801.58	1,852.37	50.79	151
Wokingham	1,859.30	1,914.35	55.05	152

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EDUCATION FINANCE

1. Introduction

- 1.1. The financing of schools and local education authorities (LEA) has undergone considerable change over the last three years. Notably:
- changes to the local schools formula, greater delegation of funds and introduction of new arrangements for high needs funding
 - reductions in the Early Intervention Grant (EIG) and the consolidation of this grant into the Revenue Support Grant (RSG)
 - new funds for new responsibilities for two-year olds
 - growing number of academies and impact on LEA funding
 - reduction of the RSG in respect of education and introduction of the Education Support Grant (ESG).
- 1.2 This paper aims to provide an overview of the HLT budget, the current schools funding regime and an update on emerging risks.

2. Overview of HLT funding sources

- 2.1. HLT is funded from three main sources: the core budget; the Dedicated Schools Grant (DSG) and traded income.

The core budget (£26m, excluding recharges)

- 2.2. The core budget is made up of what was the contract sum paid by the Council to the Learning Trust for the provision of education services and the former EIG which was rolled into the Council's RSG in 2013/14. This budget is subject to similar levels of reductions as those experienced by other front-line services of the Council.
- 2.3. The core budget effectively incorporates the Education Support Grant (ESG). The ESG was introduced in 2013/14 as a separate un-ringfenced grant to local authorities and academies proportionate to the number of pupils for which they are responsible. The grant was funded from a reduction in RSG and therefore was not new money. The ESG is to cover functions commensurate with being an education authority including schools improvement, education welfare and schools asset management. For 2014/15 the indicative ESG for Hackney is £3.529m.
- 2.4. As the Council's core budget (excluding former EIG) for such functions greatly exceeds the ESG, passporting arrangements for the ESG have not been adopted and any increase or reduction in ESG is treated as an overall gain or loss by the Council as a whole. It has already been announced that the ESG is to be cut by 25% in 2015/16 and a consultation on this reduction is currently underway.

The DSG (£203m)

- 2.5. Since 2013/14 the dedicated schools grant has been allocated to local authorities in three unringfenced blocks, the schools block, the early years block and the high needs block.

Schools Block	Early Years Block	High Needs Block
delegated budgets to schools (element 1 & 2)	delegated Single Funding Formula (element 1 & 2) for 3 and 4 year old funding and	devolved to schools for SEN
	New 2 year old formula funding	Places (element 1 & 2) and
Centrally managed (subject to Schools Forum agreement)	Centrally managed management, support, contingency, sustainability & capacity building	Top up (element 3)
retained centrally de-delegated growth fund		New post 16 funding
		Centrally commissioned SEN placements & pupils in other sectors
		central support for pupils with statements

- 2.6. There is an assumption that funding in the Schools Block is automatically delegated to schools through the local funding formula, unless by exception it is centrally retained. The schools forum can also vote to de-delegate funds for specific services or to pool risks.
- 2.7. The Early Years Block is delegated to early years settings through the Early Years Funding Formula, centrally commissioned, and part retained for centralised functions.
- 2.8. The High Needs Block covers funding of high needs from birth to age 25 and is partly retained by the LEA, partly delegated and partly centrally commissioned. This includes funding for our special schools and pupil referral units (PRU). The funding mechanism is 'place plus'. Special schools will receive £10k per pupil (£8k for PRUs) and a 'top up' for each young person placed there based on their level of need.

Traded income (£4.7m)

- 2.9. HLT trade services with schools inside and outside the borough. This enables capacity to be retained to continue to support schools in improving educational outcomes. For 2014/15 HLT have budgeted to receive £4.7m in traded income.

3. HLT budget overview

- 3.1. In 2014/15 the Council budgets to spend £239m on education, including £156m delegated to schools. Table one analyses the HLT budgets across divisions and the source of funds.

Table one: 2014/15 HLT Budgets

Division	Core (£)	DSG – Schools (£)	– DSG – HLT (EY & HN) (£)	Total (excl Grants) (£)	Other Grants (£)	TOTAL (£)
Business Services (excl Contingency)	4,791,462			4,791,462		4,791,462
Corporate (LBH) Recharges	7,900,572			7,900,572		7,900,572
Contingency	1,000,000	1,615,618		2,615,618		2,615,618
School Improvement & Performance (excl Early Years)	2,504,055	1,348,628		3,852,683	250,000	4,102,683
Early Years	12,984,754		16,248,044	29,232,798		29,232,798
Education Services (excl AN)	900,811	933,346	4,616,928	6,451,085	2,100,000	8,551,085
Additional Needs	3,874,424		21,328,746	25,203,170		25,203,170
Sub-Total	33,956,078	3,897,592	42,193,718	80,047,388	2,350,000	82,397,388
Pre-Determined Formula Payments to Schools		138,933,173	17,512,203	156,445,376		156,445,376
Total	33,956,078	142,830,765	59,705,921	236,492,764	2,350,000	238,842,764

3.2. The following paragraphs provide a brief of what the money is spent on in each division.

Business services (£4.8m)

3.3 This relates to support services such as Human Resources, Finance, Legal, ICT and the Management Information Service. A proportion of this expenditure relates to services to schools. Expenditure in table one is net of budgeted traded income of £4.4m.

Corporate recharges (£7.9m)

3.3. The budget includes £6m of corporate re-charges and £1.7m HLT pension deficit contribution.

Contingency for Schools and HLT (£2.6m)

3.4. £1.6m of this balance relates to the schools' contingency funded from DSG. This will be allocated to schools according to criteria agreed by the Schools Forum. Any balance remaining at year end is redistributed to schools. The HLT contingency of £1m (1.2%) is subject to detailed reporting to the Senior Leadership Team (SLT) and is used for any unforeseen costs such as school related dismissal costs.

School Improvement and Performance (£4.1m)

3.5. This relates to extensive support provided to schools to ensure continuous improvement including the Trust Action Group process for schools in need of intervention at secondary and primary level, targeted funding for underachieving groups, and a contribution to the virtual school for looked after children. This is partly funded by core, part by retained DSG and partly by de-delegated DSG agreed by Schools Forum.

Early years (£29.2m)

- 3.6. Funded by £14m DSG (Early Years Block) and £12.3m Core (primarily former EIG) this funds a range of early years provision, including provision to settings through the early years funding formula (EYFF), children's centres and two-year old provision.

Education Services (£8.5m)

- 3.7. This funds a range of services commensurate with a LEA including admissions and attendance services, school place planning, adult learning, home tuition team, pupil benefits and safeguarding.

Additional needs (£25.2m)

- 3.8. Funded through £21.2m DSG (High Needs Block) and £3.9m Core this primarily funds top-up arrangements for pupils with special educational needs in a range of settings (maintained schools, specialist settings, academies, out of borough). Top-up funding relates to the estimated cost of provision over and above what the setting has already been funded for. Other significant areas of spend include transport for pupils with statements, speech and language therapy services, educational psychologists and the visual impairment team.

4. Schools funding

- 4.1. The main source of funding for maintained schools is the DSG delegated via the local authority. Delegation is based on a per pupil local funding formula, set by the local authority and signed off by both the Schools Forum, on which there is head teacher and governor representation, and the Education Funding Authority (EFA). The school funding reforms which came into effect from 2013/14 restricted the number of factors that local authorities could include in their formula and also specified the circumstances for which local authorities could retain elements of the DSG. The impact on schools was mitigated by a minimum funding guarantee which restricted the per pupil amount which a school could lose year on year.
- 4.2. There is clear guidance from the DfE in relation to processes and timelines for setting individual schools budgets with key dates for schools being:
- the local formula to be agreed by Schools Forum by mid-January before the beginning of the new financial year
 - local authority's to confirm budgets for their maintained schools by the end of February before the beginning of the new financial year.
- 4.3. The pupil premium, first introduced in 2011/12, is the other significant source of income for schools. Pupil premium is paid at a set amount per pupil for all pupils entitled to free school meals and looked after children. Pupil premium is passported to schools by the local authority and is set at £1,300 per pupil for primary and £935 per pupil for secondary pupils for 2014/15 and £1,900 per pupil for a Looked After Child.

- 4.4. Local authorities also provide additional funding to schools from their High Needs Block for young people issued with a statement of special educational needs where the individuals needs are assessed as costing over and above the funding already delegated to schools. This is referred to as 'top-up' funding and in 2013/14 the Council paid out £14.7m to schools in top-up funding.
- 4.5. The local authority is responsible for monitoring school balances in maintained schools. Although balances vary from school to school, Hackney has recently introduced a process and set of criteria for warning schools if balances are at risk of remaining too high in consecutive years, and potentially clawing back surplus balances that persist. Any balances clawed back must be used for specific purposes. The tendency to retain balances is more pronounced in periods of financial uncertainty and some schools build surpluses for planned capital improvements.

5. HLT budget planning and emerging risks

- 5.1. HLT build their financial plans on the basis that their core budget is subject to similar reductions as those borne by CYPS. For the two- years 2014/15 and 2015/16 the core budget is estimated to reduce by a total of £1.8m. However, in addition to these reductions the HLT will also be affected by the following forecast changes to the DSG.
- A cap of 10% of the early years block which is retained centrally (£3.7m)
 - A 5% reduction in the High Needs block.
- 5.2. In relation to Early Years, there was a consultation last year on capping retained DSG at 10% for 2014/15. This was shelved but there is a risk that this could be introduced for 2015/16. The reduction in the High Needs block is based on intelligence gathered at a DfE conference. The budget setting process for the HLT is also complicated by the late announcements relating to the DSG which is only confirmed to the Council at the end of March preceding the relevant financial year.
- 5.3. HLT are currently in the process of undertaking a fundamental review led by SLT of budgets going forward. This is a base budget review of activity and costs for all services that aims to identify those which are discretionary and those which are essential. Based on this decisions will be made on prioritising which activities to reduce or stopped This organisational review will also be supplemented by more focused budget reviews of specific activities or functions which look to improve efficiency across activities or functions. This review process dovetails with the One Approach savings plan of CYPS.
- 5.4. Paragraph 2.4 above refers to the announced reduction in ESG for 2015/16. This reduction is assumed within the overall funding resource of the Council and is not passported directly to HLT.
- 5.5. Recent legislative changes impacting on schools and local education authorities finances include:
- The implementation of the Children and Families Act from September 2014 will mark a fundamental change for schools as well as all services that support vulnerable children and young people. Education, Health and Care Plans (EHCP) will replace Statements and make planning across sectors essential. EHC plans extend the age range to 25. The Act focuses on the input of parents and this could give rise to an upward pressure on the level of services provided.

- Free schools meals for reception to year 2 from September 2014 have been announced. Funding is based on the level of take-up and set at £437 per pupil per annum. This is less than the average annual unit cost of providing a school meal (£527), but more than the average annual charge for a school meal (£343). This could result in a net loss for individual schools at specific levels of take up.
- 5.6. Additionally, the introduction of the new arrangements for the High Needs block are still bedding in. This is a particular issue in special schools and pupil referral units where all pupils will have a ‘top-up’ charge and schools are operating in a new market environment. Uncertainty over budgets is therefore greater than under the previous system. Special schools in Hackney are also concerned that they are disadvantaged by higher facilities management costs through the BSF contracts and the delegated cost of contributing to the pension deficit for support and non-teaching staff (of which there are a lot in special schools). Most boroughs delegate this cost to schools but the contribution rate is significantly higher in Hackney.
- 5.7. Finally, Hackney remains one of the highest per pupil funded education authorities. The introduction of a National Funding Formula therefore holds the inherent risk of a fall in overall funding for Hackney schools. The recently launched Fair Funding Formulae consultation which proposes a method of calculation of a minimum funding level for schools and for distribution of a top-up fund of £350m to local authorities for 2015/16 confirms the direction of travel. This is considered in more detail below.

6.0 Fair Funding Formula Consultation

- 6.1 In 2015/16, DfE will add a further £350m to fund schools in what it considers to be the “least fairly funded” authorities. Specifically, after the commitment to fund all local authorities at the same cash level per pupil as in 2014/15 has been met, DfE will allocate an additional £350m in 2015/16, to increase the per-pupil budgets for the least “fairly funded” local areas.
- 6.2 Under the Consultation Paper proposals, LBH will not receive any additional funding but 62 authorities will gain. No authority will receive less per pupil cash funding as a result of this proposal.
- 6.3 The first step in working out which authorities will get a share of the £350m involves calculating a minimum funding level that a local authority will attract for its pupils and schools in 2015/16 on the basis of a formula. If a local authority already attracts at least this minimum funding level, it will not receive any additional funding. If though, it attracts less than the calculated minimum funding level, DfE will increase its funding so that its total funding equals the minimum funding level.
- 6.4 Based on 2014/15 data, DfE has calculated that our minimum funding level is £139.1m, while our actual school’s block DSG funding is £160.6m. It follows that our current level of funding is £21.5m above our minimum funding level as calculated by DfE.
- 6.5 Clearly, if this proposal is the first step in the path to introducing a funding formula and if the formula implemented is similar to that used to allocate out the £350m additional funding, then there is a risk to our DSG funding going forward.

- 6.6 However, DfE soon became aware of the concerns of authorities such as Hackney and responded by writing to all education authorities stating that

“We would like to make clear that the use of minimum funding levels to allocate extra funding in 2015-16 is not the same as a national fair funding formula. We do not want to introduce a national fair funding formula until the government has set spending plans over a longer period of time, allowing us to give schools and local authorities more certainty about how the formula will affect them over a number of years. We propose to use a system of minimum funding levels in 2015-16 simply as a way of distributing the additional £350m we have as fairly as possible”

It went on to say that “The Government has no plan to reduce funding after 2015-16 for any local area”.

- 6.7 If we take DfE on its word and in particular the statement that it will not reduce funding for any local area, then our per pupil schools block funding amount should not be cut but because we are so far below the minimum funding level, I think that our per pupil allocation to be frozen in cash terms for some years.

7.0 Conclusion

- 7.1 The financing of schools and local education authorities has undergone considerable change over the past three years and more is to come. The challenges faced include considerable levels of uncertainty over funding arrangements going forward such as the timing of the introduction of a national funding formula and the impact of the Children’s and Families Act. The HLT’s approach, working with the corporate finance team, has been to take an early view of emerging risks and develop a financial plan based on these.
- 7.2 At a school level, the single biggest impact would be the move to a national funding formula. As yet it is unclear when and in what format this will come forward. However, given Hackney’s position as one of the highest per pupil funded education authorities the impact will inevitably be at best, a freezing of per pupil funding in cash terms.

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WHAT COUNCIL SPENDS ITS MONEY ON

1. The 2014/15 budget proposals including the HRA contain £1.1bn gross expenditure plans. This is spread across a vast array of services to local residents and businesses and other stakeholders including local Primary Healthcare Trusts and Voluntary Organisations. This significant investment is funded from a combination of sources including, government grants, housing rents, other fees and service charges and Council Tax although it is possibly worth noting that Council Tax at circa £60m funds only about 6% of all the services provided.

The following paragraphs give an indication of some of the services provided by the Council

2. **Public Realm**

The aim of the Public Realm service is to ensure Hackney has clean, safe and accessible streets and has a sustainable approach to waste. This covers a range of policy, development, education, improvement, maintenance and management functions. This service plans to spend around £47.7m in 2014/15 to meet these aims and to provide services for Waste and Recycling, Streetscene, Parking and Street Markets. This investment will result in:

- Around 271 miles of Hackney's streets being cleaned by skilled operatives every day.
- Five Graffiti and fly-posting removal teams. One each in each of the four Hackney Neighbourhoods and one dealing with emergency and above head height work borough- wide.
- Maintenance of around 11,214 street lights and 9,000 street trees on the borough's roads and footpaths.
- Inspecting and repairing 149 miles of roads and 256 miles of footways.
- Around 8.5m household and commercial waste collections to residential properties in the borough and 6m recycling collections throughout the year.
- Recycling of up to 60% of waste from Hackney markets.

- Recycling of street cleansing waste, through the introduction of the Recycling on the Go scheme involving street cleaners.
- Continued development of our waste management and recycling services, including expansion of recycling (including food waste) for schools, estates and flats above shops in the borough, and an increase in the range of materials we recycle
- Around 410 tonnes of recycling and 30 tonnes of food waste collected from estates in Hackney each month.
- The management of parking places, Pay & Display equipment, signs and lines, car park facilities and the CPZ review programme for over 69% of the borough, 75 Hackney Homes Estates and 6 off street car parks.
- The management of contracted services that deliver parking and traffic enforcement activities
- Management of market operations in the 6 Council operated street markets and regulating street trading licenses in accordance with statutory requirements and Council policies.
- Provision of cycle training for 1800 people including 1400 school children, 300 individual adults, and we also provide cycle training for community groups and all ability groups.
- Around 2,700 Environmental Enforcement actions including targeted street patrols and visits to business and residents to tackle persistent issues and take appropriate action against those who cause or benefit from all aspects of environmental anti social behaviour such as litter, waste dumping, graffiti, flyposting, and illegal street trading.

3. Adult Social Care

Adult Social Care is committed to develop support and services for residents that help people live as independently as possible with fairness, equity and independence at the heart of these crucial services. This is outlined in the Adult Social Care “Promoting Independence” Commitment Statement. The current eligibility criteria for receiving a service are “substantial” and “critical” under Fair Access to Care Services (there are no plans to change these), however we also commission targeted prevention services to those who have needs that do not meet these criteria.

Adult social care services are provided across a mix of internal and externally provided functions, covering the entire care process from safeguarding vulnerable adults, advice, signposting, referrals to universal services, initial assessment, to brokering and commissioning of individual packages of care for clients, to review and ongoing support. This includes clients with mental health issues, physical disabilities, learning disabilities and older people. We also work very closely with carers across the Borough to ensure they are supported in their caring role. Differing service provision types include residential care, homecare, day care, occupational therapy, transport services, and meals on wheels to name but a few.

Adult Social Care service gross spend in 2014/15 will be approximately £86m and typically this supports around 5,300 service users every year.

The service works with a number of key stakeholders in the provision of adult social care, most notably City and Hackney Clinical Commissioning Group, Homerton University Hospital Foundation Trust (HUHFT), the East London NHS Foundation Trust (ELFT) and a range of third sector partners.

Around £21m is planned to be spent to provide the following services, in partnership with key stakeholders, for adults with learning disabilities:

- 52,000 hours of homecare per year
- 141 residential placements
- 139 supported living placements
- 70 clients receiving direct payments to purchase 70,000 hours of care

Around £9.4m is planned to be spent to deliver the following for People with Mental Health needs:

- 7,000 hours of homecare per year
- 92 residential placements
- 39 supported living placements
- 14 clients receiving direct payments to purchase 4,600 hours of care

Around £37m is planned to be spent to deliver the following for older people and adults with physical and sensory disabilities:

- 520,000 hours of homecare per year
- 238 residential placements
- 115 nursing home placements
- 141 supported living placements and 102 clients in supported housing with care
- 244 clients receiving direct payments to purchase 275,000 hours of care per year
- 70% of clients receiving a service will be via a personal budget

Preventative Services plans to spend £18.6m in 2014/15 on the following functions:

- £11.8m relating to Hackney's contribution to Concessionary travel in London
- Client referrals of around 5,200 people

- Preventing around 1,406 people from being admitted to hospital through early intervention and prevention
- Facilitating around 1,884 discharges from hospital

The Drug and Alcohol Action Team's (DAAT) primary aim is to deliver the Hackney DAAT Strategy effectively and reduce the number of drug users by providing effective drug treatment to drug users within the borough. It has a gross budget of just under £6m, which is now funded through Public Health (see below).

4. **Contracts and Commissioning**

Within the Contracts and Commissioning service, which has a total gross budget of £16.3m, is the Supporting People (SP) programme, which is aimed at assisting vulnerable members of the community who are not in receipt of social care services to live more independently, via the provision of housing-related support. The SP programme resource for 2014/15 funds approximately 63 commissioned contracts, and serves an estimated 7,200 Hackney residents. A review programme is continuing, which is consolidating contracts to enhance service delivery and improve outcomes.

5. **Health and Wellbeing**

The Health and Wellbeing Division delivers cultural and leisure activities within the borough and aims to improve the wellbeing, life chances and health of residents.

The Libraries, Heritage and Culture service plans to spend around £7.7m in 2014/15 across Hackney's libraries museum, archives, and cultural development functions.

Hackney has eight libraries and a community library service, with over a quarter of a million books, 60,000 DVDs and CDs, and works with a range of partners to deliver a service which aims to connect with all sectors of the community. The service provides opportunities and support for learning, leisure, information, health and also improving mental wellbeing, and combating social exclusion. The Community Library Service delivers books, DVDs and CDs to those who are unable to visit the libraries due to sickness or disability. The number of library visits has grown steadily over the last ten years, bucking national trends and exceeded 1.6 million in 2012/13.

Hackney Museum and Hackney Archives together constitute Hackney Heritage. The Museum attracted over 36,000 visitors in 2012/13. Following its move to a state of the art facility in Dalston, Hackney Archives has increased visitor numbers threefold. The two service elements offer a joint Community Education service which works with every state primary school in the borough.

The Cultural Development Team supports the cultural and creative industry sector in the borough with business and fundraising advice. The team deliver the annual Discover Young Hackney youth festival and directly deliver or commission a range of cultural programmes and events throughout the borough.

The Leisure and Green Spaces service plans to spend around £7.5m in 2014/15, managing and maintaining Hackney's 56 parks, gardens and open spaces and its seven leisure centres.

Hackney's green spaces total 318 hectares, and range from the largest concentration of football pitches in Europe at Hackney Marshes, to Springfield and Clissold parks. There are 15 Green Flag Parks in Hackney – the national quality standard for parks.

The Leisure and Physical Activity service works with partners to improve the health and wellbeing of local residents and support the development of sports and physical activity. In addition to providing a significant range of opportunities for individuals and groups to be involved in sport and physical activity, it also works in close partnership with Greenwich Leisure Limited (GLL), the organisation which manages leisure facilities in Hackney on the Council's behalf. All of Hackney's leisure centres (7) are QUEST accredited, the national quality mark for leisure facilities, including Clissold Leisure Centre which has been accredited as excellent placing it at the top in London, and they attract around 1.5m visitors each year.

6. Public Health Services

Local responsibility for public health services transferred to Hackney in April 2013. The transfer arrangements included confirmed ring-fenced grant funding of £29m for 2013/14 and £29.8m for 2014/15, the conditions of which are that the local authority must take steps to ensure it is aware of, and has considered, what the health needs of its local population are, and what the evidence suggests would be the appropriate steps to take to address those needs.

Local authorities have considerable freedom in terms of how they choose to invest their grant to improve their population's health, though they must have regard to the Public Health Outcomes Framework and should consider the extant evidence regarding public health measures.

The main public health service programmes and activities are:

- Sexual health services for adults with an annual budget of £9m, largely spent on open access sexual health clinics provided by Homerton Hospital and neighbouring trusts. Outpatient appointments at Homerton clinics number over 20,000 per annum at a cost of around £5m.
- Almost £1.5m per annum for a range of projects aimed at reducing adult and child obesity and increasing physical activity.
- Continuing funding of almost £6m per annum for the substance and alcohol misuse interventions provided by Hackney DAAT (which sits within Adult Social Care).
- Up to £1.5m per annum to fund smoking cessation initiatives and projects.
- Health promotion and prevention for children aged 5-19, including school nursing, and sexual health services, at an overall cost of about £2.5m per annum.
- Public mental health services commissioned from a wide range of voluntary organisations, within an overall sum of about £2.5m per annum.

Other public health services include the NHS Health Checks programme, nutrition initiatives, accident prevention (injury from falls, etc.), violence prevention, dental health, etc. Grant also funds staffing for infectious disease advice and control, and staffing for public health intelligence and strategy, commissioning and contract management.

The Council has entered into a service level agreement with the City of London to manage most public health services for City residents, for which the City pays agreed service contributions and management fees.

7. Education and Schools

Hackney Learning Trust (HLT) plans to spend around £254m (gross expenditure) in 2014/15, which includes £172m delegated to schools. (HLT) runs all the education services for the London Borough of Hackney and is responsible for schools, children's centres, early years and adult education.

HLT was created on 1 August 2012 to pilot a new way of working whereby it operates as a department of Hackney's Children & Young People's Directorate, but with a greater level of delegation than is currently the case for other Council departments. This approach provides a new arrangement for the delivery of public services that is both customer focused and democratically accountable.

The HLT pilot has been set up as a three year pilot operating in the midst of continuing change in education provision, with a move to more collaborative and partnership based work with schools. In this changing financial and policy environment, the model also aims to provide the education service with the flexibility to provide a range of educational services through delivery of a viable traded offer, operating in an increasingly competitive sector. As such, HLT has a trading relationship with all Hackney schools and is working with a number of schools outside of the borough.

The 5 year vision sets out an aspiration to further accelerate the pace of continuous improvement to ensure that all schools in the borough are graded good or better as soon as possible, and that every pupil is taught by good or better teachers with a curriculum that enables and promotes lifelong learning.

8. Planning & Regulatory Services

This division plans to spend around £6.7m (gross expenditure) in providing Planning and Regulatory services across the borough. This investment is in the following service areas:

- The planning service, as well as processing and consulting on some 2,500 planning applications from residents and businesses, is responsible for enforcing planning regulations; investigating 800 - 900 planning breaches per annum. The service is also responsible for safeguarding Hackney's historic built environment and is currently working on producing new statutory planning policies that will help guide and shape development proposals in the borough over the next 15 years.
- Environmental Health regulates food safety, food standards, health and safety at work and infectious disease control in over 5000 premises in the Borough, of which approximately 2150 are food businesses. In 2014/15 the service will be expected to carry out around 2600 inspections relating to food hygiene, food standards, and health and safety. In 2012/13, 2449 interventions were carried out. In addition the service will take forward the investigation of more than 800 service requests. In 2012/13 the service dealt with 1464 service requests. The service will also undertake around 2000 enforcement actions. In 2012/13, 1200 enforcement actions and 1200 informal/advice actions were conducted.
- Licensing Services will issue around 302 personal licences, 71 betting shop licences, 1828 TEN, 113 New premises Licences, 59 variation of premises licences, 80 MST licences, 1418 skip licences, 400 highways /scaffolding licences and carry out 10 Licence reviews.

- Licensing Enforcement will carry out around 650 daytime inspections, 400 night time inspections and investigate 250 public complaints.
- Licensing Services will produce around 160 licensing reports for Licensing subcommittee on premises licence applications for decision-making.
- The Licensing Services will also produce around 19 fire work licences, 8 gambling machine permits and 8 lottery permissions.
- Trading Standards will undertake more than 350 inspections of high, medium, and low risk premises to check trading standards compliance including, age restricted sale compliance, pricing compliance, remove illicit cosmetics and medicines from shops and to combat short measure sales. In addition 15 projects are likely to be carried out concerning local trading issues to protect the Hackney resident and consumer. The service will investigate around 800 consumer service requests. The service will undertake investigations under the Proceeds of Crime Act 2002. Under the incentive scheme the Council recoups money from the Proceeds of Criminals and this is ploughed back into this area of work. It is targeted to obtain £40,000 per year. The service will issue Inspection Notices on visits and where necessary initiate formal actions (including prosecutions) and seizures of counterfeit goods. The service will carry out at least 8 licence reviews in relation to the Licensing objective of Protecting Children from Harm.

9. **Children's Social Care**

The Children's Social Care (CSC) Service plans to spend around £41.5m (gross expenditure) in 2014/15. The Service works with families to support safe and effective parenting where children are at risk of significant harm. Where it is not possible for children to be safely cared for within their family network, the CSC Service will look after those children. The core focus of the Service is child protection, supporting families where their children are on the edge of care and securing positive long-term life chances of children permanently looked after by the Council.

The service is made up of the following areas:

- Access, Assessment & Family Support Services – this service receives initial contacts and referrals in respect of children. It assesses level of risk, investigates causality and determines intervention. It works closely with partner agencies to ensure services are engaged and appropriately addressing children's needs in order to avoid or reduce likelihood of escalation of concerns and need for statutory intervention. The service provides intensive parenting support and contact services where children are in care.
- Children in Need – this service works with children and families where it has been assessed that longer term direct work needs to be undertaken to effect positive change within the family. This service undertakes risk and permanency assessments via statutory child protection processes, including the Courts. The service also supports low functioning families long term.
- Corporate Parenting – provides statutory services in respect of Looked After Children, Leaving Care, Fostering & Adoption, Placements and Post Adoption services.
- Disabled Children's Service – this service provides specialist services to disabled children and young people and their families. The service is co-located with education and health provision at The Hackney Ark.
- Safeguarding and Learning Service – This service covers statutory responsibility in respect of the registration and reviewing of children on child protection plans and children in care. The service performs the reporting and quality assurance function for CSC and holds responsibility for statutory social care workforce development, including student social workers. The service interfaces with the DfE and Ofsted and ensures the business keeps abreast of legislative directions, government policy and guidance and research developments.
- The Clinical Service – a service integrated into CSC and providing family therapy, psychology and other specialist clinical input into the assessment and treatment of children and families, including for the purpose of legal proceedings.

The Service has worked with partners to develop a very strong preventative approach, aided by additional investment by the Council, so that family needs are identified and addressed early before problems become so severe or entrenched that the Children's Social Care Service needs to intervene.

Some of the key planned activities and statistics include:

- 2,708 core assessments carried out for children
- 320 looked after children

- 226 child protection plans
- 541 children in need plans
- Placement of around 134 children with Hackney Foster Carers
- Placement of around 15 children in residential care
- Providing care packages for around 157 disabled children
- Providing 210 care leaver packages
- Providing 307 post permanency packages (adoptions or special guardianship)

10. **Young Hackney**

Young Hackney will spend around £16m (gross expenditure) in 2014/15. Young Hackney is an integrated service providing opportunities for all young people and support for those who need it. It holds the statutory responsibilities for youth justice work as well as open access youth work and targeted individual and family support in schools and in the community. It provides a dynamic, responsive, flexible and accessible service to enable Hackney's children and young people to enjoy their youth, and support their transition to independent and successful adulthood. Young Hackney is based on a unit structure, designed to be able to expand and contract as determined by strategic need and resources. Provision includes:

- Youth activities and support for 7,000 8-19 year olds provided through Young Hackney Units
- 5 Young Hackney centres and two Purple Buses providing a full range of integrated services
- advice and guidance to families and individual children and young people provided in schools and neighbourhoods
- CAMHS and substance misuse support
- Additional VCS activities, delivered in partnership with Council Services.

Young Hackney is delivered from the designated Young Hackney Centres, schools and estate based provision alongside work in family homes and 275 Mare Street. A central Hub (at Forest Road) supports a centre in each of Hackney's four operational neighbourhoods; Shoreditch (Hoxton Hall), Stoke Newington (Milton Gardens Estate), North East (Woodberry Down) and Homerton (Concorde Youth Centre). Each centre, in addition to the provision of positive activities and support services, offers its own unique specialism and includes activities such as IT/media, sport, enterprise or drama to act as a draw for young people across perceived territorial boundaries.

11. Revenues and Benefits Service

The Benefits Service supports those on low incomes in the borough meet their housing rental costs. In 2013/14 Council Tax Benefit was replaced with a Council Tax Reduction Scheme and it is anticipated that approximately £315m will be paid out in Housing Benefit and via the Council Tax Reduction Scheme. The recession and welfare reform continue to impact enormously on residents and therefore the demand on the Service continues to increase. The caseload remains one of the highest in inner London and high annual increases have seen the caseload grow by nearly 20% from March 2008 to March 2012. At the end of 2012 it stood at 44,237.

The Benefits and Housing Needs Services have been integrated to better assist customers to stay in their homes especially those affected by welfare reform. The Housing Needs Service which provides a range of services to people who need help with their housing has similarly experienced an increase in those approaching the Council for advice and assistance to prevent homelessness and those applying to join the Council's Housing Register. Homelessness applications have increased by 36% compared to 2011/12.

12. Safer Communities

Safer Communities includes Community Safety, Integrated Gangs Unit, Domestic Violence Response, CCTV, Emergency Planning, Community Safety Wardens and Pollution Control. The gross budget for 2014/15 for this area is around £4.6m. Some of the key plans and expected activity for this service are:

- CCTV operating and monitored 24 hours a day, 7 days a week: identifying, reporting, monitoring and assisting all enforcement and responding agencies with all types of incidents, crime, anti-social behaviour and emergency situations. More than 14,000 incidents were recorded during 2012.
- Responding to crime and anti-social behaviour and providing support to victims and witnesses of anti-social behaviour.
- Responding to and coordinating the often multi-agency resources used in the borough to tackle and reduce crime and anti-social behaviour (ASB) with an emphasis on the impact on the victims of crime and ASB.
- Manage crime / ASB / Community Safety related databases and cross partner information sharing.
- Maintain a central hub for partnership strategic and operational analysis of crime, ASB and community safety information and data.
- Co-ordination of multi-agency partnership tasking meeting to tackle and reduce partnership crime and ASB related problems at a local level. Provide support to victims, reduce victimisation, and operational of targeting problem places and people.
- Plans to enable Community Safety Wardens to be available to patrol all of Hackney 24/7 to assist residents and visitors as

necessary dealing with all types of antisocial behaviour using enforcement powers if required to further the safety of all and to make Hackney a cleaner and safer place to live, work and visit.

- Emergency Planning will maintain plans and make other preparations to contend with a wide range of emergency situations working closely with other Emergency Response Organisations. Additionally one officer will be available 24/7 to respond to any emergency event within or affecting Hackney.
- Delivering a support service for victims of domestic violence and fast-tracking domestic violence cases to the specialist domestic violence court, and through the Rape Crisis Centre.
- Support around 800 Domestic Violence cases a year through casework support and provide sign-posting advice to over 1000 DV victims.
- Run a counselling service for DV survivors.
- Run a multi-agency MARAC and manage risk of up to 300 high risk DV cases a year through this.
- Provide specialist DV training to professionals.
- Respond to gang related crime through the co-located multi-agency gangs team case managing a cohort of 150 gang members identified based upon their risk of violence.
- Undertaking enforcement, prevention and diversion work with the identified gang cohort, using both statutory and voluntary sector programmes to support exit from gang lifestyle and targeted enforcement against those who chose not to engage.
- Identification and implementation of best practice to reduce gang violence in Hackney.
- Receive and respond to over 7500 complaints of noise arising from domestic, commercial and construction related sources each year.
- Assess annually over 650 Planning Applications and 1200 Licensing Applications (including TENs) with regard to managing possible noise pollution from licensed premises and events.
- Execute our statutory duties in the identification, investigation and audit of Asbestos in the Borough.
- Strategic management of pollution control requirements regarding new physical build and commercial infrastructure projects in Hackney.
- Discharge our statutory duty to investigate and assess potentially contaminated land and progress the objectives within the Air Quality Action Plan aimed at achieving a safer cleaner environment.

13. **Central Services**

To support the front line services the Council has three directorates grouped together for the purposes of this report as Central Services. These directorates are Finance and Resources, Chief Executive's, and Legal, HR and Regulatory Services. In addition a number of front line services are also within these directorate including Housing Needs, Planning, Building Control and the Registration Service

The majority of the services provided by these directorates would be found in any large organisation e.g. Human Resources, Financial Management, Insurance, ICT, Property Services and Legal Services, but there are also a number of services e.g. Corporate and Democratic Core, Governance Services for Councilors and Registrars which are unique to Local authorities and other governmental organisations.

In addition to the above there is also, included within Finance and Resources, the General Finance Account (GFA). This is where all expenditure that is not easily attributable to any division or directorate is contained. Gross expenditure budgets contained in the GFA include; Pension Back funding (£13m), and Revenue Contributions to Capital Outlay (£8.4m)

It has always been the Council's view that investment in support services needs to be balanced with investment in front line services and as a result the emphasis has been on reducing the overall size of the Central Support services and re-investing any resulting savings in front line services.

14. Housing

The Housing Directorate is responsible for providing families and individuals with accommodation in Hackney's social housing properties; housing regeneration and delivery and maintaining the private sector housing renewal programme.

The Council's housing properties are managed by its Arm's Length Management Organisation, Hackney Homes. This provides families and individuals with accommodation in Hackney's 30,000 tenanted and leasehold properties. Hackney Homes was set up in 2006 and recently had its contract extended to March 2016. In 2008 Hackney Homes was awarded 2 star status which unlocked £140m of capital funding for the Decent Homes programme which has resulted in a significant proportion of the Council's housing tenants benefiting from improved Council accommodation.

15. Housing Needs

Housing Needs is a statutory service, giving advice and assistance to residents in housing need and providing temporary accommodation where necessary. On average each year around 2,400 individuals and families present themselves as being in need of help with housing.

Housing Needs is committed to providing a comprehensive service which offers choice and opportunity to the residents of Hackney in addressing all their housing issues. The focus of the service is on homelessness prevention and ensures that a diverse range of housing needs are met and a comprehensive range of options offered to residents in housing need.

As well as providing temporary accommodation for homeless families the service also delivers on the following objectives:

- Tackling overcrowding and under-occupation
- Preventing homelessness through use of the private rented sector, supported accommodation and other options
- Increasing the range of choices available to residents in housing need

The majority of Housing Needs' planned £16m gross budget is spent providing temporary accommodation and is recovered through Housing Benefit subsidy and other income sources. The planned net cost to Hackney in 2014/15 will be about £3.2 m.



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Outline

Attached is the draft service user research specification document which outlines the proposed approach and criteria.

Attached is the Terms of Reference document. This information is to present for agreement the formal documentation related to scrutiny commission's work in this municipal year 2014/15.

Action

The Commission is asked to agree the TOR and the approach for the service user research.

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Proposals for Service User Research

Background

London Borough of Hackney Governance Scrutiny Commission is conducting a *Whole Place, Whole Person review on long term Unemployment related to mental health* review in the municipal year 2014/15. The review is being led by the Chair of the Commission, Cllr Rick Muir. The Commission comprises of 5 Councillors and their work is supported by the Overview and Scrutiny Team in the Chief Executive's Directorate. The Commission's final report and the Cabinet Member's response will go to Cabinet meeting.

Councils' are facing a set of tough and complex pressures. Local government is facing a decline in revenue alongside the increasing need for services to residents. These early years of austerity have been characterised by authorities taking action to reduce costs through a range of measures. Local authorities have responded decisively – but further spending cuts loom.

Prolonged austerity is driving an important shift in local government. Local public services need to be viewed in a much more holistic way, with a focus on how multiple organisations, and citizens themselves, can contribute to securing desired outcomes. This new landscape will require fundamentally different organisational cultures and behaviours to make it successful.

Taking a medium to long term focus the Governance and Resources Scrutiny Commission decided its review will consider new ways public sector services locally, could work more cost efficiently to improve service user outcomes in Hackney that will support officers to redesign the way public services work.

Taking the principles of Total Place, Troubled Families and Community Budgets, the Commission wishes to look at how services can be delivered to meet service user needs in a more efficient and cost effective way. This review will including looking at the total spend of a service area to consider how the organisation's services collectively can be provided differently.

Context

In the context of continued budgetary pressures, developing systems that accurately measure the impact of interventions clearly remains a critical challenge. As councils make an honest appraisal of what the future holds, many are redefining their purpose and role and finding new ways of working. However, taking an outcomes based approach brings its own challenges. Councils need to have a good understanding of the cost of delivering outcomes on a multi-organisational basis across their areas.

In Hackney there are 27,000 on welfare benefits. A high proportion of those on benefits are long term unemployed approximately 14,000. A worklessness review

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carried out by Council in 2009 / 2010 made the following findings related to the long term unemployed:

- There are around 14,000 adults who are long term unemployed in the borough and this number has not changed in the last decade
- These levels are higher than the national and London average
- Existing programmes for support into work have not impacted this group in Hackney
- Just under half of those LT unemployed in Hackney relate to experiences of mental health problems
- Full implementation of the welfare reform changes are likely to impact this group significantly.

It is estimated around 13 million has been spent locally on employment support for this group which has not changed in the last decade. The Commission has chosen to focus on LT unemployed with mental health because this is the largest category on LT unemployment benefits in Hackney. If individuals from this cohort receive health support it is through adult social care. However many people fall below the threshold for adult social care support and thus enter into the employment programme.

The LT unemployed are a vulnerable group, who have not benefited from generic support programmes. The single work programme assessment favours physical disability and not mental health. The Commission was informed many people from this cohort treated in the employment programme do not follow a linear sequence, instead their pathway is chaotic. Quite often this has meant people fall out of the programme.

The barriers above are further compounded by the changes to the labour market which has made it harder for this group to get back into employment; because once a service user has transitioned to IB/ESA, it takes great effort to get employers to view them as employable.

Review

The Commission believes that only way to meet this challenge while protecting provision, is to radically rethink how services operate, focusing on the big spend areas and looking across existing service silos.

The work of the Commission will involve the following pieces of work:

1. Review of existing research and data on this group - demographic characteristics, type of health problems experienced, analysis of causal factors
2. New qualitative research with Hackney citizens who are LT unemployed linked to mental illness to understand triggers, barriers, interaction with services
3. Collecting evidence from other authorities doing innovative research and work in this area
4. Discussions with partner organisations locally so that we understand the range of existing programmes and their views on what needs to change

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5. Calculation of how much money could be saved if more preventative and more effective measures were taken with this group
6. Consider what successful outcomes might look like for this group.

Further to point 2 above and to understand their views about the role of the Council and its partners and the barriers they face to achieving the desired support and outcome. Councillors want to hear the services users' story and explore what their needs, requirements are from services, support and their desired entry point into services.

This qualitative research will give Councillors a detailed understanding of the service user's journey giving clarity of their needs from services and support and information on their experiences accessing the existing services and support available.

Aims of research

The Council's previous cross cutting review of worklessness helped the organisation to understand the benefit claimant profile in Hackney. Through this exercise they looked at the provision offered and commissioned. This highlighted that employability was not a guaranteed output and there was a series of factors that needed to be taken into consideration. The Council is following up on this previous cross cutting review to establish how local services can be provided more efficiently whilst meeting the needs of service users early to prevent high spend / need.

The key aim within the review is to support prevention and identify the causes of high spend/need, to consider how service providers can provide earlier intervention to better meet the needs of service users. This research will enable Councillors to see the service users' journey, through services, understand how they interact with services, identify the entry points into service / support and the outcomes achieved as a result of the service and support received.

Carrying out this research will enable the Commission to feed the voice of the service user into the Council's cross cutting review to help service providers understand the needs of service users and consider how they can create better links between services to reduce demand for this group.

Through the research with service users Members wish to:

- Get an understanding of the causes of LT unemployment connected to mental illness in Hackney
- Identify the barriers this group face to re-entering the labour market or engaging in education and wider social participation
- Assess the effectiveness of existing programmes locally that engage with this group.

Objective of research

To enable service providers to design a service that supports the service users and meets their needs. Councillors wish to start with the service users voice talking to

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Hackney's people about the problems they face, rather than services and their objectives.

The objective is to help to reduce duplication of support and services to the same individual by having services designed around earlier intervention or at the point of need, thus being more effective.

Councillors wish to find out about the:

- Service user experience of services and their knowledge of where to go to get support and access services
- the triggers, barriers, interaction with services for the LT unemployed linked to mental illness
- Service users experience of services and support statutory and non-statutory service providers.
- An understanding of the service user journey and at what point they access support services
- An understanding of what the cohort see as successful outcomes for them and what support they may require to achieve these outcomes

Methodology and service user profile

To make recommendations the Commission will need to understand and obtain the views of Hackney residents who are LT unemployed and on IB/ESA. We particularly welcome input from the contractor on how participants could be recruited. Any experiences of working on similar projects with the agencies and service providers listed below are welcomed.

It is noted IB claimants do not attend JCP offices regularly and that there would be data protections issues in relation to accessing data on individuals from social services agencies and in relation to contacting clients directly in writing.

This research is being organised as part of the scrutiny review which is a Member led process. This research should be carried out in a setting that the participants feel comfortable in. This may impact on the choice of venue.

As it is likely participants will be in receipt of benefits, payments or honoraria (whether cash, voucher or in-kind) must be compatible with the rules of their benefit entitlements and not put participants or the Council at risk of violating any benefit conditions. In addition they should receive a good standard of refreshment (a light buffet meal with drinks on arrival is suggested) and travel expenses or travel provision, where permissible.

Criteria

It is suggested that the participants comprise of **20** residents and that the composition of the group is broadly representative of the current socio demographic profile of those LT unemployed with MH issues such as:

- age
- gender

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- ethnicity
- housing tenure.

Obviously with a small group this may be problematic but when selecting the final membership of the group, it is requested the contractor bear the above criteria in mind.

Councillors are seeking to elicit views from a specific range of individuals and recommend that the following categories be used if possible:

- (a) A range of IB /EAS benefit claimants with at least half the group experiencing mental health
- (b) Participants 35 years old and above.
- (c) A long term IB claimant who is still seeking work or ESA claimant who is in the “Ways into Work Programme” or JCP Work Programme / flexible Fund and who would still like to work.
- (d) An individual who has an employment history.
- (e) An individual who has been out of work for 12 months or longer.

Key:
IB – Incapacity Benefit
ESA – Employment and Support Allowance
JSA – Job Seekers Allowance
JCP – Job Centre Plus

Notwithstanding the diversity of this group we would ask that the facilitator make every effort to frame questions to which all the participants could respond or have a view.

It is suggested the research takes the form of one to one interviews with service users and their support worker (if required). This is due to the vulnerability of the service user cohort (long term unemployed local residents on IB/ESA linked to mental health) and sensitivities of the issues being discussed.

Members would like you to speak to service users who access support or services through the following:

- Statutory providers – LBH (Adult Social Care), East London Foundation Trust, Clinical Commissioning Group (their commissioned organisations)
- Job Centre Plus – Work programme and JCP Flexible Fund
- Other providers – VCS grant programme (providers not commissioned), Ways into Work Team and Public Health grants programme.

Reason for commissioning

The service user qualitative research conducted will feed into the cross cutting review being carried out by the Council to influence and shape service provision

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locally. The key aim is to support prevention and identify the causes of high spend/need, to consider how earlier intervention such as better links between services can reduce demand.

The vulnerability of the service user cohort and sensitivities of the issues being discussed, will require an experienced facilitator and moderator to capture their views and the information required; that will enable local providers and commissioners to redesign the way public services work to meet service user needs more efficiently and cost effectively.

Cllr Rick Muir
Chair of Governance and Resources Scrutiny Commission

DRAFT

Proposal for a scrutiny review by Governance and Resources Scrutiny Commission Terms of Reference Document

Report title: Whole Place Review: Long term unemployment and mental health

Municipal year: 2014/15

1. Background and drivers for the review

- 1.1. This paper proposes the Commission conduct a Whole Place Review looking at Long term unemployment and mental health. The Commission decided to conduct this review to explore and identify the barriers to implementing 'Whole Place' thinking in service / system reviews.
- 1.2. Councils are facing a set of tough and complex pressures. Local government is facing a decline in revenue alongside rising demand for services. These early years of austerity have been characterised by authorities taking action to reduce costs through a range of measures.
- 1.3. Given that public spending cuts look set to last well into the next parliament, local government need to raise its sights and shift beyond traditional cost reduction approaches.
- 1.4. Local public services need to be viewed in a much more holistic way, with a focus on how multiple organisations, and citizens themselves, can contribute to securing desired outcomes. This new landscape will require fundamentally different organisational cultures and behaviours to make it successful.
- 1.5. Taking a medium to long term focus the Governance and Resources Scrutiny Commission has decided to initiate a programme of work called Whole Place which aims to find new ways in which Hackney's public services can work together to achieve better outcomes for our residents. This explicitly includes services beyond the council itself and it will also consider how community-led action can contribute to better outcomes. This paper proposes that the Commission conduct its first Whole Place review on long term unemployment and mental health.

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- 1.6. As with programmes such as Total Place, Troubled Families and Community Budgets, the Commission will look at how services can be redesigned to better meet citizen's needs and do so in a more cost effective way. The review will look at how all relevant public money is spent in the borough, across different services, and ask how that money could be spent more effectively.
- 1.7. Taking a whole place approach will connect with communities to create shared solutions and help commissioners and service providers to spend / invest differently; to meet need and provide more efficient and effective services.
- 1.8. Core Questions

The Commission intends to complete a review to answer the following:

 - What are the barriers for those who experience mental health problems and who have been out of work for a long time re-entering the labour market and engaging in wider social participation?
 - What existing services are available to support this group and how successful are they?
 - How could support be redesigned to better meet the needs of this group and more effectively help people re-enter the labour market and/or achieve their aspirations?
- 1.9. The purpose of the review is to support prevention rather than cure: identifying the causes of high spend/need and then identifying how earlier intervention could reduce demand.
- 1.10. This review will seek to understand the current landscape of service provision for the long term unemployed with mental health problems from service providers and commissioners.
- 1.11. This review recognises that in order to make the system more effective, we must start with people, find out what their aspirations are and redesign support from there. The review will carry out a detailed consultation with service users, which aims to:
 - Understand the causes of LT unemployment connected to mental illness in Hackney
 - Identify the barriers to this group re-entering the labour market or engaging in education and wider social participation
 - Assess the effectiveness of existing programmes locally that engage with this group
 - Develop proposals for more effective approaches.

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- 1.12. The work of the Commission will involve the following pieces of work:
 - a) Review of existing research and data on this group - demographic characteristics, type of health problems experienced, analysis of causal factors
 - b) New qualitative research with Hackney citizens who are LT unemployed linked to mental illness to understand triggers, barriers, interaction with services
 - c) Collecting evidence from other authorities doing innovative research and work in this area
 - d) Discussions with partner organisations locally so that we understand the range of existing programmes and their views on what needs to change
 - e) Calculation of how much money could be saved if more preventative and more effective measures were taken with this group
 - f) Consider what successful outcomes might like look for this group.
- 1.13. This review will not carry out a review of service provision and performance. This review is focused on capturing the service user's journey, voice and views about services and the support available. This information will feed into the Council's existing cross cutting review on long term unemployment.

2. Background

- 2.1. It is estimated around 13 million has been spent locally on employment support for this group and they have not changed in the last decade. The Commission has chosen to focus on LT unemployment and mental health because this is the largest category on LT unemployment benefits in Hackney.
- 2.2. The LT unemployed are a vulnerable group, who have not benefited from generic support programmes. The Commission was informed many people from this cohort treated in the Work Programme do not follow a linear sequence, instead their pathway is chaotic. Quite often this has meant people fall out of the programme.
- 2.3. If individuals from this cohort receive health support it is through adult social care. However many people fall below the threshold for adult social care support and thus enter into the Work Programme. The single work programme assessment focuses on physical disability and not mental health.
- 2.4. The changes to the labour market have made it harder for this group to get back into employment. Once a service user has transitioned to

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IB/ESA, it is a great effort to get employers to view them as employable.

- 2.5. The Council is undertaking a review on youth employment, so a focus on this older age group (which tends to go on to benefit at 35) would be complementary and help to fill a gap.
- 2.6. The Council's deep dive into the benefits helped the organisation to understand the benefit profile in Hackney. Through this exercise the council looked at the provision offered and commissioned which highlighted that employability was not a guaranteed output and there was a series of factors that needed to be taken into consideration. This review will look at those factors.
- 2.7. The Council is following up on the council's previous cross cutting review of worklessness to establish how local services can be provided more efficiently whilst meeting the needs of service users early to prevent high spend / need.
- 2.8. Feeding the voice of the service user into the cross cutting review will help service providers to understand the needs of service users and consider how better links between services could reduce demand for this group.
- 2.9. This review will consult with LT unemployed claimants with mental ill health on ESA / Incapacity Benefit. To start engaging with service users the Commission will need to acquire knowledge about the current service provision and entry points to support services for service users. Further details about the consultation can be found under section 4.

3. Key Stakeholders

- 3.1 Key stakeholders to be approached could include the following:

Sector / organisation	Stakeholder
Service users / general public	<ul style="list-style-type: none">• TBA
Council depts and services	<ul style="list-style-type: none">• Public Health• Adult Social Care• Ways into Work Team

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Other London Boroughs / Councils	<ul style="list-style-type: none"> London Borough of Lewisham
Public Sector and executive bodies	<ul style="list-style-type: none"> East London Foundation Trust City and Hackney Clinical Commissioning Group
Academics / Expert Consultants	<ul style="list-style-type: none"> OPM - Sue Goss Independent Consultant - John Atkinson
Representatives of target groups	<ul style="list-style-type: none"> City and Hackney Mind Local VCS organisations TBA

4. Methodology

- 4.1. Scrutiny meetings are conducted monthly and for the duration of the review, the evidence gathered will be collated and published at these meetings. Desk research will be undertaken initially and throughout the review to provide background information on national policy and local findings.
- 4.2. Relevant community groups will be invited to participate in the review through written submissions, public meetings and site visits.
- 4.3. The approach and methodology for this review will be different and take a 'whole place' approach. This means looking across existing service silos, both within and beyond the Council. The focus will be on overall service provision savings from interaction with an individual not in ensuring a particular organisation benefits in terms of savings. This means working closely with colleagues across the public, private and voluntary sectors. The key outcome to be achieved is to empower people to help tackle the problems they face.
- 4.4. The focus of this review is hearing from Hackney's people and about the problems or barriers they face, rather than services and their objectives. The review will conduct one to one interviews with long term unemployed local residents on IB/ESA linked to mental health.
- 4.5. This review will commission external work. The completion of this review is dependent on identifying long term unemployed service users on IB/ESA to interview within the timescales of this review and

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commissioning an experienced facilitator and moderator to conduct the sessions in private.

- 4.6. The service user consultation will feed into the cross cutting review being carried out by the Council to influence and shape service provision locally. The key aim is to support prevention and identify the causes of high spend/need, to consider how earlier intervention such as better links between services can reduce demand.
- 4.7. To make recommendations on the point above the Commission will need to understand the service user's journey. This requires talking directly to the service user.
- 4.8. The vulnerability of the service user cohort and sensitivities of the issues being discussed, will require an experienced facilitator and moderator to capture their views and the information required; that will enable local providers and commissioners to redesign the way public services work to meet service user needs more efficiently and cost effectively.
- 4.9. The format of the consultation will be commissioning a skilled interviewer to

5. Timetable

- 5.1 The information gathering commenced in September 2014 – March 2015 and the report will be agreed at the June 2015 meeting of the Commission.
- 5.2 Highlighted is when different corporate aspects of the review are likely to be completed.

Task	Envisaged Timetable
Draft Terms of Reference, desktop research, consulting experts, confirming Executive Link Officer/Members	January – February 2015
Agreement of terms of reference	February 2015
Formal / informal committee meetings	November – March 2015

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Site visits	January 2015
Report drafting	April 2015
Consult Executive Link Officer/Members on draft findings and recommendations	May 2015
Schedule for Legal/Finance comments	May 2015
Consideration by Commission/Cabinet/Council	July 2015

5.3 The following is an initial outline of the timetable and suggested contributors:

September 2014	
Topic	Responsible Officer/Partner
Briefing on Total Place and Community Budget pilots	OPM - Sue Goss Independent Consultant - John Atkinson
October 2014	
Topic	Responsible Officer/Partner
Information about the total public spend in the Borough	LBH Corporate Director Finance and Resources, Ian Williams
November 2014	
Topic	Responsible Officer/Partner
Corporate Policy Team update on the long term unemployment in Hackney	LBH Chief Executive Directorate Policy Advisor, Shawnee Keck
January 2015	

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Topic	Responsible Officer/Partner
Information on the current service provision, client group and spend on services provided by the Council and partners for long term unemployed residents in the borough.	<ul style="list-style-type: none"> • LBH Adult Social Care – AD Commissioning, Genette Laws and AD Adult Social Care, Rob Blackstone • LBH Public Health – Public Health Manager, Gareth Wall • East London Foundation Trust – Dean Henderson, Borough Director • LBH Ways into Work – Programme Manager, Andrew Munk • DWP Job Centre Plus – Borough Relationship Manager, Stephen Hanshaw
February 2015	
Topic	Responsible Officer/Partner
Update and paper on consultation methodology, outline of consultation work with service users and confirmation of expert being commissioned.	LBH Chief Executive Directorate
March 2015	
Topic	Responsible Officer/Partner
Service User Consultation – Interviews with local residents who are IB/ESA claimants	TBA

- 5.4 In addition to these meetings Members of the Commission will conduct a site visits to London Borough of Lewisham to talk about their Community Budget Pilot partnership with London Borough of

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Southwark and London Borough of Lambeth. The visit will provide an overview of:

- Their work programme 'Pathways to Employment' and expected outcomes from the programme
- How they captured service user voice and how they used this information to shape the service provision to meet their needs
- The work they have done on mapping the service provision spend and potential savings from the new service provision.

5.5 The pilot is currently in progress and focuses on 4 client groups related to the area of our review:

- 18-24 year olds
- Over 50
- Lone parents
- Mental health.

6. Background Papers

6.1 The following are the key pieces of background reading for the review:

- Total Place: a practitioners guide to doing things differently, Leadership Centre for Local Government
- Places, People and Politics: Learning to do things differently, Leadership Centre for Local Government
- Local Public Service Transformation: A guide to Whole Place Community Budgets, Local Government Association, March 2013
- Mapping the Money: Public spending in Westminster, City of Westminster
- Neighbourhood Community Budget Pilot Programme: Research, Learning, Evaluation and Lessons, July 2013, Department for Communities and Local Government
- Our Place, July 2013, Department for Communities and Local Government and Local Government Association

7. Executive Links & Response

7.1 The following corporate stakeholders have been consulted on this Terms of Reference:

Contributor	How have they been consulted on proposal
Council Lead Director	Ian Williams, Corporate Director Finance and Resources

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Council Lead Officers	Michael Honeysett, Assistant Director Financial Management Joanna Sumner, Assistant Chief Executive Programme, Projects and Performance
Executive Member(s)	Cllr Geoff Taylor, Cabinet Member for Finance

Contact

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Governance and Resources Scrutiny Commission 9 th February 2015 Governance and Resources Scrutiny Commission Work Programme 2014/15	Item No 8
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Outline

Attached is the work programme for the Governance and Resources Scrutiny Commission for 2014/15. Please note this is a working document and regularly revised and updated.

Action

The Commission is asked to consider and note the report and suggest any amendments to its work programme.

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Overview & Scrutiny

Governance and Resources Scrutiny Commission (as at 25 July 2014)

Rolling Work Programme July 2014 – March 2015¹

All meetings take place at 7.00 pm in Hackney Town Hall unless stated otherwise on the agenda. This rolling work programme report is updated and published on the agenda for each meeting of the Commission.

Dates	Proposed Item	Directorate and officer contact	Comment and Action
Mon 14 July 2014 Papers deadline: Thu 3 July	Election of Chair and Vice Chair	Chief Executive's	First meeting of newly elected Commission.
	Introduction to G&R	O&S Officer	To note.
	ICT Review	Finance and Resources (Christine Peacock)	To agree final report. Changes requested at April meeting.
	London Living Wage investigation	Chief Executive's	To note Commission's letter to Cabinet Member for Finance on outcome of this investigation
	Finance update	Finance and Resources (Ian Williams)	Briefing on the budget scrutiny process and update on General Fund savings 2011/12-2013/14.
	Work Programme Discussion		To agree a review topic and topics for one-off items for the year.

¹ Please note there will be no Commission meetings in April 2015 because of the General Election purdah period.

Dates	Proposed Item	Directorate and officer contact	Comment and Action
Mon 8 Sept 2014 Papers deadline: Thu 28 August	'Public Spend' review – expert briefing	OPM - Sue Goss and Independent Consultant - John Atkinson	Briefing on 'Total Place' to begin scoping of review on 'Public Spend'
	'Public Spend' review – Methodology of Approach to Mapping Total Spend	O&S Team (Tracey Anderson)	Information on the methods of approach used to map total spend
	Impact of welfare reforms on local residents	Finance & Resources (Kay Brown and Jennifer Wynter)	Continuing regular updates on how the Council is responding to local impact of welfare reforms. Joint with CSSI members following up on their own review. ² Both Commissions collaborating.
Mon 13 Oct 2014 Papers deadline: Thu 2 Oct	'Public Spend' review – evidence gathering session	Finance and Resources	Information presented on total public spend in the Borough
	Complaints Service – annual report	Chief Execs Office (Bruce Devile)	Annual report of the Council's complaints service
	Council Governance – scrutiny inquiry	Mayor's Office (Ben Bradley)	Response to additional recommendation from April (proposal for an annual Full Council work programme planning meeting)
	'Public Spend' review – Terms of Reference '	O&S Team (Tracey Anderson)	To agree terms of reference

² G&R received update in Dec 2013. CSSI received update April 2014 and is due to receive another in March 2015.

Dates	Proposed Item	Directorate and officer contact	Comment and Action
Mon 10 Nov 2014 Papers deadline: Thu 30 Oct	'Public spend' review – evidence gathering session	Lewisham Council	Information about the Lewisham, Lambeth and Southwark Community Budget Programme.
	Policy Update – Long Term Unemployment	Chief Executive – Corporate Policy	Information about long term unemployment in Hackney.
Mon 8 Dec 2014 Papers deadline: Thu 27 Nov	Cabinet Question Time with Cllr Taylor (Cabinet Member for Finance) TBC	Cllr Taylor – Cabinet Member Finance	Cabinet Question Time is now carried out by individual Commissions. Cllr Taylor has lead responsibility for revenues and benefits, audit, procurement, pensions, and customer services.
	Governance Review	Legal, HR and Regulatory Services (Gifty Edila)	Discussion about the role and responsibility of Corporate Committee.
	Finance update	Finance & Resources (Ian Williams)	Update on the Autumn Statement.
Mon 19 Jan 2015 Papers deadline: Thu 8 Jan	'Public Spend' – evidence gathering session	Various organisations	Information on the current service provision, client group and spend on services provided by the Council and partners for long term unemployed residents in the borough.
	ICT Review Executive Response	O&S Team (Tracey Anderson)	To note the Executive Response to the Commission's review.
	Budget and Finance update	Finance & Resources (Ian Williams)	Budget and Finance update on local government settlement and Council Budget for 2015/16.

Dates	Proposed Item	Directorate and officer contact	Comment and Action
Mon 9 Feb 2015 Papers deadline: Thu 29 Jan	Fees and Charges Update	Finance & Resources (Ian Williams)	Update on 2015/16 Budget – Fees and Charges
	North London Waste Authority (NLWA)	Community Services Directorate Tom McCourt David Beadle (NLWA)	Update on the NLWA's – covering recent history, proposals and impact.
	Whole Place Review: Long Term Unemployment and Mental Health	O&S Team (Tracey Anderson)	Terms of Reference and service user research specification
Mon 16 Mar 2015 Papers deadline: Thu 5 March No mtg in April due to general election purdah	Whole Place Review: Long Term Unemployment and Mental Health	tbc	Evidence gathering session 1
	Council Tax Reduction Scheme	Finance & Resources	Discussion about the scheme
	Work programme for 2015/16 discussion		Discussion on topics for work programme for 2015/16.

Site Visit

Site Visit to LB Lewisham on Tuesday 20th January 2015 – The Commission will talk to London Borough of Lewisham and visit one of their sites for the Community Budget Pilot with London Borough of Lambeth and Southwark.

The following are also to be scheduled:

Public Participation – full review to commence June 2015

The Future Public Servant – full review to commence Jan 2016

Technology and Innovation – full review of Task & Finish

Capital Strategy – full review

Fees and Charges – revisit implementation of recs of previous review

Council Tax Reduction Scheme – one off item

Big Data – major review

Full Council – implementation of recs from previous review – one off

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