



Meeting of the

TOWER HAMLETS COUNCIL

Wednesday, 19 February 2020 at 7.00 p.m.

MAYOR'S RESPONSE TO THE OSC BUDGET REPORT

VENUE

Council Chamber, 1st Floor,
Town Hall, Mulberry Place,
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PUBLIC AGENDA SUPPLEMENT FOR:

COUNCIL

WEDNESDAY, 19 FEBRUARY 2020

7.00 p.m.

5. BUDGET AND COUNCIL TAX 2020/21

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The Mayor's response to the Overview and Scrutiny Committee's consideration of the draft budget report.

**Executive Mayor's Office**

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18th February 2020

Dear Cllr King

Thank you for Overview and Scrutiny's report and the Committee's thorough and thoughtful work on the Council's upcoming Budget. I welcome the Committee's endorsement of our Budget plans and the recognition that following a decade of the Government's savage austerity agenda the decisions we face are becoming ever harder.

As your report noted, this year's Budget was proposed in the context of significant uncertainty. The election in December resulted not only in a severely delayed Local Government Finance Settlement, but also an absence of any clear plans for the future of local government funding. It seems clear however that the upcoming Fair Funding Review, the business rates retention scheme reset and the Comprehensive Spending Review, will all have a detrimental impact on many councils especially inner London boroughs like Tower Hamlets.

Below I will address in turn each recommendation the Committee made, building on my response at the Cabinet meeting on 29th January.

Recommendation 1: That the Council restructures its budget setting process so that it has a greater focus on delivering priorities and measuring impact.

Since my election as Mayor in 2015 the council has significantly changed the way it approaches Budget setting. The biggest change we have made is to move to a three-year budget setting process giving members, residents, service users and staff a longer-term view of our plans. The previous annual budget setting process not only led to very little transparency about the council's funding intentions, it also made it far harder to plan in a coherent manner.

As a result of our three-year budget setting process, the majority of our plans are already agreed and in the public domain which allows for early scrutiny and more time for consultation with residents. In recent years the budget process has focused on agreeing a rolling third year indicative budget as well as addressing any additional budget gaps which develop in years one and two of the Medium Term Financial Strategy (MTFS).

Gaps have generally related to undeliverable or delayed savings proposals or from changes in our predicted grants or income from central government, particularly since the end of the Government's multi-year funding settlements. These in-year challenges only crystallise as the municipal year progresses making it harder to be sure of the exact financial position until later in the cycle than we would like. This has been exacerbated this year by the General Election and the delayed Local Government Finance Settlement.

We also cannot escape the fact that as austerity continues into its 11th year the challenge of finding budget savings which protect the frontline becomes ever harder, often requiring detailed work to explore service redesigns. This work begins at the start of the municipal year alongside the implementation of any already agreed savings and everyday service delivery and improvement. We should recognise drawing up robust savings which don't unravel later takes time and capacity.

I understand however that O&S want to have earlier sight of budget proposals. While this may not be easily possible for the reasons set out above, Cabinet Members would be happy to brief the Committee as new proposals begin to be explored throughout the year, indeed doing so would undoubtedly help to shape the direction of travel. The new annual approach for developing transformation proposals will inevitably feed into the budget setting process which will allow the possibility of scrutiny at a formative stage.

The continuation of our three-year budget setting process will also ensure that the majority of proposals are publicly known well ahead of implementation. This, alongside a brand-new approach to public consultation and engagement which we plan to launch this year, will give far greater opportunity for the Committee and residents to feed into proposals as they are shaped.

Recommendation 1a: Conduct the Budget Consultation (which gauges public priorities) at the beginning of the municipal year

We are proud that the Budget is based on what our residents tell us they value most. Each year our 'Your Budget, Your Future' consultation helps us to ensure that resident priorities are fed into the budget process, however we do not use this alone. Earlier in the year the council conducts its Annual Residents Survey (ARS) which provides a strong basis for our Strategic Plan and the year's Budget setting round. Proposals for the budget are then worked up with our Your Borough, Your Future consultation in November providing a fresh view of residents' outlook to help shape the final decisions which are made on the Budget in January and February.

The publication of the Budget in December then gives almost two months of public examination especially at O&S before the final Budget meetings in February. While I accept there could be arguments for bringing the Your Borough, Your Future consultation forward I am of the view that having this and the ARS closer together would reduce their use.

I would also stress that one of the core reasons for moving to a three-year process was to ensure time for proper consultation and engagement on individual proposals when they have been fully worked up and early engagement has taken place.

Recommendation 1b: Review modelling for income projections and expenditure assumptions to ensure income growth is more accurately reflected.

I entirely agree with the Committee that the fluctuations in the council's income and expenditure projections remains a frustration. There are understandable reasons for this when dealing with a Gross Budget of around £1.2bn, but we need to continue to do more to improve our modelling in the areas we control and I will ask the Corporate Director for Resources to look at this area over the coming year.

We must accept however that, with a significant amount of our funding coming from central Government or as a result of policies they control such as the business rates retention scheme, we continue to be reliant on timely and detailed information from Government. Sadly, this has not always been forthcoming.

Recommendation 1c: Develop a more ambitious income generation strategy in collaboration with partners, businesses and residents.

Again, I agree with the committee that this is a key area for us to develop over the coming year. The newly established Commercialisation Board is tasked with driving increased income from our services and instilling a more commercial mindset within the council where it is appropriate. The MTFs already contains a £2.75m target for increased commercialisation and income generation however it is clear to me that if we are to continue to protect frontline services we need to do more, including learning from other local authorities, to increase our potential for income generation beyond fees and charges. Inevitably, this will involve exploring new areas of charging, identifying different ways to use our assets and trading services. To do this we need to understand what services we can offer to residents, partners, businesses and local organisations as well as maintaining our business rates growth into the future. This may be an area which would benefit from a scrutiny review in the coming year.

Recommendation 1d: That the Council undertake and publish an assessment of the cumulative impact of proposals, including increases in Council Tax and fees and charges to better understand the impact of multiple decisions on particular groups of residents.

At different stages of the budget setting process the equality impact is considered from initial conception through to implementation. In putting together the budget we have considered national policy changes, population changes, what residents have told us as previously mentioned as well as the impact of individual proposals. I would expect officers to undertake equality analysis to help inform subsequent decisions. This will include consulting and engaging with our residents to help shape and inform decisions on each proposal as appropriate.

While the Budget already includes an overarching equalities impact assessment as well as summary equalities impact assessments on each proposal, I welcome the suggestion we do more to assess the overall impact of the package where possible. I will ask our Strategy, Policy and Performance team to explore the Nesta and other models to see what we can learn from these approaches.

Recommendation 2: That the Mayor consider, review and ratify the following MTFs decisions in Cabinet at milestones along their development and implementation.

With regards to the point about Free School Meals, the council's budget position in coming years remains unclear for all the reasons I have set out earlier. This administration remains committed to supporting our borough's young people for example through our Free School Meals programme and our work to poverty proof the school day however until we have certainty about the impact of the Fair Funding Review, Comprehensive Spending Review and business rates reset, our available funding for future years is relatively unknown, as such this is an area we will need to focus on over the next 12 months.

On the wider point, many of the decisions made as part of the MTFs process already progress to Cabinet for approval following detailed public consultation. For some smaller operational changes/savings I would expect officers to undertake any necessary action including engaging with relevant stakeholders without necessarily having to come back to cabinet for decision. However, where a proposal has a significant public, financial or service impact I would expect it to come to Cabinet. Ahead of this most proposals undergo a process of public consultation which, as set out earlier, we are planning to improve significantly over the coming months.

The three-year nature of the Budget also allows residents and members to have a good understanding of our future plans well in advance.

While I have no objection to the principle of MTFS items being discussed publicly earlier in the process we must remember that Cabinet is a decision-making body with an already busy work programme. It seems to the Cabinet and I that it may be more appropriate for the Committee to incorporate scrutiny of the future savings programme into the O&S work schedule for the year ahead giving scope for scrutiny of early discussions and direction of travel on any of the savings proposals. The Cabinet will of course continue to receive public updates each quarter on our progress delivering the MTFS which gives an opportunity for questions to be raised about the work to enact individual savings proposals should councillors wish to do so.

Recommendation 3: That a review of expenditure within the Parks and Culture and Communications Directorates take place to identify new Commercialisation opportunities and potential Savings

Work is already underway to explore options for further savings in these areas including looking at ways of using the communications team to drive additional advertising income. The Arts, Parks and Events teams already bring in a significant amount of income through events, sponsorship and other activities but I agree with the Committee that we continue to strive for the best possible value for money from our events and cultural offering, both in what income we generate and what we spend. This is an area we will prioritise this year.

I want to thank you and your Committee again for your work on this year's Budget and I hope the more detailed responses above help to reassure the committee that we share many of the concerns which you raised.

Yours sincerely,



Mayor John Biggs
Executive Mayor of Tower Hamlets