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:

Wednesday, 19th October, 2016

7.00 pm

Room 102, Hackney Town Hall, Mare Street, London E8 1EA

Tim Shields
Chief Executive, London Borough of Hackney

Contact:
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Members: **Cllr Deniz Oguzkanli, Cllr Nick Sharman, Cllr Susan Fajana-Thomas, Cllr Ned Hercock and Cllr Anna-Joy Rickard (Vice-Chair, in the Chair)**

Agenda

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Governance & Resources Scrutiny Commission	Item No
19th October 2016 **Minutes of the previous meeting and Matters Arising**	**4**

OUTLINE

Attached are the draft minutes for the meeting on 5th September 2016.

ACTION

The Commission is requested to agree the minutes and note any matters arising.

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Chair	**Councillor Rebecca Rennison**
Councillors in Attendance	**Cllr Deniz Oguzkanli, Cllr Nick Sharman, Cllr Susan Fajana-Thomas and Cllr Anna-Joy Rickard (Vice-Chair)**
Apologies:	
Co-optees	
Officers In Attendance	**Sonia Khan (Head of Policy and Partnerships)**
Other People in Attendance	**Professor Martin Doel (Professor of Further Education and Skills) and Dianna Neal (Head of Economy, Tourism and Culture)**
Members of the Public	
Officer Contact:	**Tracey Anderson** ☎ 020 8356 3312 ✉ tracey.anderson@hackney.gov.uk

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Councillor Rebecca Rennison in the Chair

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1 Apologies for Absence

1.1 None.

2 Urgent Items / Order of Business

2.1 The Chair informed the Commission they were in purdah (called the election period), this started from the end of July 2016 leading up to the London Borough of Hackney Mayoral Election.

2.2 The 'Code of Recommended Practice on Local Authority Publicity' provides that during the period between the notice of an election and the election itself – purdah - local authorities should not publish any publicity or controversial issues or report views or proposals in such a way that identifies them with any individual Member or groups of Members and campaign groups or individual campaigners.

2.3   Publicity relating to individuals involved directly in the election should not be published by local authorities during this period unless expressly authorised by law.

2.4   Factual information which identifies the names, wards and parties of campaigners for the election may be published by local authorities.

2.5   Local authorities should not issue any publicity which seeks to influence voters.

2.6   The Chair advised the discussions must avoid any reference or links to local policy. It was agreed with the Monitoring Officer the discussion on Devolution will be generic and refer to Pan London plans.

2.7   There was no urgent items and the order of business was 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 15th June 2016 were agreed.

RESOLVED	Minutes were approved.

5   Devolution - The Prospects for Hackney

5.1   The Chair explained the Governance and Resources Scrutiny Commission commenced a review to explore the implications of the devolution process for Hackney. The review aimed to give councillors an understanding of the implications of Devolution for Hackney. The discussion focused on the area of education, employment and skills. The Commission submitted some questions in advance to our guest speakers. The questions were noted on page 19 of the agenda.

5.2   The Chair welcomed Dianna Neal, Head of Economy, Tourism and Culture from London Council. The Head of Economy, Tourism and Culture has been leading on employment skills devolution policy work at London Councils, making the case for resources in London and for London boroughs.

5.3   The Chair welcomed Professor Martin Doel, Professor of Further Education & Skills, University College London (Institute of Education). Professor Doel is the first professor of further education and skills at UCL and the former Chief Executive of the Association of Colleges. The AoC is a body that acts as the collective voice for colleges and represents them nationally to influence policy.

5.4   The Head of Economy, Tourism and Culture from London Council opened the discussion with the following points from her presentation.

5.4.1   In relation to skills there is a productivity challenge in the UK compared to a number of other European countries. GLA recently looked at London's productivity compared to other global cities and London is not doing well in comparison to other cities in emerging economies like Singapore.

5.4.2   London has had strong employment growth over the last 5 years leading to a substantial reduction in the number of people claiming JSA. The labour market priority in London is to tackle long term unemployment and structural worklessness. Despite reductions health related unemployment has risen significantly since 2010. There are people with a range of complex needs that are locked out the labour market and this is a concern. Although there is low unemployment London is still above the national average and still needs to get 300,000 into the labour market.

5.4.3   In work poverty remains a big challenge. London has more households who are in poverty and in work than those in poverty and out-of-work. One in five jobs are paid below the Living Wage, affecting 700,000 Londoners.

5.4.4   In relation to skills and employment Brexit potentially could have an impact. Currently London relies on international labour both on high and low skills. Particularly in sectors like construction, accommodation and food services, administration and support services. London has a higher proportion of economic European nationals working in those sectors, estimated to be around 30% of the workforce.

5.4.5   In terms of employment, London Councils have been proposing and talking to Government about the commitment given to London and Greater Manchester in the 2015 spending review; to jointly design a new Health and Work programme.

5.4.6   The Health and Work programme will replace the work programme of work choice. It is a contractor provision for specific groups of people.   This programme will be for the very long term unemployed - those on JSA 2 years plus - and people with disability and health conditions. This will be a small programme compared the original programme approximately a 70% reduction. A programme of £130million per annum nationally. A targeted programme working with DWP.

5.4.7   London Councils (LC) have been working with DWP on joint commissioning and joint design. Recently discussions have stalled while they clarify what devolution really means.

5.4.8   The initial design had 4 contract packages across London based on a sub-regional geography. It is anticipated the sub-regions would lead on the procurement process.

5.4.9   The benefits of employment devolution lie in investment, innovation and integration. *Investment* – being able to acquire more investment such as European social fund, skills funding and unlocking local health budgets. I*nnovation* – being able to do some innovation in this programme. Having a programme that is flexible and you can to test and learn from. It was

highlighted that to date no one has been successful in getting this group of people - in significant numbers - into work. *Integration* – being able to have employment support provided by the programme and more integrated with local services. Giving local authorities a stake in the programme is thought would enable people to access better packages of support as services will be integrated with local services. It is recognised this programme cannot be achieved on a national level it is more likely to be achieved at a local level.

5.4.10 From integration they could achieve the following:
- Pooled or aligned funding
- Shared outcomes – health, work and skills
- Commissioning
- Provider model –supply chain
- Partnership delivery - via embedded co-working and co-location
- Access to support – referral pathways, ring fenced services etc.
- Sub regional capacity – to drive integration and performance management
- Governance – employment and skills boards.

5.4.11 Devolution would enable them to build a service around the employment sector. Achieve a more diverse supply chain and partnership in delivery. There would be four sub regions in London. The aim is to get the boroughs to work together for economies of scale because people regularly cross borough boundaries.

5.4.12 With the introduction of Universal Credit. The people with the ability who are able to get a job will be routed to digital and online services. The health and work programme will be a small pot in the employment support programmes. It is recognised that the people most likely to be accessing Job Centre Plus (JCP) centres and council's local job brokerage will be those with more complex needs. They are developing the concept called 'local employment hubs'. This concept is not viewed as devolution but more as public service reform. London Councils envisage working closely with JCP as their estate and facilities management contracts come to an end in 2018. This provides an opportunity for co-location and integration as JCP considers where to relocate their services. LC is talking to DWP about physical location

5.4.13 The idea behind local employment hubs is to start integrating some of the employment services locally, to offer better and co-ordinated job support. The proposals is to have a single front door so it's not seen as JCP but as the place people can get access to back to work services. Then providing rapid access to multi-disciplinary employment support team – JCP and Local Authorities. Being in a position to understand who is best placed to work with the individual, often this is done on benefit type and not by identifying the individual's needs. Linking into the wider employment related support and services. In addition there is also the option of considering a coordinated recruitment offer to employers.

5.4.14 On skills devolution although London is not a formal devolution area it is being treated as a devolution area, following the announcement in March 2015 that the Mayor of London would get devolution of skills provision.

5.4.15 There is a movement in government policy towards "*strong local areas and employers to take a leading role in establishing a post-16 skills system that is*

responsive to local economic priorities". LC's is in discussion with the Government about adult skills devolution which is post 19 education. This funding mainly goes to FE colleges and it is estimated to be £400million per annum within London.

5.4.16 Discussions are ongoing re: devolution of the Adult Education Budget (AEB) to London. In London they are undertaking an area review of further education colleges and community loan in London. The review has found that the adult education budget is a small part of a skills system that covers a large sector. It is acknowledged that the adult education budget is only one part of a system that covers careers advice, apprenticeships, 16-19 funding and Advanced Learner Loans. The 16-19 fund is the larger pot of the funding and estimated to be about 57-60% of a further education college's funding. Therefore London will be getting a lever on only part of the whole system.

5.4.17 It is anticipated that skills devolution for London will achieve a responsive system to student needs, employers and:
- Boost economic growth and employment, and reduce welfare dependency, by focusing investment in skills that will increase productivity and progression into and within work;
- Increase the efficiency and effectiveness of public sector skills investment by bringing budgets and powers closer to the point of use – focusing on better demand information, integrating devolved employment and skills budgets, clearly articulating London's skills demands and priorities and getting greater investment from learners and employers, particularly for higher level skills.
- Create an agile and responsive skills system that meets the needs of Londoners and London's businesses and can adapt rapidly to the unique challenges for London's economy post-Brexit**.**

5.4.18 The key principles for a devolved skills system would be for it to be:
- Labour market-led: Consumer choice will be shaped by high quality labour market intelligence. Having a system with much better data.
- Shared responsibility: Employers and individuals should invest where they derive the greatest private returns; government investment will focus on market failures.
- Local accountability: Decision-making on skills within London will take place at the most appropriate geographical level. LCs see some of this going to the Mayor of London and down to sub regional level.
- Outcome focussed: Priority will shift to outcome measures such as jobs, earnings and progression to higher skills and better paid work that boosts business growth. Currently FEs are paid on qualifications and there is no data to confirm if these qualifications are leading to better paid jobs. LCs propose this is changed in a phased way.
- Agile and integrated system: New ways of working will mitigate the impact of reductions in public subsidies by promoting alignment and integration with other services. Potential to bring the employment and skills system together more. Currently they are delivered by different government departments that do not interact closely at grass roots. They see boroughs as enablers to make the integration happen.

5.4.19 Finally consideration for boroughs would be:

- New ways of working: with employment and skills providers, having a different working relationship with the Mayor and GLA, with government, other partners and with other boroughs (sub-regional basis).
- Governance: developing effective Employment and Skills Boards; looking at what those might be and the levers they would have.
- Resource implications: developing sub-regional skills strategies, contract management.
- Focus on outcomes: not getting lost in the process with government discussion but trying to focus on getting better outcomes for Londoners.

5.5 The Professor of Further Education & Skills from UCL made the following main points in his presentation:

5.5.1 Started by highlighted that the points made by London Councils for employment and skills devolution was exemplified by the community college in Hackney. It was noted Hackney Community College have a national leading programme that works with people who have mental ill health.

5.5.2 He was encouraged by the progress of the health and work programme and agreed it should be part of London's devolution deal. Noting it would benefit from local integration.

5.5.3 It was pointed out the devolution proposition for skills implies there is a skills budget. The Professor clarified there was no unified skills budget. The skills budget would be made up of different elements to make up a skills system. They are: apprenticeships, higher education, 16-18 education and technical education.

5.5.4 There are parts to the system that is not capable of being devolved. The apprenticeship levy is a national system. Apprenticeship spend is national and therefore unlikely to change from this form. It was pointed out if an employer had employees under the apprenticeship framework in London and Manchester they would want them treated the same. The Higher education system is loan enabled. This is a national entitlement, enabling a citizen to access a loan. Therefore it is unlikely to be subject to devolution. This is used by post 19 citizens to support educational attainment. The 16-18 education has academies as an autonomy. Taking into consideration the points above it was unlikely that these 3 core elements would be included in any devolution deal. The part that is likely to be in-scope for devolution is the post 19 budget not including apprenticeships.

5.5.5 The parts of the Post 19 that can be devolved are community learning and the programmes delivered by colleges to meet local need.

5.5.6 All citizens up to the age of 25 are entitled to a level 2 or level 3 qualification. A large proportion of a college provision is providing programmes for under 25s. A citizen aged 45 would need to access an education loan for this education.

5.5.7 The approximate break down of a further education college budget is:
- 57-60% 16-18 year olds
- 25-30% adult (post 19)

- 10% higher education.

5.5.8 Under the devolution proposal this would mean potentially 25% of the further education college budget being commissioned locally. It was considered that devolution in this part of the budget had the potential to influence spend in the other areas of the FE budget that were not devolved. Provision could be shaped by the development of centres of excellence.

5.5.9 Funding for the Adult education budget had reduced by 40% over the last 5 years. It was anticipated that over the next 5 years the budget would be stable but flat lined in cash terms.

5.5.10 There has been an indication that the devolution of business rates setting could be connected to future spend on the adult education budget. This may mean that after the 4 years, part of the adult education budget would be funded by business rates and this is something councils should be mindful of.

5.5.11 Accountability needs to consider how London devolution would make it accountable to its citizens. It would be good for colleges to work more closely with boroughs. There is a risk of moving towards direct control from Whitehall to direct control to councils.

5.5.12 In relation to FE funding it was noted that the current capacity of provision following learner demand. Current FEs funding pays per programme and student. If this is removed it will be hard to reinstate.

5.5.13 It was pointed out that the employer demand/need is not the same as learner demand. Careers education is key to shaping FE provision. The local college and the council will need to be responsive to the local labour market. Employer demand needs to be reconciled to the learner need. This process needs to be an iterative process and not economy lead.

5.5.14 Although every borough may have a college provision it will not just be providing education programmes for their local community but across borough boundaries. People move across London in patterns that do not match borough boundaries. The work with colleges needs to be a working relationship and not a transactional relationship. The prospect of a joined up approach and having spend at the point of delivery is key. This will involve having a trusted relationship between the parties.

5.6 **Questions answers and Discussion**

(i) **Members commented the presentations outlined the shortcoming of the devolution from Government to London. There is a case to be made that this can only work if the more serious elements as described, are devolved. The approach to developing London's economy around skills ignores the type of development there should be.**
- **A strong economic development that shapes the jobs and activities**
- **looks at type of employment needed and;**
- **Understands the employment changes.**

(ii)   **All these elements need to be working together to shape the relationship between employer, economy and learner. There needs to be more clarity on how the partnerships will work.**

In response the Professor of Further Education & Skills from UCL advised this needed selective intervention at critical points, rather than trying to control the system from the top down.

(iii)   **Members commented if devolution at a lower level from London to boroughs was required to establish the right pathways for learning. The work programme being cited as an example where contracts covered too large an area.**

(iv)   **Members also highlighted accountability as a real issue and how they can get this right. In their view accountability would require a local public accounts committee with a remit that expanded beyond the council. Involving local partners like JCP, the NHS etc. Having a format similar to a PAC would provide powers to scrutinise the work. Member were of the view they needed to express some ideas about the type, form and level of accountability. Members asked the guest if they agreed with the areas highlighted as a concern and if they had any answers to these concerns at this point.**

In response the Professor of Further Education & Skills from UCL advised further education was intended to be driven by the curriculum requirements. Colleges know that a local offer for lower level entries (levels 1, 2 and 3) is needed to cater to local need and engage those who have become disengaged. For level 4 and 5 students they are more likely to travel to the right institution of learning.

Entry level for colleges is generally driven by the local community and student demand. In relation to accountability an example was given of a local college in Bath holding a community meeting to discuss the college provision to find out what was missing. In his view the college opening itself up to local scrutiny by a range of partners is the right thing to do and considered good practice.

The Head of Economy, Tourism and Culture from London Council advised the GLA have been very supportive about the devolution proposals for employment. London Councils have noted all London boroughs do things differently and recognise at a local level this would sit in different areas within the council because of their difference in make up. It was highlighted that Borough are in discussions and committed to making it work locally. However the contracts would need to be sub regional for economies of scale and could not be borough level.

On skills they are currently in discussions with the Mayor of London about what this might look like. The challenge would be if a local college provision is not meeting local needs and how councils can address this and if they have levers to address this. London Councils expressed there is a real role for boroughs to use their levers of influence for local need. Boroughs have an idea about how their local economy is performing and they speak to local businesses. This is an opportunity to share the intelligence they hold about jobs and developing the local economy in the future.

The Professor of Further Education & Skills from UCL advised against trying to redesign the system in one year but to take a phased approach to changing the system. It will be important to evaluate the effectiveness of the approaches 2 years later and evolve. Not taking a phased approach could risk destabilising the system.

(v)   **Members referred to the long term unemployed back to work programme and expressed an interest in hearing more about the outcomes, shared outcomes with health and progress in developing them; especially for areas that may not be linked to direct employment but part of an individual's progress. Members enquired how this would impact on the individual. Member referred to the proposal to test and learn from the system and enquired if there were areas that could be tested in relation this?**

The Head of Economy, Tourism and Culture from London Council informed the commission for outcomes DWP are very much job outcome focused. The work programme is still fairly welded to the model of payment by results. LCs hope DWP have learnt some lessons from having this focus and will move away from that for this programme and cohort of people. It is hoped DWP will recognise that providers need some upfront money to work with people especially a group that has complex needs. In addition to having smaller contracts that will enabling them to work with smaller providers or build relationships with providers that are beneficial.

Under the new Health and Work programme they would look to do a survey at the start of the customer journey and then complete a survey again at certain points in the journey to see if there are any health improvements. The key to achieving this will be to get the health care system to acknowledge that employment outcomes are relevant to their system too.

It was acknowledged that achievement of health outcomes may not lead to physical outcome. Therefore providers need to be paid based on the individual's progression (outcomes). They are considering whether there should be a bonus payment for better paid jobs e.g. London living wage. Recognising it is beneficial if providers get people into sustainable employment.

In terms of innovation what has worked well is IPS (In placement support). This is expensive but has worked well for people with health conditions. Although a rigid programme it has successful outcomes with 40-50% going into employment. A pilot of this is in West London. Elements of the IPS are being considered for this support programme. The IPS programme is very employment focused but they provide a lot of support around the person.

It was noted that for the proposed Health and Work programme DWP have a more generous per personal allowance. This is a positive step.

The Professor of Further Education & Skills from UCL recommended that FE staff and work programme staff should not be integrated. Both sets of staff have very separate goals.

The Professor pointed out the Skills Funding Agency tried to introduce a payment system based on job outcomes. He advised that if a college was placed in an area with a vibrant job market students could come out and get a job. For the colleges based in slower economies where students struggled to get a job, this impacted on funding regardless of whether the college was doing a good job for students. This was holding providers accountable for the elements they cannot control.

It was pointed out that each learner has a HMRC number and this can be linked to the learner's earnings to review over time. This could be a possible outcome measure. This earnings intelligence is being considered for level 2 apprenticeships as a way of measuring the return on investment. However, there is some concern that this tool will be used to hold provider to account. The view is this can be an important tool but should be used as a system management tool.

(vi)   **Members enquired about the following:**
    a)   **The current status of London's negotiations with Central Government.**
    b)   **Referred to the health devolution pilots and highlighted when they commenced nothing was crystallised. For these devolution areas how is London preparing?**
    c)   **How the Employment and Skills Board will work and will local authorities have a place on the board to influence its work?**
    d)   **For adult skills funding could the changes create additional costs?**

In response to the points above The Head of Economy, Tourism and Culture from London Council advised:

- For the health programme they were having positive talks with DWP about the design of the programme, but the progress of these talks have slowed.

- For skills there have been talks about devolution for the adult education budget (post 19). At this point there are a few unanswered questions and it is not clear what level of freedom they would have with this budget. For the GLA there are some concerns like would they get an administration budget with the devolved funding, as it is recognised it would be challenging to absorbing the resource costs for administration.

Points to bear in mind are London has a new Mayor and a fairly new Government. The Mayor of London held a devolution summit in July. This was to talk about devolution for London, particularly in light of the Brexit which is deemed to have an impact on skills. As a result London may put in a fresh skills devolution proposals for the spending review.

Business rates devolution is likely to have an impact on skills too. There is the potential some of the skills funding could go in business rates devolution.

London Councils are mindful that they need to get a deal that is beneficial to boroughs.

In relation to additional costs. It is anticipated that the funding will be at a sub-regional level, but London Councils recognise there needs to be a debate about this. It is imperative they get the right balance. This is to ensure as much money as possible to be going to learners. Currently there is a stable settlement for the next 4 years for adult education and they want this stability to remain.

In relation to the Employment and Skills Board sub regions are starting to think about their identity. What is required is a strategic board. The thought so far is Boroughs should be the lead for accountability. They will need a way of reaching partners and providers to get their views. London Councils is working with the sub regions to get their views on the type and models for the Boards.

For apprenticeships it is recognised they might not get the funding devolved, however the sector should be working with employers and colleges to increase demand for apprenticeships. London has the highest concentration of employers paying the levy but London does not have the desire level of apprenticeships to go with it.

The Professor of Further Education & Skills from UCL advised it would be a missed opportunity if this was just about commissioning for funding. The skills board should be looking to influence the wider skills spend.

The Professor of Further Education & Skills from UCL recommended having a champion for the voice of skills for each local area.

(vii)   Member commented at the start of the review they thought the key issue would be accountability. As the progressed and looked at specific areas it is becoming clear that it was not just accountability but accessibility of structures and their alignment so people was a key issue too. So people can be directed to the right place for support or information.

(viii)   Members highlighted two other area of need. These were lack of communication between agencies and the provision of service for local need. Particular groups highlighted were people without formal qualifications, carers and ex-offenders. Members enquired if there were any special provisions for joined up work to cater for groups like this and if they have identified best providers or could provide examples of who would work with groups that have complex or specific needs?

The Professor of Further Education & Skills from UCL advised Hackney Community College was a good example of providing a programme that meets local need and this was despite the funding disincentives and the accountability regime. HCC run a programme for people with mental ill health and continue to provide this programme despite the funding cuts.

There needs to be incentives in the system to attract the harder to reach groups. There needs to be acceptance that these groups are hard to achieve outcomes with.

The Head of Economy, Tourism and Culture from London Council acknowledged the issue about referral between agencies had not been resolved, although there are some examples of good work in the UK. They are

aware of some specialist programmes being piloted for example in West London there is a programme specifically for care leavers.

LCs recognise the importance of meeting local needs but equally this could result in criticism that there are too many individual programmes for specific groups.

(ix) **Members commented a genuine trusting two way relationship - City Hall, London Councils and London Boroughs - was needed to jointly steward over the system. Members enquired what a genuine trusting relationship would look like.**

The Head of Economy, Tourism and Culture from London Council advised London's tiers of government have a good history of working together and acknowledged there have been occasions when the two tiers have not agreed.

The devolution discussion are showing positive signs with the new Mayor of London and Government. The Devolution summit was seen as a positive step.

The Mayor of London is aware that there is a key role for London boroughs in the devolution deal.

(x) **Members enquired if the health employment devolution proposal would hand over the funding with no conditions.**

The Head of Economy, Tourism and Culture from London Council advised at this stage if London received the funding it would be to achieve a certain level of job outcomes.

It was noted that currently if saving were achieved for the Employment and Support Allowance (ESA) the majority would go to Central Government and this was likely to be reinvested into other programmes. LAs were likely to received approximately 7% of any savings.

The Chair and the Commission thanks the Head of Economy, Tourism and Culture from London Councils and the Professor of Further Education & Skills from UCL for their attendance at the meeting.

6 **Governance and Resources Scrutiny Commission - 2016/17 Work Programme**

6.1 Work programme on pages 21-28 was noted for information.

6.2 During Members discussion about the work programme, they expressed dissatisfaction with the time it has taken to receive the final formal written response to their review 'Delivery Public Services – Whole Place, Whole System Approach'. The Commission agreed to request for a formal response from the Cabinet Member for Finance about the delay.

ACTION	Members agreed a Chairs action to write to Cabinet Member for

	Finance for an explanation.

6.3   Members discussed reviewing the work of the Commission over the last 10 years for discussion at the next meeting.

ACTION	Overview and Scrutiny Officer to provide information about G&R's work over the last 10 years.

6.4   Members requested for a written report outlining the findings to date for the devolution recommendations discussion at the next meeting.

ACTION	Overview and Scrutiny Officer to provide information about the key findings from the devolution discussion at the next meeting.

7   Any Other Business

7.1   None.

Duration of the meeting: 7.00 - 9.05 pm

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⊖ Hackney

Governance & Resources Scrutiny Commission	Item No
19th October 2016	**5**
Finance and Budget Update	

Outline

The OFP shows that the Council is forecast to have a £3,449k overspend which is equivalent to 0.4% of the total gross budget. This is the second OFP report for 2016/17 and on the basis of detailed July monitoring data from directorates. The report outlines the key areas of pressure and overspend and any action being taken to reduce overspend.

The Medium Term Planning Forecast (MTPF) report outlines the Council's budget strategy for the financial years 2017/18 to 2019/20. It is based on current policies and a review of the service and financial planning horizon, and the resources forecasts contained therein are derived from: - the 2016/17 Financial Settlement and illustrative funding levels for 2017/18 to 2019/20 published with the Settlement; and estimates of future council tax, business rates and other income.

The Council's efficiency plan is attached provides information about how the Council has continued to meet the Government's efficiency agenda.

Action
The Commission is asked to review information and make comments.

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TITLE OF REPORT: 2016/17 OVERALL FINANCIAL POSITION, PROPERTY DISPOSALS AND ACQUISITIONS REPORT (JULY 2016)
KEY DECISION NO. FCR M76

CABINET MEETING DATE 2016/17 **31 October 2016**	**CLASSIFICATION:** **Open** **If exempt, the reason will be listed in the main body of this report.**

WARD(S) AFFECTED

All Wards

CABINET MEMBER

Cllr Taylor

Finance

KEY DECISION

Yes

REASON

Spending or Savings

GROUP DIRECTOR

Ian Williams Finance and Corporate Resources

1. CABINET MEMBER'S INTRODUCTION

This is the second OFP report for 2016/17 and on the basis of detailed July monitoring data from directorates, we are forecasting an overspend of £3,449k at year end. This is a £581k improvement on the May position and I look forward to a continuing reduction in the overspend throughout the remainder of 2016/17 in line with what happened in 2015/16. Given the extremely challenging financial position we are in this year and will be in future years, it is essential that reported overspends in any service are quickly addressed and mitigated.

I commend this report to Cabinet

2. GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES INTRODUCTION

2.1 The OFP shows that the Council is forecast to have a £3,449k overspend which is equivalent to 0.4% of the total gross budget.

2.2 Under the current Business Rates Retention Scheme, local authorities receive a Revenue Support Grant Allocation. Revenue Support Grant is currently the largest external grant which can be used for any revenue purpose. In the 2016/17 Settlement, the Government published the actual 2016/17 actual Revenue Support Grant allocation and indicative allocations for 2017/18 to 2019/20; and on 10 March, the Secretary of State for Communities and Local Government wrote to every local authority in England offering to pay out these indicative entitlements (barring exceptional circumstances) if the authority produced an efficiency plan which it stated should be as simple and straightforward as possible. The plan "needs to cover the full four-year period and be open and transparent about the benefits they will bring and show how greater certainty can create the necessary conditions for further savings". He gave no further guidance on what should be in the plan but stated it should be referenced to the latest Medium Term Planning Forecast.

2.3 It is the case that our indicative revenue support grant allocations do decrease significantly over the period to reflect the Government's spending plans but the decrease is far less than over the period 2013/14 to 2015/16. This is because the Government changed the method for allocating out revenue support grant in the 2016/17 Settlement which worked in our favour. I strongly advise therefore acceptance of the offer as it gives us some certainty and protects the advantage we derived from the methodology change in 2016/17. We have until 14th October to accept the offer. As noted above, as part of the acceptance, we must produce and reference an Efficiency Plan to our Medium Term Planning Forecast. An updated version of the

Forecast is attached at Appendix 1 and the Efficiency Plan is attached at Appendix 2.

2.4 The latest position in relation to **GENERAL FUND REVENUE EXPENDITURE** is summarised in table 1 below.

TABLE 1: GENERAL FUND FORECAST OUTTURN AS AT JULY 2016

Original Budget	Virements	Revised Budgets	Service Unit	Forecast: Change from Revised Budget after Reserves £k	Change from Previous Month £k
83,536	1,863	85,399	Children's Services	0	0
89,997	0	89,997	Adult Social Care	2,739	-326
-66	0	-66	Public Health	0	0
173,467	1,863	175,330	Total CACH	2,739	-326
43,756	593	44,349	Public Realm	0	9
11,346	3,064	14,410	Finance & Corporate Resources	302	-17
12,633	754	13,387	Chief Executive	462	-203
1,681	0	1,681	Housing – GF	-54	-44
29,048	-6,274	22,774	General Finance Account	0	0
271,931	**0**	**271,931**	**GENERAL FUND TOTAL**	**3,449**	**-581**

3.0 RECOMMENDATIONS

3.1 To note the overall financial position for July 2016, covering the General Fund and the HRA and the earmarking by the Group Director of Finance and Resources of any underspend to support funding of future cost pressures and the funding of the Capital Programme.

3.2 To accept the Government's Offer of multi-year revenue support grant allocations

3.3 To note the Medium Term Planning Forecast at Appendix 1

3.4 To note the Efficiency Plan at Appendix 2

4. REASONS FOR DECISION

4.1 To facilitate financial management and control of the Council's finances and to accept the Government's funding 'offer' discussed at 2.2 and 2.3 above.

4.2 CACH

In overall terms the CACH directorate is forecasting an overspend pressure before use of reserves of £13,810k, which after the application of reserves and drawdown of grant of £11,071k, reduces to a forecast overspend of £2,739k.

Children Services

CYPS are forecasting a nil variance against budget after an assumed total use of reserves and drawdown of grant of £4,561k, including use of the Commissioning Reserve of £2,439k.
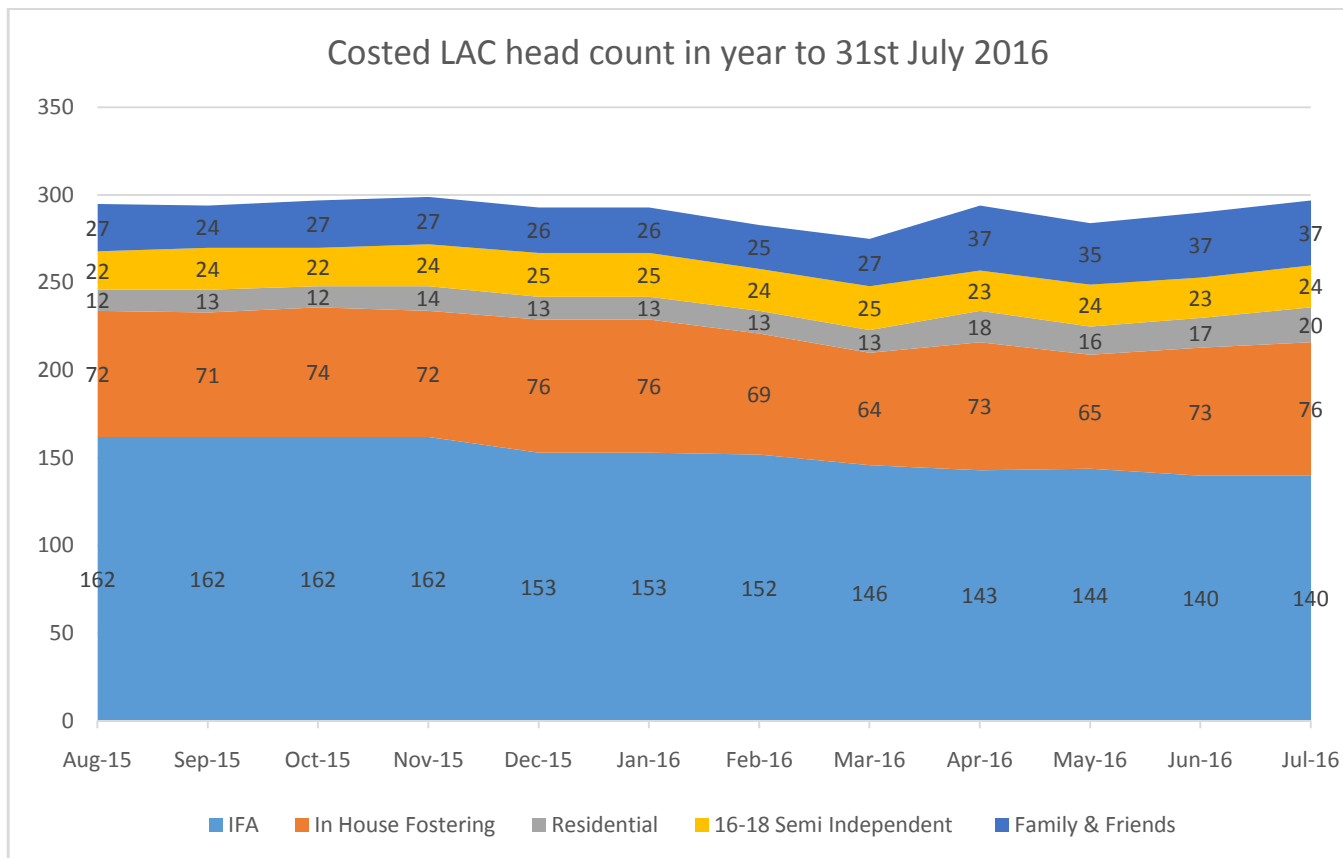
Corporate Parenting Overspend

The 2016/17 forecast position as at July 2016 is an underspend of £141k on overall Corporate Parenting, after use of reserves. This is comprised of overspends in the Adoption Service of £23k, an overspend of £234k in LAC and Leaving Care and an underspend in 'core' Corporate Parenting of £397k. The Commissioning Reserve assumes a current drawdown of £2,439k in 'core' Corporate Parenting, offsetting commissioning overspends of £2,572k in placement fees. The shortage of in-house foster carers in previous years remains an issue and expenditure on independent foster carers exceeds budget. However, the overspend now mainly results from an increase in residential care placements with an average annual unit cost of £195k. Contributing to the LAC and Leaving Care overspend is an expected continuation of the 2015/16 increase in the use of the LAC incidental budget.

Points to note:

- The number of looked after children (LAC) for which we incur a cost (excluding UASC) increased to 297 from a total of 284 in May.

- Residential care placements are forecast to continue to overspend in 2016/17 by £1,601k, costing a total of £3,571k, an increase of £643k over the May forecast of £2,928k.

- There has been an increase in the number of in-house placements (11) since May and a reduction in IFA placements (-4), however, the additional costs associated with IFAs is forecast to result in an overspend of £372k whereas the cost of in-house placements is forecast to be £389k under budget.

- Management has in place a strategy to recruit and retain in-house foster carers including a reward offer to Council staff who recommend a successfully approved foster carer. However, it should be noted that Foster Carer recruitment is a London-wide issue which may not show significant improvement in the short to medium term.

- Over-18 placements are forecast to overspend in 2016/17 by £382k, an increase of £101k over the May forecast reflecting an additional 4 places and a current drop in the numbers claiming Housing Benefit, a problem that is currently being addressed by Management.

The chart below shows that over the last 2 months LAC placements have increased by 13 and as at July 2016 stand at 300. The profile of foster care placements has fluctuated since May and this month in-house fostering placements have increased to 76, while IFA placements have fallen to 140 after a peak of 166 in October 2014. Residential care placements (our most costly placement for children in care), have increased from 16 in May to 20 in July 2016.

Costed LAC head count in year to 31st July 2016

	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16
Family & Friends	27	24	27	27	26	26	25	27	37	35	37	37
16-18 Semi Independent	22	24	22	24	25	25	24	25	23	24	23	24
Residential	12	13	12	14	13	13	13	13	18	16	17	20
In House Fostering	72	71	74	72	76	76	69	64	73	65	73	76
IFA	162	162	162	162	153	153	152	146	143	144	140	140

Legend: ■ IFA ■ In House Fostering ■ Residential ■ 16-18 Semi Independent ■ Family & Friends

Key Metrics	May 16 OFP	July 16 OFP	Status	Comments
Overall LAC Headcount	284	297	⬆	This records the number of LAC where there is a financial commitment – this has seen an overall increase of 13 since May.
IFA Placements	147	140	⬇	Forecast expenditure on IFA placements for the year has come down £667k over the 2015/16 outturn due to a reduction in headcount of 10, though there has been an adverse movement in the average cost of IFAs compared to 2015-16.
Average cost of IFA Placement	£44,094	£44,201	⬆	
In house placements	65	76	⬆	An increase of 11 in-house placements has slightly less favourable financial impact due to marginally higher costs per placement and the fact that some of these placements ultimately end up in IFAs.
Average cost of in house placements	£20,086	£20,631	⬆	
In-House Fostering Vacancies	8	18	⬆	This counts the number of vacancies in approved placement beds for distinct family units (not including beds just for siblings). This figure has also been adjusted so as not to include those vacancies that are judged to have been as a result of either an issue with the carer or the child in placement (reducing the number by 44).
Residential Placements	16	20	⬆	Forecast expenditure on residential placements has increased by £643k since May reflecting an additional 4 high cost placements.
Average cost of Residential Placement	£184,265	£194,798	⬆	

Other overspends

Children in Need is forecast to overspend by £449k.

The overspend is mainly due to staffing overspends arising from a significant number of vacant posts (21) covered by agency staff, who are generally paid at a higher rate than equivalent permanent staff. Provision for maternity cover has also increased costs. Overall staffing accounts for £350k of the overspend. Legal costs and LAC incidental costs account for the balance of the overspend part offset by reductions in other areas.

The variance to the May OFP(+65k) is due to additional cost for maternity cover from Sep '16, and costs of one worker transferred from the Adoption service.

Youth Justice is forecast to overspend by £85k after use of reserves.

The overspend is due mainly to additional staffing costs due to agency staff covering vacant posts and one over-establishment post assisting on the Asset Plus system, which is scheduled to end in November 2016.

The variance to the May OFP (-£60k) is due to a reduction in the GPG 'other commissioning spend' as GPG staffing spend has increased.

Disabled Children Services are forecast to overspend by £9k, though this is after a reserve drawdown of £250k.

The overspend also takes into account a £182k virement to be received in August to offset increases in home care commissioning and direct payments due to the introduction of the London Living Wage. These overspends are part offset by predicted underspends in in respite, overnight and short breaks commissioning.

Directorate Underspends

Overspends in Corporate Parenting (before reserves), Children in Need and Youth Justice, are offset by underspends elsewhere in Directorate Management Team, Access & Assessment and Family Support Services.

The Directorate Management Team is forecast to underspend by -£375k.

The underspend is due to delayed recruitment to two posts and two posts expected to remain vacant (£100k), vacancy factor funding (£200k), Legal cost funding (£148k), part offset by increased cost of interpreting fees (£63k). The DMT underspend will be kept under review as the process of recruiting to the structure progresses.

Other underspends are forecast in Family Support Services (£85k) and Access and Assessment (£35k), due to staffing and s17 underspends respectively.

<u>Hackney Learning Trust</u>

The Hackney Learning Trust (HLT) forecast is consolidated into the CYPS position. As part of the delegated arrangements for the HLT any overspend or underspend at year end will result in a contribution from or to the HLT reserve and expenditure is reported on budget. However, it should be noted that HLT are forecasting a significant drawdown on the HLT reserve (£3.8m), similar to last year, as a result of additional needs pressures.

Adult Social Care & Community Health

The July 2016/17 forecast for Adult Social Care is £92,737k giving a £2,739k overspend. This is an improvement of £326k on the May position. The improvement has essentially been achieved by the application of an additional £1,000k of reserve funding to address growth in the service.

Care Support Commissioning (externally commissioned packages of care and the main area of overspend) has a pressure of £3,300k, which is an improvement of £230k on the May position. This breaks down into the following key constituent parts.

Service Type	2016-17 Budget	July 16 Forecast	Full Year Variance to budget	Change on May Forecast
	£000	£000	£000	£000
Learning Disabilities	12,738	14,867	2,129	144
Physical and Sensory	9,873	10,322	449	-398
Memory and Cognition and OP MH	5,791	6,413	622	-15
Assistive Equipment & Technology	495	675	180	39
Voluntary Sector Contracts -OP	708	714	6	-0
Other	245	163	-82	-1
Total	**29,850**	**33,154**	**3,304**	**-230**

Learning Disabilities continues to be the main area of overspend, where there is a £2,129k pressure, a worsening of £144k on the May position. There was a net worsening of £265k in commissioned spend, with £57k relating to one new client transitioning from Children's Services, and the remaining £208k representing additional support for existing clients. The £265k pressure is offset by additional reserve funding of £122k.

At a summary level, the most notable development from May to July has been an increase of 32 clients in residential care and nursing care placements for older people across Memory and Cognition, Physical Support and Older People Mental Health. 19 of these new placements are hospital discharges and reflect the need to facilitate hospital discharge both from Acute and Mental Health settings, which has a subsequent impact on social care services. This is a national issue but is compounded locally by the limitations of the market place in terms of being able to identify suitable, timely and value for money care provision. Additional step-down care is an area we are focusing on, in order to become more responsive to the type of demand that hospital discharge drives in our services. 11 of these 19 hospital discharge placements have been approved on an interim basis, i.e. temporary, however the overall estimated impact of the total 32 places taking into account interim agreements is circa £700k for the year. This is an area which will remain under scrutiny, notably under the joint Social Care/Health Systems Resilience Group where we are working closely with Health on both the operational and financial sides of improving delayed transfers of care.

Physical Support and Sensory Support has seen an improvement of £397k to £449k overspend. We have seen a net increase (i.e. factoring in additional income from charges for services) in Residential Care, Nursing Care Supported Living, Direct Payments and Supported Living of £40k. There is a £270k decrease in the forecast for homecare, of which £170k has been caused by the impending early termination of our contract with First Choice, one of our homecare block providers - The Night Owls service is transferring internally (£76k reduction here and a corresponding £53k increase in Provided Services) and a reduction in the forecast as a whole of £94k. A further £100k improvement in the Homecare position has been caused by corrections to client package end dates and hours. The cost of void properties in Supported Living and Housing with Care has increased by £90k to £362k, which has been caused by delays in placing people in Limetrees House, a new Housing with Care building. The forecast should reduce as places are filled. An additional £257k of reserve funding has been applied to cushion this pressure on voids and placements in this area.

Memory and Cognition and Older People Mental Health have seen an overall improvement of £15k to £622k overspend. Beneath this net

improvement is a £483k net increase in nursing and residential care costs of £346k (as mentioned above), £100k of homecare costs transferred from Mental Health clients managed by ELFT and there is an additional £40k of direct payments forecast. An additional £498k of reserve funding has been applied to cushion pressure from placements in this area.

Outside of Care Support Commissioning, the Provided Services forecast has increased by £66k to a £314k overspend. This is primarily explained by the transferring internally of the Night Owls service following early termination of the First Choice homecare contract as mentioned above. The Mental Health function managed by ELFT has seen a reduction in its forecast of £100k to £316k underspend, which reflects transfer of clients to Mental Health Older People, also as mentioned above.

Preventative Services has seen an improvement in its forecast of £144k taking it to breakeven overall. The widening out of responsibilities under the Care Act has seen an increase in clients seen at Adult Social Care's "front door" and this is driving a staffing pressure of £220k, which is being met by reserve funding. There also remains a £160k pressure in Safeguarding, again being driven by additional activity as a result of legislative changes, and this is also being met by reserve.

The Commissioning division has seen an increase in its forecast of £96k taking it to £600k underspend. There remains a £780k underspend in the Housing Related Support programme, which relates to early delivery of savings. The additional £180k pressure is explained by severance costs (£64k) and a £118k pressure in staffing budgets.

Senior Management scrutiny of the Adult Social Care function continues through the monthly ASC budget boards, chaired by the Chief Executive.

Public Health is forecasting a breakeven position, which represents no change on the May forecast.

4.3   Public Realm

The July 2016/17 forecast for the Public Realm division for is a breakeven position, which is a marginal £9k adverse movement on the May position.

As with the May position, the key area to focus on is Environmental Operations function, which is breakeven against its budget but within this, the overall position contains the following variances.

Environmental Operations – May 2016/17 forecast	July	May	Movement

	£000	£000	
Waste Collection, Recycling and Street Cleansing	906	928	(22)
Commercial Waste	(836)	(899)	63
Hygiene Services	18	40	(22)
Toilets	(47)	(53)	6
Other	(41)	(16)	(25)
Overall position	**0**	**0**	**0**

The main pressure continues to be within the largest strand of the service which provides domestic waste collection, recycling and street cleansing functions, however when combined with the Commercial Waste function, the service as a whole comes to a broadly breakeven position. The service is currently reviewing the apportionment of staffing costs and vehicle costs across the domestic and commercial operations to ensure this accurately reflects what is happening on the ground.

The domestic operation currently contains pressures on staffing (£1.3m), equipment (£345k) and vehicle maintenance (£209k, which has improved by £100k following introduction of new vehicles to the fleet this year) offset by targeted reserve funding of £900k. The staffing pressure is driven in part by an increase in the cost of the workforce over recent years within one of our largest front line and internally provided services (budgeted 234 FTE posts), including legislative changes such as equal pay directive, pension charges on overtime and national insurance changes. Corporate reserve funding covers £900k of these known pressures, £480k on staffing, £220k covering cost of food waste recycling on estates, and £200k funding fuel cost pressure.

The Commercial Waste forecast is £836k underspend, which is an adverse movement of £63k on the May position. The increase reflects additional cost in the area across staffing and equipment. The underspend as a whole is driven by two main factors:

- £144k underspend against cost of waste disposal - the cost per tonne charged for waste disposal by North London Waste Authority (our statutory waste disposal provider) has reduced this year following the introduction of menu pricing. The harmonising of the price we pay per tonne for waste disposal across commercial and domestic refuse (where previously a higher rate was paid for commercial and a lower rate for domestic) means we expect to see a year on year reduction of circa £300k charges for commercial with an equivalent increase rise on our domestic levy.

- Income surplus of £732k which reflects an ongoing positive income position for commercial waste services. The income position is reviewed regularly.

Within the rest of Environmental Operations, the Hygiene Services position is an £18k pressure which is staffing related, and this is being offset by a forecast underspend of £47k in the management of our public toilets, which reflects efficiencies made in the operation.

Parking, Streetscene, Environment and Waste Strategy, Leisure, Green Spaces and Libraries are forecasting break-even positions.

Planning and Regulatory Services (PRS) are forecasting a £nil variance, after reserve transfers.
In Planning & Business Support there is a £32k variance due to overtime working in a one-off data transfer project.

In Land Charges, a high volumes of minor applications, and additional staff costs in dealing with a high volume of land searches has resulted in £84k additional staffing, though these costs are offset by the expected surplus for Land Search Fees (£84k).

Building Control is forecast to under-recover income by £243k. This will be met by a reserve (£243k). The service will monitor the closely all developments which may impact on the financial position in 2016/17. Building Control is forecast to have an overall deficit of £33k after reserve drawdown, due mainly to overtime and staff re-gradings.

Further planned utilisation of reserves is forecast in other areas of PRS, to meet the cost of planning and policy related projects and deal with high priority enforcement cases (£357k). This brings the overall position in line with budget.

Management Action to Reduce Overspend

Service	Date when overspend first reported	Reduction in Overspend to date	Overspend amount forecast at year-end	Commentary on Action (see below for explanation)
		£k	£k	
Building Control	June-15	0	**£243k**	- Improved marketability and reduction of fees undertaken via a DPR in October 2014. - Milestones plan monitored and status updates against DPR - Increased market share & bigger project wins

The resulting expenditure reductions from these actions are being factored into the forecast as they are achieved. The forecast drawdown from the Building Control reserve will be reduced accordingly.

4.4 Finance & Corporate Resources

There is a forecast overspend of £302k, resulting from on-going cost pressures in revenues and benefits, temporary accommodation and ICT continue. Overspends in core R&B and ICT are partially offset by underspends elsewhere in the service.
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4.5 Chief Executive

Overall the Chief Executive is forecasting to overspend by £462k after forecast reserves usage of £1,786k. The underspend has reduced by £204k from May. There are overspends in the Chief Executive's Office, Safer Communities and Consultation.

The Chief Executive Office is forecasting to overspend by £209k after reserves usage of £799k. The forecast overspend is mainly attributable to Regeneration Delivery Team, which in turn is due to Christmas lights projected costs of £50k, an overspend on staffing and an overspend on agency staff.

Safer Communities is forecasting to overspend by £150k after reserves usage of £173k. The forecast overspend of £150k purely relates to Community Safety team that has nine agency staff and five vacant posts.

Communications Management is forecasting an overspend of £84k which reflects staffing costs over budget and Human Resources & Organisational Development is forecast to overspend by £47k.

4.6 General Fund Housing Services

The service is forecasting to come in at £54k under budget reflecting a reduction in the forecast spend on Staffing Costs and Repairs and Maintenance within Travellers (£19k) and also an increased amount of expenditure identified as capital within Leasehold and Income Delivery (£43k).

4.7 HRA

The HRA is forecast to come in on budget.

Income

There is a £759k favourable variance within Dwelling Rents. This is due to a lower number of Right to Buy (RTB) sales than expected and

also a reduction in the amount of void losses incurred. There is also a £522k favourable variance within Leaseholder Charges for Services & Facilities. This has been based on the latest service charge estimates, which were finalised after the budget setting process. There is though, a £121k unfavourable variance within Non-Dwellings Rents which relates to lower garage income than budgeted; and a reduction in Tenant Charges Income relating to Estate Cleaning (£110k) and Block Cleaning (£76k). The reasons for the reduction in income are being investigated further.

Expenditure

Within the Housing Repairs Account, Void and Routine Repairs are currently forecast to be £175k and £164k overspent respectively. These are offset by savings in Environmental works (£280k), Drains (£88k) and Client Fees (£80k). Within Special Services, £91k of the favourable variance relates to Estate Services, that are currently forecasting an underspend due to vacant posts. There is also a £21k saving on lifts which partly offsets an overspend of £39k on Water Charges within Housing Needs. The main variance within Supervision and Management relates to the planned overspend of the Neighbourhood & Repairs Contact Centre of c £690k due to additional staff requirements to manage call demand. A restructure is planned for later on in the year. There is also £516k of planned expenditure within the Transformation Project which will be funded from reserves. Additionally, there is an increase in staffing costs within the Leasehold and Income team of £98k. It should be noted that the Legal Fees for Disrepair has currently been forecast to budget; and any overspend at year-end will be drawn down from a provision. The overspend in Rents, Rates Taxes and Other Charges relates to increases in Non Domestic rates of £90k and Water charges of £19k.

4.8   **Capital Position Statement – 31 July 2016**

This is the first OFP Capital Programme monitoring report for the financial year 2016/17. Table 1 below shows that the revised capital programme for 2016/17 as at 31 July 2016 is £391,004k, (non-Housing schemes totalling £176,761k and Housing schemes totalling £214,243k).

The actual year to date capital expenditure for the four months April 2016 to July 2016 is £43,814k and the full year projected outturn is currently £281,713k, £109,291k below the revised budget.

Explanations for the major variances are contained within the Directorate comments below and a full list of schemes, including

variances and comments on progress, are available from the corporate Capital Team.

Table 1: Summary of Capital Projected Outturn

	Revised Budget Position at 31 July 2016	Spend as at 31 July 2016	Projected Outturn	Variance (Under/Over)
	£'000	£'000	£'000	£'000
Chief Executive	8,403	1	8,403	-
Children, Adults & Community Health	102,776	4,973	67,331	(35,445)
Finance and Corporate Resources	34,119	12,664	33,960	(158)
Neighbourhoods	31,463	3,018	29,060	(2,403)
Total Non-Housing	**176,761**	**20,657**	**138,754**	**(38,007)**
Housing AMP Capital Schemes HRA	74,387	5,593	63,934	(10,453)
Council Capital Schemes GF	4,418	271	2,432	(1,986)
Private Sector Housing Schemes	2,079	406	1,270	(809)
Estate Renewal Programme	126,665	15,257	71,650	(55,015)
Other Regeneration Schemes	6,694	1,629	3,672	(3,021)
Total Housing	**214,243**	**23,157**	**142,959**	**(71,285)**
Total Capital Expenditure	**391,004**	**43,814**	**281,713**	**(109,291)**

Chief Executive Services

The current forecast is in line with the revised budget of **£8,403k**. Of the 14 schemes, 13 have been coded with a traffic light of green and 1 amber.

The minor overspend on **Hackney Central Shop Fronts** will be offset by one of schemes which has a minor underspend.

Children, Adults and Community Health

The current forecast is **£67,331k**, **£35,445k** below the revised budget of **£102,776k**. Of the 98 schemes, 83 have been coded with a traffic light of green and 15 amber.

Two main schemes which are showing the variance between forecast expenditure and revised budget are **Sir Thomas Abney** caused by delays in procuring works and the **Oswald Street Day Centre** scheme where the main contractor is due to start on site in September 2016.

<u>Finance and Corporate Resources</u>

The current forecast is **£33,960k**, **£158k** below the revised budget of **£34,119k**. Of the 124 schemes, 80 have been coded with a traffic light of green and 29 amber. There are a number of variances within individual schemes, relating to both minor overspends and underspends. In the main, however, these offset each other.

<u>Neighbourhoods</u>

The current forecast is **£29,060k, £2,403k** below the revised budget of **£31,463k**. Of the 191 schemes, 178 have been coded with a traffic light of green and 13 amber.

The overall variance between forecast expenditure and revised budget is due mainly to the variances within both **Infrastructure Programs** and **Parks and Open Spaces** largely in respect of slippage in programme delivery that will require reprofiling.

<u>Housing - AMP Capital Schemes Housing Revenue Account</u>

The current forecast **is £63,934k, £10,453k** below the revised budget of **£74,387k.** Of the 61 schemes, 21 have been coded with a traffic light of green and 40 amber.

The variance of forecast expenditure relative to revised budget relates to delays in the procurement process of various contracts which are currently ongoing.

<u>Housing - Council Capital General Fund</u>

The current forecast is **£2,432k, £1,986k** below the revised budget of **£4,418k**. Of the 6 schemes, 2 have been coded with a traffic light of green and 5 amber.

Although currently forecasting an underspend, various housing options are being explored with **temporary accommodation** which means expenditure may increase over the coming months.

<u>Housing – Private Sector Housing</u>

The current forecast is **£1,270k, £809k** below the revised budget of **£2,079k**. Of the 7 schemes, 2 has been codes with a traffic light of green and 5 amber.

The variance of forecast expenditure is as a result of low uptake of grants due to the current economic climate and restrictive grant conditions. The project is being reviewed in full later this year.

<u>Housing - Estate Renewal</u>

The current forecast is **£71,650**, **£55,015k** below the revised budget of **£126,665k**. Of the 28 schemes 8 have been coded with a traffic light of green and 19 amber.

Although currently forecasting an underspend, there will be a reduction in expenditure against budget as some of the contractor start on site dates have moved back slightly. Any budget savings will be utilised in future years as the overall **Estate Regeneration Programme** gathers pace.

<u>Housing – Other Regeneration</u>

The current forecast of **£3,372k**, **£3,021k** below the revised budget of **£6,694k**. Of the 12 schemes, 4 have been coded with a traffic light of green and 8 amber.

The reduction in expenditure is due to a lower amount of buybacks being required this year than expected. Again this budget will be required in future years as the development of **Woodberry Down** continues

5.0 DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

This report is primarily an update on the Council's financial position, there are no alternative options here. With regards to the Government's funding 'offer' we either accept or reject and the report has made a strong case for accepting the offer.

6.0 BACKGROUND

6.1 Policy Context

This report describes the Council's financial position as at the end of July 2016. Full Council agreed the 2016/17 budget on 29th February 2015.

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 GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES**

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

8.   **COMMENTS OF THE DIRECTOR OF LEGAL**

8.1   The Director of Legal has seen the report and has no legal comments to make on the regular budget monitoring part of the report.

Report Author	Russell Harvey ☎020-8356-2739
Comments of the Group Director of Finance and Corporate Resources	Ian Williams ☎020-8356-3003
Comments of the Director of Legal	Budget Monitoring Yinka Owa ☎0208-356-6234

MEDIUM TERM PLANNING FORECAST (MTPF) 2017/18 to 2019/20

1.0 INTRODUCTION

1.1 The MTPF presents the Council's budget strategy for the financial years 2017/18 to 2019/20. It is based on current policies and a review of the service and financial planning horizon, and the resources forecasts contained therein are derived from: - the 2016/17 Financial Settlement and illustrative funding levels for 2017/18 to 2019/20 published with the Settlement; and estimates of future council tax, business rates and other income.

1.2 The Forecast is primarily concerned with General Fund revenue expenditure and income but consideration is also given to the Housing Revenue Account and Capital Financing.

1.3 This report presents Members with a three-year indicative budgetary forecast. 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.

1.4 Proposals will need to be developed to manage an expected further reduction in resources and increases in unavoidable costs of at least £34m by 2019/20. To date, £12.5m of savings proposals have been developed, agreed and approved by Cabinet; and work is ongoing on a number of other proposals which will fully deliver the required expenditure reductions.

1.5 The financial challenge ahead is considerable and the budgetary and planning process is one of a continual process. In light of this we have been working hard to stay ahead of the game. The report builds upon the continuation of a number of our existing policies that have driven out efficiencies alongside gains from improved income yields from council tax, business rates and commercial property. Specifically, we will continue to focus on Service Transformation, Service Reviews, further rationalisation of directorate support services, reducing back office costs, management de-layering, procurement savings and spend to save initiatives.

1.6 It will also 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.

2.0 FINANCIAL STRATEGY UNDERLYING THE MTPF

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.

2.2 The specific long term drivers of the financial strategy pertinent to this MTPF 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.

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

Financial Strategy in Context
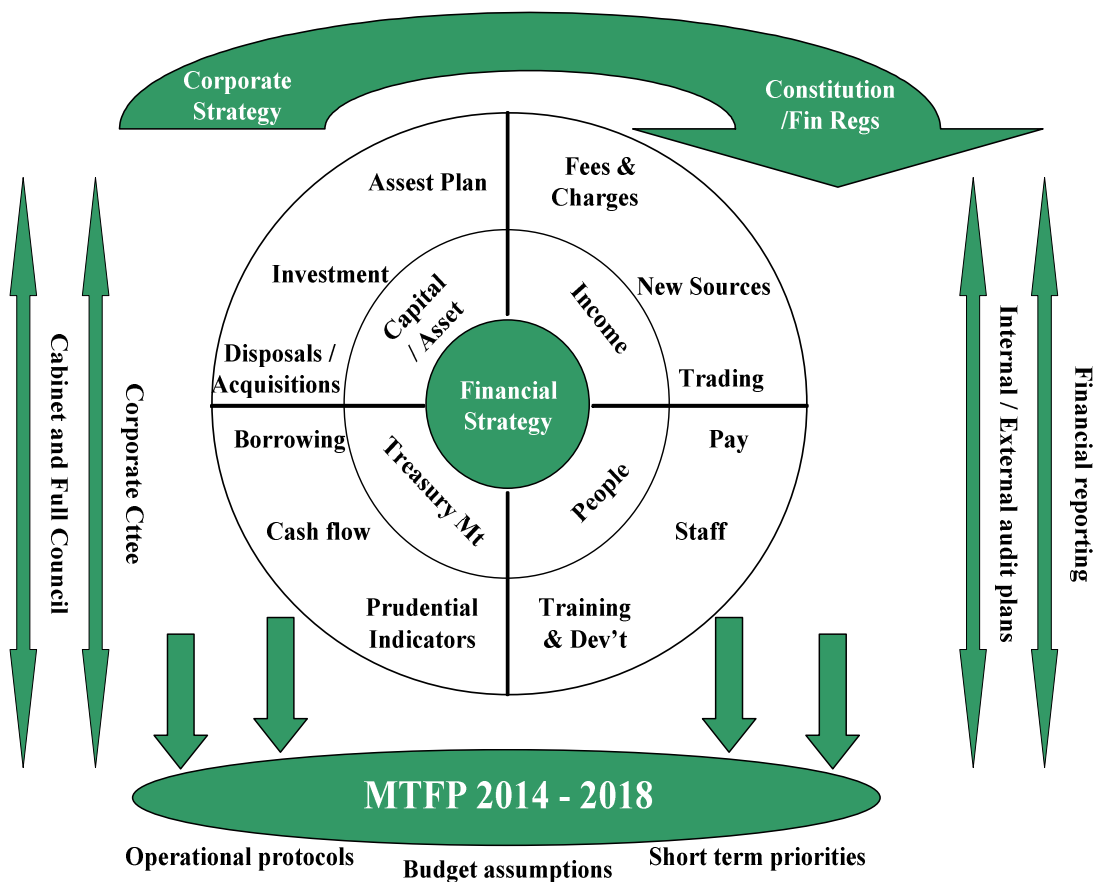
2.4   Throughout the period covered by this Forecast, we will continue to produce a balanced and sustainable budget where income equals expenditure and an appropriate level of financial resilience is assured. The Council will make adequate provision to cover financial risks and ensure key assumptions are 'stress tested' (for public benefit, political acceptability and practical achievability).

3.0   HACKNEY'S MEDIUM TERM FUNDING POSITION

3.1   Historical Context – 2010/11 to 2016/17

3.1.1   The need to make significant savings on an annual basis has been a common theme since 2010/11. From 2010/11 to 2016/17, the Council has lost £110m of funding and will lose a further estimated £28m over the next three years. In addition, we have faced additional costs from increasing demands for services particularly from older people and residents with disabilities, and homelessness clients; and from increases in uncontrollable costs such as levies. The funding loss over the period 2010/11 to 2016/17 is shown below

Funding Loss 2010/11 to 2016/17

FUNDING	2010/11 £m	FUNDING	2016/17 £m
Formula Grant 2010-11	253.597	Revenue Support Grant	69.140
CTRS Grant (Estimated)	26.333	Top-up	75.148
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Supporting People	21.300	New Homes Bonus Grant	18.286
Council Tax	49.740	Council Tax	67.851
Other Specific Grants	4.500	ESG	2.600
TOTAL RESOURCES	**378.505**	NHS funding for Social Care	7.740
		TOTAL RESOURCES	**268.365**
		REDUCTION	**110.140**

3.1.2   The Council has coped with these pressures well to date and has continued to maintain service levels at a high level. Turning to the expenditure reductions that have been achieved over this period, emphasis has been placed on initiatives that have resulted in greater efficiency. These include Management de-layering throughout the organization, investing in services to reduce costs in long term e.g. Children's Social Care, Service reviews and transformation e.g. Adult Social Care and Co-mingling; streamlining the procurement function, performance management of staff with the aim of increasing productivity, improved Corporate Estate Asset Management and the rationalisation of directorate support services. We have also been successful in reducing costs through contract renegotiation, through streamlining back office functions and bringing services back-in-house (ICT and Audit for example).

3.1.3   Throughout the period 2010/11 to 2016/17, there were no material front line service cuts but considerable changes in how a number were provided. We will seek to continue with the approach of driving out efficiencies but reality of the position we face is that this might not be enough but it is equally important not to simply be resigned to believing that simply cutting services is an option.

3.1.4. To meet the financial challenge in 2016/17, we developed proposals that will achieve expenditure reductions through a rationalisation of the council's senior management structure, further back office savings throughout the Council and a re-engineering and re-structuring of services such as in Childrens' Services with the 1CYPS initiative and Adult Social Day Care. We have also integrated some waste services, further rationalised the corporate estate, implemented various income generation schemes and renegotiated contracts with suppliers on more favourable terms.

3.1.5 These initiatives generated significant savings which had no adverse impact on the quality of front line services.

3.2 Financial Planning 2017/18 to 2019/20

3.2.1 In order to meet the financial challenges over the period 2017/18 to 2019/20, we will continue to build upon approaches adopted in previous years. Service reviews have also found new ways of using existing expenditure to improve, or at least maintain at reduced cost, front-line services. However, given the scale of savings to be found it is becoming increasingly difficult to minimise impacts without stepping back and considering radically different ways of delivering services. To support this process, the Council has adopted a corporate plan and cross cutting programmes which recognise the need to redesign services. Officers also engage with the Budget Task and Finish Groups which have been established by the Governance and Resources commission of Overview and Scrutiny. The task and finish groups examine areas of major spend and consider the Council's budget saving proposals and models for the future shape of council

3.2.2 The estimated budgetary position for 2017/18 to 2018/19 discussed below is based on the following: -

(a) Expenditure estimates that are derived from 2016/17 budgeted spend, and take account of future cost pressures, manifesto commitments and risks
(b) External funding estimates partly derived from the indicative funding estimates for 2017/18 to 2019/20 as published by CLG along with the 2016/17 Settlement
(c) Forecasts of the growth in the council tax taxbase, business rates and other income.

3.2.3 In summary, the estimated position shows that we are facing an external funding loss of at least £28m with significant cost pressures and risks from 2017/18 to 2019/20. As stated previously, £12.5m savings have been agreed to set against this funding loss and cost pressures.

3.2.4 The key cost pressures are:

(a) <u>Concessionary Fares</u> Although it is impossible to predict the charges in future years it is worth noting that at a base cost of over £12m even very small fare increases or other percentage increases in the cost of providing Concessionary Travel could equate to significant increases in the charge to Hackney. Whilst there was no requirement to increase the budget for 2016/17, further modest increases in Concessionary Fares have been included in the budgetary forecasts embedded in this Forecast.

4

(b) <u>North London Waste Levy</u> The increase in the 2016/17 levy was around 4.2% which is significantly higher than mainstream inflation and the main cost drivers i.e. Landfill Tax and penalties designed to drive up recycling rates are still very much on an upward trajectory. As such above inflation increases in the levy are expected in future years and built into the Forecast.

(c) <u>Fuel and Utilities</u> The Council buys its energy annually on a fixed price contract. The most recent contract price, commencing May 2016, shows a small reduction in the cost of supply for energy. However, this reduction has not been taken as a cashable budget saving in the Forecast as given the historic volatility in the markets, future price rises are still likely.

(d) <u>Welfare Reforms</u> The Welfare Reforms have led to an increase in homeless applicants which has increased homelessness costs and may impact on social care costs and revenues.

(e) <u>London Living Wage.</u> There will be increases in the cost of funding the London Living Wage in Day Care and Looked After Children which have been built into the budgetary forecasts

(f) <u>Looked After Children</u>. 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, the shortage of in-house foster carers and the increase in residential placements. This continues to represent a pressure that needs to be continually monitored and addressed.

(g) <u>Funding Housing Needs</u>. This has become increasingly expensive in response to increasing rent levels and demand. Our current estimate of future costs is reflected in the forecast but the position will have to be continually monitored in response to demand pressures and rising rent levels.

(h) <u>100% Business Rates Retention</u> The introduction of 100% Business Rates will impact upon the Council's external income. Revenue Support Grant will be abolished and our primary external funding stream will be the top up. It is not possible to say how our funding position will be effected by this because currently there are no tangible and exemplified proposals on how the new system will work. It is likely that 100% Retention will not be introduced until 2020/21 but it is possible that it could be introduced in 2019/20 and if so, this will impact upon the resources estimates in the final year covered by this Plan.

3.2.5 Whilst the authority enjoys a high measure of financial stability and has over a number of years managed its finances well, inevitably there are several risks to the budget and these have been set out above. Whilst all efforts will be made to manage existing services in the light of these pressures and risks, and further reduced resources; there are potentially significant future demand and cost pressure issues. The current assessment of these have been built into the Forecast but they will need to be reassessed on an ongoing basis and reflected where necessary in future annual budgets and revisions to the Plan.

3.2.6 The Council's indicative budget for the period 2017/18 to 2019/20 is as follows: -

2017/18 to 2019/20 Indicative Budget Forecast

ESTIMATED RESOURCES	2017/18 £m	2018/19 £m	2019/20 £m
Revenue Support Grant	54.904	44.985	34.790
Top-up	76.626	78.886	81.410
Business Rates Total	26.500	27.200	27.700
Council Tax	70.080	71.830	73.580
New Homes Bonus Grant	14.000	9.000	7.000
NHS funding for Social Care	7.740	7.740	7.740
Additional BCF	1.700	7.700	12.800
Other Funding	4.10	3.30	3.30
TOTAL RESOURCES	**255.650**	**250.642**	**248.320**
EXPENDITURE			
Directorate Cash Limit After Savings	**243.302**	**242.467**	**240.917**
General Finance Items			
Superannuation Provision + added years	17.008	17.008	17.008
Capital Charges	-14.842	-14.842	-14.842
Employers NI	2.500	2.500	2.500
Nth London Waste Levy	8.000	8.600	9.200
Concessionary Fares (increase - budget held in directorate cash limit)	0.500	1.000	1.500
RCCO base	4.500	4.500	4.500
Pay inflation	3.200	4.800	6.400
Other	1.423	1.373	2.373
TOTAL EXPENDITURE	**265.591**	**267.406**	**269.556**
BUDGET GAP (CUMULATIVE)	**9.941**	**16.764**	**21.236**

3.2.7 With regard to resources, the Revenue Support Grant, Top-up and Additional Better Care Fund entitlements included in the indicative budget for all years are set equal to those that were published in the 2016/17 Finance Settlement. However, in our view the Government's indicative New Homes Bonus Grant allocations are unrealistically high as they did not take account of the New Homes Bonus Consultation which seeks to reduce the number of years over which legacy payments will be made and so in our budget estimates we have reduced the allocations. However, these allocations still must be regarded as indicative only and subject to change. With regards to the Additional Better Care Fund grant estimates, these are also indicative only and subject to change. The overall budget forecasts shown above therefore must be regarded as indicative only.

3.3.8 In managing down the gap to £21m we have continued with the well-established strategy of driving out efficiencies and transforming services. Initiatives that have been approved by Cabinet this year that sum to £12.5m and will be effective in 2017/18 and beyond, include:- reviews and restructures of services such as revenues and benefits and customer care, and legal services; the on-going re-design of services (such as housing support for vulnerable adults); the implementation of further efficiency savings within Streetscene, ICT, the HLT, Parking Services, Financial Management; and a re-balancing of partnership contributions (such as Intermediate Care).

3.3.9 In order to close the remaining gap of £21m, HMT and Members are currently working on a raft of possible initiatives. These include: - a cross cutting review of enforcement services; a cross cutting review of public realm services; a review and possible restructure of HR services across the Council; further service re-design in housing related support for vulnerable adults; possible service transformation within public health; further re-modelling of parts of Chidrens' services following 1CYPS implementation; and the review of; policy and performance services, communications, sports development teams across the Council, the contact centre and cashiers.

3.3.10 It must one again be stressed that the budgetary position shown above is of necessity indicative primarily because of the uncertainty surrounding external funding allocations, particularly New Homes Bonus Grant and Additional Better Care Fund Grant; and the spending risks discussed above. As a result, the position will be continually monitored and any significant developments will be reported in the monthly Overall Financial Performance reports and reports to HMT, and taken account of in subsequent annual budgets.
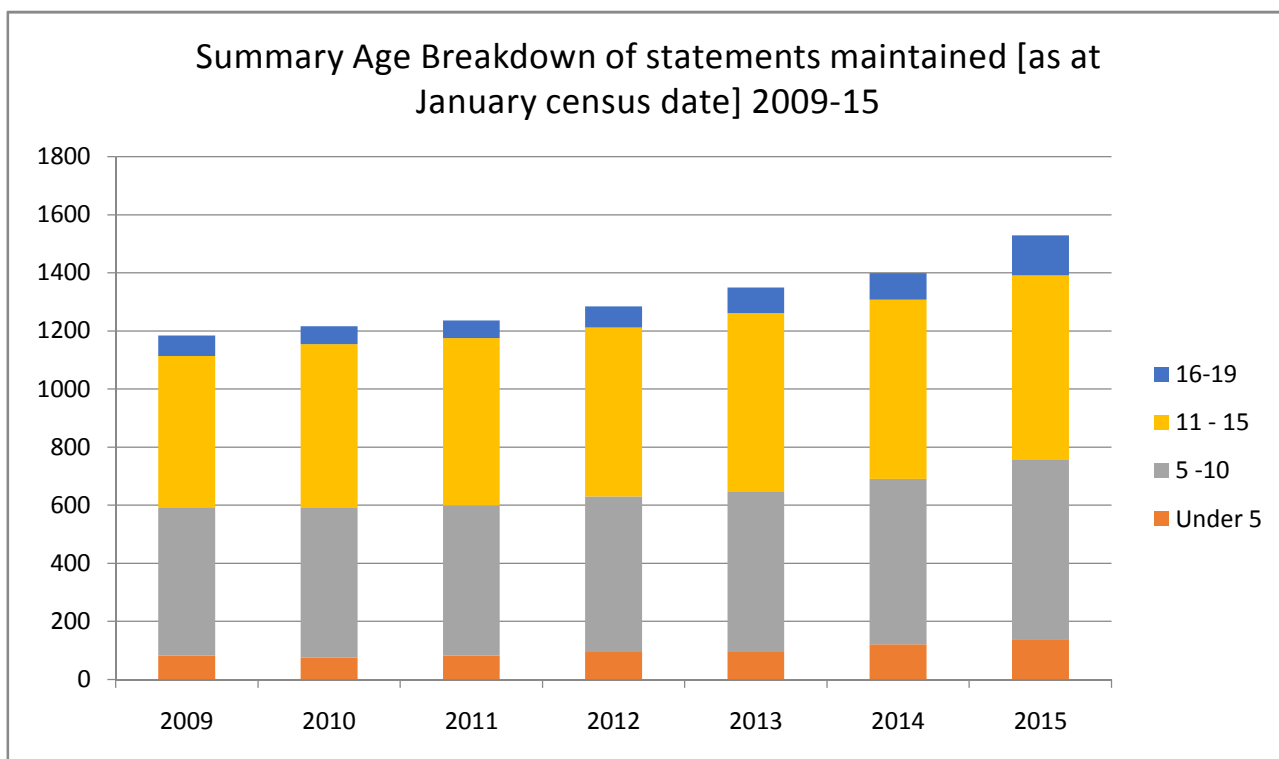
4.0   School Funding

4.1   A consultation paper published in March 2016 set out how the Government intends to deliver "a fair, transparent funding system where the amount of funding children attract for their schools is based on need and is consistent across the country". This is the first of 2 planned consultations and this one seeks views on: the principles that underpin the formula and the pupil characteristics and school factors that will be included in the formula.

4.2   Under the proposals, local authorities will no longer determine how much funding schools are allocated from 2019/20 onwards which means that from 2019/20 onwards, local authorities will have a much lesser role in the allocation of school funds, although they will still be involved in the distribution of "high needs" funding for pupils with special educational needs and disabilities on what the Department describes as on a "a fair and formulaic basis"

4.3   There will be a second consultation which sets out the impact of the proposals, when the weights to be applied to each element of the formula such as deprivation and low attainment will be proposed. So the crunch will come in the next consultation when the government set out how much weighting is applied to each factor and will present illustrations of how much areas will gain and lose.

4.4   Looking at the impact on Hackney, given that LBH is a well-funded borough, it is quite likely that less funding will be available for the area in 2017/18 and beyond, although we won't know for sure until the second consultation is published. There are also possible implications arising from the requirement to pass on the whole school budget to schools, the introduction of the central block and the abolition of Education Services Grant.

4.5   In the last National Budget, the Government announced that it expects all schools to become academies by 2020, or to have an academy order in place to convert by 2022. Aside from the obvious downside that schools will tend to be run from Whitehall after 2020 rather than locally with community democratic oversight, in the Hackney context, the transfer of such a large number of schools in a relatively short timescale will cause a huge administrative burden in terms managing the transfer of staff and in particular, their

pensions and the leasing of school buildings and so on. This burden is potentially ongoing from 2017/18 to 2021/22.

4.6   Soon after the Budget, the Government announced that it no longer planned to bring in legislation compelling schools to convert to academies, but would instead introduce new powers which will trigger conversion of all schools in an area if a council is underperforming or if it is no longer financially viable for it to run schools.   Individual Schools deemed inadequate, or in some cases requiring improvement, or schools falling below national floor target benchmarks, are now subject to an academy order irrespective of any local authority action.   Over and above these powers, there is still an expectation from Government that all schools will convert to academy status.

4.7   On an assumption that all maintained schools convert, the full year loss in Hackney would be around £2.0m of funds currently de-delegated by Schools Forum. It is possible that all schools could convert by the end of the 2017-18 financial year and if significant numbers convert before or in 2017-18 there could be a significant in year impact.

4.8   It was also announced in July that the new school funding scheme (NFF) will now apply from 2018-19 not 2017-18.   This means that the local funding formula will run for an additional year (2017-18) which offers some stability, subject to the impact of academisation as described above

4.9   HLT are experiencing ongoing pressure as a result of the increase in the number of young people subject to Special Educational Need plans and Education, Health and Care plans. This is an issue that is common across other London boroughs.

Age Breakdown	2009	2010	2011	2012	2013	2014	2015	2016
Under 5	83	76	83	95	95	121	139	
5 -10	507	514	516	535	551	570	617	
11 – 15	524	564	576	582	615	617	635	
16-19	70	62	61	72	88	91	138	
TOTAL	1,184	1,216	1,236	1,284	1,349	1,399	1,529	TBC
Year on year increase		2.7%	1.6%	3.9%	5.1%	3.7%	9.3%	

Summary Age Breakdown of statements maintained [as at January census date] 2009-15

Overspends in the service area are being offset by underspends elsewhere in HLT, but overall there is a forecast overspend of £3.6m for 2016/17 which it is anticipated will be drawn down from the HLT reserve set aside as part of the delegated department arrangements that exist for education. The HLT over spend is entirely due to Additional Needs statement funding and related SEN transport costs. There has been an ongoing investigation into the reasons for these pressures over the past year resulting in a plan to control costs. This forecast overspend is net of savings across HLT and the scale of the overspend against the current Additional Needs and transport budgets is considerably higher at around £5m. Any further savings and / or in year underspend in operational budgets will also be ring fenced to offset the above overspend.

5.0 PENSION FUND

5.1 In the previous Budget Reports, Members were provided with updates on the impact on the Pension Fund of auto-enrolment, the new benefit structure from the LGPS 2014 Scheme and the changes coming through to the State Pension Scheme and how these might impact on Council budgets. Since auto-enrolment was introduced, participation rates in the pension scheme amongst Hackney employees have remained high. For budget setting purposes and for the purposes of this Forecast, all staff are assumed to be in the Pension Scheme. Therefore, although Scheme membership numbers affect the level of contributions to the Fund, there was no financial impact on the 2016/17 budget or on the future indicative budgetary position.

5.2 The changes to State Pensions which will see the introduction of flat rate state pension from April will result in changes to the contribution rebates which both employers and employees receive for national insurance when they operate a contracted out scheme such as the LGPS and the Teachers' Pension Scheme. The additional cost to the Council of the reduced rebate is in the region of £2.5m. This has been built into the indicative budgetary position.

5.3 31st March 2016 saw the start of the triennial valuation process for the Pension Fund. The Fund's actuarial advisers review the changes since the last valuation taking into account a wide range of factors to assess the liabilities that the Pension Fund needs to meet over the longer term and assess the assets that the Fund holds to meet these liabilities. Whilst the valuation process takes until the autumn/winter of 2016, the current position makes it difficult to envisage at this stage the gap closing significantly between the date of this report and the end of March 2017, particularly given the recent volatility on global stock markets and Brexit. At an overall Fund level, it is therefore unlikely that for most employers including LBH there will be reductions in contribution rates, however, given the position of the Council as a long term stable employer, we are hopeful that in discussions with the actuary we may be able to secure a marginal reduction in the contribution rates that the Council pays as an employer. At the very least we would look to see no increase in the Council's contribution rates having over recent years adopted a realistic approach to funding the Council's pension scheme.

5.4 As has been mentioned previous financial reports, the Pension Fund has been working hard to collaborate with other LGPS funds both through national procurement frameworks and through a collective investment vehicle in London. The Council continues to work closely with colleagues in London to ensure the success of the London CIV, and although undoubtedly over time it will deliver significant benefits in terms of cost savings and opportunities to benefit from investment opportunities, the benefits will take time to flow through to both the Pension Fund and ultimately the Council, and therefore are not able to contribute to budget savings at this time.

6.0   HOUSING REVENUE ACCOUNT

6.1 The 30 year HRA Business Plan was considered by Cabinet in December 2013 and updated in December 2014. As part of that report it was agreed that the Business Plan will be reviewed on an annual basis with an updated version of the financial model being produced when there are any significant changes to the assumptions or at least on a triennial basis. The annual review that fed into the 2016/17 HRA budget has

(a)   refreshed the assumptions underpinning the model, largely to reflect the 1% rent reduction. The policy was introduced in the Welfare Reform and Work Act and applies from 1 April 2016. In each of 4 'relevant years' registered providers of social housing must reduce the total rent payable by a tenant in year by 1% (though the Act is not prescriptive regarding how this 1% rent reduction is implemented)

(b)   updated the risks and sensitivity analyses of those risks; and,

(c)   Assessed progress on delivery of the savings required to deliver a sustainable HRA.

6.2   The update shows that there is a serious impact on the Business Plan as a result of the 1% rent reduction. The savings requirement has increased to £5m per annum from the original £3m and runs for a further year than previously. If these savings can be delivered this will allow the Hackney Investment Programme to be delivered in line with the Asset Management Plan. However, this will require careful cash flow management to ensure the HRA debt cap is not breached with the HRA balances providing the necessary safety net.

6.3   There are a number of further risks flowing from Government policy which are currently being quantified and the Business Plan will be comprehensively reviewed to consider those risks in detail during 2016.

6.4   The following risks emerge from the Government policy:

       (a)   The forced sale of Council properties to pay for Housing Association Right to Buy discounts;
       (b)   Proposals for high income households to have to pay to stay in their council property;
       (c)   Proposals to limit HB to the Local Housing Allowance rates; and
       (d)   Proposals to limit the life of a council tenancy to 5 years.

6.5   Of particular concern is the measure to widen the scope of right to buy to include Housing Association tenants, funded by the forced sale of 'higher value' Council homes. This 'tax' would be levied without any regard to the housing pressures in a local authority area or the long-term financial viability of an authorities' Housing Revenue Account.

7.0   **CAPITAL STRATEGY**

7.1   The Capital Programme key priorities are to deliver significant regeneration of the Borough to meet the changing needs and demographics of the community and which in turn lead to increased expenditure on Education and Housing through repairs and maintenance of current sites and the need to build new assets to meet demand.

7.2   The Council's capital programme is very ambitious. Besides the current programme, which currently totals over £390m for 2016/17, there are further significant potential proposals being worked up in respect of Britannia Leisure Centre and the Tesco Morning Lane site as well as the Mayor's recent pledge to build 500 London Living Rent properties in the borough.

7.3   Its development and delivery is not without risk. The risks are many but in the main relate to both the sheer size of the programme and capacity to deliver it and the fact that much of it will require forward funding from the Council pending capital receipts, largely from sales of housing units in mixed use schemes, later on.

7.4   A further recent issue is the effect of Brexit on currency exchange rates and the knock on impact on costs of schemes, particularly where resources are sourced from overseas. The lower value of the £ against almost all currencies means that costs of these schemes are increasing and therefore the net return that was originally anticipated lower. The upside of the impact of Brexit from a financing perspective is that interest rates are likely to remain

low for longer and so the Council should be able to take advantage of borrowing when required at a lower cost than it would have been previously.

7.5　For the reasons set out above a thorough review of the approved capital programme is required to ensure that schemes remain viable not just on their own but taking a much wider view of likely aggregate cashflows and treasury management issues that arise from the delivery of the programme.

7.6　Alongside this, we are currently taking stock of all known and potential capital receipts due to the Council from exiting schemes and agreements in order to ensure that these are able to be applied in the most efficient manner to the financing of the capital programme and to identify resource for the newer proposals being developed as indicated above.

LONDON BOROUGH OF HACKNEY
EFFICIENCY PLAN
SEPTEMBER 2016

1. Historical Context

1.1 The need to make significant savings on an annual basis has been a common theme since 2010/11. From 2010/11 to 2016/17, the Council has lost £110m of funding and will lose a further estimated £28m over the next three years. In addition, we have faced additional costs from increasing demands for services, particularly from older people and residents with disabilities, and homelessness clients; and from increases in uncontrollable costs such as levies. The funding loss over the period 2010/11 to 2016/17 is shown below

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TOTAL RESOURCES	**378.505**	NHS funding for Social Care	7.740
		TOTAL RESOURCES	**268.365**
		REDUCTION	**110.140**

1.1.2 The Council has coped with these pressures well to date and has continued to maintain service levels at a high level partly by adopting a financial strategy built on key principles; namely sustainability, proactively managing the impact of (future) resource requirements, linking capital and revenue, continuing to meet the Government's efficiency agenda, demonstrating value for money and pursuing sound financial management. Additionally, since 2010, when looking at savings options for the following year's budget, importance has been attached to not just the year in question but also following years. As such, savings plans developed in one year have in many cases, had an element which related to and impacted on, future years. We intend to continue with this proactive approach in 2016/17 and beyond – devising sustainable plans which impact on more than one year while at the same time developing additional proposals for future years.

1.1.3 It is important not to simply allow the scale of the reductions in expenditure over the period 2010/11 to 2016/17 to undermine the real achievements that have arisen over a sustained period. 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.

1.1.4 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.

1.1.5 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. And it must be remembered that this has all been achieved while the Council Tax was frozen over the period 2006/07 to 2015/16.

2.0 Medium Term Planning 2016/17 to 2019/20

2.1 When setting the Council's budgets in the past, the focus was often on the incremental changes being made to current expenditure from the previous year's budget. More recently we have focused on shaping what is still in excess of £1billion that will continue to be spent on services throughout the year. Pre-existing resources will be recast and spent in ways that are not only more effective financially, but have greater effect for the service user. From street-cleaning to social care, from libraries to leisure centres, new ways of using existing expenditure have been adopted in the past and will continue to be adopted to improve and/or expand front-line services whilst driving out costs from the back office and delivering better outcomes. Of course, in the current MTPF and the implied budgets, the first call on resources generated by efficiency savings will be to maintain frontline services.

2.2 Over the medium term, the Councils strategy is to minimise the tax levels on both residents and businesses, and maintain and enhance service levels. 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.

2.3 The Council will continue to 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 shares its understanding transparently with operational managers and key stakeholders. Being familiar with benchmarking and trend performance and opportunities to improve, the Council will continue to focus on cost reduction and good, long term forecasting over the period 2016/17 to 2019/20. 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 in conjunction with the corporate and service strategies will enable the Council to continue to make efficiency gains and 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.

2.4 We will also continue to 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 will allow 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 will 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,

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effective youth services and outstanding social care that keeps children safe and supports families.

2.5   The Council will also determine clear objectives for employees and Members underpinned by investment in appropriate financial training. This will help employees and Members achieve the financial and service efficiency 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 and continuing to reshape the way we do things to generate on-going efficiency gains 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.

2.6   In devising savings plans for these years, we will continue to build on approaches adopted in previous years. Service reviews have found new ways of using existing expenditure to improve, or at least maintain at reduced cost, front-line services. However, given the scale of savings to be found it is becoming increasingly difficult to minimise impacts without stepping back and considering radically different ways of delivering services. To support this process, the Council has adopted a corporate plan and cross cutting programmes which recognise the need to redesign services. Officers will continue to engage with the Budget Task and Finish Groups which have been established by the Governance and Resources commission of Overview and Scrutiny. The task and finish groups examine areas of major spend and consider the Council's budget saving and efficiency proposals, and models for the future shape of council services.

2.7   We have also carried out a cumulative impact assessment in order to understand the compounding impacts on a specific equality or vulnerable groups that arise from changes across a set of services. The assessment found that where savings proposals have had impacts, they are achieved through plans to integrate, redesign or transform services, against policies agreed in previous years. And so our goal in 2016/17 to 2019/20 will be to make services more responsive to need, to give service users greater agency and choice and to focus on greatest need. We will continue to support transformational service redesign and engage residents and people who are directly impacted. This assessment will now inform strategic planning, corporate planning, community engagement and partnership working.

2.8   Over the period 201/17 to 2019/20, we will also continue to produce a balanced and sustainable budget and 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. We will also build upon the Council's proven record in relation to tight financial management and control and attention has been paid to ensuring the Council has in place appropriate management arrangements and controls to manage the risks and impacts on people, place and staff.

2.9   2016/17

        In 2016/17, we developed proposals that will achieve expenditure reductions through a rationalisation of the council's senior management structure, further back office savings throughout the Council and a re-engineering and re-structuring of services such as in Childrens' Services with the 1CYPS initiative, Adult Social Day Care and Financial Services. We have also integrated various waste services, further rationalised the corporate

estate, implemented various income generation schemes and the renegotiated contracts with suppliers on more favourable terms.

These measures improved services to clients and to internal customers and generated significant savings which had no impact on the quality of front line services. Services provided to residents therefore were protected while the organization became better able to cope with the financial challenges that lie ahead.

2.10 <u>2017/18 to 2019/20</u>

We will continue with the well-established strategy of driving out efficiencies and transforming services. Initiatives that have been approved by Cabinet thus far this year, that sum to £12.5m and will be effective in 2017/18 and beyond, include:- reviews and restructures of services such as revenues and benefits and customer care, and legal services; the on-going re-design of services (such as housing support for vulnerable adults); the implementation of further efficiency savings within Streetscene, ICT, the HLT, Parking Services and Financial Management; and a re-balancing of partnership contributions (such as Intermediate Care).

The Council's senior management team - HMT - and Members are currently working on a raft of other possible initiatives. These include: a cross cutting review of enforcement services; a cross cutting review of public realm services; a review and possible restructure of HR services across the Council; further service re-design in housing related support for vulnerable adults; possible service transformation within public health; a further re-modelling of parts of Chidrens' services following 1CYPS implementation; and the review of; policy and performance services, communications, sports development teams across the Council, the contact centre and cashiers.

These proposals focus on driving out efficiencies, reducing the cost base, minimising duplication and transforming services – in other words doing more for less.

3.0 Impact on Residents

3.1 The Council's approach to financial and service planning and delivery with its emphasis on efficiency gains has brought significant benefits to residents. Council Tax was frozen for 10 years and there has been a marked improvement in the quality of services provided. As we have seen, 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 which in turn has created the conditions for the unprecedented economic regeneration that Hackney is now experiencing, with rapid growth in the technology, creative and hospitality sectors, all of which has and will continue to benefit residents. It is also worth restating the residents' satisfaction survey which has seen satisfaction with the Council has rising to 74%, up from only 23% in 2001.

3.2 The approach adopted for 2016/17 to 2019/20 will continue and build upon the approach that has been so successful in the past. We will continue to drive out efficiencies, minimising duplication, redoing the way we do things, consolidating functions, incorporating labour saving new technologies, service transformation and linking financial planning to service planning. We are also exploring radically different ways of delivering services and as previously stated, to support this process, the Council has adopted a corporate plan and cross cutting programmes which recognise the need to redesign services.

3.3　We are entirely confident that our approach to financial, service and corporate planning will allow us continue to improve services to residents whilst at the same time managing the significant reduction in resources that we will encounter. Maximising efficiency and achieving economy will be heart of this approach.

3.4　We also welcome the Government's 'offer' relating to RSG and other funding streams as this will enable us to plan with more certainty and rigour over the medium term horizon and in particular, it will reduce the need to revise the Plan each year in the light of the Annual Finance Settlements. Such revisions and the implied uncertainty can hinder the development of sustainable medium term financial planning especially for services which are developing transformation plans that span more than one year. They can also lead to a diversion of resources at key points in the financial and service planning process.

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Hackney

Governance & Resources Scrutiny Commission	Item No
19th October 2016	**6**
Executive Response to Delivering Public Services – Whole Place, Whole System Approach	

Outline

The Governance and Resources Scrutiny Commission embarked on a review looking at total public spend in the Borough - covering statutory public sector providers, voluntary sector and private sector – and how the Council and local partners can reconfigure services to meet demand with less resources.

This report is intended to help the London Borough of Hackney deal with two fundamental challenges: first, big cuts in public expenditure and second more complex social challenges that require a very different approach from the council, other public agencies and the wider community.

The Commission spoke to a wide range of experts on public service reform and looked at a range of different examples of 'whole place' approaches to change. We spoke to John Atkinson, Sue Goss, (previous leaders of Total Place programme) Early Intervention Foundation, LankellyChase Foundation, London Borough of Lambeth, and went on a site visit to London Borough of Lewisham to view their Community Budget pilot in operation.

This review drew on evidence from previous scrutiny reviews 'Tackling worklessness'; 'Impact of welfare reform and housing benefit'; and more recently Anxiety and Depression in working age adults; and programmes such as Total Place, Troubled Families and Community Budgets. This review will feed into the Council's cross cutting work programme on Employment and Opportunities.

The Executive's response to the report to the report recommendations is attached.

Action

The Commission to review the Executive's response.

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Cabinet Response to the Governance and Resources Scrutiny Commission review into Delivering Public Services – Whole Place, Whole System Approach

CABINET MEETING DATE	CLASSIFICATION
31 October 2016	**Open**

WARD(S) AFFECTED
All Wards

CABINET MEMBER
Cllr Geoffrey Taylor **Finance**

KEY DECISION
No

CORPORATE DIRECTOR
Ian Williams **Finance and Resources**

1. Introduction

1.1. Hackney is facing two challenges: there is continuing pressure on the Council's financial resources, and there are some social issues that are proving intractable. At the same time, the scale of growth and change in the borough, together with a growing realisation that the current structure of government locally is less fit for purpose than it once was, offers us the opportunity to think creatively about how those challenges might best be tackled in the future. This report is to be welcomed because it makes a helpful contribution to this process.

1.2. Looking at services as a "whole system" and from the perspective of the citizen, as urged by this report, is certainly the right thing to do. However, different publicly-funded services to local people are provided by various government agencies that report to, and are funded by, completely distinct arms of government. For example, the NHS and the DWP are parts of central government though run by different Secretaries of State, while policing is the responsibility of the Mayor of London, and adult social care and housing are run by the Council. When the needs of an individual might best be served by increasing spending by one government agency while reducing the cost to other agencies (now or in the future), this diffuse and poorly co-ordinated structure means that no-one is incentivised, or even in a position, to do what is the right thing both for the individual and for the public purse. The key to the successful implementation of many of the recommendations set out in the report is making the case for a system-wide approach unarguable.

1.3. The commission has chosen to investigate these issues by looking in some detail at efforts made to help long-term unemployed people overcome barriers to getting back into employment that involve mental health issues. In relation specifically to employment support, as currently provided, it is right to stress that organisations are trying to do the right thing, but are operating within the constraints of the current contracting frameworks with their centrally set numerical targets. The purpose of the research commissioned for the review was not to take a view on any of the organisations individually, but to look at the system of employment support from the point of view of the individual clients. This is just the starting point from which we can work with organisations to help shape the future of employment support in Hackney and the wider London region.

1.4. The commission has made a number of specific recommendations about employment support, and this response sets out what the Council is doing, or proposes to do, in these areas. However, we must not lose sight of the wider thrust of the commission's report. It is not only a more holistic, person-focussed and more efficient system of employment support that the commission is arguing for. In making its recommendations in this area, it is urging us to think hard about how

wider and deeper co-ordination of government agencies could provide services that are both more effective and less costly.

1.5. This is not though all about top down co-ordination and re-organisation. It is about culture change among the people who work in Public Service to encourage people to take a broad view of what they can do for the person in front of them, so that people ask "What's my role here, what can I do that is within my remit, and what can't I do that I may need to go to my manager to make possible?" It is about understanding that we are not here to protect our own budgets (though that is sometimes important of course!) but we are all, collectively, spending public money, and we have to ensure that we do this in a way that most effectively addresses the needs of that person in front of us.

1.6. I commend this report to Cabinet.

2. Recommendation

2.1. The Cabinet is asked to approve the content of this response.

3. Executive Response to the Scrutiny Recommendations

Recommendation One

The Commission recommends the Council and its partners conduct 'whole place and whole system' reviews for service changes adopting the principles in the order outlined in the report.

a. Identify all service providers in the system and bringing them to the table to discuss changes to the service provision holistically. This should include statutory and commissioned provider so all parties can understand how the service provision currently operates.

b. Identifying the root cause of demand to be able to shift spending, action and support from late (crisis) to prevention (reducing the demand for specialist and expensive support services).

c. Identify the point for early intervention to provide access, to support as early as possible in the pathway. Making support available at the point of need (timely and effective support) and not at crisis e.g. for an individual to remain in work to manage their condition and find a resolution.

d. Starting with the service user not the services themselves: understand the person's aspiration and their journey through the system

e. Making all services providers across the system jointly accountable for achieving the outcomes

f. Commissioning for progression. Having outcomes that enable a person to develop their journey

There are a number of existing mechanisms via which we will disseminate the Commission's thinking and recommendations, and promote a debate among staff and partners.

-   Commission members will be invited to present the principles set out in the report to the next meeting of the senior leadership team, i.e. the top three tiers of the Council's management structure, in late September / early October 2016 – date tbc. We will invite other partners to join in with this discussion, for example, health and DWP colleagues.

-   We will make the link between the principles and a new Organisational Development programme, which the Council's Corporate Strategy team is developing, "Change for Everyone," that seeks to address the challenges for the workforce, as set out in (h), and draws on what we've learnt from talking to residents in the Place for Everyone programme described below.

-   The Council's Regeneration Delivery function, including its employment service, is currently under review. Its future direction will be informed by the Council's Employment and Opportunity cross-cutting programme, and by developments at a sub-regional level. Scenario Planning: future of public services strand. Over the spring and summer we

and achieve their goals

g.   Implement co-production and co-design in the organisation's commissioning cycle and service redesigns, so that services are designed through a partnership between service users and frontline staff

h.   Consider how professional roles and disciplines might be deployed in different ways to achieve better outcomes;

i.   Build trust between organisation and staff and the staff and citizens to enable greater innovation and flexibility at the frontline;

j.   Champion the value of sharing information across public services and beyond;

k.   Develop joint analysis to inform the Council's policies and enable services to reduce demand. Ensure the data being collected includes information about outputs and the quality of the service and how the service user interact with the service. Build up community insight on the characteristics of the people using the services to identify who uses it more and their specific needs. Capturing service user experience to help the organisation understand demand and where it manifests.

We recommend the Budget Scrutiny Task Groups refer to the 'whole place, whole system' approach in their budget scrutiny work for phase 2.

have developed a scenario planning exercise with colleagues in housing and planning, and health and employment partners, using evidence to set the strategic goals for the place and the organisation for the next 10-15 years. One strand of this work is looking at the future of public services, linked to ideas about how the workforce will need to change, and co-production and co-design as described in (g). The scenario planning session for senior managers and the Mayor and cabinet members has been postponed to early October, to follow the September by-election. We will provide a written briefing for the wider group of Members on the scope of this work and will discuss how to involve members further with the new Mayor

-    Hackney A Place for Everyone is the Council's evolving approach to community engagement. During the last year we have run a series of events, and conducted a survey, through which we have sought to change the tone of our engagement with residents by asking people to work with us to develop solutions to the challenge of radically reduced funding for the public sector, while we continue to have complex social issues to address. A report that sets out what we've learnt and what we plan to do next will be produced over the next few months.

-    Our response to devolution, and the development of the

	Council's relationships with other London boroughs in sub-regional partnerships, will in the first instance take shape around the Government's new Work and Health programme. There is an opportunity here to feed in the Commission's thinking.
	Some of these principles have already been adopted for particular pieces of work. For example, principle (d) was adopted for a review of the residential parking permit application process. Although this is a relatively straightforward transactional service, there are some lessons to be learned from this, particularly about trust – the point made in (i) that there has been – and continues to be - an issue with lack of trust between managers and staff, and staff and residents, which acts as a barrier to the most effective service delivery.
	There is currently a proposal with the Governance and Resources Commission setting out the remit for the Budget Scrutiny Task Groups looking at savings proposals for 2017-18 and beyond. One of the suggestions is to look at "whole system" spend on vulnerable adults.

Recommendation Two	
The Commission recommends the service redesign principles outlined in the report are used in service areas of high need and high spend such as mental health, disabled working age adults and homelessness.	As above, there is a proposal to carry out a specific piece of work over the next few months looking at spend on vulnerable adults across service areas. The officer group leading on this can work closely with the proposed scrutiny task and finish group to shape this.

Recommendation Three	
The Commission recommends the Council has an information sharing 'champion' to encourage the development of integrated systems/processes and promotes joint analysis across the whole system for service change.	There is an Information Governance group, led by the Corporate Information and Knowledge Manager in ICT, which leads on these issues. The corporate Policy and Business Analysis teams are working with ICT on a new Business Intelligence project during 2016-17 that will seek to implement new software to make it easier to analyse data across systems, while also seeking to create a shift in culture around the use of data. This should address principles (j) and (k) in recommendation one.

Recommendation Four	
a. We recommend the Council works with local employers to encourage them to employ people who have been long term unemployed. We recommend the Council provides access to information or support and advice for employers and looks at what incentives could be offered to employers.	The Council's Ways into Work team provide a free recruitment service run by the Council for Hackney's employers. Employers can use Ways into Work just as they would a recruitment agency, with the Council's aim to fill vacancies with Hackney residents who have been provided personalised support by the team to access training, and improve their ability to seek and maintain employment. This includes those who have been long term unemployed.

The Ways into Work team are constantly seeking to engage with employers in the borough and have been able to provide a high standard of employees in addition to advice and guidance. Recently Ways into Work have been working with companies moving to the new Fashion Hub in Hackney Central. |
| b. The Commission recommends the Council leads by example as an employer with a programme that provides volunteering or employment opportunities for | No one is excluded from working at the Council but it is recognised that more can be done to assist those who are long term unemployed or have specific health requirements. |

	people who are long term unemployed and people who have experienced an episode of mental illness.	The Council currently makes every effort to respond to volunteering requests made by local residents, particularly those who are long-term unemployed and/or have health conditions. As part of the Council's cross-cutting programme of work on Employment & Opportunity, over the next year the Council will be developing a corporate approach to work placements, alongside the launch of the corporate apprenticeship programme. Voluntary work placements form an important part of the 'menu of opportunities' the Council provides for unemployed residents.

All prospective Council employees are assessed on their merits and the Council provides an in-house support structure for all staff. This includes employees requiring support and advice about mental health.

In addition all Council employees can use the independent and confidential counselling and advisory service provided by Workplace Options, an independent employee assistance programme, who help with a wide range of work, family, and other personal issues. |
| c. | The Commission requests information from JCP about how they ensure work programme providers develop employer networks and forge relationships with employers to secure access to a range of job from entry level job to specialist jobs. | Jobcentre Plus is working with local businesses, including Tech City businesses, to secure employment opportunities for local residents working, in partnership with the Council's Ways into Work team.

This has included work to develop networks of employers to provide a broad portfolio of opportunities throughout the borough. A number of joint recruitments have already been completed. |

| | In addition local points of contact for Ways into Work have been established in each Jobcentre. This has improved vacancy sharing, local labour market intelligence, and the opportunity to co-ordinate recruitments (i.e. section 106 agreements, pending council apprenticeships) to meet the needs of employers and to maximise opportunities for Hackney residents.

Jobcentre Plus is working with a number of voluntary and community organisations to develop bespoke employment pathways. |
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| **Recommendation Five**

The Commission recommends the Council and JCP work with commissioned organisations to bring moving on support services out to the setting where the individual has a positive experience; to enable discussions about progressing their journey. | Jobcentre Plus advisers are working with the Council's Integrated Gangs unit, Probation, and Youth Justice units to provide employment and skills advice in safe settings.

There are three Jobcentre Plus advisers collocated to support the Troubled Families agenda and are located with Ways into Work alongside Council advisers, giving much needed advice and support to individuals who require it.

Jobcentre Plus is also delivering quarterly Parent careers and employment advice fairs at children's centres in partnership with Hackney Council, the Hackney Learning Trust and voluntary and community organisations.

Effective partnership work has been developed between JCP, the Council, voluntary and community groups, and other key stakeholders to better co-ordinate core actions needed to support unemployed |
|---|---|

	residents, including those that are long term unemployed. All this is with an aim to help sensitively prepare individuals for a return to the workforce and is in conjunction with tailored services for individual service users.

Recommendation Six

a.	The Commission recommends the Council (including commissioned organisations) and JCP (including work programme providers) explore how frontline staff can work holistically with service users to address need at the first point of contact.	Jobcentre Plus is committed to providing a service that provides solutions to service users, and work closely with the Council and the voluntary and community sector. A single point of contact has been appointed by Jobcentre Plus, the Borough Relationship Manager (BRM). The BRM has sat on welfare reform, Benefit Cap, and HDCSS review group meetings. This has enabled resolution to any issues identified. Regular meetings have been established between the Jobcentre BRM and the Ways into Work manager to analyse claimant count and employment rate data and to plan strategically on recruitment and regeneration matters. All this is to ensure that the Council and JCP are working together to provide a complete service to our users.
b.	The Commission recommends the Council and DWP's Jobcentre Plus to explore conducting a randomised whole system pilot to build up evidence of service delivery models across a whole place that will effect change for the long term unemployed to get back into employment.	The response from JCP is that this is something they would consider. Hackney has joined the Central London Forward grouping of boroughs for the purpose of devolution discussions on skills funding and on the Work and Health programme, which replaces the Work Programme and Work Choice. The head of our
c.	The Commission recommends the	

	Employment Service has been invited to join to working group that is designing the new model. Early discussions on the model, and how it will be different to the Work Programme, include a focus on health involvement, deploying expert caseworkers with lower caseloads and ensuring access to wider support e.g. health care.
Council and its partners identify a place that has many of the profiles that fall into high need and high spend and do a place based pilot. A place based pilot will enable the Council to build an evidence base for whole place, whole system service delivery models.	
	The model is based on the existing Working Capital, which already incorporates randomised control trials to evaluate the effectiveness of different approaches.
d. The Commission recommends the Council takes an iterative approach to service change, trying out new ideas on a small scale and properly evaluating their impact.	We have had an initial discussion with colleagues in public health on how to bring in funding from health to integrate with the new model. The proposal is that we develop this thinking as a pilot which could be subject to the Commission's continuing involvement in terms of tracking progress and reviewing the evaluation.
	Work is already underway on the Pembury Estate, where the Council is part of a Peabody-led project that is seeking to address residents' needs in a holistic way. There is potential to pilot different approaches to employment and health support linked to this project.
	This is an approach the Council is already taking with the review of the housing repairs service where we have worked with frontline staff to develop ways of working differently to allow them to do their job more effectively.
	The Council is also working with the Government's Behavioural Insights Team to look at ideas for increasing the recycling rate in the face of a national decline in rates

	despite the financial penalties that will result. We plan to try out different ideas on a small scale, and will use lessons from the approach to this work to apply to other areas.

REPORT OF THE GOVERNANCE AND RESOURCES SCRUTINY COMMISSION		
Delivering Public Services - Whole Place, Whole System Approach Governance and Resources Scrutiny Commission – 11th November 2015 Cabinet – October 2016 Council – November 2016	**Classification** **Public**	**Enclosures** **Appendices** BDRC Report Frontline Staff Feedback

1. FOREWORD

This report is intended to help the London Borough of Hackney deal with two fundamental challenges: first, a radically reduced resource base, and second complex social challenges that require a very different approach from the council, other public agencies and the wider community.

It is a report of two halves. The first half focuses on the broad question of how we in Hackney can manage huge reductions in public expenditure imposed by the government, while also trying to improve the lives of our local residents. During the course of this review we spoke to a range of experts about how we can rise to this challenge. Our conclusions are that the council and its partners need to take a 'whole place' approach to dealing with complex (and therefore costly) areas of social need. This should be characterised by:

- Looking at problems holistically and breaking down organisational silos in order to tackle them, which in practice can mean common outcomes and accountability, much greater information sharing and if appropriate organisational integration;

- Starting from the citizen's point of view: understanding their concerns and designing the mix of service provision around their goals and aspirations;

- A bias towards early intervention to prevent need becoming severe and acute;

- Co-production: services should work with people rather than simply delivering interventions to them.

The Commission wants Hackney Council to embrace this vision for redesigning services as we believe it is the best way to achieve the outcomes we want for our residents at a time of radically reduced funding.

The second part of the report takes the form of a 'deep dive' into one complex social problem in the borough that has remained stubbornly persistent over the last thirty years: several thousand residents who have mental health problems and who been unemployed for more than two years.

We commissioned in depth interviews with a sample of residents to understand the challenges they face. We also spoke to service providers and commissioners to understand their views. Our aim was to see how we could re-design local services to better support our residents in some cases find work, but also lead more fulfilling lives more generally. To achieve this would be a good thing in itself, but it would also reap social and financial benefits as well. We make a range of recommendations as to how the council and other agencies such as JCP and the work programme providers can better support people who have mental health problems and have found themselves unemployed for a long period. Perhaps most importantly we call on these agencies to pilot a new model of support for this group, based around the principles we set out above: integration, personalisation, early intervention and co-production.

Like the rest of the country Hackney faces huge social challenges while at the same time having to deal with them in a context of austerity. However, the message from this report is one of hope: we have found that there are ways to better serve our residents and improve people's lives, while also saving money. We now want to work with all relevant organisations in the borough to grasp this prize.

Cllr Rick Muir
Chair- Governance and Resources Scrutiny Commission

CONTENTS

1. INTRODUCTION

Overview of the review

This report starts with the recognition that Hackney faces two major challenges in the years ahead: we need to tackle complex social challenges that require a new approach to service provision, and we have to do so in a context of radically reduced resource. The Governance and Resources Scrutiny Commission has spent the last year and more considering how these two challenges can be met.

1.1 Our review came in two halves: first we explored how in general these challenges can be met, and second, we undertook a 'deep dive' to look at one complex social problem in particular: the large number of our residents who have mental health problems and who have been out of work for more than two years.

1.2 The Commission believe that in general the way to meet the challenge of 1) less money and 2) rising and more complex demand on our services, is to take a 'whole place' approach. The most entrenched and costly social problems we face require a more connected and holistic approach than that taken so far. Problems such as mental illness, homelessness, anti-social behaviour and support for an elderly population require public services to be more 'joined up' both in terms of the outcomes they seek to achieve and the forms of provision they deploy. They require solutions that are built around people and places rather than around traditional bureaucratic silos. This means four things: connecting up around the citizen; understanding the citizen's goals and aspirations and designing responses from there; taking action earlier before problems become more severe; and finally achieving what we want to achieve with people rather than simply delivering service *to* them.

1.3 The Commission undertook a deep dive into the problem of long term unemployment linked to mental illness. We concluded that a radically new approach is needed to support people facing these challenges. This must be based on the principles set out above: connecting up services around the person, properly understanding what they want to achieve; intervening early; and encouraging the full participation of citizens in achieving the outcomes we want. We call on the council and its partners to pilot a new model of employment support for this group, based on these principles.

2. Key questions and methodology

2.1 For the first phase of this review looked at the more general question of reforming services in a context of changing, and in some areas, rising demand and reduced funding. We wanted to answer the following question:

- How can Hackney's public services continue to improve people's lives with less money around?

- Are there merits in a 'whole place' approach to achieving the outcomes we want, which works across traditional organisational silos?

- What lessons can we learn from where such approaches have been tried elsewhere?

2.2 The Commission spoke to a wide range of experts on public service reform and looked at a range of different examples of 'whole place' approaches to change. We spoke to John Atkinson, Sue Goss, (previous leaders of Total Place programme) Early Intervention Foundation, LankellyChase Foundation, London Borough of Lambeth, and went on a site visit to London Borough of Lewisham to view their Community Budget pilot in operation.

2.3 For the second phase, the Commission looked at areas of high need and high spend and took advice from senior officers as to where it should focus. The Commission decided to carry out 'deep dive' exercise looking at long term unemployment, linked to mental illness.

2.4 The core questions phase two of the review set out to answer were:

- Are the principles developed from phase one of our review relevant to the challenge of improving the lives of those unemployed residents with mental health problems?
- What are the barriers to work and wider social participation for those residents themselves?
- How could services be redesigned to better help these residents meet their goals and aspirations?

2.5 This review drew on evidence from previous scrutiny reviews 'Tackling worklessness'; 'Impact of welfare reform and housing benefit'; and more recently Anxiety and Depression in working age adults; and programmes such as Total Place, Troubled Families and Community Budgets. This review will feed into the Council's cross cutting work programme on Employment and Opportunities.

2.6 Initial evidence sessions highlighted the importance of the service user voice to help identify why the system was not working. For this review we carried out qualitative research and conducted 24 in-depth interviews with people who have been: long term unemployed in Hackney for 2 years or more; between the ages of 33-57; with and without a mental health illness. The individuals were recruited through organisations who worked with the long term unemployed in Hackney.

2. SUMMARY, RECOMMENDATIONS AND OUTCOMES

Summary

2.1 This report is intended to help the London Borough of Hackney deal with two fundamental challenges: first, big cuts in public expenditure and second more complex social challenges that require a very different approach from the council, other public agencies and the wider community.

2.2 It is a report of two halves. The first half focuses on the general question of how we in Hackney can manage huge reductions in public expenditure imposed by the government, while also trying to improve the lives of our local residents. The second half takes an in-depth look at one major challenge we face as a borough: the large number of residents who have mental health problems and who have been out of work for more than two years.

2.3 The first phase of the review found that if we are to both deal with the challenges of austerity and the more complex social challenges we face we need to take a radically different approach to commissioning and providing public services. On the basis of the evidence presented to it, the Commission advocates taking a 'whole place' approach to tackling entrenched and costly social problems. This is characterised by four things:

- breaking down silo working and organisational barriers to look holistically at the challenges facing people and places, which means shared outcomes, greater sharing of information and where appropriate organisational integration;
- designing services around the person: understanding the citizen's aspirations and designing services around them rather than expecting people to fit into pre-defined programmes;
- focusing upstream on prevention so that problems can be dealt with before they become acute and costly;
- embracing co-production, so that services are not simply delivered to people but involve them as an empowered participant throughout.

2.4 The second phase of the review took an in depth look at the challenge of the large number of Hackney's residents who have been unemployed for more than two years and who have mental health problems. We sought to understand whether the 'whole place' principles set out above could help this group in some cases get into work but also lead more fulfilling lives more generally. After carrying out 24 in depth interviews with unemployed residents who face mental health problems, we concluded that a 'whole place approach' has great potential for this group. We therefore make a number of recommendations aimed at developing a new model of support.

Recommendations

2.5   The Commission makes the following recommendations, the findings for which are presented in Section 5 of the report:

Recommendation One - the whole place approach

Hackney faces the challenge of dealing with more complex and rising areas of demand on its public services, while also facing major cuts in government funding. We need to radically re-think how our public services are provided in this context.

Recommendation 1
The Commission recommends the Council and its partners conduct 'whole place and whole system' reviews for service changes adopting the principles in the order outlined in the report. a. Identify all service providers in the system and bringing them to the table to discuss changes to the service provision holistically. This should include statutory and commissioned provider so all parties can understand how the service provision currently operates. b. Identifying the root cause of demand to be able to shift spending, action and support from late (crisis) to prevention (reducing the demand for specialist and expensive support services). c. Identify the point for early intervention to provide access, to support as early as possible in the pathway. Making support available at the point of need (timely and effective support) and not at crisis e.g. for an individual to remain in work to manage their condition and find a resolution. d. Starting with the service user not the services themselves: understand the person's aspiration and their journey through the system e. Making all services providers across the system jointly accountable for achieving the outcomes f. Commissioning for progression. Having outcomes that enable a person to develop their journey and achieve their goals g. Implement co-production and co-design in the organisation's commissioning cycle and service redesigns, so that services are designed through a partnership between service users and frontline staff h. Consider how professional roles and disciplines might be deployed in different ways to achieve better outcomes; i. Build trust between organisation and staff and the staff and citizens to enable greater innovation and flexibility at the frontline; j. Champion the value of sharing information across public services and beyond; k. Develop joint analysis to inform the Council's policies and enable services to reduce demand. Ensure the data being collected includes information about outputs and the quality of the service and how the service user interact with the service. Build up community insight on the characteristics of the people using the services to identify who uses it more and their specific needs. Capturing service user experience to help the organisation understand demand and where it manifests. **We recommend the Budget Scrutiny Task Groups refer to the 'whole place, whole system' approach in their budget scrutiny work for phase 2.**

Recommendation Two - pilot a new model of support for unemployed residents with mental health problems

Hackney has a persistently large number of residents who are out of work due to reasons of mental ill health. These numbers have remained unchanged for decades. The current fragmented patchwork of provision has not worked. It is time to try something new.

We found that too often residents' experience of service provision is that it is fragmented, it is insufficiently personalised and support is not provided early enough to avoid problems becoming more and more severe. Therefore, we recommend that the council apply the principles set out in Recommendation One to pilot a new model of support for those who have been unemployed for more than two years and have mental health problems. Once this pilot has been tested it should be evaluated to see if it could be the basis for a different model of employment support for this group.

Recommendation 2
The Commission recommends the service redesign principles outlined in the report are used in service areas of high need and high spend such as mental health, disabled working age adults and homelessness.

Recommendation Three - appoint an information sharing champion

To transform services and outcomes, particularly for those people who present the greatest risks and create the biggest demands, information needs to be shared across agencies to a much greater degree than at present. To do this effectively service providers need to tackle cultural and organisational barriers to sharing information.

The default assumption for local public services should be to bring all existing data together and analyse how they can use the information effectively to cross-check information provided by service users to ensure it is correct, or share information to establish a better understanding of the service users' needs and the underlying causes.

Recommendation 3
The Commission recommends the Council has an information sharing 'champion' to encourage the development of integrated systems/processes and promotes joint analysis across the whole system for service change.

Recommendation Four - encourage employers to give people a chance and lead by example

The long term unemployed often struggle to secure work because employers perceived them to have been out of the labour market too long and to therefore constitute too much of a risk to take on. Helping people into work cannot be just about education and training, but we must also realise demand among employers.

If progress is to be made in this area, public sector employers must be seen to set an example. As one of the largest employers in the Borough the Council has a role in ensuring employers have access to information. The Commission would like the Council to provide support for employers to enable them to employ people who are long term unemployed.

Recommendation 4
a.   **We recommend the Council works with local employers to encourage them to employ people who have been long term unemployed. We recommend the Council provides access to information or support and advice for employers and looks at what incentives could be offered to employers.**
b.   **The Commission recommends the Council leads by example as an employer with a programme that provides volunteering or employment opportunities for people who are long term unemployed and people who have experienced an episode of mental illness.**
c.   **The Commission requests information from JCP about how they ensure work programme providers develop employer networks and forge relationships with employers to secure access to a range of job from entry level job to specialist jobs.**

Recommendation Five - support progression and reach out to different settings

The review has shown it is not about one destination but the journey for the individual as well as the need for ongoing support for people with mental health. The key to moving people on may be to start with the place where they have a positive experience, where they have built relationships to support their journey. Services also need to understand what appropriate intervention is needed and when; as well as identify the trigger points for prevention services and the appropriate point at which to provide intervention. The Commission believes services need to factor in ongoing support to ensure the person has transitioned into employment.

Recommendation 5
The Commission recommends the Council and JCP work with commissioned organisations to bring moving on support services out to the setting where the individual has a positive experience; to enable discussions about progressing their journey.

Recommendation Six - changes to the way the workforce is deployed and managed

The biggest shift being driven by austerity is developing a different relationship with citizens: *'we won't have the money so we will have to focus on the enabling and facilitating, enabling the rest of community to do it.'*

As public sector services become smaller more skills will be needed not just professional skills but facilitators, good questioners and coaches. We need to provide existing and future staff with the opportunities to develop their skills, and work effectively across different organisations, to provide that holistic support at the initial contact.

Public services can only be more responsive to the needs of service users if employees on the front line are trusted to innovate and empowered to act with more autonomy. This requires a fundamental culture change away from traditional command and control models of leadership to one in which leadership is distributed across organisations'. However the need for accountability will be a challenge when changing the culture of how a system and organisation operates.

There is a need for integration not just collaboration. The challenge now is breaking down silos to have integrated services/teams in localities with shared systems and processes. The system needs people with the ability to provide in-depth personal support and build relationships with people. Changing the system requires a shift in mind-set for the professionals and the organisation. This may mean cultural and structural change.

Early intervention is everybody's business and delivering effective early intervention will require thinking about the role of the wider workforce and having an understanding of the total costs across the system / sector. To make better use of

core public sector workforce through involving them in identifying need and providing basic information to help keep people out of expensive specialist services.

It's recognised that accountability is needed at some level, but a more mature relationship with risk and trust in the system is required. Changing the system and being successful with the change will depend on the skills of the frontline staff and their ability to build relationships, identify need and provide the appropriate support or opportunity at the point of need. Essentially we need to give front line officers the tools to address need at the first point of contact.

Recommendation 6
a. The Commission recommends the Council (including commissioned organisations) and JCP (including work programme providers) explore how frontline staff can work holistically with service users to address need at the first point of contact.
b. The Commission recommends the Council and DWP's Jobcentre Plus to explore conducting a randomised whole system pilot to build up evidence of service delivery models across a whole place that will effect change for the long term unemployed to get back into employment.
c. The Commission recommends the Council and its partners identify a place that has many of the profiles that fall into high need and high spend and do a place based pilot. A place based pilot will enable the Council to build an evidence base for whole place, whole system service delivery models.
d. The Commission recommends the Council takes an iterative approach to service change, trying out new ideas on a small scale and properly evaluated their impact.

3. FINANCIAL COMMENTS

3.1. As set out in this report, this review was initiated in order that the Commission take a longer term view of the Council's financial position and ways of delivering services across the public sector that would look to ensure that reducing resource could be used more efficiently. This was taken forward via the "deep-dive" into the specific issue of long term unemployed people with mental health issues.

3.2. The recommendations in this report look to agencies across the sector to work together to deliver services in a way that will improve the experience of the end user whilst moving to a preventative model dealing with the cause of issue and thereby reducing demand for more expensive reactive support further down the line. This is going to be key as we move forward with significantly less resource.

3.3. Whilst the recommendations look to agencies and organisations to work together to deliver more joint up service, we need to recognise the budgetary issues this in itself can cause. It needs to be recognised that changing practice in one organisation and closer working might result in physical savings elsewhere. There needs to be some discussion amongst all parties regarding how these savings could be equitably "shared" in order that all can reap reward of an improved overall service for the end user at ultimately lower cost.

3.4. It will be extremely important in moving forward with these recommendations that the financial impact of different working relationships is fully understood and taken account of, particularly if the move to work more co-operatively with other parts of the public sector are successful. It will be vital that in "breaking down the silos", that the financial aspects of this are dealt with in an equitable manner, not putting the Council's own financial stability at risk.

3.5. It is clear that there could be real opportunity for the Council to work with other organisations to deliver better outcomes for service users by encompassing this "whole place" approach whilst making more efficient use of the reducing resources available.

4. LEGAL COMMENTS

4.1. This report has been drafted following the work done by the Governance and Resources Scrutiny Commission to see how due to the severe reductions to budgets as a result of central government austerity measures the council can review service provision, to explore the merits of taking a 'whole place, whole system' approach to public service redesign, in the face of increasing demand and reduced resources.

4.2. A number of specific evidence gathering exercises have been undertaken as well as evidence having been drawn from previous scrutiny reviews in particular: 'Tackling worklessness'; 'Impact of welfare reform and housing

benefit'; and more recently Anxiety and Depression in working age adults; and programmes such as Total Place, Troubled Families and Community Budgets.

4.3. The recommendations themselves evolve around the Welfare Reform Act 2012. The Act puts into law what has been one of the governments flagships bills, which ministers have claimed marks the biggest overhaul of the benefits system since the 1940s. It replaces a large number of different types of benefit with a single benefit with the aim of making the system fairer, easier to enforce, and one that encourages people to work. It is being implemented in stages over the next five years. One of the aims of welfare reform is to simplify a complex array of benefits available to people who are unemployed, disabled, unable to work, with childcare responsibilities or who are on low incomes.

4.4. The Social Security (Information-sharing in relation to Welfare Services) etc Regulation 2012 sets out the purposes for which the Secretary of State may supply relevant information to a qualifying person in order to determine their eligibility for a particular benefit or grant. The 2012 regulations also set out the purposes for which relevant information can be held (for example, to determine homelessness applications and in relation to involvement in the troubled families programme). The Regulations prescribe the purposes where information can be shared in accordance with section 131 of the Welfare Reform Act. Previously, the Department for Works and Pension (DWP) could share social security data with local authorities for the purpose of administering housing benefit and council tax benefit, but there was no "legal gateway" which meant that information could not normally be shared without the individual's consent. Now data sharing of benefit departments such as the DWP and Housing Benefits sections is extended to include other services that charge for services, such as supporting people, care and residential care services. It will also extend to other welfare services: such as the local schemes that replace the Social Fund and schemes that are linked to receipt of benefit such as the blue badge scheme, discretionary housing payments. Data sharing can also be between the DWP and councils providing support services for young people such as skills and training. This is connected with the "tell us once" scheme where, for example, registrars are able to share birth data with the DWP. People applying for prescribed services will do so knowing that some of their data will be obtained from DWP or shared with the local authority. Data can only be supplied to local authorities where it is in accordance with the provisions in this new legislation. Section 132 of the Welfare Reform Act 2012 Act makes it a criminal offence to unlawfully disclose information supplied under section 131.

4.5. The Care Act 2014 introduced a single, national threshold to accessing care and support across England. The Care Act made changes to Section 117 of the Mental Health Act 1983 by Section 75 of the Care Act 2014 and for the first time provided a definition of what comprises "after care services".

4.6. Troubled Families are characterised by there being no adult in the family, children not being in school and family members being involved in crime and anti-social behaviour. These families always have other long-standing

problems such as domestic violence, relationship breakdown, mental and physical health problems and isolation which can lead to their children repeating the cycle of disadvantage and makes it incredibly hard for families to start unravelling their problems. As part of the Troubled Families programme, the Government has put in resources to incentivise and encourage local authorities and their partners to grasp the nettle; to develop new ways of working with families, which focus on lasting change, recognising that these approaches are likely to incur costs but that they will result in a shift in the way we work with families in the future – reducing costs and improving outcomes.

4.7. 'Personalisation' is the term used for an approach to personal care and support in relation to adult social care which treats people as autonomous individuals and responds to their personal needs and wishes. Central to this vision is the principle that when people need ongoing support, they do not cease to be citizens or members of their local community. The support they use should therefore help them to retain or regain their roles and the benefits of community membership, including living in their own homes, maintaining or gaining employment and making a positive contribution. Personalisation means addressing the needs and aspirations of whole communities to ensure everyone has access to the right information, advice and advocacy, to enable them to make good decisions about the support they need. The Integrated Personal Commissioning (IPC) programme, starting from April 2015, will bring together health and social care funding around individuals, enabling them to direct how it is used for the first time. This represents a step change in ambition for actively involving people, carers and families as partners in their care.

4.8. Data sharing is a common part of modern governance and the delivery of public services. Public bodies collect large amounts of data from individuals and other organisations in the exercise of their various functions and share these data with other public bodies. Due to reported obstacles to effective data sharing the Law Commission undertook a consultation in order to decide whether there are inappropriate legal or other hurdles to the transfer of information between public bodies and, potentially, between public bodies and private bodies engaged in public service delivery. In July 2014 the Law Commission published its report with an analysis of the responses to the Law Commission's Scoping Consultation Paper, *Data Sharing Between Public Bodies.* The report made 3 principled recommendation: 1) The Law Commission recommended that a full law reform project should be carried out in order to create a principled and clear legal structure for data sharing, which will meet the needs of society. These needs include efficient and effective government, the delivery of public services and the protection of privacy. Data sharing law must also accord with emerging European law and cope with technological advances. The project should include work to map, modernise, simplify and clarify the statutory provisions that permit and control data sharing and review the common law. 2) The scope of the review should extend beyond data sharing between public bodies to the disclosure of information between public bodies and other organisations carrying out public functions. 3) The project should be conducted on a tripartite basis by the Law

Commission of England and Wales, together with the Scottish Law Commission and the Northern Ireland Law Commission.

4.9.   The Information Commissioner's Code of Practice for Data Sharing is a statutory code issued by the Information Commissioner after being approved by the Secretary of State and laid before Parliament. The code explains how the Data Protection Act applies to the sharing of personal data. It provides practical advice to all organisations, whether public, private or third sector, that share personal data and covers systematic data sharing arrangements as well as ad hoc or one off requests to share personal data. Adopting the good practice recommendations in the code will help organisations to collect and share personal data in a way that complies with the law, is fair, transparent and in line with the rights and expectations of the people whose data is being shared.

4.10.   The Cities and Local Government Devolution Bill *2015-16* forms part of the Government's policy of devolving the powers and budgets of public bodies to local authorities and combined authorities. The wider policy priorities of both the Government and local areas extend beyond the Bill itself, which is largely technical in nature. A government briefing note accompanying the Queen's speech said the Bill was intended to boost growth and to increase productivity and efficiency in local government. In a speech by Chancellor George Osborne he announced that government would legislate to "pave the way for … cities ... to take a greater control and responsibility over all the key things that make a city work, from transport and housing to skills, and key public services like health and social care".

4.11.   There are no immediate legal implications arising out of this report and its recommendations.

5.   FINDINGS

5.1   Phase one: why we need a 'whole place' approach

5.1.1   Local government is facing unprecedented challenges associated with service delivery; reduced finances; managing staff; engaging citizens; forming new partnerships; changing demand and demographics and rapidly evolving technologies.

5.1.2   To set local government expenditure and income in context, local government accounts for 24% of the UK public sector's expenditure. In England, local authorities' total expenditure was £154bn in 2012-13 compared with £162bn in 2011-12 and £172bn in 2010-11.[1] To date it is estimated local authorities in England have lost 27% of their spending power since 2010.

5.1.3   Despite this councils have managed to set balanced, legal budgets by delivering the required savings each year. Local Authorities have attempted to shelter front-line services by loading savings onto 'back-office' functions and making other kinds of efficiency saving. They have also embarked on redesigning services in ways that not only makes savings; are forming new collaborations and service models that have the potential to be more efficient and effective.

5.1.4   Local government is under pressure to maintain services and cope with increasing demand. Council's deliver a range of services but in the face of funding cuts and expenditure pressures each year, councils have continued to balance their budgets and fulfil their statutory obligations. Most council services are mandatory. This means that the council must do them because they are under a duty to do so by law. Some of the mandatory functions are tightly controlled by central government, other mandatory services (e.g. the library function) have some discretion over the level and type of service provided. There are also some council services and functions which are discretionary. These are services a council can choose to provide but does not have to, they range from large economic regeneration projects - to promote growth and community cohesion - to the removal of wasp nests.

5.1.5   Councils work with their communities to determine and deliver local priorities. Council services, are either provided directly or commissioned from outside organisations. Services can be delivered in partnership with local partners, including charities, businesses and other public service providers like the Police and the NHS. The table below provides a summary of the main services and responsibilities of local authorities in London.[2]

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[1] Local Government Financial Statistics England No.24 2014
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/316772/LGFS24_web_edition.pdf

[2] (Adapted from the Department for Communities and Local Government, 'Local Government Financial Statistics England No. 22 2012', pps.16-17.)

Principal service Includes	
Children's services	• schools – nursery, primary, secondary and special (but not academies or free schools) • pre-school education • youth, adult and family and community education • children's and families' services – including welfare, fostering and adoption and child protection • children's public health from age five onwards • youth centres
Highways, roads and transport	• highways – non-trunk roads and bridges roads and bridges • street lighting transport • traffic management and road safety • public transport – discounted travel schemes and local transport co-ordination • some airports, harbours and toll facilities
Adult Services	• services for older people including nursing, home, residential and day care and meals • services for people with a physical disability, learning disability or mental health need • asylum seekers • supported employment
Housing	• social housing • housing benefit and welfare services • homelessness • housing strategy
Cultural services	• culture and heritage, including museums and galleries services • recreation and sport, including leisure centres and sports facilities • open spaces – parks, playgrounds and allotments • tourism – visitor information, marketing and tourism development • libraries and information services
Environmental services	• cemetery, cremation and mortuary services • community safety – including consumer protection, coastal protection and trading standards

	• environmental health – including food safety, pollution and pest control, public toilets • licensing – including alcohol, public entertainment, taxis • agricultural and fisheries services • waste collection and disposal, recycling and street cleaning
Planning and development	• building and development control development • planning policy – including conservation and listed buildings • economic investment and regeneration • environmental initiatives
Protective services	• community safety services • fire and rescue services • court services such as coroners
Public health	• a wide range of mandated public health services, including weighing and measuring children, sexual health, drug and alcohol treatment, and NHS health check programme • advice and information to the NHS • other health improvement measures
Central and other services	• local tax collection – council tax and business rates other services (business rates set centrally) • registration of births, deaths and marriages • election administration – local and national, including registration of electors • emergency planning • local land charges and property searches

5.2   Whole Place, Whole System Approach

5.2.1   An ageing population, welfare reform and an increasing demand for social care services means local government is facing an uncertain future and funding gaps so large that there will barely be enough resource to provide basic statutory services. There is pressure to reduce high costs, high need and complex dependency cases for public sector services.

5.2.2   No agency by itself can drive the change needed to address this. The traditional approach to public services, in which individual agencies focus on just one element of a complex problem, for which they are accountable to Government departments, is simply not working. Approaches which ignore the complexity of individuals' lives as well as local community circumstances and instead deliver one-size-fits-all solutions are failing to meet local need.

5.2.3 A different approach is needed because there is less money, changing demand and demographics and technological advancement.

Less money – following cuts to a large number of public services during the past five years, we note the government is committed to continuing the pace of deficit reduction during this Parliament. Based on existing plans to return the public finances to balance in 2018/19, day-to-day spending on public services as a share of national income is expected to fall to its lowest level since 1948.

Changing demands and demographics – medical and health advances, combined with wider, social change means that people are living much longer and, increasingly spending a smaller proportion of their life in work. We know that health related problems such as diabetes, obesity and mental illness are growing sources of long term pressures. The persistence of more complex social problems entrenched in a relatively small number of people will exacerbate pressures on services.

Technology – digital channels are transforming almost all aspects of life, including everything from banking to how we interact day-to-day with friends and family. These changes have raised public expectations and changed behaviour about the way services are accessed and consumed. People now expect more personalised, joined up and convenient ways to access the services they require.

5.2.4 The rising demand, changing demographics and increasingly stretched finances mean that the choice for local authorities and public service providers is stark. Rather than simply salami-slicing budgets or managing decline, councils must fundamentally rethink the way they deliver services and use public money. Public sector services must change the way they work, or face the possibility of service retrenchment, increasing irrelevance and perpetual crisis management.

5.2.5 Public service transformation itself cannot deliver the scale of public funding reductions required. But it is does have a pivotal role to play and, without transformation, deep cuts in funding will feed directly through to deep cuts in services. This review shows that change needs to go beyond the council and will require the breakdown of silo working.

5.2.6 Independent analysis for the Local Government Association has suggested significant net savings are achievable if 'whole place' approaches to the integration of public services are adopted nationally. [3] More importantly, this approach indicates radically improved outcomes for people – helping to overcome societal challenges that have persisted for many decades.

5.2.7 To date public sector service redesign has ended up adding or changing parts of the system. What is needed now is a systematic review of the whole place and whole system. Taking a 'whole place' approach will be critical to breaking down organisational barriers and shifting emphasis and funding towards integrated solutions rather than single-agency, costly interventions. Fundamental to this success is being able to bring partners to the table who

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[3] Ernst and Young for the LGA Whole Place Community Budgets: A review of the potential for aggregation

have the authority in decision making and agreement. Taking this approach will help to look at the changes required for staff, residents, organisation culture and service provision.

5.2.8   Where responses are not joined up early enough this can result in costly interventions and ultimately poorer outcomes for people. For some people, contact with multiple public services is a regular part of life or a feature of their lives at a particular stage. LankellyChase Foundation reported 'what people with multiple difficulties need is a multi-agency response that is centred around the individual'.

5.2.9   The Government recognises that joining up local services to remove duplication in the system and prevent problems before they happen is vital to the reform of public sector services. There have been several pilots aimed at this such as Total Place, Community Budgets and Troubled Families.

5.2.10 Prior to Total Place pilots existing attempts to change public services were incremental and made changes to specific parts of the system. Total Place enabled service providers to start thinking in a different way about collaborative working to make the system better. This new way of thinking led to the development of the Troubled Families model and Community Budgets. The Neighbourhood Community Budget evaluation emphasised the need to work towards breaking down silo-based working, and for services to be designed, around the needs of the community or neighbourhood.

5.2.11 Our discussion with experts during the evidence sessions of this review highlighted this process was a journey and should not be an audit. The Commission was advised to be led by the evidence, because this was likely to identify the service area(s) that needed changing. There was also great emphasis placed on hearing the views of service users' to identify how and why the system was not working.

5.2.12 We learned the process of system change has not end point but is about changing how things are done. There should be thinking about the different skills and knowledge needed for the journey of change. Learning is critical and the target set at the start may change as the journey of change progresses. The elements of system change are:

- Learning
- Culture change
- Using a range of different approaches
- Not applying one size fits all.

5.2.13 Even though the case for change is strong a number of barriers exist to conducting this type of change these are:

- Understanding the total costs across the system to make the case for early intervention
- The ability to pool local budgets and share information - for local service providers to change the whole system they need to be incentivised to work better through public service reform. Better sharing of information across the system to keep people out of and progressing into expensive specialist services.

- Breaking down silos to have integrated services/teams in localities with shared systems and processes. This is a call for genuine service integration; not partnership working or co-ordination of services across the whole system
- Accountability and a different use of power – evidence suggests a need for shared leadership.
- Shifting the mind-set of professionals and the organisation to view residents as assets to get the changes implemented to meet the needs of the service users
- Being able to involve people in the process of co-designing, co-commissioning and co-delivering to get improved outcomes. Talking to them to identify their desired outcome. The stories of the service user will help to understand the nuances of how they use the service or what they find useful or important
- Taking the approach of learning and understanding there are risks with unknown outcomes but the need to manage those risks.

5.2.14 The Commission believes whole place, whole system thinking will be crucial to managing future demand. This approach is about scaling up isolated service based practice and embedding a culture shift across public organisations. Interviewees in the RSA report *Managing Demand Building Future Public Services* pointed out where public managers are able to look across a 'whole place' and commission service preventively, the biggest gains could be found.

5.2.15 Moreover, the recent report of the *Service Transformation Challenge Panel (2014)* gives prominence to the need to develop new, 'person-centred', holistic approaches to service provision, particularly for people with multiple and complex needs.

5.2.16 Taking this approach means it does not focus on achieving saving for one particular organisation but the key aim is to make the system better, accessible and to meet the needs of service users for improved outcomes. Changing the system by taking a whole place, whole system approach will lead to a change in culture in the system rather than just a change in methodology or delivery of the service.

5.2.17 Austerity has catalysed council's efforts to find more efficient ways of working and encouraged new forms of partnership, particularly with health services. But it has also fragmented services and created barriers to collaboration due to the scarcity of resources and the strain on basic services.

5.2.18 During the review the Commission spoke to a range of stakeholders about their approach to conducting a whole place, whole system redesign and the principles they would recommend when embarking on this type of review. This is what our key witnesses said:

Total Place
The Total Place initiatives set a new direction for local public services and local authorities. These pilots demonstrated that through bold local leadership and better collaborative working, it would be possible to deliver services which meet people's needs, improve outcomes and deliver better value for money. The Total Place approach – putting the citizen at the heart of service design - helped to open the door for local partnerships to discover what could be done to improve the system and to push forward innovative ideas and solutions to change the way services are delivered. It looked at new ways of co-operation, at local level and a new relationship between the local area and Whitehall. John Atkinson and Sue Goss implementers of Total Place advised political support for change was crucial and it was imperative to be clear from the start the outcome to be achieved. The Total Place pilots conducted a money mapping exercise in a bid to establish the exact spend of a services in the whole system locally, they found doing a forensic audit of the money flow required significant resources and did not help to achieve the desired change. Nevertheless, it was not a completely useless exercise because it did help to highlight the percentage of the total funding each service providers was in control of, as well as show up if there were parts of the system that were counter intuitive to the desired outcomes for service users. The biggest lever for change was conducting a deep dive exercise which started with hearing the stories of the service user. This enabled services to understand the nuances of how service users used the service and what they found useful or important. This proved to be most valuable to the pilots than the mapping of total spend. They explained to take the work of the pilots further would be to implement co-production and service redesign. True co-production would require a cultural shift for an organisation and professionals. The professional would need to give up their expertise and sit in a room with people who have various opinions. Co-design was pushing the boundary further, following this process through would mean all the views were taken seriously and used to design the service. The purpose of doing this type of work was to understand what changes were required for staff, residents, users and organisations. They pointed out it was important to have the correct staff with the right skills. The biggest challenge the pilots encountered was implementation of the changes to meet the needs of the service users.

LankellyChase Foundation
LankellyChase Foundation is an organisation that funds projects and uses the findings from the projects to bring about change that will transform the quality of life, of people, who face severe and multiple disadvantage. Their focus is particularly on the persistent clustering of social harms such as homelessness, substance misuse, mental and physical illness, extreme poverty, and violence and abuse. LankellyChase Foundation take the findings from research projects to influence policy and decision makers to inform system change. LankellyChase Foundation projects have shown the process of system change is not about reaching an end point but changing how things are done. System change is a journey that requires a learning approach. Learning is critical and when embarking on this journey it should be noted the target identified at the outset may change as the journey of change progresses. There was also indications that the system would require shared leadership resulting in a different use of power. LankellyChase Foundation expressed the importance of service providers and commissioners building an evidence base which informs them about the problems, the barriers and the needs of the people. LankellyChase Foundation recognised the importance of achieving some quick wins but disagreed with having a key worker. In their view a key worker was not always the answer because it can prohibit the organisations within the system from changing. The wanted organisation to think about the different skills and knowledge needed for the journey of change. The process of system change is about: • Learning • Culture change • Using a range of different approaches • Not applying one size fits all.

London Borough of Lambeth

Lambeth Council is one of the pioneers of the co-operative approach to local government. The Council set out its vision for a co-operative way of working in the final report *Co-operative Council Commission*. This report laid out a series of recommendations for rebalancing the relationship between citizens and the Council, putting residents at the heart of council services and giving them a more direct role in influencing, delivering and co-producing public services.

In our discussion with Lambeth (co-author of RSA report *Managing Demand - Building Future Public Services*) they found a small number of council's building collaborative approaches however these were within borough boundaries. There were no examples of councils taking the whole place, whole system approach and building collaborative strategies based on local circumstances to influence behaviour; addressing need outside of the service lens; and reconfiguring service delivery mechanisms through understanding how demand manifests across a whole place and whole system.

The report highlighted a different approach was required between the citizen and state relationship. Therefore system change would mean going beyond partnership working; to start with the people and work backwards. In some cases this may mean new relationships and collaborating across agencies and sectors because the drivers for demand are often the same across the system. Evaluations in Lambeth has shown that citizens are willing and ready to work with the Council however the council has to create the right opportunities to get people engaged.

In order to put co-operative thinking into practice, a number of 'early adopter' projects were implemented so the Council could understand how working more closely with citizens would work in practice. Some were projects were successful and some unsuccessful. These projects helped Lambeth to see that changing the behaviour in the system is a challenge. To change the system requires a shift in mind-set for the professional and the organisation. It required a change to the cultural of the organisation and may even require structural changes to the organisation too.

Lambeth Council decided to embark on this change and has changed their focus to 'cooperative commissioning' as its core operating model. Lambeth Council has put its citizens at the heart of the commissioning cycle and is looking beyond costs and value for money to put greater emphasis on the social costs and benefits of different ways to run services. Changing a big organisation is a big task and the need for accountability when changing the culture of an organisation can bring some tension as the organisation transitions. The key to implementing this change in Lambeth was strong local political support.

Fundamentally services need to start closer to the community to

understand their needs and the drivers for demand because changing behaviour is often critical. People understand their problem and are part of the solution therefore residents should be viewed as assets and supported to get involved in the service redesign. Organisations need to get better at involving people in the process of co-designing, co-commissioning and co-delivering to get improved outcomes.

Early Intervention Foundation

Early Intervention Foundation (EIF) is an independent organisation set up to champion and support the effective use of early intervention to tackle the root causes of social problems for children from conception to early adulthood. The Early Intervention Foundation was established in 2013 and has 3 main functions: to assess the evidence; advise commissioners on how to apply the evidence; advocate for early intervention. The focus of their work has been on children and families.

EIF explained providing effective early intervention in a local area requires commitment across the relevant partners in a place. To change a whole system local public services need to be incentivised to work better together and have the ability to pool local budgets and share information. Integration not collaboration is the requirement and the challenge will be breaking down working silos to achieve integrated services/teams in localities with shared systems and processes.

The call is for genuine service integration; not partnership working or co-ordination of services. Through this way of working early intervention can be used to:
- Tackle the root causes of social problems
- Improve life chances, breaking the intergenerational cycle of disadvantage – persistent societal challenges
- Reduce the cost of failure to the taxpayer.

Early intervention is important to all providers in the system and to deliver effective early Intervention you need to understand total costs across the system / sector, whilst also thinking about the role of the wider workforce.

Early intervention requires careful commissioning, high quality implementation and effective systems to identify individuals with needs.

EIF highlighted an organisation should make better use of the core public sector workforce through involving them in identifying need and providing basic information to help keep people out of expensive specialist services. Essentially giving front line officers the tools to address the need first time.

EIF advised the key elements of an effective early intervention strategy to

reduce demand are:

- Using evidence and data about where the real need is
- Breaking down silos - integrated services/teams in localities with shared systems/processes
- Evidence based interventions that meet local priorities
- A focus on frontline practice – permissive environments in which professionals have the flexibility and scope to deliver what's needed and make real change
- Using the reach and contacts of wider services
- Building community capacity to solve their own problems.

Although a strategy is key being able to evidence the change or impact of change is now imperative to realising improved outcomes.

London Borough of Hackney Chief Executive Projects and Programme Delivery

London Borough of Hackney's corporate Projects, Programmes and Policy teams support the council directorates to deliver service reviews and lead on big change programmes within the Council. They are leading on the Council's Cross Cutting Programmes outlined in the Council's Corporate Plan for 2015-2018.

Projects and Programmes told us from experience they are developing the following principles for service transformation reviews:

- Taking a whole system approach

- Looking from the outside in

- Looking at culture and trust (residents and staff)

- Understanding where demand manifests – root cause

- Prevention and investment

- Experimentation – conducting experimental change e.g. pilots.

- Aiming for a perfect service to 'get it right first time' and if you do not achieve it, make continuous improvements to get there.

In their view the key to change management is approaching the review from the bottom up; hearing the suggestions for change from the frontline staff up to management. They are using this approach to establish where the demand is in the system and identify to what extent there is failure to meet demand in the system.

London Borough of Lewisham
Community budget pilots have been introduced to improve services and outcomes for vulnerable groups, particularly those with complex needs. The Commission went to visit the Tri-Borough Community Budget Pilot of Lambeth, Lewisham and Southwark Council. This pilot is aimed at ensuring residents with complex needs get the right intervention at the right time from Universal Credit (UC) application through to employment. The Commission visited London Borough of Lewisham to view the pilot set up because their pilot closely resembled the service user cohort we were looking at in our deep dive.   The pilot is operational and the Commission wanted to find out about the joint approach they have set up. The pilot works in partnership with JCP and referrals are made once a UC application has been made and the individual meets the service criteria. The vision for this pilot is to break through the silos residents can get caught in and to provide a service that was flexible to meet the fluctuating needs in an individual's life. A key driver for the Tri-Borough collaboration was the need to work with JCP's national work programme (they believed this could not be achieved on an individual borough basis) and access employment opportunities in neighbouring Boroughs with a growing local economies. This pilot shares the Section 106 opportunities giving residents the opportunity to cross borough boundaries. The changes in the labour skills market has led to this pilot working closely with JCP because the UC front end became their primary referral route into the pilot. Using this front end enabled JCP to be involved but they have implemented a key worker role. The key worker role they feel is hugely important to support the people referred who often have high need (low level mental health) but varying employment skills and ability. Their key focus is on removing the barriers to employment and success is measured on the progress journey of the individual.

5.2.19 The Commission encountered scepticism about the ability to get a large Government department like the Department of Works and Pension (DWP) involved in 'whole place' style approaches to local system changes. It was highlighted achieving changes to local DWP services, in most cases, was reliant on an innovative manager. London Borough of Lewisham explained they managed to get DWP engaged with their Community Budget pilot and they believe this was due to the large geographical area (Tri-borough).

5.2.20 Employment is central to improving the financial resilience of the population and current welfare to work service provision (such as via the Work Programme) is not meeting the needs of the most vulnerable and this cohort is likely to be significantly impacted by the welfare reform changes once fully implemented.

5.2.21 To look at how services can work better together we need to adopt a 'whole place' approach. This means:

- breaking down silo working and organisational barriers to look holistically at the challenges facing people and places;
- sharing information across public service silos and using that data to understand the causes of the biggest social problems we face;
- understanding the citizen and their aspirations rather than looking at them simply as a single service user;
- focusing upstream on prevention so that problems can be dealt with before they become acute and costly;
- putting in place shared outcomes and objectives that all the key players are accountable for achieving together;
- embracing co-production, so that services are not simply delivered to people but involve them as an empowered participant throughout.

Recommendation 1
The Commission recommends the Council and its partners conduct 'whole place and whole system' reviews for service changes adopting the principles in the order outlined in the report. a. Identify all service providers in the system and bringing them to the table to discuss changes to the service provision holistically. This should include statutory and commissioned provider so all parties can understand how the service provision currently operates. b. Identifying the root cause of demand to be able to shift spending, action and support from late (crisis) to prevention (reducing the demand for specialist and expensive support services). c. Identify the point for early intervention to provide access, to support as early as possible in the pathway. Making support available at the point of need (timely and effective support) and not at crisis e.g. for an individual to remain in work to manage their condition and find a resolution. d. Starting with the service user not the services themselves: understand the person's aspiration and their journey through the system e. Making all services providers across the system jointly accountable for achieving the outcomes f. Commissioning for progression. Having outcomes that enable a person to develop their journey and achieve their goals g. Implement co-production and co-design in the organisation's commissioning cycle and service redesigns, so that services are designed through a partnership between service users and frontline staff h. Consider how professional roles and disciplines might be deployed in different ways to achieve better outcomes; i. Build trust between organisation and staff and the staff and citizens to enable greater innovation and flexibility at the frontline; j. Champion the value of sharing information across public services and beyond; k. Develop joint analysis to inform the Council's policies and enable services to reduce demand. Ensure the data being collected includes information about outputs and the quality of the service and how the service user interact with the service. Build up community insight on the characteristics of the people using the services to identify who uses it more and their

specific needs. Capturing service user experience to help the organisation understand demand and where it manifests.

We recommend the Budget Scrutiny Task Groups refer to the 'whole place, whole system' approach in their budget scrutiny work for phase 2.

5.3 **Principles for Service Redesign**

5.3.1 It has been said that the current approach to service change and redesign by public sector services is not working and will not deliver the scale of savings needed or meet the future needs of service users unless they start to look across the whole system and aim to manage future demand.

5.3.2 The Commission embarked on this review to identify a set of principles we believe will result in more efficient and effective services for citizens during a time of increasing demand and diminishing resources.

5.3.3 The principles and approach outlined in this report will seem familiar, but for the Commission the steps and order in which these principles are applied will play a key role in successfully implementing whole place change across the system. After reviewing the information the Commission recommends for service redesign locally the principles and order below are followed:

Principle 1 - All Partners to the Table

5.3.4 It is well rehearsed that the scale of efficiency and saving required cannot be achieved by a single agency. Certain social needs cannot be met by any one department, service or provider and, service users require the collaborative endeavour of a range of service providers, with a unifying purpose which supports individuals in a way that supports their lives, not existing services. To drive forward the changes will require the collective resources of all partners in the system.

5.3.5 After speaking to service providers in Hackney the Commission sensed there was a real desire to work collaboratively to achieve the efficiency and improved outcomes for their local population. However the Commission is of the view critical to this success is bringing key service providers in the system to the table who have the authority in decision making and agreement.

5.3.6 Although many of the barriers to effective partnership working –different budget, reporting and accountability systems, ring-fenced funding etc – are well-rehearsed; close collaboration and alignment of the work of different agencies is necessary, to reduce duplication and enable services to be made available at the point of need for the service user not the organisation.

5.3.7 If a big part of managing demand involves re-shaping citizen-state relationships, evidence is suggesting the state-to-state relationships should be considered too. This will require breaking down the silo working of organisations and adopting a different approach to shift emphasis and funding towards integrated solutions rather than single-agency, costly interventions.

5.3.8 Fundamentally now all parties need to work out what is required to remove duplication of support, secrecy, wasted resources and static and unresponsive

services. We encourage service providers to work out, how they can work collectively to reduce demand in the system. The Commission recommends:

- Identifying all service providers in the system and bringing them to the table to discuss changes to the service provision holistically. This should include statutory and commissioned provider so all parties can understand how the service provision currently operates.

<u>Principle 2 - Demand management - Prevention and Early Intervention</u>

5.3.9   There is growing interest in changing the culture of public services from reaction to early intervention, addressing root causes rather than symptoms, with the aim of avoiding poor outcomes and high costs later on. Investing in prevention is fundamental to shifting from a model of reactive to proactive services.

5.3.10 Prevention entails using all public resources to prevent harm rather than coping with acute needs and problems that could have been avoided. Prevention services are aimed at preventing harm before it occurs and usually focus on whole populations and systems.

5.3.11 Early intervention entails making access to support and services at the point of need or as early as possible. The aim being to mitigate the effects of harm that has already happened and focus on groups and other things considered at risk or vulnerable.

5.3.12 The theoretical financial case for savings predicts that the level of savings that are possible increases as interventions move from short to longer term, and from small, bespoke projects towards whole system change.

5.3.13 Research shows that future demand for public sector services will not only outstrip current supply, but is likely to overwhelm public agencies with a set of needs that do not correspond to the service models of today. Managing future demand will be about scaling up isolated, service-based practice and embedding a culture shift across public organisations. At the same time as building up high levels of trust between service provider and service user - developing a two way relationship to effect long term behaviour change.

5.3.14 EIF highlighted effective early intervention in a local area requires commitment across the relevant partners in a place. LankellyChase Foundation reported their research showed the support provided is time limited and not available as and when a person needs it.

5.3.15 Public agencies need to look outwards, creating the methods to generate deeper insight into the needs, wants and aspirations of citizens. Changing behaviour is critical and residents need to be viewed as assets and supported to get involved in the service redesign. Therefore the default assumption for local public services should be for outcome-focused collaboration around the holistic needs of citizens (thus the root causes of demand).

5.3.16 The Commission recommends:
- Identifying the root cause of demand to be able to shift spending, action and support from late (crisis) to prevention (reducing the demand for specialist and expensive support services).
- Move away from reacting and meeting demand to providing support at the point of need.

- Identify the point for early intervention to provide access, to support as early as possible in the pathway. Making support available at the point of need (timely and effective support) and not at crisis e.g. for an individual to remain in work to manage their condition and find a resolution.

Principle 3 - Co-production

5.3.17 Repeatedly we heard during our evidence session about the importance of starting with the community to understand their needs and the drivers for demand. It was pointed out, the people who use services are in a unique position to articulate their needs and to help design and deliver appropriate support to meet these needs. Currently the system looks at each need individually rather than seeing the whole person. There is a growing evidence-base that the involvement of citizens and/or service users in the commissioning, design and delivery of services can lead to better, more effective services by creating better alignment between user need and provision.

5.3.18 To achieve the desired aim of long term transformative change in public services it will mean truly engaging and enrolling the community in the design and delivery of services. This type of change to the system goes beyond partnership working; it means starting with the people and working backwards. In some cases this may mean new relationships and collaborating across agencies and sectors.

5.3.19 True co-production and service redesign requires a cultural shift for an organisation. Professionals would be required to give up their expertise and sit in a room with people who have various opinions. Co-design means following through and taking all the views seriously to design the service.

5.3.20 LankellyChase Foundation reported their research showed, a person with multiple disadvantages - depending on where a person sits in the system - could experience an overlay of different factors. Their multiple disadvantages often meant they received the least support and were more likely to be subject to punitive and/or coercive interventions. Their analysis showed that people in contact with more than one system were less likely to have good short term outcomes from the support programmes. Resulting in attempts to address these issues, having failed because the services and systems are so firmly entrenched. Also, as a result of being continually failed, the groups' behaviour can result in further exclusion and being labelled as "hard to help".

5.3.21 London Borough of Lambeth talked about how they have invested in co-production. To start this they entered into a dialogue with the community about how they could manage assets and commenced building an evidence base on how they could manage assets with less resources. Lambeth Council believe co-production will bring new solutions and the Council has a role to facilitate and enable that change. When thinking about service design, they believe it is important to start with people, families, communities and relationships, rather than the service and professional silos.

5.3.22 The Commission is of the view co-production will be the most effective method to achieving improved outcomes and inform the commissioning of the most appropriate support services. We highlight that this must go beyond engaging people in the traditional ways e.g. consultation after service design. It means

involving local residents / service users from the start of the service redesign to help to articulate the solutions to their problems, aspirations, outcomes and inform the quality characteristics of the service.

5.3.23 The Commission recommends:
- Starting with the service user not the services themselves
- Developing services in partnership with service users and frontline staff
- When dealing with complex needs, start by understanding the service user journey and how they access services
- Acquire an understanding of the service user's aspirations.

Principle 4 Commissioning for outcomes that matter to the individual

5.3.24 It has been stated that outcomes cannot be provided for people; people must be active in achieving outcomes for themselves with the support of others.

5.3.25 Central Government and Local Authorities are recognising that new and more strategic approaches to commissioning are vital for ensuring the long-term sustainability of public services and driving better outcomes for citizens. In the public sector, strategic commissioning is more common place however, a range of commissioning models are starting to emerge.

5.3.26 Councils are exploring new ways of meeting the needs and aspirations of their residents. Although many councils have moved towards the 'strategic commissioning' approach – focusing on commissioning for outcomes (such as improved economic well-being and quality of life) rather than outputs and balancing cost with social value - some councils are exploring alternative approaches such as the co-operative commissioning. Lambeth Council have implemented outcome based commissioning using the co-operative approach. We heard about Lambeth Council's new approach to commissioning, which they see as the way to unlock innovation, whilst meeting local resident needs.

5.3.27 Co-operative commissioning is an approach that puts citizens and outcomes at the centre of commissioning and creates stronger relationships between key stakeholders. It looks beyond cost and 'value for money' to put greater emphasis on the social costs and the benefits of different ways to run services.

5.3.28 Co-operative approaches to commissioning are distinctive and in some cases going a lot further than most councils' using the 'strategic commissioning' approach. The unique features of co-operative commissioning are:
- Prioritising social value, not just cost
- Putting citizens and co-production at the centre of commissioning
- Thinking beyond service structures and investing in outcomes
- Co-operative commissioning offers a solution to reactive mutualisation. Rather than spinning out services as an ad hoc response to fiscal and management objectives, co-operative commissioning can help ensure evidence and input from service users, citizens and staff, drive decisions to consider spinning out a service.
- Managing the mutualisation process is key. Mutualisation can offer real value – but the process needs to be skilfully managed. In the right setting public service mutual can unlock the creative potential of services and generate social and economic benefits for communities. However, the spinning-out process itself can be extremely challenging and difficult.

5.3.29 The New Economic Foundation has recommended working collaboratively with local people and providers to maximise the value created by public spending across the social, environmental and economic sector. NEF worked with several authorities to test different ways of commissioning that involved a greater focus on well-being and prevention, and that provide a stronger role for the people intended to benefit from the service in the commissioning process itself. NEF's recommended approach is based on commissioning for outcomes and emphasises the role of co-production in the design and delivery.

5.3.30 Despite the many challenges that discourage leaders in the public sector from working together more collaboratively partnership working across the public sector will become even more important as a means of designing services which fit local need and creates efficiencies. To enable successful local partnerships to achieve system change requires putting the user experience of the whole system first, and taking joint accountability for service quality and outcomes.

5.3.31 LankellyChase Foundation flagged if organisations want a different dialogue with people they have to find a better way of working with them and having the right commissioners, public values, and principles. Their research showed outputs and outcomes from funders made services focus on the people who seem to be the easiest to help. They recognise that accountability is needed at some level but a more mature relationship with risk and trust in the system was required.

5.3.32 The emergence of London devolution discussions are encouraging because devolution would give public service providers the flexibility and freedom in a locality to commission outcomes to meet population needs. The Commission is of the view service providers locally should develop joint outcomes and we endorse the role of co-production in the design and delivery of a service.

5.3.33 The Commission recommends local commissioning to involve:
- Making all services providers across the system jointly accountable for achieving the outcomes
- Working collaboratively with local people and providers to maximise the value created by public spending across the sector
- Commissioning for progression. Having outcomes that enable a person to develop their journey and achieve their goals.

Principle 5 Culture Change – system and organisations

5.3.34 New methods of delivery and infrastructure are required - the current status quo of operation is not sustainable long term – and in the delivery of service the voluntary and private sector will become key to delivering better services through investment and new delivery models.

5.3.35 Adopting more flexible, organic structures could challenge traditional professions and services. Organisations need to explore how to marry different traditions and disciplines in a way that respects them but doesn't lead to citizens being pushed from pillar to post. '*Public services can only be more responsive to the needs of service users if employees on the front line are trusted to innovate and empowered to act with more autonomy. This requires a fundamental culture change away from traditional command and control*

models of leadership to one in which leadership is distributed across organisations'.

5.3.36 The move towards more commissioning rather than delivery makes serving a place even more important. The 21st Century Public Servant research suggests service to place should be the fundamental role of councils. Although public servants need to have a vision of place this is challenging if they are trained to view the world through the perspective of services rather than the place: '*We need to get people to look after the place rather than just meet their professional responsibilities. People need to get out of their professional silos and work with voluntary groups, people in the area, do their best for the neighbourhood regardless of their professional role.*'

5.3.37 We recognise that quick wins are important to build confidence - Lambeth Council used prototype projects to get things moving in communities, whilst changing the Council's culture and structure.

5.3.38 We learned about Lambeth's journey of culture change for their organisation. To begin this process Lambeth Council established 40 early adopter projects in 2011. The projects helped the Council to understand how community networks operated. Some projects were successful at embedding the new thinking and some were not. In 2012 the Council embarked on a system change focused on changing their internal operations and thinking to develop co-operative commissioning. The Council split the organisation into two (commissioning and delivery) and abandoned service departments for 'clusters' concentrating on outcomes creating a flexible organisation.

5.3.39 Changing the culture of the organisation was challenging and has involved changing the mind set of staff, developing new skills and strong political support from local politicians. This process has included changing staff job descriptions in a radical way to challenge the traditional ways of thinking for staff and to change their behaviour. The key driver to progress with change for Lambeth Council has been the strong political support and clear narrative from the local politicians.

5.3.40 There is no defined end point and no master plan, but a call for leadership to promote shared endeavour across the whole system. Organisations will need to be receptive to the learning that comes from exposure to other ways of working - it is a learning process and a way of thinking and working. Success as we heard will depend on frontline staff having the skills to identify need and the ability to build relationships, to provide appropriate support or opportunity at the point of need.

5.3.41 The Commission recommends:
- Implement co-production and co-design in the organisation's commissioning cycle and service redesigns
- Consider how professional roles and disciplines might be deployed in different ways to achieve better outcomes;
- Build trust between organisation and staff and the staff and citizens to enable greater innovation and flexibility at the frontline;

Principle 6 Information sharing and measuring impact

Information Sharing

5.3.42 Sharing information and data across agencies can act as a powerful driver to improve service outcomes. The issue of sharing data is a recognised challenge and we noted in our evidence sessions that some early intervention projects overcome this obstacle and some continue to struggle with this issue.

5.3.43 Service providers hold information about the clients they serve. It is often the case that people interacting with a number of services have to repeat their story to different providers. This is often exacerbated by the fact that providers do not cross-check information to ensure it is correct, or share information to establish a better understanding of their client's needs and the underlying causes. This is particularly the case when different agencies provide tailored services to individuals with multiple and complex needs.

5.3.44 We are aware that initiatives like the Troubled Families Programme and the integration of Health and Social Care rely on much better sharing of case-level information in order to identify, assess and target the right intervention at the right time. EIF highlighted a pilot in Lancashire that managed to identify the root cause behind frequent callers to emergency services, by bringing all the information (from various service providers) that already exists together. The point is the system may not need to collect new data but use existing data more effectively across the whole system.

5.3.45 Much more needs to be done to shift attitudes so that sharing becomes the default position. When we questioned service providers about information sharing they advised there is a legal requirement to state if they share information and why and that the ability to share information is dependent on the individual. During the review the Commission experienced the complexities around information sharing between organisations. Options need to be explored about how the barriers to sharing information can be overcome for example having the information travel with the service user in the form of a 'passport' so it can be transferred from organisation to another.

5.3.46 It has been reported some major barriers to this progressing are:
- A lack of leadership about the importance of information sharing;
- A lack of public awareness about the benefits;
- Different and often incompatible information management systems;
- Uncertain interpretation of the Data Protection Act, compounded by conflicting guidance issued to different organisations about what can and cannot be shared; and conflicting approaches about how information can be safely shared.

5.3.47 To use existing data more effectively service providers need to tackle cultural and organisational barriers to better information sharing.

Measuring impact

5.3.48 It was highlighted that for models, systems and programmes being developed they need to be tested for impact. EIF reported reflection and evaluation are essential components but they are rarely applied consistently to fully evaluate the sustainability of discrete project claim.

5.3.49 When embarking on a whole place, whole system change we should remember the journey is experimental - the outcome is unknown. Although there is limited evidence to demonstrate what models work; this is not a

reason to do nothing. Council's still need to move forward and try different options.

5.3.50 EIF suggested mapping in house and commissioned provision to consider the strength of the evidence, to ascertain what is known about its effectiveness and fit with local priorities. EIF confirmed for early intervention projects they were focusing on the evaluation of impact. This work was showing that projects delivering effective early intervention did not always evidence change or impact.

5.3.51 Evaluation of the impact of projects and pilots is essential to understanding if the outcomes are sustainable and addressing local need to ensure the savings and improved outcomes are being delivered.

5.3.52 The Commission recommends:
- Champion the value of sharing information
- Develop joint analysis to inform the Council's policies and enable services to reduce demand. Ensure the data being collected includes information about outputs and the quality of the service and how the service user interact with the service
- Build up community insight on the characteristics of the people using the services to identify who uses it more and their specific needs. Capturing service user experience to help the organisation understand demand and where it manifests.

5.4 **Phase two: deep dive looking at long term unemployment and mental health**

5.4.1 Austerity is part of a wider political and policy agenda, which has bestowed both opportunities and challenges to local government. Negatives in the sense of diminishing resources and positives in the possibility of devolution that could give greater flexibility over spend and the provision of services.

5.4.2 Aspects of the wider agenda include:

Public service reform – a long standing agenda for shared ambition to find ways of working that are smarter, more integrated and collaborative. This includes finding ways to pool budgets and data between agencies. Such ambitions have underpinned a variety of service redesigns as well as driving the continuing search for innovative models of service delivery.

Devolving more powers to local government – currently this is responsibility and flexibility. Local authorities have been given greater financial freedoms through reductions in the ring-fencing of funding streams from central government. Systems of central performance monitoring have been removed or scaled back.

Reform of the welfare system to 'make work pay' as well as reducing the cost of welfare to public spending.

5.4.3 To make a change across the system the Commission was informed a deep dive would provide the information needed to design services that meet service users' needs.

5.4.4 The service area selected should be one that would deliver the most impact (although it may be difficult to manage). In addition it was important to identify quick wins to demonstrate the learning and assess the impact of the change and sustainable outcomes during the evaluation stage.

5.4.5 The Commission decided to look at areas of high need and spend to conduct a deep dive. In tandem the Commission would consider the principles required to carry out a service redesign across a whole place and whole system. This led to the Commission exploring service areas of high need and high spend. The area chosen was long term unemployment with mental health.

5.4.6 In Hackney approximately 27,000 people are in receipt of welfare benefit, of this 13,400 are long term unemployed. This figure is higher than the national and London average. Approximately half of this group experience mental health problems and existing programmes for support into work for this group have not impacted on the local unemployment level in the last decade. The reasons for claiming, falls into the following categories:

- 6,420 48% is for Mental and Behavioural Health
- 1,820 14% is for Musculoskeletal.
- The remainder cover a range of conditions including injury, poisoning, nervous system, circulatory and symptoms, signs and abnormal clinical and laboratory findings, not elsewhere classified.

5.4.7 The levels have been relatively static over the decade with an average of 13,400 claimants every year. Incapacity Benefit (IB) /Employment Support Allowance (ESA) has reduced by 5% over the decade (or a total of 660 residents). 57% of benefit claimants have been on benefit for 5 years or more (up 6%). The majority of claimants are aged between 45-64 years old. The gender split for this cohort was 60% male and 40% female in 2004 and now the gender split has become more even 54% male and 46% female. The number of women in the IB/ESA cohort began to increase in 2010. [4]

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[4] London Borough of Hackney Local Economic Assessment

Hackney Benefit Profile 2014
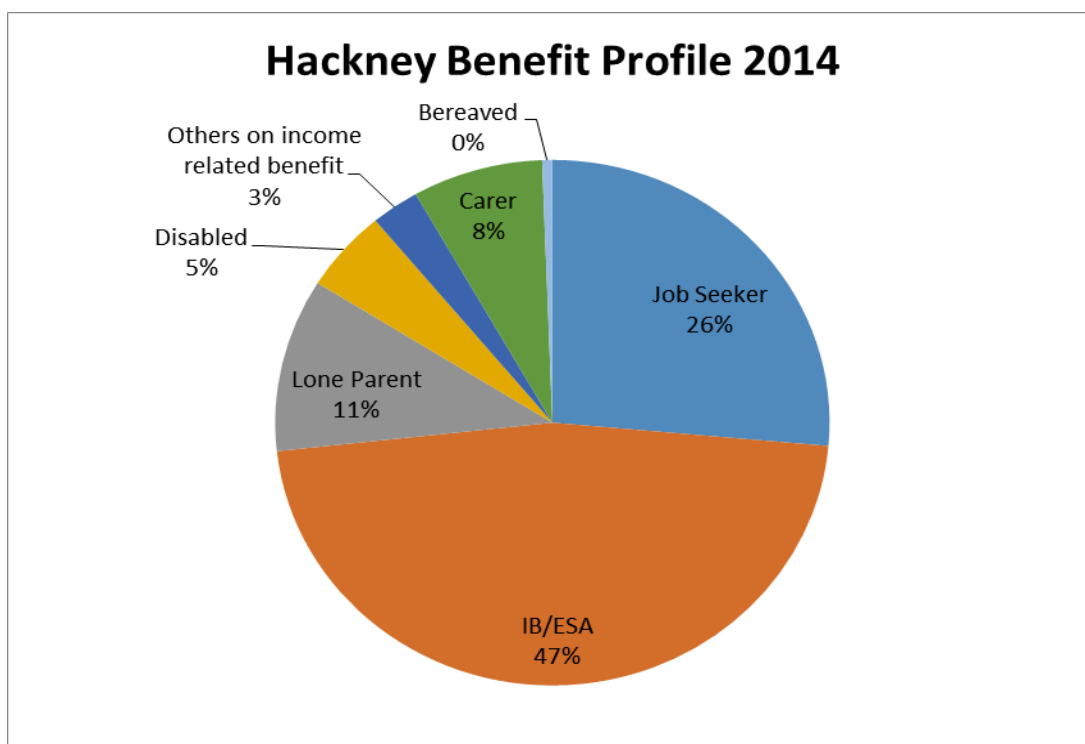
5.4.8 Overall the graph below shows a decreasing trend for the numbers claiming benefit, which has seen a 14% reduction since 2004 or 4,650 less residents claiming benefit than a decade ago.

Hackney Benefit Profile 2004-2014
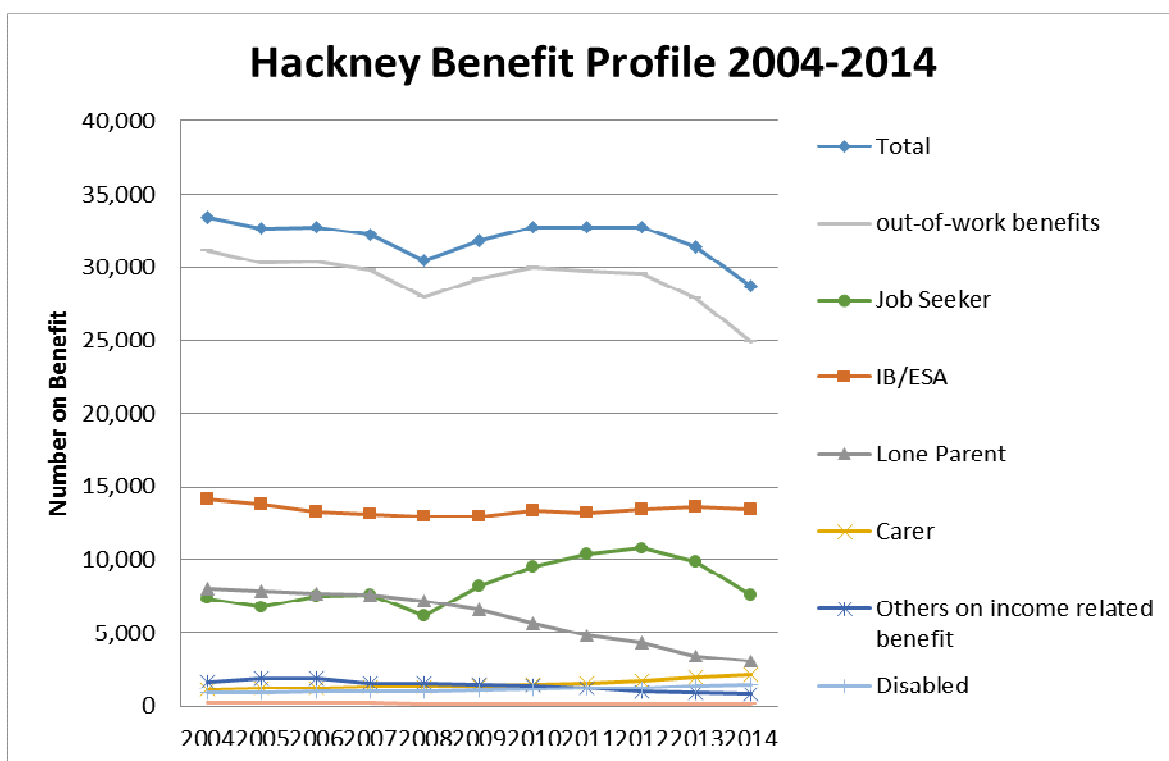
5.4.9 The Governments objective for implementing welfare reform is to promote work and personal responsibility to make work pay; reduce welfare dependency and reduce the cost of the welfare budget. The largest category claiming welfare support is people with mental ill health and behavioural health. Welfare reform is expected to have a significant impact on this group. The changes to date have led to reassessment of claims and it is widely known that the work programme assessment favours physical disability and not mental health.

5.4.10 Potentially when the reassessment for incapacity benefit is complete and the changes to disability living allowance are implemented, this is expected to have a significant impact on Hackney's residents. Our research found that 7 of the research participants had completed a work capability assessment. Of these, 3 had been placed into a support group, and 3 had been placed into a work related activity group. Those placed in support groups were receiving Employment and Support Allowance.

5.4.11 Evidence suggests that people who experience mental ill health accessing the work programme do so quite chaotically, resulting in some drop out from the programme. The economic downturn in 2008 and changes in the labour market means it is even harder for this group to enter into employment, coupled with employers not always treating them as employable.

5.4.12 The Governance and Resources Scrutiny Commission (G&R) was convinced they needed to start with the service users' voice and not with service providers. We noted that Total Place and Community Budget pilots that came up with new service delivery models carried out a deep dive exercise to build their evidence base. G&R commissioned qualitative research to talk to Hackney residents who were long term unemployed.

5.4.13 In tandem to the qualitative research the Commission talked to service providers to find out about the current services provision and support available for the long term unemployed with mental health.

5.5   *Support Services*

5.5.1 There is a mixture of statutory and commissioned service provision to support local residents who are long term unemployed with and without a mental ill health.

5.5.2 The type and level of support received varies if the individual has a mental illness. In Hackney the main budget holders for support services are:
- London Borough of Hackney Adult Social Care
- London Borough of Hackney Public Health
- East London NHS Foundation Trust (ELFT)
- City and Hackney Clinical Commissioning Group (CCG)
- Ways into Work (WiW)
- Jobcentre Plus (JCP).

5.5.3 **London Borough of Hackney Adult Social Care -** The ASC service provision is a mixture of in-house and commissioned services. Service providers accessing these support services have reached the threshold for support services from ASC.

Adult Social Care commission two employment support services they are:

- **Lee House** - an employment and training service for people with a mental illness
- **Hackney Recruitment Partnership** (also known as Hackney One Team) - supports people with learning disabilities.

5.5.4 **Public Health –** The Public Health team work to tackle wider health issues like obesity and sedentary lifestyles, to cut the numbers of people smoking and to reduce the burden of long-term conditions. Local Public Health services are also responsible for monitoring and contracting sexual health and substance misuse services and the NHS Health check programme - which identifies risk factors for ill health in those of middle years - and tackling obesity, particularly in children.

PH work closely with ASC and the CCG. PH provide funding support for prevention services too. Organisations providing this support are to fill gaps in service provision.

5.5.5 **East London NHS Foundation Trust - East London NHS Foundation Trust** provide mental health and community mental health services. This covers a wide range of community and inpatient services to children, young people, adults of working age, older adults as well as forensic services to the City of London, Hackney, Newham and Tower Hamlets.

ASC, ELFT and PH commission services jointly and/or in partnership.

5.5.6 **City and Hackney Clinical Commissioning Group (CCG) -** The CCG is responsible for the planning and buying of local NHS healthcare across the borough to meet the needs of the local population; ensuring effective accessible healthcare for all. The CCG is led by local GPs and made up of 43 GP practices who commission local healthcare services in the city and LBH. The CCG has a duty to ensure the pathways for referral from primary care services are sufficient and meet the local population needs. The CCG work closely with statutory service providers in the borough and the Public Health team in the Council to ensure they are referring residents to services available. The CCG refer to 2 mental health employment support services Lee House and Hackney Community College Vocational Co-ordinators.

5.5.7 **Ways into Work -** Ways into Work is an employment programme to support unemployed Hackney residents into jobs, apprenticeships and training. The programme provides intensive, holistic 1-2-1 support for residents and works closely with local businesses to help ring-fence local jobs for local people.

The WiW team provide a non-statutory services which means they apply for funding to support the service provision. This means their funding can came with restrictions such as dictating the client group they must target or work with.

WiW offer employers a single point of contact and deliver training programmes in consultation with businesses. The programme works with a range of partners to deliver training programmes to ensure local people have the relevant skills and qualifications to take advantage of job opportunities in key growth sectors in the Borough.

5.5.8 **Jobcentre Plus –** JCP is a government-funded employment agency and social security office. JCP's role is to help people of working age find employment in the UK. It was formed when the Employment Service merged with the Benefits Agency and was renamed Jobcentre Plus in 2002. It is a part of the Department for Work and Pensions (DWP). In the past, JCP would help people who were currently in employment, as well as the unemployed. Now they only provide assistance to those who are unemployed and claiming benefits.

5.5.9 There are a number of organisations (by the voluntary sector) in the borough that deliver both targeted and preventive employment support services. Some of these organisations are commissioned by LBH, PH, or CCG and some are not. The pathways of support offered by these organisations are: pre-employment, training, work experience, paid employment and in-employment support for people with mental health issues.

5.5.10 A scrutiny review by our colleagues in HiH identified that the support services for people with depression and anxiety was recently transformed. Lower level community-based mental health services were, provided via a number of small contracts with a range of local voluntary sector organisations. LBH Adult Social Care developed a new model of support for working age adults with mental health. The new model is called the *Integrated Mental Health Network (*IMHN). It provides integrated support, signpost services and is designed to ensure that every person who needs help for a mental health problem is given a coordinated plan for their care.

5.5.11 The IMHN will be accessed via a 'single entry process' but with multiple access points from the various network members. The IMHN comprises two time-limited service components:

Mental Wellbeing and Prevention (provision for up to 1 yr.)

Recovery and Social Inclusion (provision for up to 2 yrs.)

5.5.12 The aim of this new network is to bring the voluntary sector organisations together (commissioned and not commissioned) to work in a co-ordinated way to improve mental health and wellbeing. The range of activities provided by this network include job club, work skills, employment and education and building confidence. The key aim of this new service model is to help people recover and move on.

5.6 *Budget and performance information*

5.6.1 Understanding the cost flow of funding for the whole system is useful but if not acquired it is not a show stopper. EIF advised to make the case for early intervention the cost of services should be known. This would enable service providers to look across the whole system and see where the saving would materialize from early intervention or service redesign across the whole system.

5.6.2 We asked all the main service providers listed above to provide the cost / budget details for the service and the number of people referred and supported into employment.

5.6.3 The Table below gives some indication of the high level costs/spend associated with local service provision for the long term unemployed with mental health.

Service provider	Number of people accessing/referred	Number of people supported into employment	Cost / budget for service £
Adult Social Care Lee House Hackney One Team (2012/13)	136 141	80 28	£517,185 £296,063
Ways into Work (2010-2014)	8300	700 (439 26 weeks and 261 for 52 weeks)	£1,400,000
Hackney Community College Vocation Co-ordinators			£80,000
Benefit Advisors (based in community Mental Health Team and Inpatient Services)			(FTE in inpatient services) 40,000 CMHT Project cost 45,000

- ASC advised known to LBH there are 760 residents with a learning disability and 2520 residents with a mental health illness.
- WIW advised between April-September 2014, the WiW programme registered and assisted 878 clients, with 449 supported into a job, 132 entering an apprenticeship role and 99 attending accredited training. There are 100 companies signed up to the WIW programme.

5.6.4 Universal services and access to unemployment support services are delivered by DWP. JCP deliver the local services of the national work programme commissioned by DWP. This is the first point of call for people out of work to acquire a source of income. JCP informed us they were unable to provide local information about local spend or budget for the national work programme. Budget information is provided from DWP directly to each work programme provider for the borough.

5.6.5 For this review we were unable to obtain specific local data in relation to the national work programme. The national figures published by DWP relate to large geographical areas in this instances they are presented for East London. It is not unusual to experience challenges when trying to obtain data from partner organisations. Although obtaining specific local data can be a challenge particularly with DWP we were told there may be some ability to effect change in areas of spend within DWP's national work programme but this would be reliant on an innovative local partnership.

5.6.6 The London Borough of Lewisham Community Budget pilot works in partnership with JCP to support people with complex needs into work from Universal Credit application to employment. Referrals are made once a UC application has been made and the individual meets the support service criteria. LB Lewisham are convinced JCP have engaged with this pilot because of the large geographical area (Tri-borough).

5.6.7 Theoretically financial savings are expected to come from the provision of service, at the point of need (before crisis point). However, being able to demonstrate the financial savings becomes difficult if the full costs or budget for the service(s) are not fully understood.

5.7 *Research Findings*

5.7.1 The cohort we were focusing are a vulnerable group that may have or recently recovered from a mental illness. Therefore it was decided the most sensitive way to carry out this research would be to conduct one to one interviews with participants. Research participants were recruited from various support agencies in the Borough. The views captured in this research may not be reflective of the views held by individuals who are not in contact with support organisations. *(The full report is in appendix 1 of this report)*

5.7.2 To understand how local residents' use and access unemployment support services the Commission carried out a deep dive review to look at long term unemployment and mental health.

5.7.3 The Governance and Resources Scrutiny Commission (G&R) commissioned qualitative research to engage with people who are long term unemployed, with a mental health disorder. This research was commissioned to understand the triggers, barriers and interaction with services. For this deep dive emphasis was placed on hearing the service user voice to understand the customers' journey. The objective being to give the Commission an understanding of:

- The service user experience of services and their knowledge of where to go to get support and access services
- The triggers, barriers and interaction with services for the long term unemployed with mental ill health
- Service user's experience of services and support from statutory and non-statutory service providers. To assess the effectiveness of current service provision
- The service user journey and to see the point at which they access support services
- What the cohort sees as successful outcomes for them and what support they may require to achieve these outcomes.

5.7.4 BDRC carried out 24 in-depth interviews with people with and without mental ill health that were unemployed for 2 years or more. The reason for selecting 2 years or more was because the individual should have triggered accessing the JCP work programme or other forms of support services locally.

5.7.5 The research participants ranged in age from 33-57 years. All the participants were in receipt of either JSA or ESA (with mental health issues) or ESA (with other health issues). For those participants with a mental illness they often

had more than one condition for example depression and schizophrenia. *(Full details of the types of conditions can be found in appendix 1 of this report)*. For those receiving ESA for other health conditions these included Cancer, Ankylosing spondylitis and one person had a combination of conditions.

5.7.6 The interview respondents were pretty evenly spread across gender groups with 14 male and 10 female. As indicated in the table below just over half of the respondents lived in Council rented accommodation. This presents an opportunity for the Council to access those individuals through a place based pilot.

5.7.7 The table below shows the tenure of the research participant's accommodation.

Council Rented	14
Housing Association	7
Private Landlord	2
Part ownership	1

5.7.8 While everyone we spoke to had very unique experiences and reasons for their current unemployment. Many had taken part in short courses in the past year, for most who were not mentally ill, these were short courses that the Job Centre had referred them onto – usually to improve their CV or interview skills. Those taking part in full time courses were all recovering from mental illnesses.

5.7.9 We found that the sample did divide into four distinct segments in terms of current needs i.e. the level of support needed to find employment.

Unemployed and feel little more can be done (Segment 4) – highest need

This segment tends to be older and in receipt of JSA. Some of them may be signed off on ESA. They are a bit more jaded with the system and tend to feel their age is a barrier to them finding any work in the future. They are worn out by being unemployed and are close to giving up.

Unemployed and want training and support (Segment 3)

Although not exclusively so, this group tend to be at the younger end of the age range. They are in receipt of JSA. They are more confident and determined to gain employment. They are usually fairly confident in themselves and most likely to ask for help if needed, pushing the JCP to see what is available for them in terms of training courses and other opportunities, but they tend to feel that currently the support or training they need isn't available.

Mental health condition and looking for work (Segment 2)

This segment has suffered a mental illness but are now coming out the other side and starting to get their lives back on track. Although mental health problems persist, there is a desire to get on with their life and try to find employment. This group tend to be getting support in terms of looking and applying for roles as they have good support from current agencies, but may need further support in terms of what to tell employers and finding part time positions to ease themselves back into work.

Mental health condition and not ready for work (Segment 1) – lowest need.

This group is not ready to work yet or not at all. This segment is still in the process of receiving therapy and do not feel they will be ready to start working again for the foreseeable future (or ever). Their goal is to keep busy and active to keep their mental health issues at bay. While this group do need a lot of support to progress them along their recovery journey, they are generally already getting the support they need and tend to feel well looked after by the agencies they are in contact with as part of their health recovery.

5.7.10 We asked residents how they accessed support service to understand if they were referred or sign posted to support. Those with mental health issues almost automatically had a support network around them (*'team of people around me'*) to support with rehabilitation through to getting back to work. This seemed to mostly stem from health agencies (hospitals or GP) focused on a health recovery where referrals are made to other agencies. From here individuals have the opportunity to speak to other people about their experiences and referrals to other agencies came by word of mouth.

5.7.11 For those without mental health issues, accessing support is part of a formal process. The JCP is their first port of call to apply for benefits. Once individuals have met the criteria for their income from the JCP, they are then required to attend and search for jobs and receive some statutory training as and when required. After being with the JCP for a period, they can then be referred to other agencies, locally this is organisations such as Renaisi or Shaw Trust, for more intensive job searching. There seems little opportunity to find out about other support organisations so this information either comes from word of mouth talking to other unemployed people or from their own searches. Support for these individuals is time limited (usually 2 years) before they are referred back to JCP.

5.7.12 Although the cause of unemployment differed the research uncovered the main causes for unemployment were:
- Being made redundant and after being out of work a mental health issue emerged
- They left a job to pursue another career and again, a mental health issue emerged
- A mental health issue brought about them losing their jobs.

5.7.13 The review highlighted that on average work programme providers were allocate 2 years or less to work with individuals to get them back into employment after being out of employment for at least 12 months (following an episode of illness or long term unemployment). The support time provided to

service users was highlighted by LankellyChase Foundation as not long enough. In our discussions with frontline staff they highlighted the time it takes to support an individual with a mental illness back to full employment can take as long as 6 years.

5.7.14 The Shaw Trust are piloting a new service provision call Health and Wellbeing Hubs. One pilot hub is based in Hackney. This means unofficially clients can still access the service provision they used on the work programme because they are a local resident. Shaw Trust confirmed some clients - who continued to access the Hub's services after they completed the work programme period - did secure employment. A demonstration again that the time period for support service may not be sufficient to see a client through to a sustainable change in their life. This the Commission considers is an area service providers need to review.

5.7.15 We asked our research participants to highlight the barriers to finding employment. The main barriers to employment summarised in the research were:

- **Lower paying roles**: there was a fear of looking for or accepting lower paying roles as individuals perceived they would be worse off than they currently are on the benefits they receive. This was more of an issue for those in private rented accommodation where there was more risk of rents spiralling.
- **Costs associated with looking for work**: The main issue was paying for training courses as opposed to the smaller ticket items such as clothes for an interview and travel expenses. Many respondents mentioned career aspirations that involved training that would come at a cost and they would like to receive financial support for.
- **Perceptions of feeling marginalised**: There were several examples of this:
  - Age issues where some felt they were perceived as 'too old' to be employed. Also that support appeared more available for younger people (18-24 year olds)
  - Observationally, those with mental health issues have a greater support network than those without. Support includes health-related agencies as well as agencies offering other forms of rehabilitation.
  - There is more pressure on those in receipt of JSA (Job Seekers Allowance) compared to IB (Incapacity Benefit) or ESA (Employment and Support Allowance) to look for work. However, those with mental health issues may be better to have a 'halfway house' where they are encouraged to look for work.

5.7.16 We presented this information to frontline staff and asked them about the barriers to employment for this cohort. The frontline staff added a few more barriers to the list above (full details of the discussion with frontline staff is in appendix 2):

- There is insufficient information available to help a person move on from services like Core Arts
- Service users fear benefit sanctioning and instability
- The aspiration of social care services is to secure welfare benefits, housing and get the service user stable on their medication

- The clients care co-ordinator may not encourage the person to progress especially if they have tried and failed at some point. They are reluctant to encourage the person to try again, instead they are encouraged to remain stagnant
- There is a lack of part time and volunteering roles so that people can progress and move on
- Gaps in CVs – How to explain this to employers particularly for people who have had a mental illness
- Having access to support and the right advice. There is limited information on money advice, better off calculation and learning budgeting skills as they transition from benefits to work
- Employers receive funding for an apprentice aged between 18-24, but they do not receive any financial assistance for an apprentices aged 25 years and over
- There is a lack of unpaid opportunities and employment opportunities in the borough or provided by the Council for this cohort
- There is no handover of information about the person or their support needs prior to their arrival to intensive job search support services
- JCP do not provide information about the person after they leave intensive support services. Therefore work programme providers are unable to confirm if a person progressed into employment after accessing their support service.

5.7.17 We heard research participant express frustration with the system, more so those who are long term unemployed without a health condition. Their frustration lied with the support provision being largely generic and being aimed at young people under 25 years old. The biggest frustration was with the national work programme particularly for segment 3 and 4 (no mental health issues) who appeared less supported by agencies involved in helping people into employment.

5.7.18 JCP's support was viewed as a generic approach to job seeking support with assistance provided for CV writing and interview preparation. There was little opportunity to speak to advisers, although there was some praise for individuals working at JCP.

5.7.19 The issue of sanctioning made individuals feel wary of JCP. The main criticism we noted related to access to specific types of training, but often the training offered was too generic, too simple or inappropriate for their skillset. Many commented on being made to apply for jobs they were not qualified to do. Referral to work programme providers did not improve the experience for clients, the computers were perceived as slow and help and support was limited.

5.7.20 The work programme provider Renaisi was perceived as being target driven. In our discussion with work programme provider Renaisi they explained they engaged with a range of long term JSA or ESA claimants. Renaisi highlighted prior to the claimant's arrival there was no handover of information about the person or their support needs. This work programme provider has advisors working with on average 60 clients at any one time and in some locations this ratio could be higher. Although they recognise the need to support a person

holistically their focus for support and key deliverable for the programme related to the client securing employment.

5.7.21 The longer people are out of work the harder it becomes for them to get back into employment. Perceived appropriate work opportunities appear limited, with individuals experiencing few and inappropriate jobs for their skill or ability level. When helping unemployed people find work, this would be better achieved if appropriate employers could be found.

5.7.22 In relation to the job seeking methods used. Many of those in receipt of JSA mentioned applying for numerous jobs each week. There appeared to be an emphasis on quantity over quality in relation to job applications with applicants applying for jobs they had little chance of getting. This suggests the methods used are a numbers game, where the more CVs sent out and job applications completed will eventually lead to 'striking lucky' with gaining employment. Perhaps a more quality-based approach is needed to focus on appropriate jobs which are more likely to result in a positive outcome.

5.7.23 WiW advised they provide a service that supports local residents and employers (in the growth industries) to ensure appropriate job match. WIW deliver their service in connection with a number of RSLs and VCS organisation and reported the clear difference between WiW and JCP was their relationship with employers. The research participants did not indicate they were aware of this service particularly for those without a mental illness.

5.7.24 Addressing systematic long term unemployment became more challenging as unemployment rose resulting in the increased competition for jobs, thus favouring those with skills, qualifications and a positive track record of employment. Therefore people who were recently in employment are more likely to be re-employed than those out of work for over a year. The system appears to be organised in a way that is contradictory to how people find employment. Normally people build up their skill sets through volunteering when seeking employment.

5.7.25 What appears to be missing in the system is quality jobs and having agencies that provided access to employers to help clients secure employment. Alongside this, there needs to be access to jobs too. For instance, an agency building relationships with employers who are willing (perhaps as part of their corporate social responsibility approaches) to employ people who have been out of work long term or have experienced mental illness. The agencies involved in helping long term unemployed people find employment would ideally have personnel who have employer networks or can forge relationships with employers. There is also needs to be a better range of jobs available from entry to specialist. The Commission sensed that many of the jobs on offer were low paid or low skill which was the one of the key barriers to employment the research participants highlighted. Perhaps a more quality-based approach is needed to focus on appropriate jobs which are more likely to result in a positive outcome.

5.7.26 If progress is to be made in this area, public sector employers must be seen to set an example. As one of the largest employers in the Borough the Council has a role in ensuring employers have access to information. The Commission would like the Council to provide support for employers and

incentivise them to employ people who are long term unemployed. E.g. employers to get support to help support an individual who they employ that has been long term unemployed and/or had an episode of mental ill health.

5.7.27 Knowing where to go for help and advice appears limited. It is important there is clear signposting and navigation for individuals towards appropriate support. The work programme alone will not solve it.

5.7.28 Based on the findings from this research, the Commission is of the view the Council and its partners should test a new model of support for this group, based potentially around a key worker model dedicated to a particular geographical area.

Recommendation 2
The Commission recommends the service redesign principles outlined in the report are used in service areas of high need and high spend such as mental health, disabled working age adults and homelessness.

5.7.29 To transform services and outcomes, particularly for those people who present the greatest risks and create the biggest demands, there needs to be changes in the statutory basis for sharing information. To do this effectively service providers need to tackle cultural and organisational barriers to sharing information.

5.7.30 The default assumption for local public services should be to bring all existing data together and analyse how they can use the information effectively to cross-check information provided by service users to ensure it is correct, or share information to establish a better understanding of the service users' needs and the underlying causes.

5.7.31 To enable successful local partnerships is putting the users' experience of the whole system first, and taking joint accountability for service quality and outcomes. Working out what is needed to bring the different services together to work collectively to reduce demand in the system.

Recommendation 3
The Commission recommends the Council has an information sharing 'champion' to encourage the development of integrated systems/processes and promotes joint analysis across the whole system for service change.

Recommendation 4
a.   **We recommend the Council works with local employers to encourage them to employ people who have been long term unemployed. We recommend the Council provides access to information or support and advice for employers and looks at what incentives could be offered to employers.**
b.   **The Commission recommends the Council leads by example as an employer with a programme that provides volunteering or employment opportunities for people who are long term unemployed and people who have experienced an episode of mental illness.**
c.   **The Commission requests information from JCP about how they ensure work programme providers develop employer networks and forge relationships with employers to secure access to a range of job from entry level job to specialist jobs.**

5.7.32 The research report identifies several cohorts with differing needs according to where they are on the ladder towards gaining employment. Some are very much job ready and others are a long way off of working. For those looking for work, being out of work for too long had had a negative impact and caused self-confidence issues, therefore escaping unemployment becomes even more difficult.

5.7.33 The experience of the long term unemployed with mental or health condition were more positive about the advice, support and information they received from the support organisations they interacted with (Peter Bedford, Core Arts, Mind and Hackney Community College). This group was provided with access to non-generic course or further education and volunteering opportunities. The approach of case worker or individually tailored support and advice worked well and was provided by the organisations listed above. These clients developed a trusting relationship with their support workers and the environment was perceived as providing a positive experience leading clients to be open to making further steps in their recovery.

5.7.34 The challenge frontline staff pointed out for people with mental ill health was insufficient information or services available to help a person move on. For service providers like Core Arts (who worked with people with serve and enduring mental health) and HCC Mental Health Case Workers (who worked with people from low to serve mental health) they reported that the fear of benefit sanctioning and instability curtailed this group's aspirations and journey. They found that clients were not encouraged to move on especially if that individual failed at some point. Their clients had usually been through the DWP process and were at a place where they were stable (housing and medication) and comfortable therefore they too wished to remain at their current place and not continue their journey.

5.7.35 The ability to progress and move on was picked up as an issues. Frontline staff in VCS organisations are of the view, health professionals and social workers were reluctant to encourage a person to continue their journey beyond a certain point of stability.

5.7.36 Around half of all respondents across all segments had undertaken some form of volunteer work. Volunteer work was also mentioned by many research participants as a desirable goal. It was also recognised as something important to do to feel valued. For those with mental ill health, this tended to be via the agencies they were in touch with as part of their rehabilitation (for example Peter Bedford, Core Arts and Hackney Community College). However there was no progression onto other volunteering roles or job opportunities. The frontline staff citied this was due to the lack of part-time and volunteering roles in the Borough (in the local job market or through the Council). The frontline staff pointed out they need placements and volunteering roles that would support the individual's recovery journey. These should be interesting and most importantly not affect their benefits before they have worked up a plan to transition.

5.7.37 Adult Social Care informed their support services were holistic but out of date. A review of ASC employment support services concluded the service should work more with employment services like WiW and, redesign an employment pathway that builds on the success of other services rather than replicate it. It should offer a specialist target service for residents who are long term unemployed regardless of the type of disability. ASC believed their social workers were proactive but the challenge was getting service users into sustainable employment.

5.7.38 In addition ASC made changes to lower level community-based mental health support services, this resulted in it being re-commissioned to bring voluntary organisations together to work in a co-ordinated way, to improve mental health and wellbeing; to make more effective use of resources and to support both the Council's own 'Promoting Independence' and its 'Personalisation' agendas.

5.7.39 For the majority of unemployed people, getting a job is their end goal. This particularly applied to segment 3 who are continuously searching for jobs. Segment 2 and 4 also wanted to find employment, but appreciated that it might be more difficult because of their skill sets (segment 4) or there were some limitations because of their mental health (segment 2). Segment 1 realistically knew they could not work. For segments 1 and 2, occupying time with activities was very important, as it helped to keep their mental health stable. To this end social interaction was important for the majority.

5.7.40 Personalised support appears to be a more successful route forward. Many respondents' experienced a generic type of support to look for and prepare for employment. If personalised support is provided the support should be in the form of helping individuals find appropriate job vacancies, advice and help in getting the right type of training. The success with support workers comes from those that are trusted therefore they would need to be knowledgeable and empathetic towards individuals.

5.7.41 The structure of support for people should focus on the place not the person and end to end support is required not just to the point of getting a job. The place where unemployed people can access this support may also need to be considered - a trusting environment. The right approach to continuing a person journey may be to take the moving on support out to the place where the individual has a positive experience to enable those discussions.

5.7.42 Appropriate Interventions are necessary too, for example, people who are in receipt of restorative help may eventually be ready to move up to a next stage, perhaps vocational training for work if the intervention is appropriate and well timed. As such, waiting too long to offer appropriate support or intervention can be harder for the individual as well as the agency involved in helping the person into employment.

5.7.43 The review has shown it is not about one destination but the journey for the individual as well as the need for ongoing support for people with mental health. The key to moving people on may be to start with the place where they have a positive experience, where they have built relationships to support their journey. Services also need to understand what appropriate intervention is needed and when; as well as identify the trigger points for prevention services and the appropriate point at which to provide intervention.

5.7.44 The research showed a need for ongoing support for people with mental health. The Commission believes services need to factor in ongoing support to ensure the person has transitioned to into employment.

Recommendation 5
The Commission recommends the Council and JCP work with commissioned organisations to bring moving on support services out to the setting where the individual has a positive experience; to enable discussions about progressing their journey.

5.7.45 A number of comments were made about staff and the skill sets required to support the long term unemployed. We recognise that if staff do not have the tools or flexibility in the system to meet a person's needs they are likely to become desensitised to the person in front of them or their circumstances. Research for the 21st Century Public Servant highlighted officers would prefer to work co-productively or in partnership with citizens. Being able to relate humanly to each other, in the way they deliver services and in the way they assess people for services too. *'Individuals need the power to resolve a resident's problem – We need a mechanism to identify those things they want to change and come together to work on them.'*

5.7.46 The biggest shift being driven by austerity is developing a different relationship with citizens: *'we won't have the money so we will have to focus on the enabling and facilitating, enabling the rest of community to do it.'* One clear finding from the research was, the widespread calls for whole person approaches to care and support which necessitates working practices in which staff are also able to be 'whole people'.   If workers can crack this more human way of engaging with people it will enable citizens to be treated more holistically – as a whole person rather than a set of conditions or needs.

5.7.47 As public sector services become smaller more skills will be needed not just professional skills but facilitators, good questioners and coaches. We need to provide existing and future staff with the opportunities to develop their skills, and work effectively across different organisations, to provide that holistic support at the initial contact.

5.7.48 They system may need a key worker so we explored the idea of a 'key worker' role - a key worker who is a person with empathy and knowledge about where to navigate people, a person working inside the system or a trusted professional. This was met with mixed views.

5.7.49 EIF confirmed for complex cases key workers were part of the model. It was noted people have key workers because of the different levels of need. The reason for this is to have a person who can build relationships, challenge and navigate the system to help the family. LankellyChase Foundation advised although a key worker may be necessary having a key worker is not the answer because it can prohibit an organisation from changing.

5.7.50 Public services can only be more responsive to the needs of service users if employees on the front line are trusted to innovate and empowered to act with more autonomy. This requires a fundamental culture change away from traditional command and control models of leadership to one in which leadership is distributed across organisations'. However the need for accountability will be a challenge when changing the culture of how a system and organisation operates.

5.7.51 There is a need for integration not collaboration. The challenge now is breaking down silos to have integrated services/teams in localities with shared systems and processes. The system needs people with the ability to provide in-depth personal support and build relationships with people. Changing the system requires a shift in mind-set for the professionals and the organisation. This may mean cultural and structural change.

5.7.52 Early intervention is everybody's business and delivering effective early intervention will require thinking about the role of the wider workforce and having an understanding of the total costs across the system / sector. To make better use of core public sector workforce through involving them in identifying need and providing basic information to help keep people out of expensive specialist services.

5.7.53 The default assumption for local public services should be for outcome-focused collaboration around the holistic needs of citizens (thus the root causes of demand).

5.7.54 It's recognised that accountability is needed at some level, but a more mature relationship with risk and trust in the system is required. Changing the system and being successful with the change will depend on the skills of the frontline staff and their ability to build relationships, identify need and provide the appropriate support or opportunity at the point of need. Essentially we need to give front line officers the tools to address need at the first point of contact.

5.7.55 Many of the challenges experienced by the long term unemployed require a holistic approach from a range of services. Our research has shown the long term unemployed (particularly those with health conditions) need support from a range of service providers alongside the Work Programme. This support

needs to cover soft skill development through to active job seeking. It is unlikely the Work Programme will be able to achieve innovation and local experiments alone. This report makes the case for local innovative service delivery to complement the national Work Programme. We encourage the Council and JCP to draw on national and local experience of what is successful to support the long term unemployed into sustainable employment. We encourage the council and local providers to take an iterative approach to service change, trying out new ideas on a small scale and properly evaluating their impact to avoid perverse incentives and unintended consequences.

Recommendation 6
a. **The Commission recommends the Council (including commissioned organisations) and JCP (including work programme providers) explore how frontline staff can work holistically with service users to address need at the first point of contact.**
b. **The Commission recommends the Council and DWP's Jobcentre Plus to explore conducting a randomised whole system pilot to build up evidence of service delivery models across a whole place that will effect change for the long term unemployed to get back into employment.**
c. **The Commission recommends the Council and its partners identify a place that has many of the profiles that fall into high need and high spend and do a place based pilot. A 'place based pilot' will enable the Council to build an evidence base for whole place, whole system service delivery models.**
d. **The Commission recommends the Council takes an iterative approach to service change, trying out new ideas on a small scale and properly evaluated their impact.**

6. CONCLUSION

6.1 There are complex societal challenges that have not been solved for decades. In Hackney some of the persistent issues relate to mental health, disabled working age adults and homelessness.

6.2 The National Audit Office published its study, *The impact of funding reductions on local authorities*, in November 2014. This shows an overall picture of real-terms reductions in spending power. Although the main cuts are triggered by grant reduction, the NAO report points out that the semi-frozen state of council tax means a real-term reductions in that source of income, while income from fees and charges have also fallen in real terms over this period too.

6.3 Public service reform has been on the agenda for some time, but the scale and pace of change has been slow. The pace is urgent now and the scale of change required needs to go beyond public sector's traditional efficiency based approaches to savings and service reductions.

6.4 The Commission is calling for genuine service integration not just partnership working or co-ordination / collaboration of services. The challenge will be breaking down silos and to have integrated services/teams in localities with shared systems and processes. We believe the scale of savings required will not come from traditional collaboration or multi-agency working. As it is recognised that it's not sustainable to keep paying multiple professionals to sit in the same room and talk to each other. A shift to deliver really integrated public service is required.

6.5 The Commission believes what is needed now is a system based approach and not repeated cycles of organisational restructures and our evidence suggests this should take the form of a 'whole place, whole system' review. Taking the whole place, whole system approach means building collaborative strategies based in local circumstances to influence behaviour; addressing need outside of the service lens; and reconfiguring service delivery through understanding how demand manifests across a 'whole place' and 'whole system'. This process will be iterative and experimental. We recognise there may not be a defined end point or master plan, but that the process will involve learning and changing the way professionals in their current organisational silos think and work across the system. This means starting with the people and working backwards. In some cases this may mean new relationships and collaborating across agencies and sectors.

6.6 The new landscape will include services beyond the Council itself and require fundamentally different organisational cultures and behaviours. In the delivery of services the voluntary and private sector will become key to helping the public sector deliver services. Long term will see success as the development of joint working and budgets across the whole system with public, private and voluntary sector organisations.

6.7 Investing in prevention and early intervention will be fundamental to shifting from a model of reactive to proactive services.

6.8   Public service leadership will need to promote shared endeavour across the whole system rather than merely enabling others to do things. The need for accountability is a challenge because we recognise that except the Council the majority of public sector providers are accountable to central government department and have limited local accountability. But barriers to this need to be removed and we see devolution as a possible solution. While local devolution and greater reliance on civic responsibility are welcomed by local government, without coherent central support and investment, such efforts can only ever be ad hoc, and risk leaving gaps in services through which the poorest and most disadvantaged in society will fall.

6.9   Employment is central to improving the financial resilience of the population and current welfare to work service provision (National Work Programme) is not meeting the needs of the most vulnerable and this cohort is likely to be significantly impacted by the welfare reform changes once fully implemented.

6.10   Access to employer networks is key to getting people into employment. We acknowledge the WiW team have a service model that forges networks with employers but this is not consistence and shared across the system to benefit local residents. Therefore could benefit from more joined up working across the system.

6.11   Overwhelmingly in all our evidence sessions we heard that local political support was crucial. It is important to be clear from the start of the outcomes to be achieved because transformative change requires political buy-in, and it is vital that local politicians lead a new conversation with citizens that is more collaborative. The commission hopes the Council and all local partners will be willing to come together and work with citizens and make strides to change the whole system for service redesigns.

7. CONTRIBUTORS, MEETINGS AND SITE VISITS

The review's dedicated webpage includes links to the terms of reference, findings, final report and Executive response (once agreed). This can be found at here.

Meetings of the Commission

The following people gave evidence at Commission meetings or attended to contribute to the discussion panels.

8th September 2014[5]	**John Atkinson,** Independent Consultant (previously the leader of the Total Place Programme) **Sue Goss,** OPM (provided system-leadership for Total Place and Community Budget programmes)
10th November 2014[6]	**Shawnee Keck,** Policy Advisor, London Borough of Hackney **Joanna Sumner,** Assistant Chief Executive, Programme, Projects and Performance, London Borough of Hackney
19th January 2015[7]	**Genette Laws,** Assistant Director Commissioning, London Borough of Hackney **Rob Blackstone,** Adult Social Care, London Borough of Hackney **Gareth Wall,** Public Health Manager, London Borough of Hackney **Stephen Hanshaw**, Borough Relationship Manager (Hackney), Department for Work and Pensions Jobcentre Plus **Amina Begum**, DWP Borough Relationship Manager (Tower Hamlets), Department for Work and Pensions Jobcentre Plus **Andrew Munk**, Programme Manager Ways into Work, London Borough of Hackney
16th March 2015[8]	**Alice Evans**, Director System Change, LankellyChase Foundation **Anna Randle**, Head of Strategy, London Borough of Lambeth

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[5] G&R Meeting September 2014
[6] G&R Meeting November 2014
[7] G&R Meeting January 2015
[8] G&R Meeting March 2015

19th June 2015[9]   **Donna Molloy**, Head of Implementation, Early Intervention Foundation.

Site Visits

The Commission made the following site visits for this review.

20th January 2015   Site visit to London Borough of Lewisham to see the Tri-Borough 'Pathways to Employment' Community Budget Pilot located at The Green Man.

23rd July 2015   Frontline staff workshop to discuss BDRC research findings.

8.   MEMBERS OF THE SCRUTINY COMMISSION

Councillor Rick Muir (Chair)

Councillor Rebecca Rennison (Vice Chair)

Councillor Will Brett

Councillor Laura Bunt

Councillor Deniz Oguzkanli

Councillor Nick Sharman

Overview and Scrutiny Officer: Tracey Anderson ☎ 020 8356 Ext 3312

Legal Comments: Alice Prince ☎ 020 8356 Ext 6584

Financial Comments: Michael Honeysett ☎020 8356 Ext 3332

Lead Director: Ian Williams ☎020 8356 Ext 3003

Relevant Cabinet Member: Councillor Geoff Taylor

9.   BIBLIOGRAPHY

The following documents have been referred to in the preparation of this report or were presented to the Scrutiny Commission as part of the investigation.

- J. Slay and J.Penny. Commissioning for Outcomes and Co-production - A practical guide for local authorities: New Economics Foundation

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[9] G&R Meeting June 2015

- Service Transformation Challenge Panel (November 2014). Bolder, Braver and Better: why we need local deals to save public services

- A. Randle and H. Kippin. Managing Demand Building Future Public Services: RSA

- LankellyChase Foundation (2015). Hard Edges – Mapping severe and multiple disadvantage (summary report)

- LankellyChase Foundation: LankellyChase Foundation Theory of Change.

- LandkellyChase Foundation and Making Every Adult Matter Coalition. "Voices from the Frontline" listening to people with multiple needs and those who support them

- Centre for Public Service Partnership and Tomorrow's People (May 2011). Personalisation, innovation and economic growth – the essentials for tackling long term unemployment

- Total Place Local Spend Money Mapping Template

- Leadership Centre for Local Government. Places, people and politics: learning to do things differently

- Leadership Centre for Local Government. Total Place: a practitioners guide to doing things differently

- HM Treasury and Department for Communities and Local Government (March 2010). Total Place: a whole area approach to public services

- A. Shafique (May 2013). Enterprise Solutions - New Approaches To Commissioning And Public Service Mutuals: Lessons From Co-operative Councils: RSA

- A. Hastings, N. Bailey, G. Bramley, M. Gannon and D. Watkins (March 2015). The Cost Of The Cuts: The Impact On Local Government and Poorer Communities: Joseph Rowntree Foundation.

- H. Chowdry and C. Oppenheim. Spending on Late Intervention – How We Can Do Better For Less: Early Intervention Foundation

- C Needham and C Mangan. The 21st Century Public Servant: Birmingham University, Economic & Social Research Council and Public Service Academy

- London Borough of Hackney Strategic Policy and Research. Sustainable Community Strategy Cross-cutting Review Worklessness

- London Borough of Hackney Local Economic Assessment

- London Borough of Hackney Strategic Policy and Research (October 2010). Hidden Unemployment: Incapacity Benefit in Hackney

- London Borough of Lewisham. Supporting those with complex needs into work: Lewisham's work on Universal Credit pilot, troubled families, and our community budget proposals across Lambeth, Lewisham and Southwark.

- R. Rutherfoord, L Spurling, A. Busby and B. Watts (July 2013). Neighbourhood community Budget Pilot Programme – Research, learning, Evaluation and Lessons: Department for Communities and Local Government

- J. Banerjee and S. Mimnagh (August 2015). Long Term Unemployed People in Hackney – The Customer Journey: BDRC Continental (appendix 1)

- Health in Hackney Scrutiny Commission (March 2015). Preventing depression and anxiety in working age adults: London Borough of Hackney Health in Hackney Scrutiny Commission.

10.   GLOSSARY

Below is a list of abbreviations used within this report and their full title.

Abbreviation	Definition
ASC	Adult Social Care
CCG	Clinical Commissioning Group
DWP	Department of Work and Pension
EIF	Early Intervention foundation
ELFT	East London Foundation Trust
ESA	Employment Support Allowance
G&R	Governance and Resources Scrutiny Commission
HCC	Hackney Community College
HiH	Health in Hackney Scrutiny Commission
IB	Incapacity Benefit
IMHN	Integrated Mental Health Network
JCP	Jobcentre Plus
JSA	Job Seekers Allowance
LBH	London Borough of Hackney

LGA	Local Government Association
NEF	New Economic Foundation
NHS	National Health Service
PH	Public Health
RSL	Registered Social Landlord
UC	Universal Credit
VCS	Voluntary Community Sector
WiW	Ways into Work

Hackney

Governance & Resources Scrutiny Commission	Item No
19th October 2016 **Devolution – the prospects for Hackney**	**7**

Outline

The Governance and Resources Scrutiny Commission is commencing a short review to explore the implications of the devolution process for Hackney.

The aim of this review is to give councillors an understanding of the implications of Devolution for Hackney. Hackney's Scrutiny Members wish to provide input to the discussion and work being carried out at a regional and sub-regional level in relation to devolution. The overarching question framing this review is 'What are the implications of a London wide devolution for Hackney and how the borough can make the most of the opportunities?'

Members are asked to discuss and agree recommendation areas following the evidence sessions for the review.

Action

The Commission to discuss and agree recommendation areas from review.

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⊖ Hackney

	Item No
Governance & Resources Scrutiny Commission	
	8
19th October 2016	
Review of Governance and Resources Scrutiny Commission Work	

Outline

Commission Members agreed to review the work of the scrutiny commission over the last 10 years at the next meeting.

The report attached provides information about the Commissions remit, reviews and discussion items since 2005.

Action

The Commission is asked to review the report and make comments for the work programme.

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Governance and Resources Scrutiny Commission 2005 - 2016

REMIT

The Commission's remit has a largely internal focus, covering finance and resources, law and democracy, customer and corporate support services. It also has a key role in scrutiny of the budget.

The remit covers services such as finance, ICT, human resources, and legal services. Evidence is often sought from other boroughs to help us examine how effectively the Council is run, and ensure that the public is getting value for money from services.

Title	*Scope*	*Links*
Governance and Resources Scrutiny Commission	Finance and Resources, Legal, HR and Regulatory Services, LBH Support Services (including functional aspects of Chief Executive's Directorate) and Corporate policies.	*Council:* Legal, HR and Regulatory Services, Finance and Resources. *Partnerships:* Team Hackney Board, matters relating to Economic Development Partnership

Key Partners and Local Organisations

Hackney Council directorates:

Finance and Resources - responsible for financial management of the Council, ICT, registration services across the authority, property, audit and anti-fraud, revenues and benefits, customer services, procurement, and facilities management.

Chief Executive's Directorate - covering corporate policy, performance, partnerships, consultation and communications, HR, legal, electoral and governance.

WORK OF THE COMMISSION

Scrutiny of the Council's Budget

The bulk of the scrutiny of the Council's budget and financial planning is done by this Commission. Previously some of this was shared with OSB however the Commission will now assume full responsibility for this task.

Twice yearly the Commission considers the *Medium Term Planning* report and regularly considers reports on the *Overall Financial Position* of the Council. It also provides input on a regular basis on the *budget planning cycle* and questions the Cabinet Member for Finance. This includes examining savings proposals that come forward, monitoring financial forecasts, and holding the council to account for delivering its agreed budget and savings.

Reviews

The remainder of the time is taken up with reviews and the Commission usually carries out one major review and one shorter review each year.

Once review reports are agreed they are sent to Cabinet for an 'Executive Response' and this goes on the Cabinet Agenda. Some scrutiny reports and their responses are also debated at Full Council. Six months after a review the Commission requests updates on the implementation of the recommendations from the relevant officers.

Recent Reviews

Recent work has included:
- **Devolution** – The Prospects for Hackney
- **Delivering Public Services** - Whole Place, Whole System Approach

- **ICT** - This was a review of use of ICT to find out how the Council can better use it to deliver services in future, and what the implications are for both residents and staff. The final report will be agreed at the next meeting.

- ***London Living Wage*** – This was a review of the impact of the London Living Wage on the Council as an employer, as an employer of agency staff, and an employer of contractors providing services on behalf of the Council. The Cabinet Response is awaited.

- **Council governance** - There are lots of ways for residents to get their views heard on a public platform, but not many people do. This was an inquiry into how effective the various council meetings are in supporting residents to get their views heard. Reported July 2013.

Links to reports of previous reviews

Over the past years the Commission has carried out reviews on the following:

Performance Management 12/13
Customer Service 11/12
Fees & Charges 11/12
Debt Collection 10/11
Elections 10/11
Mayoral Model Review 09/10 (PDF, 365KB)

Document Number: 17591624
Document Name: G&R Work since 2010

[HR Recruitment and Retention Report 08/09 (PDF, 330KB)](#)
[Team Hackney 07/08 (PDF, 200KB)](#)
[ICT Review 06/07 (PDF, 948KB)](#)
[Procurement Review 06/07 (PDF, 688KB)](#)
[Commercial Property Disposal Report 05/06 (PDF, 421KB)](#)

One-off items
Some recent examples of one-off items include:

- Impact of Mayoral Model
- Service First Briefing
- Review of European Parliamentary Elections
- Value for Money programmes
- Support to Members to engage with residents
- Procurement review
- Councillor Induction post elections
- Team Hackney
- HR Review – Image and reputation and Valuing People
- Debt, debtors and debt collection
- Budget setting process
- Census and population update
- 21st Century Councillor
- Localism Act
- Implementation of Savings 2011/12
- Monitoring major financial changes affecting the council in [June 2012](#), covering: schools funding, council tax support grant, and local retention of business rates
- The council's capital programme in [July 2012](#) and [December 2012](#)
- Draft savings proposals for 2013/14 in [September 2012](#)
- The effect of delivering savings agreed to date in [October 2012](#)
- A proposed new council tax support scheme in [November 2012](#)
- [provisional Local Government Finance Settlement for 2013/14, January 2013](#)
- [Hackney's draft schedule of fees and charges, February 2013](#)
- [monitoring the council's preparation for the introduction of welfare reform, February 2013](#)
- Evaluation of introduction of Ward Forums (Dec 2013)
- Budget Scrutiny Task Groups 2015/16
- Regular budget updates (Ongoing)
- Impact of welfare reform changes on Council budget 2014/15
- Complaints annual report
- North London Waste Authority (fees and charges to Council)
- Corporate Cross Cutting Programmes
- HR Workforce Strategy
- Elections Review
- Council Restructure
- Income Generation.

LIFECYCLE OF A REVIEW – A BRIEF GUIDE

The schematic below shows the processes involved in the completion of a typical scrutiny review.

1. Topic suggested	From a range of areas – resident feedback, performance data, Member interest and suggestions from Cabinet Members and Corporate Directors.
2. Terms of reference drafted	Using comments from the first commission meeting of the year, desktop research by the scrutiny officer and suggestions by the relevant Cabinet Members and Directors and key stakeholders.
3. Evidence-gathering	Information sought from wide a range of stakeholders. This phase often includes site visits. Not all evidence is discussed at commission meetings but will be referenced in the final report.
4. Agreeing recommendations	Potential recommendations arising throughout the course of the review are recorded with the scrutiny officer researching their viability. Commission usually agrees broad recommendations at review's final meeting. These are refined during report production.
5. Drafting the report	Report draws together the findings. All perspectives that were heard are included. The findings and recommendations of the draft are discussed with the relevant Cabinet Member and Director to help ensure that the recommendations are feasible. This does not usually alter the main thrust of recommendations.
6. Agreeing the report	Commission agrees its report and sends to Cabinet for a formal response. 'Executive Response' to the recommendations is received within 1 to 3 months and is agreed at Cabinet. Some reviews see the report and response discussed at Full Council.
7. Six month update	Commission receives an update about the progress in implementing the agreed recommendations around 6 months after the report and response are discussed at Cabinet. Members can take a variety of actions if they are dissatisfied with progress made.

⊕ Hackney

Governance & Resources Scrutiny Commission	Item No
19th October 2016	
Governance & Resources Scrutiny Commission Work Programme for 2016/17	**9**

<u>Outline</u>

Attached is the work programme for the Governance and Resources Scrutiny Commission for 2016/17.

<u>Action</u>

The Commission is asked for any comments, amendments or suggestions for the work programme.

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Overview & Scrutiny

Governance and Resources Scrutiny Commission
Rolling Work Programme June 2016 – April 2017

All meetings take pace 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
Wed 15th June 2016 Papers deadline: Mon 3rd June	Election of Chair and Vice Chair	Chief Executive's	First meeting of newly elected Commission.
	Devolution Review Evidence session	Chief Executive's	Evidence session – information session looking at the emerging devolution landscape for London and local government. Input from: • LSE (Prof Tony Travers).
	Budget Scrutiny Task Group – commercialisation and Income Generation	Finance and Corporate Resources	Agree work focus for TOR.
	Work Programme Discussion	Chief Executive's	To agree a review topic and topics for one-off items for the year.
Wed 13 July 2016 Papers deadline: Fri 1st July	Budget Scrutiny Task Group – Commercialisation and Income Generation	Finance and Corporate Resources	Presentation of proposals. *meeting cancelled*

Dates	Proposed Item	Directorate and officer contact	Comment and Action
Mon 5 Sept 2016 Papers deadline: Tues 23rd Aug	Devolution Review	Various attendees: London Councils	Education, Employment and Skills - evidence session looking at the proposed devolution for London in this area and the impact on local government.
Wed 19 Oct 2016 Papers deadline: Friday 7th Oct	Devolution Review – Recommendation Discussion	Chief Executive's (Tracey Anderson)	Discussion about draft recommendations for the devolution review.
	Budget and Finance update	Finance & Resources (Ian Williams)	Budget and Finance update on local government settlement and Council Budget for 2016/17.
	Delivering Public Services – Whole Place, Whole System Approach	Chief Executive's Directorate (Tracey Anderson)	Review of executive response to review report and how to monitor progress of work.
	Review of Governance and Resources Scrutiny Commission	Chief Executive's Directorate (Tracey Anderson)	
Mon 14 Nov 2016	Complaints Service Annual report	Chief Executive's (Bruce Devile)	Annual report of the Council's complaints service.

Dates	Proposed Item	Directorate and officer contact	Comment and Action
Papers deadline: Wed 2nd Nov	Update on Council Restructure	Chief Executive's Directorate (Tim Shields)	Briefing about the Council's restructure.
	Performance review	Chief Executive's Directorate	Scrutiny identifying and establishing the role of scrutiny for performance review.
	Budget Scrutiny Task Group – Commercialisation and Income Generation	Finance and Corporate Resources	Presentation of proposals. In response to the core question and focusing on income generation Members have requested for information about: • The proposed service areas (for income generation related to fees and charges) and their estimated income. Related to commercialisation Members have requested for more information about: • Proposals for creation of a trading company for our waste collection service. • Proposals for advertising and sponsorship and events, including the centralisation of commercialisation work with a Head of Commercialisation role.

Dates	Proposed Item	Directorate and officer contact	Comment and Action
Wed 14 Dec 2016 Papers deadline: Thurs 1 Dec	Temporary Accommodation and Discretionary Housing Payment	Finance & Resources (Ian Williams and Kay Brown)	Joint meeting with CYPS to look at the Council's work on temporary accommodation to manage the impact of welfare reform and pressure on council budget. Review of the Discretionary Housing Payment.
Thurs 19 Jan 2017 Papers deadline: Mon 9th Jan	Performance review	Chief Executive's Directorate	Scrutiny identifying and establishing the role of scrutiny for performance review.
	London Borough of Hackney 2016 Elections	Chief Executive's Directorate Tim Shields	Report Back on the Elections in May and June 2016 and voter's registration / postal votes.
Mon 20 Feb 2017 Papers deadline: Wed 8 Feb	Council Budget 2017/18	Finance & Resources (Ian Williams)	Presentation on draft Council budget scheduled for agreement at Full Council
	Cabinet Question Time with Cllr Taylor (Cabinet Member for Finance) TBC	Cllr Taylor – Cabinet Member Finance	Cabinet Question Time with Cllr Taylor. Portfolio lead responsibility for revenues and benefits, audit, procurement, pensions, and customer services.

Dates	Proposed Item	Directorate and officer contact	Comment and Action
Tues 14 Mar 2017 Papers deadline: Thurs 2 Mar	Update EU Brexit	Finance & Resources (Ian Williams)	Update on the implication of Brexit to councils. Looking at local: economy, labour market and Hackney Council's plans.
Thurs 13 Apr 2017 Papers deadline: Mon 3 April	Work programme discussion for 2017/18	Chief Executive's Directorate	Discussion on topics for work programme for 2017/18.
	Performance review	Chief Executive's Directorate	Scrutiny identifying and establishing the role of scrutiny for performance review.
	Budget and Finance	Finance & Resources (Ian Williams)	Budget and Finance Update

To Note:
1.   **Scheduling in Finance Updates** and request for briefing paper for Member giving a simple guide to the Council's finances.

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