

**LONDON BOROUGH OF TOWER HAMLETS
MINUTES OF THE OVERVIEW & SCRUTINY COMMITTEE
HELD AT 6.33 P.M. ON MONDAY, 4 JULY 2022
COMMITTEE ROOM ONE - TOWN HALL, MULBERRY PLACE, 5 CLOVE
CRESCENT, LONDON, E14 2BG**

Members Present:

Councillor Musthak Ahmed (Chair)	
Councillor Abdul Mannan (Vice-Chair)	(Scrutiny Lead for Housing and Regeneration),
Councillor Bodrul Choudhury (Member)	(Scrutiny Lead for Children's and Education),
Councillor Marc Francis (Member)	
Councillor Asma Islam (Member)	
Councillor Ahmodur Khan (Member)	(Scrutiny Lead for Health and Adults),
Councillor Sabina Khan (Member)	(Scrutiny Lead for Resources and Finance),
Councillor Abdul Malik (Member)	(Scrutiny Lead for Community Safety),

Other Councillors Present:

Lutfur Rahman	(Executive Mayor)
Councillor Saied Ahmed	(Cabinet Member for Resources and the Cost of Living)

Officers Present:

Kevin Bartle	– (Interim Corporate Director, Resources & Section 151 Officer)
Allister Bannin	– (Head of Strategic and Corporate Finance)
Sharon Godman	– (Director, Strategy, Improvement and Transformation)
Afazul Hoque	– (Head of Corporate Strategy & Policy)
Daniel Kerr	– (Strategy and Policy Manager)
David Knight	– (Democratic Services Officer, Committees, Governance)
James Thomas	– (Corporate Director, Children and Culture)
Nisar Visram	– (Director of Finance, Procurement & Audit)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Maisha Begum.

2. INTRODUCTIONS AND WELCOME

The Chair welcomed Lutfur Rahman (Executive Mayor); Councillor Saied Ahmed (Cabinet Member for Resources and the Cost of Living); Nisar Visram (Director of Finance, Procurement & Audit Resources); Allister Bannin (Finance Business Partner Corporate Finance); and Kevin Bartle Interim

Corporate Director - Resources (Section 151 Officer) to this evening's meeting.

3. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST AND OTHER INTERESTS

No Member declared a potential interest at the meeting.

4. UNRESTRICTED MINUTES

4.1 Minutes of the Overview & Scrutiny Committee - Monday, 7th March, 2022

The Chair **Moved** and it was:-

RESOLVED

That the unrestricted minutes of the meeting of the Overview and Scrutiny Committee held on 7th of March be approved and signed by the Chair as a correct record of the proceedings.

4.2 Matters Arising

- A. **Noted** that the request to receive the performance of youth services since the provision has been commissioned had not yet been received (e.g., progress made to date; how the challenges have been managed and moving forward how will this improve provision; and what targets have been set for the provision and how they will be monitored) and
- B. **Noted** that a requested on the actual scale of digital exclusion in the Borough was outstanding (e.g., how digital skills vary for different groups of residents and some of the barriers to digital inclusion).

4.3 Minutes of the Overview and Scrutiny Committee held on Tuesday, 7th June 2022.

The Chair **Moved** and it was:-

RESOLVED

That the unrestricted minutes of the meeting of the Overview and Scrutiny Committee held on 7th June 2022 be approved and signed by the Chair as a correct record of the proceedings.

4.4 Matters Arising

- A. **Noted** that Councillor Sabina Khan had accepted the nomination for the Scrutiny Lead for Resources and Finance.

5. REQUESTS TO SUBMIT PETITIONS

Nil items

6. FORTHCOMING DECISIONS

The Committee **noted** Cabinet forward plan and that for the most up to date version, Members were recommended to check the Cabinet web pages on the [council's website](#).

7. PERFORMANCE MONITORING:

7.1 Budget monitoring report 2021-22 Outturn - P12

The Committee considered a report that presented the Provisional Outturn compared to the budget report 2021-22 as of 31st March 2022 (Period 12) for the General Fund, Dedicated Schools Budget (DSB), Housing Revenue Account (HRA), progress made against savings targets and the Council's capital programme. It also provided projections on General Fund earmarked reserves and the forecast impacts of SARS-CoV-2 on the Council's finances in 2021-22. The Chair stated that **(i)** this was the first meeting covering the council's financial position and marks the beginning of the Committee's review of the Council's finances; and **(ii)** he wanted to ensure that budget scrutiny is a priority across all the scrutiny committees. A summary of the key elements of discussions on this report is outlined below.

The Committee:

- ❖ **Noted** that monitoring the Council's budget involves performing a regular comparison of projected financial costs and gains against actual performance numbers. The Scrutiny of the variances between budgeted amounts and actual financial performance of Council services therefore allows the Committee to determine how well LBTH is meeting its goals.
- ❖ **Noted** the production of the budget has been developed through a set of core assumptions which sets out changes to the environment in which LBTH will be delivering its priorities.
- ❖ **Agreed** that this approach will ensure that revenue budgets, capital investment and transformation plans are all aligned with each directorate's service plans and the corporate priorities of the organisation.
- ❖ **Noted** the importance of ensuring each aspect of planning for the longer and medium-term is completely aligned to provide a stable foundation for delivering services to residents.
- ❖ **Noted** that the Council's guiding principle will be to tackle inequality and to ensure no one is left behind in the Borough.
- ❖ **Agreed** that the impacts of SARS-CoV-2 and lockdown measures have widened social, economic and health inequalities, with different impacts pending on age, race, poverty, and wealth.

- ❖ **Questioned** the long-term impact of SARS-CoV-2 pandemic on the Council's finances, how permanent the spending pressures from will be, and requested further clarity on additional pressures not generated by SARS-CoV-2.
- ❖ **Agreed** that LBTH is in a hugely unpredictable environment and is facing significant challenges over the medium-term thus it is important to maintain reserves at an adequate level to help mitigate and manage these significant risks and ensure the Council remains on a sustainable footing going forward.
- ❖ **Noted** that LBTH aims to remove barriers and level the playing field to make it easier for people to engage with the Council and access the services they might need. This will enable LBTH to target resources more effectively so that LBTH can support the most disadvantaged and redesign services in a smarter way to ensure they are inclusive and accessible to all.
- ❖ **Requested** further details on the transfer of £28.6 million to reserves and greater transparency on where this money has come from.
- ❖ **Noted** that there are significant discrepancies between the period-9 forecast position and the period-12 forecast position and **requested** further information on the drivers of this change between March and June.

The Chair Moved and it was:- **RESOLVED** to request:

1. Further details on the transfer of £28.6 million to reserves and greater transparency on where this money has come from.
2. Further information on the drivers of this change between March and June, given the discrepancies between the period-9 forecast position and the period-12 forecast position.
3. Details of (a) the long-term impact of Covid on the Council's finances, (b) how permanent the spending pressures from Covid will be; and (c) and further clarity on additional pressures not generated by Covid.

8. BUDGET MONITORING

8.1 Medium Term Financial Strategy (MTFS) and Budget Scene Setting 2023-26

The Committee noted that the Council's Budget 2022-23 had been approved by Full Council in March 2022. The report before the Committee provided a summary of the review of the MTFS as part of the 2023-24 budget setting process. A summary of the discussions on the report outlined as follows:

The Committee:

- ❖ **Noted** that despite the Chancellor announcing departmental spending limits for Government departments on 27 October 2021 for three years, 2022-23 to 2024-25, the Local Government Finance Settlement (LGFS) was only announced for a single year covering 2022-23. Therefore, the funding landscape for Local Government over the medium term

remains highly uncertain. Core Grants such as the Revenue Support Grant, New Homes Bonus and the Improved Better Care Fund were rolled forward for 2022-23, with additional funding received via the Social Care Grant, with much of this expected to contribute to additional costs arising from Adult Social Care Reforms.

- ❖ Was **informed** that there was also a one-year one-off Services Grant distributed to Local Authorities for 2022-23. One reason Councils were provided with a single year settlement was due to funding reforms that have been delayed, annually, for several years that the Government has signalled its intention to now take forward. The distribution formula used for allocating resources across Local Authorities dates to 2013-14 and the Government propose to take forward a 'Fair Funding Review' to ensure a more up to date assessment of need. Business Rate Baselines have not been reset since 2013-14 and, therefore, Councils that have experienced growth in their Business Rates have been able to retain a share of growth since that year.
- ❖ **Understood** that the Government intends to reset the Baselines to coincide with a review of the funding formula. In early 2021 the Government consulted on ending New Homes Bonus (NHB), a targeted incentive providing funding based on housing growth within the Council area, and the Government has not yet announced the outcome of this consultation.
- ❖ **Noted** that the impact of these funding reforms is particularly acute for Tower Hamlets. Funding retained from Business Rates Growth and the New Homes Bonus are significant and therefore the impact of resetting the Business Rates baseline or withdrawing New Homes Bonus would result in a substantial funding reduction for the Council. The Government has indicated that transitional relief would be provided to Councils who were impacted by the reforms. At this stage it is not clear when the reforms will be introduced nor what transitional relief would look like. For 2022-23 the Council benefitted from rolled forward funding and new grants provided.
- ❖ **Noted** that the Council was therefore able to set a balanced budget and to propose a freeze in the Tower Hamlets element of Council Tax, only levying the 1% Adult Social Care precept to meet demographic pressures within that area.
- ❖ **Agreed** that it was therefore important to continue work to balance the budget over the medium term, ensuring alignment with the refreshed strategic plan.
- ❖ **Agreed** that the impact of inflation has significantly increased in recent months with high fuel and energy costs and food prices. As of April 2022, Retail Price Index (RPI) Inflation was at 11.1% and Consumer Prices Index (CPI) inflation at 9% and high inflation has a direct impact on the council's contracts and fuel and energy costs. The societal impacts of rising prices will also mean more individuals will require council support going forward. The latest treasury forecasts show high inflation through 2022-23 but reducing back to a lower level over the medium term.

- ❖ **Noted** as mentioned that the SARS-CoV-2 pandemic continues to have a residual impact on the Council's cost of services and reductions in income, forecast to be met in the short term by one-off Covid grant.
- ❖ **Noted** that the ongoing scale of the impact on society, the economy and public finances resulting from Covid-19, Brexit, and recent inflationary pressures in the medium to long term is at this point unknown. As previously, consultation with residents, businesses and other key stakeholders will be a feature of proposed changes and the results of the Council's 2023-24 budget consultation will be considered at Cabinet in October.
- ❖ **Was** advised that the MTFS will be updated throughout 2022 as the Chancellor's Autumn Statement and the provisional Local Government Finance Settlement (LGFS) are announced. The report examined the key issues and pressures facing the Council in the medium term, with an updated position on funding, growth pressures and saving requirements.
- ❖ **Agreed** that a continued focus on identifying and delivering efficiencies for future years will play a central role in ensuring financial sustainability going forward.
- ❖ **Noted** that income estimates had been significantly lower than actual income and this led has to cuts in services which may not have been needed. Similarly, in the report, it was **noted** that the projected funding requirement for the next three years is questionably high, leaving a funding gap which will need to be addressed.
- ❖ **Noted** that the main drivers behind this are projected estimates for inflation and contributions to the local government pension scheme.
- ❖ **Agreed** that careful consideration needs to be given to these assumptions to ensure that LBTH does not unnecessarily discourage much needed investment in services.
- ❖ **Requested** further information on how the **(i)** Council estimates the funding required to cover the level of inflation and the assumptions within this; and **(ii)** funding required for the local government pension scheme.
- ❖ **Agreed** to continue to monitor the Council's Budget and to hold further discussions with Councillor Saied Ahmed (Cabinet Member for Resources and the Cost of Living).

The Chair Moved and it was:- **AGREED**

1. To **note** that the projected funding requirement for the next three years is questionably high, leaving a funding gap which will need to be addressed.
2. That **main drivers** behind this are projected estimates for inflation and contributions to the local government pension scheme.
3. To **ask** that careful consideration of this is given to these assumptions to ensure that LBTH does not unnecessarily discourage much needed investment in services.

9. PRE-DECISION SCRUTINY OF UNRESTRICTED CABINET PAPERS

As papers were only published on Friday the Chair asked that OSC members to submit any pre-decision questions that they wanted raised in regard to unrestricted items on the Cabinet agenda for the 11th July 2022 to David.Knight@towerhamlets.gov.uk by midday on Wednesday 6th July 2022.

10. EXCLUSION OF THE PRESS AND PUBLIC

As the agenda circulated had no exempt/confidential reports and there was therefore no requirement to exclude the press and public to allow for its consideration.

11. PRE-DECISION SCRUTINY OF EXEMPT/ CONFIDENTIAL) CABINET PAPERS

As papers were only published on Friday the Chair asked that OSC members to submit any pre-decision questions on exempt/confidential items in regard to the Cabinet agenda for the 11th July 2022 to David.Knight@towerhamlets.gov.uk by midday on Wednesday 6th July 2022.

12. ANY OTHER BUSINESS WHICH THE CHAIR CONSIDERS TO BE URGENT

12.1 Scrutiny of Finances

The Committee **agreed** that it:

- ❖ is therefore, **important** that all Members take an interest in the way LBTH is funded and the financial decisions that the Council takes; and
- ❖ **requires** the publication of certain information to allow all Members and residents to access relevant information about Council finances and provide Members with a clear picture of Council activities, spending, and governance.

12.2 Close of the Committee Meeting

As there was no other business the Chair declared the meeting closed and reminded Members that the next meeting is scheduled for [Thursday, 28th July 2022 6.30 p.m.](#)

The meeting ended at 7.52 p.m.

**Chair, Councillor Musthak Ahmed
Overview & Scrutiny Committee**