

# Overview & Scrutiny Committee

## Review of budget proposals 2024-25

16/02/2024



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## Foreword

### **Cllr Musthak Ahmed, Overview & Scrutiny Committee Chair**

I am pleased to introduce the Overview & Scrutiny Committee's (OSC) Budget Report 2024-25. OSC has comprehensively examined the budget, its allocations, and the strategic decisions made to navigate key challenges, capitalise on opportunities, and steer Tower Hamlets towards a financially resilient future.

Our community faces a dynamic and ever-evolving set of challenges and opportunities. At the same time, many Local Authorities across the country are experiencing equally difficult challenges, as resources continue to reduce while demand and costs are increasing. As we scrutinised the budget, it became evident that this is not just a financial plan but a reflection of our collective vision for a resilient, inclusive, and prosperous Tower Hamlets. OSC has a responsibility to ensure that we offer the correct checks and balances, and words of caution, to ensure it is a budget which protects our most vulnerable residents, in a sensible and prudent way. I am pleased to see that concerns we raised last year calling for a long term, sustainable, financial plan which does not excessively rely on reserves have been addressed in the budget proposals presented to OSC this year.

At the forefront of our scrutiny is a commitment to preserve and enhance essential services that our community relies on. I am pleased to see that this budget is shaped by a dedication to meeting the diverse needs of Tower Hamlets, from health and education to infrastructure and social programs. We are now deep into a cost-of-living crisis. A crisis which impacts both on the Council and our ability to deliver services for the residents and businesses we serve. Inflation has reached levels higher than many residents have endured in their lifetime, which is having a real impact on living standards and driving more people into poverty.

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 Cabinet Members: Councillors Saied Ahmed, Kabir Hussian and Kabir Ahmed for their engagement with the Committee throughout this process. We recognise the collective effort required to build a thriving community. I am proud of the work and integrity of this committee, as we have all committed to ensuring the highest level of transparency, executing our work with precision and foresight.

Thank you for your trust and partnership.

## Recommendations

1. The Council should explore the sustainability of £5m investment in Waste Services. Additionally, OSC should be provided with quarterly updates on the impact additional investment is having on performance.
2. That the Council accelerates and enhances Landlord Recruitment campaign to ensure it delivers at pace and beats competition.
2. Introduce a cap to rent increases so that no resident is paying more than an additional £10 per week.
3. That the Mayor reviews the proposed increases to resident parking permits which will add to the cost-of-living crises facing residents.
5. Utilise additional resources to top up the Resident Support scheme or replicate the scheme using a separate source of funding

## Approach to Budget Scrutiny

- 1.1. Budget scrutiny is aligned to the Council's annual budget process, which starts with challenging how the budget has been constructed (i.e. during budget setting) before it is agreed.
- 1.2. OSC undertakes quarterly monitoring of the budget and engages regularly with the Cabinet Member for Resources and the Cost of Living as a key component of its work programme.
- 1.3. Recommendations in this report are based on the Committee's discussions at the Budget Scrutiny meeting held on 08 January 2024, where Scrutiny Members reviewed proposed Fees and Charges for 2024-25, the 2024-25 Budget position and the longer-term Medium Term Financial Strategy (MTFS) over the next three years. The Committee discussed the proposals with Councillor Saied Ahmed, Cabinet Member for Resources and the Cost of Living, the Council's Deputy Chief Executive and Corporate Director for Health and Adult Social Care, and the Council's Corporate Director for Resources.
- 1.4. The Committee held a further review of the Budget proposals on 23 January, and this has also informed the comments and recommendations set out in this report. This meeting focused specifically on three areas of the budget: Parking Services, Housing Options and Homelessness, and Waste Services. These areas were chosen by the Committee as they were areas of high spend, risk, strategic priority and/or resident concern. The Committee conducted a deep dive review into these areas and analysed key components of the budget including overspend, details of growth and savings proposals and reasons behind this. It also considered ongoing and new pressures, key risks, and links between budget and strategic priorities and performance. The Committee discussed these areas with Cllr Kabir Ahmed, Cabinet Member for Regeneration, Inclusive Development and Housebuilding, Cllr Kabir Hussain, Cabinet Member for Environment and the Climate Emergency, the Council's Corporate Director of Communities, Interim Corporate Director of Housing and Regeneration, and Director of Housing. Following this meeting an initial draft of the Committee's report was submitted to the Mayor and Cabinet for their consideration at Cabinet on 31 January.
- 1.5. To support Members in their scrutiny of the budget, Scrutiny Members were provided with training by the Centre for Governance and Scrutiny (CFGs) in 2022/23. Training focused on treasury management, budget setting, Councils reserves and outturn monitoring and risk management. This year, in preparation for scrutiny of budget proposals, Members were provided with refresher slides from this training session and a new publication from CFGs which updated their guidance on what must be considered as part of budget scrutiny. Members also held several discussions to shape how they will carry out robust scrutiny of proposals and agreed on an additional deep dive session.

- 1.6. Following significant and material changes to the budget proposals in January, the Committee held a final meeting on 5 February to consider the changes and impact they will have on Council services and residents. The discussion from this session updates the previous draft report submitted to the Mayor and Cabinet and have shaped the Committee's final comments and recommendations set out in this report.

## Findings

- 2.1. OSC recognises that there are many positive ideas and schemes set out in this budget. The Committee supports the considerable investment in services and focus on helping residents at a time when the cost of living crises continues to present a significant challenge for many people. The Committee is encouraged by the continued investment in Educational Maintenance Allowance and University Bursaries, the introduction of free swimming for women and girls over 16 and men over 55, funding for a Women's Resource Centre, and creation of a Council Tax Cost of Living Relief Fund. In addition to this the budget will support investment in a Somali Resource Hub, a culturally sensitive adult care home, a culturally sensitive Drug Misuse Treatment Centre, and an Institute of Academic Excellence.
- 2.2. During the Committee's review of budget proposals last year (2023-24), the Committee expressed concerns over the reliance on reserves and sustainability of the approach taken to deliver growth and achieve a balanced budget. The Committee called for the development of a financial strategy which will ensure the Council has long term financial stability without the need to draw on significant reserve funding. The Committee welcomed the draft position now shows a reduction in the use of reserves by £19.1m over the life of the MTFs, with the Council in a more financially sustainable position.
- 2.3. Linked to concerns over use of reserves, the Committee previously noted that it was unclear how the significant savings target of £37.8m would be delivered in the absence of detailed savings pro-formas. We welcome the detailed savings pro-formas which have been provided as part of this year's budget proposals and the opportunity to scrutinise them to understand their impact. The Committee was informed that savings have been identified with a clear criteria to protect frontline services to residents. The Committee is pleased to note that the savings identified are higher than the previous target at £42.5M, therefore reducing further reliance on reserves to bridge the budget gap. Given the increasing number of Council's issuing a section 114 notice, it is encouraging to see continued investment, but the Committee once again cautions the need to ensure the Council remains in a secure financial position as it now moves to realise the identified savings alongside a commitment to invest in services.
- 2.4. The Committee questioned the risks attached to this budget and the mitigation the Council has in place to respond to them. The Committee heard that the

proposals put forward are only a plan, and a significant risk to this budget is a failure to deliver. Strong governance arrangements are in place through the Budget Monitoring Board to ensure delivery. The Committee resolved to keep delivery under close consideration at future meetings as part the quarterly monitoring reports. The Committee will ensure particular attention is given to forecasting as part of quarterly monitoring so that potential risks and inhibitors to delivery can be identified and addressed. The Committee will also engage Officers to discuss the format of quarterly reporting to ensure the information is as accessible as possible. Furthermore, the Committee noted the reliance on commercial income generation, and housing pressures, present significant risk to the budget and the Council's financial resilience. The Committee heard that financial modelling has been carried out in regard to income generation and this has informed the decision to increase the risk reserve by £2.3m to a total of £18m. In regard to housing, a review of resourcing for the Housing Revenue Account has been performed which will enable to Council to borrow additional funds for acquisitions. This will in turn help to increase rental income, which will help generate the income needed to respond to pending pressures in the sector from regulations around decent homes and further demand for investment in housing stock. The Committee are assured that appropriate mitigation is in place but will keep progress under close review as part of their 2024/25 work programme.

## Waste Services

### **Recommendation 1.**

The Council should explore the sustainability of £5m investment in Waste Services. Additionally, OSC should be provided with quarterly updates on impact investment is having on performance.

- 2.5. OSC previously raised concerns over the performance of waste services and continue to monitor this through its work programme. We are pleased to hear that this budget proposes to invest £5m into the service which will allow for recruitment of an additional 77 frontline workers, additional nighttime and weekend provision, new vehicles, and a significant investment of £3.1m into street cleansing enhancements. The Committee noted that this is a huge investment as a one-off area of growth, and questioned whether this will provide value for money and allow for sustainable improvements and better performance. The Committee noted that it is anticipated that this growth will accelerate performance and after this point the service will be in a significantly better position to sustain performance improvements. However, the Committee recommended that a long-term plan be developed which considers funding requirements over a longer period and accurately responds to service need. Members noted that benchmarking is currently taking place with neighbouring boroughs to understand the level of investment they are making into waste services and this will provide valuable intelligence and contribute to future service arrangements beyond the growth bid. In addition to benchmarking, the Committee stressed that it is imperative that clear metrics for success are developed, and data collected, to understand how effective the growth has been and inform future planning.

## Housing Options, Homelessness & Cost of Living Support

### **Recommendation 2.**

That the Council accelerates and enhances Landlord Recruitment campaign to ensure it delivers at pace and beats competition.

### **Recommendation 3.**

Introduce a cap to rent increases so that no resident is paying more than an additional £10 per week.

### **Recommendation 4.**

That the Mayor and Cabinet reviews the proposed increases to resident parking permits which will add to the cost-of-living crises facing residents

- 2.6. The Committee identified Housing Options & Homelessness as an area for further consideration as there is an overspend in the service and two separate growth bids totalling £8m to help tackle homelessness. The Committee heard that there are several significant reasons behind the adverse variance detailed in the budget. The main reason relates to Housing Benefit Subsidy loss where the Council can only claim back benefits paid out at 90% of 2011 Local Housing Allowance rates. The adverse variance is also linked to higher numbers in expensive temporary accommodation, the short supply of move on options in the private rented market, and an increase of evictions (exacerbated by the cost-of-living crisis and living of the eviction ban which was in place during Covid-19 pandemic).
- 2.7. The Committee questioned what plans are in place to address the overspend and was assured that there are several measures in place to help prevent and reduce placements into temporary accommodation or reduce the length of time people remain in temporary accommodation. This will in turn help address the Housing Benefit Subsidy loss. The Committee welcomed the plans to develop an Acquisition Strategy to help identify cheaper properties and ease the need for expensive temporary accommodation. However, Members want to ensure that the Council is creative in its acquisitions and improves partnerships with registered social landlords in the borough. The Council is engaging landlords through a recruitment campaign including a Town Hall event and posters. The Committee recommends that the Council accelerates and enhances this campaign as it will be competing with numerous other stakeholders and will need to deliver at pace. The Committee raised concerns that the increased expenditure is driven by the Council failing to register all household benefit claims. Furthermore, it is driven by the large number in expensive temporary accommodation. Whilst the Committee were informed about the plans in place and will continue to monitor performance

through the Housing & Regeneration Scrutiny Sub Committee, the Committee have requested further information to confirm how many of the 2,500 in temporary accommodation are registered and in receipt of housing benefit.

- 2.8. The Committee also raised concerns over the proposed increase to housing rents by 7.7%. The Committee heard that it is considered a necessary increase to allow the Council to generate £5.6m of additional income within the Housing Revenue Account. This income will in turn allow the Council to fund the borrowing costs associated with investment in existing stock, expanding the property portfolio and launching new developments. This will help move people out of temporary accommodation and reduce the pressure on the housing waiting list and overcrowding pressures. However, the Committee are concerned that, in addition to an increase in service charges and Council Tax, this will potentially push residents who are not permitted to access additional financial support, and sit just above the threshold, into great financial difficulty. The Committee Recommends that this increase is capped so that no resident is paying more than an additional £10 per week.
- 2.9. The Committee also heard that there will be an increase in resident parking permits. The Committee noted that there is a pledge not to penalise the community, who in many cases are not responsible for the bulk of air pollution. The Committee feels that at this moment in time, when many residents are facing increased costs and bills, that it is the wrong time to place this extra burden on them. The Committee recommends that the Mayor and Cabinet reviews the proposed increases to resident parking permits which will add to the cost-of-living crises facing residents.

## Resident Support Scheme

### **Recommendation 5.**

Utilise additional resources to top up the Resident Support scheme or replicate the scheme using a separate source of funding.

- 2.10. The Committee welcomes the support the Council is giving to residents facing the challenges presented by the cost-of-living crisis. There are many interventions in both last year's budget and this year's budget which demonstrates a significant commitment to support residents at a time when they need it most.
- 2.11. The Committee notes that the Resident Support Scheme, which aims to tackle poverty in the borough, is funded by the Household Support Fund. The Committee recognises this as a key resource to support residents facing increased living pressures. The Committee would like to see the Council use additional resources to top up the Resident Support scheme or replicate the scheme using a separate source of funding.

## Council Tax Increase & Council Tax Cost of Living Relief Fund

- 2.12. The Committee noted that the biggest change to the budget proposals in January was the introduction of a 2.99% increase to the general Council Tax, representing a total 4.99% increase (when combined with a 2% Adult Social Care precept). This will provide the Council with an additional income of £3.2m.
- 2.13. The Committee questioned the reasons behind the increase and specifically why this was not included in the first iteration of budget proposals released given the significance and impact on residents. The Committee heard that the Council had to take this action as Government funding for Local Authorities did not provide sufficient resources to support the investment residents need and help tackle additional cost pressures. The decision was also taken as it will support the Council to create a sustainable budget position that does not rely on reserves. The Committee observed that this move will push some residents who sit above the threshold to access additional Council Tax relief into financial difficulty. For every ambitious area of investment set out in the budget proposals, the increase in Council Tax and other increases identified in this report such as parking permits and rent, will offset this and potentially push residents into hardship if appropriate support is not in place.
- 2.14. The Committee heard that a Council Tax Cost of Living Relief Fund will be introduced to support those most impacted by the increase to general Council Tax. This means that any household with an income of up to £49,500 will be able to claim relief against the entire increase in Council Tax. The Committee noted that this has the potential to be an innovative scheme which is beneficial to those residents who are not ordinarily in receipt of state means tested benefits. However, the Committee questioned how the 'means testing' will work in practice as it may push some residents who fall outside of this scheme into financial difficulty. The Committee also questioned if this relief will apply across future years and not just the upcoming year. The Committee heard that it will provide protection for the next three years and there will be an opportunity at the end of each year to reconsider the threshold to access this Fund. If residents who are not entitled to access this scheme fall into difficulty, they will be able to access the Resident Support Scheme for support. As part of recommendation 5, the Committee would like to see the needs of those residents who are unable to access the Council Tax Cost of Living Relief Fund taken into consideration to ensure support is in place for them if they fall into difficulty.