



Meeting of the

CABINET

Wednesday, 13 February 2013 at 5.30 p.m.

OVERVIEW AND SCRUTINY COMMITTEE CONSIDERATION OF THE DRAFT BUDGET PROPOSALS

VENUE

Committee Room, 1st Floor, Town Hall, Mulberry Place, 5 Clove
Crescent, London, E14 2BG

Members:

Mayor Lutfur Rahman	– (Mayor)
Councillor Ohid Ahmed	– (Deputy Mayor)
Councillor Rofique U Ahmed	– (Cabinet Member for Regeneration)
Councillor Shahed Ali	– (Cabinet Member for Environment)
Councillor Abdul Asad	– (Cabinet Member for Health and Wellbeing)
Councillor Alibor Choudhury	– (Cabinet Member for Resources)
Councillor Shafiqul Haque	– (Cabinet Member for Jobs and Skills)
Councillor Rabina Khan	– (Cabinet Member for Housing)
Councillor Rania Khan	– (Cabinet Member for Culture)
Councillor Oliur Rahman	– (Cabinet Member for Children's Services)

[Note: The quorum for this body is 3 Members].

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

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LONDON BOROUGH OF TOWER HAMLETS

CABINET

WEDNESDAY, 13 FEBRUARY 2013

5.30 p.m.

5 .1 Chair's advice of Key Issues or Questions in relation to Unrestricted Business to be considered (Pages 1 - 58)

Overview and Scrutiny response to the initial draft budget proposals.

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Agenda Item 5.1

Committee: Cabinet	Date: 13/02/13	Classification: Unrestricted	Report No. Linked to CAB 75/123
Report of: Ann Jackson, Chair of Overview and Scrutiny Committee Originating Officer(s): Angus Taylor, Democratic Services		Title: Overview and Scrutiny Committee Response to Mayor's Initial Budget Proposals 2013/14 Wards: All	

1. SUMMARY

- 1.1 The attached documents comprise the response of Overview and Scrutiny Committee (OSC) to consultation on the Mayor's initial 2013/14 Budget proposals (as published in the 9th January Cabinet Agenda), and have been collated following two extraordinary OSC meetings on 21st and 22nd January 2013 and a concluding session to finalise OSC comments at OSC on 5th February 2013.

2. RECOMMENDATION

- 2.1 That the Mayor in Cabinet receive the comments of the OSC that have been submitted in the attached Appendices 1, 2 and 3.

3. APPENDICES

- Appendix 1 – Q&A notes from Extraordinary Budget OSC 21st January 2013
Appendix 2 – Q&A notes from Extraordinary Budget OSC 22nd January 2013
Appendix 3 – Q&A notes from Ordinary OSC (Budget Session) 5th February 2013
Appendix 4 – Officer written responses to questions raised at the above meetings.
Appendix 5 – Chair's "summary comments" sheet

Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2012

List of "Background Papers" used in the preparation of this report

Brief description of "background paper"

Name and telephone number of holder and address where open to inspection

none

EXTRAORDINARY OVERVIEW AND SCRUTINY
BUDGET 1 SESSION
21 JANUARY 2013

DISCUSSION POINTS

A comprehensive discussion followed which focused on the following points:-

- Clarification sought and given as to:

CLC

Q In the context of the outlined budgetary pressures relating to waste treatment and recycling (a growth requirement of £0.6 million relating to waste collection and disposal costs primarily due to the Government “Landfill Escalator”): Why waste minimisation was not being actively promoted, and resources allocated accordingly, as rather than the Council encouraging recycling it would be better if waste was not generated.

A Q Noting the response of Officers that waste minimisation, and in particular education on this, was an element of the Council’s Waste Management Contract: The apparent conflict of interest of those dealing with waste management promoting waste minimisation. The Council had in past years supported regional waste minimisation campaigns e.g. London Nappy Campaign. However these had diminished with a reduction in regional funding, and Council budgets constrained their ability to plug the gap. Waste contractors were not paid purely for moving waste, and services were looked at across the piece with contractors held to account on that.

Q In the context of the outlined budgetary pressures relating to Environmental Health: The nature/ extent of the additional duties/ responsibilities being placed on the Council, anticipated budgetary pressures resulting from these, what provision the Council was making for this risk to the Budget, or whether the Council would be reactive to emerging issue.

A These were thought to relate to premises inspections. **Further information on this to be provided by SH S&R CLC next day.**

Q Performance in delivering savings required of the Communities Localities and Culture directorate in the previous year’s Budget. In particular was the anticipated generation of

advertising income from the 2012 Olympics fully realised, and what amount was this.

- A CLC had met its overall savings targets and the additional income generated from Olympic related advertising was in line with target.
- Q Whether budgetary pressures were anticipated as a result of London-wide CO2 penalties on local councils if they did not meet targets for cleansing the local environment e.g. pollution relating to “through routes”, or whether Government proposals on this were dormant.
- A The issue was how Government re-apportioned penalties on London from Europe. There was speculation of Government top slicing Council Budgets to help pay this. Air quality in any part of London was dependent on prevailing winds and contamination could emanate from neighbouring boroughs, however the Council was pursuing the aim of cleaner air linked to a carbon emissions policy.
- Q What strategy was in place to mitigate the “black hole” in the CLC Budget outlined by Officers relating to land fill and the Government “Landfill Escalator”.
- A The Council would review its position once the Government announced a successor for the “Landfill Escalator”. Adjustment of the service budget would depend on the timing of the announcement, and it might be necessary to draw on reserves in the short term. Longer term structural changes to the Council’s treatment of waste were required.
- Q In the context of the outlined budgetary pressures relating to Safer Communities and the Mayor of London Policing and Crime Funding: Whether the CLC Budget continued £1.45 million provision for additional police for the Borough, and the number of these. Also assurance regarding the anticipated impact of London-wide reductions in policing: What were the current numbers of Met police allocated to Tower Hamlets. The Chair commented that the potential risk for additional budgetary pressure as a result of the new London-wide policing arrangements should be monitored.
- A The Council had reviewed its agreement with the Met Police to fund additional police for the borough, and when the current agreement ended in July 2013 a new agreement would commence providing 18 additional police posts. The Borough Commander had given provisional indications that the London-wide policing arrangements would have a net nil

impact on front line police numbers. **Further information to be provided on numbers of police currently allocated.**

- Q In relation to a number of key contracts longer than 15 years.g. refuse collection: What action was being taken to:
- Assess efficiency and value for money
 - Assess delivery and performance
 - Identify if contractual penalties could be clawed back
 - Review contract clauses allowing for renegotiation of terms given change of circumstances, and take appropriate steps.
- A The longer the contact the more valuable due to initial start-up costs being averaged out. Officers were aware of these long contracts particularly for waste treatment (Veolia) and leisure (GLL) and had scrutinised them closely with wide ranging budget efficiencies delivered which had already contributed to required savings for CLC.
- Q In the context of the introduction of bulk rubbish collection charges in last year's Budget: Whether the overall savings/ income target had been met. Also whether there had been any impact on reporting of on street rubbish dumping.
- A There was no discernible increase in on street dumping as a result of the new bulk collection charges. However there was some controversy regarding mattresses which was thought to link to an active private rented sector, with such material produced at short notice. **Further information on call volumes reporting dumped rubbish to be provided; also on income stream expectations and delivery.**
- Q Whether the recent winter weather if it continued would have an adverse impact on the CLC Budget.
- A Unpredictable, but the last cold-snap unlikely to impact on the CLC budget. Not all roads were the responsibility of the Council , but of TfL and RSLs.
- Q Whether all refunds from LOCOG had been received following the borough's undertaking of its Olympic duties.
- A **Officers to check and report back as to LOCOG meeting contractual obligations. No known areas of contention.**
- Q Whether additional income from controlled parking, anticipated as a consequence of the Olympics, had been achieved, and the part/s of the Budget benefitting from its allocation.
- A It was unclear if there was a significant rise in parking income due to the Olympics. The MTFP had factored in any uplift to offset General Fund budget pressures.

- Q What pressures on front line services/ staff, operated by CLC, resulting from the proposed integration/ reconfiguring of services, were anticipated by Officers.
- A No compulsory redundancies were proposed, although savings from natural wastage would be considered. There was however a commitment to generic working, with a flexible workforce being more secure in the long term. Councillor Choudhury (Cabinet Member for Resources) confirmed the closure of Rushmead OSS had been reviewed, but it was not to be progressed by the Mayor as funding had been identified.

CSF

- Q The underlying reasons for an above inflation rise in school transport costs of approximately 10 per cent.
- A There were more young people with special needs and related transport was more expensive. Many young people were bused across the borough to locations where school places were available, but at additional cost. The Council aspired to reduce the need for busing pupils to school e.g. with development of the Bow Boys School site. There would be a future review of transport services with CLC, which looked at value for money and use of downtime between am and pm school runs.
- Q In the context of the outlined pressures on the CSF Capital Budget relating to current statutory provision of primary/ secondary school places (number of places needed set to rise 30% in 10 years), and the likely future Government requirement for 15 hours of free school based child care for 2 year olds:
- Q The nature and use of the contribution to school infrastructure from Section 106 funding, and the role of the Planning Overview Panel in ensuring that capital costs for school infrastructure needs associated with new development were met.
- A Capital costs for building or refurbishing schools had always been funded by the DfES. Section 106 monies had only provided additionality such as community facilities on a school site. The Government intended to fund the additional school hours for 2 year olds with funding for the private and voluntary sector.
- Q Expressing concern over risks to the Capital Programme: what sources of funding had been identified to meet the

- capital funding gap and provide the necessary infrastructure?
How would any shortfall in building capacity be managed?
- A Basic needs funding from the DoE to increase school capacity would never be sufficient to acquire land in Tower Hamlets where land was scarce and expensive. Never the less LBTH had been successful in securing 2 secondary schools in the Isle of Dogs and Wapping. Concerted pressure was needed to put the borough's case for basic needs funding. There was mounting concern across London regarding unconfirmed levels of future funding and the Council was maintaining awareness of this whilst endeavouring to be innovative in creating spaces.
- Q Noting the significant level of savings proposed for achievement through "vacancy management" and reduced agency use: what were the risks to staff in terms of morale and wellbeing from the vacancies left open. Also the impact on service stability.
- A There was scope for vacancy management in service areas which were not front line (children's social work, children's centres etc.). Vacancy rates of 8% in CSF and 11% in AHWB and lead in times for recruitment of up to 12 weeks if managed and covered by staff gave scope for savings. This had been modelled at other councils and the private sector, and would provide a more strategic approach to workforce savings than top-slicing staffing budgets. Covering and acting up could also be seen as a career development experience.
- Q In the context of the significant savings to be achieved from integration of the CSF and AHWB directorates (Page 83/4, 2013/14 Budget Pack), scheduled for completion in March 2013 when the Acting Corporate Director for CSF and AHWB was due to retire, clarification/ assurance sought as to strategic and managerial leadership of the new directorate at that juncture.
- A Consultation on directorate merger proposals was currently being undertaken. There had been good stability in the past, and it was acknowledged that long periods of acting or interim arrangements was unsatisfactory for the organisation and staff concerned. It was hoped that experienced and effective senior staff currently with LBTH would express interest in the new management positions and the normal HR processes would then be followed. There was optimism that the outcome would be a strong DMT

- Q The reasons for a significant underspend in the Mayors Education Award budget; with concern expressed that a large number of children were not qualifying for MEA when it would prove very beneficial.
- A Primarily this was due to students not meeting required attendance levels. Good attendance should be expected in return for a bursary. There was an excellent Attendance Welfare Service, which treated poor attendance seriously regardless of MEA. The process to apply for MEA had been simplified in response to client feedback.
- Q Noting that the underspend was primarily due to young people not meeting the required attendance levels, the basis for setting the MEA budget based on higher than previous attendance levels, and whether the outcome of an underspend was predictable. EMA grant take up had been monitored in the past could this information not have informed the MEA budget.
- A When the budget for MEA had been set there was a national EMA scheme and it was unclear if students would get both. Timescales were also unknown. The EMA scheme was a Government initiative and not monitored by the LEA.
- Q Commenting that young people which had made the application for MEA/ met the criteria for award were from disadvantaged groups: concern was expressed that 49 per cent of MEA was being lost due to non-attendance, and clarification sought and given as to the measures taken by the Attendance Welfare Service to support the young people to improve attendance and secure the MEA.
- A The LEA was working with schools and sixth form colleges so young people were focused on attendance, as to receive the award students must both meet the criteria and maintain good attendance. Not awarding MEA was not an indication of non-achievement, in particular other sources of funding young people from vulnerable and low income families was more widely available than thought. Schools/ colleges, Attendance Welfare Service and parents had a responsibility for ensuring attendance.
- Q Noting the Officer comment that although young people may not qualify for MEA that did not signal non-achievement: what were the attendance levels on which they did achieve? If attendance levels had been 95 per cent when EMA had been awarded, how did current attendance compare and what was the variance from target?

- A **To be provided.**
- Q Given the highlighted drawdown of earmarked reserves and the funding set aside for MEA which had not been used, was there a need for the full current budget allocation for MEA, and could the resources be better used elsewhere.
- A If the funds were not needed they would not be drawn down and the Executive would ensure this was reflected in future budget allocations. This did not address the question (Chair).
- Q In the context of the recent £100,000 reduction in MSG funding for the Early Years Network (EYN) and the new duty of provision for 2 year olds, what was the anticipated impact on service delivery by the EYN, and how would increase in demand be met?
- A This organisation provided administrative support for voluntary providers. It had not been successful in its bid for MSG, as Officers had assessed bids for MSG against priorities including actual provision of education and a need to build capacity to meet demand when provision for 2 year olds became a statutory requirement. There would be insufficient capacity to meet need without the voluntary/ private sector. The area would be monitored and spending increased as needed.
- Q With reference to the highlighted funding shortfall of £4.9 million for key service provision (Connexions and children's centres) due to the move of EIG into DSG: Had a mapping exercise been undertaken to identify the impact, and what strategy was in place to mitigate this.
- A The Mayor had decided this funding gap would be met and therefore services would not be affected.

AHWP

- Q What grants or other funding had been used to offset savings slippage of approximately £800,000 relating to domiciliary care provision.
- Q What grants or other funding had been used to offset the savings slippage resulting from the lengthy delay in re-tendering the re-ablement contract.
- A Much work had been undertaken on the Domiciliary Care contract, turnover of clients was now at predicted levels and staffing would now be examined. Funding sources were outlined including: in-house homecare, targets for hospital to

independent living, 2 health grants, better use of supported housing for those with learning disabilities, some of the mental health settlement. Review and replacement of expensive spot purchase arrangements with proper procurement contracts would deliver savings.

Q Noting the delay in moving from expensive spot-purchasing to block-purchasing contracts, concern was expressed that, despite there being some excellent officers, a clear strategic aim had been blown off course by the departure of the Corporate Director AHWB, and the Interim CD AHWB soon after, at significant cost to the Council and the quality of service.

A The Interim Corporate Director gave an assurance that AHWB was back on track, she was confident that savings would be delivered, and a realignment of other contracts to improve on spot purchase arrangements would deliver savings.

Q On-going concern was expressed regarding the directorate integration process and tardy culture change in relation to re-ablement and personalised care budgets. Feedback from service users was that they did not feel as well supported, and officers should listen to their voices and take mitigating action.

A The Interim Corporate Director commented that she had attended a user meeting recently and there was feedback that more support was needed to improve understanding of re-ablement and personalised budgets, and this would be taken forward in the coming year. The Government agenda on this was clear. However it was also apparent that some spot-contract suppliers had persuaded clients to stay with them at significant extra cost to the Council and a doubtful outcome for best meeting client needs. Users were now wary of changing provider.

Q With Council spend on learning disability rising due to increasing demand, and the level of NHS spending falling, how would future provision be ensured. Had work been undertaken to identify the baseline service offer required to inform any future difficult decision on this. What were the implications of the transfer of public health responsibilities to councils in this context.

A The Clinical Commissioning Group was clear that the needs of high end users must be met particularly those with learning disability. Day opportunities at centres would remain the focus, as this was both a much more beneficial experience than being at home or in a special unit, and cost effective provision.

The borough was also reconfiguring health provision for those with disabilities with more advocacy.

Q Noting that a sizable budget would transfer to the Clinical Commissioning Group, alongside the transfer of public health responsibilities, were Officers confident that the CCG could be persuaded to provide a level of resources that would allow for a service offer for the vulnerable (such as those with learning difficulties, disabilities or dementia) beyond the bare minimum of keeping people alive.

A The Council was in direct consultation with the CCG and was confident resources of approximately £400 million would be used in areas of need which had been clarified in the dialogue.

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EXTRAORDINARY OVERVIEW AND SCRUTINY
BUDGET 2 SESSION
22 JANUARY 2013

DISCUSSION POINTS

A comprehensive discussion followed which focused on the following points:-

- Clarification sought and given as to:

D&R

- Q Why a report to the Council's Audit Committee had identified the move from Anchorage House as high risk; with concern expressed that any delay in this would impact on the achievement of related savings.
- A The only significant risk would be if there were delays to the refurbishment work at Mulberry Place and this had been mitigated. Officers had no concerns as to delivery within timetable. Anchorage did not need to be vacated until June 2013.
- Q Further detail sought on the outlined budgetary pressures on Employment Services. What was the 2011/12 budget allocation for regeneration and tackling unemployment, and performance against target.
- A There were targeted initiatives with an area based approach in place which focused available resources on people not covered by the DWP programme or the Work Programme. 250 apprenticeships were to be delivered by the Skills Match service. A large number of apprenticeships would be delivered by partner and other key local organisations with guaranteed job or training outcomes. Jobs delivered by the Olympics were significantly above target. Further clarification was sought/ given regarding the Council's achievement against a "bottom line" position on apprenticeships and how this secured permanent work.
- Q Commenting that consultation to date regarding surplus Council buildings favoured disposal, however this approach had been deferred given poor market conditions: what criteria/ process would determine if market conditions were sufficiently favourable to proceed with disposal. Also what provision had been made for maintenance and security costs for these empty buildings. How was value for money being ensured.

- A A balanced approach to disposals was taken with policy, value and timing being part of that. There might be potential uses for the sites which mitigated against disposal for example usage for a particular purpose as with the LEB building where income was secured. A transparent market process was followed for a disposal. Maintenance and security costs were taken into account for any Council owned buildings.
- Q How the raised level of MSG agreed by the Mayor after further consideration had been funded.
- A The additional £700k would be funded from general reserves not D&R, and covered a 27month period so averaging £300k per year.
- Q Whether the £1 million from unrequired earmarked reserves to be set aside for homelessness prevention would be funded from the D&R budget / capital reserves/ DWP discretionary fund.
- A The homelessness grant would be funded from general reserves not D&R.
- Q Whether the proposed University Bursary scheme with budget of £1.5 million was to be funded from the D&R budget.
- A This initiative would not be funded from D&R and was to be funded from new savings identified during the Budget process. A full list of savings to be delivered in year by D&R was available with the biggest challenge being £480k from better asset management.
- Q Explanation for the £1.6 million of earmarked reserves set aside for employment initiatives.
- A In previous years Government grant (DWP) paid a set fee for employment outcomes, and if these were delivered for less the balance made a contribution to D&R revenue. These employment grants were no longer available but tackling unemployment was a Mayoral priority, so the impact of lost funding on employment services needed mitigated; reserves were to be used for this.
- Q What comprised the £5.6 million for Corporate Reserves.
- A Mr Finch to provide written response.**
- Q Whether the 'Corporate Landlord Model' would be of help with asset management of a disparate portfolio.
- A Officers considered this cost efficient /the right way forward and intended to progress this through the normal decision making process.
- Q What consideration/ planning was being given to retention of long term interests in respect of property disposals with a view

to securing additional income E.g. Toynbee Street and the Car Pound

- A Disposal was not always appropriate and the most cost effective approach was taken for all assets. A cost benefit analysis was required for Toynbee Street which was in an area needing redevelopment. For some assets E.g. Commercial Road Car Pound a 25 year option might provide best Net Present Value. After its parking use expired in 5 years it would be the subject of an asset review.
- Q What work was underway to identify savings on the energy costs associated with Council buildings, which were understood to be approximately £12 million although there was no single budget line for this. Were energy savings reflected in the overall savings for the Anchorage House decant.
- A Yes energy savings were part of the overall £7.5 million savings for Anchorage House.
- Q When the lease for Mulberry Place could be renegotiated with the landlord it would be an opportunity to require the building to be energy efficient.
- A The lease could not be renegotiated until 2018 and the position as to future utilisation of the building beyond that would be proactively considered.
- Q Given the revenue and capital costs of staff were measures in place to minimise staff travel outside London.
- A D&R staff did not travel 1st Class.
- Q Did the D&R budget proposals include any compulsory redundancies.
- A None were anticipated from the savings proposed and none were planned, although applications for VR would be considered.

RES

- Q How accurate was the £2.3 million savings figure for Smarter Working.
- A This was a savings figure for virtual desktop working arrangements after the decant of Anchorage House and comprised of elements for office space savings, energy efficient desktop equipment and ICT storage/processing savings due to the 'Thin Client'. However may not be totally precise.

- Q Concern expressed and assurance sought that growth relating to the transfer of Public Health (PH) responsibilities to the borough was omitted/ underestimated in the Budget proposals. There would be a job of work to support AHWB other organisations and partners with associated costs for HR and Resources staff. Also had consideration been given to specific local risks from the transfer of PH that might be predicted from the Joint Strategic Analysis Needs Assessment.
- A There would be a new grant which transferred resources from the NHS to the Council to accompany the transfer of PH responsibilities; this recently announced to be £31.2 million; and additional costs of PH transfer would need to be contained in this. Generally when there was a transfer of responsibilities the recipient authority was funded for these, although there was always room for discussion as to whether this was sufficient. There were a significant number of NHS contracts to novate, but moving forward these would be renewed on terms negotiated by LBTH, and savings were anticipated. It was emphasised that the extension of existing contracts also bought breathing space to explore how the associated staff and contracts might be managed and savings achieved. Officers would be examining how PH operations could be consolidated into Council services, which contained an element of PH already, with potential modest savings anticipated. There would also be potential for vacancy management and savings. There would be demands on staff particularly due to finance and procurement processes including novation but it was difficult to gauge if these were permanent or a spike on PH transfer. Different methods of procurement could result in savings. No comment made on specific local risks from JSNA.
- Q Whether the transfer of PH to local councils and consequent Clinical Commissioning Group commissioning contained hidden contract risks such as escalating costs of PFI contracts or higher costs on rescheduling contracts.
- A There were no PFI contracts transferring.
- Q The basis for calculation of the £1 million growth figure for Pensions Auto-Enrolment.
- A This was based on the number of people anticipated to be in the LG Pension Scheme after AE. Currently only half LBTH staff were in the scheme and it was hoped more would

provide for retirement. A figure of an additional 20% was anticipated given existing AC for new employees.

Q With reference to the 2013/14 savings of £90k for ICT learning & development and potential for outsourcing of function/ staff to Agilysis, highlighted in the presentation, assurance that no job losses would result.

A There would be no job losses although 1 vacancy would be deleted. Previous negotiations with Agilysis had guaranteed no job losses for staff transferring for 7 years.

Q In the context of £187k savings in a Corporate budget of £9.5 million in 2012/13, an explanation for an absence of savings in 2013/14.

A Ms Freeman, ACE Legal Services, to provide written response.

Q What was the £2.255 million available for Mayoral priority spending comprised of

A The Mayor and Cabinet Member for Resources had challenged directorates further to identify additional savings for 2013/14 in the context of an already balanced budget for 2013/14 & 2014/15. Excepting AHWB and CSF, where savings had replace slippage; the new savings were available for Mayoral priority spend. Details were provided at para 10.2 of the report and listed at page 65 of Budget Pack.

Q Detail requested on expenditure and savings for the Communications Service Budget. Also why advertising by the Council appeared to have increased when savings were needed.

A Mr Sulaiman, SH Communications to provide written response.

Q Whether the £312k of savings in Democratic Services the previous year had been achieved. Also whether budget outcomes in SPP had changed.

A Chief Executive's had delivered its savings in line with Council's Budget and Medium Term Financial Plan. In 2011/12 over £1.4 million in savings were achieved following service reviews including: Democratic Services & Members Support (£300k+), Registrars (£150k), Admin support (£60k) and FOI/ Complaints. Legal income / costs also contributed to the savings (£100k+). Spend on supplies and services had also been successfully reduced (£150k). The Council-wide SPP review also contributed significant savings (£1 million +). Chief Executive's was on course to deliver its 2012/13 savings of over £650k including £200k from a further review of the

Corporate Strategy, Policy and Performance Service focused on reducing senior management and widening spans of control. The balance of savings/ additional income had been found from a range of efficiencies such as a renewed focus on supplies and services, Communications design and print, Registrars and Legal.Chief Executive's had plans in place to achieve its 2013/14 target including a further saving on design and print and broader efficiencies across CE's.**Mr Williams, SH Democratic Services to provide written response.**

Q Information requested regarding an inter-borough Council publications print contract reported in the Guardian. Disappointment expressed that Members had not been made aware of this before it became public knowledge.

A Mr Sulaiman, SH Communications to provide written response.

Q Whether the contribution to savings from additional income generated in Legal Services in 2012/13, highlighted by Officers, comprised of real income or internal recharges or recharges to THH.

A The income comprised of: charges to schools and THH, work for RSLs, fees for project work, costs from successful litigation, costs from criminal cases and incentivisation payments from recovered proceeds of crime.

Q Whether it would be accurate to summarise the position set out at page 30 of the 2013/14 Budget Pack as the Council would spend more in 2013/14 than 2012/13, more funding would be received from Government in 2013/14, and £14 million was to be placed in reserves.

A This was correct with the caveat that the rise in spending was largely due to the £31.2 million grant for the transfer of PH functions, which expanded the size of the budget overall. The MTFP agreed in 2012 included transfers to reserves (such as this £14 million) where possible to smooth the savings required over the period.

Q Whether compared with other London boroughs it was a normal pattern to be spending more and increasing reserves.

A Reiterated that the increase in spend was due to the transfer of PH functions and grant, and if this was taken out spending in 2013/14 would be less. The Government Strategic Spending Review had frontloaded savings in 2011/12 & 2012/13 and 2013/14 was known to reflect a smaller level of savings (11%, 7%, and 3%). The MTFP strategy acknowledged it was difficult to adjust budgets at exactly the

right point and planned to use reserves to smooth the requirements of the SSR.

- Q Whether the advice of the former CFO that there were significant budgetary implications of not agreeing an increase in Council Tax (Council Tax Freeze), was still valid.
- A When no increase was made in Council Tax charges it had a permanent affect, as it resulted in income being permanently forgone. However this was factored into the MTFP.
- Q Given this recent Government grant was for 2 years, what planning was being undertaken for the period after it ran out. Concern was expressed that the Cabinet Member for Resources had informed OSC, with reference to the funding gap in 2015/16, that other councils were not looking that far ahead; and reassurance was sought that forward planning would be undertaken to mitigate the gap at LBTH. Concern also that Mayoral growth priorities were not funded beyond 2014/15 and this would exacerbate the impact of the funding gap in 2015/16.
- A Councillor Choudhury responded that other local authorities were not planning that far ahead, but he and the Mayor were treating the gap seriously and LBTH was forward planning by building on its strategic approach to identifying savings and making the Council financially efficient. This included examining workforce efficiency, third party spend, technology & information management and rolling out strategic partnership working. Mr Finch added that if a grant was for 2 years it was built into the modelling for that period and shown coming out in the 3rd year.
- Q Concern expressed that the scale of the £26.5 million funding gap in 2015/16 could not be met by 'back office' savings and it would be helpful to understand the Executive's strategic thinking on this.
- A Councillor Choudhury responded that it was difficult to give specifics as even he was still uncertain as to the scale of the gap to be addressed, and there were many unknowns e.g. a change of government was possible. He would keep other Members appraised as the picture clarified moving forward.
- Q With reference to page 30 of the 2013/14 Budget Pack a more detailed analysis of the General Fund Reserves and movement therein was requested. What did it comprise of, where had it been funded from, what options for spend were there.
- A Mr Finch to provide written response.**

- Q Further information requested on movements in earmarked reserves.
- A Mr Finch to provide written response.**
- Q With reference to the potential for savings arising from the transfer of PH responsibility to the Council referred to by Officers, what scale of saving was anticipated.
- A The areas for saving had been indicated earlier (consolidation of services and management, future tendering/ procurement). Work was underway to scope out this area.
- Q Given the scale of the Budget challenge going forward, what work was in progress to share staff and 'back office' functions with other councils.
- A Work was on-going with other councils, and included LBTH participation in East London Solutions (made up of 6 East London boroughs but also operated pan-London), which examined opportunities for savings from partnership working, particularly those from procurement such as framework agreements. Assets were also sweated with partners e.g. accommodation sharing with the Police, and this would continue in a phased way moving forward. Officer sharing had been examined with Hackney in relation to procurement.
- Q Whether the number of senior management vacancies provided an opportunity to examine service integration and identify savings in management costs. This had reaped benefits for LB Hammersmith and Fulham, resulting in a discount for Council Tax.
- A The Executive would continue to examine savings and efficiency opportunities in such situations.
- Q Whether consideration, similar to that of councils in the north of England, had been given to not outsourcing services, particularly vital ones, and formulating a business plan accordingly to mitigate any budgetary risk.
- A Mr Finch to explore issue and provide written response.**
- Q Information requested on new growth and savings less than £50k.
- A There were none.

OVERVIEW AND SCRUTINY COMMITTEE
FINAL SESSION ON INITIAL 2013/14 BUDGET PROPOSALS
05 FEBRUARY 2013

DISCUSSION POINTS

The Chair outlined:

- The process to date in formulating the OSC response to consultation on the Mayor's initial 2013/14 Budget proposals.
- The purpose of this Budget session: to finalise and formally endorse the OSC response to consultation in accordance with the Budget and Policy Framework Procedure Rules in the Council's Constitution.
- The next steps in the formal Budget making process: Mayor in Cabinet (13th February 2013) consideration of consultation feedback, and formal onward recommendation of Budget proposals to full Council (27th February).
- The potential for a third Extraordinary Budget OSC meeting, likely to be held on 18th February, should the Budget proposals recommended to full Council include any new matters not previously consulted upon with the OSC. Also noted that the February Cabinet had been postponed, the agenda papers had not yet been published and therefore the OSC had not had an opportunity to pre-scrutinise Budget proposals contained therein. In this context the Chair commented that it would be important for Councillor Choudhury, Cabinet Member for Resources to attend any third extraordinary Budget OSC meeting to provide an opportunity for the OSC to receive a response to any questions/ comments it had.

The Chair informed OSC members that:

- Notes, in Question and Answer format, from the two extraordinary Budget OSC meetings held on 21st and 22nd January 2013, together with a related sheet of Chair's "summary comments" had been **Tabled**, a copy of which would be interleaved with the minutes.
- Officer responses to outstanding questions that were raised at the two extraordinary Budget OSC meetings held on 21st and 22nd January 2013 had been **Tabled**, a copy of which would be interleaved with the minutes.

Councillor Alibor Choudhury (Cabinet Member Resources), Chris Holme (Acting Corporate Director Resources), and Alan Finch (Interim S151 Officer & Service Head Financial Services, Risk & Accountability) were in attendance to answer questions from the OSC.

A discussion followed which focused on the following points, considered beyond the scope of the tabled Q&A notes and Officer responses and requiring further clarification to be sought and given:-

CLC

Q Referencing the tabled Officer response on the Council's new public health roles for infection control and prevention, and the comment therein that "The Council needs to determine if there is a budget issue before it can act", whether the new roles went beyond that provided for in the budget of £31.2 million transferring from the NHS to the Council to accompany the transfer of PH responsibilities.

A Although the resources were likely to provide for the new responsibilities, it would require further examination to be certain. **Written response to be provided (Ms Cohen, SH Commissioning & Health - AHWB).**

Q Referencing the tabled Officer response on levels of rubbish dumping and any correlation of this to the introduction of charging for bulk rubbish collection, it was noted that call volumes reporting all "fly tipping" had increased by 10%, and although no significant increase in "fly tipping" or additional costs had been identified by Officers, consideration that further monitoring was needed to ensure that costs were contained, and this phenomena factored into the letting of bulk waste contracts.

CSF

Q Referencing the tabled Officer response on Mayor's Education Allowance (MEA): whether unused funding allocated for MEA (due to the linkage with student attendance) could be used in another way for the benefit of the young people it was intended to help. Also, referencing the Chair's tabled summary comments highlighting OSC concern that monies earmarked for MEA were not being used, when this appeared predictable given the spend under Government EMA and related

attendance levels, what were the next steps if the funding for MEA was unused: would there be a further allocation of the same level, would it be used for a similar purpose to that which was intended, would it be allocated elsewhere for a different use, what was the explanation for over-budgeting.

A These were policy decisions for the Mayor and would be taken back to him for consideration.

Q Referencing the Officer response on vacancy management in the Q&A notes (21st January), consideration that this was not the best approach going forward.

AHWB

Q Referencing the vacancy management savings highlighted by Officers, comment that the AHWB directorate had already made significant savings in difficult circumstances, and it was a concern that a further 5% saving from the staffing budget was proposed without further details of how/ where this was to be achieved and what the impact on services might be.

Q Concern reiterated that change management programmes were off track, and savings were not being delivered as fast as they should be.

Q Comment that the Budget process had commenced with no expectation of identifying further savings in AHWB, circumstances now meant there was to be a transfer of Public Health (PH) responsibilities to the Council, but there was uncertainty as to how this would happen and the risks/ costs attached, with uncertainty exacerbated by the vacancy for a Director of PH in Tower Hamlets. Consideration that this post be recruited to as soon as possible and certainly before the transfer of PH responsibilities to the Council on 1st April.

A Deborah Cohen, SH Commissioning & Strategy – AHWB, was leading on the transfer of PH to the Council in the absence of a Director of PH. The Government had recently announced the level of funding transferring from the NHS to the Council to accompany the transfer of PH responsibilities (£31.2 million) and Ms Cohen's team had been examining the implications since then. The January Budget report had indicated an anticipated level of resources for this transfer which was less than would now be received. As the transfer of PH responsibilities to the Council progressed Ms Cohen's team would be able to scope out the risks of transferring NHS contracts and both the potential for risks and the demand led

nature of the services transferring would require the identification of savings from the PH grant for contingencies. The Budget report for February Cabinet also reported potential for the release of funding from the PH Grant over the next few years, and made a commitment to saving £200k from PH, to be achieved through service consolidation, and the transfer of PH and management of the accompanying grant funding would be closely monitored to ensure delivery of this.

- Q The nature of the anticipated release of funding from the PH Grant.
- A The Authority would not require the full amount of PH Grant (£31.2 million) to undertake the PH responsibilities/ liabilities transferring to the Council from the NHS, and therefore there was headroom within the grant to make savings. Stress testing of transferring NHS contracts was underway and a clearer picture of the risks/ costs needing mitigated would emerge shortly.
- Q Whether these savings be reflected in an adjustment to the Budget at February Cabinet.
- A There would be new Officer advice at February Cabinet on the Budget and the Mayor and Cabinet member for Resources would take account of this in making a decision on the Budget proposals to recommend to full Council.

RES/ CEs/ Corporate

- Q Referencing the tabled Officer response on Earmarked Reserves and the narrative relating to the Corporate Initiatives Reserve of £1.091 million: specifics as to what was the reserve would cover, who had taken the decision to undertake a reorganisation of the Communications Team, and what had this been intended to achieve, which Officer had been responsible for this reorganisation. Also the reference to “future Chief Executive’s department organisations implied a broader reorganisation, which would be responsible for this work.
- A Mr Takki Sulaiman, SH Communications, was leading on the reorganisation of the Communications Team. **A written answer would be provided (Mr Alan Finch Interim S151 Officer and SH Financial Services, Risk and Accountability)**
- Q Referencing the tabled Officer response on Earmarked Reserves and the narrative relating to the Various Unallocated Reserve of £1.65 million: whether it was the intention to

identify a further £400k to increase this to £2 million, in order to increase the current allocation of £900k to fund grants for Faith Based Buildings (FBB). Also where had this funding decision been taken.

- A The review of Earmarked Reserves was a standard element of the annual Budget Process. The review had identified various amounts as no longer required, and the Mayor had made several allocations of these resources in his decision making during the year. The amount to be allocated to fund FBB Grant was part of the current Budget Process. The current funding of £900k for FBB Grant had been agreed at October 2012 Cabinet.
- Q Referencing the tabled Officer response on Earmarked Reserves and the narrative relating to the Employment & Other Corporate Initiatives - Access to Employment/ Future Jobs Fund Reserve of £1.539 million: why was this in reserves and not spent.
- A These resources would be used over the 5 year business plan relating to the Skills Match and other employment initiatives. The DWP had in previous years paid a set fee for employment outcomes, and the delivery of these for less than the fee had provided funding to extend the Council's employment service. This funding was no longer available, and the 5 year plan was in place to maintain the employment service using other funding sources, such as Section 106 monies. In response to an OSC request it was agreed that **the 5 year business plan and details of the funding thereof be circulated separately to OSC Members. (Mr Holme, Acting CD Resources)**
- Q Referencing the tabled Officer response on General Fund Reserves and Corporate Reserves, what action was being taken to mitigate the significant budgetary risk facing the Council due to the large funding gap in 2015/16 and beyond.
- A The last Government spending review covered the period to the end of 2014/15. Apart from announcements from the Chancellor of the Exchequer that Council's should expect a requirement to make further savings of a similar scale to those required previously, there was no firm information as to levels of Government funding for 2015/16 onwards, and the forecast in the agenda papers was based on this indication. However it was planned to build up the level of General Reserves by the end of 2013/14 to a much higher level than was needed longer term and this would be used to manage the impact of the further funding cuts expected in 2014/15 & 2015/16.

Liaison with Chief Finance Officers in other London boroughs had established that all were in the same position, none had an agreed plan for 2015/16, and all anticipated that a requirement for further savings would increase the funding gap that year. Officers were aware that large scale projects which could deliver large scale savings also had a long lead in time. The Mayor had asked Officers to further examine the Budget in relation to the workforce and third party spend; the initial analysis had been completed and Officers were currently formulating options to meet the funding gap for the Mayor's consideration. The delivery of a 3 year balanced budget 2 years previously had raised expectations that it could be done again, but the unknown horizon of 2015/16 made that very difficult. Councillor Choudhury added that he had responded to a similar OSC question on 22nd January and all advice and guidance was welcome as the Mayor/ Cabinet examined the Budget options and prioritisation of spending.

- Q The Budget contained significant resources, in excess of approximately £6 million, available for spending on Mayoral priorities; and some initiatives, such as increasing funding for FBB Grant to £2 million, were not considered critical by residents and did not have budgeted outcomes. Consideration also that the available resources should be set in the context of the imminent funding gap of approximately £20-30 million in 2015/16; and further thought be given to funding services the Council was required to provide, whether all the Mayoral spending was necessary, and whether resources would be more wisely placed in reserves to meet the funding gap.
- A FBB provided vital services for the community and were a way the Council could outreach in service provision through its partners. Helping to maintain the buildings supported future service delivery for the community, and this was not wasted money but a positive outcome. Reserves were a one off provision and if required savings were ongoing a review of the Councils services and staff across the piece would be needed. There was a limit to the mitigating action that could be taken if a Conservative Government drastically reduced funding.
- Q Consideration that investment in local infrastructure to facilitate local people delivering services for the community was to be welcomed, but there appeared to be no related criteria to meet when applying for FBB Grant. How would the funding be prioritised. When applying for grant, what

information had to be provided on service delivery outcomes should grant be awarded.

- A The 3 different funding streams were outlined and it was confirmed there would be a proper assessment process. The grant application process focused on the capital costs of investing in the fabric of the building, although there were questions on inclusivity and shared use of the building. Investment in the historical and cultural heritage of the borough was also important.
- Q What were the award criteria for FBB Grant in terms of historical and cultural heritage value. When applying for grant how were applicants required to demonstrate that the award of FBB Grant would maintain/ improve historical and cultural heritage in the borough.
- Q With reference to Chief Executive's (CEs) directorate, consideration that savings and growth, even if not substantial, should be detailed in the Budget papers, and this had not been the case with the savings and growth for CEs that had now been highlighted in Officer responses. Also disappointment that there had been no provision on the agenda for a Q&A session on CEs Budget, when there were questions to ask e.g. staff costs for the Mayor's Office; and consideration that OSC had a legitimate expectation to scrutinise and ask questions on such issues. Although new narrative had been provided on the CEs budget it was insufficient. Also given the current climate of budgetary constraint, savings required/ delivered previously, and savings required of other directorates, was it not reasonable to expect CEs to make further savings.
- A Officers had made a judgement as to the level of detail to include when producing the Budget papers regarding CEs, and this clearly did not meet OSC expectations and was not entirely transparent. Mr Finch apologised for this and undertook to accommodate the OSC request for transparency in future year's Budget papers for all directorates. Mr Finch could not comment on the level of CEs savings as this was a matter of political decision.

The Chair summarised that the draft response of the OSC to consultation on the Mayor's initial Budget proposals, previously circulated to the Mayor and Cabinet Member for Resources, would be supplemented by the addition of further narrative from this

Budget session, but would not change substantively. The response would be finalised in the next few days, as this was not urgent given the postponement of February Cabinet and Budget Council. Information requested in this Budget session should be provided as soon as possible to facilitate this. The Chair the **Moved** and it was:-

Resolved

The OSC response to consultation on the Mayor's initial 2013/14 Budget proposals comprises of a composite report to be presented, by the Chair of the OSC, to the Mayor in Cabinet on 13 February 2013 including:

- (a) The Q&A notes from the two extraordinary Budget OSCs held on 21st and 22nd January 2013, and the Budget session of the ordinary OSC held on 5th February 2013;
- (b) The written responses provided by Officers to questions at the meetings detailed in (a) above;
- (c) A sheet of summary comments, relating to meetings detailed in (a) above, from the Chair of the OSC.

**Written Responses on Points of Clarification Raised
at Extraordinary Budget OSC 21 and 22 January 2013
and also at OSC 5 February 2013**

- a. Communities Localities & Culture – Robin Beattie (OSC 21 January)
- b. Children, Schools and Families – Isobel Cattermole (OSC 21 January)
- c. Resources (1&2) – Alan Finch (OSC 22 January)
- d. Chief Executive's – Isabella Freeman and Taki Sulaiman (OSC 22 January)
- e. ESCW - Commissioning & Health (formerly AHWB) – Deborah Cohen (OSC 5 February)
- f. Resources – Alan Finch (OSC 5 February)

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**Officer Response - CLC Directorate - to questions raised at
Extraordinary Budget OSC 1 on 21st January 2013**

CLC O+S Budget Challenge Clarifications.

1. In the context of the outlined budgetary pressures relating to Environmental Health: The nature/ extent of the additional duties/ responsibilities being placed on the Council, anticipated budgetary pressures resulting from these, what provision the Council was making for this risk to the Budget, or whether the Council would be reactive to emerging issue. These were thought to relate to premises inspections - **Further information on this to be provided by SH S&R CLC next day.**

Response

If the Infection Control and Prevention Roles come to the Consumer and Business Regulations Services there would be an additional 126 audits per annum at health care settings that would need to be undertaken, along with specimen and waste control advice and attendance at MRSA outbreak control meetings. Also included is training and discussion with PALS (Patient Liaison Services)

The Council needs to determine if there is a budget issue before it can act. This is dependent on clarification regarding duties and budget transfer that we do not have at this time. The risk is being monitored and factored in to budget discussions with the NHS.

2. In the context of the outlined budgetary pressures relating to Safer Communities and the Mayor of London Policing and Crime Funding: Whether the CLC Budget continued £1.45 million provision for additional police for the Borough, and the number of these. Also assurance regarding the anticipated impact of London-wide reductions in policing. What were the current numbers of Met police allocated to Tower Hamlets. The Chair commented that the potential risk for additional budgetary pressure as a result of the new London-wide policing arrangements should be monitored. **Further information to be provided on numbers of police currently allocated.**

Response

The Home Office stopped publishing figures for Police officers by Borough in March 2011. Now they only publish by Force i.e. Met Police. The last official published figure for Police at Borough level was 31st March 2011 and detailed a local force in Tower Hamlets of 793. These figures are for Police Officers only.

The Borough Commander has recently reported to the Partnership Executive that the number of core funded front line police officers in Tower Hamlets are expected to remain the same following the introduction of the budget reductions pursued by the Commissioner. However, it is not yet clear if there will be reductions in police numbers away from front line operations that might impact on the quality of the service in the Borough. Council Officers are engaged with the Borough Commander to secure this clarity.

3. In the context of the introduction of bulk rubbish collection charges in last year's Budget: Whether the overall savings/income target had been met. Also whether there had been any impact on reporting of on street rubbish dumping.
Further information on call volumes reporting dumped rubbish to be provided; also on income stream expectations and delivery.

Response

There has been a 10% increase in total calls about "tips" from 2733 in 2011/12 to a 'year-end' projection of 3000 for 12/13. Typically only around 13% of all fly tip reports are related to bulky waste indicating that the Borough will have experienced an increase in bulky waste fly tips of around 1.3% by the end of the year. This is not considered statistically significant. Furthermore, the figures would indicate that the increase in calls is the result of an increase in instances where more than one person reports a single tip incident as the volume of tipping incidents themselves has decreased by 12% (PI 196 'flycapture' data) this year.

The increase in residents prepared to report tipping is almost certainly a reflection of changing demographics such as increased density of population and of the messaging promoted by the Council to residents encouraging them to take a greater pride in their area through initiatives such as the 'find it fix it' campaign.

It is important to note that the Bulky Waste Service remains free to residents on Housing Benefit and that since the introduction of the charge there has been a very significant increase in the amount of waste delivered to the Re use and Recycling Centre by residents themselves from 506 tonnes to 1405 tonnes (a rise of 177%). It is clear that the introduction of the charge has

initiated a positive channel shift away from reliance on Council Collection Services and promoting greater levels of personal responsibility for waste amongst residents.

The Service is on schedule to meet the MTFP income target for Bulky Waste.

4. Whether all refunds from LOCOG had been received following the borough's undertaking of its Olympic duties.
Officers to check and report back as to LOCOG meeting contractual obligations.

Response

All CLC contracted LOCOG obligations have been evidenced and the relevant payments by LOCOG released. These mainly covered parking, traffic management and the live site.

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**Officer Response - CSF Directorate - to question raised at
Extraordinary Budget OSC 1 on 21st January 2013**

1. Noting the Officer comment that although young people may not qualify for MEA that did not signal non-achievement: what were the attendance levels on which they did achieve? If attendance levels had been 95 per cent when EMA had been awarded, how did current attendance compare and what was the variance from target? **Answer to be provided.**

Response

The Mayor's Education Allowance (MEA) is the local scheme and the Education Maintenance Allowance (EMA) is the, now ceased, national scheme.

Data is not held centrally that would allow officers to comment on the correlation between attendance and attainment of students eligible to apply for the MEA scheme.

In fact the 95% attendance requirement recommended by the DfE is a high target and there are students in sixth forms who will have chosen not to meet it. That does not mean that those students fail to achieve.

The national EMA scheme did not include a 95% target. The £30 weekly payment would only be paid for each week of full attendance, allowing for authorised absence. Therefore, a student could attend fully for 15 weeks of a 30 week academic year and receive £450.

The differences between the EMA and MEA schemes is that the Mayor's scheme is geared towards making payments for full attendance as a means to drive up standards. EMA did not set such a focussed agenda and had a wider remit of increasing recruitment, retention and attainment.

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Officer Response 1–Resources Directorate
to questions raised at Extraordinary Budget OSC 2 on 22nd January 2013

EARMARKED RESERVES

<i>Earmarked Reserve</i>	<i>Detailed allocation</i>	<i>Purpose</i>	<i>Balances as at 1st April 2012 (£million)</i>
Improvement & Efficiency Reserve	Efficiency Reserve	Allocated to fund measures to deliver efficiency savings in order to meet the funding gap. £2.8m of this is allocated to projects and the balance will be utilised over the period of the MTFP.	9.868
	Mainstream Grants	Cabinet decided to allocated £0.954m of 2011/12 underspends to the Mainstream Grants Programme as a Mayoral priority.	0.954
	Invest to Save Fraud Investigation	An underspend in the internal audit budget has been carried forward and will be used to fund additional fraud investigation work which has a good chance of delivering a greater amount of recovered monies.	0.150
	Procurement	Being used to fund procurement savings initiatives and to part-fund an NVQ apprenticeship for 2 years in the Procurement team.	0.425
	Future Sourcing	Since the Future Sourcing contract was concluded early in the 2012/13 financial year this amount was carried forward and used to help fund implementation	0.100
		Total Improvement & Efficiency Reserves	11.496

Earmarked Reserve	Detailed allocation	Purpose	Balances as at 1st April 2012 (£million)
Severance	Severance	Held to pay for redundancy and pensions top-ups for staff taking up voluntary redundancy and any compulsory severance.	4.000
Finance Systems	Finance systems	Held to pay for the implementation of the Agresso Business World finance system in April 2013. The new system will deliver savings which will pay for implementation within the period of the MTFP.	2.724
ICT Refresh	ICT Refresh	Reserves previously held for the replacement of desktop equipment, now allocated to fund part of the ICT investment required in Smarter Working.	1.355
Olympics	Olympics	Part of the reserve (£700k) is allocated to fund the Olympics Legacy Team in D&R for one further year. The balance was held in case of additional costs arising during the Olympic/Paralympic period and this balance is now subject to review.	1.879
Education Grant Reduction	Education Grant Reduction	£4m was set aside in the 2011/12 budget to facilitate the implementation of grant reductions in Education services. £0.846m of this remains unallocated.	4.000
Employment & Other Corporate Initiatives	Access to Employment / Future Jobs Fund	Committed to fund Skills Match core activity and the Council's Employment Strategy. Includes £0.273m of Future Jobs Fund grant carried forward.	1.539
	Legal Services	Earmarked for case management systems for the Legal and FOI teams	0.170

Earmarked Reserve	Detailed allocation	Purpose	Balances as at 1st April 2012 (£million)
	Elections	Used to fund the two by-elections in April/May 2012 and the electoral registration canvas	0.060
	One Tower Hamlets	To fund projects to tackle inequality and strengthen community cohesion	0.275
	Registrar Service	To complete the refurbishment of Bromley Public Hall	0.100
	Healthy Boroughs	Funding from the NHS to deliver the Healthy Borough Programme. However all obligations to the NHS have been met and this funding remains unallocated	0.144
	Approved initiatives - budget 2012/13	Funding spending initiatives agreed by Cabinet and Council in setting the budget for 2012/13. These comprise; Additional policing £1.485m Victim support £0.210m Energy co-op £0.030m Avenue of trees £0.010m Small business support £0.040m Graduate scheme £0.760m ESOL £0.255m	2.790
	Corporate Initiatives	Earmarked for the completing the reorganisation of the Communications team and other future Chief Executive's department reorganisations	1.091
	Beacon Status	Reallocated to fund the costs of running the Fairness Commission during 2012/13	0.065
		Total Employment & Other Corporate Initiatives	6.235

Earmarked Reserve	Detailed allocation	Purpose	Balances as at 1st April 2012 (£million)
Other Reserves	Area Based Grant	To fund residual allocations for community engagement and work placement projects made from Area Based Grant before the grant was abolished in 2010.	0.248
	Partnership Accelerated Delivery	Funding is set aside to fund the Tower Hamlets CVS.	0.058
	Various unallocated	Following a review of reserves, a number of amounts have been identified as no longer required. Some of this funding was allocated by the Mayor at October Cabinet to fund grants to Faith Buildings. (£900,000, with intention to increase to £2m)	1.635
		Total Other Reserves	1.941
Homelessness	Homelessness	Fully committed to deal with an anticipated funding issues within the Homelessness Service. In addition to ongoing pressures, welfare reform will significantly impact upon the service. Includes funding for homelessness prevention measures.	2.924
Parking Control	Parking Control	Use of parking control account surpluses is governed by the Road Traffic Regulation Act. Whilst this account has been running at a surplus, this is expected to change over the next couple of years and reserves will be utilised to smooth this transition.	2.595
Development & Renewal	Community Use of Buildings	To ensure community buildings meet statutory health and safety standards	0.200

Earmarked Reserve	Detailed allocation	Purpose	Balances as at 1st April 2012 (£million)
	Facilities Management Contract relet	Invest to save programme to implement SAFCOM system by the end of 2012/13	0.112
	Land Charges	The balance on the statutory land charges account can only be used to smooth the costs of the service over time. In addition, the reserve is held to fund potential liabilities to repay fees in the event of an adverse outcome to an ongoing legal challenge	0.469
	Regeneration	Future costs relating to the Davenant Centre as approved by Cabinet in 2009.	0.150
	Ocean New Deal for Communities	Expenditure in accordance with the Ocean Regeneration succession strategy as agreed with DCLG.	0.133
	Barkantine	Future funding of the Barkantine Combined Heating and Power Scheme	1.700
	Other minor D&R Reserves	Various carbon reduction and LDF commitments.	0.039
		Total Development & Renewal	2.804
Communities, Localities and Culture	Civil contingencies	Complete the installation of a backup generator at Mulberry Place in accordance with the Business Continuity Plan	0.014
	Big Lottery Play	Big Lottery grant funding carried forward from 2011/12 to be utilised in accordance with grant terms and conditions.	0.095
	Drugs Intervention Programme	Funding redundancy and severance for DIP staff following reduction in government funding	0.090

Earmarked Reserve	Detailed allocation	Purpose	Balances as at 1st April 2012 (£million)
	BaishakhiMela	Part-funding the Council's commitment to support the 2012 Mela	0.133
	Police Partnership Task Force	Part-funding the costs of the two year agreement with the Met Police which came into operation in July 2012.	0.060
	Street Trading Account	The balance on the statutory Street Trading Account can be used in connection with the Council's functions under the London Local Authorities Act 1990 in relation to the provision of street trading.	0.067
	LSC/LLL Core Funding	Grant from the Skills Funding Agency and Young Peoples Learning Agency carried forward to be spent in 2012/13	0.096
	Education FEFC Access	Grant from the Skills Funding Agency carried forward to be spent in 2012/13	0.123
	Community Bus	Funding for the community bus project	0.048
	Safer Stronger Communities	Home Office funding for Safer Stronger Communities carried forward to be spend in 2012/13	0.063
		Total Communities, Localities & Culture	0.789
Children Schools & Families	Minor grants carried forward	A number of small residual grants which either need to be devolved to schools or returned to the DfE.	0.167
	CWDC Social Work Funding	Planned activities supported by the 2011/12 Children's Workforce Development Grant which will be completed in 2012/13.	0.212
		Total Children Schools and Families	0.379

Earmarked Reserve	Detailed allocation	Purpose	Balances as at 1st April 2012 (£million)
Adults, Health and Wellbeing	Supporting People	Accumulated funding from Supporting People grant which will be used to fund expenditure to support vulnerable people through to 2014.	1.123
	Joint Health & Social Care Initiatives	Funding provided from NHS sources to fund a joint service agreement between LBTH and the NHS. Due to the timing of the transfer, it was agreed that funding would be utilised over two financial years to ensure delivery of the required outcomes.	4.055
	Other minor AHWB reserves	Minor balances which, following review, are no longer required by the Directorate.	0.355
		Total Adults, Health & Wellbeing	5.534
Resources	Children's Workforce Development	Funding a number of places targeted at Children's Centre staff (programmes managed by HR)	0.102
Insurance	Insurance Reserve	An actuarially assessed reserve representing the risk to the Council of future 'claims' against self insured risks. The level of the reserve is reassessed each year and if necessary topped up from Council budgets.	24.087
Schools Balances	Schools Balances	These are the accumulated balances of locally managed schools which are at the disposal of school governing bodies under the guidance of the Schools Forum.	25.783

Earmarked Reserve	Detailed allocation	Purpose	Balances as at 1st April 2012 (£million)
CSF – Early Intervention	CSF Early Intervention	This is a reserve formed of underspent government grants, including Standards Fund Early Intervention Grant from 2011/12. The Standards Fund element will be used for schools and services to schools in accordance with the original grant terms, while the EIG element is earmarked for projects that were not completed by the end of 2011/12.	4.184
Housing Revenue Account	HRA balances	The working balance for the HRA is earmarked for the purpose of expenditure on Council-owned social housing provision. The balances will be used over the course of the HRA Business Plan for the purpose of maintaining the housing stock.	14.578
Capital Programme (General Fund)	Capital Programme	Earmarked to fund the Council's approved capital programme and related revenue expenditure	20.900
		TOTAL – ALL EARMARKED RESERVES	138.293
General Fund Reserve			26.380
			164.673

Officer Response 2 – Resources Directorate - to questions raised at Extraordinary Budget OSC 2 on 22nd January 2013

- 1. With reference to Page 30 of the 2013/14 budget pack a more detailed analysis of the General Fund Reserves and movement therein was requested. What did it comprise of, where was it funded from and what options for spend were there?**

Response

General Reserves are held as a contingency to cushion the Council against unexpected events and as a 'working balance' to manage the financing of uneven cashflows. Further details are set out in the budget pack at Appendix 6.1 (pages 100-102).

Officers have assessed that in order adequately to protect the Council against unforeseen emergencies, a minimum of £20m needs to be maintained in General Reserves. (This assessment is shown at Appendix 6.2 of the report)

The MTFP is built around two imperatives;

- The need to deliver savings to balance the budget in the forthcoming year and over the period of the MTFP to produce a sustainable budget position
- The need to retain at least £20m in General Reserves as described above.

Government funding cuts are feeding through in accordance with the Spending Review of 2010 (which covers the period to the end of 2014/15) and the detailed decisions subsequently taken by Ministers. However, inevitably the delivery of savings does not follow the same profile by which funding is being removed. The plan is therefore that sufficient savings will be delivered up to the end of 2013/14 to build up General Reserves to a much higher level than is required (£47m). The Council does not need to maintain this level of reserves and can therefore apply up to £27m to manage the impact of the further funding cuts expected in 2014/15 and 2015/16. Financial officers advise that this is perfectly acceptable and sensible financial planning to manage the impact of budget savings over the period of funding reductions.

The bottom part of the table on Page 30 shows this happening.

Officers advice is that to be prudent the Council should not apply the surplus General Reserves to additional expenditure, because this would mean that savings in the period beyond 2015/16 would need to be delivered sooner.

2. Further information requested on movements in earmarked reserves

What comprised the £5.6m for Corporate Reserves?

Response

Earmarked reserves are those that are set aside for certain specific future expenditure or risks. Sometimes this is a matter of Council policy and sometimes they are ringfenced for particular purposes.

The figures at Appendix 6.3 show the actual balances on earmarked reserves as at 31st March 2012 and these are set out in more detail at the Appendix.

Balances for later years are forecasts incorporating an estimate of expenditure from these reserves during the financial year. Since reserves often cover expenditure which occurs unpredictably between financial years this can be a hazardous process and forecasts are likely to change.

The £5.6m listed as 'Other' breaks down as follows;

Balance as at 31 st March 2012	£1.9m
Transfers from other reserves – now identified as surplus to requirements	£4.1m
Anticipated spend during the year	(£0.5m)
Estimated balance as at 31 st March 2013	£5.6m

3. Whether consideration, similar to that of Councils in the north of England, has been given to not outsourcing services, particularly vital ones, and formulating a business plan accordingly to mitigate any budgetary risk.

Response

As Members will be aware, Tower Hamlets Council does not have a policy to outsource services and only takes this route where there are clear benefits to be gained for the Borough. The private sector or third sector can sometimes provide capacity that local authorities are unable to provide for themselves and acumen and expertise that brings efficiency benefits to services, but unless such benefits can be identified and their delivery is built into contracts, the benefits from outsourcing can be limited or temporary in nature. Decisions to outsource therefore need to be based on a clear business case.

Officers are aware that Members take different views of the efficacy of using private sector or third sector suppliers and sometimes the issue of trust is a powerful factor. These issues can be mitigated by good procurement and contract management practice, ensuring that the authority secures a contractual commitment to the benefits it requires and that the partnership with the contractor is managed to ensure these are delivered, although this is not always easy to do.

In relation to the process of the Council taking back services that have previously been outsourced (a process known as 'insourcing'), again officers' advice is that this also needs to be subject to circumstances. The authority is under an overall duty to secure best value in the delivery of services and any decision, whether to outsource or to insource, needs to be led primarily by these considerations.

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**Officer Response – CE’s Directorate - to questions raised at
Extraordinary Budget OSC 2 on 22nd January 2013**

- 1. In the context of £187k savings in a Corporate budget of £9.5 million in 2012/13, an explanation for an absence of savings in 2013/14.**

Response to Overview and Scrutiny

In October 2012 the Chief Executive’s Directorate was given a savings target for 2013/14 of £146,839, this being a pro- rata contribution to the overall £5m additional savings to be identified throughout the Authority.

There were also two growth items in Legal Services to replace lawyers in employment and enforcement teams who had been funded for the last two years via different funding streams that were due to cease at the end of March 2013. As the demand for employment advice to both internal departments and schools remains significantly high and expectations are that this is unlikely to abate particularly given the on-going pressures to produce further savings.

Within the Enforcement and Litigation Legal Team there has been a substantial increase in prosecutions, the number of cases processed last year was double that of the previous 2 years as was reported at Cabinet in October 2012, covering prosecutions relating to enforcement in the areas of trading standards, environmental health commercial, markets, community safety, public realm, planning, building control and licensing.

It was agreed that the two posts be added to the structure and that they be offset against the savings found by the Directorate. Hence whilst it may appear that the Chief Executive’s Directorate have not contributed to the additional savings during the next financial year this is not the case but the position is neutral so there is nothing to report in terms of the Budget process.

Chief Executive’s still have to find significant savings for 2013/14 and 2014/15 that were agreed in previous budget years.

- 2. Chief Executive's had plans in place to achieve its 2013/14 target including a further saving on design and print and broader efficiencies across CE's. *Mr Williams, SH Democratic Services to provide written response.***

Response

The £312k savings required from Democratic Services in 2011/12 was fully achieved through a review of staffing structures within the Committee and

Members' Support teams; streamlining of the arrangements for processing Members' Enquiries and savings in print costs, supplies and services.

Officer Response – CE’s Directorate/ Communications Service - to questions raised at Extraordinary Budget OSC 2 on 22nd January 2013

1. Detail requested on expenditure and savings for the Communications Service Budget. Also why advertising by the Council appeared to have increased when savings were needed.

- A** Since 2011-12 the communications service has had to operate at net nil cost.

The bulk of communications savings were taken in 2011-12 when a cross council consolidation exercise took place reducing total communications employee costs from £2.1m to the present £1.196m. East End Life costs were reduced from £1.4m to £1.2m and the paper is budgeted to operate at net nil cost.

The communications service does not hold an advertising budget. Any advertising work is commissioned by directorates as project needs arise.

2. Information requested regarding an inter-borough Council publications print contract reported in the Guardian. Disappointment expressed that Members had not been made aware of this before it became public knowledge.

- A** The inter-borough publications print contract (CE4364) was contained within item 10.5 (Contracts Forward Plan) at cabinet on 9th January 2013. The report can be found here <http://moderngov.towerhamlets.gov.uk/documents/s37832/10.5%20Q3%20contracts%20forward%20plan.docx>

In essence the contract seeks to deliver more savings the more public sector partners take part.

Takki Sulaiman
Service Head, Communications and Marketing
5th February 2013

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Officer Response – ESCW Directorate (AHWB) - to questions raised at OSC on 5th February 2013

1. Referencing the tabled Officer response on the Council’s new public health roles for infection control and prevention, and the comment therein that “The Council needs to determine if there is a budget issue before it can act”, whether the new roles went beyond that provided for in the budget of £31.2 million transferring from the NHS to the Council to accompany the transfer of PH responsibilities.

A Although the resources were likely to provide for the new responsibilities, it would require further examination to be certain. **Written response to be provided.**

Response:

"Now that we have been given the PH allocation, Officers have commissioned an independent Due Diligence Review to check the staff and contracts being transferred to the Borough against the allocation. Once we have that report we will raise with Members if there are any issues identified that relate to these new responsibilities".

Deborah Cohen
Service Head, Commissioning and Health-

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Officer Response – Resources Directorate- to questions raised at OSC on 5th February 2013

1. Referencing the tabled Officer response on Earmarked Reserves and the narrative relating to the Corporate Initiatives Reserve of £1.091 million: specifics as to what was the reserve would cover, who had taken the decision to undertake a reorganisation of the Communications Team, and what had this been intended to achieve, which Officer had been responsible for this reorganisation. Also the reference to “future Chief Executive’s department organisations implied a broader reorganisation, who would be responsible for this work.
- A Mr Takki Sulaiman, SH Communications, was leading on the reorganisation of the Communications Team. **A written answer would be provided (Mr Alan Finch Interim S151 Officer and SH Financial Services, Risk and Accountability)**

Response:

“The schedule refers to a reorganisation of the Communications team which was in fact completed in 2011/12. The reserve provides a resource for the Chief Executive/ Head of Paid Service to utilise under delegated powers to deal with matters within his remit which may require emergency action”.

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**Summary Comments on Mayor's initial 2013/14 Budget Proposals from
Councillor Ann Jackson (Chair Overview and Scrutiny Committee)
31st January 2013 11.24am**

AHWB

Public Health

The council may be in a very vulnerable position on future costs here, and would need to think long term as services being transferred may have extra hidden liabilities. The expectation that there may be room for savings may not materialise; too many back office savings in AHWB could result in not enough checks being made on new domiciliary and residential care contracts which could impact greatly on getting good outcomes here.

CSF

EMAN not being managed well, Members concern on exactly what we are doing with this is justified. Either the amount should be less and the unwanted over-budgeting directed elsewhere, or we should seek to encourage and guide more young people to take advantage of the scheme, which may need changing.

The governments new scheme for two year olds may produce pressure elsewhere on EYN making budgets hard to achieve, as staff are already stretched to accommodate current needs delivery and supervision.

Top-slicing the budget by 5% and putting forward 'vacancy management' as the means to achieve this; and thus putting further pressure on staffing that is already stretched beyond what it should be viewed as a bad decision by the committee.

D&R

There seems to be a large amount of previously undisclosed revenue in hand for Employment schemes, which suggests that we could have achieved greater results in past years than we did. Given the new methods being put in place to aid employment in the borough, we need to see more targets and outcomes being policed now. Overall, the new contracts do not seem to focus enough on this, and therefore do not make best use of the money on our residents' behalf. Forecast spend and outcomes for the council's employment and enterprise will need to be transparent and be fully monitored to ensure best benefits achieved for our residents.

We should not rush to dispose of assets to fill budgetary holes for this year only, as the need for future revenue needs to be considered; the Council needs to get best value out of disposals.

CE

Savings should have been found here, much money has been spent on Communications, Mayoral advisors and other expenses, which given the fact that we have cut back much third sector infrastructure spend this year seems

unjustifiable. Since writing these comments, CE has offered some further narrative on the current position, claiming both savings and growth have occurred. This should have been contained within the budget papers - as an explanation as to why no other saving were found in that Directorate. Given the current climate of austerity, we as a council have a duty to ensure fairness is observed when making savings and as such, all directorates should be open to reporting and discussion on budget issues. Scrutiny requests that these numbers be available for February's committee meeting. Further to this, no in depth discussion took place on CE as it was impossible for the committee to discuss a budget here, when none had been published. There was no point in discussing what 'might' be saved above what had nominally been mentioned in narrative only to the Committee.

CLC

Expectation here is of increasing cost for rubbish collection and disposal. Members keen to see more planning here to reduce production of rubbish - so as to avoid moving towards less collection by the borough; which given our density would be a mistake as regards the public's hopes. Policing needs will put pressure here, the Mets reductions may trigger extra cost for Borough / Theos' / overtime. Proposed Fire station closures may also lead to a need for extra policing on ASB arson.

Resources

Overall here, the issue is that of making proper arrangements for future expectation of government grant cuts. The deficit in the councils reserves in future needs to be addressed, especially given the fact that we are disposing of assets now, leaving no options to find funds in later years. That we could 'find' the needed deficit of many millions in back office savings is spurious, if we could do so, why have we not already done so and saved more vital front line jobs?

To continue to salt away money in 'earmarked' reserves which then is produced, as in the past year; for newly found Mayoral schemes or floundering services that should have been properly funded in any case is reckless; any money excess here should be in the budget.

Money set aside for Mayoral priorities needs to be fully budgeted and rationalised, and Mayoral spend on these questioned in the face of an increasing and deep deficit in council funds that has yet to have any plans put in place to remedy it.