Hackney

London Borough of Hackney
Scrutiny Panel
Municipal Year 2023/24
Date of Meeting Thursday 13 July 2023

Minutes of the proceedings of the Scrutiny Panel held at Hackney Town Hall, Mare Street, London E8 1EA

Chair	**Councillor Margaret Gordon**
Councillors in Attendance	**Cllr Sophie Conway, Cllr Sharon Patrick, Cllr Clare Potter and Cllr Ben Hayhurst**
Apologies:	**Cllr Polly Billington and Cllr Clare Joseph**
Co-optees	
Officers In Attendance	**Rickardo Hyatt (Group Director Climate, Homes & Economy), Jackie Moylan (Director Financial Management), Ian Williams (Group Director of Finance and Resources), Jacquie Burke (Group Director Children & Education), Helen Woodland (Group Director Adults, Health & Integration), Naeem Ahmed (Director of Finance Adults, Chidlren & Education), Rob Miller (Director of ICT) and Deirdre Worrell (Director of Finance, Housing and Neighbourhoods)**
Other People in Attendance	**Mayor Philip Glanville (Mayor), Councillor Robert Chapman (Cabinet Member for Finance, Insourcing and Customer Service), Councillor Christopher Kennedy (Cabinet Member for Health, Adult Social Care, Voluntary Sector and Culture), Councillor Carole Williams (Cabinet Member for Employment, Human Resources and Equalities), Statutory Deputy Mayor Anntoinette Bramble, Councillor Sade Etti (No Place for Hate Champion), Councillor Susan Fajana-Thomas (Cabinet Member for Community Safety and Regulatory Services), Councillor Clayeon McKenzie (Cabinet Member for Housing Services), Councillor Guy Nicholson (Deputy Mayor for housing supply, planning, culture and inclusive economy), Councillor Anna Lynch and Councillor Sheila Suso-Runge**
Members of the Public	
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Councillor Margaret Gordon in the Chair

1 Appointment of Chair for the Scrutiny Panel in the Municipal Year 2023/24

Members noted the confirmed appointment to the position of Chair for the municipal year 2023/24, Cllr Margaret Gordon, as agreed by Full Council at its Annual Meeting on 17th May 2023.

2 Apologies for Absence

The Chair updated those in attendance on the meeting etiquette and that the meeting was being recorded and livestreamed.

Apologies for absence were received from Cllrs Joseph and Billington.

Cllr Laudat Scott, Cllr Troughton, Cllr Young, Cllr Terbet-Delof, Cllr Ogundemuren, Cllr Ozsen, Cllr Kam Adams all attended on-line.

3 Urgent Items / Order of Business

There were no urgent items, and the order of business was as set out in the agenda.

4 Declarations of Interest

There were no declarations of interest.

5 Cabinet Question Time- Mayor Glanville (19:05 -19:50)

The Chair explained that a key element of the overview and scrutiny function was to hold the Mayor and Cabinet to account. The Mayor's Question Time was the responsibility of the Panel, and for these discussions notice was given of the topic areas which will be the focus of discussion at the meeting.

The Chair outlined the key areas to which the Panel expected responses was as set out below.

Manifesto commitments

- Update on the progress and monitoring of the manifesto commitments
- Impact of budgetary pressures on the manifesto commitments

Senior leadership changes

- The impact of changes to the senior leadership on the organisation and political leadership, and mitigations of any further impacts

ICT and hybrid meetings

- Permanent ICT solution for formal council hybrid meetings
- Update on the aftermath of the cyber attack

- Digital divide and how the Council can ensure all residents are informed about council information and consultations

The Chair then invited Mayor Glanville to respond to the key questions sent in advance of the meeting. The key points are summarised below.

Manifesto commitments

The Council adopted its Strategic Plan in November 2022, which was framed around the Mayor’s priorities and reflected the 2022-26 Manifesto commitments of the Labour administration.

Since its adoption, significant work had been undertaken in response to the housing crisis. In December 2022, Cabinet approved a new house building programme which would deliver 300 of the 1,000 council homes the Council had committed to between now and 2026.

The operating context had become even more challenging, however, with build costs going up by around 40% in the last two years. Demand was increasingly outstripping supply in the rental market too.

The Council had continued to campaign to improve standards in the private rented sector and offer support to residents who were faced with eviction. £400k had been set aside for environmental health officers to help those in the private rented sector to secure the repairs needed to ensure homes were safe and free from damp and mould.

The Council also continued to invest in its leisure estate, developing proposals for a new teaching pool at London Fields Lido and improvements to the facilities at West Reservoir. In addition, the options for the refurbishment of Kings Hall Leisure Centre would soon be shared with the local community to get their views.

Improvements to Shoreditch Park had now been completed, including a new outdoor gym. A number of playgrounds had also been refurbished, and street public toilets would be free to use across the borough.

The Council had committed to exceeding its own climate action targets by installing 4,000 electrical vehicle charging points across Hackney by 2026, alongside significant investment in cycle provision.

The Council had worked with schools and community organisations to inform thinking about how it would spend Mayor of London funding for free school meals, and was taking on board the implications and opportunities for local work to complement this.

The Strategic Plan would be monitored year-round to measure and evaluate the impact of the Council’s work, and to help it understand problems in a more holistic way. The Strategic Plan was being aligned with individual service plans through financial resource planning and performance and risk management, and looking at long-term outcomes and theories of change.

The Council would continue to work in the open by creating opportunities for residents to participate in this work, ensuring services and decisions were co-designed and informed by local communities.

The financial challenge in delivering the Strategic Plan was significant. The Council had faced £140m worth of cuts in recent years, coupled with the impact of the pandemic and cyber-attack. As well as this, demand in children's and adult social care had hugely increased, with £27m of demand growth in children's social care alone.

ICT and hybrid meetings

Cabinet was committed to finding a permanent ICT solution for formal council hybrid meetings. A working group had recently been set up which included both Cabinet Members, Scrutiny Members and backbenchers to look at the options and benchmark against other local authorities.

Significant progress had been made in recovering from the impact of the cyber-attack. There were very few areas of the Council's work where the cyber-attack continued to be a reason why it could not deliver a service, although there continued to be a financial impact in terms of reconciliation.

Work would continue in terms of modernising the digital tools and systems used by services across the Council, for example in Housing Services and in particular its repairs and maintenance service. These would include both in-house and off-the-shelf solutions.

The Council continued to work to close the digital divide and make better use of digital technology to modernise and innovate to create better experiences for residents and staff. This included investment in the library estate digital capacity, extra staff in Hackney Service Centre to assist residents whilst using digital services, and partnership working with broadband providers to offer faster, more reliable internet services to residents living in council homes.

In recognition of the broader digital divide, the Council continued to publish newsletters such as Love Hackney which had recently been expanded to include over 120,000. Housing Services alone produced thousands of leaflets and posters to ensure the Council effectively communicated with residents living in council-managed homes. Community translation was also increasingly facilitated being in partnership with community organisations and elected members.

Senior leadership changes

It was recognised that there had been some uncertainty in terms of senior leadership whilst the Chief Executive had been on a period of extended leave. During that time the Corporate Leadership Team had been expanded and the Group Director of Finance and Corporate Resources had been made Acting Chief Executive.

As the Acting Chief Executive (and s151 Officer) would be leaving the Council in the coming weeks, there was a need to appoint both an Interim Chief Executive and s151 Officer. The Appointments Sub Committee had recommended to appoint Dawn-Carter McDonald as Interim Chief Executive, Jackie Moylan as s151 Officer and Louise Humphreys as Monitoring Officer (as Dawn-Carter McDonald was the current Monitoring Officer and could not hold the role of Head of Paid Service at the same time). This was subject to endorsement by Full Council on 24th July 2023.

Questions, Answers and Discussion

A Panel Member asked for further information on the expanded Corporate Leadership Team and how it would work alongside the Mayor and Cabinet to deliver on the Council's strategic properties.

The Mayor explained that the Council had undergone a substantial period of recruitment during 2021/22 to appoint to a number of corporate director positions. It was now investing in senior management through an expanded Corporate Leadership Team, and continued to review the strengths and weaknesses of the corporate leadership structure as it stood.

With experienced senior officers moving on from the Council, it was particularly important to invest in existing staff to ensure a smooth transition and interim arrangements. There was confidence that the officers stepping up into new leadership positions would be successful, and would bring with them both professional expertise and place-based institutional memory.

A Panel Member asked whether the Mayor was concerned that the Council's commitment to build 1,000 new council homes between now and 2026 would not be able to be fulfilled due to the financial challenges facing the Council.

The Mayor explained that a significant amount of financial modelling was undertaken by the Council in ensuring the commitment to build 1,000 new council homes between now and 2026 was deliverable. When the new council homes programme started there was a funding gap of around £1m, but this gap had almost been closed.

New council homes would be delivered through a mix of methods, including accelerating existing programmes for council homes, a new programme of council homes, buying back council homes and new town centre developments.
The Council would also continue to lobby the government alongside other London Boroughs and the Greater London Authority to make the case for higher levels of grant funding which would align more closely with inflationary levels.

A Panel Member asked for an update on the progress of delivering new council homes on Morning Lane (Tesco site) development in Hackney Central.

The Mayor explained that the Council had recently appointed architects to explore new ideas for homes, workspaces and community spaces Hackney Central and Dalston, and look at how it can maximise community and social return from them.

This included exploring the development potential of town centre sites, Morning Lane (Tesco site) and bus garage sites. In terms of Morning Lane (Tesco site), it was hoped that around 140-160 new homes could be delivered alongside retaining a Tesco supermarket, incorporating opportunities for businesses and more jobs, and high-quality and greener public spaces.

The Council was using the feedback and priorities of residents, community groups and businesses to ensure changes benefit local people, and was now looking to appoint a development partner to work in partnership to develop the site.

A Panel Member asked whether more could be done to communicate to residents aout the impact that the cyber-attack had on delivering Council services, and in explaining why it made and continued to make difficult decisions in response.

The Mayor explained that it was important to remember that the cyber-attack was a criminal act, and so much of the initial communication around the incident itself had to be limited both due to the investigation and the threat of any further issues.

Having said this, the Council had since worked diligently to explain the narrative of events as a means of addressing the concerns raised by residents and informing good practice and partnership working.

At some point in the autumn an independent cyber security assessment would be published, outlining what happened and a judgement of the Council's response. This may be an opportunity to communicate with residents, as well as to engage Scrutiny members and backbenchers.

A Panel Member asked whether the Mayor was concerned that the Council's work on maximising and shaping green employment opportunities and supporting a circular economy would be affected by the financial challenges facing the Council.

The Mayor explained that work was underway to support green employment opportunities through the Council's employment and skills service. Hackney Community College and Guild East in the Olympic Park were two examples of training providers helping people find work in the green economy.

The Council was developing a Housing Retrofit Strategy for all council housing in line with the Climate Action Plan, and had secured over £20m of decarbonisation and retrofit funding across the Housing Revenue Account (HRA) and General Fund. It was hoped that this would also unlock green employment opportunities for residents.

Hackney Light and Power had been set up as a publicly owned municipal energy services company to accelerate efforts to deliver renewable energy across the borough, and was employing and investing in local people to support its work.

Two zero emissions networks had been set up in Stoke Newington and Shoreditch, with plans to identify funding to scale this up across the borough. Two circular economy zones had also been set up in Hackney Central and Hackney Wick to increase sharing, little libraries, refill points and other community swap events and schemes.

The Chair of the Audit Committee asked about how the Council engages with residents to ensure they understand the steps it was taking to improve repairs and maintenance on council managed estates and to support estate regeneration, as well as the increasing financial pressures on both the HRA and capital spending.

The Mayor explained that it was important for the Council to have an efficient and effective repairs and maintenance service, as well increasing the supply of council homes within the borough. Investment in improving the way council homes are managed had therefore been identified as part of the 2023/24 HRA budget proposals.

There were real financial difficulties around the HRA, which was largely due to government decisions and inaction. Around £700m had been taken out of the HRA due to the decisions of the government around rent, which was roughly equivalent to the funding needed to retrofit the Council's entire housing stock.

In terms of estate regeneration, it was important that all projects were delivered through close collaboration with local residents from start to finish and through meaningful engagement on smaller projects such as green infrastructure.

6 Council Budget (19:50 - 21:15)

The Chair explained that the budget update was a fixed item on the agenda of Panel meetings to allow scrutiny members to retain oversight of the Council's budget, receiving quarterly finance updates and conducting budget scrutiny sessions.

It was explained that the budget scrutiny process had been amended for the 2023/24 municipal year. It would now commence with an overview of the Council's budget for 2023/2, accompanied with information about the spending priorities and pressures for each directorate.

To commence the budget scrutiny session the Panel asked the Mayor, Cabinet and Corporate Leadership Team to provide the following information.

- Overview of the Council's budget
- The Directorate budget for 2023/2024
- Directorate budget spend priorities for 2023/2024
- Directorate budget service pressures
- Update on the progress of budget savings that were agreed for implementation 2022/2023.

The Chair began by inviting the Cabinet Member for Finance, Insourcing and Customer Service to make some opening remarks.

The Council had seen a 40% cut in government grants since 2009/10. While more grant funding had been made available recently, for example for the Social Care grant, this did not cover the huge increases in demand and prices.

The local government pay award would also have an impact on the Council's budget, as there would be no further funding available from government over the amount that they had assumed.

As set out in the Medium Term Financial Plan (MTFP), the Council was looking at a medium case budget gap over £22.162m for the current financial year, which meant that some difficult spending decisions would need to be made over the coming months to bridge the gap.

Whilst the scale of the financial challenge ahead was significant, the Council was committed to providing the services that communities relied on and, in setting its budget, would be completely focused on its strategic priorities and commitments.

The Chair then invited the Group Director Finance and Corporate Resources to give a short verbal overview of the Council's budget.

The Council approved net revenue budgets of £255.4m for 2023/24 on 1st March 2023. This was broken down between directorates and the General Finance Account, which contained corporate items such as the North London Waste Authority (NLWA) levy, concessionary fares, provision for repayment of external debt and revenue contributions to capital and pay award provision.

The gross revenue budget was £1.2bn for 2022/23, a significant element of which was third party payments including the Housing Benefit Subsidy and Dedicated Schools Grant (DSG) totalling £743.6m (57%).

The Council's General Fund activities were funded by a mix of local taxation and government grants. For 2023/24, this included Council Tax (£103.3m), business rates including the Top Up Grant (£116.4m), revenue support grants and other non-ring-fenced grants (£78m) and specific grants (£57.7m).

The Council received around £230m in respect of housing benefits, the vast majority of which was directly paid out in benefits. The DSG after deductions for recoupment for academies, national non domestic rates and react funding for high needs by the Education and Skills Funding Agency was £237m. The Housing Revenue Account (HRA) was ring-fenced, meaning the Council needed to budget for all costs to be covered by housing rents.

The Council was expecting to spend £1.1bn on the capital programme between 202/23 - 2025/26 across a range of areas such as investing in the maintenance of schools and delivery of additional in-borough SEND places, maintaining council homes and building more and improved homes, essential maintenance to leisure centres, investment in temporary accommodation and new GP surgeries.

The capital programme was funded by a range of measures such as borrowing, capital receipts, government grants, revenue and S106/Community Infrastructure Levy (CIL). However, capital resources were depleting and there was a need to increasingly fund capital expenditure via borrowing.

Cabinet Members were working closely with officers to balance the budget over the MTFP period, and proposals would be presented to scrutiny councillors at various stages of their development to ensure their views were taken into consideration.

The Council was legally required to set a balanced budget in advance of the financial year, and the law also dictated how much the Council could increase its council tax without going to a referendum.

Compared to some local authorities, Hackney had a low council tax base, meaning it was particularly vulnerable to government cuts and it had little certainty beyond the following financial year over a large proportion of its funding which made planning challenging.

A 1% increase in council tax would raise an additional £1.1m of income. However, a 1% increase in pay costs Hackney around £2m. Since 2010, the Council had seen a significant decrease in real terms external funding and national issues like inflation in fuel prices had led it to provide an additional £8.5m in the budget since 2022/23.

The Chair then invited the Group Director Children and Education to give a short verbal overview of the Children and Education Directorate budget.

Children & Families planned to spend approximately £58.8m (net) in 2023/24. The service encompassed statutory children's social care services and early help and statutory youth justice provision delivered by the Early Help and Prevention Service.

Hackney Education planned to spend around £22m (net) in 2023/24. This service ran all the education services within the borough, and also oversaw the DSG and other school grants which totalled circa £258m. Its functions included ensuring the Council was compliant with its legal obligations, as well as providing a range of educational services through the delivery of a traded offer.

Approximately £34.1m of the Children & Families net budget was attributed to staffing costs. 39% of the budget £22.9m would be spent on the Corporate Parenting Service, which was responsible for all areas related to the safeguarding and welfare of children who were in the care of the Council.

The Domestic Abuse Intervention Service (DAIS) provided information and support, intervened to reduce risk and worked to protect victims from harm (1% / £0.5m of budget). The Access & Assessment Team acted as a single point of contact for children in need of support or protection and included the Multi Agency Safeguarding Hub (MASH) and Early Help Hub (7% / £4.3m).

The Safeguarding & Learning Service provided support for Independent Chairs for Child Protection Conferences and Looked After Reviews, Local Authority Designated Officer (LADO) for allegations against staff and volunteers, and learning and development for foster carers and staff members amongst others (5% / £2.7m).

Clinical Services was an integrated and specialist Child and Adolescent Mental Health Services (CAMHS) for children accessing Children's Social Care Services, the Family Support Service, Young Hackney and the Youth Justice Service. (3% / £1.8).

62% (£13.7m) of the Education budget was attributed to the Early Years, Early Help & Wellbeing Service which consisted of Funded Free Early Years Entitlement, Early Years Quality Improvement, child-minding, Children's Centres and Early Help, Pupils Out of School and the Specialist Intervention Service.

The Contingencies and Recharges Service included overall directorate budget for recharged overheads, DSG Growth, contingency and support budgets as well as insurance costs (17% / £3.8m). The School Standards & Performance Service was a combination of statutory and traded services, made up of School Improvement & Performance, School Governance, the Virtual School, Hackney School Music Service and Continuous Professional Development and Early Career Teacher programmes (1% / £0.2m).

In order to meet the MTFP the directorate had been reviewing the social care practice model and the layers of management so the structure was standardised and streamlined with fewer tiers. It was also looking to consolidate the Children, Education and Health commissioning function across the directorate to allow for effective market engagement and an opportunity to explore joined up commissioning arrangements across the portfolio.

Finally, it was undertaking a base budget review of Early Help Services which offered a wide- range of targeted and specialist interventions for young people that need extra support, as well as arrange of play and sports opportunities on a universal basis.

The main areas of budget pressure in the directorate continue to be in Corporate Parenting, Looked After Children (LAC) and Disabled Children Services. Since 2019/20 there had been significant cost increases, as well as a change in the profile of placements linked to the complexity of care for children and young people coming into these services.

The other main budget pressure in the directorate was as a result of over-established posts, and the directorate was working towards addressing this pressure as part of the service redesign which would take place later in the year.

Within Hackney Education, SEND pressures continued to increase year on year as a result of a continuing increase in recent years of children and young people with Education and Health Care Plans (EHCPs). The directorate was working with Newton Europe/CIPFA to secure £1m through the SEND Developing Better Value (DBV) programme. The grant application would include an action plan to spend the grant allocation towards targeted work streams which may help to mitigate some budget pressures.

A statutory override which allowed a deficit balance of £17.1m to be carried in the Council's accounts had been extended to March 2026. However, this continued to remain a risk for Hackney in the event there was no further funding provided by the Department for Education to mitigate this balance.

The directorate had taken a number of management actions to mitigate these budget pressures. This included a foster first approach in which all children under the age of 16 would be offered a foster placement as first option, with residential and semi-independent to be agreed in exceptional circumstances.

As part of the analysis of high cost placements, the service is also targeting a reduction through a process of continual review. The cost reduction will be achieved by reviewing the top 30 high cost care arrangements and seeking a 5% reduction in costs through analysis of care package support and through targeted negotiations with care providers.

The directorate was also looking to reduce agency spend through regular reporting and scrutiny through the Workforce Development Board for sign-off for new agency staff, which would enable close monitoring of the use of agency staff and related expenditure.

The Chair then invited the Group Director Adults, Health and Integration and Director of Public Health to give a short verbal overview of the Adults, Health and Integration Directorate budget.

The Adults, Health and Integration directorate had a gross budget of £120.8m. The majority of the budget was spent on commissioned services for care, although there significant in-house service provision too (7.6% / £9.2m).

Within the directorate sits Public Health, which had a net budget of £37.5m. Public Health services were funded by an annual government grant, which was ring fenced for use on public health functions. As well as consultant staff, there were also teams of staff that had been in-sourced to deliver specific services.

Across the directorate, around £20.6m was spent on staffing. This included staffing across a range of service areas from Initial Contact and Response to integrated teams such as Integrated Discharge, Mental Health and Integrated Learning Disabilities Services.

The bulk of the budget was spent on external commissioned care for adults with a disability or older people following an assessment of need, and included community based care such as Home Care (£21.5m), Day Care (£2.3m) and Supported Living (£18.2m), as well as long-term Residential (£20.7m) and Nursing Care (£8.1m) placements.

Most long-term Residential and Nursing Care placements were out of borough as there was not a substantial provision of Residential and Nursing Care in Hackney. The Council therefore sought to minimise their use, however this had led to increased spend in that area. The directorate commissioned a range of other services (£6.5m) such as those in the voluntary sector, the Taxicard Scheme and the Integrated Independence Team.

The Adult Social Care Service was not free at the point of use and there were therefore some income streams such as for care charges, specific grants (for example Social Care, Improved Better Care Fund and Better Care Fund) and health funding (for example Section 75, NHS-funded Nursing Care and joint funded placements).

The directorate had seen a 30% increase in the total number of people receiving care and support since 2020. For some services such as home care, the increase has been even more significant (43%). The complexity of care was also increasing. In October 2020 there were 514 clients with care packages that exceeded £800 p/w, and by May 2023 this had increased to 751 clients.

In addition to rising demand, unit costs had also increased significantly. Between 2019/20 and 2022/23, home care unit costs had increased by 7%, supported living by 36%, residential by 10% and nursing by 15%.

The directorate had delivered a range of savings over the previous five years, and had budget savings of £5.6m for Adult Social Care and £3m for Public Health over the next period. In addition to this, cost reduction measures had delivered efficiencies totalling £1.3m since 2021/22 and further cost measures had been developed for 2023/24. This included more robust Quality Assurance processes, recovery of unused Direct Payments and a reduction in agency staff use.

The Chair then invited the Group Director Climate, Homes and Economy to give a short verbal overview of the Climate, Homes and Economy Directorate budget.

The Climate, Homes & Economy directorate delivered a wide-variety of front-line services, and was leading on 1756 manifesto commitments. Key priorities included leading on the Council's response to the climate emergency through the Climate Action Plan, delivering a modern housing service and new council homes, establishing and maintaining relationships with key businesses in the borough, and establishing and delivering against key shared objectives with community safety partners.

The directorate was responsible for two budgets - the General Fund and Housing Revenue Account (HRA). The General Fund budget 2023/24 incorporated a range of services including Streetscene (£6.2m), Environmental Services (£21.5m), Parking, Markets & Street Trading which would generate an income of £16m, Leisure, Parks and Green Spaces (£6.3m), Planning & Building Control (£2.2m), Community Safety, Enforcement & Business Regulation (£6.8m), Economy, Regeneration & New Homes

(£2.6m), Adult Skills (£1.3m), and Housing Policy & Strategy which was a net nil budget as it was funded by Right to Buy Receipts, rents and external funding.

A number of savings had been brought forward or realised in the 2023/24 financial year. This included increasing the fees and charges in line with CPI for specific services like parking and commercial waste, introducing fees and charges for certain inspection/enforcement activities so that landlords who require intervention pay for the cost of enforcing housing standards, inflationary increases in non-statutory fees in Environmental Services, and various management restructures, service integration and expansion of traded services.

There were a range of General Fund budget pressures. This included overspend in relation to the impact of increased demand led pressures on the Waste and Street Cleaning Service, non-delivery of previously approved vacancy factor savings in Environmental Operations and Community Safety, Enforcement & Business Regulation, continuing impact of inflation on supply chains and non-delivery of the savings relaying to the established of the Commercial Waste company.

The HRA budget 2023/24 incorporates a range of housing services including the Tenants and Leaseholders Service. This service made an income of £154,583.1m through the collection of rent and arrears, and had an expenditure of £26,837.9m on providing a range of landlord services. The budget also included Repairs and Maintenance (£36,355.3m), Estate Services (£11,012m), Planned Asset Management (£4,118.1m), Transformation (£1.378.7), and Central Housing, Finance & Resources (£74,880.3m).

A range of HRA savings had been identified for the 2023/24 year, with the largest being the reduction to Revenue Contribution to Capital Outlay (£1.12m). There were budget pressures across the HRA budget, which included the need to maintain and improve rent collection rates and reduce the level of rent arrears and housing services, the continuing impact of inflation on materials for repairs and maintenance and the supply chain, the local government pay award (the impact of which is £1.5m above the planning assumption), and the demand for repairs, including damp and mould response and lift repairs.

The Chair then invited the Group Director Finance and Corporate Resources to give a short verbal overview of the Finance and Corporate Resources Directorate and Chief Executive Directorate budgets.

Finance & Corporate Resources directorate delivered a range of front-line and support services for a net budget of £50m, from the provision of temporary accommodation through to providing finance, ICT and HR support to the rest of the Council.

The directorate was delivering against a number of key priorities including the hosting of the Money Hub and support through the Benefits & Housing Needs Service, leading on the Sustainable Procurement Strategy, hosting the Energy Unit, developing Hackney Light & Power and also driving the medium-term financial planning and annual budget setting process.

The services in the directorate's budget 2023/24 were Audit & Anti-Fraud (£1.2m), Financial Management & Finance Support (£6m), Human Resources & Organisational Development (2.7m), Revenues (£4m), Benefits & Housing Needs (£10.2m), Customer Services (£2.9m), Facilities Management (£7.2m), Support Service (£3.1m), Registration Services which generated an income of £0.1m, ICT (£12.4m), Procurement (£1m) and Strategic Property which generated an income of £0.7m.

The directorate also oversaw the Pension Fund (which was part of the Local Government Pension Scheme), reporting to the Pensions Committee which was responsible for strategic decision-making for the Hackney Pension Fund, including setting the Fund's overall investment strategy. The Fund's assets (£1.9bn as at 31st March 2023) were managed by external managers and the Council had over 23,000 scheme members.

Responsible investment was a key part of the Pension Committee's approach to fulfilling this core fiduciary duty, and the Fund was an early adopter of taking climate risk into consideration and setting specific targets to manage such risks.

In terms of budget pressures, the directorate was still seeing the impact of the Covid-19 pandemic and cyber-attack, and was investing in arrears recovery and housing benefits processing. Pressures continued on temporary accommodation, as it did across London, and cost pressures in ICT reflected the new technologies in use. Pressures on businesses also impacted on collection rates for areas such as commercial property and additional provision for bad debts may therefore need to be made.

The Chief Executive directorate delivered the core strategic functions of the Council as well as some frontline delivery. Key priorities included working with the Council's services and partners to achieve better outcomes for residents, leading on the Council's overall tackling poverty strategy, developing a new Equality Plan, and delivering the outcomes of the 'Our Libraries' consultation.

The directorate's budget for 2023/24 included Legal, Governance and Election Services (£1.5m), Policy, Strategic Delivery and Communications (£4.6m), Communications, Culture & Engagement (£3.1m), Libraries and Heritage (£6.6m) and the Chief Executive's Office (£1.5m).

In terms of savings for 2023/24, these included the estimated savings to be achieved from the Libraries Review (£125k), inflation on legal fees (£50k) and opportunities to generate income across the Engagement Culture & Organisational Development Service (£50k).

There were income targets across the directorate services, venues and events, film locations services and external legal services and there were overachievements of income from venues and film location services, the non-delivery of income remained a risk and a potential budget pressure. The directorate was forecasting an underspend and would continue to seek opportunities to deliver in-year savings to support the overall financial position of the Council.

Questions, Answers and Discussion

A Chair asked how resources were allocated across council directorates, and how resource allocation compared to other statistical neighbours and if there was any areas divergence? The Chair also asked for further details about the 12 areas of possible savings, in particular how these areas had been identified?

The Cabinet member for Finance, Insourcing and Customer Services responded that whilst the council would need to meet financial commitments to deliver statutory services and that there was a general desire to preserve frontline services, all financial decision making was ultimately political. A benchmarking process commenced in 2022 to identify those areas for which there was a comparatively high spend in Hackney and this had informed those 12 priority areas identified for savings.

The Group Director for Finance concurred with the Cabinet member, and added that the Council faced financial pressures for services over which it had little control such as increased demand for statutory social care services. The Council also needed to be mindful of 21 new financial performance indicators through which local authorities would be assessed, noting that per head funding in Hackney was second highest across London, and that council tax rates in London were comparatively lower than those set elsewhere.

A Panel member asked if there had been any long term analysis as to how individual directorates had fared in respect of savings requirements and the proportion of their budget they had lost (noting that ASC was losing 2.7% of its budget in the planned savings over the MTFP period).

The Cabinet member for Finance, Insourcing and Customer Services referred to a slide in the report pack which demonstrated that whilst Adult Social Care had been required to find savings of £8.7m over the last 5 years, it had also received additional investment of £15.4m. Long term comparisons were also difficult to make as the funding mechanisms frequently changed. It was noted that in recent years, Council Tax funding had allowed for an adult social care precept, which in Hackney had been allocated in full to the adults social care service. It was acknowledged that adult social care services faced significant and ongoing budget pressures arising from increased demand for services and the increasing complexity of support that older people now often required.

A panel member asked for further details about the cumulative SEND overspend, and what was the risk that this accumulated liability will ultimately need to be met by the Council?

The Interim Chief Executive responded that the statutory override principle was well documented and reviewed in the Audit Committee deep dive report, and it was also noted that the council was doing further budget work in this area in 2023/24. Whilst local authorities had in effect been able to create a negative reserve for the cumulative SEND overspends, Hackney had created a positive entry reserve which would partially offset this deficit should the government fail to compensate local authorities for cumulative SEND overspends. It was noted that in total, the cumulative SEND deficit for all local authorities was estimated to be in the region of £6 billion.

A panel member noted that as the Capital Programme was now mostly funded through borrowing, what was the exposure of the Council to variations in interest rate repayments?

The Group Director responded that these resources would be used to benefit the needs of local communities, noting that two GP services had been developed in Hackney through the use of council extended borrowing facilities. Similarly, the council was in the process of repurposing education sites using the capital programme on an invest to save basis, by developing more in-borough alternative provision which was more cost effective than commissioning external education providers.

A panel member questioned officers if there were any identified risks with proposed savings for this year (2023/24) particularly as directorates were already under financial pressure?

The Cabinet member for Finance, Insourcing and Customer Services noted that the first overall financial position of the Council for this financial year would be reported at Cabinet later in July 2023. Whilst exact figures could not be given ahead of that paper release, it was noted that children's and adult social care services continued to face particular demand pressures.

The Interim Chief Executive noted that savings proposals identified for the year ahead were regularly stress tested to ensure that these were deliverable. A review of savings proposals across the council would suggest that most were on track to deliver, though there were a few which were challenging.

The Chair of the Audit Committee was concerned that local residents were not fully aware of the financial pressures that this and other councils were facing, the scale of the savings that might be required and those services most likely to be affected and what impact that it may have on them, and was therefore keen to understand how local residents would be engaged and involved in these budget setting processes?

The Cabinet Member for Finance noted that an extensive public engagement exercise with the public was planned for the autumn which would support an open and frank dialogue about the pressures faced by local government. A more detailed process was envisaged next year which would support a more deeper discussion and understanding of council finances.

A panel member questioned officers on what was hoped to be achieved through the £1m Better Value grant, given that the SEND service has already been assessing opportunities to work more effectively and to achieve savings?

The Group Director for Children & Education responded that participation in the programme would bring access to a range of SEND advisers, and the best practice and learning from other local authorities who have already gone through the Better Value process. The £1m would be invested in extending early help provision to reduce demand for EHCPs. An external service review has validated the approach of the council in prioritising in-house provision and reducing the need for external placements.

A panel member asked what would be done to increase in-house foster carer recruitment and retention which would support the foster first approach and extend possibilities to achieve savings?

The Group Director for Children & Education noted that there were 165 in-house fostering households which was comparatively higher than neighbouring boroughs, and that 70% of children were placed with a foster carer (whether this be in-house or with an independent provider). Unit costs for foster care placements were significantly cheaper than residential care, and whilst Independent foster carers were generally more costly than the in-house team, the differences in costs for some placements were marginal. The foster first approach was working, and was supported by good social work practice and sound local partnerships. It was noted that the number of looked after children in Hackney had reduced from 431 to 390 over the past two years.

A panel member enquired if there was any exploratory work between children's social care and housing strategy and delivery teams which may identify invest to save opportunities for the delivery of supported housing options for care leavers?

This was a recognised service pressure and the Care Leavers team had developed a new framework to help improve care leavers involvement in decision making which it was hoped would enhance the quality of the supported housing offer. A further paper on this issue was expected at Cabinet in September 2023.

The Chair asked a number of questions on behalf of Living in Hackney members who could not be present. Firstly, what was the budget for housing repairs and maintenance, how does this compare to last year and is the current budget sufficient to address the significant repairs backlog? Secondly, in relation to HRA debt, how much are the debt repayments and is this included in figures presented?

In relation to housing repairs, the Group Director for Climate Homes and Economy noted that there had been a £5m uplift in the repairs budget for this year in view of the ongoing demand pressures and overspend in 2022/23. The repairs and maintenance service continued to face significant increases in service demand which was challenging, and this was expected to intensify over the autumn / winter period. The backlog that had arisen through the Covid pandemic had been addressed in recent months and the service was now responding to increased demand for repairs service which has occurred since that time.

The Interim Chief Executive and Group Director for Finance indicated that as of 31/3/23, the HRA debt stood at £120m. This was financed by £66m of external borrowing and the remainder through a range of internal borrowing mechanisms. It was suggested that a deep dive session on capital expenditure and funding for the capital programme could be provided to members as this was a complex area and which often interacted with treasury management processes.

A panel member asked how the Asset Review process for the corporate property estate was progressing, and when this could be expected to report back to members? What were the prospects of this review identifying savings or increased revenue for the Council?

The Interim Chief Executive and Group Director for Finance responded that the team worked hard to make sure the Council made best use of all its assets and had a good track record in bringing council buildings back into use. Officers were working to ensure that council owned buildings were in a suitable condition for letting and that the rental rates were set at competitive local market rates. Maximising revenues from the corporate estate was of course an important contributor to the financial position of the council, in that such funds could be used to offset budget pressures elsewhere.

<u>Summing Up</u>
The Chair thanked Panel Members for their questions and all witnesses for their responses and engagement with the scrutiny process.

7 Draft Overview and Scrutiny Public Engagement Protocol (21:15 - 21:25)

The draft Overview & Scrutiny Public Engagement Protocol was presented. The Chair explained that the draft protocol was aimed at providing guidance and support to scrutiny councillors, officers and members of the public when engaging local people in the work of scrutiny.

The Panel **RESOLVED** to agree to the Overview & Scrutiny Public Engagement Protocol.

8 Minutes of the Meeting (21:25 - 21:30)

The draft minutes of the previous meeting held on 24th April 2023 were presented.

The Panel **RESOLVED** to agree the draft minutes as an accurate record.

9 Scrutiny Panel Work Programme 2023/2024 and Public Consultation Report 2023 (21:30 - 21:40)

The Char noted that there had been an unprecedented level of engagement with the work programme consultation process which had yielded a wide range of topic suggestions for scrutiny at Scrutiny Panel and across all Scrutiny Commissions.

A panel member enquired what would happen to the topic suggestion lists?
In response, it was noted that scrutiny officers were working through all suggestions and allocating these to scrutiny bodies for consideration and inclusion within their respective work programmes.

10 Any Other Business

The Chair thanked the Interim Chief Executive and Group Director for his long standing contribution to sound financial management and leadership of the council and wished him well in his new appointment.

Duration of the meeting: 7.00 - 9.40 pm