

Overview & Scrutiny Committee

Review of Budget Proposals for 2022-23

February 2022



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Foreword

As has become an unfortunate reoccurring theme in recent years, the Overview & Scrutiny Committee (OSC) recognises that the council has faced the challenging task of setting the budget during a time of unprecedented tragedy and unpredictability. In addition to the uncertainty of the pandemic, the council does not yet know what impact the fair funding review, business rate reset, and outcome of the New Homes Bonus consultation will have on its medium- or long-term finances.

In the absence of long-term funding assurances, the council has had to make difficult decisions. I would like to commend the Mayor, Cabinet and officers for the work that has gone into ensuring the council has a balanced budget and is in a relatively firm financial position.

As we move into 2022 and beyond, to a time where the budget setting will be defined even more by difficult decisions than it is now, I think it is important to take stock and highlight the role of OSC in the budget setting process. OSC helps to ensure that the council's budget is robust and sustainable, reflects the voices of local people, and challenges prevailing assumptions. OSC is a critical part of the council's corporate governance that ensures transparency and understanding of the tough choices the council is making.

It is in this context, that we express our disappointment that OSC has yet again had to make several recommendations which reiterate the findings and recommendations made in previous years, where effective action has not been taken. We have therefore included as appendix 1 our budget scrutiny report from 2020-21 for consideration by the Mayor. We remain frustrated that OSC is not engaged in the budget setting process sooner to allow us to have a greater impact. This would also help to ensure that the budget is better aligned to council and resident priorities. We are also disheartened to see our reservations voiced during last year's budget setting process about the council being fiscally conservative, unheeded, at a time when frontline services are in desperate need of funding. We hope that the Mayor will make every effort to work with us to improve budget setting moving forward.

We recognise that the council is in a relatively strong financial position and will have a surplus of £5.4m. It is regretful to think of previous funding cuts to frontline services which could have been avoided. As many of our residents are challenged by increased costs of living, we are asking the Mayor to reconsider some of the agreed savings to be delivered and further areas where some of this funding can be put back into frontline services. This will help to alleviate some of the hardship many of our residents are facing as we progress in our recovery from the pandemic. We have made some suggestions of where the additional funding can be best allocated which we hope will be considered.

Finally, I would like to thank my scrutiny colleagues for their invaluable participation, knowledge, and insights in undertaking our review of the budget. I would also like to thank Mayor John Biggs and Councillor Candida Ronald for their engagement. I hope we can continue to work together to deliver a budget which truly protects services, supports our most vulnerable, helps residents with the increased cost of living and invests to unlock opportunity for all.

**Councill Mohammed Pappu,
Overview & Scrutiny Committee Chair**

Summary Recommendations

Medium Term Financial Strategy

Recommendation 1

Provide the Committee with modelling of what impact changes to income in future years will have on the council's finances, providing insight of worst-case, medium case, and best-case scenario.

Recommendation 2

- a. Establish a funding approach that includes a refreshed Reserves' Policy – so that it does not operate in isolation, and is integrated; attach confidence levels/levels of assurance against items and aspects projected to happen, and reflect on past projections to learn from those things we have previously predicted/assumed that have not eventuated.
- b. Review modelling for income projections and expenditure assumptions to ensure income growth is more accurately reflected.

Recommendation 3

In light of the additional £5.4m, review previously agreed savings alongside the equalities impact assessment and identify where additional funding can be allocated. In particular savings which have or will have the greatest impact on access to frontline services and vulnerable people must be reviewed.

Recommendation 4

That the Council restructures its budget setting process so that it has a greater focus on delivering priorities and measuring impact.

- a. Conduct the Budget Consultation (which gauges public priorities) at the beginning of the municipal year
- b. That the Council restructures its budget setting process so that it has a greater focus on delivering priorities and measuring outcomes.

Fees and Charges

Recommendation 5

Reduce the level of increase to market trader fees and charges which will have a significant impact on people's livelihood and ability to stay in employment i.e. charges impacting market traders at Watney market, Columbia Road, Whitechapel market, and Bethnal green road.

Recommendation 6

Review the fees and charges for hiring of venues such as community hubs, ideas store, Brady Centre to make them more affordable and accessible for local community organisations and groups.

Recommendation 7

Provide a link on the fees and charges for community based social care services and residential care services within the fees and charges report.

Additional Budget Meeting

Recommendation 8

Provide OSC with a briefing note setting out the position of the Waste Services Reorganisation saving and the Technology Enabled Care saving.

Recommendation 9

Include a list of the previously agreed savings for 2022-23 in the budget papers presented to Full Council.

1. Findings & Recommendations

- 1.1. The Committee held its first review of the budget proposals on 24 January. The Committee discussed the proposals with Mayor John Biggs, Cabinet Member for Resources and the Voluntary Sector Candida Ronald, and the council's Director of Finance.

Funding & Reserves

- 1.2. As part of the budget scrutiny process last year OSC questioned the necessity of some the savings proposals and its impact on vulnerable residents (£13.5m savings proposals for 2021/22). At the same time using some of the funding the council received to top up reserves when the Committee considered that reserves were sufficient. The Committee suggested that this was as a consequence of underestimating projected income, as has also happened in previous years, which then needed to be offset by increased savings (reduction in services). The savings made in 2021/22 resulted in reduced funding and provision in vital services, including social care, drug and alcohol treatment services, children with special needs & disabilities, and library services.
- 1.3. Despite a series of strong representations from OSC that the council's assumptions have been hugely conservative, the Committee was shocked to understand the scale of underestimation in this year's budget. In 2021/22, the Medium-Term Financial Strategy (MTFS) forecasted that the funding requirement for 2022/23 was £360.2m and the council's income would be £341.1m. However, this year's report reveals that the council's forecasted income was substantially inaccurate, with an additional £47.8m available. Such a significant inaccuracy must not be overlooked. It has erroneously informed subsequent savings and unnecessarily reduced service provision at a time when our residents have faced significant hardship. The Committee is concerned that the council will continue to make the same mistakes and act too conservatively. It was noted that there has been a dramatic increase in the funding requirement for 2022/23, increasing from a projected £360.2 to £383.5m. In order to increase confidence, a fundamental review of the performance of projections/modelling of income must occur. It is recommended that the Mayor and Cabinet Member for Resources and the Voluntary Sector revisit the estimated corporate costs (detailed in appendix B of the MTFS report) to ensure accuracy and provide greater transparency of estimated expenditure.

- 1.4. The Committee was informed that the council benefited from a significant increase in New Homes Bonus (NHB) grant. Yet again, the scale in the discrepancy between what was estimated, and what was received, characterises the conservative nature of the council's approach to setting the budget, and this Committee's concerns. It was estimated that the council would receive £3.8m, however it was awarded £16.2m, one of the highest amounts of NHB received in the country. This is particularly disappointing for the Committee given the issues with NHB forecast highlighted in last year's report. Significantly, the Committee identified the underestimation of NHB grant to be one of the main drivers of projected deficits in future years and the assumed need for further savings and increased fees and charges.
- 1.5. In response to the Committee's recommendations last year, the Committee was informed that we should 'resist the temptation to become overly optimistic in our forecasting' and advised that other local authorities have had to apply to Government for emergency funding partly because of insufficient contingencies and unrealistic income projections. The Committee accepts the need for caution; however, this year's budget proves there is compelling evidence to be bolder in the council's forecasting and reconsider its approach to reserves. The Committee acknowledges that there are looming changes to the way NHB is allocated, and along with key reforms such as the fair funding review and business rates reset this presents long-term uncertainty. However, in the council's assumptions there is a clear absence of possible mitigation, such as transitional relief facing funding reductions, which helps to lessen the sense of uncertainty. Moreover, the council has healthy reserves, with £588m in total and almost £100m of this is available to allocate where required. In addition to reserves, the council has several buildings which could be sold to bring in additional income. It is recommended that the Council re-evaluate its approach to risk and consider how much risk it is willing to carry to ensure vital support is provided to residents. This will help alleviate the burden on residents who are struggling financially due to the rise in energy prices, increased cost of living, and dramatic economic impact of the pandemic.
- 1.6. The Committee reiterates the recommendations it made last year in the council's approach to its reserves policy. The current funding approach is not integrated: there is not a clear relationship between the reserves policy and new and additional government grants over years.
- 1.7. The establishment, monitoring and review of the levels of reserves and balances are an important element of the council's financial management approach. While reserves are an important mechanism for setting aside sums for future use, they are also an opportunity to mitigate against unexpected or unprecedented events.
- 1.8. The Committee considered that given the Reserves Policy is reviewed annually, it could be made clearer that reserves' balances (general fund, HRA, earmarked) could be listed along with targets or projections for the MTFS period. Some local authorities go further, providing a breakdown of key line items (e.g. earmarked, capital reserve items) with purpose and projected timings for use.

Recommendation 1

Provide the Committee with modelling of what impact changes to income in future years will have on the council's finances, providing insight of worst-case, medium case, and best-case scenario.

Recommendation 2

- a. Establish a funding approach that includes a refreshed Reserves' Policy – so that it does not operate in isolation, and is integrated; attach confidence levels/levels of assurance against items and aspects projected to happen, and reflect on past projections to learn from those things we have previously predicted/assumed that have not eventuated.
- b. Review modelling for income projections and expenditure assumptions to ensure income growth is more accurately reflected.

Budget Surplus

- 1.9. Based on the provisional Local Government Funding Settlement the MTFs shows an estimated budget surplus of £5.4m for 2022-23 which will be allocated to one-off projects in line with local and national priorities.
- 1.10. The Committee recommends that a review of previously agreed savings is undertaken, alongside consideration of equalities impact assessments, to identify where there is the greatest need to allocate additional funding. In particular, savings which have had the greatest impact on access to frontline services and vulnerable people must be reviewed. The Committee also recommends the Mayor to consider investment in the following areas:
 - **Rising energy costs**
The cost of energy is set to reach an unprecedented high in coming months, with an anticipated 50% increase in household energy bills set to be in place from April. This will apply a greater burden to household budgets already suffering from increased costs of living.
 - **Idea Stores**
Following savings delivered Idea Store opening hours have reduced opening hours. Funding could allow for Idea Stores to open for longer and provide vital support to help residents access services.
 - **Standard Utilities Allowance**
This was reduced from £15 per week to £5 per week, impacting approximately 1,200 residents. Moving this back £15 for a one- or two-year period would provide some respite to those residents.
 - **Council Tax Support**
Review the use of the minimum income floor to provide support for self-employed residents. Review the counting of disabled people's personal independence payment as income when calculating their entitlement and consider what concessions can be made.
 - **Discretionary Housing Payment**

This will help to avoid evictions for those residents falling behind with their rent due to the sudden increase in cost of living or those who's employment may have been impacted by the pandemic.

- **Support for residents to access services to help mitigate the move to digital services**

Many residents are experiencing difficulties navigating new online systems and accessing services. The digitalisation of services is beneficial, but many residents are struggling to keep up with the pace of change. Providing additional support to facilitate this transition and ensure they can still access services would be very helpful.

- **Contributions to Tower Hamlets food banks & Resident Support Payments**

At a time when many residents are facing increased costs, continue to provide vital poverty relief through one off payments to food banks and increased funding for Resident Support programmes.

- **Review savings highlighted by OSC as part of 2021/22 budget report**

The Committee made representations in 2021/22 to use the Social Care grant to delay implementation of savings proposals for Day Opportunities Centre, Early Years Services, Drug and Alcohol Treatment Services, and Education and Partnership Service. The Committee asks that these proposals be revisited in light of the additional funding available.

- **Schools Forum**

We know that our schools have felt the impact of the pandemic as much as an of our frontline services, and they continue to navigate significant challenges. Consult with the school's forum to understand where they would benefit from additional one-off funding.

Recommendation 3

In light of the additional £5.4m, review previously agreed savings alongside the equalities impact assessment and identify where additional funding can be allocated. In particular savings which have or will have the greatest impact on access to frontline services and vulnerable people must be reviewed.

Budget Setting Timetable

1.11. The Committee believes that the public consultation process should begin earlier to allow for a longer lead time to consider and reflect consultation feedback from residents, members, partners, and businesses. This has been a reoccurring recommendation from the Committee for a number of years and while there has been some change this year the Committee feels earlier engagement will help better shape the MTFS.

1.12. This year, OSC was unable to view budget proposals until January, providing extraordinarily little time for effective engagement. The Committee was informed that there will be further information on the budget, such as details on the capital programme, provided ahead of the Cabinet meeting in February. This does not appear to be the most effective or transparent way to review the

budget. The Committee is unable to understand the full implications of the budget if it is not given all the information in its entirety or in a timely manner

- 1.13. 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

- 1.14. The scope of the Council’s Budget Consultation currently focuses on priorities rather than specific proposals. Putting the process earlier in the year would allow these identified priorities to better shape proposals as they are developed.

Recommendation 4

That the Council restructures its budget setting process so that it has a greater focus on delivering priorities and measuring impact.

- a. Conduct the Budget Consultation (which gauges public priorities) at the beginning of the municipal year.
- b. That the Council restructures its budget setting process so that it has a greater focus on delivering priorities and measuring outcomes.

Fees & Charges

- 1.15. The Committee considered that increases to fees and charges for market traders at Watney Market, Columbia Road, Whitechapel market, and Bethnal Green Road (up to 288% increase) are excessively high. The Committee is concerned that as many small businesses are trying to recover from the impact of the pandemic, this increase will have a detrimental impact on their livelihood and ability to stay in employment. It is recommended that the level of increase be reduced, especially considering the £5.4m budget surplus.
- 1.16. The Committee would also like to see the fees and charges for hiring council venues such as Community Hubs or Ideas Stores reduced. They need to be more affordable and accessible, particularly for local community organisations

and groups. The Committee welcomes the Mayor's commitment to review these charges.

- 1.17. The Committee would also like further clarity on the fees and charges for community based social care services and residential care services. The report does not list what they are and states that 'they are in accordance with the relevant charging policy.' It is recommended that this detail is included in the report and made available to the committee to help understand the variance in charges.

Recommendation 5

Reduce the level of increase to market trader fees and charges which will have a significant impact on people's livelihood and ability to stay in employment i.e. charges impacting market traders at Watney market, Columbia Road, Whitechapel market, and Bethnal green road.

Recommendation 6

Review the fees and charges for hiring of venues such as community hubs, ideas store, Brady Centre to make them more affordable and accessible for local community organisations and groups.

Recommendation 7

Provide a link on the fees and charges for community based social care services and residential care services within the fees and charges report.

2. Additional Budget Scrutiny Meeting

- 2.1. Following the meeting on 24 January, further information was added to the budget proposals, including information on the capital programme and the allocation of one-off growth funding. The Committee held an additional meeting on the 14 February to consider the updated information. In view of the new information provided, the Committee reiterates the points made following the first meeting and would like to include additional recommendations.

Budget Surplus

- 2.2. The additional information presented to the Committee on 14 February provided further clarity on the areas which will receive additional 'one off growth' funding. The Committee was pleased to see some of the areas highlighted earlier in this report included. However, the Committee would like to see a more strategic and sustainable approach for the allocation of additional funds. It is recommended that the Committee focus on investing more resource on fewer areas so that it can achieve a more sustainable and tangible impact.

Previously agreed savings

- 2.3. In considering how the budget surplus can be allocated, the Committee recommends that previously agreed savings for 2022-23 be reviewed and consideration given to what is still necessary and what can be delayed.
- 2.4. The Committee would like further clarity on the Technology Enabled Care saving. The budget line/reference for this proposal is SAV / HAC 005 / 21-22. However, when the budget was agreed last year, this reference was used for the 'reduction in service, partnership support and management – VAWG, Hate Crime and Community Safety Teams SAV.' The Committee would like a note to understand whether this is a new saving or if it remains the old saving.
- 2.5. The Committee is pleased to see that additional investment will be given to strengthen the resource and capacity of the Waste service. However, as part of the previously agreed savings for 2022-23, there was £100,000 for Waste Service reorganisation. The Committee questions whether this will be delayed or reprofiled for an additional year and would like further information on this.
- 2.6. The Committee would like to see the previously agreed savings included in the final budget papers presented to Full Council to ensure full transparency and good governance.

Recommendation 8

Provide OSC with a briefing note setting out the position of the Waste Services Reorganisation and the Technology Enabled Care Saving.

Recommendation 9

Include a list of the previously agreed savings for 2022-23 in the budget papers presented to Full Council

