

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.