

Meeting of the

CABINET

Tuesday, 30 January 2018 at 5.30 p.m.

SUPPLEMENTAL AGENDA PACK 2

	PAGE NUMBER	WARD(S) AFFECTED
5.1 The Council's 2018-19 Budget Report and Medium Term Financial Strategy 2018-21 – [Budget Scrutiny Report]	517 - 530	All Wards

"If the fire alarm sounds please leave the building immediately by the nearest available fire exit, to which a Fire Warden will direct you. Please do not use the lifts. Please do not deviate to collect personal belongings or vehicles parked in the complex. If you are unable to use the stairs, a member of staff will direct you to a safe area. On leaving the building, please proceed directly to the Fire Assembly Point situated by the lake on Saffron Avenue. No person must re-enter the building until instructed that it is safe to do so by the Senior Fire Marshall. The meeting will reconvene if it is safe to do so, otherwise it will stand adjourned."

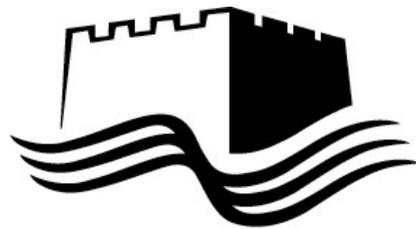
If you require any further information relating to this meeting, would like to request a large print, Braille or audio version of this document, or would like to discuss access arrangements or any other special requirements, please contact:

Matthew Mannion, Democratic Services **Page 515**
Tel: 020 7364 4651, E-mail: matthew.mannion@towerhamlets.gov.uk

This page is intentionally left blank

**LONDON BOROUGH OF TOWER
HAMLETS OVERVIEW AND
SCRUTINY COMMITTEE**

**REVIEW OF THE BUDGET
PROPOSALS FOR 2018-21**



TOWER HAMLETS

Contents

Introduction from the Chair of the Committee	3
Summary Recommendations	4
Approach to Budget Scrutiny for 2018/21	5
Session One – Budget Scrutiny Training - 9 January 2018	5-6
Session Two – Overview and Scrutiny committee Meeting - 15 January 2018	6-7
Session Three - Overview and Scrutiny committee Meeting - 24 January 2018	7-8
Recommendations	8-11

Introduction from the Chair of the Overview and Scrutiny Committee

In reviewing Mayor John Biggs's budget proposals, the Overview and Scrutiny Committee (Committee) has focused on delivery of Tower Hamlet's Strategic Plan priorities to ensure the best outcomes for local people.

The Committee welcomes the Council's strategies to support the most vulnerable in our community by continuing free school meals to all primary age pupils and reducing the impact of welfare reforms with the tackling poverty fund. In addition, the Committee also supports the Council's proposal to freeze council tax (other than for the adult social care precept) so residents continue to enjoy one of the lowest council tax rates in London.

The Committee acknowledges initiatives to make Tower Hamlets a better place to live and supports the funding of 39 dedicated police officers to reduce anti-social behaviour in the borough. The Committee recognises the high proportion of young people in Tower Hamlets and welcomes the Mayoral Priorities to increase access to employment opportunities through the new Workpath Programme. The Committee also supports funding proposals to tackle air quality for future generations.

The Committee continues to support the Council's Outcomes Based Budgeting (OBB) methodology and the three year budget planning process. We hope this approach will enable the Council to plan ahead to ensure services and priorities set out in the Strategic Plan are sufficiently resourced. The Committee also acknowledges that further work needs to be done to ensure performance reporting is more closely aligned to OBB.

The Committee appreciated the extra support and training that Committee members received to effectively scrutinise the Mayor's proposals. We would like to thank the Centre for Public Scrutiny who supported us to scrutinise the three year budget on behalf of the residents of Tower Hamlets.

Councillor Dave Chesterton

Chair of the Overview and Scrutiny Committee
January 2018

Summary Recommendations

The Committee recommends that:

- The Council publishes the draft budget for consultation with the Overview and Scrutiny Committee and local residents in early December
- Consultation with businesses and local residents should take place earlier to allow feedback to be fully considered by the Overview and Scrutiny Committee in their deliberation of the budget proposals
- Scrutiny Leads should play a greater role in budget monitoring of their portfolio areas to enable them to effectively review and challenge budget proposals
- The Committee's work programme includes regular sessions to explore and monitor the impact of budget proposals for the immediate year and longer term proposals in the later years of the budget, including the HRA and capital programme.
- The Overview and Scrutiny Committee review the risks associated with the Council participating in the Business Rate Pilot Scheme as part of its work programme for 2018/19.
- The Council reviews the local impact of Brexit and takes a lead role in engaging and helping residents and businesses to mitigate local risks and take advantage of key opportunities
- The Council should ensure there is greater dialogue and engagement with residents when recovering housing benefit overpayments.
- The Council invests in in-house resources to procure and manage contracts to ensure providers are held to account on delivery of their contracts.
- The Council lobbies the Government for additional capital resources to fund fire safety remediation works on Council, social housing and privately owned properties in the borough.
- The Council lobbies the Government for additional capital resources to fund retrofitting sprinklers in high rises above 8 storeys.
- The Council works with schools to raise awareness and encourage eligible parents to apply for Free School Meals.
- The capital budget proposals are developed in line with Strategic Plan Priorities over the longer term planning period

1. Approach to Budget Scrutiny for 2018/19.

- 1.1 The Committee held three sessions in January 2018, including a training session from the Centre for Public Scrutiny (CfPS) and two Overview and Scrutiny Committee meetings to review the budget.
- 1.2 The division of the work is outlined below:
 - 1.2.1 Session One – Budget Scrutiny Training on 9 January 2018
 - 1.2.2 Session Two - Overview and Scrutiny Committee Meeting on 15 January 2018
 - 1.2.3 Session Three – Overview and Scrutiny Committee Meeting on 24 January 2018

2.0 Session One – Budget Scrutiny Training, 9 January 2018

- 2.1 Overview and Scrutiny Committee Members in attendance:

Name	Role
Councillor Dave Chesterton	Chair
Councillor Clare Harrisson	Vice-Chair and Scrutiny Lead for Health and Wellbeing
Councillor Helal Uddin	Scrutiny Lead for Place
Joanna Hannan	Representative of Diocese of Westminster
Fatiha Kassouri	Parent Governor
Dr Phillip Rice	Church of England Representative
Christine Trumper	Parent Governor

- 2.2 The Budget Scrutiny training session was delivered by CfPS with the aim of increasing the Committee’s skills and capacity to effectively scrutinise the Council’s budget proposals.
- 2.3 An overview of the budget was presented by Zena Cooke, Corporate Director of Resources, and Neville Murton, Divisional Director Finance, Procurement & Audit, followed by a presentation from Ian Parry from the CfPS.
- 2.4 Training focused on questioning techniques around the following key areas:
 - 2.4.1 The impact on residents and whether the budget represents value for money
 - 2.4.2 Implications and risks in changes to income
 - 2.4.3 Risks and miscalculations – assumptions and evidence
 - 2.4.4 Outcomes based budgeting and linking to performance
 - 2.4.5 Delivery plans
 - 2.4.6 Differentiation in the budget between pressures and investments
 - 2.4.7 The Council’s strategy behind Reserves.
- 2.5 The Centre for Public Scrutiny developed key lines of enquiry to assist Committee members provide effective scrutiny. The Committee agreed

that a high level strategic approach would be used at the following sessions.

3.0 Session Two - Strategic Overview 15 January 2018

3.1 Overview and Scrutiny Committee Members in attendance:

Name	Role
Councillor Dave Chesterton	Chair
Councillor Clare Harrisson	Vice-Chair and Scrutiny Lead for Health and Wellbeing
Councillor Danny Hassell	Scrutiny Lead for Children's Services
Councillor Muhammad Ansar Mustaquim	
Councillor Oliur Rahman	
Councillor Ayas Miah	Scrutiny Lead for Governance
Councillor Helal Uddin	Scrutiny Lead for Place
Councillor Andrew Wood	Scrutiny Lead for Resources
Councillor Shafi Ahmed	
Shabbir Chowdhury	Parent Governor
Joanna Hannan	Representative of Diocese of Westminster
Fatiha Kassouri	Parent Governors
Dr Phillip Rice	Church of England Representative
Christine Trumper	Parent Governor

3.2 At this session the Committee took a strategic approach, looking at the links between the proposed budget and the priorities outlined in the Strategic Plan.

3.3 The Mayor and Cabinet Member for Resources provided an overview of the proposed budget and reminded the Committee that last year the Council agreed a rolling 3 year budget.

3.4 The Mayor highlighted that the Council faces a number of pressures, including:

3.4.1 Increased pressure to spend on adult social care, estimated at £2.8m, funded in part through the Adult Social Care precept of 2% which will raise £1.8m. This equates to an extra £1m extra pressure on the existing Council budget.

3.4.2 For Children's services, a further £5m investment is proposed in addition to £4.6m invested last year, following the Ofsted inspection.

3.5 The Mayor noted demographic changes have increased pressures but also growth opportunities, given the high rate of economic activity and highlighted that the Council has agreed to participate in the Business Rate Retention Pilot Scheme.

3.6 The Mayor also commented that the budget prioritises vulnerable people through the Tackling Poverty Fund, particularly for elderly people and care package recipients.

- 3.7 The Council is also funding:
- 3.7.1 Free school meals for another year through reserves
 - 3.7.2 the Workpath programme
 - 3.7.3 39 dedicated police officers to tackle anti-social behaviour in the community.
- 3.8 The Mayor also noted the proposal to freeze Council tax, with the exception of the 2% adult social care precept to address the funding gap in adult social care.

4.0 Session Three – Capital programme review - 24 January 2018

- 4.1 Overview and Scrutiny Committee Members in attendance:

Name	Role
Councillor Dave Chesterton	Chair
Councillor Clare Harrison	Vice-Chair and Scrutiny Lead for Health and Wellbeing
Councillor Danny Hassell	Scrutiny Lead for Children's Services
Councillor Muhammad Ansar Mustaquim	
Councillor Maium Miah	
Councillor Ayas Miah	Scrutiny Lead for Governance
Councillor Helal Uddin	Scrutiny Lead for Place
Councillor Andrew Wood	Scrutiny Lead for Resources
Shabbir Chowdhury	Parent Governor
Joanna Hannan	Representative of Diocese of Westminster
Fatiha Kassouri	Parent Governors
Dr Phillip Rice	Church of England Representative
Christine Trumper	Parent Governor

4.2 At this session the Committee reviewed the capital programme, Housing Revenue Account (HRA) and feedback from consultation with local residents and businesses.

4.3 Councillor Edgar, Cabinet Member for Resources, highlighted the following:

4.3.1 **HRA:** The Cabinet has agreed a 1% rent reduction (which is a government requirement), a 4% increase in service charges and growth for fire and other safety works in the 2018/19 management fee totalling £650k. HRA Reserves are maintained above £15m until 2023 in support of capital expenditure. Also, an investment programme of £161m to improve residents homes is proposed.

4.3.2 **Capital:** The capital programme for 2018/19 includes £116m programme of works for 2018/19, which is comparable to previous years. Looking ahead, increases in expenditure levels in 2019/20 and 2020/21 are due to the new Civic Centre. The total capital programme now covers a 10 year planning horizon and amounts to £756m of investment, of which £474m is for good quality affordable homes and neighbourhoods.

4.3.3 **Consultation feedback:** Following an extensive consultation process last year on the capital budget, the range of consultation questions had been smaller this year with residents able to take part through digital and non-digital channels. 146 responses were received, 55% supported the Council's approach of a 3 year budget, 44% of residents agreed that the Council's proposals should protect frontline services and 56% supported the 2% adult social care precept.

5.0 Recommendations

5.1 Enabling the Committee to provide effective budget scrutiny

- **Recommendation 1: That the Council publish the draft budget for consultation with the Overview and Scrutiny Committee and local residents in early December**
- **Recommendation 2: That Consultation with businesses and local residents should take place earlier to allow feedback to be fully considered by the Overview and Scrutiny Committee in their deliberation of the budget proposals**
- **Recommendation 3: The Committee's work programme includes regular sessions to explore and monitor the impact of budget proposals for the immediate year and longer term proposals in the later years of the budget, including the HRA and capital programme.**
- **Recommendation 4: That Scrutiny Leads should play a greater role in budget monitoring of their portfolio areas to enable them to effectively review and challenge budget proposals**

5.1.1 The Committee noted that scrutiny of the budget process has been later this year, compared with previous years, and reflected on the benefits of starting the process earlier. The Committee also noted that certain budget proposals were reliant on Government announcements, which were made as late as 19 December 2017. Accordingly, the Committee discussed identifying budget elements that were less reliant on Government announcements for earlier scrutiny and reviewing early draft budget papers.

5.1.2 The Committee also highlighted the need for the consultation process to begin earlier to allow the Committee a longer lead time to take into account consultation feedback from all stakeholders including businesses.

5.1.3 The Committee discussed that, due to the three year budget planning process, it was necessary to consider the impact of budget proposals for the immediate year and longer term decisions around the rolling third year. The Committee noted that the Quarterly Budget monitoring report has increasingly included more detailed information around longer term outcomes. However, the Committee discussed more effective scrutiny of both short and long term budget proposals by:

5.1.3.1 Reviewing budget scrutiny models at other local authorities with a three year budget planning process

- 5.1.3.2 Exploring and monitoring budget proposals throughout the year to allow sufficient time to consider longer term impacts
- 5.1.3.3 Scrutiny Leads taking a more active role in discussing the budget implications on priority outcomes with relevant service areas to support the Committee.

5.2 Income

- **Recommendation 5: That the Overview and Scrutiny Committee review the risks associated with the Council participating in the Business Rate Retention Pilot Scheme as part of its work programme for 2018/19.**
- **Recommendation 6: That the Council reviews the local impact of Brexit and takes a lead role in engaging and helping residents and businesses to mitigate local risks and take advantage of key opportunities**

- 5.2.1 The Committee noted that a memorandum of understanding (MOU) has been signed by the Chair of London Councils, the Mayor of London, the Minister for London and the Secretary of State for Communities and Local Government to establish a 100% business rate retention pilot in London from April 2018. In October 2017, Cabinet agreed in principle that the Council would participate in pooling arrangements across London and is now required to formally confirm that decision in line with the requirements of the MOU.
- 5.2.2 It is estimated that the Council could receive an additional £8m through the pooling arrangements in 2018-19 and plans to use this towards funding the Mayoral priorities.
- 5.2.3 The Committee observed that the impact of Brexit has not been highlighted in the MTFS. The Committee highlighted that a cross party working group has been set up as part of the Scrutiny Challenge Session to consider the local impact of Brexit, including how the Council can mitigate local risks and take advantage of key opportunities. The Committee considers that the Council has a lead role in engaging residents and improving understanding of the impact of Brexit on the borough.
- 5.2.4 The Committee noted that in February 2017 the Cabinet agreed to establish two housing delivery vehicles to generate income, namely a Wholly Owned Company to provide homes for rent and sale, returning a dividend to the Council from long term profit-making activities and a charitable Community Benefit Society to provide homes for sub-market rent. The Committee acknowledged that the Council has no plans to create a large portfolio of assets but is seeking to address limits on caps on the revenue account.
- 5.2.5 The Committee noted that the Council has started to reduce its reliance on the New Homes Bonus scheme as a funding source and queried whether it was sufficiently ambitious in delivering affordable housing. The Committee further noted that the Council had delivered the highest

number of affordable houses in the country but was facing challenges such as reduced development sites.

5.3 Savings

- **Recommendation 7: That the Council should ensure there is greater dialogue and engagement with residents when recovering housing benefit overpayments.**
- **Recommendation 8: That the Council invests in in-house resources to procure and manage contracts to ensure providers are held to account on delivery of their contracts.**

5.3.1 Improved Recovery of housing Benefits Overpayments

The Committee considered the likely impact of savings on residents and queried what impact assessments had been carried out in advance of agreeing a saving. The Committee noted that initial screening has taken place and, where this highlights the need, full equality impact assessments are then carried out once proposals are developed in detail. The Committee also noted that the Council has a Tackling Poverty Fund that is used to mitigate the impact on residents with low incomes.

- 5.3.1.1 The Committee discussed the Council's mechanisms in place to recover housing benefit overpayments and that recovery action can lead to greater hardship for residents.
- 5.3.1.2 The Committee noted that the Council administers housing benefit on behalf of the Government and is required to identify overpayments and to recover them..
- 5.3.1.3 The Committee was encouraged to learn that the Council is working on how to intervene earlier to minimise hardship. The Committee also noted that the Council has adopted a systematic approach in sending out bills and reminders and will only initiate recovery action if no response from recipients is received.

5.3.2 Resources

- 5.3.2.1 The Committee noted that savings under the Waste Contract are due to the re-procurement of the Service. The Committee further noted that the growth bid on waste collection and treatment had factored in rising waste disposal costs due to projected population increases.
- 5.3.2.2 The Committee raised concerns that there is insufficient in-house capacity to manage large complex contracts (such as the waste and ICT contracts) and recommended that the Council needs additional in-house capacity around complicated tendering and contract management.
- 5.3.2.3 The Committee queried how the insolvency of Carillion had affected Council operated services and partners and noted that the Council holds no direct contracts with Carillion and that it is continuing to determine the extent of partners' exposure.
- 5.3.2.4 The Committee further noted the ICT savings and highlighted concerns around the need for further investment in Children's Services ICT to assist the effective delivery of safeguarding children services.

- 5.3.2.5 The Committee queried what shared services were planned in the future and noted that these would be considered on a case by case basis in the future, balancing the need for savings with service delivery control.
- 5.3.2.6 The Committee further noted that the Council was exploring a shared audit service option to benefit from best practice and recruit at a higher pay rate to address the challenge of recruiting skilled auditors.
- 5.3.2.7 The Committee also noted that potential and actual redundancies will be kept under review to assess the impact on equality groups and queried the likely impact on the Council's black, Asian and minority ethnic (BAME) staff.
- 5.3.2.8 The Committee noted that since 2015, approximately 1,000 staff overall have left, which is a comparable rate of change across the country. Further, self-declaration forms indicate the proportion of BAME staff as a percentage has increased, which is representative of the borough's community. However, the Committee noted that more work could be done around attracting applicants from the Somali community.

5.4 Growth – Pressures

- **Recommendation 9: That the Council lobbies the Government for additional capital resources to fund fire safety remediation works on privately owned accommodation in the borough.**
- **Recommendation 10: That the Council lobbies the Government for additional capital resources to fund retrofitting sprinklers in high rises above 8 storeys.**

5.4.1 Children's Services

5.4.1.1 The Committee welcomed the additional investment in Children's services and highlighted the importance of investing in the future of young people in the Borough.

5.4.1.2 The Committee acknowledged that the Council's Youth Services Budget is the largest per head in the country. However, some members noted the potential impact of changes to youth services on young people and associated anti-social behaviour.

The Committee noted that there are two relevant planned Scrutiny Challenge sessions. Firstly, the planned Scrutiny Challenge Session on Gangs and Knife Crime could also assist in reducing anti-social behaviour. Secondly, the Grants Scrutiny Sub-committee is currently holding a challenge session on recreational activities for young people in the borough, which could support young people engaging in activities.

5.4.1.3 The Committee also noted the additional funding to mitigate the budget pressure in Children's Services to maintain a 6% vacancy rate, accounting for £1.2m of the overspend to meet demand and pressure on the workforce.

5.4.1.4 The Committee also noted a one-off amount of £0.450m from the Transformation/ Improvement Reserve to fund an Edge of Care Service and requested clarification of what edge of care services were provided previously.

5.4.2 Adult Social Care

5.4.2.1 The Committee considered the demographic pressures in Adult Social Care and queried whether the Council is confident that the budgeted growth bid is sufficient to address the needs of residents and aligned with health service providers.

5.4.2.2 The Committee noted that the Council has budgeted around likely demands on health services, taking into account increasing demand for adult social care services from older people, residential care and rising number of adults with mental health problems.

5.4.2.3 The Committee also noted that the Council needs to do more work to map the detail of changes to health services with partners and the impact on delivery.

5.5 Growth - Mayoral Priority

- **Recommendation 11: That the Council works with schools to raise awareness and encourage eligible parents to apply for Free School Meals.**

5.5.1 The Committee welcomed the continued provision of universal free school meals to primary school age children and acknowledged the associated health and education benefits. However, the Committee noted that parents are not applying for free school meals due to universal free school meals provision. This may be leading some schools to lose funding (in particular the pupil premium). The Committee recommends that the Council actively works with schools to encourage eligible parents to apply for free school meals.

5.5.2 The Committee welcomed additional funding of £71,000 to tackle air quality in the borough and noted that this was a key priority for residents due to the high proportion of young people in the borough. The Committee queried whether additional funding would be provided by the London Mayor.

5.5.3 The Committee welcomed investment around the Private Tenants' charter and noted that over 40% of residents in the borough live in private housing.

5.5.4 The Committee noted that the borough has the largest number of high rises in the country, including Council properties, Registered Providers and privately owned properties. The Committee further noted that the Council has sufficient reserves to fund basic remediation works for recladding on Council housing stock but would need additional resources from Government to retrofit sprinklers, if required.

5.5.5 The Committee refers the Council to the Housing Scrutiny Subcommittee's ongoing Fire Safety Scrutiny Review, which aims to identify residents' key concerns around fire safety.

5.6 Reserves

5.6.1 The Committee queried the Council's high level of reserves and noted that housing, schools and capital reserves are ring-fenced for specific use. Levels of Reserves have been maintained to manage anticipated needs such as ICT, insurance, risk, parking and the costs of the civic centre. General reserves have been bench-marked according to prudent minimum reserves of £25.6m.

5.7 Schools' Funding

5.7.1 The Committee noted the Dedicated Schools Grant (DSG) is ring-fenced to fund school budgets and services that directly support the education of pupils. The Committee further noted the pressures on the high needs block, following the increased age range and number applying, and supports the Council's proposals to work in partnership with Tower Hamlets Education Partnership to lobby Government for increased funding.

5.8 Capital

- **The capital budget proposals are developed in line with Strategic Plan Priorities over the longer term planning period**

5.8.1 The Committee noted that there were currently a number of different Council documents that set out capital requirements and commented that it was important to have a master copy to improve clarity. The Committee noted that over the next 6-9 months these capital requirements will be aligned within the overall capital programme following further detailed work.

5.8.2 The Committee also noted that programmes had been itemised in different areas and grouped under the Council's organisational structure. The Committee suggested that although the summary information was grouped in line with the Council's Strategic Plan priorities, it would be more accessible for the public and Committee to review the detailed programme if it was also grouped under the Council's Strategic Plan Priorities.