



# Cabinet

Thursday, 16 May 2024 at 4.00 p.m.

Council Chamber - Town Hall, Whitechapel

## Supplement 2 – UPDATED Agenda and late reports

### Further Information

Reports for consideration, meeting contact details, public participation and more information on Cabinet decision-making is available on the following pages.



## Public Information

### Viewing or Participating in Cabinet Meetings

The public are welcome to attend meetings of the Cabinet. Procedures relating to Public Engagement are set out in the 'Guide to Cabinet' attached to this agenda. Except where any exempt/restricted documents are being discussed, the public are welcome to view this meeting through the Council's webcast system.

Physical Attendance at the Town Hall is also welcome, however, seating is limited and offered on a first come, first served basis. **Please note** that you may be filmed in the background as part of the Council's filming of the meeting.

### Meeting Webcast

The meeting is being webcast for viewing through the Council's webcast system.

<http://towerhamlets.public-i.tv/core/portal/home>

### Contact for further enquiries:

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## A Guide to CABINET

### Decision Making at Tower Hamlets

As Tower Hamlets operates the Directly Elected Mayor system, **Mayor Lutfur Rahman** holds Executive powers and takes decisions at Cabinet or through Individual Mayoral Decisions. The Mayor has appointed nine Councillors to advise and support him and they, with him, form the Cabinet. Their details are set out on the front of the agenda.

### Which decisions are taken by Cabinet?

Executive decisions are all decisions that aren't specifically reserved for other bodies (such as Development or Licensing Committees). In particular, Executive Key Decisions are taken by the Mayor either at Cabinet or as Individual Mayoral Decisions.

The constitution describes Key Decisions as an executive decision which is likely

- a) to result in the local authority incurring expenditure which is, or the making of savings which are, above £1million; or
- b) to be significant in terms of its effects on communities living or working in an area comprising two or more wards in the borough.

Upcoming Key Decisions are published on the website on the 'Forthcoming Decisions' page through [www.towerhamlets.gov.uk/committee](http://www.towerhamlets.gov.uk/committee)

### Published Decisions and Call-Ins

Once the meeting decisions have been published, any 5 Councillors may submit a Call-In to the Service Head, Democratic Services requesting that a decision be reviewed. This halts the decision until it has been reconsidered.

- The decisions will be published on: **Monday, 20 May 2024**
- The deadline for call-ins is: **Tuesday, 28 May 2024**

Any Call-Ins will be considered at the next meeting of the Overview and Scrutiny Committee. The Committee can reject the call-in or they can agree it and refer the decision back to the Mayor, with their recommendations, for his final consideration.

### Public Engagement at Cabinet

The main focus of Cabinet is as a decision-making body. However there is an opportunity for the public to contribute through making submissions that specifically relate to the reports set out on the agenda.

Members of the public may make written submissions in any form (for example; Petitions, letters, written questions) to the Clerk to Cabinet (details on the previous page) by 5 pm the day before the meeting.

## Cabinet

Thursday, 16 May 2024

4.00 p.m.

### Pages

#### **PUBLIC QUESTION AND ANSWER SESSION**

There will be an opportunity (up to 15 minutes) for members of the public to put questions to the Mayor and Cabinet Members before the Cabinet commences its consideration of the substantive business set out in the agenda.

#### **1. APOLOGIES FOR ABSENCE**

To receive any apologies for absence.

#### **2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS AND OTHER INTERESTS**

See original agenda pack

Members are reminded to consider the categories of interest, identified in the Code of Conduct for Members to determine; whether they have an interest in any agenda item and any action they should take. For further details, see the attached note from the Monitoring Officer.

Members are also reminded to declare the nature of the interest at the earliest opportunity and the agenda item it relates to. Please note that ultimately it is the Members' responsibility to identify any interests and also update their register of interests form as required by the Code.

If in doubt as to the nature of an interest, you are advised to seek advice prior to the meeting by contacting the Monitoring Officer or Democratic Services.

#### **3. UNRESTRICTED MINUTES**

See original agenda pack

The unrestricted minutes of the Cabinet meeting held on 24 April 2024 are presented for approval.

#### **4. ANNOUNCEMENTS (IF ANY) FROM THE MAYOR**

#### **5. OVERVIEW & SCRUTINY COMMITTEE**

##### **5.1 Chair's Advice of Key Issues or Questions**

Chair of Overview and Scrutiny Committee (OSC) to report on any issues raised by the OSC in relation to unrestricted business to be considered.

## 5.2 Any Unrestricted Decisions "Called in" by the Overview & Scrutiny Committee

(Under provisions of Section 30, Rule 59 of the Constitution).

## 6. UNRESTRICTED REPORTS FOR CONSIDERATION

<b>6.1</b>	<b>Transforming Tower Hamlets Council: building a stronger future</b>	<b>11 - 34</b>
	<p><b>Report Summary:</b> Following the appointment of the Chief Executive in July 2023, Tower Hamlets Council embarked on its ambitious 'People First' transformation journey. This report details the significant progress made in addressing key concerns identified by the Head of Paid Services.</p> <p><b>Wards:</b> All Wards <b>Lead Member:</b> Mayor <b>Corporate Priority:</b> All Priorities</p>	
<b>6.2</b>	<b>Delivering the Medium-Term Financial Strategy</b>	<b>35 - 70</b>
	<p><b>Report Summary:</b> This discussion paper provides an update on: - the current position - actions being taken to mitigate the identified risks - further options to consider to mitigate and manage any emerging risks</p> <p>The primary objective is to ensure delivery of the 2024/25 budget which forms year one of the Medium-Term Financial Strategy (MTFS) as approved by full Council on 28<sup>th</sup> February 2024.</p> <p><b>Wards:</b> All Wards <b>Lead Member:</b> Cabinet Member for Resources and the Cost of Living <b>Corporate Priority:</b> Invest in public services</p>	
<b>6.3</b>	<b>Be Well Leisure Insourcing Programme</b>	<b>71 - 88</b>
	<p><b>Report Summary:</b> This report updates on the insourcing of the <i>Be Well</i> Leisure Service on 1<sup>st</sup> May 2024. The report sets out the key activities for the coming year coordinated by the Leisure Programme Board to further develop the service over the next 12 months now it is in-house.</p> <p><b>Wards:</b> All Wards <b>Lead Member:</b> Cabinet Member for Culture and Recreation <b>Corporate Priority:</b> All Priorities</p>	

**Tower Hamlets Council**  
Tower Hamlets Town Hall  
160 Whitechapel Road  
London E1 1BJ

**Report Summary:**

The Scrutiny function of the Council is an important part of the governance arrangements of the Council and a key element of the Council's arrangements to ensure continuous improvement and meet its statutory best value duty. This report identifies areas for improvement in the Council's Scrutiny function and a set of dedicated actions to address them. It calls for Cabinet to note, endorse and or approve these actions. Some suggested ways forward will need to be the subject of further discussion and approval by the Overview and Scrutiny Committee.

**Wards:** All Wards  
**Lead Member:** Mayor  
**Corporate Priority:** All Priorities

**Report Summary:**

This report presents the contracts being procured during quarter four. The report also sets out the Contracts Forward Plan at appendix 3 to this report.

The report asks for confirmation that all contracts can proceed to contract award after tender.

**Wards:** All Wards  
**Lead Member:** Cabinet Member for Resources and the Cost of Living  
**Corporate Priority:** All Priorities

**Report Summary:**

The Strategic Plan 2022 to 2026 is the council's main corporate business plan. The plan embeds the Mayor's vision and the administration's manifesto into a high level policy framework and demonstrates how they will be delivered alongside the council's statutory duties. The plan sets a framework for performance monitoring and reporting. It is supported by and aligned with the Medium-Term Financial Strategy.

Each year the council publishes an Annual Delivery Plan. The 2024/25 Annual Delivery Plan describes the key actions the council will take this year to deliver the Strategic Plan, and how we will measure progress.

**Wards:** All Wards  
**Lead Member:** Mayor  
**Corporate Priority:** All Priorities



<b>6 .7</b>	<b>Procurement of a Technology Enabled Care Transformation Partner</b>	See original agenda pack
<p><b>Report Summary:</b> This paper seeks approval to commence procurement for the Transformation Partner that will support the Technology Enabled Care Transformation Project, which will deliver MTFS savings</p> <p><b>Wards:</b> All Wards <b>Lead Member:</b> Cabinet Member for Health, Wellbeing and Social Care <b>Corporate Priority:</b> Invest in public services</p>		

<b>6 .8</b>	<b>Tower Hamlets Partnership Review</b>	See original agenda pack
<p><b>Report Summary:</b> In September 2023, the Partnership Executive Group agreed to review its partnership arrangements. This report presents draft recommendations for consideration.</p> <p><b>Wards:</b> All Wards <b>Lead Member:</b> <b>Corporate Priority:</b></p>		

<b>6 .9</b>	<b>Victoria Park Licence to Occupy</b>	See original agenda pack
<p><b>Report Summary:</b> The granting of a licence to AEG Presents Limited to occupy areas of Victoria Park at times to be specifically agreed between August 2024 and September 2027.</p> <p>This is a key decision in that it may have a significant impact on the communities of two or more wards.</p> <p><b>Wards:</b> All Wards <b>Lead Member:</b> Cabinet Member for Culture and Recreation <b>Corporate Priority:</b> Boost culture, business, jobs and leisure</p>		



## 7. ANY OTHER UNRESTRICTED BUSINESS CONSIDERED TO BE URGENT

<b>7.1</b>	<b>Housing with Care Strategy 2024-2034</b>	See Supplement 1
<p><b>Report Summary:</b> To adopt the Housing with Care Strategy that sets out the high-quality housing with care options that the Council needs to deliver over the next ten years to meet the future care and support needs of residents whilst continuing to promote their independence and wellbeing.</p> <p><b>Wards:</b> All Wards <b>Lead Member:</b> Cabinet Member for Health, Wellbeing and Social Care <b>Corporate Priority:</b> A council that works for you and listens to you</p>		

<b>7.2</b>	<b>Improving the Homelessness Service</b>	<b>To Follow</b>
<p><b>Report Summary: To consider a proposal to improve the homelessness service</b></p> <p><b>Wards:</b> All <b>Lead Member:</b> Cabinet Member for Regeneration, Inclusive Development and Housebuilding <b>Corporate Priority:</b> All</p>		

## 8. EXCLUSION OF THE PRESS AND PUBLIC

Should the Mayor in Cabinet consider it necessary, it is recommended that the following motion be adopted to allow consideration of any exempt/restricted documents.

“That, under the provisions of Section 100A of the Local Government Act, 1972 as amended by the Local Government (Access to Information) Act, 1985, the Press and Public be excluded from the remainder of the meeting for the consideration of the Section Two business on the grounds that it contains information defined as Exempt in Part 1 of Schedule 12A to the Local Government, Act 1972”.

### **EXEMPT/CONFIDENTIAL SECTION (PINK)**

The Exempt / Confidential (Pink) Committee papers in the Agenda will contain information, which is commercially, legally or personally sensitive and should not be divulged to third parties. If you do not wish to retain these papers after the meeting, please hand them to the Committee Officer present.

## 9. EXEMPT / CONFIDENTIAL MINUTES

Nil items.





## **10. OVERVIEW & SCRUTINY COMMITTEE**

### **10.1 Chair's Advice of Key Issues or Questions in Relation to Exempt / Confidential Business**

Chair of Overview and Scrutiny Committee (OSC) to report on any issues raised by the OSC in relation to exempt/confidential business to be considered.

### **10.2 Any Exempt / Confidential Decisions "Called in" by the Overview & Scrutiny Committee**

(Under provisions of Section 30, Rule 59 of the Constitution).

## **11. EXEMPT / CONFIDENTIAL REPORTS FOR CONSIDERATION**


## **12. ANY OTHER EXEMPT/ CONFIDENTIAL BUSINESS CONSIDERED TO BE URGENT**

### **Next Meeting of Cabinet:**

Wednesday, 10 July 2024 at 5.30 p.m. in Council Chamber - Town Hall, Whitechapel



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<p><b>Cabinet</b></p> <p>16 May 2024</p>	 <p><b>TOWER HAMLETS</b></p>
<p><b>Report of:</b> Steve Halsey, Chief Executive</p>	<p><b>Classification:</b> Unrestricted</p>
<p><b>Transforming Tower Hamlets Council: building a stronger future</b></p>	

<b>Lead Member</b>	<b>Mayor Lutfur Rahman</b>
<b>Originating Officer(s)</b>	Ayesha Hakim Rahman, Acting Deputy Director of Strategy, Improvement & Transformation
<b>Wards affected</b>	All
<b>Key Decision?</b>	No
<b>Reason for Key Decision</b>	This report has been reviewed as not meeting the Key Decision criteria.
<b>Forward Plan Notice Published</b>	N/A
<b>Exempt information</b>	None
<b>Strategic Plan Priority / Outcome</b>	All

**Special circumstances justifying urgent consideration / Reasons for Urgency**

This report was not published by the statutory deadline as due to the unavoidable rearranging of the Cabinet meeting, administrative processes had to be shortened and it did not prove possible to complete for this report in time for the initial agenda publication. It is important that this report is considered at this meeting as it will inform the Mayor and Cabinet’s decisions to ensure key administration priorities are met.

**Executive Summary**

Following the appointment of the Chief Executive in July 2023, Tower Hamlets Council embarked on its ambitious ‘People First’ transformation journey. This report details the significant progress made in addressing key concerns identified by the Head of Paid Services:

- Fostering a more collaborative and performance-driven culture.
- Securing greater financial understanding, compliance & stability.
- Embedding a resident-centric focus.
- Improving transparency and accountability.
- Demonstrating measurable progress across key performance indicators and achieving external recognition.
- Making significant strides in the delivery across all strategic priorities.
- Continuing commitment to creating a workforce to reflect the community.

- Ensuring continued adherence to the Best Value Duty.

While celebrating these achievements, Tower Hamlets remains committed to continuous improvement. Future focus areas include:

- Deepening resident engagement, with enhanced consultation.
- Building on long-term financial strength, for sustainable service provision.
- Driving innovation and efficiency, through empowered directorates.
- Enabling a highly skilled and motivated workforce, by prioritising staff development and engagement.

Understanding, managing, and mitigating risks are crucial for sustained improvement. The council is continuously refining its risk management approach and addressing legacy issues, while staying alert to emerging threats. Additionally, the council is actively mitigating risks associated with its operating environment, as detailed in the wider reports presented in this Cabinet meeting agenda pack.

Specifically, these reports address risk mitigation strategies in:

- Leisure insourcing
- Housing Options
- Scrutiny

The May 2024 HR Committee and Audit Committee agendas address resourcing capacity for change initiatives, and strategic investments in HR, Recruitment and Procurement, to further mitigate identified risks.

Tower Hamlets Council is demonstrably in control of its transformation journey. With a commitment to continuous learning and improvement, the council is confident in positioning itself as an exemplary local authority that delivers exceptional value for its residents.

### **Recommendations:**

For the continued advancement of Tower Hamlets Council's transformation journey, the Mayor in Cabinet is recommended to:

1. Note the council's significant achievements over the past year in building a stronger Tower Hamlets.
2. Support the commitment outlined in Section 3.6 to redefine the corporate centre. This restructuring aims to enhance efficiency and effectiveness, ultimately maximising value for the council.
3. Note that the risks identified within this report are addressed as part of the wider reports presented in this Cabinet meeting agenda pack. These reports include Leisure Insourcing, Housing Options, and Scrutiny. Additionally, the May 2024 HR Committee and Audit Committee agendas address related risk mitigation strategies in HR, Recruitment, and Procurement.

By adopting these recommendations, the Cabinet can demonstrate its commitment to continuous improvement and ensure Tower Hamlets Council remains on a path towards becoming an exemplary local authority.

## **1 REASONS FOR THE DECISIONS**

- 1.1 On 14 September 2023, the council's Chief Executive proactively wrote to the LGA, suggesting enhanced scrutiny, as part of the upcoming Local Government Association (LGA) Peer Review, on the following key areas of concern:
- Alignment with mayoral priorities: ensuring the organisation fully supports the achievement of mayoral priorities and overcomes any potential of a 'two council' culture.
  - Performance management: addressing shortcomings in performance oversight, particularly regarding financial management, service plan development, and annual staff reviews.
  - Leadership visibility: strengthening visible leadership from senior offers, to bridge the gap with the wider workforce.
  - Culture and perception: countering negative media coverage and the perception of financial mismanagement.
- 1.2 The LGA Peer Review that followed, acknowledged the council's ambitious and well-understood strategic priorities across members, officers, and partners, as well as the fresh impetus brought in by the new administration's leadership.
- 1.3 Areas for improvement included the need for a comprehensive long-term strategic vision and financial sustainability, as well as identified challenges, including inefficiencies within elements of the corporate centre and a potential 'two council' culture existing between senior management and the Mayor's Office.
- 1.4 This report, 'Transforming Tower Hamlets – building a stronger future', presents significant opportunities:
- Demonstrated commitment to improvement: by endorsing this report, the Cabinet can demonstrate its commitment to actively addressing the challenges presented by the LGA Peer Review.
  - Building on progress: while acknowledging the council's achievements, the report also identifies areas requiring ongoing focus. The broader Cabinet agenda items, along with the May 2024 HR Committee and Audit Committee agendas, propose specific strategies to address these challenges and solidify Tower Hamlets Council as a unified and effective organisation.

## **2 ALTERNATIVE OPTIONS**

- 2.1 The papers presented to this Cabinet proposes a comprehensive strategy to mitigate the challenges identified in the LGA peer review. However, it is important to acknowledge alternative approaches:
- 2.2 Partial implementation: choosing only select recommendations from wider Cabinet items could result in a disjointed approach. This may not fully address the identified challenges and could create a 'broken narrative' that hinders the council's overall transformation goals.
- 2.3 Inaction: choosing not to act on the recommendations would represent a missed opportunity. It would limit the council's ability to deliver exceptional

value to residents and, in turn, hinder the council's aspiration to become an exemplary authority.

- 2.4 While these alternatives exist, this report strongly recommends pursuing the comprehensive approach. This will embed a unified council culture, strengthen leadership collaboration, and ultimately lead to improved service delivery for residents.

### **3 DETAILS OF THE REPORT**

#### **3.1 Facing the challenge**

In July 2023, Tower Hamlets Council embarked on a significant transformation journey. This decision stemmed from the need to address a series of pressing challenges that had accumulated over time. These challenges hindered the council's ability to effectively fulfil its functions and comply with the Best Value Duty. The People First transformation journey was designed to address the following key areas inherited by the current administration:

- 3.1.1 A culture of non-compliance: a lack of urgency towards strategic priorities and deadlines hampered innovation and created confusion due to conflicting priorities. Historic high staff turnover amongst the most senior staff further exacerbated the situation. This non-compliance was evident in several areas including low service plan completion rates (23%), My Annual Review (MARS) completion rates (22%), and a lack of robust business continuity planning.
- 3.1.2 Financial instability: a significant £40 million budget gap loomed, with no clear plan or strong governance structures to address it. Financial accounts remained incomplete since 2016/17, hindering transparency and control over spend.
- 3.1.3 Internal focus and disconnectedness: the existing Target Operating Model (TOM) prioritised internal processes over resident needs, outcomes, and strategic goals. Limited understanding of the TOM among staff outside the corporate centre further hindered its effectiveness in driving innovation.
- 3.1.4 Performance shortfalls: key performance indicators (KPIs) displayed concerning trends, including missed bin collections, rising temporary accommodation figures, and lagging performance in affordable housing and homelessness prevention, when compared to other London boroughs.
- 3.1.5 In acknowledging the urgency of these critical issues, the council undertook a decisive shift by initiating its transformation journey. This journey prioritised a 'People First' approach and focused on addressing these long-standing challenges to build a stronger future for Tower Hamlets.

#### **3.2 'People First' transformation journey**

In July 2023, Tower Hamlets embarked on an ambitious 'People First' transformation journey, with the launch of the council's dedicated transformation programme. This programme prioritised investing in its people, while focusing on three key objectives:

- Strengthened strategic alignment: ensuring all activities, projects, and decisions, align with the council's clearly defined strategic priorities. This fosters a more cohesive approach and maximises the impact of resources.
  - Building a culture of continuous improvement: tightening corporate oversight of budgets and staffing (establishment) and cultivating a mindset focused on continuous improvement. This ensures efficient resource utilisation and a commitment to excellence in service delivery.
  - Resident-centric focus: placing all communities and residents at the heart of the council's work. This ensures that all decisions and initiatives are driven by the needs and aspirations of those we serve.
- 3.2.1 To facilitate informed decision-making and robust accountability, the programme established a comprehensive transformation governance framework. This framework included the creation of five new boards:
- 3.2.2 Transformation Advisory Board (TAB): comprised of distinguished experts like Alison Griffin (CEO, London Councils), Martin Esom (longest-running CEO of any London authority), and Sir Stephen O'Brien (former Chair of Barts Health NHS Trust and NHS Tower Hamlets), the TAB provides invaluable guidance on the council's strategic transformation journey and culture change initiatives. The Local Government Association (LGA) Corporate Peer Review Team recognised the TAB's excellence and recommended that it oversee the LGA CPC Action Plan.
- 3.2.3 Budget Board: this board ensures the council implements the necessary controls and measures to achieve agreed financial goals and efficiencies. This includes overseeing the £43 million agreed financial targets for the next three years (including income generation strategies) and the £5 million corporate restructure programme that forms part of this.
- 3.2.4 Reorganisation Board: this board oversees the swift and efficient execution of all new restructure initiatives. These restructures will enable improved alignment with strategic priorities, while further enhancing financial efficiency.
- 3.2.5 Efficiency Board (now integrated into Budget Board): previously responsible for identifying and implementing cross-council efficiencies, the Efficiency Board has now been strategically integrated into the Budget Board. This consolidation streamlines governance and fosters a more holistic approach to financial management. The Efficiency Board's valuable contributions significantly impacted the council's overall savings targets. The Board also played a key role in developing the council's new resident-centric Target Operating Model (TOM).
- 3.2.6 People Resourcing Board (now integrated into Reorganisation Board): previously responsible for ensuring robust procedures for all recruitment approvals, the People Resourcing Board has now been integrated into the Reorganisation Board. This integration strengthens oversight and control over staffing levels (establishment), while aligning with the council's broader restructuring efforts. The Board was key to embedding robust procedures for all recruitment approvals.
- 3.2.7 The transformation governance framework is a dynamic entity that adapts to the evolving needs of the organisation. A review in December 2023

streamlined the boards, resulting in the updated structure of three key entities: Transformation Advisory Board, Budget Board, and Reorganisation Board. This revised governance framework, as shown in Diagram 1, ensures efficient governance and continues to support the council’s ongoing transformation.

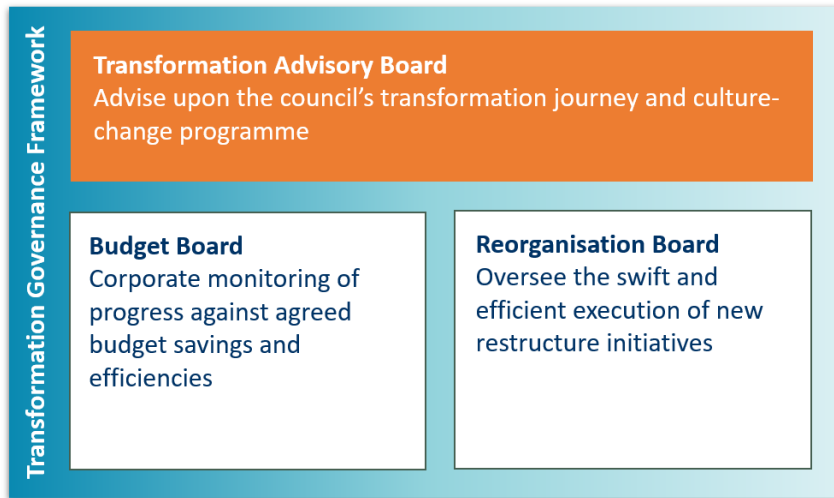


Diagram 1: Updated transformation governance framework (January 2024)

### 3.3 **Redefining the Target Operating Model: enabling a resident-centric approach**

A Target Operating Model (TOM) serves as a vital blueprint for any organisation. It outlines the desired future state of operations, encompassing how the organisation will function to achieve its strategic objectives. An effective TOM acts as a bridge between strategic intent and operational execution, ensuring alignment across all levels of the organisation.

- 3.3.1 Tower Hamlets has a long-standing commitment to prioritising residents. However, the previous TOM (2019 – 2022) deviated from this core principle. As illustrated in Diagram 2, the prior model focused primarily on internal processes, with limited consideration of resident need or external factors.



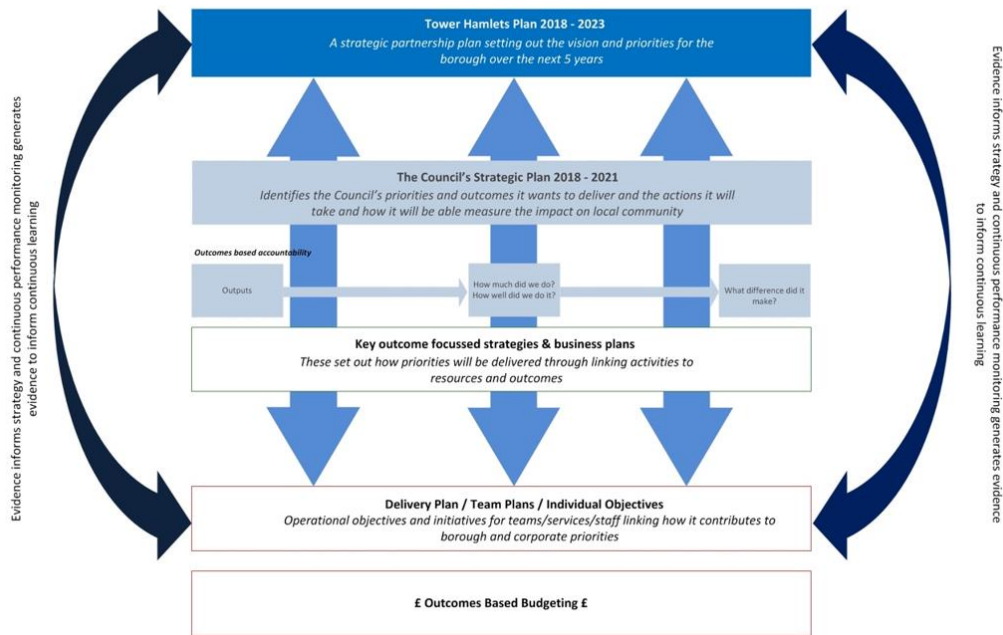


Diagram 2: Previous Target Operating Model (2019 – 2022)

3.3.2 Further reinforcing this internal focus, the accompanying blueprint (Diagram 3) heavily emphasised internal structures and processes using the McKinsey 7S model, neglecting the resident experience. Additionally, outsourcing the development of this blueprint limited staff engagement and understanding of the TOM's intended use and purpose.

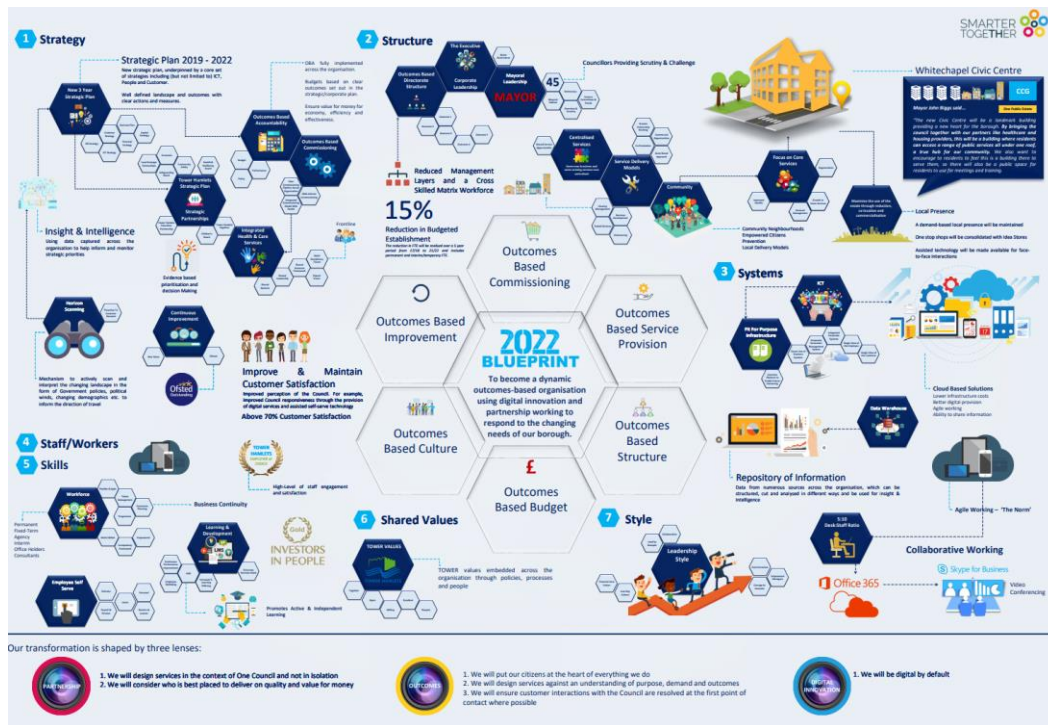


Diagram 3: Previous blueprint (2019 – 2022)

3.3.3 Recognising the need for a resident-centric approach, the council developed a new draft Target Operating Model (Diagram 4), scheduled for launch in October 2024. This extended timeframe allows for comprehensive engagement with all stakeholders, including staff, council members, the Young Mayor, community groups, and, most importantly, the residents themselves.



Diagram 4: Draft new Target Operating Model (April 2024)

3.3.4 The new TOM is built upon the following six core principles, that will guide decision-making and shape the council's new way of working:

- Value-driven and cost-effective: prioritises efficient resource allocation while maximising resident value.
- Community-led: places residents at the centre of decision-making processes, where it impacts them.
- Collaborative: promotes teamwork and knowledge-sharing across the council.
- Transparent: ensures clear communication and open access to information.
- Empowered to innovate: encourages directorates to lead creative solutions to improve resident services.
- Accountable: establishes clear lines of accountability for achieving resident-focused outcomes.

3.3.5 The final version of the TOM, launching in October 2024, will be accompanied by a clear and accessible blueprint, developed in-house (replacing Diagram 3). This commitment to transparency ensures all

stakeholders have a voice in shaping the final model and understanding its value and impact.

### 3.4 Transformation Dashboard: measuring success

A critical element of our transformation journey is the development of a dedicated Transformation Dashboard (Diagram 5). This innovative tool, recommended by the Transformation Advisory Board, provides data-driven insights into our progress across ten key strategic indicators.

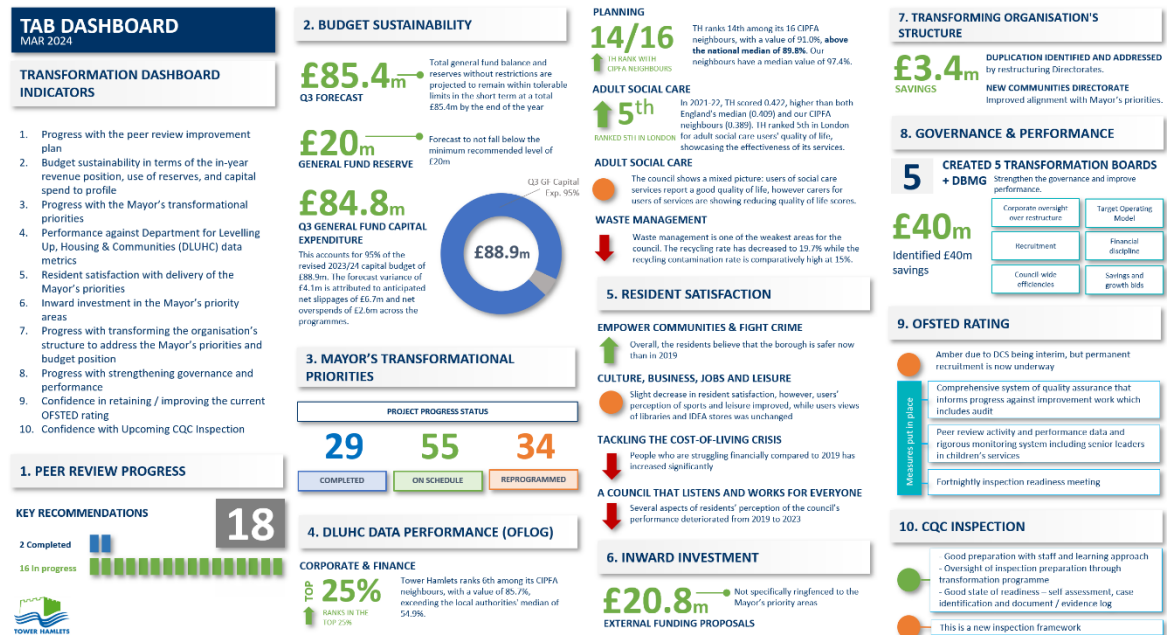


Diagram 5: Transformation Dashboard (April 2024)

3.4.1 The dashboard currently presents a quarterly update on the following ten strategic indicators, with the understanding that these measures will be continuously refined and expanded to reflect the council's evolving transformation priorities:

- Peer Review action plan progress: the councils advancement on recommendations arising from the peer review process.
- Budget Sustainability: in-year revenue performance, resource allocation and adherence to capital spending profiles.
- Mayoral priorities: progress in achieving the mayor's key transformational priorities.
- Department for Levelling Up, Housing & Communities (DLUHC) performance: the council's performance against data metrics established by the Office for Local Government (Oflog).
- Resident satisfaction: resident satisfaction with the delivery of the mayor's priority areas.
- Inward investment: the level of inward investment attracted to the mayor's priority areas.
- Organisational transformation: progress in restructuring the council to align with the mayor's priorities and budgetary position.

- Governance and performance enhancement: strides made in strengthening governance frameworks and improving overall performance.
- OFSTED confidence: the council’s confidence in maintaining or improving its current OFSTED rating.
- CQC inspection readiness: the council’s preparedness for the upcoming Care Quality Commission (CQC) inspection.

3.4.2 To further enhance the capabilities of the transformation dashboard, the council plans to migrate it to Microsoft Power BI, a powerful business intelligence platform.

3.4.3 By leveraging the Power BI platform, the transformation dashboard will become a more robust and insightful tool for monitoring progress and driving continuous improvement. This will ultimately support the council in achieving its long-term transformational goals and delivering exceptional value to the borough.

### 3.5 **Optimising the organisational structure for improved strategic alignment**

The council’s previous organisational structure (Diagram 6) presented significant hurdles in achieving strategic goals. Core services were fragmented across broad directorates, hindering a focused approach on key priorities. Additionally, historical turnover at the director level hampered stability and the development of a long-term vision.

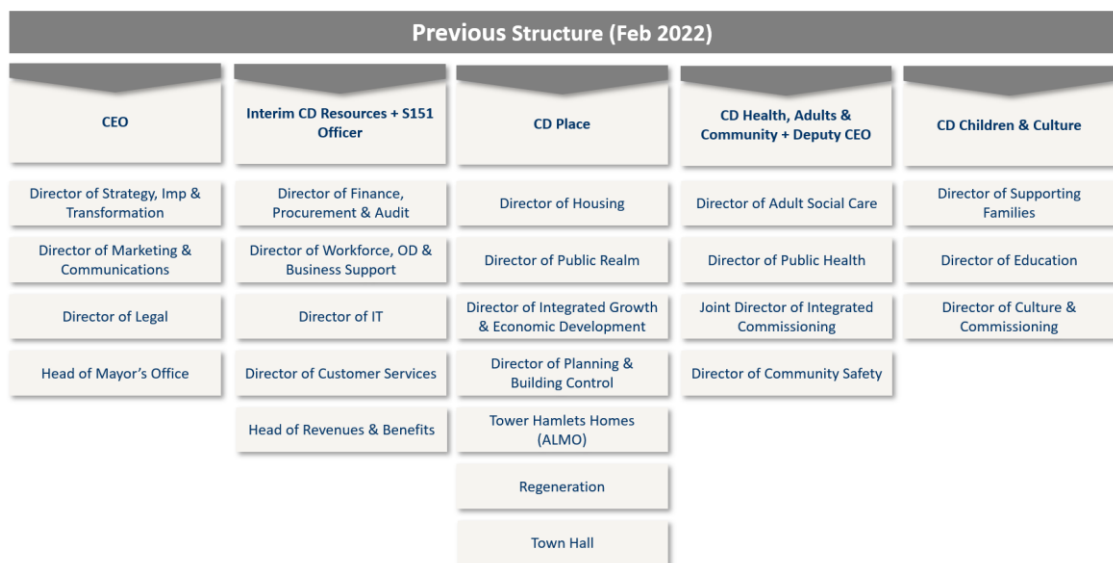


Diagram 6: Previous corporate structure (February 2022)

3.5.1 To address these challenges, the council implemented a revised corporate structure (Diagram 7). This streamlined approach introduced two new directorates: Communities and Housing & Regeneration. The reorganisation fosters a stronger alignment between the council’s strategic priorities and departmental functions. The current structure has the added benefit of:

- Enhanced focus: promoting a more laser-focused approach on key priorities.

- Improved collaboration: encouraging greater communication across service areas, fostering a more cohesive approach to service delivery.
- Long-term vision: promoting stability by establishing clear lines of ownership and accountability.



**Diagram 7: Current corporate structure (May 2024)**

3.5.2 A paper scheduled for the May 2024 HR Committee meeting will outline plans for Phase 2 of the corporate restructure. This phase, targeted for implementation by October 2024, addresses key risks within the corporate centre and Housing and Regeneration directorate. These areas require focused attention in the face of evolving challenges. The restructure will prioritise several key initiatives:

- Strengthening core functions including HR, Procurement, and Scrutiny functions
- Optimising the corporate centre to establish a leaner, but more effective central structure.
- Mainstreaming the Mayor's Office to seamlessly integrate with the broader council operations.
- Addressing challenges in Housing and Regeneration, with a focused restructure to address several pressing issues, including new regulatory and consumer standards, a challenging external environment, and the insourcing of THH.

3.5.3 By implementing these targeted measures, the council will be well-positioned to mitigate risks, enhance efficiency, and deliver exceptional services across all areas.

### **3.6 Redefining the corporate centre: maximising value through smart design**

The next phase of organisational redesign is focusing on optimising the role of the corporate centre. This presents a significant opportunity to deliver greater value for money, and striking the right balance is crucial. An ineffective corporate centre can hinder the council's efficiency and effectiveness, leading to wasted resources, diminished focused, and ultimately, lower staff morale.

- 3.6.1 The council is committed to redefining the corporate centre to ensure it delivers stronger and more impactful outcomes for the borough. This involves identifying how the centre can best support directorates by streamlining functions and empowering directorates with the tools they need to drive innovation.
- 3.6.2 This initiative is not about eliminating functions entirely, but about strategically relocating them within the council and investing in crucial areas to enhance results. Risk management will remain paramount throughout the process, ensuring a smooth transition to a more effective corporate centre. Critical central services will be maintained during this transition, supporting the delivery of the Medium-Term Financial Strategy (MTFS).
- 3.6.3 The council is actively developing a more robust role for the Resources directorate, with investments made in critical functions like HR and IT. This will empower directorates and improve overall service delivery outcomes. Proposals for targeted investment in key corporate centre activities are included in the May 2024 Audit Committee and HR Committee agendas. These strategic investments, totalling c£3 million, will strengthen core services and position them appropriately to deliver the most value across the organisation.
- 3.6.4 The current HR function is experiencing growing challenges and is not fully meeting the needs of the council. This is leading to frustration across the organisation and hindering efforts to achieve optimal performance. A high-level summary of activity to deliver an improved service is attached at Appendix 1. Expected benefits include:
- Increased efficiency and responsiveness through empowered local HR teams.
  - Improved collaboration and communication across the council.
  - Enhanced employee engagement leading to higher performance.
  - Clear roles and priorities for HR personnel.
- 3.6.5 Additional areas of focus in the corporate centre include:
- Data-driven decision making: the council is firmly committed to fostering a data-driven organisational culture. This commitment translates to increased investment in data integrity and robust insights. By leveraging the capabilities of Microsoft Power BI, the council will empower informed decision-making across all levels, offering several advantages:
    - Enhanced data visualisation: clearer and more impactful presentation of progress against key measures.
    - Advanced data analytics: deeper insights into trends and relationships between various metrics.
    - Improved accessibility: secure sharing across different departments and stakeholders.
    - Real-time updates: ensuring everyone has access to the most current information.

In facilitating a shift towards a data-led organisational culture, a Power BI Implementation Plan can be found at Appendix 2.

- Enhancing procurement for success: the council recognises the critical role of its Procurement function in facilitating the procurement of the services and contracts crucial for the delivery of both statutory and non-statutory third-party services. Procurement places a vital role in managing a range of legal and reputational risks while simultaneously acting as an enabler to the business. The ideal procurement function consistently provides customer-focused solutions, even under ever-challenging circumstances. However, certain areas within procurement are not currently meeting the required standard, presenting a risk of non-compliance, service delivery issues, and potential reputational or financial damage. Appendix 3 outlines a high level plan to evaluate the change and operating model of the council's procurement function, to ensure:
  - Compliance: strict adherence to procurement regulations, the council constitution, and standing orders.
  - Value optimisation: securing the best possible service at the most competitive prices through creative and proactive approaches.
  - Timeliness: efficient procurement processes to ensure timely delivery of required services.
  - Collective responsibility: a collaborative environment, fostering responsible procurement practices across the council.
- Strategy, Improvement & Transformation (SIT) review: the council is committed to strengthening the effectiveness of the SIT function. A comprehensive review will be undertaken to assess the current structure and identify opportunities for improvement. Where clear misalignment exists between SIT functions and their most appropriate placement, relevant activities will be reallocated to directorates, aligning with the new Target Operating Model's (section 3.3) aims to enable the increased empowerment of directorate decision-making. Where multiple viable configuration options exist, the SIT teams will remain in place within the existing structure until the SIT and Strategy, Policy and Improvement (SPI) review takes place. Finally, functions deemed most effective when delivered centrally will be retained but will operate with a more prominent profile and greater decision-making authority. SIT will maintain focus on core strategic development functions, while continuing to prioritise effective performance management, accountability, and delivery assurance across the council.

3.6.6 This comprehensive strategic review will enable a more efficient and impactful corporate centre for Tower Hamlets Council. This optimised centre will empower directorates, ultimately delivering improved outcomes and exceptional value for the residents of our borough.

### **3.7 Mitigating pressing risks: the cornerstone of continuous improvement**

Achieving continuous improvement within Tower Hamlets council requires the proactive mitigation of critical time-sensitive risks, forming a cornerstone of our ongoing transformation journey.

3.7.1 The accompanying reports within this agenda pack detail strategies for mitigating specific risks across key areas:

- Leisure Insourcing: this report address risk mitigation strategies related to bringing leisure services back in-house.
- Housing Options: this report focuses on decisions to mitigate risk associated with the Housing Options service.
- Scrutiny: this report explores risk mitigation strategies for the council's scrutiny function.

3.7.2 These reports provide a deeper dive into their respective risks and propose specific mitigation strategies. It is important to recognise the interconnectedness of these risks. Their successful mitigation will have a cascading effect, creating a more stable and efficient operational environment across the entire council. This, in turn, will position the council to achieve its long-term strategic transformation goals.

3.7.3 This report encourages thorough examination of the proposed mitigation strategies within the wider reports and prompt action to address these challenges. Through decisive action and transformative efforts, the council is building a stronger Tower Hamlets, well on its way to becoming an exemplary local authority, delivering exceptional value for its residents.

### 3.8 **A year of transformation: key achievements**

Tower Hamlets has undergone a remarkable transformation journey in the past year, with a range of achievements and progress across various areas over the last year.

3.8.1 Key accomplishments include:

	Previous	Now
Awards	2022 / 2023 Shortlisted for 14 awards; of which 5 awards won or commended	2023 / 2024 Shortlisted for 39 awards, of which 16 awards (to date) won or commended
Investor in People	2020 Retained Silver status with 8 flecks of Gold (Silver not met in 2017)	2023 Retained Silver status with 11 flecks of Gold (aiming for Gold in 2025) "The lack of responsibility and accountability that some managers displayed in 2020 for employee engagement was evident in the interim period when compliance with My Annual Review (MARS) fell sharply as senior leaders did not apply sufficient will and consequences for non-compliance. Thankfully the new CEO has been forthright on this and service planning and completion rates have quickly soared to above 90% (the People and Culture strategy target throughout is 95%)."
LGA Corporate Peer Challenge	2021 "The key to achieving immediate successes by the council is to ensure that there is a clear understanding of	2023 "The council has a widespread understanding of the challenges, as well as the opportunities for Tower



	the mayor's priorities for the Borough by the community, members, and officers. This should be widely owned, shared and promoted so that the officers of the council can ensure there is a focus on them in the present and future through planning and delivery within clear timescales.”	Hamlets and there is an ambitious set of priorities that are widely understood by members, officers and partners. The current Council Strategic Plan for 2022 – 2026 reflects the priorities that were set out in the Mayor’s election manifesto.”
Performance	<p>2022 / 23</p> <ul style="list-style-type: none"> <li>• Q3 KPI position: 21 Green, 5 Amber, 9 Red</li> <li>• Q3 GF and HRA capital programme – revised budget £186.2m, Forecast Spend £145.3m – representing 78% forecast spend of revised budget</li> <li>• £76m growth to fund strategic plan priorities</li> <li>• c£40m budget gap</li> <li>• £42.6m use of reserves required</li> <li>• Incomplete financial accounts since 2016/17</li> </ul>	<p>2023 / 24</p> <ul style="list-style-type: none"> <li>• Q3 KPI position: 24 Green, 4 Amber, 7 Red</li> <li>• Q3 GF and HRA capital programme – revised budget £161.1m, Forecast Spend £149.9m – representing 93% forecast spend of revised budget</li> <li>• Fully funded strategic priorities in base budget</li> <li>• Identified £43.4m of savings</li> <li>• Reduction in use of reserves by £19.1m</li> <li>• Outstanding accounts signed-off remaining accounts published</li> </ul> <p>8 of 11 OFLOG measures for Corporate &amp; Finance, and 3 of 4 for OFLOG measures for Planning, are in the 1<sup>st</sup> or 2<sup>nd</sup> quartile position amongst all English local authorities</p>
Workforce engagement	<p>2022 / 23</p> <p>25% MAR completions.</p> <p>Seven workforce engagement events</p> <ul style="list-style-type: none"> <li>• TeamsLive with CMT online Q&amp;A events</li> <li>• Town Hall and changing the way we work online sessions</li> <li>• Chief Executive Roadshows</li> <li>• POD session – customer service week</li> <li>• POD session – learning from the latest census results</li> <li>• Staff conference and staff awards</li> <li>• Managers’ Conference</li> </ul>	<p>2023 / 24</p> <p>93% MAR completions. Current service plan return is 98% within deadline.</p> <p>Over 40 workforce engagement events</p> <ul style="list-style-type: none"> <li>• TeamsLive with CMT online Q&amp;A events (700+ attendees)</li> <li>• CEO Tea and Chat x12 (200+ booked)</li> <li>• Staff Conference and Staff Awards (1700+ attendees)</li> <li>• Innovation Month - Masterclasses, One Big Idea, Culture, PODs, Wider World, Future TH (1100 booked)</li> <li>• Ideas Generator (40+ ideas)</li> <li>• POD session – sustainability (25 attendees)</li> <li>• POD session – creating award winning entries (70 attendees)</li> <li>• POD session - annual residents survey results (124 attendees)</li> <li>• POD session – focusing on leisure (75 attendees)</li> </ul>

		<ul style="list-style-type: none"> <li>• End of year thank you event (570 attendees)</li> <li>• Leadership Conference (almost 600 attendees)</li> </ul>
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3.8.2 In addition, the council continues to make significant progress on its strategic priorities, with notable achievements including:

Priority	Headline achievements
Tackling the cost-of-living crisis	<ul style="list-style-type: none"> <li>• £6m in payments to our most vulnerable residents</li> <li>• £31.5m in Council Tax reduction paid to 35k resident accounts</li> </ul>
Providing homes for the future	<ul style="list-style-type: none"> <li>• Almost 22k properties brought back in-house</li> <li>• 375 homeless people supported to sustainable accommodation</li> </ul>
Accelerating education	<ul style="list-style-type: none"> <li>• First local authority in England to fund universal free school meals up to the age of 16</li> <li>• 400 young people receiving Mayor's University Bursary and 803 young people receiving Mayor's Education Maintenance Allowance</li> </ul>
Boost Culture, businesses, jobs, and leisure	<ul style="list-style-type: none"> <li>• 2782 jobs, apprenticeships and skills opportunities enabled</li> <li>• 1150 businesses supported through the council's enterprise programmes</li> </ul>
Investing in public services	<ul style="list-style-type: none"> <li>• £13.7m invested in youth services including one in every ward</li> <li>• £2.5m to support free homecare for vulnerable adults</li> </ul>
Empowering communities and fighting crime	<ul style="list-style-type: none"> <li>• Agreed and ongoing recruitment of a further 41 enforcement officers to protect the public</li> <li>• All 350 street-based CCTV cameras have been upgraded to help capture crime evidence</li> </ul>
Working towards a clean and green future	<ul style="list-style-type: none"> <li>• £2.1m to improve recycling on housing estates</li> <li>• £5m invested to tackle waste emergency</li> </ul>
A council that listens and works for everyone	<ul style="list-style-type: none"> <li>• £487k invested to reopen Watney Market Idea Store</li> <li>• 11k participants took part in 80 consultations</li> </ul>

### 3.9 **A brighter future for Tower Hamlets**

Tower Hamlets has undergone a demonstrably successful transformation over the past year and it proud of the progress achieved, including:

- Culture shift: a culture of continuous improvement, with a strong focus on strategic alignment, has replaced a culture of non-compliance.
- Financial stability: closure of the £40 million budget gap, with up to date financial accounts.
- Resident-centric focus: a revised Target Operating Model prioritising the needs of the community, ensuring services are resident-focused.
- Transparency and accountability: implementation of a robust transformation governance framework and enhanced scrutiny function, ensuring transparency and accountability is embedded wherever possible.
- External recognition and improved performance: achievement across key milestones, receiving external recognition, and demonstrated measurable performance improvements.

- Delivering on priorities: significant strides across all strategic priorities, directly impacting the lives of residents.
- Workforce to reflect the community: actively working to create a workforce that reflects the diversity of the community it serves.
- Best Value commitment: ensuring efficient and effective use of resources through adherence to the Best Value Duty.

3.9.1 While celebrating these achievements, it is acknowledged that the journey continues. The council remains steadfast in its commitment to continuous improvement and delivering exceptional services for residents. The council's focus for continued transformation remains on:

- Deepening resident engagement: the continuous active engagement of residents will ensure their voices are heard and reflected in decision-making processes.
- Building financial resilience: the focus on long-term financial sustainability will ensure stable service provision for the future.
- Driving innovation and efficiency: the move to a model that empowers directorates to embrace creative solutions for enhanced service delivery and increased efficiency.
- Enabling the workforce: the continued prioritisation of staff development and engagement, to foster a highly skilled and motivated workforce.

3.9.2 By continuing on this path of transformation, Tower Hamlets Council is well-positioned to build a stronger, brighter future for its residents.

#### **4 EQUALITIES IMPLICATIONS**

4.1 There are no equality implications directly resulting from this report.

#### **5 OTHER STATUTORY IMPLICATIONS**

5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

5.2 Overall, the initiatives outlined in this report directly align with the principles of Best Value by demonstrating the council's commitment to:

- Efficiency: the focus on continuous improvement, data-driven decision-making, and streamlining the corporate centre will lead to more efficient use of resources.
- Economy: the emphasis on financial sustainability and eliminating waste will ensure the council operates in a cost-effective manner.
- Effectiveness: by prioritising resident needs, addressing performance shortfalls, and fostering a culture of collaboration, the council will become more effective in delivering high-quality services to the community.

## **6 COMMENTS OF THE CHIEF FINANCE OFFICER**

6.1 Section 3.6 outlines proposals to refine the corporate centre. There are additional costs associated with this of approximately c£3m. These will be funded from the corporate contingency budget for this year and any ongoing costs will be met through efficiencies.

## **7 COMMENTS OF LEGAL SERVICES**

7.1 The proposed changes will assist the Council in complying with its best value obligations under the Local Government Act 1999.

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### **Linked Reports, Appendices and Background Documents**

#### **Linked Report**

NONE

#### **Appendices**

**Appendix 1:** Human Resources (HR) / Organisational Development (OD) / Business Support (BS) – Improvement Plan

**Appendix 2:** Power BI Implementation Plan

**Appendix 3:** Procurement Improvement Plan

#### **Officer contact details for documents:**

Ayesha Hakim Rahman

Acting Deputy Director of Strategy, Improvement & Transformation

## Appendix 1: Human Resources (HR) / Organisational Development (OD) / Business Support (BS) – Improvement Plan

The HR function in any organisation is critical in managing a range of legal and reputational risks and fundamental in creating a positive employer proposition and reputation which in turn helps to drive high levels of workforce engagement which correlate strongly to high levels of performance. Several of these critical functions are not being delivered to a level that would provide assurance, evidenced by indicators around satisfaction with the service, turnaround times, and levels of employee relations issues. This document provides a high-level summary of activity to deliver an improved service.

Activity	Status
<b>Phase 1: Analyse and stabilise</b>	
Identify key risk areas and outline solutions	Complete
Design detailed future state [see appendix 2]	Complete
Recruit/redeploy specialist interim resource/consultancy	In progress
Ring-fence and resource one-off and backlog activity	In progress
<b>Phase 2: Implement priority solutions</b>	
Review senior pay rates	
Review pay policy	Complete
Commission external benchmarking exercise	Complete
Implement	In progress
Recruit to vacant senior roles	
Corporate Director (Children)	Complete
Corporate Director (Adults)	Complete
Corporate Director (Housing and Regen)	In progress
Director of Legal (MO)	In progress
Interim Chief People Officer	In progress
Review/resolve outstanding Tribunal cases	
Review case files	Complete
Agree case strategy	In progress
Resolve cases where financial or reputational cases is agreed	In progress
Drive improvement to recruitment and resources (priority area)	
Scope improvement deliverables	Complete
Recruit specialist interim resource	Complete
Agree project plan [see appendix 1]	Complete
Begin phased implementation of future operating model	
Design new senior HR job roles	Complete
Recruit, induct, and embed into directorate structures	In progress
<b>Phase 3: Implementation [September 24 onwards]</b>	
Complete mapping of all service areas	Not started
Re-design transactional services to remove waste and improve customer experience	Not started
Agree new KPIs and service standards	Not started
Recruit permanent CPO	Not started
Recruit to directorate teams (organisational change process)	Not started
Embed and develop new teams	Not started

## **Recruitment and Resourcing Improvement Plan: May – December 2024**

### **Phase 1: Initiation (May 20 - June 3, 2024)**

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- Kick-off meeting(s)
- Stakeholder engagement
- Baseline assessment
- Data collection
- Identification, analysis, and planning to address current vacancy backlog

#### Trust and engagement building:

- Hold individual meetings with team members to understand their perspectives & concerns.
- Communicate the project's purpose and goals clearly to build transparency and alignment.
- Establish open channels of communication for ongoing dialogue.
- Set initial team goals and KPIs (focus on clearing backlog)

### **Phase 2: Current state analysis (June 4 - June 17, 2024)**

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- Process mapping
- ATS review
- Team engagement workshop
- Matrix contract review – Request and analyse data. Identify savings opportunities.

#### Trust and engagement building:

- Facilitate team-building activities during workshops to foster rapport and collaboration.
- Encourage active participation and input from all team members to empower their voices.
- Review progress against team goals and KPIs.

### **Phase 3: Future state design (June 18 - July 15, 2024)**

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- Future state process design (involving team and hiring managers)
- ATS optimisation (consider a market appraisal for potential replacement)
- Direct sourcing strategy – LinkedIn Recruiter licence(s) business case
- EVP and Employer Brand analysis and development

#### Trust and engagement building:

- Involve team members in the design process to create a shared vision for the future.
- Recognise and appreciate their contributions to the project.
- Continue monitoring team goals and KPIs.

### **Phase 4: Implementation (July 16 - Nov 30, 2024)**

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- Process implementation
- KPI development and monitoring
- Direct sourcing pilot
- EVP and employer brand launch
- Launch of Recruitment and Resourcing Centre of Excellence (CoE)
- ATS optimisation or new system tender
- Communications to stakeholders
- Conduct hiring manager workshops (virtual and face-to-face)
- Improved operational and strategic management of Matrix contract (= savings)

#### Trust and engagement building:

- Provide opportunities for skill development and training to empower team members.
- Celebrate project milestones and successes together as a team.
- Review and refine team goals and KPIs.

## Appendix 2: Power BI Implementation Plan

Action	Plan	Date
Power BI Finance Data Analytics developed and presented to CELT	Showcased Power BI capabilities to secure buy-in and highlight potential improvements in financial reporting efficiency.	23-Apr-24
Conducted budget holder demos	Demonstrated specific features to budget holders to ensure alignment and gather initial feedback.	30-Apr-24 01-May-24 08-May -24
Pilot rollout of Power BI reporting	Implemented pilot phase to test functionality in a live environment and identify any critical issues before full rollout.	01-Jun -24
Integrate Power Apps	Enhance data input capabilities by integrating Power Apps, allowing budget holders to input data directly.	01-Jul-24
Conduct training sessions for all users	Provide training to ensure all users are proficient in using the new system and to maximize the benefits of Power BI.	01-Jul to Aug-24
Complete all system upgrades and final rollout	Finalise all upgrades and ensure full deployment of the system across the organisation.	End of September 24 ready for Q2 reporting

### Appendix 3: Procurement Improvement Plan

The procurement function is critical to support the delivery of both statutory and non-statutory third-party services and balances a range of legal and reputational risks of the Council. Its primary function is as an “Enabler to the Business” and should always provide customer focused solutions, sometimes to challenging situations, whilst balancing compliance with the Procurement Regulations, The Council Constitution and Standing Orders and creative and innovative ways to secure the best service at the best price in a considered, timely and collectively responsible manner. Several parts of this equation, to varying degrees on various occasions, are not being delivered to the required standard, leaving the Council at risk of non-compliance, non-delivery and or reputational and financial damage. This document provides a high-level summary of activity to deliver an improved service.

Activity	Status
<b>Phase 1: Stabilise Operations</b>	
Identify key risk areas and outline solutions	Complete
Design detailed interim state	Complete
Recruit/redeploy specialist interim resource/consultancy	In progress
Establish Programme Governance Structure (Board / support/ TOR's)	In progress
Process Map “As Is” functions and form	In progress
New Procurement Act training	In progress
Prepare Launch documents	Not Started
<b>Phase 2: Launch &amp; Programme Design</b>	
Set up Board & governance arrangements	Not Started
Agree workstreams (Business areas, HR, IT, Finance, Legal etc)	Not Started
Review with Business areas meetings to discuss new model	Not Started
Collate results	Not Started
Design Initial Target Operating Model	Not started
Agree TOM	Not Started
<b>Phase 3: Consultation</b>	
Consultation	Not started
Revisions	Not started
Final Sign off	Not started
<b>Phase 4: Implementation</b>	
New structure implemented	Not started
New systems and processes implemented	Not started
Training	Not started
Briefings	Not started
New KPI reporting adopted	Not started
New Performance Monitoring adopted	Not started



## Procurement Improvement Plan: May 2024 – April 2025

### **Phase 1: Stabilise and Prepare (May 20 - July 19, 2024)**

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- Kick-off meeting(s)
- Baseline assessment / Data collection / Process mapping
- Design and implement “Interim Staff structure”.
- Set initial team goals and KPIs (focus on clearing backlog)
- Hold initial individual meetings with team members.
- Hold initial individual meetings with Key operational colleagues.
- Critical Friend meetings to establish best practice in other LA’s.
- Engage Senior Stakeholders to establish requirements and set expectations.
- Brief & train Executive team on Procurement Act 2023 requirements and changes to inform new model. (Brief Mayor and Cabinet)
- Design & set up Programme Governance arrangements and secure resources to support (internal & external)
- Implement Lumensol Analytic Project to baseline Spend and identify resourcing requirements.
- Agree temporary external support for all Adult Health & Social Care procurements for next 12 months.
- Establish open channels of communication for ongoing dialogue.
- Prepare Programme launch documents.

### **Phase 2: Programme design (July 20 – October 11, 2024)**

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- Launch Programme
- Constitute Board / TOR’s
- Agree Programme management workstreams and reporting.
- Stakeholder engagement meetings in the Business areas
- Stakeholder engagement with corporate services (HR, IT, Finance, Legal etc)
- Team engagement workshop
- Design initial Target Operating Model (TOM)
- Sign Off TOM

### **Phase 3: Consultation (October 14 – Nov 2, 2024)**

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- Formal Consultation with Procurement team and Business staff team where affected.
- New Job Descriptions
- Feedback and revisions
- Final Sign off New Operating Model, Systems, Processes and Monitoring

### **Phase 4: Implementation (Nov 3 – April 2024 and ongoing)**

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- New structure implementation
- Launch of permanent Post Recruitment (temporary backfill where necessary)
- Continued training and Professional development
- KPI development and monitoring
- New Procurement Regulation Monitoring in place
- Communications to stakeholders
- Review and refine team goals and KPIs.
- Embed new operating model and refine

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<b>Cabinet</b>  16 May 2024	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Julie Lorraine Corporate Director, Resources	<b>Classification:</b> Open (Unrestricted)
<b>Delivering the Medium-Term Financial Strategy</b>	

<b>Lead Member</b>	<b>Councillor Saied Ahmed, Cabinet Member for Resources and the Cost of Living</b>
<b>Originating Officer(s)</b>	Abdulrazak Kassim, Director of Finance, Procurement and Audit Chris Leslie, Head of Strategic & Corporate Finance Paul Butler, Head of Strategic Finance – Housing & Regeneration and Communities Ahsan Khan, Chief Accountant
<b>Wards affected</b>	(All Wards);
<b>Key Decision?</b>	No
<b>Reason for Key Decision</b>	This report has been reviewed as not meeting the Key Decision criteria.
<b>Forward Plan Notice Published</b>	N/A
<b>Exempt information</b>	Not applicable
<b>Strategic Plan Priority / Outcome</b>	All strategic plan priorities

**Special circumstances justifying urgent consideration / Reasons for Urgency**

This report was not published by the statutory deadline as due to the unavoidable rearranging of the Cabinet meeting, administrative processes had to be shortened and it did not prove possible to complete for this report in time for the initial agenda publication. It is important that this report is considered at this meeting as it will inform the Mayor and Cabinet’s decisions to ensure key administration priorities are met.

**Executive Summary**

This discussion paper provides an update on:

- the current position
- actions being taken to mitigate the identified risks
- further options to consider to mitigate and manage any emerging risks

The primary objective is to ensure delivery of the 2024/25 budget which forms year one of the Medium-Term Financial Strategy (MTFS) as approved by full Council on 28<sup>th</sup> February 2024.

## **Recommendations:**

The Mayor in Cabinet is recommended to:

1. Note the actions being taken to deliver the Medium-Term Financial Strategy approved on 28<sup>th</sup> February 2024.

### **1 REASONS FOR THE DECISIONS**

- 1.1 This is a noting report to update Cabinet on the actions being taken to deliver the Medium-Term Financial Strategy (MTFS).

### **2 ALTERNATIVE OPTIONS**

- 2.1 The MTFS has been agreed by Council. There is scope for alternative options to deliver the approved outcomes of the MTFS. This report updates Cabinet on the current actions being taken.

### **3 BACKGROUND**

- 3.1 The budget set by the Council on 1<sup>st</sup> March 2023 secured a balanced position reliant on the planned use of relatively significant reserves in the first 2 years (£22.1m in 2023-24 and a further £15.6m in 2024-25). In addition to the planned use of reserves, the Council committed to achieving what were at the time unidentified savings of £37.8m. The Council further committed to securing a sustainable balanced position across the medium term. This objective was to ensure that beyond the use of reserves set out in that previous Medium-Term Financial Strategy (MTFS) in March 2023 there would be no need for further reliance on reserves for ongoing expenditure.
- 3.2 On 28<sup>th</sup> February 2024, Council approved a revised MTFS which reduced the use of approved reserves, secured a sustainable balanced position across the medium term, and identified £43.3m of savings.
- 3.3 Strong governance arrangements were put in place to oversee the delivery and identification of the savings. Cabinet, Portfolio Holders, Corporate Directors, and wider budget holders were fully engaged in a robust and detailed evaluation process for agreed contributors to the budgeted position. The process put in place by the Chief Executive featured strong “for purpose” governance arrangements, supported by internal resources from the Strategy, Improvement and Transformation Team.
- 3.4 Corporate Directors have each provided assurance as to the delivery of both the agreed budget for the coming period and the savings proposals to the

timeframes indicated within their respective directorates. All matters relating to the budget including growth and savings, financial planning assumptions and the HRA, including a new HRA financial resourcing strategy, were subject to the scrutiny process.

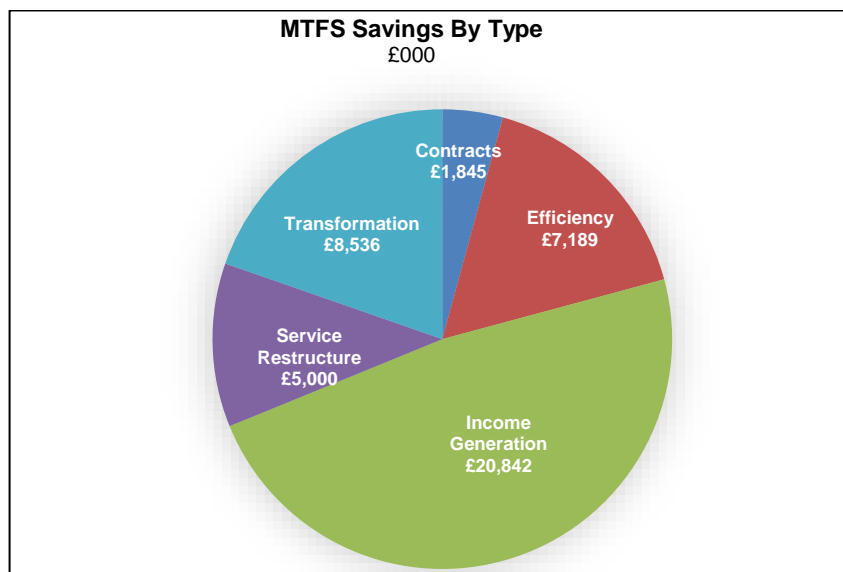
- 3.5 The organisation must now deliver the identified savings alongside managing the ongoing pressures in Homelessness, SEND (Special Educational Needs and Disabilities) and Adult Social Care experienced, (in keeping with other councils) during the last budget year. In parallel, the organisation must deliver the additional new service investments approved as part of the budget process whilst resourcing a range of invest to save initiatives pre-requisite to delivering the approved income generation activities.
- 3.6 The council has the advantage of being financially resilient with a strong reserves position. Whilst this brings many benefits, it could also inadvertently fuel complacency resulting in delays or even failure to deliver key elements of the financial plan, as has visibly been the case historically.
- 3.7 Cabinet are the custodians of the obligation to deliver the budget set by the council. Therefore, it is critical to consider how the delivery will be managed, monitored and, where needed, mitigating actions taken in a timely and agile way. The starting point is to understand where we are. Then to consider what potential challenges and risks we may face and identify agile and timely actions we may take in the event those challenges and risks materialise.

#### 4 **DELIVERABILITY IN YEAR 1**

##### Savings

- 4.1 The £43.3m of savings over the next three years are made up of from a variety of types as shown in the chart below.

**Chart 1 – Pie Chart of MTFS Savings by Type**



- 4.2 In the first year (2024/25) the new savings total £33.8m. £11.9m (circa 30%) has already been secured, for example where a surplus to requirement budget is removed, or a new funding source has been confirmed. Table 1 below summarises the current position.

**Table 1 – Deliver / To Be Delivered Savings Split**

	2024/25		
	Delivered £000	To Deliver £000	Total £000
Transformation	100	7,702	7,802
Income Generation	8,322	6,880	15,202
Service Restructures		5,000	5,000
Efficiency	3,427	1,647	5,074
Contracts	90	640	730
	<b>11,939</b>	<b>21,869</b>	<b>33,808</b>

#### Transformation

- 4.3 The Council has a transformation team to provide capacity across the Council both corporately and within services. The single biggest contributor to the savings is underway in Adult Social Care where a partnership-based programme of investment and change to increase technology enabled early intervention care packages in Adult Social Care has been developed.

#### Income Generation

- 4.4 Investment has been made to help achieve income targets. This includes resources to increase advertising income and additional officers and technology to pursue debt collection. Benchmarked fees and charges increase for 2024/25 have also been implemented.

- 4.5 Interest rates are remaining at level to secure higher investment returns and the events contract to achieve higher income has been successfully negotiated.

#### Service Restructures

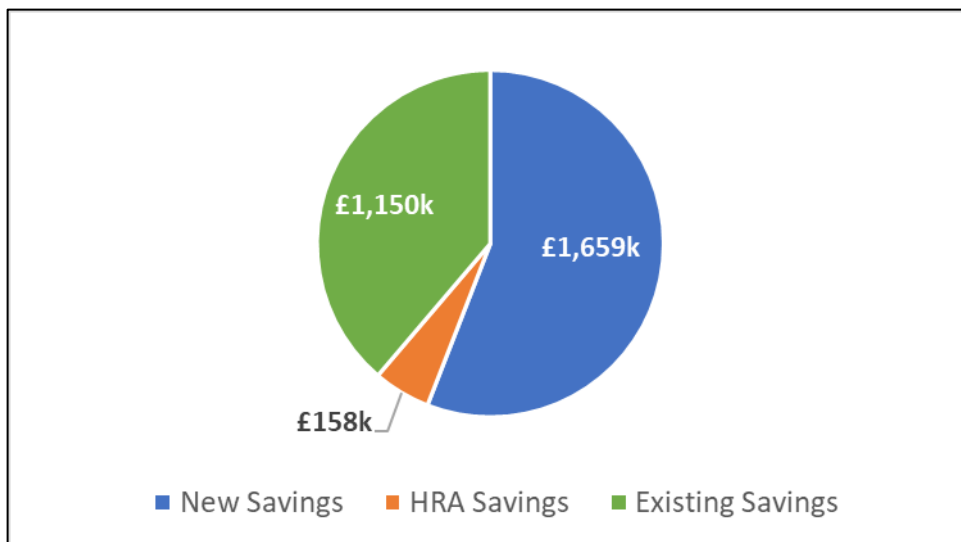
- 4.6 To assist the delivery of restructure savings the Council launched a Voluntary Early Retirement/Voluntary Redundancy (ER/VR) scheme in November 2023. Staff were given the opportunity to apply for ER/VR; managers considered where it was feasible to make posts redundant and achieve savings. Staff occupying posts that support a statutory function, provide essential front-line services, are hard to fill, income generating or grant funded were not eligible for consideration.

- 4.7 All redundancies are to take effect by 31 May 2024, unless there is a mutually agreed earlier departure. The costs of the ER/VR can be fully recouped during a 3-year period through the savings achieved by deleting the redundant posts.

A report was presented to Council on 20<sup>th</sup> March 2024 to approve exit costs over £100k and to provide an update on the process. The process is currently being finalised, and based on current approval and acceptance levels is forecast to show annual savings of nearly £3m could be achieved through the approved applications. £1.1 million of the savings are additional to those included as approved restructures in the MTFS.

- 4.8 This will help in delivering existing restructure savings and with the corporate restructure saving of £1,367k in year one. A split of the indicative ER/VR savings are shown in the following chart:

**Chart 2 – Pie Chart of ER/VR Savings Split**



- 4.9 The Reorganisation Board is also supporting and challenging the delivery of service restructures.

#### Efficiency

- 4.10 Most of the efficiency savings to be delivered in year 1 (£1m) relate to changes of funding sources to provide services. Significant progress has been made on identifying these and as such this represents a low risk.

#### Contracts

- 4.11 To assist with the spend on 3<sup>rd</sup> party goods and services target savings of £465k per year, additional capacity has been acquired from consultants Lumensol. They are providing support in analysing the Council's spend using their analytical and benchmarking tools and data to identify areas of potential savings. Phase one of the contract highlighted top 25 contracts with total spend of £340m (from Apr 2021 to Sept. 2023). This leads to a focused analysis in Phase two on 15 contracts, pinpointing opportunities for cost reductions and value enhancement through renegotiation, based on cost drivers, exceptional items, and contract scope.

- 4.12 Lumensol also have contract management expertise to help with contract negotiations.
- 4.13 Opportunities to combine and streamline contracts are also being explored with reductions against budgeted renewal costs having already been achieved, by agreeing umbrella “enterprise” agreements where multiple contracts with the same supplier exist, for example the Council’s Civica contracts.

#### Budget Board

- 4.14 Once the Council moved from budget setting to delivery, the remit of the Budget Board changed from identifying savings to ensuring their delivery. The focus is ensuring there is accountability, challenge, support, and a robust commercial standard business plan is in place where needed for each saving. It is chaired by the Section 151 Officer with senior officers across the Council on the Board.
- 4.15 There have had two meetings of the board since the budget was set. The new board is a combination of the previous Efficiency and Budget Boards where the 4 previous boards have been combined into two boards. The first meeting looked at the budget, highlighting the key risks associated with the budget focusing on income and challenged savings income from Arts/Parks. The second meeting looked at the position of the savings, focusing on year one, showing what have already achieved in terms of budget realignments and what is remaining. The challenge part of the meeting focused on advertising savings, the work Lumensol are doing and income from commercialisation of Enforcement, where the service was asked to commission market testing to better understand the risks and opportunities of the current market.

#### Additional Capacity

- 4.16 To deliver savings and the Council’s priorities, the following investment in additional capacity has been agreed for the coming 12-month period.
- 4.17 As previously mentioned, specialists have been engaged to help deliver the contractual savings but also to assist in developing a procurement function that is fit for purpose. Procurement is a key service in delivering Council priorities especially housing delivery and therefore the service needs to have the capacity to complete procurements in a timely manner.
- 4.18 Additional senior officers have been employed to work with the services to help oversee the delivery of savings and key projects. Investment in key roles in HR, ICT, Procurement, Customer Services and Business Support is also planned.
- 4.19 From a governance perspective the Council has three Boards to monitor and support delivery. This includes the Budget Board who remit includes providing oversight and momentum on the delivery of the medium-term financial



strategy to plan and timescale and drive further value for money improvement across the council's financial asset base. The Transformation Board includes the expertise of the external people to support and challenge.

- 4.20 A new structure was recently introduced to ensure the Council maintains and continues to improve delivery and performance standards across service areas. The previous structure included four Directorates with a number of these being very large, and with the commitment to insourcing some significant services, they would have become even bigger, making them too complex to manage effectively. The new structure has moved to a five Directorate model and provides sufficient capacity and clarity of focus to deliver effectively on the council's most important priorities, to ensure resilience in the face of future changes and demands.
- 4.21 The five Directorate structure that provides a more coherent basis for addressing the challenges ahead and delivering critical front-line services is embedded. Permanent recruitment to senior roles has taken place with expert interims in place where permanent recruitment is currently underway.

#### Budget Monitoring

- 4.22 The Council regularly monitors the budget throughout the year to track variations and allow mitigation actions to be put in place where required. Budget Managers review their budgets monthly with their Finance Business Partners. These are reported Directorate Leadership teams and then onto the Corporate Management Team and Cabinet on a quarterly basis. A budget monitoring timetable is developed annually that aligns reporting with the Cabinet meeting dates.
- 4.23 Reporting is being improved to include performance against key KPIs which are costs drivers, assisting to better forecast expenditure projections and offer better integration with corporate performance reporting.
- 4.24 MAB SRP meetings occur weekly where further relevant financial scrutiny takes place. We have implemented active benchmarking, for example quarterly through London Councils, Oflog data, CIPFA Stats, LG Futures reports and treasury management through Arlingclose.
- 4.25 The financial resilience of all local authorities is under strain. Since 2010-11, local authority spending has fallen from 7.4 to 5.0 per cent of GDP and is forecast to fall further. Given local authorities' statutory duty to provide a range of services where demand is likely to continue to grow, for example adult and child social care, pressure on local authority finances and services will continue. This is an area of financial risk and as specific financial provision has been made to account for the risks. In relation to homelessness the planned increase in available temporary accommodation units from within the HRA will significantly mitigate the financial impact, yet none of this benefit is assumed in the MTFS.

- 4.26 All Budget Managers are to receive mandatory training and are assigned business partners to support accurate monitoring. Accuracy of forecasting is a specific area of focus in the training.
- 4.27 Part of the monitoring process includes progress against the delivery of savings targets, the capital programme and treasury management.
- 4.28 Additional financial resources have been built into these areas as well as initiatives such as acquiring temporary accommodation units. Recent successful examples include the Slough scheme.
- 4.29 Budget monitoring report include areas of mitigation where budget variances have been identified to ensure actions are taken to deliver the MTFS.

## **5 CAPACITY TO MANAGE CHANGE**

- 5.1 The council must consider the timing and implementation process of some elements of required change. Specifically in relation to strengthening the role of the planned smaller corporate centre and resourcing the “empowered directorates” appropriately in keeping with the target operating model.
- 5.2 This is an area where the risk of waiting is outweighed by the risks associated with current inadequate performance levels, for example HR, Business Support and Procurement. Improvement in these areas is critical to the delivery of budget. However, the potential “collateral damage” in terms of service instability during a period of radical change could have an adverse impact on delivery.
- 5.3 There are several options available to the council, for example:
  - 1) Delay any implementation. Given the drivers for change relate to the current ineffective performance of these areas delaying will simply prolong the current problems.
  - 2) Forge ahead and prioritise change in these areas. This approach risks significant disruption to both central and operational areas of the organisation which could compromise our ability to deliver the budget in this first and most demanding year.
  - 3) Utilise the transformation reserve to front fund the investment in the key new leadership roles across HR, ICT, Procurement, Customer Services and Business Support. This approach adds much needed capacity to deliver the required change whilst maintaining the levels of resources currently in the centre and mitigates the disruption factors, incorporating key learning points gained in the previous implementation of the “enabling services programme”. This would effectively allow a period of “Parallel running “across the existing and proposed corporate centre structure.

## 6 SUSTAINABILITY

### Risk Reserve and Contingency

- 6.1 A variety of risks were identified in the MTFs report. To mitigate these risks and promote a sustainable MTFs, budget contingencies were put in place. This included a £2.3m additional contribution to the risk reserve in 2024/25 to make the total balance £18m. Use of the reserve to provide additional capacity to achieve savings would also reduce the risk of delivery.
- 6.2 Reflective of best practice a review of the level of the risk reserve was undertaken and the assessment showed an additional £2.3m was required. There is no prescribed method to calculate the level of reserve required, or requirement to have such a reserve, and this is a matter of judgement. The current level of £18m is based on £10.8m for risks around income generation savings and £7.2m for inflation (equivalent to a 2024/25 inflation variance of 1.5%). The calculation of the income generation risk is show as follows:

Risk Rating	Saving Areas	Risk %	2024-25 Income £'000	2024-25 Risk £'000	2025-26 Income £'000	2025-26 Risk £'000	2026-27 Income £'000	2026-27 Risk £'000
Low	Existing income generating schemes	5%	(12,489)	(624)	(7,859)	(393)	(7,219)	(361)
Medium	Fees and charges demand or charge increase	25%	(1,128)	(282)	(5,070)	(1,268)	(7,556)	(1,889)
High	New Income generating schemes	50%	(1,585)	(793)	(4,568)	(2,284)	(5,867)	(2,934)
<b>Total</b>			<b>(15,202)</b>	<b>(1,699)</b>	<b>(17,497)</b>	<b>(3,944)</b>	<b>(20,642)</b>	<b>(5,183)</b>
<b>Cumulative Total</b>								<b>(10,826)</b>

- 6.3 In addition to the reserve, the Council also has:
- A General Reserve (£20m) for unforeseen events and risks.
  - A corporate contingency of £3.1m in its base budget to assist manage unexpected in year pressures.
  - A social care risk contingency (£1.5m) and social care pressures reserve (£3.1m).
  - A Collection Fund smoothing reserve (£33.2m) to manage business rate and council tax income risks.
  - An HRA reserve (£10.2m).

### Financial Sustainability Plan

- 6.4 A Financial Sustainability Plan is currently being developed to support the resilience of the MTFs (draft attached at Appendix 2).

- 6.5 The Financial Sustainability Plan is a document that outlines the process and course of action for any event or series of events that has a serious detrimental impact on the Council's financial viability.
- 6.6 The Council uses various methods to monitor the environment and the internal controls, such as horizon scanning, budget reporting, external advisors, and audits, to provide early warning of an actual or potential issue.
- 6.7 If the proposed approach is adopted the council will be directly sighted on the early warning system the approach enables. The Corporate Director of Resources is responsible for assessing the financial problem based on the potential impact, whether it is one-off or recurring, and whether it is immediate or in the future.
- 6.8 The Financial Sustainability Plan has three sustainability procedures: emergency, urgent, and planned, depending on the severity and urgency of the situation. Each procedure involves notifying the relevant stakeholders, reviewing the options for savings and funding, and implementing and monitoring the recovery plan.
- 6.9 The Council has several reserves and contingencies to manage risks and pressures, such as the General Reserve, the Risk Reserve, the social care risk contingency and reserve, the Collection Fund smoothing reserve, and the HRA reserve.
- 6.10 The Financial Sustainability Plan has an appendix that lists the current potential savings and funding options, which are reviewed and updated as necessary. The options include service reviews, efficiency savings, income generation, asset rationalisation, and borrowing.

### Reserves

- 6.11 The Council has a number of reserves. The MTFS reduced the previously approved drawdown from the reserves and create a Mayors Accelerated Delivery Fund. These funds remain available. These are reviewed on regular basis during the outturn, budget monitoring and budget setting cycles.

### **Housing Revenue Account (HRA)**

- 6.12 A financial resourcing strategy has been developed for the HRA to resource the key housing challenges the Borough currently faces across 3 primary areas: more homes, better homes, and less homelessness. The resourcing strategy will result in a deliverable capital programme and a sustainable business plan.
- 6.13 In order to achieve these priorities, the following steps have been taken to ensure a sustainability and to support additional investment:

- The Council's previous approach to Minimum Revenue Provision (MRP) within the HRA is to be discontinued to create additional revenue resources, resulting in a revenue saving of c£2.4m in 2024/25.
- In addition, the 'golden rule' in terms of prudential borrowing levels from the HRA has changed from a minimum of an interest cover ratio (the number of times rental income covers the interest payments on debt) of 1.5 to 1.15.

6.14 In terms of changes to investment levels within the plan the following decisions have been made:

- A re-modelled level of up-front investment into the existing stock from 2024/25 to 2026/27 based on risk plus an additional safety net of £10million which can be drawn down at any time.
- An indicative acquisition programme of up to an additional 600 properties to be let at social rent levels supported by grant from the GLA as part of the recently announced round of funding at an assumed average cost.

6.15 This strategy is based on understanding the immediate requirements of the stock, investing additional resources to identify those works that are presenting the highest risk in terms of regulation and compliance and the move to create additional capacity in terms of the removal of MRP and lowering the minimum interest cover level to create capacity to acquire additional properties, be it for temporary accommodation or secure tenancies.

#### Delivery in Year 1

6.16 Work is progressing on several fronts to deliver this strategy. The Housing Service are developing a risk-based programme of works, focusing resource on where it is most needed in terms of condition of stock, outputs of building safety surveys and vulnerability of tenants. To drive this programme, one-off growth totalling £2.4m (released from the discontinuation of the voluntary annual MRP contribution in 2023/2024) has been approved to resource a risk team to complete this work. Overall, the business plan has modelled £1.122bn of investment in the existing stock over its thirty-year life.

6.17 It is acknowledged that there is a risk that unprogrammed emergency works could occur at any time. A £10m contingency pot has been modelled into the HRA business plan to meet such costs and can be 'called on' at any time throughout the life of the capital programme. The recent announcement of a CPI+1% rent increase for 2025/26 has created a further capacity within the HRA business plan to meet the cost of unplanned works. If a CPI+1% rent increase is approved by Full Council, high level modelling indicates that this capacity is in the region of £43m at the pinch point of the business plan.

- 6.18 The Housing Team are currently preparing a bid for GLA funding to acquire new properties in Borough. Savills have undertaken a piece of work to identify the amount, price, location, and availability of such property which will inform the bid. The GLA has requested the bid is submitted by the end of April. The Council are also entering into a tendering process to appoint an agent to undertake acquisition negotiations on the Council's behalf once the outcome of the GLA bid is known.
- 6.19 The housing service are taking the actions outlined above because the key to success of this financial strategy is in the speed with which the new properties are acquired as they are immediately available for use (unlike development schemes which often take several years to complete) and provide an immediate rental income stream that is used to meet the interest charges on the borrowing required to acquire them.
- 6.20 The Council is planning to let 50% of any properties that are released by current tenants moving to the new properties acquired for temporary accommodation. External legal advice from Trowers & Hamlin's LLP and has given assurance that the Council can legally provide T.A. from within the HRA. The properties remain HRA assets but are let through a non-secure tenancy and the rents received remain within the HRA.
- 6.21 There is a benefit to both the HRA and to the General Fund from this arrangement. The HRA benefits from the rental income. Properties will be let at social rents and the tenant will only pay the social rent. These rents are lower than LHA rates. The General Fund benefits from a reduction in Housing Benefit Subsidy loss by reducing the number of clients housed in high-cost commercial hotels and other expensive nightly booked accommodation. It is estimated that the General Fund will save c£36k per annum (£3.6 million per 100 newly allocated TA units in the HRA) on Housing Benefit Subsidy loss for each client housed in these properties and not in nightly booked accommodation. None of this potential general fund gain has been assumed in the current MTFS.

### Sustainability

- 6.22 A balanced HRA business plan has been delivered with capacity retained for unplanned emergency works. This financial capacity released because of this strategy will enable the Corporate Director of Housing & Regeneration to effectively resource significant improvements and mitigate risks associated with existing stock condition data in a customer focused way.
- 6.23 The baseline assumptions have been stress tested to show it has the capacity and a level of flexibility to mitigate unforeseen cost pressures and risks. This provides a level of contingency within the plan to deal with such events before reductions in funding and changes to assumptions are required. If this capacity is breached, the capital programme will be reviewed, and options put forward to reconfigure the new build programme or delay non-emergency

works within the cyclical works programme to generate the necessary capacity.

- 6.24 The impact of this strategy has a positive impact on the numbers of properties and investment levels whilst maintaining a balanced HRA Business Plan as illustrated by the graphs below:



Future Actions Under Consideration to Ensure Sustainability.

- 6.25 The HRA business plan is a rolling plan, updated annually and independently verified by Savills to ensure ongoing sustainability over its thirty-year life.
- 6.26 Development of an asset strategy based around the HRA Finance Resourcing Strategy and priorities of more homes, better homes and utilising HRA resources to alleviate General Fund temporary accommodation budget pressures.
- 6.27 Changing the accounting policy for depreciation and introducing component accounting for its assets, where the asset will be broken down to individual components and each component depreciated based on its useful life. It is considered that this change in accounting policy will generate a saving in year 1 and create additional capacity within the business plan.
- 6.28 Assessing the financial performance of blocks and estates to aid decision making, including considering divesting blocks that are wholly or significantly leaseholder owned to generate a capital receipt and making a revenue saving.
- 6.29 The Council insourced its ALMO, Tower Hamlets Homes on 1<sup>st</sup> November 2023. Initial savings of c£300k were initially made through senior management savings and savings against the cost of running the company. A lift and shift approach were taken, and work is now underway to deliver service synergies and efficiencies across both the General Fund and HRA.

## Capital

### Governance

- 6.30 For a scheme to be delivered through the council's capital programme, it will have needed to have progressed through the capital governance process, detailed in **Appendix 1**. Capital bids for new schemes are signed off by Divisional Directors, following consideration at the relevant directorate Programme Boards. Schemes are expected to be prioritised by directorates based on service need in line with the priorities set out in the Strategic Plan 2022-26.
- 6.31 The first step in the governance process is to identify funding sources. This exercise is completed by the Financial Assessment Group, comprising of representatives from the Corporate Capital Finance Team, Capital Delivery PMO and lead monitoring officers for s106 and CIL funding sources are allocated in the following order: external grant, s106 and CIL, capital receipts and requirement for borrowing.
- 6.32 Once bids have been accepted in principle, directorate client teams are required to complete a Project Initiation Document (PID) (business case). Subject to the consideration of strategic, operational, financial and technical appraisals, the scheme is recommended for approval to the Capital Strategy Board, ahead of Cabinet approval and approved budget allocation as required.
- 6.33 Historically, the council's capital programme has experienced slippages. As part of the 2023-27 budget setting process increased challenge and focus has been placed on the profiling of capital expenditure within PIDs to ensure increased robustness on the expected timing of deliverability of capital projects within the programme. Although this does not guarantee slippages will no longer occur moving forward, there should be a tangible improvement in the forecast variance related to capital expenditure compared to prior years.
- 6.34 The financial implications of the approved capital programme (MRP and spend profile) together with forecast movements within reserves and balances (strategic cash flows) are fully reflected within the Treasury Management Strategy Statement and Medium-Term Financial Strategy (MTFS).

### Sustainability

- 6.35 The long-term capital investment plan is underpinned by the council's strategic plan 2022-26. Capital proposals are considered within the Council's overall medium to long-term priorities, and the preparation of the capital programme is an integral part of the financial planning process. This includes taking account of the revenue implications of the projects as part of the revenue budget setting process, including setting aside additional revenue funding where required to cover the financing costs of the programme, to ensure the programme is sustainable over the long-term.



- 6.36 Key principles on which the council's capital programmes have been based to ensure sustainability are that projects will not proceed until the identified funding sources are received, or in the case of external grant, confirmed in writing; the council will not borrow more than it can afford to repay; and the total approved capital programme will not exceed the total funding available.
- 6.37 For each and every project in the approved 2023-27 General Fund Capital Programme, funding sources have been identified and allocated (including borrowing where required) either from funding sources received or confirmed in writing to the council and ensures the programme is not exposed to any risks associated with reliance on potentially volatile future forecasted capital income. This particularly applies to developer contributions, including Community Infrastructure Levy (CIL) and S106 income. It is very difficult to future forecast income via CIL, which is vulnerable to dramatic change given it is based on commencement dates that are out of the councils control. Similarly, the council forecasts S106 income based on what is currently secured. Income is based on the commencement of schemes and then the speed at which they are built out, both elements again not in the council's control.
- 6.38 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue. Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend in some cases for up to 50 years into the future. Debt financing estimates within the MTF5 (MRP, interest payable and interest receivable) reflect the approved capital programme, strategic cash flows and current interest rate forecasts.
- 6.39 The approved 2023-27 HRA capital programme represents the latest update to the 30-year HRA business plan, which takes into consideration the sustainability and affordability of the HRA capital programme on the HRA as a whole. The capital programme maximises the availability of external funding and Right-to-Buy receipts, but the regulations associated with the use of these sources means that there is also a need for borrowing to be used, which is deemed affordable within the plan.
- 6.40 Tower Hamlets has a relatively strong balance sheet position at the end of 2022/23 – investments (£103m), borrowing (£69m), usable reserves and balances (£650.9m). This is reflected in relatively low debt financing costs across benchmarking data.
- 6.41 Key factor is the timing of external borrowing – slippage on programme, slower spend from reserves, additional cash receipts will likely defer the timing of external borrowing, reducing capital financing costs in the short-term;

#### Capital – Future Actions

- 6.42 The councils existing governance process has been detailed in **Appendix 1**. To ensure the process remains fit for purpose the council is committed to review the existing arrangements with a view to;

- Improving the approach (corporate/portfolio consistency) to decision making thresholds, processes, roles and responsibilities, structure and approach.
  - Creating a corporate 'hub' to coordinate and improve visibility/reporting and monitoring/escalation for the capital programme and overall alignment to the strategic plan 2022-26 and focus on benefits realisation.
  - Ensure relevant staff have been upskilled and capital programme management and adopting the Green Book five-case model as outlined in the business case guidance for projects and programmes. This is the government's recommended framework for developing business cases.
- 6.43 The council will look to decentralise procurement that distributes control and decision-making to departments instead of having it entirely owned by a centralised procurement team. This will enable the leadership of departments within the authority to make optimal and efficient purchasing decisions as required by their departments and remove the unnecessary 'red tape' associated with centralised procurement. It is important to note that although the vision is of decentralised procurement, procurement across the council will continue to be governed by organisation wide policies, procedures and guidelines.
- 6.44 The council will expand its horizon to adopt a Ten-Year capital Programme model (currently 4-year model) to improve the council's ability to take a strategic view of planned capital investment and the impact on the Council's revenue budgets and overall borrowing and subsequent implications for the councils Treasury Management Strategy. This will also include incorporating mid-year updates to the capital programme MTFs which will enable the council to proactively respond to any mitigations or contingencies required for the programme in a timelier manner.
- 6.45 To ensure that capital assets continue to be of long-term use, the Council has updated its Strategic Asset Management Strategy (SAMP). The SAMP reviews the context with relevance to property assets, in particular.
- External trends such as economic and population growth.
  - The strategies and policies which influence the need for property and what benefits the council expects to realise from property.
  - The operational context of our assets – such as building condition, running costs and usage patterns.
- 6.46 Following analysis of our ambitions and the key challenges facing the council, four priorities are proposed for the next 5 years.
- Responding to changing property need – reviewing council services' forecast needs for property over the next 5 years.
  - Supporting the council's financial sustainability – setting out the interaction of the council's financial strategy with our asset planning;
  - Managing our estate as a corporate landlord – ensuring that we take a 'corporate view' of assets through our Corporate Landlord Model framework.

- Responding to the Net Zero challenge – reviewing the implications of the Net Zero Council target, in view of the significance of buildings to the need for decarbonisation.

### Treasury Management

6.47 Details of the Councils Treasury Management arrangements are set out in the Treasury Management Strategy Statement approved by Council on 28 February (Annex 3). The draft Treasury Management Strategy Statement was scrutinised by the Audit Committee at their meeting of 22 January 2024. The Report and supporting working papers provide a clear link with the approved capital programme and MTFS. The key principles underpinning the strategy.

- To optimise returns on cash investments within the principles of ‘security, liquidity then yield’ and in line with the risk appetite and counterparty selection set out in the Treasury Strategy report, as approved by Council each year.
- To manage debt from borrowing in line with the principles of the Prudential Code and within the setting of Prudential Indicators as approved by Council each year.
- To use prudential borrowing only where business cases are agreed in accordance with the capital programme governance arrangements.
- To set aside funds from the revenue budget to meet the cost of the repayment of debt in accordance with statutory provisions or under the requirements of the Prudential Code.
- To seek to reduce the cost of borrowing through debt repayment or debt refinancing where it is economically viable and affordable within the budget framework to do so.
- To monitor and benchmark performance relative to other councils, nationally and locally (as set out in treasury management reports).

## **7 EQUALITIES IMPLICATIONS**

7.1 Equalities implications have been considered as part of the MTFS process. This report deals with the delivery of the MTFS including improvements to equalities outlined as part of the investments.

## **8 OTHER STATUTORY IMPLICATIONS**

8.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),

- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

## **OTHER STATUTORY IMPLICATIONS**

8.2 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

### **Best Value Implications**

8.3 This report drives best value by ensuring that the MTFS is delivered and therefore that savings and priorities are achieved. Best value is also at the forefront of setting an MTFS.

## **9 COMMENTS OF THE CHIEF FINANCE OFFICER**

9.1 This is a financial report, and the financial implications are considered throughout.

## **10 COMMENTS OF LEGAL SERVICES**

10.1 The Council is required by section 151 of the Local Government Act 1972 to make arrangements for the proper administration of its financial affairs. The Council's Chief Finance Officer has established financial procedures to ensure the Council's proper financial administration. These include procedures for budgetary control of which this report forms part. It is consistent with these arrangements for Cabinet to receive information about the ongoing MTFS actions that are being undertaken by the Council in accordance with these procedures.

10.2 The monitoring of budgets and financial information is also a significant contributor to meeting the Council's Best Value legal duty and therefore this report demonstrates the potential of compliance with that legal duty.

## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

- None

### **Appendices**

- Appendix 1 – Capital Governance Process
- Appendix 2 – Financial Sustainability Plan 2024/25

### **Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012**

- None

### **Officer contact details for documents:**

Abdulrazak Kassim, Director of Finance, Procurement and Audit

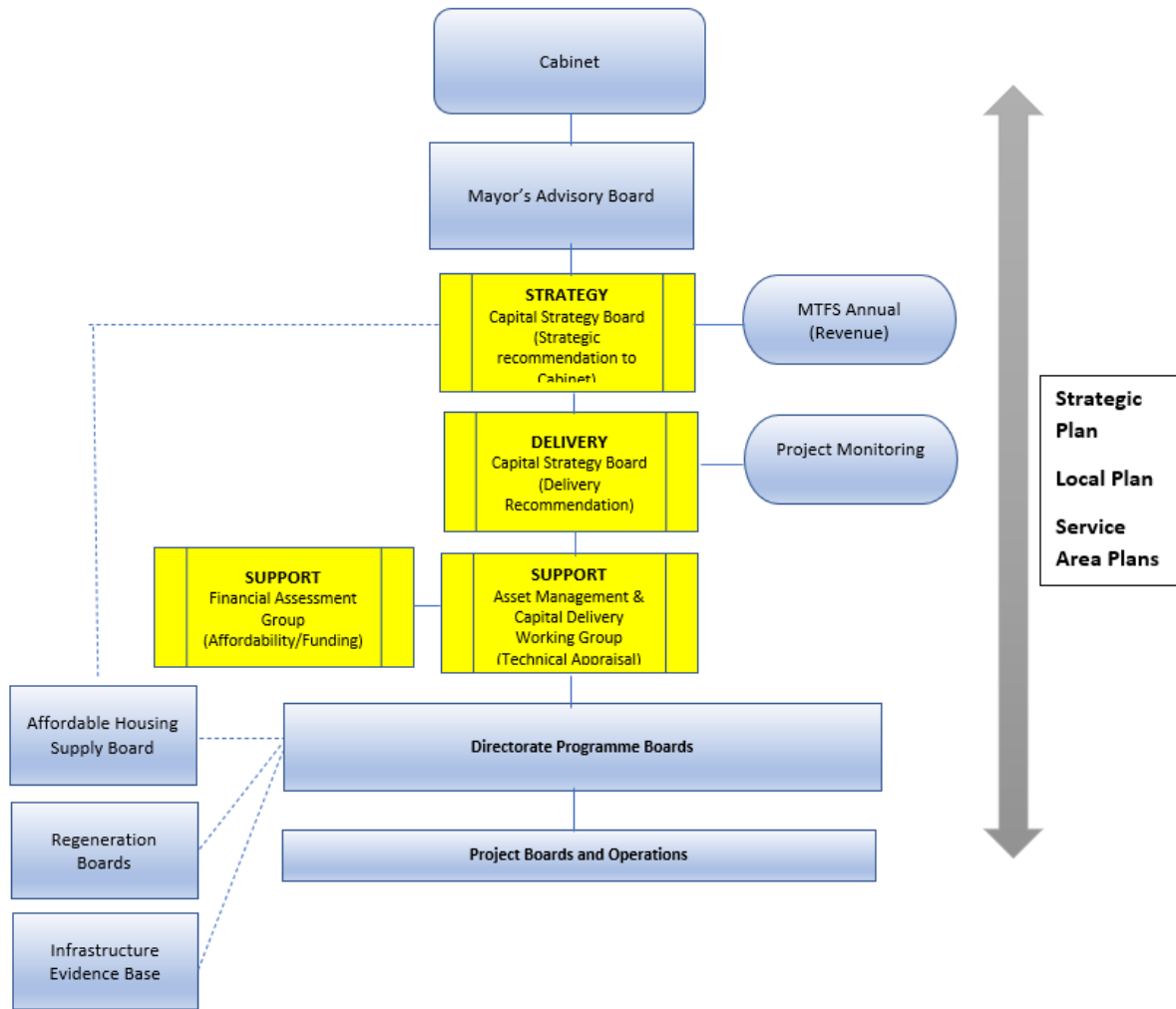
Chris Leslie, Head of Strategic & Corporate Finance

Paul Butler, Head of Strategic Finance – Housing & Regeneration and Communities

Ahsan Khan, Chief Accountant

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**Appendix 4 – LBTH Capital Governance Process**



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# Financial Sustainability Plan

2024/25

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## Purpose

This document summarises the Council's Financial Sustainability Plan. The purpose of this Plan is to provide a process and course of action for any event or series of events that has a serious detrimental impact on the Council's short- or long-term financial viability.

The Financial Sustainability Plan is designed to manage **unanticipated** detrimental **financial** impacts on the Council's budget only.

There are separate Business Continuity Plans to deal with other unexpected non-financial events that may impact adversely on the day-to-day operation of business.

The Financial Sustainability Plan is **not designed** to manage **day to day budget variances**. These are monitored and controlled via routine financial procedures.

## Financial Sustainability Plan Approach

The Financial Sustainability Plan has been designed to provide a flexible framework to respond appropriately to a variety of adverse financial situations. In undertaking its Stress Tests of the Medium-Term Financial Strategy, the appropriate response to an adverse financial situation may differ depending on the situation itself and its impact.

The Financial Sustainability Plan therefore covers the following:

- How a financial problem is identified.
- How a financial problem is assessed.
- Procedures for Financial Sustainability for different levels of financial issues
- Current potential savings options
- Current potential funding options

Appendices to the Plan, including potential savings and funding options, are reviewed and updated as necessary but as minimum biannually.

## Identifying a Financial Problem

To appropriately address any financial issues that might arise the Council first needs to know that an issue has arisen.

The Council operates a comprehensive budget monitoring process and appropriate internal controls that will provide prompt warning of an actual or potential issue.

There are several ways an issue may be identified. Examples are provided below, though this is not an exhaustive list.

- **Horizon Scanning:** The Council monitors closely the environment in which it operates, keeping track of both sector specific issues and wider issues in the economy and political environment. For example, through membership to external organisations such as London Councils and the Local Government Association, as well as through networks such as the London Finance Officers' Group.

This often enables future issues to be identified and appropriately addressed before they have an adverse effect on the organisation.

An awareness of the environment also enables swift action when there is an unexpected change, for example the Government's surprise announcement that funding is being reduced in future years.

- **Internal Controls:** There is a comprehensive internal control system that is validated periodically by both internal audit and external audit. These controls are designed to provide early warning that an unexpected issue may be on the horizon.

A key control in this context is the routine monthly management financial reporting and quarterly budget reporting to Cabinet. As part of these reports' significant changes in both financial performance and the environment are reviewed and extrapolated to highlight any issues on the horizon.

- **External Advisors:** Appropriate use of external advisors to assist in both horizon scanning and validating / improving internal controls, for example financial consultants LG Futures and Treasury advisors Arlingclose.

## Financial Sustainability Procedures

Once a potential financial issue is identified the Sustainability procedures are activated. There are 4 stages to the Sustainability Procedures:

- **Assessing the Financial Problem:** to determine the appropriate course of action.
- **Selecting the Appropriate Sustainability Procedure:** to address the issue in question.
- **Implementing the Appropriate Sustainability Procedure**
- **Reviewing the Outcomes of the Procedure:** to enhance learning and support continuous improvement.

## Financial Sustainability Safety Net

The Council has in place several safety nets to mitigate unexpected costs or assist in the delivery of savings. These include:

- A Risk Reserve (£18.2m) specifically to mitigate risks around income generation, council tax cost of living relief fund costs and inflation.
- A social care risk contingency (£1.5m) and social care pressures reserve (£3.1m).
- A Collection Fund smoothing reserve (£33.2m) to manage business rate and council tax income risks.
- A budget contingency of £3.1m.

As an area of last resort, the Council holds a General Fund reserve of £20m. The balance should not fall below £20m and the use of the reserve is for when the Council has no other options available.

Similar for the HRA a r reserve of £10.2m is held as a last resort.

## Assessing the Financial Problem

The Sustainability procedure to be followed depends on 3 key factors:

- The potential **IMPACT** of the financial problem
- Whether this will be a **ONE-OFF** or a **RECURRING** problem
- Whether the impact is **IMMEDIATE** or will happen in the **FUTURE**

The **Section 151 Officer** is responsible for assessing the financial problem against these 3 factors to determine which Sustainability procedure to implement.

The **IMPACT** is assessed using the following scale:

	Revenue	Capital
<b>CRITICAL - 5</b>	Forecast spend to be over 8% of net budget (£35+m) - Significant use of reserves and Sustainability Safety Net utilised.	Forecast spend to be over 40% of MTFS capital borrowing budget (£27+m) – Use of Sustainability safety Net to support revenue costs of capital in the short term.
<b>CRITICAL – 4</b>	Forecast spend to be up to 8% of net budget (£35m) – Use of reserves and Sustainability Safety Net utilised.	Forecast spend to be up to 40% of MTFS capital borrowing budget (£27m) – Use of Sustainability safety Net to support revenue costs of capital in the short term.
<b>SERIOUS</b>	Forecast spend to be up to 5% of net budget (£20m) – Use of Sustainability Safety Net required.	Forecast spend to be up to 30% of MTFS capital borrowing budget (£20m) – Use of Sustainability safety Net to support revenue costs of capital in the short term.
<b>MODERATE</b>	Forecast spend to be up to 2% of net budget (£10m) – A Combination of costs reduction and use of Sustainability Safety Net required.	Forecast spend to be up to 20% of MTFS capital borrowing budget (£13m) – Seek to address overspend through a reduction in costs and other funding areas.
<b>MINOR</b>	Forecast spend to be up to 1% of net budget (£5m) – Seek to address overspend through a reduction in costs in other areas.	Forecast spend to be up to 10% of MTFS capital borrowing budget (£7m) – Seek to address overspend through a reduction in costs in other areas.

The Financial Sustainability Plan will only be relevant for Critical 4 and Critical 5 risks. Serious, moderate, or minor risks fall outside the scope of this plan as normal routine financial management should be sufficient to manage these types of risks.

Assessing the impact of the financial problem is not always a precise science. Where there is an element of judgement the Section 151 Officer will err on the side of caution.

## HRA Financial Sustainability

The HRA has sustainability parameters which are an interest cover ratio calculation of 1.15 and minimum reserve balances of £10m. As long as the capital and revenue spend remain within these thresholds, the HRA activity is deemed affordable. Being a 30 year plan, the business plan forward forecasts these parameters to ensure affordability and allows for early mitigations should issues arise.

Where monitoring highlights potential breaches of these parameters the capital programme will need to be reviewed to bring the indicators back into line.

## Selecting the Appropriate Sustainability Procedure

Once the problem has been assessed the **Section 151 Officer** is responsible for implementing the appropriate Sustainability Procedure.

There are **3 Sustainability Procedures** as follows:

- Emergency Sustainability Procedure
- Urgent Sustainability Procedure
- Planned Sustainability Procedure

	CRITICAL 5	CRITICAL 4	SERIOUS	MODERATE	MINOR
IMMEDIATE RECURRING	EMERGENCY PROCEDURE	URGENT PROCEDURE	PLANNED PROCEDURE	ROUTINE FINANCIAL MANAGEMENT	ROUTINE FINANCIAL MANAGEMENT
IMMEDIATE ONE-OFF	EMERGENCY PROCEDURE	URGENT PROCEDURE	PLANNED PROCEDURE	ROUTINE FINANCIAL MANAGEMENT	ROUTINE FINANCIAL MANAGEMENT
FUTURE RECURRING	URGENT PROCEDURE	PLANNED PROCEDURE	ROUTINE FINANCIAL MANAGEMENT	ROUTINE FINANCIAL MANAGEMENT	ROUTINE FINANCIAL MANAGEMENT
FUTURE ONE-OFF	URGENT PROCEDURE	PLANNED PROCEDURE	ROUTINE FINANCIAL MANAGEMENT	ROUTINE FINANCIAL MANAGEMENT	ROUTINE FINANCIAL MANAGEMENT

## Implementing the Appropriate Sustainability Procedure

### Emergency Sustainability Procedure

1	Notify <b>Chief Executive</b> that Emergency Sustainability Procedure must be implemented, providing a brief outline of the situation
2	Notify the <b>Mayor and Portfolio Holder for Resources and Cost of Living</b> that the Emergency Sustainability Procedure must be implemented, providing a brief outline of the situation
3	Arrange an <b>Emergency Meeting of the Corporate Management Team (CMT)</b> to take place as soon as possible (target = within 3 business days)
4	Review the <b>Identified Savings Options</b> (Appendix 1) and determine which might be most appropriate / helpful in the current situation.
5	Prepare a report for the <b>Mayor's Advisory Board</b> that summarises: <ul style="list-style-type: none"> <li>• The situation, how it arose and how it was identified.</li> <li>• The potential impact of the situation</li> <li>• What is required to resolve the situation (e.g. levels of savings or funding required)</li> <li>• Options to resolve the situation such as those identified from Appendix 1, including detail of the potential impact of those options, how soon they can be implemented, how easy they are to implement and any costs of implementation</li> </ul>
6	<b>Cabinet Meeting</b> Cabinet meets, considers options and where possible agrees an appropriate plan for implementation, subject to the scrutiny call in procedures.
7	<b>Audit Committee</b> The Audit Committee consider the plan in relation to addressing risk and the administration of the Council's financial affairs.
8	Immediate implementation of the agreed Sustainability Action Plan
9	Build the agreed plan into a revised Medium Term Financial Strategy to be approved by Cabinet
10	<b>Scrutiny Committee</b> The committee scrutinises the plan and its effectiveness, proposing changes where required.



## Urgent Sustainability Procedure

1	Notify <b>Chief Executive</b> that the Urgent Sustainability Procedure must be implemented, providing a brief outline of the situation
2	Notify the <b>Mayor and Portfolio Holder for Resources and Cost of Living</b> that the Urgent Sustainability Procedure must be implemented, providing a brief outline of the situation
3	Arrange a meeting of the <b>Corporate Management Team (CMT)</b> to take place as soon as possible (target = within 7 business days)
4	All members of the Corporate Management Team (CMT) meet individually with the Chief Executive and the Section 151 Officer to provide suggestions for achievable savings and details of their implications
5	Review the <b>Identified Savings Options</b> (Appendix 1) and compile the savings suggestions provided by CMT
6	CMT meets to agree in principle a future savings plan and funding options (if applicable) to address the situation
7	Prepare a report for the <b>Mayor's Advisory Board</b> that summarises: <ul style="list-style-type: none"> <li>• The situation, how it arose and how it was identified.</li> <li>• The potential impact of the situation</li> <li>• What is required to resolve the situation (e.g. levels of savings or funding required)</li> <li>• Options to resolve the situation, including detail of the potential impact of those options, how soon they can be implemented, how easy they are to implement and any costs of implementation</li> </ul>
8	<b>Cabinet Meeting</b> Cabinet meets, considers options and where possible agrees an appropriate Sustainability Plan for implementation, subject to the scrutiny call in procedures.
9	<b>Audit Committee</b> The Audit Committee consider the plan in relation to addressing risk and the administration of the Council's financial affairs.
10	Immediate implementation of the agreed plan
11	Build the agreed plan into a revised Medium Term Financial Strategy to be approved by Cabinet
12	<b>Scrutiny Committee</b> The committee scrutinises the plan and its effectiveness, proposing changes where required.

## Planned Sustainability Procedure

1	Notify <b>Chief Executive</b> that the Planned Sustainability Procedure must be implemented, providing a brief outline of the situation
2	Notify the <b>Mayor and Portfolio Holder for Resources and Cost of Living</b> that the Planned Sustainability Procedure must be implemented, providing a brief outline of the situation.
3	The Section 151 Officer meets with relevant members of the Corporate Management Team (CMT) to discuss possible mitigations / savings and their possible implications
4	Review the <b>Identified Savings Options</b> (Appendix 1) and compile the savings suggestions provided by CMT discussions
5	CMT meets to agree in principle a future savings plan and funding options (if applicable) to address the situation
6	Prepare a report for the <b>Mayor's Advisory Board</b> that summarises: <ul style="list-style-type: none"> <li>• The situation, how it arose and how it was identified.</li> <li>• The potential impact of the situation</li> <li>• What is required to resolve the situation (e.g. levels of savings or funding required)</li> <li>• Options to resolve the situation, including detail of the potential impact of those options, how soon they can be implemented, how easy they are to implement and any costs of implementation</li> </ul>
7	<b>Cabinet Meeting</b> Cabinet meets, considers options and where possible agrees an appropriate Sustainability Plan for implementation and corresponding revised budgets, subject to the scrutiny call in procedures.
8	<b>Audit Committee</b> The Audit Committee consider the plan in relation to addressing risk and the administration of the Council's financial affairs.
9	Implementation of the agreed Sustainability Action Plan.
10	Sustainability Plan Actions are incorporated in the next routine update of the Medium-Term Financial Strategy.
11	<b>Scrutiny Committee</b> The committee scrutinises the plan and its effectiveness, proposing changes where required.

## Reviewing the Outcomes of the Procedure

Where a Sustainability Procedure has been implemented the **Section 151 Officer** is responsible for monitoring its efficacy and identifying any lessons that can be learned. Regular reporting to members will also take place with the Scrutiny Committee also assessing the effectiveness of the plan.

Progress against savings targets will be monitored through routine Financial Performance Reporting.

## Appendix 1 – Financial Sustainability Plan Mitigations

Action	Area	Cash value	Description	Consequences
Pilots of newly approved discretionary growth	Approved Growth	£26m	Undertake a pilot of growths to determine Best Value.	Where best value isn't achieved activities could be stopped.
No new growth and review of future approved growth	New and Future Growth	-	Current future growth included in the MTFS is reviewed for ability to pause. Any new growth needs to be for a statutory obligation.	New projects or initiatives could be delayed.
Freeze of staff recruitment		£260m (total direct employee costs budget)	Roles that become vacant are not replaced and only in exceptional circumstances are roles recruited to.	Reduced capacity to deliver services
Review of discretionary services	Discretionary Services	-	Review of discretionary services to ascertain potential to reduce or stop.	Reduction in level of discretionary services offered.
Review level of statutory services offered	Statutory Services	-	Statutory services have to be delivered but there is flexibility into the level they are delivered at.	Reduction in level of statutory services offered.
Asset Sales	Non-current (fixed) assets	£1.6bn of other land & building	Potential to sell surplus assets to generate additional income.	Assets may not be available to support service delivery.
Delay or freeze in capital expenditure	Capital Programme	£66.3m of capital borrowing	Review of capital projects to identify which ones can be paused or delayed reducing borrowing costs.	Capital programmes maybe delayed or paused having an impact on the services they would be providing.



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<p><b>Cabinet</b></p> <p>16 May 2024</p>	 <p><b>TOWER HAMLETS</b></p>
<p><b>Report of:</b> Simon Baxter, Corporate Director Communities</p>	<p><b>Classification:</b> Unrestricted</p>
<p><b>Be Well Leisure Insourcing Programme</b></p>	

<b>Lead Member</b>	<b>Councillor Iqbal Hossain, Cabinet Member for Culture and Recreation</b>
<b>Originating Officer(s)</b>	Keith Townsend Programme Director - Leisure
<b>Wards affected</b>	All wards
<b>Key Decision?</b>	No
<b>Reason for Key Decision</b>	This report has been reviewed as not meeting the Key Decision criteria.
<b>Forward Plan Notice Published</b>	N/A
<b>Exempt information</b>	No
<b>Strategic Plan Priority / Outcome</b>	4. Boosting culture, business, jobs, and leisure 5. Investing in public services

**Special circumstances justifying urgent consideration / Reasons for Urgency**

This report was not published by the statutory deadline as due to the unavoidable rearranging of the Cabinet meeting, administrative processes had to be shortened and it did not prove possible to complete for this report in time for the initial agenda publication. It is important that this report is considered at this meeting as it will inform the Mayor and Cabinet’s decisions to ensure key administration priorities are met.

**Executive Summary**

This report provides an updated position in respect of the insourcing of the *Be Well* Leisure Service that returned in-house on 1<sup>st</sup> May 2024. The report sets out what has been achieved to date to ensure the effective mobilisation of the new council service, details of the project management structure, risk management arrangements and high level risk profile, the key activities for the coming year coordinated by the Leisure Programme Board to further develop the service over the next 12 months now it is in-house. The report also identifies the capital funding requirements as part of the Medium Term Financial Strategy and sets out the 10-year financial revenue model projected for the service.

## Recommendations

The Mayor in Cabinet is recommended to:

1. Note the progress made to create and launch the *Be Well* Leisure Service.
2. Endorse the approach to develop the *Be Well* Leisure Service in 2024/25.
3. Authorise the Programme Director for Leisure to produce a revised programme budget for 2024/25 within the financial limit of the approved budget.
4. Note the *Be Well* Leisure Service 10-year revenue financial model including projections for an operating revenue surplus from year four.
5. Note the progress on the asset condition surveys, the building dilapidations work, repairs undertaken by GLL and the leisure assets capital investment requirements for the next 10-years and support officers to develop proposals as part of the MTFS.
6. Note the £3.65 million *Be Well* leisure assets capital programme for 2024/25 and authorise the Programme Director for Leisure to implement and amend the programme as required.
7. Note and comment on the key risks and mitigating actions to manage those risks.
8. Support the *Be Well* Leisure Service to maximise benefits from synergies with other council teams including Public Health and Workpath to reflect the council's strategic priorities.



## **1 REASONS FOR THE DECISIONS**

- 1.1 It is important that Cabinet are kept properly informed of the progress of this important insourcing initiative and that the Executive is provided with the information needed to properly review the improvement programme for this service as it is developed. This report aims to provide Cabinet with a comprehensive update of the development and launch of the *Be Well* Leisure Service and asks Cabinet Members to note the achievements to date and endorse / comment on the approach for 2024/25 and beyond. It provides an update on key programme risks and associated mitigating actions reported as part of an effective programme of corporate governance.

## **2 ALTERNATIVE OPTIONS**

- 2.1 The information provided to Cabinet in this report might not be reported. This would not be transparent and would not support sound governance.
- Only some of the information provided in this report could be brought forward to Cabinet. This would not be transparent and would not support sound governance.
  - The information contained within this report could be presented elsewhere within the organisation instead of Cabinet. However, it is considered important that Cabinet are sighted on the progress of this important project and on the way in which the project risks are being managed.

## **3 DETAILS OF THE REPORT**

### **3.1 Background**

- 3.2 The council has six operational sports and leisure centres, and one (St George's Leisure Centre) which is currently closed and part of a major leisure and social housing redevelopment project. They comprise:

- John Orwell Sports Centre, Wapping
- Mile End Leisure Centre and Stadium
- Poplar Baths, Leisure Centre & Gym, Poplar
- Tiller Leisure Centre, Isle of Dogs
- York Hall Leisure Centre Spa, Bethnal Green
- Whitechapel Sports Centre, Whitechapel
- St. George's Leisure Centre, Wapping – closed for redevelopment.

- 3.3 From 2004, the Council's leisure facilities offer was delivered by GLL as part of a 15-year contract. The contract was subsequently extended twice. The first extension was from 2019-22 and the second for the period 2022-24 until 30<sup>th</sup> April 2024. The council managed the leisure contract with a client team of three officers to review operational performance. The focus was on representation of service users and GLL's community engagement work. Quality audits were carried out every quarter incorporating cleanliness, equipment reliability and covering all parts of the leisure centres, to determine an overall percentage score with a minimum threshold of 80%. Additional checks took place on statutory compliance of the buildings.

- 3.4 GLL were responsible for producing and delivering an annual planned maintenance programme which was submitted to the council. However, it is unclear the extent to which the programme was challenged and there was no technical assessment of the programme. Condition surveys were carried out initially in 2021 and the council approved a capital programme of £1 million p.a. However, it is not clear how this funding was used.
- 3.5 In August 2022, a report was presented to Cabinet with an options appraisal to facilitate the decision on whether to recommission the service or bring it back in house. When considering the options contained in the report, The Mayor and Cabinet considered the balance of best value considerations and were clear that cost should be better balanced against effectiveness and efficiency and asked Officers to progress work on an insourcing option as well as reletting the contract.
- 3.6 This work highlighted significant performance issues with GLL reported by residents in a consultation exercise undertaken November 2021 and January 2022. These were:
  - More than half of respondents disagreed that the current facilities met their needs.
  - 20% of online responses feature requests for urgent action to be taken to improve the swimming offer.
  - Experiences of GLL (Greenwich Leisure Limited) service delivery were mixed with the breadth of service offer badly advertised.
  - Various significant barriers to access to the existing Leisure service were identified (e.g. cleanliness issues across centres, GLL’s website and booking system deemed challenging to navigate, lack of women only spaces and activities, inconvenient scheduling).
  - Better collaboration with local health services and improved join-up with existing green spaces was seen as needed as part of future planning.
  - Residents were being prevented from accessing services by commercial block bookings. This was reflected in perception ratings for the service (see below)

Figure 2: Residents Satisfaction Survey 2023 and 2019

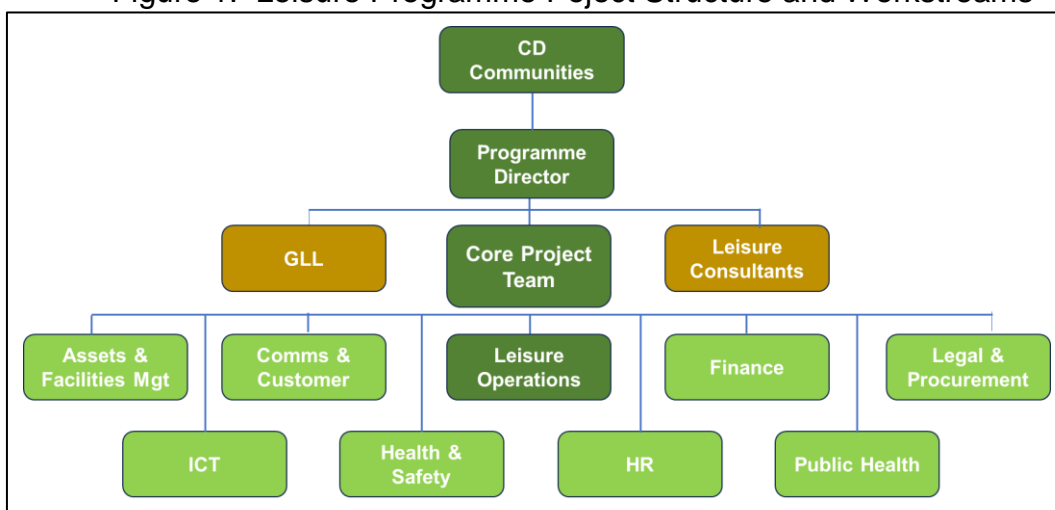
Tower Hamlets Residents Survey	2023	2019	Change
Satisfaction with Leisure and Sport Facilities (Residents)	46%	53%	-7%
Satisfaction with Leisure and Sport Facilities (users)	67%	61%	+6%

- 3.7 The exploratory work found that the council could seek to maximise the local economic and social opportunities through insourcing. This would help to support a number of strategic priorities, would boost the local economy and provide employment opportunities to residents during the cost-of-living crisis. Matters considered were:

- Customer experience – Building on the recently approved customer experience strategy, improve the customer journey/interface for residents accessing leisure centres.
- Local employment – To review what opportunities exist to link residents to the employment opportunities which arise from the operation of leisure centres. This would also help to deliver local priorities around a workforce to reflect the community.
- Access to supply chain opportunities –local businesses could be supported to bid for supply/services contracts relating to the leisure centres an approach that supports efforts to support and encourage growth of local businesses.
- Diverse reach / engagement for vulnerable residents – Better engagement with vulnerable or under represented groups who face barriers to engagement with leisure services.
- Public health outcomes – Enabling more effective delivery of a range of public health outcomes linked to increased physical activity e.g. reduced obesity, increased mental health and increased life expectancy among priority groups.
- Increased co-ordination of local services – Co-delivery of local services within leisure centres to maximise outcomes for residents e.g. increased co-location of health and social services across sites.

3.8 At Cabinet August 2022 the Council decided to insource management of the Leisure centres. Following this decision, the council established and agreed resources for a Leisure Insourcing Programme Board to coordinate and lead delivery and ensure effective management of the programme. This comprises a multi-disciplinary, cross-council team of specialist officers and draws on specialist advice and capacity from external leisure consultants. This is supported by a core programme team of project / programme managers. A lead officer has been allocated to each of the specialist workstream identified in the project programme who draw on expertise and capacity from across the council’s services.

Figure 1: Leisure Programme Project Structure and Workstreams



## How Leisure Insourcing is being Delivered and the Service Established

### *Be Well*: The Vision and Brand for the Leisure Service

- 3.9 The Council has developed and agreed *Be Well* as the brand for the new leisure service following extensive resident engagement. It was designed to encapsulate the council's wider ambitions for the service around health and wellbeing. The vision statement is shown below:

Figure 3: *Be Well* Vision Statement

*"Be Well, run by Tower Hamlets Council, provides leisure services to support residents' journeys to a healthier lifestyle. Our aim is to raise the quality of life for the Tower Hamlets community through three pillars: Health, Wellness and Play.*

*We believe sport and physical activity has a significant role to play in improving the physical and mental health of our community, supporting the economy and reconnecting communities."*

- 3.10 The *Be Well* mission statement is:

Leisure activities, programmes and facilities for the Tower Hamlets community delivered through health, wellness, and play. How this will be delivered is shown below

Figure 4 Definitions of Health, Wellness and Play

HEALTH	WELLNESS	PLAY
<p>Providing excellent services to enable healthy lifestyles.</p> <ul style="list-style-type: none"><li>• A full and varied programme of activities to support physical and mental health for all.</li><li>• Clean, inviting and well-equipped facilities.</li><li>• Dedicated, passionate and qualified staff.</li></ul>	<p>Removing barriers to create inclusive and accessible environments.</p> <ul style="list-style-type: none"><li>• Targeted programmes and interventions to remove barriers and support groups who don't currently access services.</li><li>• Connecting the community with health and wellbeing services that support their lifestyles.</li><li>• New opportunities and spaces for women and girls.</li><li>• Regular review of centres and programmes to ensure our offer meets the diverse needs of our community and increase participation.</li></ul>	<p>Supporting local groups and clubs to bring communities together.</p> <ul style="list-style-type: none"><li>• Partnership working with schools, community and voluntary groups, governing bodies, sports clubs, parks, youth services and more.</li><li>• Encouraging and enabling group activities to improve health and wellbeing.</li><li>• A Sports Strategy for all ages and abilities.</li></ul>

- 3.11 Using the *Be Well* brand, a range of physical and digital material has been developed. The new website went live on 1<sup>st</sup> May. Advertising panels have been used including bus stops and digital locations across Town Hall screens, Idea Stores and Family Hubs and printed material is in the leisure centres with signage and branding changed ahead of the opening and launch of the service on 7<sup>th</sup> May.

### Financial Planning

- 3.12 The new *Be Well* Leisure Service budget was approved by in February 2024. The council used financial information supplied by GLL to build the expenditure and income budgets. The approved budget for 2024-25 is £2.105 million reducing to £1.344 million in 2025/26 including central support costs.
- 3.13 This was used to develop a 10-year revenue model for the service which has continued to be refined. It is projected that the service will move from net subsidy into surplus in 2027/28 with forecast growth in income of 24%. Additional income is anticipated from events (especially at York Hall), memberships (both additional and because of reducing customer attrition), York Hall Spa, additional Swim School membership and potential NHS commissioned services.

Table 1 – 10-Year Revenue Model – Leisure Services

Year	1	2	3	4	5	6	7	8	9	10
	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34
Income	9,629	11,709	13,083	13,705	13,979	14,259	14,544	14,835	15,132	15,434
Expenditure	11,735	13,053	13,325	13,608	13,880	14,157	14,440	14,729	15,024	15,324
Net	2,105	1,343	241	(97)	(99)	(101)	(103)	(105)	(107)	(110)

#### Facilities & Asset Management

- 3.14 In February 2022, Cabinet received a report setting out the need for capital investment into the borough's leisure centres. The report identified the need for £25.163 million investment. Capital investment was the responsibility of the Council over the period that GLL managed the leisure sites and had not been brought forward sufficiently to maintain condition over many preceding years. Specifically, to address the condition needs of the leisure estate, the council approved £1 million per year 2022/23 to 2024/25. This level of funding has been continued until 2026/27.
- 3.15 Detailed asset condition surveys have been carried out which indicate a total level of investment required (including fees at 11%) of c.£27.14 million over the next 10 years as shown in table 2.

Table 2 Assets Management Capital Investment Requirements (2023 Asset condition Surveys)

	Year 1 2024/25	Year 2 2025/26	Year 3- 5 2026- 2029	Year 5- 10 2029- 2034	Total
Replacement costs from condition surveys based on 2023 costs	3,165	6,139	8,170	6,381	23,855
Staffing and Professional Fees	500	500	785	1500	3,285
Total Required Budget	3,665	6,639	8,955	7,881	<b>27,140</b>
<b>Approved funding</b>	<b>3,665</b>				<b>3,665</b>
Additional Budget Required	0	6,639	8,955	7,881	23,475

Costs beyond year 1 are provisional and do not include any allowance for inflation.

3.16 The programme of works for 2024/25 will commence shortly and is summarised in table 3.

Table 3 Leisure Assets Investment Programme 2024/25

Facility	Priority Item (works)	Cost (£000s )
York Hall LC	Pool plant, Boilers, Roof	1,986
Whitechapel SC	Heating & Ventilation system, roof, lighting	108
Tiller LC	Boilers, Roof, Pool plant	93
Poplar Baths & LC	Heating & ventilation system, pool plant	47
Mile End LC & Stadium	Lighting system, heating system, fire alarm system, pool plant, roof, plant room	517
John Orwell SC	Boilers, lighting system, structural works	414
TOTAL WORKS		3,165
TOTAL Cost Incl Fees		3,665

3.17 As part of the ending of the leisure contract and leases with GLL, the council commissioned Carter Jonas to produce costed dilapidation surveys for all the leisure buildings. These have been completed alongside an assessment of the requirements of the leisure contract and the leases. This has supported the council in commencing formal dilapidation discussions with GLL. As previously mentioned, GLL were responsible an annual planned preventative maintenance programme. The 2023/24 programme was submitted in October 2023 officers are reconciling that schedule against a programme of over 100 property defects that are being rectified and repaired by GLL.

- 3.18 The insourcing of the leisure service gives the council an opportunity to incorporate the council's net zero carbon ambitions into its leisure asset strategies. There are grants available including the Public Sector Decarbonisation Scheme (PSDS) from the government to part-fund decarbonisation of council buildings, although the level of funding available is not sufficient to meet the total cost. The 10-year asset investment plan includes the replacement of existing heating systems and so there is an opportunity to consider the most appropriate and cost-effective way of incorporating net zero carbon technology.

#### Investing in Facility Improvements

- 3.19 As well as investing in leisure assets, work is underway to develop a longer-term facilities strategy to extend and develop the offer.
- 3.20 The Council is already investing c.£39 million in the redevelopment of the new St George's Leisure Centre which will create a flagship swimming and sports offer alongside exciting and flexible new facilities. The new centre is programme to be complete in 2027.
- 3.21 York Hall is considered to have significant potential considering the building's heritage interest, as the home of British Boxing and its spa facilities. This is supported by its location, adjacent to the recently refurbished Young V&A museum and excellent public transport links.

#### HR and Staffing

- 3.22 To create the service, a new staffing structure has been developed. The staffing structure chart is shown at Appendix 1. There are three key teams:
- The Operations Team, including in-sourced sports and leisure facility teams.
  - The Commercial Team, including, sales, marketing, and customer services.
  - The sport and physical activity team which it has been agreed in principle will transfer, subject to staff consultation.
- 3.23 ICT, public health, and facilities management services will run alongside these teams commissioned by the *Be Well* Leisure Service.
- 3.24 A key aspect of the insourcing process involved the requirement under TUPE (Transfer of Undertakings (Protection of Employment)) Regulations 2006 as amended in 2014. TUPE regulations protect employees' rights when a service is transferred from one organisation to another. The final list of transferees was: 62 colleagues (51.8 FTE) and 179 casual staff.
- 3.25 Council Officers have met with all three LBTH recognised Trade Unions and have established a monthly liaison meeting to foster good working relationships. The council's position for transferring colleagues were that they would transfer on their existing terms and conditions of employment. This was communicated to colleagues by way of a formal measures letter. Going forward consideration must

be given to how the Council will approach the harmonisation of terms and conditions of employees.

- 3.26 GLL were not required to provide details of casual staff but they have been identified and have been invited to approach the council so their working arrangements can be fully understood and to determine whether they will become part of the service.
- 3.27 At the time of writing there are a total of 20 vacancies. These will be sourced on a temporary basis by 4 Leisure Recruitment pending permanent recruitment.
- 3.28 In April, the council hosted a leisure recruitment fair at the Town Hall with several hundred residents expressing an interest in leisure jobs within the *Be Well* Leisure Service. Officers are working up options for how we can support residents into roles in the leisure service.
- 3.29 The Council hosted a 'welcome' meeting at York Hall attended by approximately 150 colleagues with presentations from the Deputy Mayor and Chief Executive.
- 3.30 The launch of the new Council Service was preceded by a closure week, necessary to support a programme of staff induction and training including familiarisation with the new leisure IT systems, health and safety issues and financial systems. This also allowed for IT equipment and new uniform to be issued and to prepare for the opening on the 7<sup>th</sup> May. At this time additional maintenance and cleaning works were carried out as well as the rebranding of the facilities.

#### Contracts & Procurement

- 3.31 As part of the transfer process there has been a programme to plan how to novate contracts from GLL to the Council or enter into new temporary arrangements with suppliers to ensure service continuity. Where possible, services have been integrated into existing council contracts by way of a deed of variation. For example, cleaning and facilities management services have been integrated into the council's wider contracts.

#### ICT and Customer Experience

- 3.32 The ICT workstream has been key in supporting the service to develop the Leisure Management System. The council has commissioned the Gladstone 360 product and service, which is a well-known, leisure industry product to support the management of the service. One of the key challenges has been to transfer customer data from GLL's system into the new system to ensure a smooth customer handover. This required the transfer of c.18,000 customer accounts to the new system of which c.12,000 are direct debit fitness (gym) customers, c.4,500 are classes / lesson members and the rest are 'pay and play' customers.
- 3.33 IT hardware (laptops, desktops and tablets) have been built on site and colleagues have been issued with council IT log-in details.



3.34 The *Be Well* website has been built and went live on 1<sup>st</sup> May with additional functionality being available for customers to book activities the following week. The next phase will be the launch of the *Be Well* app in June.

#### Health and Wellbeing Offer

3.35 The new *Be Well* Leisure Service, in collaboration with key partners, can help reduce health inequalities. The evidence base has been considered and is being used to determine measures of success:

- Women and girls are less likely to be active than men (25% compared to 23%).
- People aged 65+ are less likely to be active than younger people.
- People living with long term conditions and disability are less likely to be active than those without.
- People from Asian, Black, or Other backgrounds are less likely to be active than people with white background (42% Asian population inactive compared to 17% from White British background).
- People living in more deprived areas and on low incomes are less likely to be active than those living in more affluent areas.
- 50% of Girls are less active compared to 40% of boys.
- There are high levels of excess weight amongst children and young people in the borough.
- Low healthy life expectancy and a 7-year gap between men (65 years) and women (58 years) with wider gaps in Asian and Mixed ethnic groups with a high prevalence of females who are long-term unemployed.
- Post covid, sedentary lifestyle has increased amongst young people of the borough. This has led to an increase in number of cases of stress and anxiety reported amongst school aged children. This is reflected in the high number of children being referred to CAMHS.
- The number of reported cases of diabetes within women in the borough, 78% come from the BAME background compared to 22% who came from a white background.

3.36 Whilst reducing these inequalities will be challenging and requires long-term commitment, a 'whole-system' approach and cross-organisational partnership, there are examples of good practice in the capital and across the country we can build on. National research shows that 64% of people with a long-term health condition would like to be more active. Physical activity is safe for most people with long-term conditions, but the lack of an inclusive environment and suitable activities are seen as barriers.

3.37 The Public Health workstream has been focussing on developing relationships and identifying opportunities with health partners and council services. Over the coming months the following initiatives and pilot projects will be launched ahead of publishing a Sport and Wellbeing strategy:

- Community Activity Finder launched this week to make it easier to become more active and promote local clubs and organisations.
- Staff training in health and rehabilitation to develop a skilled workforce.



- Pilot project with local disability charity (Ability Bow) and Mile End LC to help us improve inclusivity and access.
- Developing pilot project with Community Learning Disability Day Centre to improve inclusivity and access for people with learning disabilities.
- Free swimming programme for women & girls and older adults.
- Pilot new memberships for young people supported by the Youth Justice and for Service Care Leavers.
- Lifeguard training and apprenticeship opportunities.
- Exploring a Social Prescribing Referral Scheme for inactive residents at risk of or living with a health condition.

### Programme Risks and Mitigations

3.38 Each workstream within the Leisure Programme has its own risk register which is reviewed and discussed at the monthly board meeting by the workstream leads. Table 5 (below) summarises the key programme risks. The key risk themes relate to the transfer of staff and the impact on the service, the condition of the leisure facilities and long-term investment needs and continuity of supplies and services contracts.

Table 4: Leisure Programme Risk Register May 2024

Risk	Risk Score	Mitigating Actions	Residual Risk Score
HR & Employees Insufficient managers and employees transferring GLL preventing opening.	16	<ul style="list-style-type: none"> <li>• Employ managers using newly evaluated roles, TUPE transfer of staff, use of specialise recruitment company to supply temporary staffing</li> </ul>	6
HR & Employees Pressure to and implications of harmonisation of terms and conditions.	12	<ul style="list-style-type: none"> <li>• Determine implications of harmonisation of terms and conditions</li> <li>• Develop regular trade union forum to build trust and good relationships</li> </ul>	12
Buildings (Facilities and Asset Management) Insufficient approved revenue budget for maintenance	12	<ul style="list-style-type: none"> <li>• Additional revenue funding included.</li> <li>• Schedule of repairs carried agreed and carried out by GLL</li> </ul>	6
Buildings (Facilities and Asset Management) Significant shortfall in approved capital funding over 10 years (£24M)	20	<ul style="list-style-type: none"> <li>• Year 1 capital funding approved.</li> <li>• Years 2-3 to be considered as part of the MTFS process.</li> <li>• Asset Dilapidations process underway</li> </ul>	12

Procurement & Legal Lack of novated and new contracts in place to ensure continuity of service		<ul style="list-style-type: none"> <li>• Programme of contract novation and RCDAs have been delivered.</li> <li>• Programme for 2024/25 being developed.</li> </ul>	
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#### **4 EQUALITIES IMPLICATIONS**

- 4.1 A key consideration for in-sourcing the service was for the council to have the greater direct control of the service impact in order that it contributes in particular to reducing health inequalities as set out in section 3.11. The service is also expected to contribute to other council strategic priorities for example in relation to employment and skills. It is also the aim of the new service to have a representative workforce of the community.

#### **5 OTHER STATUTORY IMPLICATIONS**

##### **Best Value Implications**

- 5.1 The revenue budget for the service has been developed using a zero-base approach and modelled over a 10-year period showing income growth and an operating surplus from year four.
- 5.2 Detailed asset surveys have been carried and used to develop a 10-year asset investment programme which will be considered as part of council's MTFS. As the facilities strategy is developed, approaches to funding improvements to the facilities will be considered including maximising grant funding opportunities exploiting commercial opportunities.
- 5.3 The approach taken with the necessary supplies and services contracts has ensured continuity of service and a full programme of leisure procurement is being developed to ensure best value.
- 5.4 Risks are identified and managed within an integrated project framework.
- 5.5 Analysis supporting planned improvement is in place and ongoing.
- 5.6 Historic issues that had hindered performance have been identified and are being rectified.

##### **Consultations**

- 5.7 As set out in the paper there has been extensive resident engagement to design the new service.

##### **Environmental (including air quality)**

- 5.8 No additional comments

## **Risk Management**

5.9 See section 4.43

## **6 COMMENTS OF THE CHIEF FINANCE OFFICER**

- 6.1 On 1<sup>st</sup> May 2024, the council took over the management and running of the council's leisure centres after approximately 20 years of outsourcing to GLL. The current capital programme has a budget of £3.000m over the years 2023-24 to 2025-26. This budget was financed through borrowing, it was agreed that the 3-year profile would be slipped from 2023/24 and accelerated from 2025-26 into 2024-25, topped up using a mix of s106 and CIL. This revised budget has now been through the capital governance process and the proposed works have been approved, as of 30<sup>th</sup> April 2024. Approved budget for 2024-25 is £3.665m, funded with £2.903m borrowing, £0.408m s106 and £0.282m CIL.
- 6.2 The leisure centre investment programme will be revisited during the capital budget setting in autumn 2024, where a more detailed capital requirement for the next 3 years will be reviewed, and suitable finance options will be recommended. It is noted that a minimum capital investment over the next 10 years is £23.475m as per Table 2.
- 6.3 There is no provision in the capital programme beyond the £3.665m currently approved, this also represents a growth of £0.665m from the original approved budget of £3m, as set out in the January Cabinet report.
- 6.4 The ten-year revenue model for operating the service is outlined in para. 4.18. Actual income and expenditure figures incurred by GLL in 2022/23 were used as the baseline for creating the budget. Inflation was added and adjustments made to arrive at a net budget of £2.1m for 2024/25. This budget growth was approved as part of the Council's budget setting process.
- 6.5 Savings targets of £967k in 2025/26 and £2m in 2026/27 have been built into the MTFS, where the service is projecting to grow its customer base, resulting in a breakeven position and then surplus from 2027/28 onwards, with the service being income funded. No further growth in the customer base is projected after 2026/27, with maximum capacity being reached.
- 6.6 There are a number of risks to achieving these budget targets. Reaching a breakeven position in four years is reliant on significant growth in the customer base; Harmonisation costs could exceed the £250k set aside to fund them; Further centre closures may be required when undertaking capital works which will impact income and the spa closure over the summer months has not been factored into budgets. A risk register is maintained detailing these risks and mitigating actions which are discussed with senior officers and members at Leisure Board meetings.
- 6.7 There are also opportunities for further savings. Other services could be hosted within the leisure centres, for example Youth services, reducing Council overheads. Insourcing the services allows closer working between leisure and public health and opportunities to better utilise public health grant.

- 6.8 A £1.9m project budget was allocated from reserves to meet the cost of insourcing the leisure service. At the end of 2023/24, £300k remained unspent from this allocation and it is proposed to transfer this back to reserves as part of the closure of accounts process. A further £1.39m has been allocated for 2024/25 and £275k in 2025/26 to fund the project team and manage the ongoing costs associated with insourcing the service.
- 6.9 The revenue implications of the St George's leisure centre do not form part of the 10-year revenue model. Although detailed modelling has yet to be completed on the impact of this centre, the Council's financial consultants FMG have indicated that the centre is likely to run at a loss for several years before breaking even or making a surplus. These losses will need to be contained within existing budget provision or form MTFS growth from 2027/28 onwards.

## **7 COMMENTS OF LEGAL SERVICES**

- 7.1 The council has the legal power to provide its leisure functions via in-house provision.
- 7.2 The council is legally required to secure continuous improvement in respect of the delivery of its functions in terms of a combination of economy efficiency and effectiveness. The council is also legally required to consult with stakeholders and take into account central government advice when seeking to change the mode of delivery of a significant legal function. The consultation must take place whilst the relevant decisions are at a formative stage and the council should consciously consider the results of the consultation whilst forming the relevant decision albeit the Council has a wide discretion to determine what constitutes Best Value to it. The report of August 2022 demonstrates that the appropriate procedure was followed whilst coming to the decision that was eventually taken.

## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

None.

### **Appendices**

Appendix 1: *Be Well* Leisure Service Draft Staffing Structure

### **Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012**

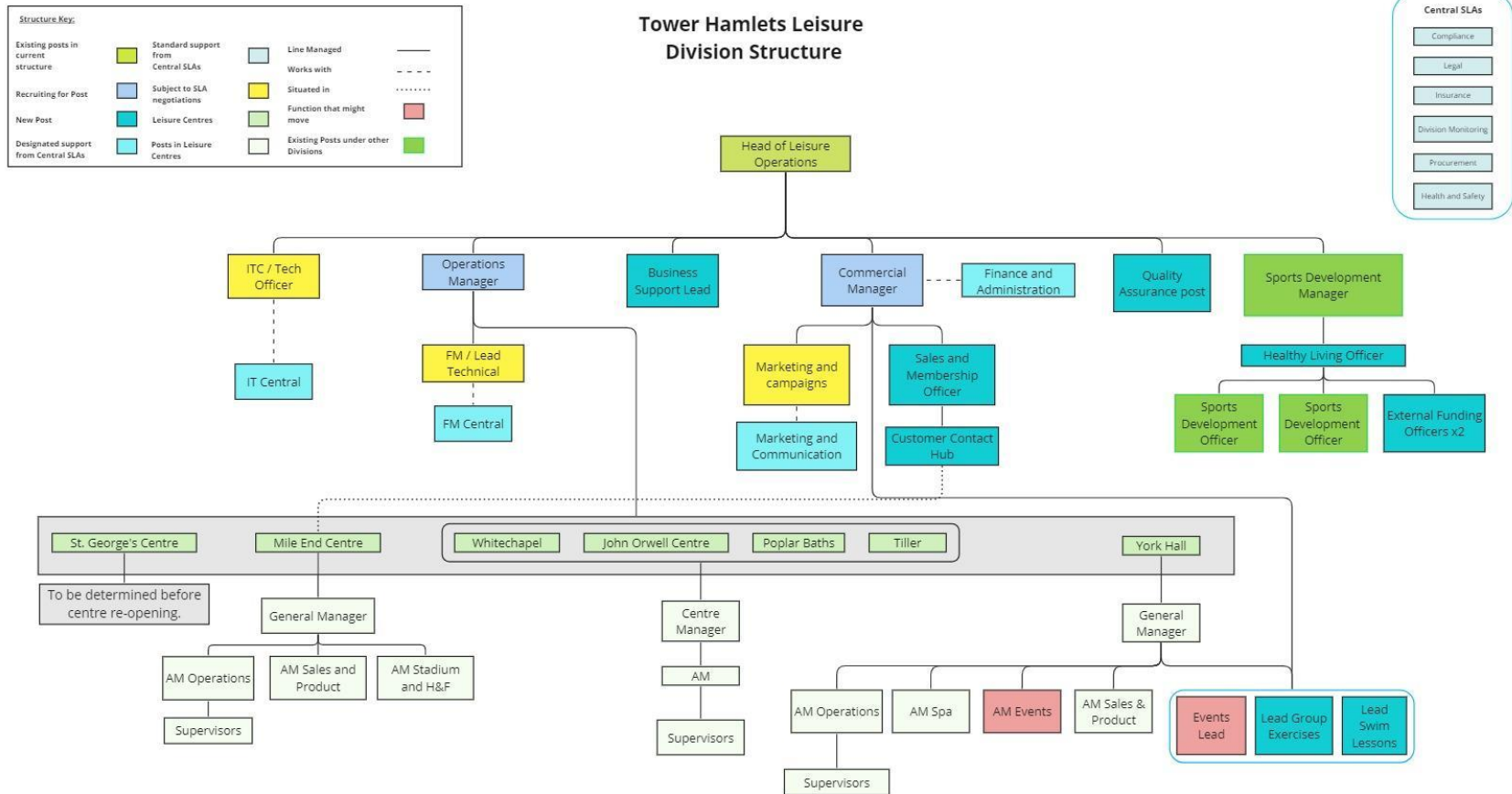
- None.

### **Officer contact details for documents:**

N/A




# Appendix 1: Be Well Leisure Service Draft Staffing Structure



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<p><b>Cabinet</b></p> <p>16 May</p>	
<p><b>Report of:</b> Stephen Halsey, Chief Executive</p>	<p><b>Classification:</b> Unrestricted</p>
<p><b>Improving the Council's Scrutiny Function</b></p>	

<b>Lead Member</b>	<b>Mayor Lutfur Rahman</b>
<b>Originating Officer(s)</b>	Stephen Halsey, Chief Executive
<b>Wards affected</b>	All wards
<b>Key Decision?</b>	No
<b>Reason for Key Decision</b>	This report has been reviewed as not meeting the Key Decision criteria.
<b>Forward Plan Notice Published</b>	N/A
<b>Exempt information</b>	N/A
<b>Strategic Plan Priority / Outcome</b>	All plan priorities

**Special circumstances justifying urgent consideration / Reasons for Urgency**

This report was not published by the statutory deadline as due to the unavoidable rearranging of the Cabinet meeting, administrative processes had to be shortened and it did not prove possible to complete for this report in time for the initial agenda publication. It is important that this report is considered at this meeting as it will inform the Mayor and Cabinet's decisions to ensure key administration priorities are met.

**Executive Summary**

The Scrutiny function of the Council is an important part of the governance arrangements of the Council and a key element of the Council's arrangements to ensure continuous improvement and meet its statutory best value duty. This report identifies areas for improvement in the Council's Scrutiny function and a set of dedicated actions to address them. It calls for Cabinet to note, endorse and or approve these actions. Some suggested ways forward will need to be the subject of further discussion and approval by the Overview and Scrutiny Committee. There will be full engagement with scrutiny members when developing the annual forward plan and the vehicle to do it.

## **Recommendations:**

The Mayor in Cabinet is recommended to:

1. Note and endorse the improvements to training and support for Members.
2. Note and endorse the approach taken to improve the effectiveness of the role of Statutory Scrutiny Officer.
3. Note and agree the approach to be taken to improve the Overview and Scrutiny support function
4. Note and endorse the officer actions to further enhance a positive relationship between scrutiny and the Executive comprising :
  - a review of scrutiny procedures in relation to the recently published good practice guides from the Centre for Public Scrutiny
  - the facilitation of a Scrutiny Protocol addressing issues such as how Cabinet will engage with scrutiny recommendations at Cabinet and establishing a process that supports a formal response to all issues referred to Cabinet by overview and scrutiny including recommendations, questions or calls for action.
  - As part of the review of the constitution reviewing the Scrutiny Procedures and the Scrutiny Toolkit set out in the Constitution, simplifying where useful.
5. Note and endorse the actions to be taken to raise understanding and awareness of officers of the role of scrutiny.
6. Note and endorse the proposals to increase the public profile and understanding of the scrutiny function of the council
7. Note the specific equalities considerations as set out in Paragraph 6.1.

## **1 REASONS FOR THE DECISIONS**

- 1.1 The Scrutiny function of the Council is an important part of the governance arrangements of the Council and a key element of the Council's arrangements to ensure continuous improvement and meet its statutory best value duty. The proposed actions set out in the report address recommendations made by the LGA Corporate Peer Challenge Report published in December 2023 and meet the Council's published commitments to address those recommendations also published in December 2023. They are considered necessary to further improve this function of the Council and accelerate the speed of that improvement.

## **2 ALTERNATIVE OPTIONS**

- 2.1 Do nothing. This is not recommended as the Council must show that it is always striving to improve and there are clearly areas of the scrutiny function where the Council can improve. Failure to act would result in the

Council failing to meet its published commitments in the Council's LGA CPC Action Plan.

- 2.2 Agree to note and endorse some but not all of the recommendations. This is open to the Committee to do but all of the issues set down in the report and the associated actions are considered important and worthy of consideration.
- 2.3 Do not note or endorse or agree any of the recommendations but refer all of the issues outlined in the report to the Overview and Scrutiny Committee. The report acknowledges that Overview and Scrutiny must be engaged directly on a range of the issues included in the report. However, some matters fall specifically to the CEO. Others are matters that the Executive might wish to demonstrate their support for and be seen to support the work of the Scrutiny function.

### **3 DETAILS OF THE REPORT**

#### **3.1 Introduction**

- 3.2 Overview and Scrutiny has an important role to play in the Council's governance and accountability framework. It is a statutory duty for Councils with the directly elected mayoral system to set up and maintain an effective overview and scrutiny function as set out in Sections 9F to 9FI in the Localism Act 2011. The new government guidance on overview and scrutiny functions published this month (Overview and Scrutiny, Statutory Guidance for Councils, combined authorities and combined county authorities) stresses the importance of member support in the success of the function.

*'While everyone in an authority can play a role in creating an environment conducive to effective scrutiny it is important that this is led and owned by members, including any directly elected mayor, given their role in setting and maintaining the culture of an authority.'*

- 3.3 Over the last 12 months The Council has been focused on strengthening the Overview and Scrutiny Function whilst working to realign resources to better support it.
- 3.4 The Local Government Association, in their recent Corporate Peer Review (September 2023) recommended that The Council should consider best practice in relation to the chairing, membership and cross party working in and of key committees such as Overview and Scrutiny. External training for these committees should also be arranged.
- 3.5 The Centre for Governance and Scrutiny who have been supporting the Council's scrutiny improvement programme have confirmed that The Council has some areas of good practice including the Member Support and Training programme. The Council believes that it should strive for exemplar status for its Scrutiny function and has committed to a body of work outlined in the

Council's LGA CPC Action Plan (published in December 2023) to achieve this. This report sets out the key features of an improvement programme which will assist in achieving exemplar status.

#### **4. What constitutes best practice?**

4.1 The Centre for Governance and Scrutiny issue a number of reports that can help guide Councils in their Scrutiny arrangements. The key publication is their annual survey and report which captures feedback from Councils and sets out how they operate their Scrutiny functions. This section summarises key points from the reports.

#### 4.2 Recent CfGS Reports include:

##### Annual Reports

- Annual Report and Survey 2022-23 - [2022-23-CfGS-Annual-Survey-.pdf](#)
- Annual Report and Survey 2021-22 - [CfGS-Annual-Survey-2021-22-Revised-P2.pdf](#)

#### 4.3 Other Selected Recent Reports

- Financial Scrutiny – A Guide for Members - [2023-12-11-Finance-Scrutiny-guide.pdf \(cfgs.org.uk\)](#)
- Audit, Scrutiny and Risk - [Audit-Scrutiny-and-Risk.pdf \(cfgs.org.uk\)](#)
- The Use of Call-In - [call-in.pdf \(cfgs.org.uk\)](#)
- Health Scrutiny – a short guide - [Health-Scrutiny-DRAFT-DESIGN.pdf \(cfgs.org.uk\)](#)

#### 4.4 Key Signs of Productive Scrutiny

The 2021-22 report in particular lists a set of key factors that determine whether a Council's Scrutiny function is able to perform effectively:

- Dedicated Officer Resourcing
- Member Training
- A positive relationship between scrutiny and the executive – driven by a clear understanding of Scrutiny's role and responsibilities.
- Timely access to proportionate, high-quality information.
- Cross-party Chairing (or, good cross-party relationships)

4.5 The more recent 2022-23 report looks at specific areas on Work Programming, Chairing, Scrutiny Protocols, budget scrutiny and how many scrutiny recommendations are accepted by Cabinet.

4.6 Some general weaknesses in the sector are also identified including:

- Scrutiny struggles with meaningful public engagement
- Scrutiny of financial matters
- Councillor understanding of corporate and service risks

## 5. Areas for improvement.

### 5.1 Training and Support.

5.2 The Council's member support programme has been commended as very good by the Centre for Governance and Scrutiny. In addition to the learning and development plan (see appendix 1) a mentoring programme is being developed and learning opportunities are being established with other local authorities. But there is still room for improvement.

### 5.3 Dedicated Improvement Actions. Things the Council can do immediately.

5.4 The Council are introducing some further enhancements to it. From May 2024 Members will be able to make use of their new Individual Member Training Budgets to deliver tailored training to help with their scrutiny roles.

5.5 Linked to this the Council will Prioritise Scrutiny Members in the completion of Personal Development Plans and actively encourage the take up of individual member training budgets.

5.6 Work is underway to enhance mentoring opportunities for Members and a further programme of support and workshop sessions delivered for members by the Centre for Governance and Scrutiny is being developed.

5.7 The Council are in the process of establishing links with other councils to develop shared learning opportunities for the scrutiny function.

5.8 Opportunities will be developed to provide a Member training session for the Mayor and Cabinet on 'supporting effective Scrutiny'.

### 5.9 Actions that officers will take forward with Overview and scrutiny subject to their direction.

5.10 Scrutiny will be invited to work with officers as part of the agenda forward planning process to identify those issues where it will be useful for scrutiny to have the support of an independent expert. A dedicated budget will be created for this. Further discussion with Overview and Scrutiny on how this might work will be required.

5.11 In consultation with scrutiny members the Council will introduce a specific training element for scrutiny members focusing on the management of corporate and service risks and the MTFs to address sector weaknesses identified by recent studies.

### 5.12 The Role of the Statutory Scrutiny Officer

- 5.13 Combined authorities, combined county authorities and upper and single tier authorities are required to designate a statutory scrutiny officer, someone whose role is to:
- promote the role of the authority's scrutiny committee
  - provide support to the scrutiny committee and its members
  - provide support and guidance to members (including any mayor) and officers relating to the functions of the scrutiny committee
- 5.14 The role is one that falls to the CEO to allocate. It is clear that this role is an important one and that it must be capable of achieving positive transformation and improvement at the speed and to the level that the Council aspires to. Work needs to be undertaken to ensure that this role is as effective as it can be.
- 5.15 *Dedicated Improvement Actions. Actions the Council can do immediately.*
- 5.16 The CEO will quickly consider how best to enhance the role of the SSO going forward and make the necessary changes to facilitate this outcome.
- 5.17 *Actions that officers will take forward in consultation with OSC.*
- 5.18 The role of Statutory Scrutiny Officer will be more fully integrated into the work and decision making of the authority and will be asked to develop an engagement programme with Corporate Directors and Directors to promote the work of the Scrutiny function and develop arrangements to identify key issues where Scrutiny input would be beneficial to the authority.
- 5.19 The SSO will be tasked by the CEO to work with Overview and Scrutiny Committee to develop a programme of work that builds upon what is in this report and will establish this function in Tower Hamlets as an exemplar.
- 5.20 *The Scrutiny Support Team*
- 5.21 The capacity of officer support in the meetings needs to improve and agenda management needs to be tightened up. Work planning needs to improve to ensure that reports are timetabled appropriately and early enough to provide valuable pre-decision scrutiny and for appropriate officers and Members to be available to present. These operational matters fall to the CEO to address under the constitution.
- 5.22 *Dedicated Improvement Actions. Actions that the Council can do immediately.*
- 5.23 The CEO will consider what actions are necessary to address the areas for improvement outlined above and in consultation with the Chair of Overview and Scrutiny will implement arrangements that the CEO considers will address them. Existing corporate wide arrangements for servicing the scrutiny function will be reviewed and amended by the CEO as necessary.

- 5.24 Further enhancing a positive relationship between scrutiny and the Executive
- 5.25 The Mayor is clear that the scrutiny function plays an important role in testing and strengthening the Council's approach to decision making and is a key element of the Council's accountability framework. More can be done to develop a positive relationship between scrutiny and the executive driven by a clear understanding of scrutiny's role and responsibilities.
- 5.26 *Dedicated Improvement Actions. Actions that the Council can do immediately.*
- 5.27 Officers will undertake a review of scrutiny procedures in relation to the recently published good practice guides from the Centre for public Scrutiny and report to OSC on completion.
- 5.28 Officers will facilitate the establishment of a Scrutiny Protocol that meets local needs and is understood by all parties. This will address issues such as how Cabinet will engage with scrutiny recommendations at Cabinet and establishing a process that supports a formal response to all issues referred to Cabinet by overview and scrutiny including recommendations, questions or calls for action.
- 5.29 As part of the review of the constitution the Scrutiny Procedures and the Scrutiny Toolkit set out in the Constitution, will be simplified where useful.
- 5.30 Raising the level of understanding and engagement of officers with the role of scrutiny.
- 5.31 Senior managers should have a consistent understanding of the role of scrutiny, how it functions and their role within it. There should be a consistent level of positive engagement with scrutiny committees by senior managers. It is not clear if all senior managers have a consistent understanding of this important function and the process and quality of engagement could be made more consistent than it has been in the past.
- 5.32 *Dedicated Improvement Actions. Actions that the Council can do immediately.*
- 5.33 CMT leads will be more firmly established for each scrutiny committee ensuring consistent senior officer attendance at Scrutiny meetings.
- 5.34 A mandatory training session in June 2024, for all senior managers will be introduced on how to support effective scrutiny.
- 5.35 Officers will be required to identify emerging policy or strategic issues that it may be useful to have early scrutiny engagement to supplement the development and maintenance of a forward plan.

- 5.36 The CEO will re-enforce the need to provide responses to Scrutiny information requests in a timely manner monitoring and enforcing specific turn around times.
- 5.37 Officers will be tasked with reviewing the budget scrutiny process with a particular focus on scrutiny in the early part of budget development and report back to the Chair of overview and scrutiny when this is completed.
- 5.38 The Scrutiny Function and engagement with the public
- 5.39 The Scrutiny Function is not only about reviewing strategies, decisions and plans. It is also about understanding and reflecting upon the lived experience of residents and service users. It is also important that residents understand and see the work that Councillors undertake on their behalf. Scrutiny Members do meet residents or service users from time to time. However, a more structured approach to public engagement is needed as public engagement is a powerful way in which to raise the profile of this important function and to increase public knowledge of its work.
- 5.40 Dedicated Improvement Actions. Actions officers will take forward with Overview and Scrutiny subject to their direction.
- 5.41 Subject to the agreement of Overview and Scrutiny Committee, links to the agenda planning and the Council's comms and engagement function will be put in place to pre plan early the opportunities for resident engagement and the best way to organise it.
- 5.42 The work of the scrutiny function will be the subject of higher levels of internal and external facing communications with a dedicated communications plan.
- 5.43 Overview and Scrutiny will be invited to explore the development of a scrutiny outreach programme where members of scrutiny will be supported go into the community including schools and colleges to explain the important role of scrutiny and the work that it does.
- 5.44 A report addressing the above will be presented to Overview and Scrutiny Committee (OSC) shortly for their comment and consideration. Following that, decisions for the Chief Executive will be actioned and the OSC will agree areas it wishes to progress.

## **6. EQUALITIES IMPLICATIONS**

- 6.1 There are no adverse equalities implications of this report. The recommendations specific to the selection of chair, vice chairs and scrutiny leads encourage the selection of female councillors to these positions where they are underrepresented in such positions across the council.

## **7. OTHER STATUTORY IMPLICATIONS**



7.1 This *section* of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

### **Best Value Implications**

7.2 The Scrutiny function of the Council is an important part of the governance arrangements of the Council and a key element of the Councils arrangements to ensure continuous improvement and meet its statutory best value duty. This is that the Council “make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness”.

7.3 The proposed actions set out in the report address recommendations made by the LGA corporate peer challenge report published in December 2023 and meet the Councils published commitments to address those recommendations also published in December 2023. They are considered necessary to further improve this function of the council and accelerate the speed of that improvement.

### **Statutory Nature of the Scrutiny Function.**

7.4 Members should note that the Executive should do all it can to support and enhance the working of its scrutiny function and much of what is in this report will do this. However, recommendations specific to engagement with the public, positive engagement with scrutiny and the executive, nature and frequency of scrutiny meetings will require the active consideration, agreement and support of Overview and Scrutiny Committee separate from the deliberations of the Executive. The Overview and Scrutiny committee has a statutory status that is independent of the Executive and will therefore be invited to develop its own agenda to improve the scrutiny function which may well add further positive actions to those outlined in this report. It is also the case that some of the suggestions within the report will require the active support and ongoing cooperation of all political groups / parties represented on the Council.

## **8 COMMENTS OF THE CHIEF FINANCE OFFICER**

8.1 The report sets out improved member training and scrutiny arrangements to address the recommendations of the LGA Peer review.

- 8.2 A growth of £45k was approved by Council from 2024-25 as part of budget setting in February 2024 to support member training. The total budget is £60k.
- 8.2 These recommendations will need to be implemented from existing resources and if this is not possible additional funding will need to be approved through the appropriate governance process.

## **9 COMMENTS OF LEGAL SERVICES**

9.1 Legal comments have been incorporated within the report.

### **Linked Reports, Appendices and Background Documents**

#### **Linked Report**

- NONE.

#### **Appendices**

Appendix 1. Member Learning & Development Plan 2024-2025

#### **Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012**

- None.

#### **Officer contact details for documents:**

N/A

**Member Learning & Development Plan 2024-2025**

**This Plan is for Year 3 of the 4-year electoral cycle. Initial training sessions and date ranges will be agreed at the start of the year and the Plan will be updated throughout the year with progress, completions and any newly identified training.**

**Included below are the sessions planned for 2024-25. This list does not include training arranged through the individual Member training budgets, or any regular committee training.**

**If there is any training not listed that you would like us to arrange, or if you have any queries about the sessions below please contact Democratic Services.**

<b>Training (group sessions)</b>	<b>Trainer</b>	<b>Date</b>	<b>Status</b>
Ethics & Probity (councillors)	Linda/Matthew	27 June 2024	Scheduled
Important training for Members on Outside Bodies	Beth Evens	23 May 2024	Scheduled
Chairing skills	TBC	TBC	Pending
Meet the Directorates (re-run)	Directors	5 June 2024	Scheduled
Licensing training	Gary Grant	13 June 2024	Scheduled
Coaching for elected and civic Mayors and Chairs of Council	David McGrath Check NACO training	TBC TBC	Pending
Social Media training	TBC	TBC	Pending
Public Speaking	TBC	TBC	Pending
Dealing with abuse and Intimidation	TBC	TBC	Pending
Strategy on Effective Communication with Communities	TBC	TBC	Pending
Effective Committee Participation	David McGrath	TBC	Pending
Chamber Skills	David McGrath	TBC	Pending
Reading and evaluating reports/speed reading	TBC	TBC	Pending
<b>Training (Selected Individual sessions)</b>	<b>Trainer</b>	<b>Date</b>	<b>Status</b>
Member PDPs (pilot)	Mark Palmer SEEMP	3 May 2024	Scheduled

Coaching for Members pilot	Kash Haroon	Started March 2024 and ongoing	
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