



Meeting of the

TOWER HAMLETS COUNCIL

Wednesday, 19 February 2020 at 7.00 p.m.

BUDGET AMENDMENTS PACK

VENUE

Council Chamber, 1st Floor,
Town Hall, Mulberry Place,
5 Clove Crescent,
London E14 2BG

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LONDON BOROUGH OF TOWER HAMLETS

COUNCIL

WEDNESDAY, 19 FEBRUARY 2020

7.00 p.m.

5. BUDGET AND COUNCIL TAX 2020/21

3 - 18

Amendments to the Budget Motion received from:

- Councillor Peter Golds (for the Conservative Group)
- Councillor Rabina Khan

Related officer comments are also attached.

Agenda Item 5

Conservative Budget Amendment

Proposed: Cllr Peter Golds

Seconded: Cllr Andrew Wood

This Council supports:

- A 3% Council tax increase (not 3.99%)

This Council notes that the current administration has increased Council Tax every year substantially above inflation except in a local election year.

The cumulative effect has been to increase Band D Council tax from £885.52 in 2015/16 to £1,060.35 in 2020/21, a 20% increase in five years. CPI inflation has gone up by 9% in a similar time period (this assumes CPI remains at 1.4% this coming year). These have been the increases each year in the Tower Hamlets Council portion of Council tax.

Year	Inflation element	Adult Social Care element	LBTH Increase	CPI inflation
2016	1.99%	2%	3.99%	1.0%
2017	1.99%	3%	4.99%	2.6%
2018	0%	2%	2.00%	2.3%
2019	2.4%	1%	3.40%	1.4%
2020	1.99%	2%	3.99%	1.4%

The need to spend money before it is lost to inflation

This Council notes that the Council has substantial reserves and that we are currently earning less in interest than is lost to inflation which means that over time our reserves are declining in value. Although thanks to the recent fall in inflation and earning higher interest rates the rate of loss has declined but is still substantial.

Below is an estimate of those losses:

	Final	Draft	Projected
	31/03/2018	31/03/2019*	31/03/2020
Total value of reserves £m	543.6	548.4	469.6
Projected loss in reserves through inflation £m	(9.0)	(2.7)	(2.6)

This is a loss of £14.3 million in three years.

We have therefore allocated £372,813 to increase the size of the Infrastructure Planning Team. We also believe it would be appropriate to spend Community Infrastructure Levy & S106 funds on programme delivery teams.

Locally the GLA/TfL/LBTH Isle of Dogs and South Poplar Development Infrastructure Funding Study (DIFS) finalised in November 2017, had these forecasts of monies that needed to be spent on the Isle of Dogs and South Poplar. Very little of this money has been spent except for some work on the new South Quay pedestrian bridge. This work should be prioritised based on the recommendations from the GLA.

Category £'000	2017/18	2018/19	2019/20	2020/2021
Utilities	£2,728	£11,088	£8,838	£11,838
Transport & Local Connections	£139	£9,806	£18,756	£23,830
Education	£28,946	£28,946	£28,946	£28,946
Fire, Ambulance, Police, CCTV	£2,930	£0	£0	£0
Health	£1,526	£1,526	£1,526	£1,526
Leisure	£4,764	£4,764	£4,764	£4,764
Community facilities	£738	£738	£5,411	£5,411
Total Low	£41,771	£56,868	£68,241	£76,315
Priority of Spending - Low growth option				
Critical	£2,450	£17,310	£20,310	£18,185
Essential	£35,974	£39,141	£47,314	£55,313
High	£3,347	£417	£417	£917
Desirable	£0	£0	£200	£1,900
	£41,771	£56,868	£68,241	£76,315

This Council believes it is better to be building new schools, GP surgeries, playgrounds, leisure facilities, community centres, youth centres then having money sitting in the bank losing value.

Investment Programme proposal

This Council notes:

It holds substantial reserves including £44.9 millions of New Homes Bonus as well as owning other assets that could be sold.

This Council recommends:

A new programme of investments with the objective of each investment achieving ideally 2 of the following 3 objectives:

1. Climate change mitigation
2. Housing crisis mitigation especially for key workers
3. Financial return to help fund future Council services

Three examples of what such an investment programme could include are:

1. Warrington Borough Council – who purchased two solar wind farms + batteries for energy storage at night – one to generate electricity for Council buildings, 2nd to sell into National Grid to generate a financial return.
2. Purchase off-plan new apartments for key workers – to be rented out at subsidised rental levels affordable to LFB officers, Police officers, Nurses, Junior Doctors, Junior Teachers etc or else set at outer London Borough private rent levels – lets says we can buy 300 apartments at that level – allocate x number of apartments to each surgery, school, Met, Fire station etc dependent on need. To be THH managed.
3. Build new electric vehicle charging network – charge at cost to TH residents to encourage EV uptake, charge a profit to taxis & commercial vehicles. Replace commercial fuel stations with a publicly owned charging network.

Communications

In total we spend more than £864k on the budget for the salaries of the External Communications team alone. This is more then we spend on the ASB or CCTV teams, this is the wrong priority.

We also propose to end Our East End. Like its predecessor East End Life it has become a tool for propaganda. While the Mayor is an important person does he really need his name mentioned an average of 25 times per edition? This will save £80,852 a year.

How often name appears in Our East End editions

Edition	Dec -19	Sep -19	Jun -19	Mar -19	Dec -18	Sep -18	Jun -18	Total
Biggs (Mayor Biggs or John Biggs)	20	19	28	22	41	30	21	181

However, we propose to increase the budget of the social media team by £50k to reflect the importance of communicating with residents rather than the external press.

Police, ASB & Security & Out of Hours Service improvements

We believe that there needs to be a substantial investment in services that improve the safety of residents and or their quality of life. We propose to increase funding as follows:

Extra police funding	£186,000
Out of hours service increase	£150,000
CCTV	£266,057
Community Safety Team	£211,065
Youth centre	£100,000

Fireworks & Celebration%

Bonfire night is held on the border of Hackney but currently LBTH pay for all of these costs. This is iniquitous, that Hackney residents attend but do not contribute. We propose that this year Hackney pay the full cost for a change and that in future years we share the costs equally of this event. If they think this event is valuable, we are sure they will agree.

Language

The Casey review into “opportunity and integration” said on page 94

“6.51. In relation to integration and economic success, one factor that stands out strongly as a barrier to progress is proficiency in English. English language is a common denominator and ensuring everyone is able to speak English enjoys strong public support. Lack of English skills presents a clear barrier to social and economic mobility – going for a job interview, writing a letter to a bank or understanding the country you live in.”

In Tower Hamlets 27% of adults of Bangladeshi origin cannot speak English well or at all.

We therefore propose an increase of £300,000 in funding for English for Speakers of Other Languages (ESOL). This will be provided by the Community Language Team.

Given that at school pupils are able to learn a variety of modern languages we believe that it is unnecessary for the Council to fund the teaching of another language after school. We therefore propose to remove this funding.

Commercialisation

For many years now we have discussed launching a strategy on finding new ways of generating an income to help cover the cost of Council services. No strategy has ever resulted. Although the monies generated from filming show what is possible.

The budget includes £100k for a new team to start developing an income strategy for Tower Hamlets.

Joint Working

It is clear that running small specialist Council teams and being able to recruit and retain specialist staff can be a struggle. It would be easier to do that in larger teams, with a more defined career structure and less reliant on a few individuals. That can best be done by working with neighbouring Boroughs perhaps by sharing teams. Given the difficulties of implementation it may be better to do this team by team finding the right solution for each team then doing a whole Borough merger. Some examples might include:

- Pensions administration team – given recent issues it is clear that the team need more stability and expertise. Options of merging with another organisation need to be considered.
- Risk & audit team – while we can buy in external assistance there are other advantages to sharing a risk and audit team then just cost savings from a common management. Best practise can be easily shared across participating Councils and poor practises more easily spotted.
- Planning team – there is a lot of high-density development underway across east London, do we need completely separate planning teams for big applications?

We propose a budget of £60k to help investigate options.

Special Responsibility Allowances

There was a substantial increase in SRA Allowances in 2018 which substantially increased the number of Councillors who received an SRA.

It is not clear that those increases have contributed to any improvements noticeable to residents of LBTH nor is there a method for identifying what work is being done in return for the SRA. We therefore propose to remove those allowances and to budget for the Conservative group proposal submitted in 2018 which will save £93k.

Finally we propose two changes to the 2021/22 budget process:

Zero based budget for 2021/22

This Council recommends that in next year's budget process we adopt a zero-based budget process (aka bottom up budget).

The current budgeting process focusses on changes: cuts or growth to the existing budget. It therefore never looks at those areas which have no material budget changes. This means large sections of the overall budget may never be reviewed and that we lack a detailed understanding of where money is spent and the opportunities that exist. Given a new national funding settlement we believe this is the right time to do that detailed review for next year's budget. We need to be looking in more detail at:

1. Staff structure – how many people work in each area?, how much are they paid? how are they managed?, is that too much, too little?

2. Contracts review – to look again at the contracts we have, are they value for money?
3. Assets review – what assets do we hold that could be disposed of or utilised differently?
4. Capital budget review
5. Reserves review – our are reserves adequate? can we use our reserves to generate a financial return

We should do this exercise once every 4 years, once in each Mayoral cycle and then use the normal budgeting process for the intervening 3 years.

Wage Increase Conundrum

This Council believes that Council tax increases should be more explicitly tied to wage increases. That Council tax increases should not exceed wage growth and ideally be less than average wage growth so that Council tax becomes more affordable over time.

This Council notes that the ONS Annual survey of hours and earnings - resident analysis – Median pay - Weekly pay in £ – gross shows the following numbers:

	Tower Hamlets residents	Increase on previous year	London residents	Increase on previous year	Great Britain residents	Increase on previous year
2016	£664.7	4.7%	£631.8	1.8%	£540.9	2.2%
2017	£710.4	6.9%	£654.1	3.5%	£552.3	2.1%
2018	£723.2	1.8%	£670.8	2.6%	£571.1	3.4%
2019	£780.0	7.9%	£699.2	4.2%	£587.0	2.8%
Avg increase from 2016 over 3 years		5.8%		3.6%		2.8%

- That London wage growth last year was at least 4.2% although nationally wage growth was 2.8% (from ONS Median weekly pay gross full-time workers by where workers lived)
- That the ONS reported Tower Hamlets residents wage growth as 5.8% a year on average over the last three years. It suggests pay rose by 7.9% in the last year (but only with a 4.2 confidence level).
- The 3.6% average increase for London residents is what has determined the proposed 3% Council Tax increase as it means Council tax is a declining % of overall earnings.

On the surface this would suggest that even the Councils above inflation Council tax increases are still less than the average wage increases for full time employees resident in Tower Hamlets making Council tax more affordable for many.

This Council therefore recommends more work on understanding wage increases year on year for Tower hamlets residents so that we can better calculate what is an affordable annual increase for different groups.

This Council amends the Mayor's budget as follows:

Implement the following reductions in expenditure:

Description	2020/21 Impact	Detail
Smoking cessation	£1,216,000	Transfer of budget internally to mental health, given wide availability of information on how to quit smoking
Communication budget	£216,057	Reduction of staff in the external Comm's team who deal with external journalists, this does not directly benefit residents
Mother tongue/Community Language Support	£645,000	Remove budget for Mother Tongue / Community Language Support – move £300k into ESOL
SRA Allowance	£93,300	Reduction of SRA Allowances to reflect proposal made by Conservative group in 2018 to better match allowances
Bonfire night	£120,000	Until agreement sought to share costs with Hackney Council
One Tower Hamlets	£356,000	Reduction in external payments budget for One Tower Hamlets
Trade Union Facility Time	£274,000	Removal of funding for full time staff
Celebration events	£100,000	Removal of four celebration events
Our East End	£80,582	Stop publication
Town hall subscriptions & external venues	£31,000	Removal of subscriptions & use of external venues
Non-statutory translation	£129,000	Stop non-statutory translation of documents into foreign languages in order to promote cohesion, and follow DCLG best practice (see ESOL below)
Media monitoring	£25,000	Ending external cost of monitoring THC news, this can be got for free
Staff costs	£909,227	25% reductions (or internal transfers) in various departments including Whitechapel Vision, Executive Mayor, Economic Development, Rapid Response, Local Plan team in 2nd half of year.

2. Implement the following increases in expenditure:

Description	2020/21 Impact	Detail
Mental Health	£1,216,000	Transfer from smoking cessation
Police extra funding	£186,000	To be left to Borough Commander whether to invest in additional officers, stations or overtime allowing SNT's team to do more night work
OSS/Idea Store	£150,000	Additional staff in Idea Store to support access to Council services that were OSS provided
Community Safety & ASB Investigation	£311,065	Extra resources in the teams that deal with community safety and ASB
CCTV control staff	£266,057	Extra operators to staff control room
Out of hours	£150,000	To make a 7-day service not just 4 days a week
Joint working project	£60,000	Project to investigate opportunities to reduce costs by working more closely with other Boroughs
Commercialisation team	£100,000	Team look at generating other income sources
Digital communications	£50,000	Extra resources for the social media team to improve communication with residents
ESOL classes	£300,000	Fund extra ESOL classes in order to promote cohesion in the borough and employability
Infrastructure Planning	£372,813	Increase in budget

OFFICERS' COMMENTS ON ALTERNATIVE BUDGET PROPOSAL BY THE CONSERVATIVE GROUP

The following sets out comments by the Section 151 Officer and the Monitoring Officer on a proposal offered up in the budget amendment. Members of the Council should take this advice into consideration when considering and debating the amendment in question.

Comments of the Chief Financial Officer

The proposals are considered to be cost neutral in 2020-21 for ongoing revenue budget implications, however there are additional one-off costs associated with potential redundancies or the termination of contracts. These costs would have to be met from reserves.

Where savings involve staffing changes/redundancies or service decommissioning, they will be subject to the Council's organisational change procedures and are unlikely to be implemented by 1 April 2020. As a result, the full year impact of the savings will not be fully realised in 2020-21. In order to mitigate this, additional spending proposals could be delayed, or reserves used to deal with the financial impact.

Comments of the Monitoring Officer

The process for submitting and considering amendments to the Administration's Budget Motion are set out in the Council's Constitution (Council Procedure Rules). I can confirm that the process that has been followed for the submitted amendments meets those requirements.

Pursuant to Section 32 of the Local Government Finance Act 1992 the Council is required to set a balanced budget. The indicative figures set out in these proposed amendments appear to meet that requirement however, if any of the amendments are adopted by Council, officers will need to undertake further work to determine whether the proposals can be achieved at the savings/expenditure levels set out.

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Budget Amendment 2020/2021

Community Language Service and Housing, Assets and Community Land Trusts

Proposed: Cllr Rabina Khan

Seconder: Cllr Harun Miah

The Council Notes:

1. That the Mayor has proposed an increase of Council Tax by 3.99%, which is point 1% behind 4% where a referendum would be needed to confirm this rise in council tax.
2. The Mayor's previous budget savings proposals (see Table 1) show clear slippage and revised savings. It is neither deliverable or achievable.

MTFS Savings Tracker 2019-22 as at 31 December 2019 - Summary

	2019-20							2020-21						2021-22					
	Savings target	Slippage from previous year	Revised Savings target	Delivered / cashed	Forecast savings	Variance - Slippage	Variance - Under / (over) delivery	Savings target	Slippage from previous year	Revised Savings target	Forecast savings	Variance - Slippage	Variance - Under / (over) delivery	Savings target	Slippage from previous year	Revised Savings target	Forecast savings	Variance - Slippage	Variance - Under / (over) delivery
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Directorate																			
Health, Adults & Community	2,752	679	3,431	1,697	2,577	854	-	1,190	854	2,044	1,751	-	293	1,700	-	1,700	1,700	-	-
Children and Culture	3,443	1,550	4,993	450	645	1,000	3,348	1,800	1,000	2,800	1,950	250	600	300	250	550	550	-	-
Place	2,456	530	2,986	1,351	1,886	300	800	3,080	380	3,460	3,080	-	380	329	-	329	329	-	-
Governance	50	-	50	50	50	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Resources	525	2,250	2,775	-	2,075	700	-	2,770	700	3,470	2,570	300	600	200	300	500	200	-	300
Cross-Directorate	5,619	5,248	10,867	258	4,177	4,690	2,000	5,750	4,690	10,440	10,440	-	-	5,630	-	5,630	5,630	-	-
Total	14,845	10,257	25,102	3,806	11,410	7,544	6,148	14,590	7,624	22,214	19,791	550	1,873	8,159	550	8,709	8,409	-	300
Savings Achievement Status																			
Savings Delivered / On Target	6,067	319	6,386	2,976	5,586	-	800	14,590	80	14,670	12,790	300	1,580	8,159	300	8,459	8,159	-	300
Savings Slipping but Achievable	4,959	8,359	13,318	830	5,774	7,544	-	-	7,544	7,544	7,001	250	293	-	250	250	250	-	-
Not Deliverable / Not Achievable	3,819	1,579	5,398	-	50	-	5,348	-	-	-	-	-	-	-	-	-	-	-	-
Total	14,845	10,257	25,102	3,806	11,410	7,544	6,148	14,590	7,624	22,214	19,791	550	1,873	8,159	550	8,709	8,409	-	300

3. Table 2 outlines the council's income from Right To Buy Receipts, CIL and New Homes Bonus monies.

1		2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	
	Council Tax (Band D)	£	£	£	£	£	£	
	LBTH	885.52	920.85	966.80	986.14	1,019.67	1,060.35	
	Total	1,180.52	1,196.85	1,246.82	1,280.37	1,340.18	1,392.42	
2		2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	Total
	New Homes Bonus	£m						
		17.81	22.81	24.19	20.75	19.2	21.98	126.74
3		2015-16	2016-17	2017-18	2018-19	*2019-20	Total	
	RTB Receipts	£m	£m	£m	£m	£m	£m	
		23.76	34.63	21.31	18.03	2.95	100.68	
4		2015-16	2016-17	2017-18	2018-19	*2019-20	Total	
	CIL Receipts	£m	£m	£m	£m	£m	£m	
		6.78	18.34	14.08	7.41	19.32	65.93	
								* as at 31/12/19

4. The Whitechapel Vision won silver at the Planning Awards in 2014 and as part of its vision was the vehicle for the Civic Centre. The Civic Centre was estimated to cost £78 million to deliver but under Mayor Biggs in the last 5 years has risen to £120 million pounds in cost.
5. That in 2013 Cabinet agreed the “The Estates Capacity Project commenced in March 2012 with the objective to identify opportunities within existing estates to produce more new homes and identified nine potential sites.”
6. That Core Strategy agreed by Full Council clearly concentrates Housing Development in the following areas City Fringe, Lower Valley, Isle of Dogs and South Poplar and appears to neglect areas like Whitechapel, Shadwell, Stepney Green, St Dunstan’s, Weavers, Spitalfields, Bethnal Green and St Peters.
7. At the Full Council Budget Meeting of February 2019, the Mayor stated he would not be closing the Community Language Service in his addresses to petitioners who attended the meeting.
8. The Mayor reiterated this sentiment in his response to a question from Cllr Rabina Khan at a Full Council Meeting in July 2019.

This Council welcomes:

1. The vibrant debate around the future of the future structure of the Community Language Service, led by ordinary parents and service users and campaigners.
2. The recognition by all participants in the debate that the Community Language Service is a vital anti-poverty measure, by providing enrichment to children for decades in Tower Hamlets, a borough with one of the highest child poverty rates in the United Kingdom.
3. This Council welcomes the proposals put forward and the willingness of service users of the Community Language Service to work with the Council to come up with alternative plans to make the Community Language sustainable.
4. That the first Community Land Trust in London was agreed and built in Tower Hamlets. St Clement’s, a Grade II listed gothic building.

This Council believes:

1. That there should be a year delay in any restructuring the Community Language Service, allowing for an establishment of demand for the service and facts about the service users. Also, to allow for proposals to be tabled by service users and other interested parties for a sustainable Community Language Service.
2. That Council assets should be maximised for housing and community land trusts through a Tower Hamlets Housing Cooperation.
3. In 2016/17, the council ‘s asset register included the following: 730 assets with a total value of £2bn, approximately £1bn relating to Council Housing Stock and £660m for schools, with the balance of £440m for other assets.

4. That an increase of additional planning officers is vital to safeguard CIL monies. The council had failed to respond to the statutory time frame related to the West Ferry Print Works, which was then later agreed by the SoS and the borough lost almost £50 million of CIL.

This Council further believes:

1. To allow for one-year delay to consider proposals; a £30,000 increase to fund an independent study to ascertain the educational and social benefits of multilingualism.
2. The Medium-Term Financial Strategy (MTFS) removed from the Budget, allowing the service to maintain its current size and structure so facts could be established, which will provide the basis for any proposals for a sustainable Community Language Service (CLS) and the independent study.
3. The Council develops Tower Hamlets Housing Cooperation, which will be committed to building and developing council-owned homes on council-owned land. The first programme of assets that can be developed to build council homes are as follows:
 - Southern Grove
 - Albert Jacob House
 - Commercial Road Car Pound
 - Jack Dash House

The above council-owned assets are no longer needed for funding of the Civic Centre development. The use of RTB receipts with additional borrowing can deliver up to up to 1,000 homes across the 4 sites.

Tower Hamlets Housing Corporation can also include the delivery of CLTs for both council-owned homes and affordable private homes.

This Council amends the Mayor's budget as follows:

1. £30,000 increase for the Community Language Service Budget 2020/2021.
2. £30,000 from New Homes Bonus to fund the increase for the Community Language Service in 2020/2021.
3. Remove the Medium-Term Financial Strategy (MTFS) with regards to the Community Language Service from the Annex of the Budget.
4. Maximising Council's £2 billion Assets – Invest £50k towards Joint Working Strategy to increase the use of council asset to generate income.

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OFFICERS' COMMENTS ON ALTERNATIVE BUDGET PROPOSAL BY COUNCILLOR RABINA KHAN

The following sets out comments by the Section 151 Officer and the Monitoring Officer on a proposal offered up in the budget amendment. Members of the Council should take this advice into consideration when considering and debating the amendment in question.

Comments of the Chief Financial Officer

The proposal to invest £0.03m into the Community language Service in 2020/21 on a one-off basis is proposed to be funded from the use of the New Homes Bonus.

The proposal to remove from the Medium Term Financial Strategy the Community Language Service savings for 2020-21 and 2021-22 would create an unfunded budget pressure in 2020-21 of £0.35m and in 2021-22 a further £0.25m which would need to be found from alternative savings or from a reduction to the Council's reserves.

The proposal to invest £0.05m towards Joint Working Strategy similarly does not currently identify the funding source required to ensure that the Council's budget remains in balance; this could be either from additional savings proposals or from a further use of the Council's reserves. In the context of generating income from the Council's assets the MTFS already includes savings targets totalling £4m for greater commercialisation and a property asset strategy.

Comments of the Monitoring Officer

The process for submitting and considering amendments to the Administration's Budget Motion are set out in the Council's Constitution (Council Procedure Rules). I can confirm that the process that has been followed for the submitted amendments meets those requirements.

Pursuant to Section 32 of the Local Government Finance Act 1992 the Council is required to set a balanced budget. The indicative figures set out in these proposed amendments appear to meet that requirement however, if any of the amendments are adopted by Council, officers will need to undertake further work to determine whether the proposals can be achieved at the savings/expenditure levels set out.

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