DRAFT SCRUTINY PAPER

1.0 AUTUMN BUDGET 22ND NOVEMBER

1.1 The Chancellor of the Exchequer announced the Autumn Budget on 22nd November. As well as the usual updates on the deficit, performance of the economy and the state of the public finances, the Chancellor made a number of policy announcements relating to local government. However, no mention was made of: - Adult Social Care, Children's Services and High Needs Pupil funding; School Funding; and Welfare other than Universal Credit. Also, there was no commitment to fund the additional fire safety costs arising out of the Grenfell Tower fire, simply reiteration that councils should contact DCLG if they cannot afford to undertake essential work.

1.2 At this stage, it is too early to determine what the exact impact on LBH will be and more detail is likely to emerge over time. The key headlines for Local government are set out in Appendix 1.

2.0 BUDGET RISKS

2.1 Whilst we have closed the budget gap for 2018/19, we must be mindful of the fact that we have a considerable number of budget pressures. These are summarised below.

2.2 <u>Special Educational Needs (SEN) cost pressure – £8.2m (met in part by early delivery of savings)</u>

HLT are forecasting a significant overspend (between £4,000k and £5,000k), in 2017/18. Special educational needs activities are forecast to spend around £8,200k more than agreed budgets; within the HLT forecast some of the SEND over-spend is offset with savings made across other HLT departments. This is primarily driven by the number of SEN statements and Education and Healthcare Plans which have increased by over a third since 2011 with minimal increases to funding levels.

This cost pressure sits mainly with activity funded by the High Needs Block of the Dedicated Schools Grant (DSG) but also incorporates an overspend in relation to SEND transport where costs are met by the General Fund.

Costs associated with special educational needs have complex cost drivers and the HLT finance team continue to work closely with the relevant managers in implementing an action plan to reduce these pressures. Officers are also currently considering the funding of the deficit position at year end. Significant pressures will remain in 2018/19 as the High Needs Block of the DSG will remain insufficient to meet this pressure.

2.3 <u>Looked after children (LAC)</u>

Looked after children budgets remain under pressure because of the number of young people in high cost placements. In the current year the service is planning to draw down £2.5m against this cost pressure from the commissioning reserve which was set up by the Group Director of Finance and Corporate Resources in acknowledgement of the volatility in this area.

Young people in residential care have some of the most complex support and care needs and the average cost of such a placement stands at over £160k per year and as at the end of October 2017 there were 26 young people in a residential placement. The shortage of in-house foster carers and the subsequent reliance on independent agencies also remains a pressure. The cost of a child placed with an independent foster care is double that of a placement with one of our own foster carers. Despite extensive recruitment campaigns and some recent success this is unlikely to significantly impact on the forecast in the short term.

Children's Social Care are also seeing an increase in the number of referrals coming through as well as young people on child protection plans.

2.4 No recourse to public funds (NRPF)

We are currently supporting around 107 families who have no recourse to public funds, generating a cost pressure of over £1.1m which is currently met from reserves. These are often vulnerable families whose immigration status means they have no access to the benefit system in this country, and due to restrictions on their ability to work, require financial assistance to pay for accommodation and subsistence. This is a pressure we have in common with many of our London neighbours and which is exasperated by delays in the determinations made by the Home Office. Although the Home Office are now prioritising processing cases where local authority financial support is being provided as fast as cases are closed new cases are presenting.

2.5 Adult social care (ASC)

Adult Social Care have achieved £17m of the original £20m savings target since 2011/12. Progress on the remaining £3m has been monitored closely, but has progressed more slowly and has involved plans where savings are more challenging to achieve.

The pressure on the service has increased this year with the overspend forecast at £5m. This pattern of cost pressure is similar to other local authorities in London and is largely attributed to an increase in the complexity of need for service users in Learning Disability services. There are a number of actions in place to address some of this pressure and the impact is being monitored at Group Director level.

The other main cost pressure is from hospital discharge with greater number of older people requiring long term residential or nursing care packages. This has partly been addressed by the iBCF monies announced in Spring 2017. However, iBCF is a one-off funding source and it is unclear if or what additional monies will be available post 2019/20.

Under the new integrated commissioning arrangements, we have pooled or aligned (depending on the service) Adult Social Care (£67m) and Public Health (£35m) budgets with CCG monies (£377m) through a Section 75 agreement. Health and social care partners across Hackney share an ambition to improve health outcomes for local people by commissioning and delivering services across organisations in a more joined up/integrated way that makes the most of our shared investment at a time when public sector funding has experienced significant reductions and increasing budgetary pressures. Under the governance structures set out in the integrated commissioning arrangements the aim is to make real improvements for local people with a Hackney-based model responsive to Hackney needs delivered in a more efficient and effective way.

2.6 Schools funding

As previously reported Hackney is expected to be one of the councils worst affected by the national funding formula proposals. However, announcements in the summer confirmed that per pupil funding will not reduce by 3% over two years as previously expected. This is now expected to increase by 0.5%. However, although welcome news, when considered alongside recent increases such as those in National Insurance and teacher pension contributions there is still considerable financial pressure on our schools.

In addition, the position of schools that are still not funded at the new national per-pupil rate by 2020-21 is a concern in terms of the scale of any potential reductions at that stage, i.e. all Hackney schools. Many schools plan on a 3-year rolling budget and so this remains a risk, potentially significant, that needs to be accounted for in forward planning now.

2.7 Concessionary Fares

Concessionary Fares has stabilised in 2017/18 compared to 2016/17 but there is potential for increases in future. For 2017/18, the cost is £12.2m whereas this was just £5.3m in 2007/08

2.8 Temporary Accommodation

By the end of 2018/19, £6m will have been injected into the budget for temporary accommodation via growth allocations. However, there is still likely to be a need for further on-going support, particularly in light of the Homelessness Reduction Bill. With private rents continuing to increase in Hackney, more families are finding themselves unable to afford their rent and presenting themselves to the Council as homeless. With the Council having a statutory duty to house these families, the rent increase is also making it impossible to find affordable accommodation in the borough to discharge our duty. For most families, the only housing that is affordable is outside the borough and increasingly outside of London.

2.9 Pay Award and Pay Spine Review

A 1% pay award has been assumed in both 2018/19 and 2019/20. This is clearly a significant area of uncertainty given the pressure to remove the 1% cap and the Unions 5% pay demand. Additionally, the 2016-18 pay deal included a commitment for the NJC to review the 'Green Book' pay spine, in order to meet the challenge of achieving the Government's target of a National Living Wage (NLW) equal to 60% of median earnings (forecast to be around £8.75 per hour in 2020). As a result of this, a technical working group was formed consisting of LGA officers and unions to devise a potential new national pay spine that:

- is legally compliant with the National Living Wage;
- has equal incremental increases between each spinal column pay point;
- does not cause equal pay problems for employers;
- requires minimum effort to implement and assimilate staff onto a new spine;
- can be the basis for an agreement with the Trade Unions.

The technical review group subsequently carried out a modelling exercise which looked at the financial impact of devising a new pay scale under various options. The exercise estimated this could cost on average, an Inner London borough somewhere between 2.4% and 4.76% of its pay bill over the two years depending on the option. In our pay award modelling, we assume an annual pay bill of £160m and so we could be looking at a cumulative cost over the two years, of between £3.9m and £7.6m if a new pay scale is devised and implemented.

2.10 There are also risks regarding external resources as our budget build is based on funding estimates included in the 2017/18 Settlement, but the actual values will be known before the 2018/19 budget is set. Additionally, there is the on-going risk from business rates appeals which has increased in light of the revaluation

3.0 NNDR COLLECTION

3.1 In June 2017, NNDR collection % was below target reflecting Ratepayers waiting for the national Budget changes to be implemented and the significant increase in the net collectible debit (NCD) from £101m to £122m, primarily as a result of the revaluation. However, we are back on target and in fact are outperforming last year, i.e.: -

October 2017 Performance

QRC collection:	64.6% compared to 62.8%
Cash collected:	£79.8m compared to £63.8m
NCD:	£123.5m compared to £101.6m

4.0 RENT ARREARS

4.1 The current position on rent arrears is shown below. The row labelled PI is the internal collection performance indicator. Whilst there was a dip in August and September, we are moving back towards the target (99.8%) in October and the difference between the October % and target is relatively small.

Income Services Performance Measures 2017/18		May-17 Wk 9	Jun-17 Wk 13	Jul-17 Wk 18	Aug-17 Wk 22	Sep-17 Wk 26	Oct-17 Wk 31
Current Arrears							
PI	Total collection as % of rent debit	99.49%	99.01%	99.45%	99.25%	99.23%	99.51%

5.0 RENT ARREARS, CHANGES TO CTRS AND UNIVERSAL CREDIT

5.1 Changes to the CTRS system and the proposed increase in the minimum contribution will have a limited impact on rent arrears given the relative small size of these changes. Universal Credit (UC) will have a far bigger impact.

5.2 Universal Credit will be implemented in Hackney from October 2018 (deferred from June 2018) and those authorities that have piloted the scheme have seen a significant increase in rent arrears. Universal Credit moves from direct payment of Housing Benefit to collection from all tenants and pilots have shown an adverse impact on collection rates and bad debt that need to be factored in to the budgets.

5.3 The rollout of UC will impact on levels of arrears as UC is paid 4 weekly and therefore arrears will increase before being cleared by UC payment. The initial 5 weeks delay in payment is partially mitigated by the 2 weeks transition payment for people transferring from HB, but will potentially increase arrears by £4.2m. Evidence and experience from other boroughs has shown that tenants may not clear these arrears and therefore arrears can extend to 8 weeks before the Council can switch them back to direct payment. This could (worst case scenario) increase arrears by £11.4m until it is reduced overtime from direct payments.

5.4 Because the roll out of UC is over 3-4 years the full impact will not be immediate and so it will be modelled, monitored and reported to ensure arrears levels do not increase beyond the expected levels and actions can be taken to mitigate the write off of arrears. With a change in the payment profile, it is accepted the arrears will increase, but the 'real' cost is if arrears are not paid and are written off. Additional provision has been made in HRA budgets for the introduction on UC but will be closely monitored to minimise the impact on budgets and the delivery of services

5.5 The Council has been active both directly and with local government partners on lobbying for changes to UC and delays to its roll out. As part of this lobbying the Mayor wrote to Secretary of State for Work and Pensions outlining the Council's concerns. The Budget announcements on 22nd November show that the Government has listened to some of the concerns that have been raised and has made some changes to UC namely:

- Stays in Temporary Accommodation will be paid through Housing Benefit
- The seven waiting days will be abolished
- A transition to Universal Credit housing payment of two weeks for anyone transferring across from Housing Benefit.
- Extending the period of repayment for new advances from 6 months to 12 months.

5.6 These changes are welcomed but we will continue to lobby for adequate funding for councils to provide a comprehensive advice and support service so that we can fulfil our role in supporting residents to adjust to this significant change in the way they manage their personal finances.

5.7 In the light of this changes to UC the Government have written to all councils advising that they plan to delay the roll out of UC for 3 months in order for the necessary system changes to be made to accommodate the changes. Hackney's roll out is scheduled for October 2018.

5.8 Whilst the roll out in Hackney has been deferred, as noted above, there is the potential for increased arrears and writing off debt due to the implementation of UC and this is not sustainable for housing services. Therefore, it is the operational and procedural changes that minimise the build-up of arrears that need to be considered in the development of the new housing system and on-line rent accounts. Alongside the service developments, close monitoring of rent accounts and communication with other income services of the Council.

5.9 We have been planning for the implementation of UC for a number of years and I set out what we are doing to respond to this change and support our residents.

What we have in place now

- A strong income collection service that supports early intervention and identification of support needs.
- Exceptional collection rate compared to our peers – over 96%.
- Online rents portal, empowering customers and providing an effective communication channel.
- Investment in in-house customer support services
  - Resident Sustainment team
  - Financial Inclusion team
- Flexible external commissioned support services.

Work currently underway

- A council-wide welfare reform group drawing together services already supporting affected residents
- A review of all of our externally funded support services
- Collation of voluntary sector financial inclusion and debt work provision in the borough
- Working closely with the local DWP delivery partner
- Strong voice on the DWP local authority welfare steering group
- Successful ongoing lobbying

Strategy Going Forward

There are Five key areas:

- Monitoring, influencing and understanding governmental policy changes
- Managing and monitoring the impact
- Improving our income collection services to ensure continued efficiency and effectiveness
- Informing and empowering customers
- Building strong and effective relationships with internal and external agencies and partners

We will continually review and refine our strategy to respond to changes in the run up to the roll out of UC.

6.0 Debt Collection, CTRS and Council Tax

6.1 In recognition that Universal Credit is now set to go live October 2018 rather than June 2018, and to support vulnerable households paying Council Tax, the Revenues Service continues to review its approach to debt collection. Like many other councils we are considering how households can be prevented from falling deeper into debt, and lessen the requirement to incur additional court costs that lead to eviction/homelessness, but still maintain collection.

6.2 In terms of the 15% minimum CTRS payment which has applied since 2013/14, this has not had an impact on overall council tax arrears. At the end of 2012/13, the last year before CTRS was introduced, the in-year gross arrears total was £5.4m. At the end of 2016/17, the in-year arrears total was only marginally higher at £5.6m.

6.3 It is worth noting that since 2012/13 our tax base has increased significantly by £19m (25%) and our tax rate increased by 2% in 2016/17. These two factors have increased the amount of council tax collectible considerably from 2012/13 to 2016/17, which has put pressure on collection. The net collectible debit has in fact increased from £74.7m in 2012/13 to £92.3m 2016/17. Further, since the introduction of the minimum CTRS payment our council collection rate has not fallen. In fact, since 2012/13, it has increased. On a QRC basis (QRC is an official government NNDR and Council Tax return), our collection rate has increased from 93.5% in 2012/13 to 94.5% in 2016/17.

6.4 We are also able to note that collection of Council Tax broken down by working age and non- working age is showing a percentage decrease in the number of cases that are being issued with a final notice or summons as the Service encourages households to get in touch and make arrangements. Moreover, collection from working age taxpayers compares well against overall collection of Council Tax.

	16/17 Final	17/18 Final	16/17	17/18

	Notice	Notice	Summons	Summons
Working age	26%	25%	18%	16%
Non -working age	5%	1%	1%	1%

Overall Collection comparison @ 1 Nov 17	Working Age	Overall C/Tax collection
17/18	56.9%	58.0%
16/17	56.1%	58.2%

Annual Collection	Working Age	All CT Payers
16/17	86.6%	94.5%
15/16	84.3%	94.1%

6.5 When considering the proposed changes to the CTRS scheme, the additional support we are introducing throughout the recovery process should see that overall collection maintained albeit at a slower rate as more arrangements over a longer period are made.

6.6 Understanding that households in debt are known to ignore letters, the Revenues Service continue to review its approach to recovery action, seeks to provide alternate opportunities for households to access debt advice and support before court action is activated. Some of the changes are;

a. The introduction of exemptions within the Council's discretionary scheme for care leavers up to the age of 25 and domestic violence victims who are liable for two homes effective from October 17.

b. Leaflets promoting payment by direct debit are sent with all reminder and final notices.

6.7 Our council tax letters have been reviewed by the Money Advice Service with the aim of making them more legible. Officers are updating the changes.

6.8 The Revenues Service also reviews cases prior to referring to Enforcement Agents so that, where possible, cases that would be best suited to being collected by an attachment to benefits or earnings are moved to this alternative collection method.

6.9 The Enforcement Agents have specialised Welfare Teams who will handle vulnerable cases, including those on benefits. In some cases, vulnerability may be temporary, and it is appropriate for them to continue to handle the case with sensitivity. Other Vulnerable cases will be returned to the Council and no fees will be chargeable to the customer.

6.10 Council Tax have been trialling the use of texts and emails prior to reminders, finals and summonses. Before the notice letters are actually sent out the taxpayer list is created. A text is sent to those accounts where we have the details reminding them that a payment is due. From this nudge action we have seen an average 30% reduction of reminders and 25% reduction of finals being issued against the letters initially created.

6.11 The team also issued reminder emails and recorded that 21% of those who received the emails then chose to set up a direct debit. Of the 14,000 notifications issued prior to the summons the team have seen income increase by £278k which they have partly attributed to this form of contact without the need to take individuals to court. Subsequently the team have also seen cases going to the summonses stage falling to 12,902 by Sept 17 from 14,422 as at the same time last year. Customers have largely found these changes to be positive rather than the council using punitive measures and harassing them. This is something we will continue to monitor closely.

6.12 Our Academy system has the facility to allow customers who have had a final notice and who therefore are due to pay the full outstanding sum remaining for the year to not progress past this stage as long as they continue to pay what would have been their instalment amount. This facility was activated earlier this month.

6.13 We are also developing a corporate debt approach for agreement with Members that is intended to operate prior to court action being instigated, will not overturn statutory guidelines and will be embedded in debt recovery across the council. In developing this collaborative way of working we are seeking to test each stage firstly in Revenues to shape and formalise our recommendations. Some of the measures being tested are;

a. The introduction of an online standard financial statement produced by the Money Advice Service. It is to be used by advice organisations across Hackney. The customer's income and expenditure are measured against a common set of criteria, in order to agree an individual arrangement.

b. The advice service, Payplan or other alternative debt advice agency can offer a service whereby customers who acknowledge that they would benefit from independent debt advice can be referred.

6.14 In addition we are looking at how referrals can be prevented in the first instance and so are looking at testing a solution known as "Stop the knock" administered by Agilysis. As well as analysing payment history that indicate any potential changes in circumstances, they will concentrate on customers who have broken their previous payment arrangements, have children residing in the property and recovery is at the final notice stage and refer them for independent debt advice where required and agree affordable and sustainable arrangements.

6.15 We are also looking at contacting customers by telephone during the day and out of hours, again offering Payplan either as a part of a 'warm' handover whilst the customer is on the phone or as part of an agreed referral if the customer is not willing to be transferred at that time. Payplan can complete a Standard Financial Statement. Both the above solutions encourage customers to contact other agencies if they would prefer not to speak to the Council at that point. We are talking to Housing and Central Finance to discuss starting trials in the new year.

6.16 We have been able to examine debt outstanding across council tax, business rates, housing benefit overpayments, sundry debts and housing rent to identify customers that are in arrears. We are piloting the option for a small number of customers to opt to make one arrangement to cover multiple debts. This is in its very early stages with further updates to follow.

6.17 The above pilot uses different mediums to contact customers this is contrary to the approach used in Lambeth, for example, which in summary is:

→ Text message sent
→ Paper reminder sent
→ Intervention letter (non-statutory letter)
→ 2nd reminder / Final
→ 2nd intervention letter
→ Send summons – no further interventions after this

6.18 Officers recently visited Lambeth to discuss their reasons for following this approach and the impact on collection. Whilst they had previously ceased from using Enforcement Agents(EA) and are utilising this approach instead, the impact on council tax collection has been a 5% decrease in 3 years which has led to them reversing the decision.

6.19 The discretionary Council Tax Reduction scheme has been running since 2013 with limited take up. Details are published on the annual council tax bills as a starting point but officers plan to improve promotion of the scheme during the next financial year. In the first instance officers are moving to actively encourage applications from those who apply for the discretionary housing payment scheme.

6.20 The impact of all these changes are to be monitored over the next 12 months to review the impact on non-payment, as well as the take up of support.