

POLICY DEVELOPMENT & REVIEW 2011/12: PROGRESS ON REVIEWS

Report of the Chief Executive

1. Purpose of Report

- 1.1 The purpose of this report is to provide Members with an update on the progress in relation to the two policy reviews being undertaken by the Management Scrutiny Committee into self regulation and illegal money lending respectively.

2. Background

- 2.1 Initial scoping documents were presented to the Committee on the 14th July 2011 which set out proposed terms of reference for each of the reviews. At its meeting on 15th September, 2011 the Committee considered scene setting reports for both reviews into self regulation (now titled Demonstrating Local Accountability: A look at the emerging national Self Regulation Framework and implications for the Council) and illegal money lending (now titled At What Cost: The Effects of High-Cost Credit and Illegal Loan Sharks on Local Communities).

3. Demonstrating Local Accountability: Policy Review - Update

- 3.1 The fourth and final workshop into Self Regulation took place on Monday 5th March 2012 and was aimed at discussing scrutiny's role in self regulation.

Review and Challenge

- 3.2 Research carried out by the Office of Public Management identified 8 important principles for effective internal review and challenge within local authorities:

- A clear role & purpose within the council's governance arrangements;
- A valued contribution to good governance;
- Focus on important issues;
- Lead and build organisational confidence in challenge;
- Use strong evidence basis for reports & recommendations;
- Aim to influence the council;
- Develop a non-party political and inclusive culture; and
- Provide the foundation for review and challenge of organisations outside the council.

- 3.3 Members at the workshop discussed these 8 principles and noted that in reference to scrutiny the aim was to influence the Cabinet by way of the policy reviews conducted and the recommendations put forward as a result. Members highlighted the importance of the various governance vehicles including scrutiny having the ability to make Cabinet and the decision makers stop and think.

- 3.4 The issue of a non-party and inclusive culture was also discussed and it was recognised that scrutiny had strived to remain relevantly non-political and inclusive. However there was also the acknowledgement that scrutiny operated within a

political arena and had local politicians at its very heart and there was always the need to be mindful of the potential political dimension.

- 3.5 Members at the workshop also highlighted the difficulty in engaging organisations outside the council. Members had experienced first hand the difficulties in getting organisations to attend scrutiny meetings particularly where there was no statutory obligation for an organisation to attend. The Health and Wellbeing Scrutiny Committee was noted as an exception and had been able to engage and challenge outside bodies effectively.
- 3.6 Members recognised that the majority of the principles outlined were already being carried out effectively within the scrutiny environment and noted that the policy review work of the various committees used many of these principles routinely.

Accountability Works for You

- 3.7 The accountability works for you is a flexible, proportionate, locally-led framework that allows for the investigation of decisions, becoming more accountable and transparent and better involving local people. It was pointed out that the framework was not an accreditation regime, an assessment or tick box exercise. It recognises that variation and difference demonstrate bottom-up accountability and not top-down compliance. Importantly it can be used for any scale, size or location and can be tailored to the organisations precise needs.
- 3.8 The framework has some straightforward steps which hopefully will provide the means to understand the most significant challenges and focus on ways to improve:

STEP ONE: establishment of a small project group to set out remit etc.

STEP TWO: this is a high-level evaluation of current arrangements for accountability, transparency and involvement.

STEP THREE: explore in more detail cross-cutting themes from step 2.

STEP FOUR and FIVE: setting of an action plan and the monitoring of that plan in the future.

3.9 Key Benefits of the Framework

Enhances public trust – think and act constructively on good governance;

Big Opportunity – to introduce more thinking around accountability, transparency and inclusiveness to decision making process;

Improve productivity and performance - provide assurance to the public through a robust local governance regime as central government inspection is scaled back;

Delivering better services – the framework can help you to build better, more responsive and more effective services for your clients and customers;

Working in a different way – the framework can help you to prepare the way for successful commissioning, shared services and partnership working.

- 3.10 The CfPS have been piloting the framework with a number of organisations over the last six months. The organisations worked with have found that the framework has provided them with significant assistance both in improving their governance arrangements, and getting them ready for major transformational change. **Appendix 1** of this report provides further details on these pilots.
- 3.11 Members were also informed that in discussing over the 4 workshops the various strands to self regulation it was important to remember that although much of the landscape was changing there were still a number of inspection regimes that remained. The Head of Performance Improvement highlighted the recent Ofsted inspection of safeguarding and looked after children in Sunderland which highlighted that inspection still existed and in particular to those services related to the most vulnerable in society.
- 3.12 Members also expressed concern at how self regulation would be able to detect local government failure and that this was potentially the next big issue. It would be important and would require good self awareness for individual councils to define under performance. The development of regional networks was also seen as positive and could provide a collective response, which could have greater weight, to national consultations and policy direction. Members highlighted that scrutiny already worked on a regional level with a North East Regional Network for scrutiny members and officers and also a regional health network. The risk of fragmentation as evident and members acknowledged the need for regional, sub-regional and local scrutiny had never been stronger in light of the self regulation agenda.

4. At What Cost? : Policy Review - Update

- 4.1 A visit was undertaken to ShARP (Shiney Advice and Resource Project) on Thursday 23rd February 2012 to discuss issues around loan sharks and high cost credit.
- 4.2 Some of the key points arising from the discussions were as follows:
- ShARP were not seeing people coming to them with issues around illegal money lending, the main issues around debt were related to provident loans and catalogue debts.
 - ShARP were able to help the majority of people through being able to work with creditors and set up payment arrangements that were acceptable to all parties. It was noted that this service was free unlike a number of debt consolidation companies in operation.
 - Another major issue was around peoples changing circumstances having an effect on their financial situation. The loss of employment and therefore income was the main issue. However ShARP indicated that they did not see people until they were at crisis point.

- Most people who access ShARP are unemployed. Very rarely see people in full-time employment.
 - ShARP were looking at adding services to those they already provided with a particular focus on looking at the underlying issues e.g. employment support, job linkage. SHARP were also looking at linking in with other services in the area to create a multi-agency approach.
 - ShARP were beginning to see more people accessing the services and also recognised the impacts that the Welfare Reforms could have on the area. ShARP also recognised that money management was an important issue and one that could be of greater emphasis in the future.
 - ShARP also queried the involvement of the new Bridges Community Bank in ShARP. It was noted that the Wearside Credit Union also provided an opportunity for local people to access services and it would be beneficial if the Bridges Community Bank could offer something similar.
 - The issue of travel as a major barrier for local people was also noted and this had the potential to make people financially excluded.
- 4.3 The committee also contacted the Sunderland MPs for their view on high-cost credit and illegal money lending. **Appendix 2** of this report provides the full response from Sharon Hodgson MP.
- 4.4 The Shontal performance took place at the Royalty Theatre on Wednesday 29th February 2012 and a number of Members attended the performance. The drama was very powerful and illustrated the dangers of borrowing from a loan shark. Following the performance there was a question and answer session hosted by Cllr Tate with a panel of experts around illegal money lending, welfare rights and trading standards.
- 4.5 Again some of the key points arising from the Q&A session were as follows:
- There are approximately 310,000 households affected by illegal money lending and this figure is rising.
 - It was noted that this performance was the conclusion of the month of action and a range of activities and promotions had been undertaken. There would now be a time of reflection and analysis of what worked well and what should be continued. However it was noted that the illegal money lending team had already received various pieces of intelligence about illegal money lending activities.
 - There was a major concern about how the ILM Team could reassure communities and individuals that they will be safe and not victimised by the people left in the community. The ILM Team reported that the issue of being labeled a 'grass' was a difficult one to overcome but the terrorising stops as soon as it is reported, and more importantly unlicensed loans do not need to be paid back.

- It was also noted that people could report incidents anonymously on the ILM Team 24-hour hotline.
- Following the month of action the ILM Team and partners would look to target areas where intelligence has come from. There will also be the development of a range of support tools and resources that will be made available to local residents.

4.6 The review also contacted the Pallion Action Group (PAG) and discussed the key issues facing this local resource in terms of illegal money lending and high-cost credit. The main points of this discussion were as follows:

- People in the community are frightened to come forward, frightened of the repercussions.
- The area had a lot of people using provident loans to pay bills and stay afloat. PAG highlighted the need for information to be available to people of where they can access help.
- PAG highlighted the make-up of the local front street and the number of fast food outlets, licensed betting shops and payday outlets. PAG noted that this would be duplicated on every front street/high street in disadvantaged areas.
- More and more people living in poverty, as well as an over-reliance on benefits. This included actively discouraging their children from going into employment, training or education in case this jeopardised benefits.
- The PAG Money Advice Worker has seen a steady rise in the number of debt issues he is dealing with and this is estimated to be in excess of £1 million.
- Debt and a poor credit history are very easy cycles to get into. Many young people start with a mobile phone contract, they don't like the phone and stop paying the contract, and they move to another provider and repeat the process. Ultimately creating a poor credit rating through defaulting on a number of contracts, this in turn reduces their future options for borrowing money. There is not the long term thinking and implications of such actions.
- There is the 'want it now' culture particularly with young people.
- Illegal money lending has a huge impact on local communities. Many people are living in poverty and use loan sharks to 'survive'; they live in fear and danger of potential repercussions.
- Lots of young people are also getting caught in the payday loan trap through ease of access and the number of companies offering such services.
- Also if illegal sources and high-cost credit provision is removed what is available to take its place?
- PAG also identified the need to look at this issue with young people from a very early age and get young people to understand and gain an appreciation for money.

5. Next Steps

- 5.1 The evidence collected from the 4 workshops would now be drafted into a report for Management Scrutiny Committee consideration.
- 5.2 The evidence collected, from the various evidence gathering events, would now be drafted into a report for consideration by the Management Scrutiny Committee.
- 5.3 Members need to consider how they wish to discuss the draft reports as follows:
 - (i) That an informal meeting is arranged to go through the findings and discuss the reports and final drafts presented to the April meeting of the Committee;
or
 - (ii) That draft reports are circulated to Members with comments back to the Scrutiny Officer by a specified date and the final drafts presented to the April meeting of the Committee.

6. Recommendations

- 6.1 That the information in the report is noted.
- 6.2 That Members give consideration to the options outlined for progress in relation to the drafting and discussion around the policy reviews.

Background Papers

Management Scrutiny Committee Papers - Minutes

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