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London Borough of Hackney  
Governance and Resources Scrutiny Commission  
Municipal Year 2016/17  
Date of Meeting Wednesday, 14th December, 2016

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

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<b>Chair</b>	<b>Councillor Anna-Joy Rickard</b>
<b>Councillors in Attendance</b>	<b>Cllr Deniz Oguzkanli, Cllr Nick Sharman, Cllr Susan Fajana-Thomas (Vice-Chair), Cllr Ned Hercock and Cllr James Peters</b>
<b>Apologies:</b>	
<b>Co-optees</b>	
<b>Officers In Attendance</b>	<b>Kay Brown (Director Customer Services), Anne Canning (Acting Group Director, Children, Adults and Community Health), Steve Liddicott (Interim Assistant Director, Children and Young People's Service), Andrew Wollard (Media and Campaigns Officer) and Jennifer Wynter (Head of Benefits and Housing Needs)</b>
<b>Other People in Attendance</b>	<b>Councillor Rebecca Rennison (Cabinet Advisor Advice Services and Preventing Homelessness) and Councillor Geoff Taylor (Cabinet Member for Finance)</b>
<b>Members of the Public</b>	<b>1 member of the public</b>
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**Councillor Anna-Joy Rickard in the Chair**

**1 Apologies for Absence**

- 1.1 Apologies for absence from CYPS Commission Councillors Councillor Emma Plouviez, Cllr Sophie Conway.
- 1.2 CYPS Co-optees apologies: Jo Macleod - Hackney Schools Governors' Association representative; Kairi Weekes- Sanderson HYP; Ernell Watson, Free Churches Group of Churches Together in England.

## **2 Urgent Items / Order of Business**

2.1 There was no urgent items and the order of business was as per the agenda.

## **3 Declarations of Interest**

3.1 None.

## **4 Temporary Accommodation**

- 4.1 The Chair of Governance and Resources Scrutiny Commission (G&R) welcomed colleagues from the Children and Young People Scrutiny Commission (CYP) to this joint session discussing temporary accommodation.
- 4.2 The Chair of G&R chaired the presentation of information session. The Chair of CYP chaired the Q&A session.
- 4.3 The Chair of G&R welcomed a local resident to the meeting, in attendance to share information about her lived experience in temporary accommodation in London Borough of Hackney.
- 4.4 The Chair of G&R welcomed from London Borough of Hackney: Ian Williams, Group Director Finance and Corporate Resources; Kay Brown, Director Customer Services; Cllr Geoff Taylor, Cabinet Member for Finance and Customer Services; Cllr Rebecca Rennison, Mayoral Adviser for Advice Services and Homelessness Prevention; Jennifer Wynter, Head of Benefits and Housing Needs and Steve Liddicott, Interim Head of Service – Access and Assessment. Also in attendance was the Interim Group Director Children, Adults and Community Health.
- 4.5 The Chair of G&R explained the purpose of the session and advised it would include hearing information from officers, and from local residents who would be sharing their personal experiences from living in temporary accommodation. Two resident were invited to the meeting to share their experience. One resident was in attendance and one resident sent in a written statement to inform the discussion. In addition anonymised casework was shared among commission members of the two scrutiny commissions to give them an idea of the experiences reported to councillors.
- 4.6 The Chair made the following statement to all meeting attendees:  
Overview and Scrutiny Commissions do not deal with individual cases. The Commission will be taking the context of the experiences from residents to raise questions about the service provision and the policies related to the service area. This discussion will not be focusing on individual cases or responding to comments related to individual cases in a meeting held in public.
- 4.7 The session provided the commission members with a better understanding about the Council's role, work and enabled them to hear from residents about the impact on children and families.

- 4.8 The session also provided information about the cost of the service and the implications of this on the Council's budget (including the provision of discretionary housing payments).
- 4.9 The Local resident outlined her experience and the impact on her family. A single parent of a child born 16 weeks premature which resulted in medical needs. Resident moved into newly built hostel accommodation and does not have to share facilities. As a new mother at the time of entering the accommodation she needed support but was unable to have support due to the no visitor's policy at the accommodation. The closest family member lives 30 minutes away. The resident explained she felt isolated and highlighted a number of other people at the accommodation were experiencing the same feeling. In her view these were vulnerable people. The resident explained she wanted to return to education but was unable to pursue this option because of the no visitor policy. The resident explained if her studies required late session she would need someone to stay at her property with her child to keep to the routine. The resident explained that the child has a routine and to attend the meeting this evening the routine was disrupted because she was unable to have the visitor stay at her accommodation to maintain the child's routine. The local resident queried why the visitor's policy was so restrictive? The Local resident explained she did not want visitors to stay overnight or until late hours but would like to be allowed to have visitors until early evening – approximately 7pm.
- 4.10 The second local resident sent through a written statement and this was read out verbatim by Cllr Peters. In summary the resident highlighted the practical difficulties with access and living in the accommodation and having two young children in a double pushchair. Key points raised were:
- Lift regularly breaks down in the building
  - There is only stairs to enter the property from a busy main road. The resident has difficulty taking the children and pushchair up the stairs to enter the accommodation. The resident suggested the property should have a ramp for accessibility.
  - The internal door ways are too narrow and smaller than the standard size. This makes it extremely difficult to push a pushchair through the door ways. The resident has 4 doorways to go through.
  - Laundry facilities are needed
  - The water coming out of taps is cloudy
  - The heating stops working in the night
  - Internet access is a must not a luxury
  - A communal area for children is needed
  - Request for sign posting service to other support services
  - Fire alarm goes off regularly
  - Staff speak to residents in a derogatory manner like they are not human beings.
- 4.10.1 In summary the key issues coming out from the resident's experience was the need for a flexible visitor's policy, increasing rent for hostels and the conditions of the hostels.
- 4.11 The officers provided a presentation in advance as noted on pages 3-13 of the agenda. At the meeting the following main points were made:

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- Homelessness in Hackney is increasing rapidly. This is driven largely by buoyant housing market and cuts to welfare benefits. Landlords in Hackney are withdrawing their properties from renting to the to place on the open market to obtain higher rental values
- Social Housing at saturation point; there are around 47,000 Social Rent properties in Hackney, but still over 12,000 households on the Council's Housing Register;
- Currently over 2,700 households in temporary accommodation
- The Council receives 150 more applications a week than it has properties available
- The Council plans to build 3,000 new affordable homes, but this will still not meet the growing demand
- The largest cohort in TA is single parent households
- The number of families with older children becoming homeless is increasing – this adds to the considerations associated with finding suitable TA in close proximity to schools
- 38% of households in TA have at least one working person in the household. This indicates that Hackney is becoming unaffordable to live in
- The Council is seeing an increasing number of vulnerable single people with serious medical needs or disabilities coming to the Council for support. This is because other support mechanisms like supported living have been withdrawn or is not available.
- The top eight reason for homelessness was highlighted in the presentation. Top of the list is termination of shorthold tenancy.
- The initial aim of TA is to move households from stage 1 to stage 2 accommodation. In the current climate the Council is unable to move families on from stage 1 as quickly as they used to. This is because properties are not available.
- Hackney has retained a large number of hostels as temporary accommodation because they are easier to acquire.
- Currently families are in temporary accommodation for 3-4 years. Previously a TA stay was a number of weeks or months.
- The top 6 reason for accepting a family into TA was highlighted. Top of the list is families with dependents. It was highlighted that families would be placed in properties that were available at that point in time.
- Approximately 25 families present to the council a day in need of urgent accommodation
- The decision on where to place a household is assessed on the household's needs. This decision takes into consideration school and the needs of any disability in the household. However the council is restricted by the properties available at the point in time of need. This means there is no guarantee that families will be placed within Hackney or near to their children's school. Priority in terms of the suitability of property is given to the size, access and if it is safe and secure. Consideration about the location will come after the above.
- In TA they are working in partnership with children centres to support families with children up to the age of 5. They are also in the early stages of setting up a partnership with Hackney youth hubs to help support older children.
- All the properties used should meet the decent homes standard. All hostels have an assigned hostel manager who is a LBH staff member

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- Hostel managers ensure standards are maintained and where necessary repairs and renovations are undertaken in a timely manner.
- The housing needs team have been implementing improvements to reflect the longer term occupancy of families in hostels. This includes installing communal laundry facilities as well as extra kitchen facilities where it possible. The Council in some cases is restricted by what they can provide due to the fabric of the building. For new hostels acquired the Council aim to build in the facilities required such as laundry facilities, safe play areas and homework communal space.
- The Council is close to delivering WiFi this is currently with ICT.
- In response to queries raised about the strict visitors' policy the Council explained that the safety of the residents was paramount. If hostels were open to visitors the council is unable to control or manage who enters and exits the accommodation or who was there if an issue occurs.
- Exceptions for a period of time to the visitor's policy would be considered on a case by cases basis. It was noted that mothers with a new born baby could request for access to support and this would be assessed.
- For vulnerable households requiring more assistance they commission One Housing. They provide both a medium term floating support service and a 'drop in' service for one –off support.
- In regards to affordability for accommodation, the Council can only charge affordable rents in TA. The Council has assessed from January 2017 nearly all the residents in TA will be affected by the benefit cap. Resulting in less benefit income to pay their rent and less income to live on.
- The Council has access to funding called Discretionary Housing Payments (DHP). This is designed to provide support to households in receipt of Housing Benefit (or Universal Credit), who require further financial assistance to meet their housing costs. This fund is predominately used for households in TA to prevent them from falling into rent arrears which could prevent them from bidding for settled accommodation.
- TA contains a high proportion of vulnerable households. These households are not exempt from the wider welfare reform agenda, particularly the benefit cap. It was explained that residents need to have clear rent accounts in order to move on to settled accommodation. If tenants do not have clear rent accounts many of the social registered landlords in the borough will not take them on as a tenant. This would restrict the churn in property.
- DHP funding is severely oversubscribed, and the Council has to balance the challenge. Not awarding DHP could result in a household falling into arrears which could prevent the household from being able to bid for settled accommodation. DHP is used to help households with rent payments, so as not to prevent them from bidding or restricting the churn of properties available for TA.
- At the other end of the spectrum, working households that do not receive full Housing Benefit can find themselves falling into arrears or facing short term crises for which they require additional support.
- Housing needs have undertaken a piece of work to look at tenant bidding patterns, income, affordability and the vacant properties becoming available, to help facilitate the churn in property. This is backed by officers having conversations with residents about bidding for properties they can sustain.

- The heat map in the presentation showed how far people need to go outside of London to find affordable rent within the UK.
- To end the presentation the Council highlighted the improvements to TA currently being made:
  - Hostels linked to their local Children Centres – signposting of residents to events and activities.
  - Expanding Laundry facilities – now available at Lea Bridge Road and Median Road, with plans in place for Malpas Road;
  - Introducing Wi-Fi – options paper with members;
  - Children's activity room at Lea Bridge Road, plus use of a room St Peter De Beauvoir church for use of children living at the Metropolitan;
  - Looking at ways to improve Telephone/TV reception at Ivy House and the Metropolitan.

#### 4.12 Question, Answers and Discussions

- (i) **Members noted there are 36 hostels and enquired about the ownership, size and management of them.**

In response to the query the Commission was informed there are various sizes across the borough. Approximately half are managed by LBH officers and some hostels are rented and managed by agents. For example the Metropolitan hostel was managed by an agent. If there are any issues/complaints, they will take the complaint and pass it onto the agent to follow through and respond to the query.

- (ii) **Members enquired if the agent owned hostel's operated different policies to the hostels owned and run by Hackney Council?**

In response to the query the Commission was informed the same policy is applied to all. In response Member commented this means this should be same operation across the board.

The Mayoral Adviser for Advice Services and Homelessness Prevention informed the Commission as they go forward they look at how they commission property from providers. Looking at the terms they set providers to improve quality to get best value and looking at what they need to do to remove poor providers. Setting clear expectations of what they expect from providers and the expectations from those that do not meet their standards. The council is aware that currently residents do not get the same provision across the borough and the council is taking steps to ensure they have the same quality of provision throughout the borough.

- (iii) **Members acknowledged the need to keep residents safe but were concerned about the way people were being treated and the restrictive visitor's policy. Members were of the view the visitors policy needed to be reviewed.**

The local resident queried why a person needed to be in a certain situation before they would be allowed a visitor. In her view residents need to have visitors because of the impact on their health and wellbeing. She pointed out residents were indulging in bad habits because they felt isolated and lonely.

The resident suggested the security in the building could be informed who was visiting to resolve the issue of knowing who was in the building.

- (iv) **Following reflection of the residents comments Members highlighted the views expressed showed concern about the visitor's policy and assessment of need. Members commented the visitors policy needed to be written and published but also needed to be flexible for individual needs. It was appreciated there needed to be a consistent approach for all.**
- (v) **Members referred to the pictures submitted in the written submission (from the other resident) and commented the pictures painted the impression of an unsafe environment despite the visitor's policy.**

The Director of Customer Services explained why the no visitors policy was introduced and advise she would make sure this explanation was published. In regards to the conditions presented in the pictures (from the resident's written statement) officers would need to investigate. The officer informed the Commission the defamations shown in the pictures were found on a site that has a no visitors' policy. It was also noted this particular hostel has cleaning once a day and the officer would need to find out if the defamation occurred before or after cleaning.

- (vi) **Members asked officers to not just review the visitor's policy but consider doing something different and present alternative options.**

In response officers explained the strict visitors policy was implemented because previously when hostels were open there were attacks on residents, non-residents staying overnight etc. The policy was implemented due to these instances occurring. Upon implementation the Council did take into consideration there will be people with medical or mental health needs. The decision was made to review these situations on a case by case basis as requested. Officers agreed to review the visitors policy and consider alternative options available

The Head of Benefits and Housing Needs reiterated the Council is increasingly concerned with resident's safety. Officers pointed out they have a number of residents in small accommodations, especially people who are vulnerable with complex needs. Their priority is to keep them safe. Other options and requests for single or specific cohort accommodation - like domestic violence victims, families only or women only - have been considered. The Council's current accommodation portfolio will not enable the Council to operate this type of models. If the Council did operate this type of model there would be empty rooms at the time they needed to allocate them.

<b>ACTION</b>	<b>The Director of Customer Services to review the visitors' policy for temporary accommodation in hostels and provide an update on the options available to allow visitors.</b>
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- (vii) Members referred to the role of hostel managers and the physical conditions of the hostel highlighted by the local resident. Members enquired why the council was using properties like this to accommodate people.**

The Head of Benefits and Housing Needs explained the accommodation used by the council meets the required health and safety standards. The council has a very strict inspection regime of health and safety standards in the hostels. The hostels used meet the statutory requirements, although it was recognised hostels are not ideal for all placements. It was noted the council uses hostels because there is no alternative properties available within the borough to use.

For hostels like the Metropolitan, the Council has in place arrangements for daily cleaning. The officer explained she would need to understand why this type of paraphernalia was in the lift. The Council may need to review the level of cleaning. It was also noted that there is a security member of staff at the reception point every day.

The Mayoral Adviser for Advice Services and Homelessness Prevention pointed out there is a distinction between a roof over your head and a home. Stage 1 is to put a roof over your head. The Council recognises there are issues with the quality and that the quality should be same across the borough. It was highlighted that the scale of the problem and the speed at which it has accelerated has meant that the council's priority has been about securing a roof over the residents head. The Council needs to look at how they can address the challenge. The first is what they do to improve the quality of TA in the borough because temporary accommodation is no longer temporary. The second part of the challenge is longer term, where they will house people and the options they have available for families. Access to housing for the use of TA is increasingly difficult to secure in Hackney. The Council acknowledged it needs to be firmer with poor providers and tighten up the action taken when they do have issues reported to the Council.

- (viii) Members enquired if the Council is planning to implement laundry and internet facilities in all hostels.**

In response the Director of Customer Services explained laundry facilities could be implemented in hostels that have available space. To date the Council has installed laundry facilities in 2 hostels and there are plans to install a third after Christmas. In relation to internet facilities the council is reviewing the type of WiFi they can provide in hostels.

As the council acquires a hostel these facilities are being requested from the outset.

The Mayoral Adviser for Advice Services and Homelessness Prevention informed one of the Mayor's manifesto commitments was to provide better support to homeless families. The review of the WiFi options included not only looking at the type of WiFi but also the space available to do work etc. It will be about trailing and finding out what works best, therefore the set up may need to be different for each hostel.



- (ix) **Members commented the scale of this problem indicates a system in crisis and near collapse. The problem is as a result of a housing crisis at which local authorities are at the forefront. Members raised queries about the system in place for oversight of the contractors and the day to day monitoring of the service. Members wanted to be assured there is a system in place where residents can make points to a person in authority with the ability to change the situation and do something about unsatisfactory service provision.**

The Head of Benefits and Housing Needs advised their managing agents respond well to issues raised. For reporting repairs residents contact their hostel manager. In general the managing agents used by the council deal with repair request quite rapidly and to a good standard. The Council has a good monitoring system in place and has regular reports, monitors leases and generally there is a good relationship between the Council and its managing agents.

It was impressed upon the Commission they need to take into consideration the buoyant housing market the Council is operating in and that landlords can retrieve their property and rent on the open market to acquire higher rental values. One of the biggest challenges the Council faces is trying to keep their current landlords renting to them. In other words the Council has a two pronged issue to manage. That is trying to support landlords to get the properties to the standard they require for residents and keeping landlords renting to them. The council will release properties that do not meet the required standard. If there are poor landlords the council will let these properties go and decant residents to new properties.

If landlords take their property back and rent on the open market or to another borough this would be a loss to Hackney residents.

- (x) **A co-opted Member expressed in his view the paramount concern was the safety of children. He highlighted there are restricts and procedures in place for people visiting schools and children centres. It was also the Council's responsibility to keep children safe. In his view visitors to hostels should be subject to the same level of scrutiny that any visitor to a school would need to go through. The Co-opted Member questioned if this level of scrutiny would be accepted by visitors to the hostels.**
- (xi) **Members referred to the high probability of landlords taking away property and renting to another borough. Members enquired if Hackney Council has benefited from this and acquired property in other boroughs because of the current market.**

The Head of Benefits and Housing Needs explained in London they have an inter borough agreement between 32 of the London boroughs. This has been in place for 1 year. It was noted on occasion there are breeches to this agreement. This is due to the required property to suit the need not being available in the borough at the time presented e.g. a disability. It was noted that the number of breaches to this agreement has been growing due to the housing crisis.

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The Director of Customer Services highlighted they have been working with regeneration housing. Housing Needs Service have acquired properties that have been decanted for regeneration. They have paid for the property to be renovated for use as temporary accommodation until the regeneration works start. Through this work they have put back in use approximately 400 properties.

**(xii) Members enquired if and how the Council consults with residents about the level of service?**

In response to this question the Commission was informed the Council has not carried out a survey recently. The Director and Head of Service use data from complaints, FOIs and Councillor's casework to assess trends and highlight issues. It was noted all residents in a hostel have an assigned hostel manager (this person is an LBH staff member) to report problems to and have access to an out of hours duty hostel manager.

**(xiii) Members suggested the Council should do a survey twice a year and have the ability for people to raise queries or place comments via the website.**

The Director of Customer Services informed the Council has implemented the One Account. This account provides an online service that allows residents to fill in a form in relation to a service request. It was noted there are a number of services available through this portal.

The Mayoral Adviser for Advice Services and Homelessness Prevention agreed the Council does need to look at how they consult residents. This is due to the scale of the TA issue and also to make sure the Council has its priorities aligned with residents' priorities.

It was pointed the discussion has focused on hostels accommodation and this was one aspect of the Council's TA provision.

**(xiv) Members commented there is a direct correlation between LHA and homelessness. The reason for this is the LHA is flawed. There is no incentive to provide quality properties when landlords get the payment regardless of the quality of the property. If residents complain they get evicted. Unless landlords are penalized for poor quality properties nothing will change.**

**(xv) Members commented key issues from this discussion was the level understanding of the wider issues affecting councils in relation to TA. Secondly the process of managing the message disseminated.**

**(xvi) Members commented there was some conflicting statements in the Council's explanations about contract monitoring and quality of the service provision. It was pointed out the pictures provided by the local resident showed unacceptable conditions. At the same time the Council advised this hostel's management agent was one of their best. Members were of the view the conditions shown in the pictures were not acceptable after cleaning.**

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The Group Director Finance and Corporate Resources explained the Council's current spend is approximately £350 million in housing benefits a year.

It was highlighted that the rise in land value in Hackney had provided valuable assets, prime for sub-letting. The Council also has a duty to combat tenancy fraud. The Council carries out checks on tenancy letting to ensure the renter is who the property was awarded to.

It was also pointed out the Council has a large volume of people on its waiting list. The solution for the 12,000 households on the waiting list, may not be in Hackney.

The Mayoral Adviser for Advice Services and Homelessness Prevention added the LHA payment for tenants in Hackney was worthless and it was becoming increasingly difficult for people to afford to live in Hackney. There was also the issue of rough sleeping which was not being addressed at the meeting. It was pointed out the welfare reform changes are changing the borough.

There are difficulties for the Council in communicating this message to residents about the pressure and spend on TA when articles are highlighting the current level of spend on TA. The reality is councils may need to spend more on TA in the future.

The long term impact is this will change the look of the borough indefinitely. The Council may need to manage families to leave the borough because they cannot be supported to remain in the borough.

- (xvii) Members referred to the council's monitoring of needs and performance of looked after children. Members enquired if the Council was monitoring the performance of children in TA and the impact of TA on their school attainment.**
- (xviii) Members referred to the approximate 700 households outside the borough and enquired if they were placed in neighbouring boroughs or outside of London?**
- (xix) Members enquired if families with children placed outside the borough would be given priority to be rehoused in Hackney?**

The Head of Benefits and Housing Needs advised in relation to schools, they do consider the child(ren) school year. If in GCSE year they will aim to keep the family in Hackney. If a child is not in GCSE year they may not be able to keep them near their school. It is likely if a child is in Year 1 they may not be kept in the borough. The housing needs service is working with the council's children and young people services to monitor and map information in relation to support for children. This work is in its infancy.

It was pointed out the Council has a legal responsibility to house people in accommodation and provide sound housing advice.

The Director of Customer Services advised if the family requests to come back to the borough they try to accommodate that request. In essence they have a waiting list within a waiting list.

- (xx) Members suggested the same focus currently given to Looked After Children should be given to children in TA.**
- (xxi) Members enquired if when assessing the housing needs of a person, consideration was given to mental health needs or no family support locally?**

The Director of Customer Services advised they have an organisation called One Support who is commissioned to support individuals. Housing needs encourage people to complete a medical questionnaire, this is sent off for external assessment of need.

Placements do include hostels although it is recognised this is not the most suitable.

The Head of Housing Needs advised if an individual's housing need was general they are placed in temporary accommodation. If an individual's needs was more they would be placed in other facilities suitable for their needs.

The officers pointed out single people are not a priority for the council. For cases like this they have links with Green House which is where they signpost this cohort to.

The Cabinet Member for Finance and Customer Services reminded the attendees at the meeting, the housing crisis is a problem and there is an unwillingness at the necessary level to deal with the intractable problem. The officers and Executive Members of the Council are making efforts to manage the situation. Efforts are being made to engage with the Government about the crisis.

- (xxii) Members commented previously the information provided advised the average length of stay in TA was 2 years. Members enquired if this had increased to 3 years and if the average length of stay was shorter or longer (e.g. 6-7 years) for some cases?**
- (xxiii) Members enquired if the current situation was expected to plateau?**

The Director of Customer Services informed the Council's housing waiting list has 12,000 households and if the waiting list was closed immediately, it would take 10 years to clear the current waiting list.

The Head of Benefits and Housing Needs advised they have been warning since 2010 this crisis would hit. Currently officers cannot predict if or when this will plateau. At this current point in time all the Council can do is manage the crisis. It was pointed out the economy is experiencing high employment rate but this is not being experienced by all residents in Hackney. The Council is building more properties but this is not enough to resolve the local need. Hackney has experienced a population boom and increasing levels of children and families in need. All the signs currently are not showing any indication the housing crisis will plateau in the near future.

- (xxiv) **Members enquired if the Council was being proactive in its acquisition of properties for TA. Members asked if the Council was informed when a leaseholder was selling their property, if the Council would buy back these properties as they became available.**

The Director of Customer Services confirmed if the Council was made aware of properties for sale her service area would put in a request to acquire the property.

The Group Director Finance and Corporate Resources confirmed the Council acquired properties where possible. The limitations related to the housing debt cap, this was currently £160 million for Hackney Council.

The Chairs of Governance and Resources and Children and Young People Scrutiny Commissions thanked the local resident and officers for attending the meeting.

(xxv) **G&R Way forward**

G&R's recommendation is that this Commission in its current form continues to monitor the budget risk and when the new overarching scrutiny panel comes into being (assuming it does) the Commission recommends that this panel does a piece of work looking at this issue - this is a recommendation jointly with CYP Scrutiny Commission.

## 5 Minutes of the Previous Meeting and Matters Arising

- 5.1 The minutes of the previous meeting held on 14<sup>th</sup> November 2016 were agreed.

<b>RESOLVED</b>	Minutes were approved.
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## 6 Quarterly Finance Update

- 6.1 The Chair welcomed to the meeting Ian Williams, Group Director Finance and Corporate Resources and Cllr Geoff Taylor, Cabinet Member Finance and Customer Services from London Borough of Hackney, to give an update on the Council's budget and the wider financial implications following the Government's Budget and Autumn Statement made early December 2016.
- 6.2 The presentation covered the following areas:
- Autumn Statement
  - Economic Update
  - Business Rate Update
  - Schools Funding
  - Council Budget Update
  - Pension Fund.
- 6.3 Local Government Settlement was expected to be Thursday 15 December 2016.

- 6.4 The main points from the presentation were:
- 6.4.1 Office of Budget Responsibility analysis of the Autumn Statement has outlined:
- A reset of the Government's tax expenditure after a review of the previous Chancellors targets.
  - Weaker outlook for the economy – Brexit uncertainty and lower pound, less investment means slower productivity growth and possibly lower net inward migration.
  - Weaker outlook for public finance – the borrowing was already outstripping income before referendum, weaker growth will hit receipts, especially income tax and there have been some autumn statement fiscal giveaways.
- 6.4.2 The Government targets have change again – all existing targets were breached and replaced, new fiscal mandate made with room to spare and balancing budget next parliament is not anticipated to be easy.
- 6.4.3 An example of the impact on business investment for the council was highlighted to be the purchase of IT equipment from overseas. This has soared in the last 2 weeks. This transaction was being accelerated due to rapidly increasing costs.
- 6.4.4 A comparison table displayed showed the forecast in March 2016 and then again November 2016. This indicated the Gross Domestic Product (GDP) is now expected to drop in 2017/18.
- 6.4.5 The national debt will continue to grow. This will be a burden for future generations particularly if interest rates start to rise as they are forecast to.
- 6.4.6 Starting to see increases in the Consumer Price Index.
- 6.4.7 In real terms: earning, benefits and state pensions show that people are worse off now than they were 10 years ago and graduates are worse off now than their parents were at this stage.
- 6.4.8 The local Government settlement for 2016/17 to 2019/20 includes:
- Reductions to local government grant of £6.1 billion by 2019/20. Although forecasts increase other sources of local government income, overall local government spending will be higher in cash terms by 2019/20 than in 2015/16.
  - £3.5 billion of support for adults social care by 2019/20 through a new social care 'precept' and an expanded Better Care Fund to support health and social care integration.
  - Plans to consult on changes to the local government finance system including rebalancing support to local authorities with social care responsibility.
  - Support to help local government become more efficient through new flexibilities, enabling local authorities to spend receipts from assets sales on reform projects.
- 6.4.9 The Borough's rateable value is increasing but the council will not get to keep all the increase.

- 6.4.10 Local governments expenditure is still broadly planned to follow the path set by the last autumn's spending review but, OBR is now expecting extra council tax and there to be a draw-down of reserves to boost spending slightly. There will be a re-set of the underlying 'needs' assessments for local government. There is currently dialogue between the Government's department Communities and Local Government and Councils, through the Local Government Association (LGA), to see how they can equalise a system that is currently flawed.
- 6.4.11 There is a 'Fair Funding' review, this is looking at how local government is funded. The LGA have produced a report on fair funding.
- 6.4.12 Forecasting can be difficult, however from 2019/20 assuming there is no unexpected downturn it is anticipated the public spend may return to growth in line with GDP.
- 6.4.13 It was highlighted that if the current spend on NHS, Pensions and Social Care continued and was not reviewed this could consume the GDP.
- 6.4.14 The spending review in 2015 announced the introduction of an improved Better Care Fund worth £105 million in 2017/18, £800 million in 2018/19 and £1.5 billion in 2019/20. After consideration of the consultation responses on the settlement, the Government proposes to maintain the Better Care Fund approach for 2017/18.
- 6.4.15 It is anticipated that Council's may get freedoms to increase the social care precept by 1%. It was highlighted the cost of implementing the London living wage for Hackney Council's homecare contracts was millions of pounds, the proposed freedom to apply the additional 1% rise through the precept will not cover increased costs like these.
- 6.4.16 Non-domestic rateable (NDR) value will be revalued in 2017/18. This may affect many NDR payers, although is not likely to affect individual councils' income. However, it has implications for the starting-point of the post 2019-20 100% retained NDR system. Government still planning to move to 100% NDR retention by 2019-20 with an end to the Revenue Support Grant (RSG). The view is the business rates system need a complete reform. London, Manchester, Liverpool, Cornwall, the West Midlands, Sheffield and the West of England under consideration as 'pilot areas' from 2017. The biggest challenge is how to equalise a system that is based on a number of historic assumption and flawed. The whole system in its current form is in need of significant reform. Hackney has seen a 46% increase in RV. The impact of this on local businesses is not currently easy to predict.
- 6.4.17 A consultation has been released on funding for schools. There is a proposal to move to a national funding formula for schools. The Government planned to introduce this in 2017/18, but this has been delayed to 2018/19. It was highlighted that there are many pressures on a school's budget, costs, pension and general pay pressures. The proposals could mean that Hackney is facing a 10% reduction, however the Government has advised in the consultation that no one should face a reduction of more than 3%.

- 6.4.18 London's economy is over 50% bigger than Scotland, Wales and Northern Ireland added together. London pays 30% of the UK taxation. London needs to be maintained because it is key for the UK's economy.
- 6.4.19 The Local Government Settlement announcement was expected to be made on Thursday 15<sup>th</sup> December 2016.
- 6.4.20 The council's budget is currently on track with its saving plans. Providing the local government settlement does not bring any change for 2017/18 there is a programme of work in place.
- 6.4.21 In relation to Hackney Council's Pension fund there has been an increase in overall fund assets and a reduction in fund deficit.
- 6.4.22 In summary the conclusion is local government is still facing considerable uncertainty.

## 6.5 Question, Discussions and Comments

### (i) Members enquired what EBRD stood for?

The Group Director Finance and Corporate Resources from LBH advised EBRD is European Bank for Reconstruction and Development (EBRD).

Hackney Council acted as the administering authority for the previous Olympic 6 Growth Boroughs arrangement. Carrying out the role of accountable body for all the EU funding that came in for the growth boroughs.

### (ii) Members enquired about the increase in exchange rate and interest rate and the impact of this on council contracts.

The Group Director Finance and Corporate Resources from LBH gave an example in relation to the cost of IT equipment being purchased. It was noted the purchase was an import and the shift in value of the pound had increased the cost of the purchase.

The exchange rate and interest rates will have a major impact on construction projects for schools and regeneration programmes. The Council is proposing to take on the exchange rate risks for the large contracts they have agreements on.

### (iii) Members enquired about the Council's current financial position and the RV increase. Members queried why Hackney had experienced the highest RV increase?

The Group Director Finance and Corporate Resources advised the report in agenda was sent to Cabinet in October 2016. In the current financial year the Council is forecasting a modest overspend. Within this position there are challenging areas like looked after children, homelessness and pressure on school's budget relation to high need children. It was pointed out that the high need element of the education budget has not been increased since 2012. Overall the Council's balance sheet has a number of reserves it can deploy to manage additional costs that have arisen or things like slow delivery of savings.



In essence if the Council maintains the same disciplines it is anticipated it can maintain a strong financial position.

The Cabinet Member for Finance and Customer Services advised, the increase in property and land prices in the borough have been an advantage and disadvantage. Pointing out the increase in RV will impact the council's budget in terms of the business rates it pays.

**(iv) Members referred to the interest rate increasing and asked for further explanation of the impact of this.**

The Group Director Finance and Corporate Resources advised the low interest rates have impacted significantly on the Council's income generation. It has been noted by commentators that interest rates have been at an all-time low since 2008.

**(v) Members commented there is uncertainty for the wider economy but the Council's budget seems to be stable. Members were keen to understand the implications for the Council in the next few years in terms of the changes to funding etc. Asking when the Council would experience significant challenges in relation to spending commitments, and asked for officers to predict when this was likely to happen?**

The Group Director Finance and Corporate Resources informed the Commission the spending changes since the forecasts in 2010/11 was a decrease in income but also an increase in New Homes Bonus. The Council has an income stream from its property estate e.g. Keltan House and stopped doing some things where one off activities because the Council did not main stream some of the short term funded activity.

To cover the cost pressures in the budget (e.g. temporary accommodation) the Council has made provisions for a £4million growth, but officers are not certain this will be sufficient. The Council is also starting to see increases in the area of looked after children from large cost support cases. At this point in time the Council cannot predict if it is a trend or just a blip.

**(vi) Members enquired when the council will need to address the real issues about resources and look at radical solutions.**

The Group Director Finance and Corporate Resources advised the Council is doing things like reviewing the modelling for the North London Waste through to 2022 to consider the impacts if the recycling performance does not increase. This work will show the increasing expenditures, where the gaps are and what the council will need to do to fill the gap.

The Cabinet Member for Finance and Customer Services pointed out in relation to TA, LAC and foster carers these are cost pressures that the council has no ability to control. If the Council removed all the elements of spend that were not within its control and had a steady state. The Cabinet Member advised in his view with the current plans to make business as usual efficiency savings the council would not encounter significant challenges in the next 2 years. However after 2 years it was unpredictable. There are a number of overlapping crisis that will collide to impact on the current situation.

**(vii) Members enquired about if the council had discharged its duty by housing a tenant under a long tenancy in the private sector.**

The Group Director Finance and Corporate Resources informed there is the ability within the lettings policy to discharge into the private sector. To the officer's knowledge the Council has only used this power once.

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

7.1 Members discussed the information required for the commercialisation discussion item at the next meeting.

7.2 Members wanted a report that provided information about all departments in relation to the following:

- Commercial services provided
- Commercial service that could be provided.

7.3 Members requested for information about Finance and Corporate Resources role and the Council's plans in relation to all services within the Council; to understand the Council's approach to the following:

- The Council's role as a partner in developing the borough. Taking on risk in regards to its asset base
- Commercial activities that could be provided using the Council's assets more widely. The additional services that could be provided using the Council's current facilities
- The Council's ability to take on a wider set of activity not just in the area of property acquisition
- Outsourcing
- Raising fees for services
- The different culture the organisation will need to adopt. The skill sets needed by staff and how staff will be supported to manage these risks
- Use of CPO powers.

<b>ACTION</b>	Group Director Finance and Corporate Resources to provide a report covering the information noted in points 7.2 and 7.3.
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**8 Any Other Business**

8.1 None.

Duration of the meeting: 7.00 - 9.35 pm