The London Borough of Newham

The Overview and Scrutiny Committee

Scrutiny Budget Working Group

Report

Scrutiny of the Mayor’s Budget Proposals 2019-20

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by The London Borough of Newham
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Chairs Foreword

This is the first year and therefore the first budget of the newly elected Mayor. The 2019/20 budget proposals of the new administration includes both the administration and the mayor’s manifesto priorities. In light of the new priorities, the Mayor is presenting these budget proposals and this year as transitional for Newham Council and the executive.

First and foremost I should like to thank the BWP for its work in scrutinising the budget proposals and in providing its comments and recommendations as outlined in this report.

Budget Working Party (BWP) has devoted extensive time, nearly 3 months to consider the MTFS and budget proposals of the Mayor and Cabinet in October and December 2018 respectively. I welcomed the enhanced role of Scrutiny and the BWP in the MTFS and budget setting processes and I strongly recommend continual engagement in these processes throughout the year in order to strengthen Members’ understanding, participation and scrutiny as whole.

I commend the Mayor and her Cabinet in proposing a balanced budget without recourse to the Council’s reserves. The budget aims to protect front line statutory services for the residents of Newham in the face of continued national austerity in local government finances.

I should like to put on record BWP thanks to: the Mayor; the Cabinet Member for Finance and Corporate Services; all other Cabinet Members who gave evidence; the Interim Chief Executive Officer; the section 151 Officer; the Executive Director of Strategic Commissioning and her staff for their time and in providing evidence before the Commission.

As part of its consideration of the Budget proposals the BWP considered a wide range of written and oral evidence and with an approach which reviewed the services, strategic objectives and priorities for each directorate. It has been an open process with wide-ranging and robust debate amongst witnesses and members of BWP.

However, some members remain unpersuaded by some of the arguments put forward and as such, a minority report, Appendix 1, is attached to the main report.

As part of its consideration of the Budget proposals the BWP considered a range of oral and written evidence and particularly focused upon: the MTFS and Budget 2019/20; the Children and Young People’s Service (CYPS) Budget Summary 2019-2020; the every child programme; the proposed increase in taxation and the underspend of the capital investment programme.

BWP noted that during the 2019/20 budget considerations, that the efficiency savings and transformational strategies to transform the means of service delivery in order to address future budget gaps were not available. BWP look forward to scrutinising these on or before the 2019/20 mid-year budget review.
BWP noted that during the 2019/20 budget considerations, that a commercial income generation (within Newham) strategy was not available. This strategy ought to be a part of a wider income generation programme for the revenue budget in order to bridge future funding gaps. BWP look forward to scrutinising these on or before the 2019/20 mid-year budget review.

BWP also noted that the Executive has commissioned a comprehensive equality impact assessment study, which was not available for consideration, especially in light of Council Tax increases. BWP look forward to pursuing in due course on or before the mid-year budget review.

BWP noted the level of overspend in CYPS and the Repairs and Maintenance Services. I am assured that the approach outlined by the Executive Director of Strategic Commissioning and her staff is robust and sufficiently thorough to firstly, identify and interrogate areas of overspend and secondly, to implement change processes and cost controls to eliminate overspend, thus delivering a balance budget. Whilst some aspects of RMS overspend were not considered at BWP, the question of expenditure of value ought to be considered at any future review.

At the time of writing there are internal investigations into the ‘Keep Newham Moving’ aspect of RMS overspend. To address the wider issues of governance and controls, Council agreed at an Extraordinary Council meeting to note the establishment of an Internal Control Commission by the executive with a focus on making the Council a beacon of best practice for its governance.

Like all local authorities in England and Wales, Newham continues to face difficult challenges in setting its annual budgets. The national context remains one of continued austerity for local government, with ever-diminishing central government grant. I recognise that this is a new administration and that the Mayor is committed to continue delivering high quality services for the residents of Newham. I am confident that the Executive and Council will continue to address these challenges and deliver a balanced budget again in the coming financial year.

As part of a continuous improvement drive I strongly recommend that a review of the budget setting and monitoring processes and the interaction between the BWP and the Executive be enacted to address areas of a common approach and best practices in respect of questions and responses to questions, information and witnesses to name a few.

Tony McAlmont
Councillor Anthony McAlmont
Chair of the Overview and Scrutiny Committee
Executive Summary

The Overview and Scrutiny Committee established the Budget Working Party at its meeting on 18th September 2018. It was established to consider the Mayor’s draft Budget Proposals for 2019-2020 and the Mid Year Positional Statement 2018-2019, and to make any comments and recommendations it may have for consideration of the Mayor and Cabinet before the budget is submitted to Full Council on 18th February 2019.

The Budget Working Party has received oral and written evidence from each of the Council service areas, from each of the Cabinet portfolio holders, from the Cabinet Member for Finance, the Section 151 Officer and the Mayor of Newham over a series of meetings. During the evidence session the Budget Working Party sought to clarify the new Mayoral and portfolio priorities, the operational and service objectives, the service structure and organisation, as well as the main proposed budget growth and savings and outturn expenditure.

At its meeting on 6th November 2018 the Overview and Scrutiny Committee, with the Budget Working Party in attendance, considered the Council’s Mid-Year Budget Position and heard oral evidence from the Cabinet Member for Finance, Michael O’Donnell – Executive Director of Financial Sustainability, Grainne Siggins - Executive Director of Strategic Commissioning and Simon Little - Financial Strategy Manager.

At the meetings on 21st November and 4th December 2018 the Budget Working Party heard evidence from Councillor Terry Paul - Cabinet Member Finance, Councillor Julianne Marriott – Cabinet Member for Education, Councillor Charlene McLean Children and Young People, Grainne Siggins - Executive Director of Strategic Commissioning, and Terry Reynolds - Director of Education and Skills Commissioning, School Improvement Commissioning.

At its meeting on 17th December 2018 the Budget Working Party heard evidence from Rokhsana Fiaz - The Mayor of Newham, Councillor John Gray - Cabinet Member, Housing Services, Councillor Terry Paul - Cabinet Member Finance, Councillor Zulfiqar Ali - Cabinet Member - Sustainable Transport, Councillor James Beckles - Cabinet Member - Crime and Community Safety, Mathew Hooper - Director of Enforcement, Simon Letchford - Director of Environment & Community, Elaine Elkington - Director of Regeneration and Planning, Simon Little - Financial Strategy Manager.

At its meeting on 8th January 2019 the Budget Working Party was able to question the Cabinet Member for Finance and the Section 151 Officer on the whole of the published Budget proposals.

At the meeting on 14th January 2019 the Budget Working Party further questioned the Mayor of Newham on the budget proposals and her priorities.
Members of the Commission have also had access to the Council's Budget Framework 2019/20 – the Mayor's Initial Revenue Budget proposals and Medium Term Financial Strategy to 2022/23.

After consideration of the evidence provided in these sessions, the Budget Working Party Commission, endorsed by the Overview & Scrutiny Committee, has put forward a number of recommendations for consideration by the Mayor and Cabinet in development of the proposals to Council.
Minority Report

The Budget Scrutiny report was agreed by the Budget Working Party and endorsed by the Overview and Scrutiny Committee on 24\textsuperscript{th} January 2019 by simple majority voting.

Neither the Budget Working Party, nor the Overview and Scrutiny Committee agreed the report unanimously. Newham Council Constitution provides that, if the Overview and Scrutiny Committee cannot agree on one single final report to the Council and/or Executive, then up to one Minority Report may be prepared and submitted and accompany the Majority Report.

On the meetings on 24\textsuperscript{th} January 2019, some members of the Budget Working Party and the Overview and Scrutiny Committee indicated their intention or possible intention to support a Minority Report with the key points of the proposed report provided to the committees.

The Minority Report, submitted by Councillor Blaney and supported by the following Members, is attached at Appendix 1:

- Cllr Nifula Jahan
- Cllr Gen Kitchen
- Cllr John Whitworth
Members and Witnesses

The terms of reference for the Budget Scrutiny inquiry, as agreed by the Overview and Scrutiny Committee on 18 September 2018 were:

i). to consider the Mid-Year Positional Statement 2018-2019,
ii). to consider the Mayor’s draft Budget Proposals for 2019-2020, and
iii). to make any reports and recommendations to the Mayor and Cabinet and to full Council.

The members of the Budget Working Party for the entirety of the enquiry were:

Cllr Anthony McAlmont Chair Cllr John Whitworth
Cllr Lakmini Shah Vice Chair Cllr Ken Clark
Cllr Ann Easter Cllr Lester Hudson
Cllr Ayesha Chowdhury Cllr Mariam Dawood
Cllr Daniel Blaney Cllr Mas Patel
Cllr Gen Kitchen Cllr Nifula Jahan
Cllr Hanif Abdulmuhit Cllr Quintin Peppiatt
Cllr Winston Vaughan

Witnesses included, in their roles at the time:

- Rokhsana Fiaz - The Mayor of Newham
- Councillor Terry Paul - Cabinet Member Finance
- Councillor Susan Masters - Cabinet Member for Health and Adult Social Care
- Councillor Julianne Marriott - Cabinet Member for Education
- Councillor Charlene McLean – Deputy Mayor, Children and Young People
- Councillor Rachel Tripp - Cabinet Member for Environment and Highways
- Councillor John Gray - Cabinet Member for Housing Services
- Councillor Zulfiqar Ali – Cabinet Member for Sustainable Transport
- Councillor James Beckles - Cabinet Member - Crime and Community Safety

Council Officers:

- Michael O’Donnell – Executive Director of Financial Sustainability
- Grainne Siggins - Executive Director of Strategic Commissioning
- Livia Royle - Director Public Health
- Simon Letchford – Director of Environment & Community
- Mathew Hooper - Director of Enforcement
- Elaine Elkington - Director of Regeneration and Planning
- Simon Little - Financial Strategy Manager
- Terry Reynold - Director of Education and Skills Commissioning
- Yvonne Howard - Equalities and Diversity Adviser
Summary of Written Evidence

- Every Child Programme Brief
- Funding Analysis Information
- 106 Receipt and Expenditure information.
- Individual Service Area Presentations.
<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Text</th>
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That sufficient funds be set aside to ensure that the accreditation process with the Living Wage Foundation is compliant with the Living Wage motion agreed by Council on 11th December 2018 in time for the 2020/21 budget.

Recommendation 11
That the total resource implications to cover the cost of the newly established Citizens’ Assemblies programme be published to Council as part of the background to the Budget Proposals for 2019-2020.

Recommendation 12
That the potential financial risk implications to the Council of BREXIT, be evaluated and factored into the Budget proposals, including any costed adjustments to the level of General Reserves.

Recommendation 13
That the general fund balance in the general reserves be retained at 5% in the mid-year financial strategy, and

That a benchmarking table be provided of the Housing Revenue Account reserves of other London Boroughs and Registered Social Landlords with the Budget proposals report to full Council in February 2019.

Recommendation 14
That there be no increase in council tax without consideration and conversation regarding the equalities impact assessment report to ensure that those who are on low incomes (who may benefit from the council tax reduction scheme) are not disproportionality affected.

Prior to considering annual increases in council tax there should be a review before hand in the light of a full impact assessment report.
1 National Context

1.1 The continuation of austerity and ongoing reductions in central government funding for local government, together with rising cost pressures and local growth in demand for services, mean that the Council continues to face a challenging financial position over the coming years.

1.2 As reported in the Council’s Budget Framework 2019/20 – December 2018, 2019/2020 is the final year of the Settlement Funding Assessment (SFA) for local authorities for the four-year period 2016/2017 to 2019/2020. For the period 2016/2017 to 2019/20 the London Borough of Newham faced reductions in its funding amounting to £26.9m or 15.6%.

2 Newham Context

2.1 The population is also one of the fastest growing with the largest population increase within all of the London boroughs between the 2001 and 2011 census (26%). The GLA projects that the population is set to rise to over 350,000 by 2018, and over 360,000 by 2021. The population of Newham is young too. The last Census showed that almost two in five residents are aged under 24, the highest proportion of all London boroughs, and the projected rate of growth of this section of the population over the next three years is above the London average (2.6% compared 2.5% for London overall).

2.2 The average age in Newham is 31, compared to 40 for the rest of England. While the proportion of residents aged 65 and over is projected to be lower in 2018 than London overall (7.3% compared to 11.7% across London), this is projected to increase at a greater rate than London overall (9.9% by 2021 compared to a 6.2% increase across London).

2.3 The Commission acknowledged that the budget proposals for 2019/2020 and future years has been based on the following key elements:

- Demographic increases and resulting additional cost pressures for service delivery
- Central government driven cost pressures
- Administration priorities
- Removal of previous budget savings which are undeliverable
- New savings and efficiency proposals
- Proposals in relation to taxation
- Increases in specific government grant
- Treasury and Investment savings

2.4 The Budget Working Party noted that the overall budget for Newham for 2019/20 was £260.6m, which was a reduced figure from the 2018/19 financial year, when it had been £265.6m.
3. The Budget Setting Process

3.1 The Mayor and Cabinet set out and agreed key budget strategy and proposals on 15th October 2018 and 4th December 2018, which set out key areas for consideration and consultation. There has been an extensive engagement with elected Members, including the Overview and Scrutiny Committee and Budget Working Party, as well as a series of Newham People’s Budget Forums which have sought to engage residents in the process.

3.2 As outlined in the budget proposals in December 2018, the balanced budget proposals reflected the need for ‘improved financial strategy and planning as set out in the report from the Chartered Institute for Public Finance and Accountancy (CIPFA) in response to the Financial Review commissioned by the Mayor:

- use as a new baseline the reshaped in year 2018/2019 budget as approved by Cabinet on 15 November 2018 to reflect significant in-year financial pressures and undeliverable savings proposals;

- to ensure that the assumptions for 2019/2020 and beyond are rebased to deal with the undeliverable savings from previous years’ budgets and provide a sounder basis for financial planning in future years;

- the need to take account of the ongoing impact of austerity and the resulting savings which need to be made, the local pressures from population change and other demand pressures (particularly in Children and Young People’s Services) and the need to reprioritise resourcing to reflect these changes'

3.3 Whilst it is recognised that engagement with Overview and Scrutiny has been extensive, with written and oral presentations from each Cabinet Member and Cabinet portfolio holder, allowing Members to question and scrutinise the budget positions and proposals across the council. In future, the Council should ensure that the information made available for scrutiny is clearer and more comprehensive to ensure that those reading are fully able to ascertain and assess the overall proposals.

3.4 It is however, widely acknowledged that starting the budget setting process for 2020/21 early will support this and that this is a year of transition with new priorities from a new Mayoral administration, against a backdrop of ongoing national and local budget challenges from austerity and service demand.

3.5 The Budget Working Party felt at times that it was difficult to ascertain from the evidence some of key strategic linkages between the Mayoral priorities and priorities in the budget setting process and between the corporate centre and service directorates. Given the budget pressures, the strategic direction of the budget appeared to be led by the necessity for savings but without
being based on clear executive priorities. The Budget Working Party has suggested that the budget setting process could be improved by making it more joined up and driven by clear corporate priorities.

4. Council Priorities

4.1 The budget proposals are the first significant shift of investment into the new administration’s priorities. More investment in social housing, youth services, helping low paid Newham residents, free bulky waste collections, health and social care plans for vulnerable children and more investment in Eat for Free school lunches.

4.2 These budget proposal state that they ‘represent the first significant shift of investment into the administration’s priorities; responding to the demands of residents for more investment in social housing, youth services, helping low paid Newham residents, free bulky waste collections, health and social care plans for our vulnerable children, and more investment in Eat for Free school lunches. This is an enabling budget to deliver the administration’s priorities in line with manifesto commitments.’

4.3 Some of the Mayor’s manifesto promises have been highlighted and costed in the budget reports to Cabinet, which the Budget Working Party considered in evidence. In addition, the Budget Working Party has sought to define the Mayoral and portfolio priorities throughout the Budget Scrutiny evidence sessions. The Mayoral priorities in some areas are not clearly aligned to the budgets.

4.4 The Budget Working Party however acknowledges the statement in the Cabinet budget report, 4th December 2018, that ‘2019/2020 is a transitional year with significant steps already being taken to shift priorities and resourcing to reflect the priorities of the Mayor and administration, but recognising that it will take more than one year to achieve this transition.’

4.5 To help clarify how the budget proposals to Council are driven by Members’ priorities the Budget Working Party considers that the Mayoral Priorities should be clearly set out at the front of the budget proposals to Council in February, and also, it is believed that the process for the adoption of the Mayor and executive priorities into council policy needs to be clearly identified.

It is important also that the Mayoral priorities be clearly costed to ensure that they are feasible and sustainable and the full implications understood when the Council agrees its budget.

Recommendation 1
That the Mayoral Priorities be set out more clearly to Full Council on 18th February 2019 to provide clarity on the priorities that should be reflected in the budget proposals.
5. Council Tax

5.1 With regards to the increase in council tax budget proposals the Budget Working Party heard that this was within the context of significant existing pressures and the ongoing reductions in central government funding for local government. Consideration has also been given to the option of increasing tax levels in future years.

5.2 The proposed raising of overall Council Tax including the Adults Social Care precept and the Mayor of London precept will be the single biggest increase in Newham over the past 20 years (proposed at an overall increase of 5.8%). However, this is within the context of zero increases of the local authority element of council tax for the last 10 years - which had decreased the council’s revenue over that period by an estimated £82m.

5.3 The Working Party considered that further evidence is required to justify this, especially the impact it will have on the lower income households, in order to ensure they will not disproportionately bear the burden of the increase. There has been an initial equalities impact assessment; however a full assessment on lower income group is required.

5.4 The Budget Working Party opposed the proposed assumption of an increase in Council Tax every year without a detailed full equalities impact assessment including engagement with communities.

The Council Tax Reduction Scheme

5.5 The Budget Working Party note that at the time of budget consideration the details of the proposals for changes to the Council Tax Reduction Scheme (CTRS) was not available for consideration. Please see the Equalities Impact Assessment section for further commentary and recommendations on Council Tax and equalities.

Budget Consultation and Engagement

5.6 The Working Party is aware that there has been extensive public engagement and consultation on budget proposals. In the interests of transparency, it is important for the outcomes of that engagement to be published.

Recommendation 3
That details of the consultation on the budget, including the views of key stakeholders, be published and made available to the Members of the Council, by the 11th February 2019.
6. Budget Savings

6.1 The budget proposals set out savings which it asserts are necessary to achieve a balanced budget. The Working Party considered that the level of information presented and the supporting evidence were insufficient to demonstrate the proposed savings were realistic and deliverable.

6.2 The Budget Working Party also felt not enough focus had been made on systematically identifying and exploring efficiencies that could deliver realistic and achievable savings.

6.3 Scrutiny and future commissions can have a role in supporting the executive and authority to help achieve this.

Recommendation 4
That the budget include realistic and deliverable efficiency savings of on average 2% from 2019/20 onwards.

7 Budget Performance Management

7.1 The Working Party recognises that the Council has improved the monitoring and management of budget performance during the current financial year. The need for more effective control was highlighted by the emerging overspend in Children’s and Young People’s Services (CYPS) which had to be addressed in mid-year to bring the budget back into a balanced position for year end. OSC will continue to review the 2019-2020 budget outturn and performance each quarter.

8. Income Generation

8.1 The Budget Working Party noted the intention to cease with the small business programme and externalisation approach. It was believed that potential commercial income was a key component for LBN to finance the budgetary pressures - along with the Council Tax and Business Rates income streams.

8.2 The Budget Working Party thought that an examination of the opportunity costs from the savings of the deletion of the two teams in CSSB programme was required and should be made available to all council members – e.g. what income may have been accrued from the programme is needed to inform the decision to cease the team, considering the future income that had been previously identified form the Small Business Programme.

8.3 With regards to areas of Adults Social Care, the Budget Working Party found that in some areas, fees and charges had not been reviewed for sometime, and that there was an approach to harmonise some fees with more wealthier boroughs.

8.4 The Budget Working Party was concerned about the possibility of charges being introduced for some adult social care services and would like reassurances that
proposals are fully considered and transparent with full Equalities Impact Assessment undertaken.

**Recommendation 5**

That the Council consider the introduction of a Commercial Income Programme within Newham as a way of funding Council programmes together with Council Tax and Business Rates.

**S106 income**

8.5 A request was made on 17th December 2018 that the amounts and percentages of unallocated s106 income for previous years, and anticipated for the next few years, should be made available. The Budget Working Party understand that a report on s106 and the Community Infrastructure is to be available, March 2019 rather than in time for consideration of budget to be presented to Full Council in February 2019.

8.6 A clear presentation of s106 and Community Infrastructure Levy receipts, as well as spent and unspent s106 and CIL receipts, and an expenditure strategy, should be included in the budget papers to be presented to Full Council in February 2019, and if not, the timescale of presentation confirmed in the council report.

**9. The Transformation Strategy**

9.1 The need for significant transformation is recognised by the executive and organisation. The Budget Working Party noted that improvements in CYPS through the Transformation Programme would accelerate the required improvements in Children’s Social Care and safeguarding, with the intention ‘to work with relevant senior officers so that Newham Council becomes exemplary in these areas, working with the NHS to deliver high quality, easily accessible and community based, mental health services for all age groups and ethnicities; to maintain and enhance the family nurse partnership for young mothers, to press for health and social care structures in Newham to be based on locally-provided and Newham-based services, which are locally accountable, publicly provided and democratically controlled.’

9.2 CYPS has been highlighted in previous Budget Working Party reports as an area where closer financial management and monitoring is required, and believes such transformation will facilitate improvement. The Budget Working Party however believes there is a lack of an overall corporate transformational programme to effectively oversee and track savings.

9.3 Scrutiny look forward in anticipation to reviewing the development, and receiving updates on the transformation programme and deliverables.
10 Asset Management

10.1 The Budget Working Party notes that they were not sighted of any Asset Management Strategy and request that this is done going forward. The asset management policy has a clear impact on revenue expenditure and possible capital receipts where appropriate.

10.2 The Budget Working Party suggests that the Council continues not selling London Borough of Newham freehold, to focus on long-term value. Some Members of the Budget Working Party understand this was the ethos of the previous Asset Management Strategy.

10.3 A clear position on asset management needs to be developed for Member consideration, and if not available for next Council, the timescale of presentation be confirmed in the council budget report at February 2019 council.

Recommendation 6
That an Asset Management Strategy be produced by the 30th June 2019 and presented along with the mid-year financial strategy 2019/20.

11 The Public Health Budget

11.1 The Budget Working Party considered Public Health budgets lead by the Cabinet Member Health and the Executive Director of Strategic Commissioning, and learnt of the significant reduction in the grant from previous years. Priorities going forward included healthy weight initiatives, including children who were underweight, and also tackling suicide rates and mental health.

12 Children and Young People's Budgets

12.1 The Budget Working Party understood the Executive’s focus on children and young people considering the young profile of the borough.

12.2 The Budget Working Party wanted to know about the budgets for the various youth programmes and initiatives. It believed that further work is required to pool and identify the budgets for the overall youth programme. The budgets appear to be fragmented, and appear to indicate a currently fragmented approach to young peoples activities and provision.

12.3 Members learned of the overspends in Children’s Services, and additional costs that had been incurred during the year, reconciliation work that had been undertaken in relation to addressing discrepancies over costs previously recorded on the system and the actual cost position, which had resulted in a number of invoices from previous years being paid during the current financial year.

12.4 CYPS overspend had been identified in previous budget working group reports, and whilst it was acknowledged the Council is focused on improving the financial management and monitoring of CYPS overall, a clearer picture of this financial
management issues will be sought by scrutiny as time progresses, as the Council needs to maintain focus and improvement in the service area.

**Eat for Free School Meals**

12.5 The Budget Working Party asked what proposals were being considered as part of the review of the Eat for Free programme, and received evidence to the effectiveness of the Eat for Free programme. The Budget Working Party welcomed the extra money for the primary school children’s ‘Eat for Free School Meals’ scheme.

12.6 The Budget Working Party heard evidence that the Council was paying for ‘free school meals’ for children who live outside the London Borough of Newham, and was unconvinced of the expenditure being outside of the borough, believing that £300k could be saved to further focus on Newham residents and positive outcomes.

12.7 The evidence session found that there was room for savings by using Information Technology to only pay for the meals actually consumed in the Meals contracts. If introduced this could possibly save money within the contract, and a cost-benefit analysis should be undertaken.

12.8 The Budget Working Party believed further efficiencies within the Eat for Free programme needed to be considered and it was felt that the delivery of this programme in a more targeted and efficient way, could yield a more cost effective programme - releasing funds for other education-related or health programmes.

**Recommendation 7**
That the terms of reference of the review of the Eat for Free (free schools meals) provision be defined and published and the potential costs and savings be clarified and published.

**Recommendation 8**
That the Council considers implementing IT systems to ensure payments are made on school meals actually provided, by the 2020/21 budget.

**The Every Child Programme**

12.9 The Mayor’s Budget proposals considered by the Budget Working Party proposed savings that would imply a substantial reduction in the Council’s Every Child programme or provision of the scheme. It was noted that the Every Child Service was an exemplary service, and the rationale and evidence base for reducing or re-modelling the services needs to be open and transparent and made available to Members. Some members of the working group having experience and knowledge of the programme and were personally disappointed that the programme may be cut.
12.10 Although the Budget Working Party suggested that there needed to be further consideration on how efficiencies and savings could be made to the Every Child programme, it was felt by a number of members that it was important that the programme be maintained and that the programme should remain a universal service to provide access to all children and young people who wanted to participate.

12.11 It was suggested that all Every Child review documents that existed should be reviewed alongside proposals around the future programme to inform proposals and be made available to all Councillors. Proposals could consider more targeted provision e.g. by making musical instruments available within schools to pupils who opted in to the programme rather than to all children by default, but still offered universally.

12.12 The Mayor and Cabinet have undertaken a public consultation on the future of the Every Child programme, which set out options. The Budget Working party believes the Every Child consultations requires more time to gain a full range of responses and is open to people to provide views without certification of their identity as a local resident or otherwise i.e. there is an ability to provide falsified answers within the consultation process.

12.13 It was noted that some members of the Budget Working Party believed the questions in the consultation were based on false propositions, and were essentially asking parents to choose between feeding their children or playing music – the members thought the consultation could be challenged.

**Recommendation 9**
That the Council’s Every Child Programme be retained as a universal service with efficiency savings across the programme.

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**Education Health and Care Plans backlog**

12.14 The Budget Working Party heard that all Councils were required to complete Education Health and Care Plans (EHCPs) within a statutory 20 week timescale. Newham was not completing EHCPs within this timeframe and was lowest performing Council in the country. It was explained that the delivery of EHCPs in statutory timeframes should not be considered in isolation of other SEND responsibilities and that it impacted on both funding sources as they were interrelated.

12.15 The executive reported that the EHCP applications backlog was being dealt with and investment made in the area to deal with the backlog. The Budget Working Party whilst acknowledging the statutory duties, was unclear how the increase in EHCP Plans fits in with the London Borough of Newham strategy around inclusion in schools, and any investment in the area needed to be justified.
13 The London Living Wage

13.1 The Budget Working Party supports the application of the London Living wage to all Council services including those provided by third party agencies. The Budget Working Party also supports the London Living wage accreditation consistent with the motion passed at full Council on 11th December 2017, which was towards accreditation with the Living Wage Foundation.

13.2 There is little evidence in the Medium Term Budget Strategy as to how the Council’s commitment to the London Living Wage for all contractors would be delivered. It will need to be incorporated into all contracts moving forward.

Recommendation 10
That sufficient funds be set aside to ensure that the accreditation process with the Living Wage Foundation is compliant with the Living Wage motion agreed by Council on 11th December 2018 in time for the 2020/21 budget.

14 Resident Engagement

14.1 The Budget Working Party understood the proposed £125k allocation (funding amount expressed at the time of BWP considering the issue) to cover the cost of the newly established Citizens’ Assemblies programme. It was questioned whether the budget was sufficient to cover the actual role out of the programme, and was concerned that resources were being diverted from other programmes.

Recommendation 11
That the total resource implications to cover the cost of the newly established Citizens’ Assemblies programme be published to Council as part of the background to the Budget Proposals for 2019-2020.

15 Budget Risks

15.1 There are a number of strategic risks to the budget from uncertainties in 2019-2020 and to the mid-term budget strategy. Budget performance and effective monitoring in some areas of the council remains a concern.

15.2 Assumptions used over the medium term may change as central government concludes the Fair Funding Review and the proposals in relation to resetting of business rates are set out, during 2019, their assessment of funding for 2020/21 and beyond.

15.3 The current high level of uncertainty surrounding the Brexit negotiations nationally has created uncertainty to the future funding position. There are high risks for all local councils as recipients of central Government funding and business rates whilst the UK’s position is unresolved. The ongoing level of risk, including those in relation to funding, staffing and supply chains, mean that robust financial planning and maintaining adequate reserves that reflects these risks is important.
Recommendation 12
That the potential financial risk implications to the Council of BREXIT, be evaluated and factored into the Budget proposals, including any costed adjustments to the level of General Reserves.

16 General and HRA Reserves

16.1 The Budget Working Party is concerned about the level of revenue contingencies in the budget presented to Cabinet and Council. The contingency provides against the risk of Council departments overspending and given the known budgetary risks, it is critical that the Council maintain the appropriate rate of General Reserves.

16.2 The Budget Working Party felt that best practice was for about 5% of net budget be General Reserves. In evidence, the Budget Working Party heard that the HRA Reserves were £5m. The Budget Working Party felt that this was insufficient.

16.3 The Budget Working Party supports the current policy of balances not dropping below 5% of current revenue budget and HRA reserves should be in line with other local authorities and registered social landlords.

Recommendation 13
That the general fund balance in the general reserves be retained at 5% in the mid-year financial strategy, and
That a benchmarking table be provided of the Housing Revenue Account reserves of other London Boroughs and Registered Social Landlords with the Budget proposals report to full Council in February 2019.

17 Corporate Financial Governance

17.1 The Budget Working Party acknowledged reports from CIPFA, the Repairs and Maintenance Services and financial and procurement control breakdowns, and the wider Task Force announced to identify and lead on the review of corporate financial controls and governance.

17.2 The Budget Working Party echoes the Chair of Scrutiny's and Leads’ views that scrutiny has a key role in supporting the executive’s ambitions to strengthen governance arrangements and promote transparency and openness.

18 Equalities Impact Assessment

18.1 The Budget Working Party acknowledge the initial Equalities Impact Assessment (EqIA) for the 2019/2020 budget proposals to assess any impact of the proposals. There is need for a full impact assessment and Equalities Impact Assessment on the budget proposals and particularly on the proposed savings which were not made available to the Budget Working Party or during consultation with other stakeholders on the budget proposals. During an evidence session, the Budget Working Party did meet the new equalities lead, with the executive having identified the general weakness in assessing equalities impact in Newham.
18.2 The Budget Working Party was assured, however, that a full Equalities Impact Assessment was being carried out and would be presented to full Council with the final budget proposals. The Budget Working Party requests that the Equalities Assessment include the impact of the proposed savings and Council Tax increases on low income working families.

**Recommendation 14**

That there be no increase in council tax without consideration and conversation regarding the equalities impact assessment report to ensure that those who are on low incomes (who may benefit from the council tax reduction scheme) are not disproportionately affected.

Prior to considering annual increases in council tax there should be a review before hand in the light of a full impact assessment report.
MINORITY REPORT

The minority report cannot agree with introductory remarks that the budget has been driven by budget pressures rather than clear Mayoral Priorities. It is correct to say that a national austerity climate has had momentous implications for local government financing. However at the beginning of this process the political priorities were set out clearly at the innovative All-Members Briefing held in November 2018. The minority report would recommend that a future budget working party incorporates consideration of any Executive-led All-Members Briefings into its programme of work.

Newham Residents have benefited from a real terms cut in Council Tax since 2008, when Council Tax was last increased (by 3.25%). According to the Bank of England’s inflation calculator, had Newham’s Band D council tax figure in 2008 of £945.63 risen by inflation only, a Band D Council Tax figure for Newham Council would now be £1239.90. This budget proposes a Band D council tax figure, including an increased Social Care precept, totalling £1010.87 before the GLA precept. Of course, our residents have faced a cost of living crisis over ten years, and a delay in Council Tax increases until this year has had merit, but given the budgetary constraints and investment proposed, the Council Tax increase is justified.

Council Tax is a regressive tax, and its replacement with a fairer system of local government taxation is urgent. In the meantime the Council must consider the regressive consequences of austerity and welcomes the investment possible by the proposed changes to Council Tax.

There was a disagreement in the budget working party when discussing the majority recommendation to call for 2% further efficiency savings overall in the budget. Concern was expressed that this recommendation had an approach which did not fit well with the CIPFA briefing members attended on 23 January 2018. Therefore the minority report does not endorse this recommendation and would welcome further discussion about best practice to obtain realisable efficiency savings.

- Cllr Daniel Blaney
- Cllr Nifula Jahan
- Cllr Gen Kitchen
- Cllr John Whitworth