

# **LONDON BOROUGH OF TOWER HAMLETS**

## **OVERVIEW AND SCRUTINY COMMITTEE**

### **REVIEW OF BUDGET PROPOSALS FOR 2019-22**



**TOWER HAMLETS**

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## **Foreword**

In reviewing Mayor John Biggs's budget proposals, the Overview and Scrutiny Committee has focused on effective and equitable service delivery to ensure the best outcomes for local people.

After eight years of austerity and national funding uncertainty, the Committee welcomes the Council's approach to prioritise frontline services, tackle poverty and reduce inequality.

Closing the projected £44million funding gap over the next three years will be a significant challenge. Therefore, a number of our recommendations focus on ensuring the Council fully understands the impact of proposals, particularly on vulnerable residents and service users. To ensure the Council delivers the best outcomes for local people, the Committee has also highlighted the need to ensure modelling is accurate and based on robust empirical data to improve effective decision-making around the future of frontline services.

The Committee would particularly like to thank the Mayor and Councillor Ronald, Cabinet Member for Resources, for engaging in the Overview and Scrutiny's budget scrutiny sessions, enabling the Committee to effectively scrutinise the Mayor's proposals. The Committee also appreciated contributions from Councillor Edgar (Cabinet Member for Environment) Councillor Hassell (Cabinet Member for Children's, Schools and Young People) and Councillor Ali (Cabinet Member for Culture, Arts and Brexit), which enabled the Committee to examine budget proposals in key focus areas. We would also like to thank the Centre for Public Scrutiny who, through training and advice, supported us to scrutinise the three year budget on behalf of the residents of Tower Hamlets.

We look forward to receiving the Mayor's report on how the Council proposes to implement this report's recommendations for presentation alongside the budget at full Council.

**Councillor Abdal Ullah**

Chair of the Overview and Scrutiny Committee

**Councillor Marc Francis**

Vice-Chair of the Overview and Scrutiny Committee

January 2019

## Summary Recommendations

### **The Overview and Scrutiny Committee recommends:**

**Recommendation 1:** That the Council identifies potential savings proposals and engages businesses and local residents earlier in the year so service users and the Overview and Scrutiny Committee can better contribute to the development of budget proposals.

**Recommendation 2:** That the Executive refer savings proposals, staggered over a three year period, back to the Overview and Scrutiny Committee to contribute to the oversight of savings proposals in year and, where necessary, refer the saving back to Full Council for fresh authorisation.

**Recommendation 3:** That the Council reviews its modelling for income projections and testing expenditure assumptions to ensure income growth is more accurately reflected than it has been in the past three years.

**Recommendation 4:** That the Council develops a more ambitious income generation strategy in collaboration with partners, businesses and residents.

**Recommendation 5:** That the Overview and Scrutiny Committee is provided with the Council's assumptions in modelling increases in fees and charges above the rate of inflation.

**Recommendation 6:** That, in advance of the Council's February Budget meeting, the Council undertake and publish an assessment of the cumulative impact of proposals, including increases in Council Tax and fees and charges to better understand the impact of multiple decisions on particular groups of residents.

**Recommendation 7:** The Council more proactively monitors how partners and service providers (whether through commissioned services or grants funding):

- address inequality in the borough
- support access to employment
- support progression into leadership roles for under-represented groups, such as BME residents and women.

**Recommendation 8:** That the Council explores the option of means-testing Community Language Services.

**Recommendation 9:** That the Council ensures it uses empirical evidence to assess the equalities impact of remodelled services on service users.

## **1. Approach to Budget Scrutiny for 2018/19.**

- 1.1 To support the budget scrutiny process this year, the Overview and Scrutiny Committee (Committee) received budget scrutiny training from the Centre for Public Scrutiny (CfPS) in September 2018 (Session One).
- 1.2 In addition to quarterly budget monitoring, the Committee discussed the Medium Term Financial Strategy Budget Update 2019-22 with the Cabinet Member for Resources as part of its pre-decision scrutiny of Cabinet papers in December 2018.
- 1.3 The Committee's work programme also included two meetings on 14 January (Session Two) and 28 January (Session Three) to review the budget. If there are substantial changes to the budget, the Committee also has a potential reserve meeting on 4 February to discuss the changes.
- 1.4 At Session Two, the Committee reviewed the priorities, pressures and context of the budget before focusing on growth bids and savings proposals. The Committee focussed on the following key areas:
  - Children's Services
  - Adult Social Care
  - Community Language Services
  - Parking.
- 1.5 The Committee will have a further opportunity to review the budget at Session Three, focusing on:
  - Capital Programme
  - Housing Revenue Account reserves
  - Fees and Charges report
  - Consultation with local residents and businesses.
- 1.6 Recommendations in this report are based on the Committee's discussions at Session Two and subsequent reflections.
- 1.7 Recommendations from Session Three will be fed back by the Chair to the Cabinet meeting of 30 January 2019 and through a supplement appendix to this report.

## **2.0 Session One – Budget Scrutiny Training, 27 September 2018**

- 2.1 Overview and Scrutiny Committee Members in attendance:

<b>Name</b>	<b>Role</b>
Councillor Abdal Ullah	Chair
Councillor Marc Francis	Vice-Chair and Scrutiny Lead for Resources
Councillor Kahar Chowdhury	Scrutiny Lead for Health
Councillor James King	Member
Councillor Kyrsten Perry	Member
Joanna Hannan	Representative of Diocese of Westminster
Ahmed Hussain	Parent Governor
Neil Cunningham	Parent Governor

- 2.2 The budget scrutiny training session was delivered by CfPS with the aim of increasing the Committee's skills and capacity to effectively scrutinise the Council's budget proposals.
- 2.3 An overview of the budget was presented by Zena Cooke, former Corporate Director of Resources, and Neville Murton, then Divisional Director Finance, Procurement & Audit, followed by a presentation from Sunita Sharma and Ian Parry from the CfPS.
- 2.4 Training focused on the Committee's role in budget scrutiny, including reviewing strategic objectives and setting questions around the following key areas:
- 2.4.1 Taxation levels
  - 2.4.2 Implications and risks in changes to income
  - 2.4.3 Resourcing key strategic priorities
  - 2.4.4 Outcomes based budgeting and linking to performance
  - 2.4.5 The Council's strategy behind reserves
  - 2.4.6 Level of ambition
  - 2.4.6 Assumptions and evidence base

### **3.0 Session Two - Strategic Overview - 14 January 2019**

- 3.1 Overview and Scrutiny Committee Members in attendance:

<b>Name</b>	<b>Role</b>
Councillor Abdal Ullah	Chair
Councillor Marc Francis	Vice-Chair and Scrutiny Lead for Resources
Councillor Sufia Alam	Scrutiny Lead for Children's Services
Councillor Mufeedah Bustin	
Councillor Kahar Chowdhury	Scrutiny Lead for Health
Councillor Dipa Das	Scrutiny Lead for Place
Councillor Kyrsten Perry	
Councillor Mohammed Pappu	
Councillor Bex White	Scrutiny Lead for Governance
Councillor Andrew Wood	
Neil Cunningham	Parent Governor
Ahmed Hussain	Parent Governor
Dr Phillip Rice	Church of England Representative
Joanna Hannan	Representative of Diocese of Westminster

- 3.2 The Mayor and Councillor Ronald, Cabinet Member for Resources, provided an overview of the rolling three year budget for the period 2019-22. The overview highlighted that the budget has been developed in consultation with members, officers and residents so the Council could align the budget to the following residents' priority areas:
- Community Safety
  - Children's Services
  - Education
  - Housing

- 3.3 The Mayor's overview also set out the context in which the budget has been developed and highlighted pressures from demographic growth, inflation and national uncertainties, such as the Fair Funding Review, Brexit and further funding cuts. The budget aims to protect frontline services and takes account of the impact on residents and the Council's workforce after eight years of austerity measures.
- 3.4 Accordingly, the budget sets out a Council Tax increase of 3.4% in 2019-20, based on a 1% increase of the Adult Social Care precept and a general inflationary increase of 2.4% (rather than the full 2.9% permitted before requiring a referendum). Council Tax income is estimated to total £100.332 million for the year 2019-20.
- 3.5 The Council Tax Reduction Scheme retains a basic 100 per cent support and so it continues to mitigate the impact of the increase in Council Tax for most of those on a low income. However, the changes made to it in 2017/18, particularly the use of the Minimum Income Floor for self-employed claimants means it is no longer as generous as those in Camden, the City of London, Hammersmith & Fulham, Kensington & Chelsea, Merton, Richmond and Westminster.
- 3.6 The Mayor and Councillor Ronald highlighted that over the period 2019-22, savings of £44 million are likely to be required. They commented that, while Tower Hamlets has a good record of achieving savings, these are increasingly difficult to identify due to continued austerity measures.
- 3.7 With increasing funding uncertainty, the Council has built a contingency of £3 million reserves to accommodate unforeseen eventualities and cover savings slippage.
- 3.8 The Committee focused discussions on:
- 3.8.1 **Income:** Testing projected income and expenditure assumptions to determine Council Tax levels and whether alternative income generation strategies are sufficiently ambitious.
- 3.8.2 **Fees and charges:** how increases in fees and charges are determined, particularly increases above the rate of inflation.
- 3.8.3 **Savings:** Testing assumptions on delivering savings (such as around the Pan-London Homelessness Prevention Procurement Hub) and how the Council tracks savings and addresses slippage.
- 3.8.4 **Reserves:** Confidence levels in robust reserves to meet uncertainties from Brexit and benchmarking practices to set reserves and ensure they are in line with accepted guidelines.
- 3.8.5 **Impact on residents:** How the impact of Council Tax increases, savings proposals and fees and charges are assessed on residents.
- 3.9 The Committee then scrutinised the following key areas:
- Environment
  - Community Language Service
  - Children's Services
  - Adult Social Care

- 3.9.1 In reviewing budget proposals on the Environment service area, the Committee focused on the following areas:
- The new waste service and the need to invest in better data collection and contract management to deliver services effectively.
  - Potential savings in cashless parking and the need for an equalities impact assessment.
- 3.9.2 In reviewing the proposed self-funded model to provide Community Language Services, the Committee heard from members of a teachers' association. Speakers highlighted concerns that this service would be dismantled and the important role the service provided in maintaining the mother tongue language, culture and promoting social cohesion.
- 3.9.3 On Children's Services, the Committee looked at:
- Council processes to monitor outcomes of the Tower Hamlets Education Partnership to ensure value for money and effective delivery of statutory services.
  - Confidence in savings proposals around the discretionary adoption allowance not impacting uptake or impacting on permanency planning.
  - Monitoring value for money on the early years growth bid.
- 3.9.4 Finally, the Committee considered budget proposals for adult social care against a backdrop of demographic and inflationary pressures and increasing complexity. The Committee focused on:
- Confidence in delivering savings
  - Evidence that joining up day services will meet residents' needs.
  - The impact on residents of the reduction in provision of residential care.

#### **4.0 Session Three – Capital programme & reserves - 28 January 2019**

- 4.1 The Overview and Scrutiny Committee will have a further opportunity to review the budget at its meeting on 28 January 2019, focusing on:
- Fees and charges
  - Capital Programme
  - Housing Revenue Account reserves
- 4.2 The Overview and Scrutiny Committee's recommendations from this session will be fed back by the Chair to the Cabinet meeting of 30 January 2019.

## 5.0 RECOMMENDATIONS

### 5.1 BUDGET DEVELOPMENT PROCESS

**Recommendation 1:** That the Council identifies potential savings proposals and engages businesses and local residents earlier in the year so service users and the Overview and Scrutiny Committee can better contribute to the development of budget proposals.

5.1.1 For the last two years, the Committee has requested that the Council develops budget proposals earlier in the year so service users and the Committee can feed into the budget development process more effectively. Further, the Committee believes that the consultation process should begin earlier to allow the Committee a longer lead time to take into account consultation feedback from local residents and businesses.

5.1.2 In particular, the Committee notes the budget scrutiny process at Lewisham and would like to see a modified timetable based on the following:

Timetable	Activity
July/August	Officers prepare proposals
August/September	Cabinet considers proposals
September	Proposals in public domain for consultation
October/November	Scrutiny of proposals
November	Mayor and Cabinet decision on budget
December/January	Officers prepare final budget and savings report
February	Council sets the budget

5.1.3 The Committee itself also intends to undertake more detailed examination of individual directorate budgets in future years. It would welcome the support of the Mayor, Lead Member for Resources and individual Cabinet members for this work.

**Recommendation 2:** That the Executive refer savings proposals, staggered over a three year period, back to the Overview and Scrutiny Committee to contribute to the oversight of savings proposals in year and, where necessary, refer the saving back to Full Council for fresh authorisation.

5.1.4 The Committee discussed that, due to the three year budget planning process, it was necessary to consider the impact of budget proposals for the immediate year and longer term decisions around the rolling third year. The Committee also noted that a number of savings proposals, such as the Community Language Service, stagger savings across three years with the most significant proportion of savings

realised after the first year. This year, two decisions have been called-in, relating to saving proposals, which had notably changed from the proposals agreed in year one. The Committee noted the merit of referring savings proposals back to the Committee nearer the time savings are realised to review whether savings are still required in light of demographic changes and more accurate income projections.

## **5.2 INCOME**

**Recommendation 3:** That the Council reviews its modelling for income projections and testing expenditure assumptions to ensure income growth is more accurately reflected than it has been in the past three years.

5.2.1 The Committee queried the merits of committing the Council to budgetary proposals up to three years in advance. There remains a large gap between income projections over the three year period. For example, the Committee illustrated that income projections for the year 2019-20 had varied widely from £305.7 million in 2016 to £331.4 million in 2018. However, current funding requirements total £342.5 million, with expected income of £343.8 million.

5.2.2 The Committee noted the need to make prudent income projections and that some of the income is granted on a one-off basis. However, the Committee remains concerned that the Council's income projections over the past three years have significantly understated income growth and that decisions on the continuation of services are based on these inaccurate projections.

**Recommendation 4:** That the Council develops a more ambitious income generation strategy in collaboration with partners, businesses and residents.

5.2.3 The Committee queried the Mayor's confidence levels in delivering the income growth and savings set out in the budget. As savings become harder to realise, the Committee believes more thought needs to be put into the development of genuinely innovative income generation strategies beyond above-inflation increases in fees and charges.

## **5.2 EQUALITIES AND RESIDENT IMPACT**

**Recommendation 5:** That the Overview and Scrutiny Committee is provided with the Council's assumptions in modelling increases in fees and charges above the rate of inflation.

5.2.1 The Committee noted that the budget did not contain detailed information on fees and charges and a separate report will be circulated at the end of January, which will include an equalities impact assessment. The Committee may have further comments on the specific fees and charges once that report is considered by the Committee on 28 January 2019.

5.2.2 Leading on from discussions on confidence levels around income generation, the Committee queried how increases in fees and charges are determined and whether these support keeping Council Tax at lower levels. As a method of income generation, Council Tax has the advantage of being mitigated by the Council Tax Reduction Scheme.

Raising income through fees and charges could be inequitable for some service users.

- 5.2.3 The Committee heard that fees and charges had not been linked to Council Tax levels but instead motivated by encouraging behaviour changes, such as the use of diesel cars. Generally, increases to fees and charges are linked to inflation. The Committee noted that only a few areas have been increased above the rate of inflation, such as planning fees, diesel surcharges, secondary school meals and meals on wheels.
- 5.2.4 Given the backdrop of eight years of austerity measures, the Committee raised concerns about the impact on service users and therefore are keen to track increases in fees and charges above inflationary levels as part of its budget scrutiny process throughout the year.

**Recommendation 6:** That, in advance of the Council's February Budget meeting, the Council undertake and publish an assessment of the cumulative impact of proposals, including increases in Council Tax and fees and charges to better understand the impact of multiple decisions on particular groups of residents.

- 5.2.5 The Committee queried the equalities impact assessment process around separate proposals and noted the need to bring these together to better understand the cumulative impact on particular groups. In particular, the Committee noted that some residents on a modest income may not be eligible for the Council Tax Reduction Scheme or free school meals but may face increased fees for services. It is therefore important that the cumulative impact of proposals is understood and means-tested safeguards are not the only safeguards in place.

**Recommendation 7:** That the Council more proactively monitors how partners and service providers (whether through commissioned services or grants funding):

- address inequality in the borough
- support access to employment
- support progression into leadership roles for under-represented groups, such as BME residents and women.

- 5.2.6 The Committee noted that it works with a number of partners to fulfil its statutory duties, such as the Tower Hamlets Education Partnership. The Committee therefore noted the importance of the Council, partners and service providers in promoting equalities and diversity within their own workforce, particularly at leadership levels. For example, the Committee heard about the BME head teachers' development programme. Closely monitoring partners' and service providers' compliance with the Council's equalities employment requirements is key to furthering equalities and diversity at leadership levels in the borough.

**Recommendation 8:** That the Council explores the option of means-testing Community Language Services.

- 5.2.7 In reviewing the proposed self-funded model to provide Community Language Services, the Committee noted the Mayor's and Cabinet Member's comments that the service is discretionary and no other borough provides free community language services. With the need to find £44 million savings, the Council is exploring options to provide the service through different means to ensure value for money. The Committee also heard that the number of hours available is uneven across the service with varied take up.
- 5.2.8 Members of a teachers' association presented their concerns to the Committee, highlighting that a number of parents would be unlikely to access this service, if a fee-charging model was introduced, due to low income and rising living costs. The Committee noted that the service caters for approximately 2000 learners, of which approximately 1,400 are children and over 90% are from the Bangladeshi community, which could be disproportionately affected.
- 5.2.9 The Committee listened to the debate on the Community Language Service with interest and noted plans to develop a sustainable fee-charging model over three years. Members raised a range of views about the merits of introducing a fee-charging model for mother tongue classes and are particularly concerned that charges can result in less take-up of a service. The Committee suggested that means testing be considered as a model option to mitigate the impact of a fee-charging model on residents with low incomes.

### **5.3 EVIDENCE**

**Recommendation 9:** That the Council ensures it uses empirical evidence to assess the equalities impact of remodelled services on service users.

- 5.3.1 The Committee queried the evidence-base for analysis of the impact of remodelled services on service users.
- 5.3.2 For example, in reviewing the Community Language Service, the Committee noted that the Directorate is yet to draw up a business case and proposes to carry out a full consultation on models to get a clearer picture of the mismatch between class sizes. Further, the Committee discussed potential academic benefits and noted the Cabinet Member has only anecdotal evidence that the Community Languages Services support academic achievement. Further, officers are looking into whether community languages are provided at GCSE level. The Committee noted the need for robust objective evidence to understand the impact on service users.
- 5.3.3 The Committee also considered budget proposals for Adult Social Care against a backdrop of demographic and inflationary pressures and increasing complexity. On the Efficiencies in Commissioned Services for Adult Social Care Savings proposal, the Committee queried the evidence behind whether the reduction in the provision of residential care placements is the best outcome for residents.

5.3.4 Further, the Committee noted the 'Promoting Independence and in Borough Care for Adults' savings proposals referred to transforming the way that day opportunities are provided. The Cabinet Member discussed combining services provided by the Riverside Day Centre (Jack Dash house) and the Day Opportunities Centre (the Redcoat Centre). The Committee discussed concerns that the merger could result in increased travel times for some residents. Further, the Committee noted the two centres provided services to different groups with different needs and remained concerned that there was not sufficient evidence that proposals would meet the needs of vulnerable residents. The Committee was disappointed with the lack of detailed information on this proposal in the Budget Pack and asked for more to be provided to help inform members prior to the Budget Full Council meeting in February. This is potentially an example of a saving that ought to be reconsidered by Full Council in advance of its implementation in 2021/22 (see Recommendation 2).