

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.