Pre-decision Scrutiny Questions – and responses **Cabinet 27 January 2021**

Item 6.1 The Council's 2021-22 Budget Report and Medium-Term Financial Strategy 2021-24	
Questions	**Response**
In the Capital Programme it puts £15m aside for purchase of housing for Temporary Accommodation. Is this a new fund or the continuation of an existing programme/agreement?	This is a continuation of an existing programme that was originally approved in 2016/17. An increase in budget from an already approved £24.597m to £30m was approved as part of the November 2020 Cabinet report
Section 3.10.8 Allowing for the stated 8% increase to the High Needs Block what is the accrued deficit that will be bought forward?	The accrued deficit bought forward from 2019/20 was a total DSG deficit of £11.8m, of which £13.2m was attributable to the high needs block (schools block surpluses offset) we are currently forecasting that the in year high needs block will be balanced for 2020/21 and therefore the deficit bought forward would be at the same level. (Answered to James also)
Section 3.10.10 As the Schools Forum confirmed some areas will not be de-delegated, such as SLS, as part of the formal budget setting process when and where will the Council confirm the budget arrangements for those non de-delegated areas of budget?	The SLS service is funded through the high needs block. The budget for high needs is included in the budget summary at summary level and included in detail in the budget book. As part of the significant high needs overspend, all costs within the high needs block have been reviewed including the SLS service costs to support the long-term sustainability of funding to schools who are delivering the majority of high needs support.
Section 3.11.27 states "No further additions to the HRA will be considered until the two reports that Savills are working on are completed" However, the Council appointed Savills in January 2020, "to review the borrowing and investment capacity within the Housing Revenue Account (HRA), and other opportunities available to deliver affordable housing, in the light of the abolition of the HRA debt cap and potential introductions of new flexibilities for the reinvestment of Right-to-buy receipts. The primary driver was to establish if additional new homes could be delivered alongside investment in the existing stock including fire safety and energy efficiency works." Could some of the draft finding be shared with the Cabinet and O&S committee so to consider how realistic the figure of £232.768m is for the delivery of the first 1,000 council homes programme?	The impact of ongoing stock conditions works, fire safety and energy efficiency works impact on the delivery of the second 1,000 homes. The Business Plan has been costed based on estimated costs of schemes either on site or due to be going on site and therefore the figure of £232.768m is deemed a realistic cost of the delivery of this programme.

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On the 23 September 2020 the Cabinet heard that "11.3.7 The HRA Business Plan Review, which has recently been completed, has established that there is sufficient funding available, for the capital works identified through the existing stock condition surveys, the anticipated costs of fire and building safety works that are expected from new regulations and the delivery of the first 1,000 council homes." Could the updated HRA Business Plan Review be circulated with the budget papers? https://democracy.towerhamlets.gov.uk/mgConvert2PDF.aspx?ID=172684	The summary sheet detailing the financial position of the 30-year HRA Business Plan has been provided separately.
Regarding section "3.11.74 The cumulative impact on the HRA will not be clear until the various reforms all take effect. Provision has been made within the HRA MTFP for an increase in bad debts could the Council outline the provision that has been made?	The provision for bad debts for tenant rents held on the balance sheet is £4.168m. There is a revenue budget of £600k to increase this provision.
Considering the highlighted areas of the Social Housing White Paper in the Cabinet report, is the Council reconsidering bring Tower Hamlets Homes 'in house' and if so, what is the timeline that the Council is working towards?	Cabinet agreed to extend the THH management agreement in July 2019 for 4 years, from 2020, with a possible 4-year extension beyond that. The new agreement was signed in July 2020, so it is in the first year.
Capital works to Parks 3.12.43 "Capital works are proposed for Victoria Park in 2021-22" has the Bonner Gate been included in the capital works proposal?	The Bonner Gate repairs will be completed under the parks repairs and maintenance budget. As the gate is listed, quotes have been obtained from specialist restoration firms who were recommended by English Heritage and the works will be scheduled to be undertaken as soon as the procurement is complete.
3.12.51 What level of funding review is needed for Seahorse Homes Ltd? When will the report go to Cabinet? And is the impact on the future supply of housing likely to be considerable?	Potential funding sources for Seahorses homes was set out in the Cabinet report in February 2017 that agreed to set up the company. Since then housing market conditions have changed and treasury conditions have changed in relation to loans. These require a review of the potential funding sources, the outcome of which will be reported to Cabinet. Seahorses housing activities are not currently included in the strategy for increasing **affordable** housing supply in the borough and therefore any impact is not deemed considerable
Has the "Income Through Housing Companies - reprofile of agreed saving RES08/18-19 SAV / COP 001 / 21-22 (250)" been identified by Savills? If so, please could the report be circulated to the committee?	The saving RES08/18-19 SAV / COP 001 / 21-22 relates to affordable housing within the general fund and has therefore not been included within the HRA Business Plan as part of Savills work

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Is there a concern that with the finical pressures and changes to that the Council's reliance on the staffing reduction outlined in the Integrated Commissioning staffing reductions SAV / HAC 004 / 21-22 may increase the risk to adult social care delivery in the borough?	The staffing reduction outlined is already in place and was implemented in August 2020 providing some in year savings in 2020/21 which are being permanently captured as savings in this MTFS. It ensures sufficient capacity at the right levels to ensure that commissioning work can be maintained - CCG roles within the team were unaffected by this re-structure. The service operates as a joint commissioning function across the Council and CCG supporting outcomes across health, social care, and broader wellbeing in line with best practice.
Could the committee see the list of the VCS organisations referred to in SAV / HAC 007 / 21-22 (i.e. organisations that have been identified as providing services to violence victims who are admitted to the Royal London Hospital)?	There is one, main charitable organisation working with victims of violence in the royal London Hospital. St Giles Trust UK - a national charity are commissioned by the Mayor's Office for Policing and Crime (MOPAC) to work with victims of violence. They offer a wraparound service to victims of violence admitted to the hospital. Discussions will be had with partners and stakeholders to see if funding may be identified to mitigate the unmet need in the trauma unit for victims treated and discharged within 24 hours who are often repeat victims of violence
What has changed between the 6th January and 27th January version of the report (for the General Fund)?	The Cabinet report for 27 January includes the capital programme, the HRA growth proforma and HRA saving proforma (these are included in the proposed growth and proposed savings appendices) and the Lower Tier Services Grant (please refer to paragraph 3.5.24 in the report).
Given that Tower Hamlets has the worst ASB rates in the country and that in the last Residents Survey it was the issue with the highest concern where is the additional capital funding to help with this? (the current £3.4 m is largely an upgrade of the existing CCTV network not an expansion of it)	CCTV is an important component of the Council's response to crime and ASB, although by no means the sole or primary mechanism available to counter its impact. The Council has committed to replacing its existing analogue CCTV network by autumn 2022 with a new digital system that will provide equivalent coverage but much better image quality and reliability. £3.1m of capital funding was approved by Cabinet in July 2020. The detailed project business case has progressed through the Council's internal governance structure, and it is

	anticipated that the final confirmation will be provided c. February 2021
Q3 The GLA Isle of Dogs and South Poplar Development Infrastructure Funding Study assumed that all CIL and s106 earnt in the Isle of Dogs and South Poplar area had be spent in that area in order to minimise infrastructure funding deficits for that area, is that the assumption guiding the allocation of CIL and s106 monies?	The Council is required to consider the infrastructure needs across the entire borough alongside the income available to fund this infrastructure. It does this through the Infrastructure Delivery Plan (IDP) which identifies significant needs boroughwide. The IDP also identifies the income forecast to be secured through CIL and S106. This is higher in some areas, not only because of the level of development, but also the scale of charges which are higher where development sales values are higher. The increased charges are not in balance with the cost of delivering infrastructure items, which is broadly the same across the borough. Given this the Council is required to consider how best it uses the funding secured to support the meeting of needs across the borough. Additionally, infrastructure is often delivered as part of a boroughwide network, such as Secondary Schools and other initiatives are required to cross multiple wards to be effective, such as traffic and highway improvements. The Isle of Dogs and South Poplar Development Infrastructure Funding Study (DIFS) identifies a range of infrastructure needs for the area over the short, medium and long terms. The Council are working to ensure that all forms of funding at the Council's disposal are used alongside external investment to deliver the requirements of both the DIFS and the boroughwide IDP. The Infrastructure Prioritisation and Financing Delivery Plan (PFDP) referred to in the Cabinet Report will support this work boroughwide, including the Isle of Dogs and South Poplar area. There is a lag time between receiving funding and the delivery of infrastructure, however the area is benefitting from

	considerable use of CIL, S106 and secured external investment, and delivery is accelerating through the current Capital Programme. This includes the use of boroughwide funds to support strategic schemes such as the school and health centre on Wood Wharf. Alongside this, the Council is using the planning system to require developers to deliver a range of schools, health centres and parks on-site on the Isle of Dogs, worth hundreds of millions £'s. This process ties delivery to the time that development happens and can be considered as 'spend' directly in the neighbourhood where development occurs. Additionally, 25% of CIL is spent locally through the Local Infrastructure Fund, which is currently developing a range of improvements to local parks, public realm and more.
6.1.6 Projected Movement in Reserves, item 6.1	
Q1 New Homes Bonus - substantial reserves are due to be maintained £37.8 million by March 2023, what is the long-term plan, if any for this money?	The New Homes Bonus reserve would be utilised to fund any General Fund overspends, including any pressures above government funding for the impacts of the Covid pandemic on increased spend and reduced income. This would include Collection Fund deficit pressures above government funding due to the impact of the pandemic on business rates and council tax.
Q2 What is the estimated loss now in 2020/21 between inflation and interest earned on these reserves? (historically our reserves lost value as inflation exceeded interest earned)	As at November 2020, the Consumer Prices Index (CPI) inflation was 0.3%, down from 0.7% in October. The Council's average income return of 1.01% is higher and therefore the future value of the funds invested is currently maintained.
Appendix 8F Capital Potential Assets for Disposal	
Q1 The list does not include Jack Dash House, which in various previous documents had been listed as an asset the Council wish to sell, what is the plan now for Jack Dash House?	In respect of Jack Dash House, the asset management team are currently undertaking a policy of letting the vacant space. The 4th floor was recently let and other space including the 3rd

	floor is currently under offer. These are at commercial rents and include a service charge element. At this time there is no strategy to dispose of it, but it is slowly morphing from an occupational property to effectively an income producing property. These leases are for up to 10 years and will be providing revenue for the Council. There is the still the potential to dispose of it at a later stage as it is no longer required as workspace for LBTH employees.
Q2 How confident are we in these values given the changes in the market since the pandemic struck?	Where necessary the Council are obtaining supplemental valuations to reflect any changes in the market. Where these differ from earlier valuations we are advising as appropriate.
Q3 What do the colours mean, green, orange, red on the report?	The colour coding means: Green: capital receipt expected to be received in 2020/21 (short-term) Amber: capital receipt likely but not certain (medium-term) Red: potential to generate a capital receipt but not certain (long-term) CCTV

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Item 6.3 Procurement of the Leisure Management Contract	
Questions	**Response**
Are there any financial risks to the council, if the contact was extended for a further 2 years until 2024?	**Response** The two-year extension to the leisure management contract is being proposed to minimise financial risks to the council. High level options appraisals have determined that externally procuring the leisure management will offer best value for the Council due to the economies of scale that leisure operators are able to access via their supply chain, tax relief, external funding opportunities and specialist leisure operations expertise, which are not available to the Council. Not extending the contract increases the risk that GLL will not be able to repay the management fee to the Council and the Council will need to bear this financial pressure. This is largely due to the previous and existing national and regional lockdowns which limit GLL's ability to generate income and therefore a surplus from which to repay the Council the management fee. Extending the contract to 2024 enables the leisure market time to recover and for leisure centres operations to approach near normal financial performance and the management fee to be repaid. If the contract is not extended beyond 2022 then the financial risk that the management fee is not repaid to the Council increases significantly. Leisure centres have already been closed for nearly 6 months, which is six months of lost income, with significantly reduced income for the remaining four months since the start of the pandemic. Leisure centres are once again closed due to a national lockdown and it cannot be predicted when they are likely to reopen. This lockdown will continue to generate a financial deficit until the centres reopen and an operational surplus generated. Consequently, whilst we cannot state that there are no risks associated with a two year contract extension due to the fluid nature of the impact of the impact of Covid-19 on leisure provision, there are no specific financial risks identified at this time due to the identified risks being mitigated by the contract extension.

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What happens if the management fee cannot be paid?	As mentioned above, extending the contract significantly decreases the risk that the management fee will not be repaid. However, there is a requirement that GLL repay the management fee, which may be beyond the contract duration period.