

London Borough of Hackney
Governance and Resources Scrutiny Commission
Municipal Year 2015/16
Date of Meeting Monday, 22nd February, 2016

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	Ian Williams (Corporate Director of Finance and Resources)
Other People in Attendance	Councillor Geoff Taylor (Cabinet Member for Finance)
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 No urgent items and the order of business is as per the agenda.

3 Declarations of Interest

3.1 No declarations of interest.

4 Minutes of the Previous Meeting

4.1 Minutes of the meeting held on 18th January 2016 were agreed.

RESOLVED	Minutes were approved.
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4.2 Matters Arising

4.2.1 Members requested for the Assistant Director ICT to return to the Commission (G&R) in April 2016 with an update on the ICT transformation projects.

This is scheduled in the work programme.

4.2.2 Chair's Action to write to the Cabinet Member for Finance and Corporate Director Finance and Resources to inform them about the start of Budget Scrutiny Task Groups.

This action was completed. The correspondence was sent on 10th February 2016. The Chair is awaiting a response.

5 Budget Update 2016/17

5.1 The Chair welcomed Ian Williams, Corporate Director Finance and Resources and Councillor Geoff Taylor, Cabinet Member for Finance from London Borough of Hackney (LBH) to the meeting.

5.2 The PowerPoint presentation about the budget was circulated to Member prior to the meeting.

5.3 The key points highlighted from the presentation were:

5.3.1 The Council has made no material cuts to frontline services.

5.3.2 The cost pressures are homelessness, welfare reform, no resources to public funds (NRPF), pay award, London living wage, care costs, bedroom tax and right to buy. The Council continues to manage the pressures outlined above on its budget.

5.3.3 Council's budget has been reduced by £130 million.

5.3.4 The Council's capital investment programme is extensive and the Council's strategic acquisition approach is adding value.

5.3.5 The Housing Revenue Account continues to be impacted by the benefit cap reduction (to £23k) and the introduction of Universal Credit.

5.3.6 The Council is expected to come in on budget for 2015/16.

5.3.7 The Government are offering a 4 year funding allocation in return for efficiency plans. Local authorities have until 14 October 2016 to accept the offer.

- 5.3.8 Change in the Revenue Support Grant (RSG) distribution methodology aims to help more grant dependent authorities.
- 5.3.9 Council tax changes – no council tax freeze grant. The council tax referendum limit stays at (2%) and introduction of the social care “precept” of 2% for council tax. This is expected to raise £55m in 2016/17 for London and a cumulative total of c.£560m by 2020. There is an assumption of council tax growth.
- 5.3.10 Significant shift from previous regime of capping and freeze grants.
- 5.3.11 The “Core Spending Power” has been cut by 9% (England 8%) this includes Better Care Fund (BCF) and New Homes Bonus (NHB).
- 5.3.12 Transition grant (following final settlement) of £300m in first 2 years of spending review period nationally (£26m for London) – however it is unclear how this will be calculated.
- 5.3.13 For 2016/17 the visible top slices and transfers in are:
- £1.275bn for NHB.
 - £20m for Rural Services Delivery Grant. The total grant increased to £65m in the final settlement, however it is unclear whether the extra £45m is top-sliced or new money – Hackney Council has been lobbying on this.
 - £50 million top slice for the safety net.
 - Care Act funding £308m.
 - Extra funding for flooding £10m + £1.9m Sustainable Urban Drainage System (SuDS)
 - 2015-16 Council Tax Freeze Grant £115m.
 - 2015-16 Efficiency Support Grant.
 - £129m Local Welfare Provision (LWP) funding.
- 5.3.14 Members were shown a chart highlighting the spending reductions for each local authority tier. This demonstrated how it varied over time.
- 5.3.15 Significant changes to spending power has and will be:
- There are assumptions of a 1.75% average council tax increase each year as well as all eligible social care authorities taking up the 2% social care precept.
 - There is an assumption the tax base will grow at the same rate as historic trends 2013/14 to 2015/16.
 - There is an assumption that the Mayor of London will increase the police tax element.
 - There is significant underemphasises of the extent of overall funding cuts as council tax is exaggerated.
 - New Homes Bonus for 2016/17 allocations confirmed (London £254m) but the NHB is not guaranteed to continue.
 - Department Communities and Local Government (DCLG) is consulting on options to save £800m by 19/20 (to fund new BCF). The deadline for this consultation is March 2016.
 - NHB (17/18 to 19/20) in Core Spending Power (CSP) estimate is based on current share of national total.
 - The BCF is expected to receive £1.5 billion by 2019/20. The Council hopes this will support better partnership working between local government and Clinical Commissioning Groups (CCG).

5.3.16 Other funding outside the local government settlement:

- Public Health Grant (PHG) – England total of £3.4bn in 2016-17 (London £682m).
- Better Care Fund – England total of £3.9bn in 2016-17 (London £603m).
- Independent Living Fund – England total of £177m in 2016-17 (London £21m).
- Housing benefit administration of benefit grant - England total of £224m (London £49.3m).
- No Council Tax administration of benefit grant advised to date.
- Compensation for previous cap on business rates multipliers details are not confirmed).
- Small business rate relief extension – s31 grant.
- S31 grant for flooding to increase in real terms.
- Education Services Grant allocations (8.5% cut for London £94m to £86m).

5.3.17 The Council has lost £36million in revenue support grant (the council's largest general grant).

5.3.18 In summary

- The Budget Report will go to Full Council on 2nd March 2016.
- 2% Social Care precept is recommended.
- Continuation of existing policies.
- The significant cost pressure are temporary accommodation and looked after children.

5.4 Questions, Answers and Discussion

- (i) **Members enquired if funding levels for local authorities was stabilising and if the furore of the recession had passed. Members queried if local authorities have identified the level of funding they need to be sustainable and the future role of local authorities.**

The Corporate Director Finance and Resources from LBH advised the forecasts projected by the council were based on the forecasts from the Office for Budget Responsibility (OBR). He acknowledged changes to the world economy does have an impact on the council's budget too.

The Cabinet Member for Finance from LBH commented there is a vision for local authorities and how they will be funded. Implementation of this vision would reduce local authority spending by 65% and push local authorities towards being self-financing. The theory behind this is, if local authorities become more reliant on creating their own income they will be more responsible. It was noted other factors like Britain exiting the European Union would also have an impact.

- (ii) **Members referred to the changes to the New Homes Bonus and enquired if this resembled top slicing?**

The Corporate Director Finance and Resources from LBH notified Members that the proposed changes were out for consultation and this consultation was scheduled to end 12th March 2016. A key change is moving from the current 6

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year funding to 4 year funding. It was also noted that the proposals would be taking money from District Councils to pay for the Better Care Fund (BCF). It was highlighted councils need to be mindful that they could lose the NHB and the BCF.

- (iii) **In relation to the budget Members enquired about changes or updates, linked to devolution, in relation to health, employment etc. Members were interested in understanding if there was a possibility of joining up budgets and the future of local authorities in 5 years time, as a result of changes like this.**

The Cabinet Member for Finance from LBH informed Members there is no authorised body with authority for pan London to capture the views and needs. Following stability in funding for local authorities Hackney Council could consider building on initiatives that align with Hackney's vision and meet local need. It was highlighted that there needed to be an authorised responsible body with authority to develop a vision for pan London's needs.

- (iv) **Members discussed if they the budget challenges needed pan London level thinking to develop sustainable solutions.**

In response the Cabinet Member for Finance from LBH suggested there should be discussion about a pan London authority to deal with the overarching needs for London.

6 Cabinet Question Time

6.1 The Chair welcomed Councillor Geoff Taylor Cabinet Member for Finance from London Borough of Hackney (LBH) Cabinet Question Time.

6.2 The Chair recapped on the questions submitted in advance to the Cabinet Member for Finance for discussion:

6.2.1 Council Finance

- 1 What is the prospect for the Council's finances in light of a more positive local government grant settlement for 2016/17? Has the council's finances reached crisis point? Do difficult decisions need to be made about service provision or radical service change?
- 2 What are the recent trends in council tax and debt collection rates and how is the council balancing the need to collect with the need to support those who are struggling to pay, particularly in light of welfare reform and other pressures?
- 3 Does the Council have a good understanding of the future risks and opportunities presented by changes in land values to the capital programme and the council's overall financial position?
- 4 In relation to the Discretionary Housing Payment budget and the financial pressure being placed on the Council by Temporary Accommodation - how sustainable is this, what more we can do, and what is the potential impact on other services?

6.2.2 Ethical investment - in particular pension investment (consistent with the Council being a fair trade borough).

5 In relation to the Council's pension investments, the Commission wishes to understand how much latitude the Pensions Committee has in directing the focus of its investment considering its fiduciary duty to pension fund members? The Commission enquires if the Council's fair trade status is at odds with its pension fund investments and has it considered divesting from non-fair trade investments?

6.2.3 Procurement

6 How does the Council ensure its procurement process supports local small businesses?

6.3 Questions, Answers and Discussions

6.3.1 The discussion commenced with the Cabinet Member for Finance's response to each question.

6.3.2 In response to question 1 the Cabinet Member for Finance notified Members the financial position had slightly changed. The funding gap had reduced to £58 million from £60 million. In relation to Members query about if the council's finances had reached crisis point. The Cabinet Member advised his definition of a crisis was a state of panic. LBH was not in a state of panic.

The Budget Scrutiny Task Groups looked at proposals for savings that would have an impact on residents. The Council has reached the point whereby hard decisions will need to be made. The council's aim is to ensure the decisions made are right ones, in tandem the council will still be making efficiencies and generating income. As funding continues to reduce the Council has reached the point where it will need to consider making changes to frontline services. The ability to continue making efficiencies from back office alone was limited and changes to frontline service provision will need to be considered. It was pointed out that changes like Universal Credit are likely to involve radical service change.

- i. **Members enquired if the council was moving from back office efficiencies to frontline efficiencies.**
- ii. **Taking into consideration the devolution agenda being driven forward. Member discussed if the Council's Executive should start highlighting, the need for consideration to be given to how the different institutions could align their visions and budgets. Members commented if a possible solution would be sub regional or pan London.**

The Cabinet Member for Finance from LBH highlighted it may not be something Hackney Council could drive forward alone. Members were informed currently there is no provision for services like Police, Health or Education to share budgets at a pan London level or sub regional level.

- iii. **Members discussed if local residents should be made aware so that they can campaign. In this discussion Members referred to the austerity commencing in 2010 with Councils reviewing frontline services and commended the fact that Hackney had just reached this position now. Members suggested this was communicated to residents. It was noted**

that Lambeth Council has posters around the borough about this. Members discussed if this type of communication could create a sombre mood and lead local people to feel a sense of decline. It was commented that Hackney has a reputation of being up beat and Members did not want to disseminate a negative message or impact adversely on staff or residents moral. Members enquired how the Council could balance providing residents with information whilst informing them that the council needed to start making difficult decisions about services.

The Cabinet Member for Finance from LBH advised the Council needs to use positive but honest language. The Council will need to inform residents the borough has a good future and that it will not increase taxes unnecessarily. The Council's aim is to be proactive and creative with its use of land. The goal is to generate income to replace the income that is lost. The difficulty is inevitably there will be an impact on services, this is unavoidable. There may also be services they do not wish to change. This means the council will need to be creative about how services are provided. It was pointed out Hackney is in a good position because the residents trust the local Mayor and in the communication the Council has to make it clear that this is not through choice but a requirement.

- iv. **Members commented to date the council has managed the cuts and the impact on public facing services. Members enquired about the council's learning from the efficiencies made so far.**

The Cabinet Member for Finance from LBH informed Members a key learning was that changes need time to embed.

The Corporate Director Finance and Resources from LBH pointed out the private sector has been through a period of correction and the public sector was experiencing this too. The public sector is in the process of reviewing what is needed and what needs to be funded.

- v. **Members referred to the fact that the Council has frozen council tax over the last 10 years. It was pointed out this strategy was used to encourage the council to operate efficiently. Members enquired how the council would continue to apply this pressure.**

The Cabinet Member for Finance from LBH informed Members the key was to manage growth and for the council to continue to be efficient in its spend and priorities.

- 6.3.3 In response to question 2 the Cabinet Member for Finance advised Members the council tax base income increased by 3 / 4%. The council acknowledged a number of people are finding it difficult to pay their council tax. The Council has responsibility to pursue people who do not pay because they have residents that are paying. The council has support in place to assist people who do have difficulties paying or for those facing financial challenges. There are a number of support processes in place before they reach the final point of debt collection. Members were informed the Council met with The Children's Society in response to their report looking into the impact of Council Tax debt collection on families. The council outlined their approach to debt collection to

address the concerns raised in their report. Members were advised the Children's Society commended the work of Hackney.

- vi. **Members confirmed the support for people facing financial difficulty was reflected in casework and more often a solution was found before reaching the final stage in the process.**
- vii. **Members made the following enquires:**
 - a) **What is the cost to the council for chasing up payments?**
 - b) **What percentage of households were on direct debit payments?**
 - c) **What is the cost of services per council tax payee?**

The Cabinet Member for Finance from LBH advised he was unable to provide exact figures to the commission at the meeting. It was noted the council's aim was to migrate more people onto direct debit payment. Currently 47,000 properties out of 109,000 properties are on direct debit.

The Corporate Director Finance and Resources from LBH informed Members the commission previously received information about council tax collection rates and he offered to provide an update.

ACTION	The Corporate Director Finance and Resources to provide an update on council tax collection figures to the Commission.
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- viii. **Members enquired if the updates could include trends.**

The Corporate Director Finance and Resources from LBH informed Members in the 1990s Hackney had 90,000 properties. Currently in the borough there are 109,000 properties.

- ix. **Members highlighted the perception of Hackney is it is becoming more wealthy. Members enquired if this has led there to be investment in particular areas.**
- x. **Members enquired if the increase in council tax collection was due to the growth in base or increased collection?**

The Corporate Director Finance and Resources from LBH informed Members the collection rate has increased by 3 / 4% and there has been a growth in base.

In response to the query about the growth in base or collection the Corporate Director Finance and Resources from LBH confirmed it was a combination of both.

- 6.3.4 In response to question 3 the Cabinet Member for Finance advised Members the value of land had increased significantly in Hackney and this was having an impact on house values and rent charges. The council recognised using land value did present some risk. It was pointed out the increase in land value was

being used to support capital developments like schools. It was acknowledged there was no certainty that investment in land value would pay off indefinitely. The Council is mindful of the risks and spreads the risk. Members were informed the council reviews risk and the sensitivities for each investment. The council is making sure it does not invest in one area but a spread of investments.

- xii. **Members referred to capital programmes like the Nightingale regeneration programme, it was noted a number of promises have been made to residents in regards to the programme. Member enquired if there was a sudden change in the economic market that affected the housing market, would this have an impact on the provisions promised. Members wanted to know about contingency planning and the stress testing carried out in relation to capital programmes like this.**

The Corporate Director Finance and Resources from LBH advised the Council cannot full proof itself from changes in the economy. The council conducts due diligence tests before they progress with plans and if all precautions have been taken the council proceeds. Economic changes like the price of oil and the impact of this on the council's budget could not have been predicted.

- xii. **Members pointed out in the planning process the assumption is land values do not increase and developers have benefited from this. The public sector has a history of being risk adverse which has led to councils missing out on opportunities for income. Members suggested the council should consider having a criteria that allows them to revisit developments if there has been a delay between permission and build. It was commented that councils need to take a more mature approach to risk, especially as councils will become responsible for generating their own income.**

The Cabinet Member for Finance from LBH advised Members the Council has learned lessons from developers benefitting in this way.

The Corporate Director Finance and Resources from LBH highlighted the council is under pressure to be risk adverse. The council has started to recognise the gains developers can make. The Woodberry Downs development was cited as an example whereby the council did not accept an early deal. In this instance the Council has been able to yield a better return on investment although this was not without some risk. It was also noted that to manage investments in this way the council will need staff skilled to broker in situations like this.

The Cabinet Member for Finance from LBH added the staff will need to be motivated and the council needs to offer a competitive salary to attract staff to fulfil these roles.

- xiii. **Members informed the officers about a process adopted by planning in other local authorities whereby they ask developers to pay a set fee per property if they cannot deliver the affordable housing criteria.**

6.3.5 In response to question 4 the Cabinet Member for Finance advised Members the Discretionary Housing Payment (DHP) has decreased by 35% over the last

3 years. The government grant available for the short term. The real term value is as at 2011 when it transitioned from Department of Works and Pension (DWP) to councils. This fund has reduced while private rents have increased. On average rental values are increasing by 10% per year in addition to the welfare reform changes. As a result of the welfare reform changes the availability of properties for residents has reduced from 30 in every 100 to 3 in every 100.

- xiv. **Members enquired if the number of available properties included the type of tenants landlords refuse to take.**

The Cabinet Member for Finance from LBH notified Members the number of people presenting to the council as homeless was increasing.

- xv. **Members enquired if the Council's spend on temporary accommodation was capped by the local housing allowance (LHA) and if there was a cap on DHP?**

The Corporate Director Finance and Resources from LBH confirmed the council's spend was not capped and that they can use the DHP to cover additional costs. In reference to the DHP it was noted the council could add additional resources to the funding pot. It is estimated the council would need to factor in £4 million to manage the growth pressures of housing.

The Cabinet Member for Finance from LBH highlighted that people are moving out of their accommodation due to affordability. Social housing in London was transforming. In addition Universal Credit was being implemented and this gave local authorities less control. The council currently has 2,500 households in temporary accommodation. The council highlighted some families can be in temporary accommodation for years, due to limited housing stock.

- xvi. **Members referred to the Council using more hostel type tenure for temporary accommodation and enquired about the feedback and experience of residents to date. Members recognised the limits on the council in terms of it being able to provide permanent accommodation.**

The Corporate Director Finance and Resources from LBH informed Members the council's decision to purchase hostel accommodation was driven by economics and to reduce the council's costs. The council is no longer required to pay rents to the landlord for this accommodation it is owned by the local authority.

- xvii. **Members recognised the council has no control over external factors and the increasing number of individuals or families becoming homeless. Members raised concern about the long term impact on families from living in hostel type accommodation and the sustainability of this. Members enquired if there was wider planning in place to manage the pressure long term and any ability to proactively take on all drivers leading to this crisis.**

The Corporate Director Finance and Resources from LBH offered to arrange a site visit for Members of the Commission to view the type of hostel accommodation the council is using.

ACTION	The Corporate Director Finance and Resources to arrange for the Members of G&R to visit the new temporary accommodation used by the Council.
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The Cabinet Member for Finance from LBH reminded Members the council was looking at the cumulative impact of decisions and policy. For example reviewing the impact of closing libraries if more children need space to study because their accommodation is not suitable. This was factored into the council Homelessness Strategy and Temporary Accommodation Strategy.

xviii. **Members enquired about the prospect for housing in 5 years time.**

The Cabinet Member for Finance from LBH informed Members there are a number of people in 3 bedroom properties that need a 1 bedroom, however the council does not have the required level of stock. The council recognises it has families in temporary accommodation that need 3 bed properties but the council is unable to swap or move individuals who do not wish to move.

It was highlighted that the spare room subsidy was expected to help resolve this situation but it has not impacted on the main cohort of people who are sitting in these accommodations and the council does not have a sufficient number of 1 bed properties to re-house individuals.

The solution to the temporary accommodation pressure may be to relocate families outside of London, however who is responsible for the infrastructure of where people are relocated to.

6.3.6 In response to question 5 the Cabinet Member for Finance informed Members LBH's responsibility was not to the pension members but to the pension committee and tax payers of the borough. The commission was advised the pension fund is 60% funded and the gap is funded by the Council. The intention is to get the pension fund to a point of being self-financing to reduce the cost to the council. The council aims to be responsible share owners and uses its influence where possible. Members were reminded that there may be long term investment that take a short term dip. It was noted the council has received pressure to disinvest from fossil investment. It was highlighted the decisions made by the Pension Committee need to be business decisions not ethical decisions. Members were informed the Pensions Committee does not take fair trade status into account. However, where possible the council will use its share power to influence how a company operates. The Pensions Committee's aim is to be responsible and take a long term view of investments.

xix. **Members raised concerns about pension investment with companies that have been linked to arms trade. Members were of the view that there was more ethical investments that generate good income. Members made the following enquires:**

- a) **Will the council invest in companies regardless of what they trade in?**
- b) **Is the council's political views taken into consideration too?**

- c) **How does the Council align the political statements with investments that contradict their views?**
- d) **Does the Council have ethical investments?**

In response the Cabinet Member for Finance from LBH confirmed the Council will not invest in certain areas but these decisions will not be taken at the detriment of the pension fund and return on investment.

- xx. **Members enquired if ethical investment is an area the Pensions Committee reviews.**

The Cabinet Member for Finance from LBH confirmed the pensions committee does look at ethical investment. They have expressed their views of investing in companies that have positive operations. The Pensions Committee is currently reviewing its fossil investment. The Pensions Committee recently agreed recommendations to explore a 5% investment of fund into sustainable/low carbon and clean energy. The final decision has not been made. The Pensions Committee is aware there are a number of pension funds disinvesting in fossil fuel investment. The Cabinet Member pointed out any decision made must be compatible with its fiduciary duty to the pension fund.

- 6.3.7 In response to question 6 the Cabinet Member for Finance notified Members, for LBH contracts they spend approximately one sixth in the borough. If foster carers are included this increases to a quarter. Members were informed two thirds was spent with SMEs in the borough. The council recognises the challenges for micro businesses to complete the requirements of the procurement process. A key barrier identified was acquiring the level of insurance cover required. To assist small companies Hackney reviews the bids for compatibility before requesting the insurance cover. Hackney also holds supplier events to target smaller businesses in the borough too.

- xxi. **Members referred to councils requirements in terms of cost, records etc. and enquire if LBH tries to ensure contractors who sub contract aim to work with local contractors and local businesses?**

- xxii. **Members highlighted repeated comments heard from small business relate to the need for training to enable them to compete. Members asked if the council invites consortiums of SMEs to bid, to encourage businesses to work together rather than going with big contractors. It was pointed out this could yield good results too; if businesses could be encouraged and assisted to work together.**

The Cabinet Member for Finance from LBH informed Members where possible they try to pool contracts together to allow multiple organisations to bid. The Council encourages businesses to view the contract on the portal first before assuming they cannot bid. On a positive note the council has a good track record for making payments on time and this helps small business with cash flow.

- xxiii. **Members enquired about the council's spend on agency staff and the work being done to reduce this spend?**

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The Cabinet Member for Finance notified Members this is an area of continual concern which is constantly reviewed. Members were informed efforts were continuously made to reduce the number of agency staff employed.

The Corporate Director Finance and Resources from LBH updated that the cost of agency staff for the council had reduced significantly from £48 million to £25 million. It was noted that there are service areas where staff prefer to remain as agency staff. The demand in the market has given staff the ability to stay as contract instead of becoming a permanent member of staff. These were areas like planning, ICT and revenues and benefits.

7 Governance and Resources Scrutiny Commission - 2015/16 Work Programme

- 7.1 The Chair informed the Commission about the confirmed speakers for the devolution discussion on 16th March 2016. The members of the Health in Hackney Scrutiny commission have been invited to this meeting.
- 7.2 Members were reminded that the G&R Commission was invited to the Health in Hackney Scrutiny Commission meeting on 11th April 2016 to explore the interim governance arrangements for the health and social care devolution pilot. The two scrutiny commissions are working collaboratively to share information from discussion about devolution.
- 7.3 Members reviewed the discussion items scheduled for April 2016 and agreed to move the following items to the new municipal year:
 - ICT Transformation Projects Update
 - Devolution discussion about Employment and skills.

8 Any Other Business

- 8.1 None.

Duration of the meeting: 7.00 - 9.10 pm