



The London Borough of Newham

Overview and Scrutiny Committee

15 February 2024

Budget Scrutiny Commission: Budget Scrutiny Report (2024)

FINAL

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Chair's Foreword

The Council's Overview and Scrutiny Committee established the Budget Scrutiny Commission (BSC). It is made up of elected councillors, supported by Scrutiny Officers and an independent CIPFA-trained advisor. It is the BSC's duty to review the Mayor and Cabinet's Draft Budget Proposal and report to the Executive and Council on its findings. It is most regrettable, therefore, that the Executive has failed to provide the requested information in full, with the level of quality required or in a timely manner, which impeded the Commission's ability to discharge its duty. The Budget Scrutiny Commission has therefore issued a qualified report, unable as we are to give full assurance that the 2024/25 Draft Budget Proposals, efficiency savings and delivery plans are realistic and ensure the long-term financial viability of the Council. Furthermore, the Commission does not have confidence in the Council's proposed strategy especially since this is the second year when a limited one-year budget has been produced, rather than a comprehensive multi-year Medium-Term Financial Plan (MTFP), where present and future financial challenges and solutions are fully outlined and explored.

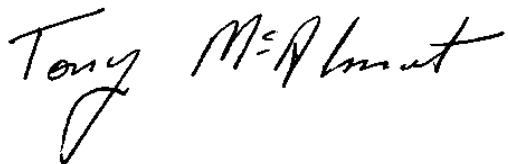
There is no ignoring the fact that the Local Government Sector in the UK is in financial crisis. 13 years of Conservative government cuts, a cost-of-living crisis, inflation skyrocketing, foreign wars and a post-pandemic world collectively provide the most challenging financial context in which to deliver essential services we have experienced for decades. In Newham, these are felt keenly due to population growth putting pressure on Adult Social Care and Children's Services as well as on Temporary Accommodation. Against this context, we considered the proposed budget of £394m, efficiency savings of £22m and growth of £76m. As elected councillors collectively and individually, we have a responsibility alongside the Administration to safeguard the financial stewardship of the Council.

With a larger than expected in-year overspend (£15.9m at time of writing and only £11.1 in the general reserves) impacting an already depleted level of reserves; £10.2 of earmarked reserves used to support the Council's current-year spending. This is an unsustainable position and, had it not been for this management action, the overspend would be projecting at approximately £26.1m. The Executive is considering the necessity of balancing the budget through the sale of assets, which raises concerns about longer-term viability, with the prospect of an estimated further budget gap of £60m between 2025-26 and 2026-27. There is also the issue of the under-estimation within this budget for Temporary Accommodation requirements, leading to an inevitable in-year overspend against the proposed budget, combined with poor performance in delivering stated efficiency savings. With the vast increases in borrowing without adequate detail on budgetary impact and the implications for Newham, I as lead scrutiny member am acutely aware of my responsibility to the residents of this Borough. The Commission's recommendations seek to help navigate these challenges and point to concerns around the sustainability of these plans, the significant depletion of reserves, the lack of information, transparency or stakeholder engagement, and a seeming inability to pivot decision-making in an uncertain financial landscape to prioritise essential services.

I am of the view that the Executive should dramatically improve its processes around budget setting for future years and, for this year, reduce its plans for new and non-essential expenditure and instead focus on replenishing the General Fund Reserves over the next three years to a level of about £20m to strengthen the Council's financial resilience. This is in accordance with the findings of the 2021 Grant Thornton report, "*Lessons from recent Public Interest Reports*", summarising findings from recent financially failing councils, which issued Section 114 notices.¹ That states:

"Councils need to ensure that they are mindful of reserve levels at all times and ensure there is a clear strategy for maintaining adequate reserves. In our view this needs to be at least 5% of net General Fund expenditure flexed upwards to consider the macro-economic and local risks the council faces".²

This year's budget scrutiny has not been without challenges, but I have noticed improvements for the better. I would like to express my thanks to Alexa Ngini for committing her time for the benefit of the BSC.³ Her support to the BSC was invaluable in providing best practice views, as well as supporting Members' understanding of some of the more technical elements of the treasury management information available. I would like this level of support to continue into future years as we face even more challenging decisions. I also thank my colleagues and scrutiny officers for their flexibility and insights over the last few months. Finally, I extend my thanks to Mayor Rokhsana Fiaz, Cllr Zulfiqar Ali (the Cabinet Member for Finance and Resources), Abi Gbago (the Chief Executive), Conrad Hall (the Section 151 Officer), Kirk Dede (the Statutory Scrutiny Officer), and indeed all the Executive Members and officers for participating in our evidence-gathering sessions.



Councillor Anthony McAlmont
Chair of the Overview and Scrutiny Committee
Chair of the Budget Scrutiny Commission

¹ See Grant Thornton, "Lessons from recent Public Interest Reports" (2021). Available at: [Online] [Lessons from Public Interest Reports \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/insights/public-interest-reports). [Accessed on 14 September 2023]. See also Grant Thornton, "Lessons from Public Interest Reports and other interventions – Part II" (September 2022). Available at: [Online] [Lessons from Public Interest Reports \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/insights/public-interest-reports). [Accessed on 14 September 2023].

² Grant Thornton, "Lessons from recent Public Interest Reports" (2021), at page 14. Available at: [Online] [Lessons from Public Interest Reports \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/insights/public-interest-reports). [Accessed on 14 September 2023].

³ Alexa Ngini is a CIPFA-trained independent external advisor with experience in public sector assurance. Alexa has provided independent assurance across a range of public sector bodies, including local authorities, NHS and not-for-profit organisations.

Executive Summary

This is a qualified report, as the work of the Budget Scrutiny Commission was limited in its ability to perform its role by having insufficient time and restricted access to information. The findings and corresponding recommendations of the Budget Scrutiny Commission for 2024/25 contained here must therefore be qualified due to factors outside of the Budget Scrutiny Commission Members' control. The conclusions of this report are also limited to the extent that the information on which these conclusions are based was incomplete, inaccurate and bore inconsistencies throughout. Budget Scrutiny Commission Members were also constrained by an extremely tight timeframe within which to perform the scrutiny process (from 23 January 2024 to 9 February 2024: 14 working days) and the documentation required or requested to inform the scrutiny process was provided later than originally agreed or in some cases not provided.

The Council is currently reporting a £15.9m forecast overspend on its General Fund Revenue Budget as at Quarter 3 for 2023/24. The 2024/25 budget reports a £47m budget gap that is intended to be closed through an ambitious savings programme and one-off measures including asset disposals, one-off funding and reductions in contingency budgets. The Council's General Fund Reserves balance (excluding earmarked reserves) is below the 5% net revenue budget benchmark that the Council has set as the optimum level to maintain.⁴

There is a wider context of the role of local government and how it is funded. Chronic underfunding of local authorities has pushed them into entrepreneurial spaces and has also resulted in excessive borrowing, as has been seen in Thurrock, Croydon and Surrey Heath. The balancing of the Budget relies on the use of sale of assets, which is a cause for concern: using one-off capital receipts to meet ongoing financial pressures. Newham's options to balance its budget, stated at section 15, further rely on the outcome of the DLUHC consultation on measures to enable local authorities' use of capital resources and borrowing to support and encourage invest-to-save activity. But this will not be decided until March: after we have set our budget. These are not sustainable ways to finance local authorities.

Table of Recommendations

A table of recommendations is included here for ease of reference. Please see section 8 for narrative relating to the recommendations.

⁴ See Recommendations 2 and 3 from the Budget Working Group Report (2023), included in this report at Appendix 4. Given how local circumstances vary, CIPFA considers that local authorities should determine the level of their reserves, based on the advice of their s151 Officer.

Rec. Number	It is recommended that the Mayor and Cabinet:
1	<p data-bbox="340 338 1572 373">Make the following changes to the savings and growth proposals in the 2024/25 budget:</p> <ul style="list-style-type: none"><li data-bbox="385 405 1052 440">a. Changes to the following savings proposals:<ul style="list-style-type: none"><li data-bbox="362 475 1720 510">i. Reversing saving SAV / CYPS 006 / 24-25 proposing to reduce Children’s Centres (£500k),<li data-bbox="362 545 1953 580">ii. Reversing saving SAV / CYPS 007 / 24-25 proposing to reduce the Enrichment Programme budget (£440k),<li data-bbox="362 616 1720 651">iii. Reversing saving SAV / MAR 001 / 24-25 in relation to discontinuing Active Centres (£74k),<li data-bbox="362 686 1899 721">iv. Reversing saving SAV / MAR 009 / 24-25 proposing to cease the Community Grant Programme (£160k)<li data-bbox="385 756 1039 791">b. Changes to the following growth proposals:<ul style="list-style-type: none"><li data-bbox="362 826 1464 861">i. Pausing growth RES-GRO-06 feasibility study costs for Stratford (£500k),<li data-bbox="362 896 2087 970">ii. Recommending to Council that it approve only an inflationary increase to Members’ Allowances for 2024/25 and delay the implementation of the findings of the Independent Remuneration Panel until the following financial year.<li data-bbox="362 1005 2087 1078">iii. Changing the assumptions driving the growth bid RES-GRO-11 for Temporary Accommodation from 30 presentations per month to 40 presentations a month, which is the current trend.

2	<p>Identify efficiencies in the following areas, not mentioned in the 2024/25 Draft Budget Proposals:</p> <ul style="list-style-type: none"> a. Youth Empowerment Service (£4m);⁵ b. A review of the FTE posts in the Mayor’s Office and the Communications and Public Affairs team; and c. A review of the Temporary Accommodation placements 90-minute distance travel policy.
3	Cease or pause the Newham Sparks Project in its entirety.
4	Undertake a rigorous review and reconsider the Council’s contribution (financial and in-kind) to the Borough of Culture bid.
5	Give timely access to the Budget Scrutiny Commission to accurate financial information as requested and as soon as possible, not only at the point of public access to the information, and that the Executive commit to updating the Scrutiny Executive Protocol to make explicit provision of budget information in a confidential manner to the Budget Scrutiny Commission (or any successor committee) before statutory public publication deadlines. This will ensure transparency and parity of esteem between Cabinet and the Budget Scrutiny Commission.
6	Begin the budget setting/consultation process earlier in the financial year and engage with the Budget Scrutiny Commission at the onset of savings/growth proposal development in July to October preceding the February budget submission.
7	<p>Commit the Council to:</p> <ul style="list-style-type: none"> a. standardising the use of the equality screening tool, with all proposals being subject to at least basic screening; and b. developing and applying clear guidelines for demonstrating the ‘due regard’ principle in budget setting and the completion of the Equality Impact Assessments (EQIA) pro formas during the consultation stage of budget setting.

⁵ At the BSC PEOPLE evidence-gathering meeting on 29 January 2024, there were no savings proposals relating to the Youth Empowerment Service and no EQIA pro forma existed. This was requested on 5 February 2024 and received on 8 February 2024 after close of business.

8	Require the design of and implement appropriate quality assurance measures and governance arrangements to ensure accuracy and consistency in the Draft Budget Proposals prior to publication.
9	<p>Make a public statement on its approach and methodology to external budget consultation for the 2025/26 financial year and onwards.</p> <ul style="list-style-type: none"> a. That the Executive provide, within this public statement, provisional proposals and dates for resident and stakeholder engagement and an indicative timetable for budget consultation in the September preceding the financial year for the budget in question. b. That the Executive ensure residents have ample opportunity to consider the impacts and changes of the proposed Council budget and that any resident feedback is provided to the Budget Scrutiny Commission as part of the initial engagement. c. That the Executive review and improve the Council's definition of 'consultation' and the organisation's general engagement processes.
10	Commit to publishing a Medium-Term Financial Plan that covers a three-year period as part of LB Newham's annual budget submission.
11	<p>Introduce and implement governance arrangements to formally manage savings and growth delivery, independent of basic budget monitoring at a corporate level, and for this programme to report to the Independent Chair of Audit Committee on a quarterly basis.</p> <ul style="list-style-type: none"> a. That, as part of these arrangements, the Executive develop and produce a detailed project plan on savings/growth delivery in the April/May Cabinet following budget approval.
12	Review the Council's current approach to capital borrowing and ensure that borrowing is considered in the context of the challenging financial environment; and that any revenue budget impacts are clearly outlined in the budget submission.

13	Commit to a review of the Council's fees and charging practices and develop a robust strategy that demonstrates that the Council optimises its fees and charges.
14	Review the policy of providing a relief period for Council Tax on second homes and introduce a rate multiplier for empty homes.
15	Review its approach to management of Community Infrastructure Levy (CIL) monies and consider whether there may be opportunities for CIL to be collected/spent more effectively, particularly in its relevance in potential reductions to capital borrowing.

1 Introduction

Financial scrutiny is essential to ensuring robust financial planning in all local authorities, but never more so than now. At this time, councils nationwide are facing chronic financial constraints and Section 114 notices have become a recurrent feature of recent local government landscapes, and even a part of the mainstream local and national news.

Scrutiny has a specific statutory role to challenge groupthink, optimism bias and undue focus on the potential benefits of projects and investments, at the expense of proper weighting of the accompanying risks. LB Newham's budget is placed under the scrutiny lens annually as part of the nexus of accountability, assurance and compliance, to deliver good services and Value for Money (VfM) for our residents. This year, the vehicle for doing this is the Budget Scrutiny Commission. This sits alongside the Overview and Scrutiny Commission which monitors budget performance throughout the year, and the work of the Audit Committee.

The wider context is of course Newham and our residents. Newham has unique features and contradictions, derived from its physical and social characteristics: over 350,000 residents, with 21% of residents in low-paying jobs, co-existing in vibrant communities, both long-established and recent arrivals, speaking over 102 languages. While one of the youngest and most diverse populations in the country, we are also an ageing borough. With levels of deprivation and regeneration more typical of an inner London authority, we are, nonetheless, considered an outer London borough. We have one of the longest housing lists in London (at 37,000) whilst home to City Airport and Olympic legacy buildings. Yet we resemble all other local authorities in having to bear the steeper challenges and rising costs of our strict statutory duties, whatever the wider financial position. The four most frequently cited by council leaders are: adult social care, children's services, school transport, and homeless provision and accommodation. These will emerge as significant drivers and determinants of LB Newham's financial capabilities, with some 65% of expenditure going towards Adult Social Care and Children's Services.

2 Methodology

The Budget Scrutiny Commission (BSC) was established on 20 July 2023 by the Overview and Scrutiny Committee (OSC) to consider the Mayor's Draft Budget Proposals for 2024-2025 and any budgetary matters referred to it, and to report and make recommendations through the OSC to the Mayor, Cabinet and Full Council.⁶ At a meeting of the OSC on 14 September 2023, the terms of reference were to:

- i. consider the Mayor's Draft Budget Proposals for 2024-2025;
- ii. consider any budgetary matters as referred to it by the Overview and Scrutiny Committee from time to time; and
- iii. make any reports and recommendations through the Overview and Scrutiny Committee to the Mayor and Cabinet, and to Full Council.⁷

Considering that using the same approach as in previous years was unlikely to yield different outcomes, the Commission decided to adopt a different approach towards its financial scrutiny this year. Therefore, the BSC began its first phase of work by engaging in a series of bespoke member development sessions focused on building the expertise of the Commission whilst using experience already existing amongst its membership. Four development sessions were held between September and November, via in-house training sessions led by Newham scrutiny, audit and finance officers, reading lists of materials, practical examples, and also drawing on external expertise from Grant Thornton.⁸ Members explored lessons learnt from other local authorities and the Newham context.⁹

The Budget Scrutiny Commission's Members were clear on needing to be agile and strategic in approaching scrutiny of LB Newham's budget this year. Various factors required a flexible approach to the budget scrutiny timetable, in part due to the delayed

⁶ For membership of the Budget Scrutiny Commission (2023 – 2024), please see Appendix 1.

⁷ Overview and Scrutiny Committee, "Report: Membership of the Budget Scrutiny Commission", 14 September 2023. Available at: [Appendix C \(newham.gov.uk\)](#) [Accessed on 1 February 2024].

⁸ Please see Appendix 3 for the timelines of Phases I and II of the work programme of the Budget Scrutiny Commission. Phase II of the BSC Work Programme was of necessity intense, with five meetings for deliberating, formulating Key Lines of Enquiry, evidence-gathering and arriving at recommendations before moving into open session held between the date of publication of the Draft Budget Proposals on 23 January 2024 and 6 February 2024.

⁹ During BSC Member Development, scrutiny and audit training focused on Woking; Slough; Thurrock; Croydon; Nottingham; and Northamptonshire, in addition to recent examples such as Birmingham City Council.

publication of and release to BSC Members of LB Newham's Draft Budget Proposals on 23 January 2024.¹⁰

In January 2024, the Commission held two evidence-gathering sessions to scrutinise the 'in-year' budget position, performance and risks, organised thematically by portfolios to reflect Cabinet,¹¹ relating to People, Place and Resources, for the LB Newham Budget of 2023-2024.¹² This complemented the role of the OSC in monitoring budget performance throughout the year. These two sessions also acted as a precursor to the scrutiny of the Draft Budget Proposals for 2024-2025.

On 23 January, LB Newham's Draft Budget Proposals for 2024/25 were published, ahead of Cabinet on 30 January, and at this point provided to the BSC Members. Responding rapidly, the Commission conducted a deliberations session to establish Key Lines of Enquiry on 24 January. Further evidence-gathering meetings to scrutinise the Mayor's Draft Budget Proposals occurred from 29 January onwards, ahead of LB Newham's Full Council meeting on 29 February 2024, and, as for the in-year budget review, these were also themed according to portfolios relating to People, Place and Resources. This thematic ordering was reflected in the organisation of the second phase of the BSC's work as follows:

1. 29 January 2024: People – Health and Adult Social Care, Children's Services and Education, and Resident Engagement;
2. 1 February 2024: Resources: Finance and Resources, Performance and Transformation; and
3. 5 February 2024: Place: Strategic Housing Delivery, Environment and Sustainable Transport, Housing, and Community Safety and Crime.

This second phase of the Budget Scrutiny Commission's work completed with a fourth meeting at East Ham Town Hall for BSC Members to deliberate and consider their recommendations. For transparency, the meeting was then held in public for the BSC Members to agree draft recommendations which, though subject to refinement and consolidation, were then informally shared with the Executive.¹³ This was consistent

¹⁰ The Cabinet agenda for the meeting on 30 January 2024 is available at: [Online] [Agenda for Cabinet on Tuesday 30th January 2024, 10.00 a.m. \(newham.gov.uk\)](https://www.newham.gov.uk/council/cabinet). [Accessed on 23 January 2024]. Published at 22:50 on 22 January 2024.

¹¹ Appendix 5 lists the Cabinet Members and their portfolios, as it appears on the LB Newham website, updated in November 2023. This is available at: [Online] <https://www.newham.gov.uk/council/cabinet>. [Accessed on 8 February 2024].

¹² Building a Fairer Newham Budget 2023/24. This was approved at Full Council on 27 February 2023. Documentation relating to approval of Members' Allowance and the budget are available at: [Online] [Agenda for Council on Monday 27th February 2023, 7.00 p.m. \(newham.gov.uk\)](https://www.newham.gov.uk/council/cabinet). [Accessed on 7 February 2024].

¹³ Draft Recommendations were shared informally with the Executive at 01:45 on 7 February 2024.

with the BSC Members' preferred approach of collaborative and constructive sharing of information.

Following consolidation and further agreement by the BSC Members, the draft recommendations and contextual report were submitted to the Overview and Scrutiny Committee on 15 February, ahead of submission to Cabinet on 20 February 2024.

3 Budget 2023 – 2024: in-year budget position, performance and risks

As a precursor to the planned scrutiny of the Draft Budget Proposals 2024/25, the Budget Scrutiny Commission reviewed in-year budget position, performance and risks. The Commission specifically considered two documents concerning the Council's overall financial position: the Part One and Part Two Reports.

The Part One Report was presented to Cabinet on 3 October 2023 and to the Overview and Scrutiny Committee on 12 October 2023.¹⁴ In that report, the Council reported a forecast overspend position of £14.2m, which was an adverse movement of £6m from the reported Quarter 1 position in July 2023. Forecast overspend at the Quarter 2 was £14.2 million against a total fund of £363 million. Significant issues contributing to this overspend included the local and national crises in temporary accommodation and increasing demands in social care. The report highlighted that mitigations were underway and had already reduced the amount of overspend from £23 million.

The complementary Part Two Report was presented to Cabinet on 9 November 2023.¹⁵ This document outlined various savings proposals and mitigations across different directorates and service areas for the fiscal year 2023/24 in order to arrive at a balanced budget. Following the Part One report's forecast overspend position of £14.2m, the Executive and Corporate Management Team conducted a review of service area spends, identify mitigations as part of a recovery plan to reduce the forecast overspend. As a result of these efforts, the Part Two Report forecast an estimated overspend of £7.3m against the General Fund of £363m. This is a positive movement of £6.9m when compared with the Part One Report.

However, there were risks associated with assumptions around ongoing major pressures on Temporary Accommodation and the social care budgets. Increasing Temporary Accommodation pressures across London but with severe impact in Newham resulted in increased pressure on the LBN General Fund. Some service areas were reporting underspend (e.g., the in-year position on the Dedicated School Grant budget) and revenue surplus (e.g., the Housing Revenue Account revenue surplus was allocated to the HRA reserve as planned). The Part Two Report also noted

¹⁴ Overview and Scrutiny Committee, Meeting (12 October 2023). Available at: [Online] [Appendix C \(newham.gov.uk\)](#). [Accessed on 22 December 2023].

¹⁵ Cabinet, Meeting (9 November 2023). Available at: [Online] [Agenda for Cabinet on Thursday 9th November 2023, 10.00 a.m. \(newham.gov.uk\)](#) [Accessed on 22 December 2023].

the difficulty of providing a reliable financial target estimate 2024/25 due to uncertainty about the Local Government Financial Settlement.

Using these as baseline documents, and in the absence of more current financial information, the Commission conducted two thematic evidence-gathering sessions to provide foreshadowing of the Draft Budget Proposals. These sessions were held in the Dockside offices on 10 January (PEOPLE) and 15 January 2024 (PLACE and RESOURCES).

At the session on 10 January, BSC Members questioned Executive Members and Officers in the Health and Adult Social Care, and Education and Children's Services portfolios. Discussions related to the continuing inclusion of Debden House within the ECS directorate budget, though BSC Members queried this and recommended its immediate repositioning within corporate asset management, the high cost of placements and reliance on agency/interim/consultant staff (in both directorates), and the potentially confusing overlap between ECS and Lifelong Learning for young people over 16. The meeting was considered positive and productive.

At the session on 15 January, BSC Members questioned the Mayor, Executive Members and Officers in the Finance and Resources, and Housing portfolios. Discussions in the Finance and Resources segment related to the provision of current financial information to the Commission, the continuing and increasing pressures on the Council's finances as a result of Adult Social Care, Children's Services, SEND transport and Temporary Accommodation. BSC made repeated requests for advance copy of financial documents ahead of the Draft Budget Proposals' scheduled publication date of 22 January 2024, which were not provided. These included general requests for more current information e.g. on the in-year budget position and performance, and specific requests for e.g., the list of non-strategic assets which might be sold to bridge any budget gap.¹⁶ The Strategic Housing and Temporary Accommodation segment focused on Victoria Street, Populo, and Temporary Housing Accommodation pressures and policy. BSC Members presented challenge to the plans for and costs of demolition and rebuild of Victoria Street. The Victoria Street discussion focused on the loss of 89 from 216 units and elicited requests from the BSC Members for the directorate to conduct further modelling.¹⁷

¹⁶ This crystallised further after publication of the Draft Budget Proposals to a request on 26 January and on 6 February with specific reference to section 15.8, which outlined lists of non-strategic assets and other options which were not recommended for progression to sale at this time.

¹⁷ This line of questioning was pursued further at the meeting of the Overview and Scrutiny Committee on 25 January 2024, during the Call In of the Victoria Street decision.

4 Draft Budget Proposals 2024-2025

The BSC Members found that obtaining access to current financial information and documentation was challenging. The Draft Budget Proposals (DRP) were due to be published on 5 December 2023, subsequently postponed to 16 January 2024. Finally, they were published at 22:50 on 22 January 2024.¹⁸ The Budget Scrutiny Commission had suggested financial briefings and early access to financial information, such as the Quarter 3 Performance Report, which was not forthcoming until 2 February 2024. Additional key documents were not provided. For example, on 26 January 2024, BSC Members had requested items referred to in section 15.8.¹⁹ These included a list of:

- 1) £25 m in assets from which £16 m of assets would be identified by Cabinet for sale; and
- 2) alternative savings (£16m/other assets identified under s.15.8 as “agreeing further savings: As with all budget processes, options have been identified which are not at this stage recommended for approval.” Implementation could be affected “reasonably quickly if circumstances demanded it”).²⁰

This led BSC Members to reflect on parity of esteem, which means that the scrutiny function of a council deserves the same respect, and has the same importance in the governance system, as executive, decision-making activities. For example, BSC Members were given access to the Draft Budget Proposals on their publication with access in effect on 23 January 2024. BSC Members reflected on how performance of their duties as scrutiny members engaged in scrutiny of LB Newham’s budget relies on access to current financial information. Formulating their recommendation, BSC Members noted the importance of parity of esteem and statutory provisions concerning the enhanced rights of access to information of overview and scrutiny committee members, with particular reference to Regulation 17 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations (2012).²¹

¹⁸For the Draft Budget Proposals, see the agenda for Cabinet on 30 January 2024. Available at: [Online] [Appendix C \(newham.gov.uk\)](#). [Accessed on 23 January 2024].

¹⁹ For context, see the Draft Budget Proposals at sections 15.4 and 15.5, which relate to the Department for Levelling Up, Housing and Communities (DLUHC) consultation about capitalisation flexibilities. If the consultation is not adopted, this will have implications for LB Newham. See DLUHC, available at: [Online] [Call for views on new local authority capital flexibilities - Department for Levelling Up, Housing and Communities - Citizen Space](#). [Accessed on 24 January 2024].

²⁰ See the Draft Budget Proposals 2024/25 at section 15.8. Available at: [Online] [Appendix C \(newham.gov.uk\)](#). [Accessed on 23 January 2024].

²¹ The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 UK Statutory Instruments 2012 No. 2089, PART 5, Regulation 17. Available at: [Online] <https://www.legislation.gov.uk/uksi/2012/2089/regulation/17/made>. [Accessed on 15 September 2023].

29 January 2024 – PEOPLE Evidence-Gathering Session

Children's Services

BSC Members heard about the increasing demand for and year-on-year rising expenditure on placements for children and young people in LB Newham, costing between £10,000 and £25,000 per week, which echoes the national picture of demand and cost. The Commission also noted the valuable work performed by LB Newham's Children Centres, which had been brought in under a Labour government, though many Children's Centres had closed nationally since 2010. The Commission considered evidence from various sources and the impact of Children's Centres' closing widening the gaps in school readiness between children from different socio-economic backgrounds. Children who require significant additional support to reach their developmental milestones are unable to access the full range of opportunities in Reception year, and the implications are long-lasting. In 2023, LB Newham's schools were reporting to the Department for Education that 167,000 school sessions had been missed without authorisation. Department for Education statistics published in January 2024 showed that children who are eligible for free school meals and those with identified special educational needs (SEN) have much higher rates of persistent absence, relative to their peers. BSC Members considered that Children's Centres, in Newham and elsewhere, perform vital early years' work, supporting children and their families to lay groundwork for better outcomes across the life course.²²

Funding cuts mean that access to early years provision varies widely across the country: the centres which remain offer a fraction of the services they once did, with consequences for social mobility and resulting in thousands of children missing out on vital services. BSC Members considered that, in the current financial context facing both the Council and its residents, closure of four Children's Centres, which had been crucial to improved outcomes and attainment for LB Newham's children and young people, was not to be recommended and considered that savings could be found to avoid these closures.

In particular, BSC Members recommended pausing or ceasing discretionary expenditure such as Borough of Culture to continue delivery of core services, such as Early Help provided via LB Newham's Children Centres. Early intervention has a track record of benefits and positive outcomes over the life course, for attainment and health equalities. BSC Members considered that historic decisions needed to be re-assessed in changed circumstances and investment in Early Help, with evidenced outcomes, in

²² During the pandemic, children's development in Newham and nationally was affected by nursery closures and led to record levels of a lack of school readiness (starting school with a lack of basic skills), as reported by the [Sutton Trust](#), [Kindred²](#), [Public Health England](#), the Department for Education, and the Trust for London. In 2018, a study by the Sutton Trust reported that as many as 1,000 Sure Start children's centres may have been shut down in England since 2010, leaving the UK's flagship early years programme "hollowed out". According to a 2023 report by Kindred², "too many children are behind before they begin their school-based education", with nearly half (46%) of children who started reception class in 2022 not "school ready", compared with 35% in 2019.

a time of the Council's own financial pressures and given the importance of Children's Centres for LB Newham's families, children and young people.

Health and Adult Social Care

BSC Members heard that the situation in Health and Adult Social Care was similar to the picture presented by Education and Children's Services. Discussions focused on equitable ways of meeting care costs; the care market, which has experienced fragility for the last decade (including the recent collapse of a care-provider); increases in costs of individual care packages; and a growing, and ageing population with increased life-expectancy and increasingly complex needs. BSC Members also heard how the portfolio is experiencing growth because of increased demographics but also due to a growing cohort transitioning in Adult Social Care from SEND/Children's Services.

Resident Experience

As has been noted elsewhere, LB Newham struggled to produce its budget this year. This had an impact on scale, scope and timing of consultation on the Draft Budget Proposals. In accordance with the Budget and Policy Framework Procedure Rules,²³ the Executive commits to publishing budget proposals two months ahead of adoption, having first canvassed the views of local stakeholders. The Draft Budget Proposals at sections 11.3-11.5 committed to public engagement for a period of two weeks prior to the finalisation of the February report to Cabinet on 20 February.

BSC Members queried the dates of these engagement sessions and the stakeholders referred to budget consultation exercises undertaken at other local authorities, including Durham County Council.²⁴ During the evidence-gathering session, the Cabinet Member was unable to provide details of engagement events other than to advise that events were planned with two adult stakeholder groups. BSC Members subsequently requested the dates, adding a request for details of engagement sessions with young Newham residents.

1 February 2024 – RESOURCES Evidence-Gathering Session

Finance and Resources

BSC Members were disappointed by the inconsistencies and incompleteness of the documentation which had been submitted with the Draft Budget Proposals, observing how important accurate and current information is to the work of scrutiny. In the compressed timetable within which the Commission was having to operate, the lack

²³ LB Newham Constitution, Budget and Policy Framework Procedure Rules, section 2.1. Available at: [Online] [CONSTITUTION OF THE COUNCIL \(newham.gov.uk\)](https://www.newham.gov.uk/constitution). [Accessed on 11 January 2024].

²⁴ Durham County Council, "Consultation on our budget proposals" (2023). Available at: [Online] [Consultation on our budget proposals for 2024/5 and Medium Term Financial Plan 2025-2028 - Durham County Council](https://www.durham.gov.uk/consultation-on-our-budget-proposals). [Accessed on 2 February 2024].

of information or finalised complete information was frustrating and an impediment to the BSC Members, particularly when trying to reach recommendations. Discussions focused on the drivers behind the financial pressures on LB Newham which, having been chronic, were now acute. These included reduced central government funding to local authorities, which is determined annually via the Local Government Finance Settlement.²⁵ As for many local authorities, spending on Adult Social Care, Children's Services, SEND transport and Temporary Accommodation, combined with over a decade of insufficient central government funding, were significant. BSC Members recommended new approaches towards LB Newham's financial strategy and planning, including grip on discretionary spending, financial programmes and project plans to oversee growth and savings, and adopting a Medium-Term Financial Plan (MTFP), which in uncertain times would provide guidance beyond the year, keeping an eye on future finances. Members were advised that in 2020, LB Newham had had such a document. BSC Members considered how this is common practice at other local authorities and seemed prudent to reinstate, given future plans, increased borrowing and a budget gap rising to £60 million by 2026/27.

Newham Sparks

In the absence of detailed information about a fully costed programme for Newham Sparks, which had been requested as part of the budget scrutiny process in 2023,²⁶ the BSC Members' repeated query was, "Can we afford to do this now?", however laudable the job creation aspirations and the ambitions behind it. BSC Members discussed the widely reported news that more than 260,000 jobs had been lost in the technology industry sector in the last year, as the sector embraced Artificial Intelligence (AI). Further, in the last month, almost 100 tech firms, including Meta, Amazon, Microsoft, Google, TikTok and Salesforce, had announced a total of 25,000 job cuts.²⁷ This raised questions about programme costings; timing; identifying the concrete, deliverable benefits; and the validity of assumptions and data on which any business case for Newham Sparks was based.²⁸

The Cabinet Member advised that it would be irresponsible to stop investment in Newham Sparks when the Council needed to be proactive, combined with local and

²⁵ The provisional local government finance settlement for 2024/25 was announced on 18 December 2023 and confirmed on 5 February 2024. For more explanation of the Local Government Finance Settlement, see the House of Commons Library, "Research Briefing: Local Government Finance Settlement 2024/25" (5 February 2024). [Online] Available at: <https://researchbriefings.files.parliament.uk/documents/CBP-9956/CBP-9956.pdf>. [Accessed on 5 February 2024]. According to Kate Ogden and David Phillips of The Institute of Fiscal Studies, the real pain will come in 2024-25, as the costs facing councils are growing faster than whole-economy inflation. See IFS (19 December 2023). Available at: [Online] <https://ifs.org.uk/articles/2024-25-local-government-finance-settlemt-real-pain-still-to-come>. [Accessed on 22 December 2023].

²⁶ See Appendix 4 for the Recommendations of the Budget Working Group at Recommendation 9.

²⁷ See BBC News (Business), 31 January 2024. [Online] Available at: [Online] [PayPal cuts 2,500 jobs in the face of rising competition - BBC News. \[Accessed on 1 February 2024\].](#)

²⁸ Newham Sparks was discussed at a meeting of Cabinet on 24 February 2022. Documentation relating to this is available at: [Online] [Agenda for Cabinet on Thursday 24th February 2022, 6.00 p.m. \(newham.gov.uk\)](#). [Accessed on 31 January 2024]. Officers referred to this documentation during the meeting on 1 February 2024.

commercial interest. Whilst viewing the budget as a series of choices, including policy choices about social value and social benefit, balanced against what Officers projected as the potential to add a gross value of £130 million to the Newham economy by jobs created in the Borough, the BSC Members were not persuaded, given that the data underpinning those projections appeared to originate from before and during the pandemic. Without an evidence-base and confronted by ongoing budgetary pressures, it seemed irresponsible to continue, however beautiful the vision, when any benefits would not be felt for ten years.

Further, Officers had advised the BSC Members that last year's funding of £1.2 million had not been spent. Combined with this year's allocation of £225,000, future allocations, and additional narrative which indicated that these sums were not the whole story, the BSC considered that this money could be saved or deployed elsewhere. BSC Members recognised that a key challenge in Newham is to ensure that local residents, and particularly the growing numbers of young residents, are positioned to access the new employment opportunities both in Newham, and the wider London region. However, there was discussion about the best way to achieve this. BSC Members debated the proper role of a local authority, what it is for and how it should be funded, in both scale and scope. BSC Members noted that Newham Sparks was adversely affecting LB Newham's educational landscape and economy, when local authority strengths and priorities, including Newham's, needed to focus on brokering sustainable relationships between our educational institutions and companies, rather than attempting to buy in levels of expertise which did not exist and moved LB Newham away from core priorities and service delivery into areas of financial risk and uncertainty combined with diminishing reserves.

The BSC Members queried the characterisation of LB Newham as a young borough: we are also an increasingly populous, ageing borough. The Commission discussed indications that high-paying jobs in data created would not be accessible to LB Newham's residents. Given LB Newham's residents' needs, uncertain delivery outcomes, and current financial imperatives, the timing of the Newham Sparks project seems inauspicious.

Transformation

Conscious of VfM audit reports which identified over-reliance on interims as being amongst the common causes, symptoms and consequences of local authority failure observed across all types of council across England, BSC Members discussed agency spend (£3 million per month) and queried the definition and use of interim/agency/consultancy staff at LB Newham. There was also discussion of LB Newham's use of agency staff as 14% of the workforce, running at higher than the London average. Members were advised by the Chief Executive that examining and reducing the organisation's operating costs was a work in progress, over a two-to-three-year period, and likely to feature on a future scrutiny work programme. Hearing

about the corporate transformation of £1.5m for 2024/25, rising to between £15m and £20m thereafter, BSC Members commended the efforts being undertaken and planned by the corporate side of the organisation, but felt that this financial grip was not being matched in the political decisions, where there appeared to be continuing reluctance to prune “nice to haves” in order to maintain core services.

5 February 2024 – PLACE Evidence-Gathering Session

Borough of Culture

BSC Members value initiatives to celebrate the culture of LB Newham. Discussions focused on LB Newham’s Borough of Culture bid, with Commission consensus being that in financially straitened- circumstances, where decisions about maximising savings and efficiencies across the organisation, the timing of the bid seemed inauspicious. The Greater London Authority (GLA) launched its Borough of Culture scheme in 2017.²⁹ Applications had to be received by 30 November 2023, with LB Newham as one of nine applicants. Results will be announced in March 2024, when the successful applicant will be advised whether they have been awarded £1.35 million in GLA funding, to be 30% match-funded by the local authority.

BSC Members value the Borough’s diversity and applaud any celebration of culture within LB Newham. However, Newham’s current financial context is uppermost in their consideration, including whether this year is the appropriate year to be making such a bid. BSC Members considered the sums spent nationally in similar bids, with 15 local authorities spending almost £4 million. Some of these authorities face similar financial challenges to Newham. BSC Members queried the paucity of detailed information about the LBN bid³⁰ as well as its timing, in light of Newham’s current financial context. BSC Members noted that £8.3 million was being allocated to the Borough of Culture (including the GLA matched funding of £1.35 million). They questioned whether the sums allocated could be diverted to non-discretionary spending and whether LB Newham was able to afford to write off the Borough of Culture bid expenditure in the event of an unsuccessful bid. BSC Members also considered the bid and evaluation materials submitted by LB Waltham Forest and LB Brent³¹ for the Borough of Culture

²⁹ For general information about current bids to become the next Borough of Culture, see information available via the GLA and the Evening Standard websites at: [Online] <https://www.london.gov.uk/programmes-strategies/arts-and-culture/current-culture-projects/london-borough-culture/become-london-borough-culture?ac-176083=176082> and [Nine boroughs bidding to become London's next 'Borough of Culture' - and what they say | Evening Standard](#). [Accessed on 22 January 2024].

³⁰ See LB Newham Draft Budget Proposals (23 January 2024) (Updated pro forma dated 7 February 2024). Available at: [Online] [Appendix 5 - Detailed Savings Proforma 06.02.24 Final.pdf \(newham.gov.uk\)](#). [Accessed on 9 February 2024]. LB Newham Borough of Culture bid materials not supplied. Requested on 7 December 2023. Information concerning the launch of this bid are available [here](#) [Accessed: 2 February 2024].

³¹ See LB Waltham Forest’s evaluation of its Borough of Culture experience. Available at: [Online] <https://www.walthamforest.gov.uk/sites/default/files/2022-04/Appendix%201%20-%20The%20Story%20of%20Our%20Year%20London%20Borough%20of%20Culture%202019.pdf>. See LB Brent’s bid, “Report from the Strategic Director of Community Wellbeing” (22 February 2022). Available: [Online] [here](#). [Accessed on 31 January 2024].

and compared this with information concerning both successful and failed bids for City of Culture.

Amongst those authorities which failed to win City of Culture 2025 were Southampton, which spent £1.59m on its bid before declaring itself at risk of “financial failure” in the summer of 2023, and Durham which spent £345,000, though it has warned of the need to save £52m in the next four years. Other local authorities include Wrexham Council (£305,000), Armagh City, Banbridge and Craigavon Borough Council (£227,352), Medway Council (£190,000), and Bradford (£1.16m). BSC Members questioned whether LB Newham could afford a failed bid, and whether the outlay required for the LB Newham’s Borough of Culture bid if successful can be justified at this time, when securing reserves or maintaining and improving core services are essential.

Subsequent to the meeting, the figures discussed on 5 February and described as “not recognised” by the Executive, were confirmed to the Commission as correct. The total figure was confirmed as including existing expenditure from two service revenue budgets.

Populo

BSC Members raised concerns about borrowing levels, interest, acquisitions, and the lack of information in the Draft Budget Proposals around revenue implications for that borrowing.³² BSC Members considered the LB Newham Budget process generally, referring to the example of the Draft Budget Proposals’ presentation at Full Council in 2023. Members discussed how, in 2023, the text which accompanied £130m of Council investment in Populo read as follows:

“Unallocated Budget to enable opportunistic investments (e.g., Residential acquisitions, supported living accommodation, grant funding opportunities etc.)”.³³

Citing the example of Populo where no business plan or other detailed information were provided ahead of Members’ voting on £130m at Full Council in 2023, and also mentioning Juniper Ventures, BSC Members stated that business plans for significant strategies, projects and programmes need to be supplied.

Temporary Accommodation

³² For example, there was discussion of section 3.13 of the Draft Budget Proposals and £8m in interest.

³³ See Building a Fairer Newham Budget 2023/24, 27 February 2024 at page 347, para. 4.9 and accompanying table. [Online] Available at: [Agenda for Council on Monday 27th February 2023, 7.00 p.m. \(newham.gov.uk\)](https://www.newham.gov.uk/agenda-for-council-on-monday-27th-february-2023-7-00-p-m). [Accessed on 6 February 2024].

BSC Members discussed the numbers of voids, the strategy of acquiring homes to meet Temporary Accommodation needs, including where it was possible to incentivise this, using levers available to the Council. This included the charging structure of Council Tax, the rate multiplier for empty homes and reduced Council Tax charges on second homes. BSC Members also discussed the cost of housing in London, the overspend and whether purchasing properties was a viable strategy. Member discussion also focused on re-examination of placement, residency and travel distance policy, in line with neighbouring boroughs, to calibrate meeting housing needs. There were further discussions of the acquisitions plan and how sustainable this was, given that housing LB Newham residents in Chatham, for example, had proved contentious locally.

Environment

BSC Members discussed various issues in the Environment portfolio, including the food waste trial funding from central government, and reduced lighting and its impact on vulnerable members of our communities (particularly when violence against women was a concern). Officers advised that there was close work being done with residents and the Metropolitan Police Service, to understand trends and local concerns. There was also discussion of the Beckton Parks Master Plan, the Green Flags award schemes, the growth in the Street Cleansing team, reductions in the Public Realm Engagement Team and numbers of Community Safety Officers. Reiterating previous discussions concerning quality control and assurance of the documents accompanying the Draft Budget Proposals, BSC Members also generally raised the issue of the information available (or not available) in the proformas, which contained inconsistencies and errors, or were incomplete.

General discussion

There was general discussion, concerning the provision for Active Centres and their importance to the Ageing Well Strategy. BSC Members also mentioned the 2022 scrutiny report request comparing the impact and delivery of crowd funding (including a reference to PPP) versus grants. Further discussion concerned Newham Magazine and whether there were more economically efficient ways to be communicating with residents. BSC Members queried the amount budgeted for, roles filled and current headcount of staffing in the Mayor's Office. BSC Members also queried the appropriateness of increases in Members' Allowances. Whilst wishing to ensure accessibility and assist diversity amongst politicians, local or national, the BSC Members considered a rise in line with inflation was in step with a "whole council, one borough" approach to current financial imperatives facing LB Newham.

5 Recommendations

We are conscious that our recommendations may have cost, project, policy, and service implications. But we are alive to scrutiny's role in both challenging the Executive and offering alternative perspectives, whilst supporting and reinforcing LB Newham's financial management in a context of ever-decreasing funding from central government with ever-increasing responsibilities at the local government level.³⁴ In this context, a whole council one-borough approach must be taken to addressing the budget gap, with all services needing to find savings. Lessons learnt from cautionary tales elsewhere have underlined to us the importance of reviewing decisions and considering when continuing a particular course of action is imprudent, deciding when 'cutting one's losses' on an individual project, however unpalatable in the short-term, is essential to ensure long-term collective viability.

In developing our recommendations, and applying lessons learnt from elsewhere and the Newham context, we considered: attitudes towards borrowing and appetites for risk; council-owned companies (such as Populo and Juniper Ventures); commitments made when in a different phase of financial health (such as the Borough of Culture bid); members' failure to fulfil or understand their constitutional legal and ethical responsibilities in Full Council, the Executive or committees; the importance of Internal and External Audit to focus on areas of risk; a lack of commercial expertise on the part of both members and officers; reticence about seeking external, independent advice; and reluctance to undertake appropriate due diligence, which may lead to decisions being made because of misplaced optimism.

Implementing these recommendations has the potential to complement LB Newham's aspirations to deliver better, fairer outcomes for its residents whilst maintaining our core services. The Budget Scrutiny Commission's recommendations outline reversals and changes to the Draft Budget Proposals concerning savings and growth, and both changing and challenging assumptions. A key thread to our work was that a "whole council, one borough" approach must be taken, that all service areas in the organisation must play their part in ensuring our collective financial leanness and health, that pragmatism must win out over wishful thinking. This informed a recommendation that Members' Allowances rise in line with inflation, though collectively we seek all measures that assist diversity amongst our elected representatives.³⁵ We also identified policy areas where review of policy in areas like

³⁴ See figures from the Debt Management Office contained in the Public Works Loan Board extracts for 2022 and 2023, available at: [Online] <https://www.dmo.gov.uk/media/ujcb5pgu/2022yearendvalues.csv> and <https://www.dmo.gov.uk/media/me4hnr3/2023yearendvalues.csv>. [Accessed on 10 February 2024]. See also The Guardian, "Disastrous Truss budget forced UK councils to take out massive 50-year loans at soaring rates" (10 February 2024) for a discussion of the effect of the Truss/Kwarteng budget, local government funding and Labour plans for a "new partnership" with councils and long-term funding settlements. Available at: [Online] [Disastrous Truss budget forced UK councils to take out massive 50-year loans at soaring rates | Local government | The Guardian](https://www.theguardian.com/uk-news/2024/feb/10/disastrous-truss-budget-forced-uk-councils-to-take-out-massive-50-year-loans-at-soaring-rates). [Accessed on 10 February 2024].

³⁵ See the LGA Report, "The Remuneration of Councillors in London", (2022) (R20222). Available at: [Online] <https://www.londoncouncils.gov.uk/node/39359>. [Accessed on 2 February 2024].

CIL, charging, and second or empty homes, would lead to efficiencies or become part of the panoply of levers at our disposal, to be leveraged more creatively and effectively.

Our “whole council” approach manifests itself elsewhere, but, in this strand of recommendations, speaks to the engagement with and culture within LB Newham around scrutiny. Budget setting and provision of requested relevant documentation can and should be started earlier. This allows meaningful engagement on all sides, time for quality assurance and greater transparency. When considering future debt and borrowing, whatever the limitations of the year-to-year funding of the Local Government Financial Settlement, a fiscal plan beyond the municipal year would again assist Members and our residents to understand the implications and impact of financial decisions taken today on Newham budgets of tomorrow. This informed the strong recommendation for the Executive to publish a three-year Medium-Term Financial Plan as part of the annual budget submission. We also recommended stronger grip and oversight of savings and growth delivery management via a programme with detailed project plans, quarterly reporting, and governance arrangements.

6 Conclusions

We started this year's budget scrutiny work programme with the news of Birmingham City Council's financial failings. As we know, local government finance is derived from three main sources: central government, business rates and council tax, and each of these sources has been reduced, constrained or limited over the last decade.

The Budget Scrutiny Commission's work was taking place against this backdrop. As the Commission discovered from its member development and exploration of learning from councils where Public Interest Reports had been issued recently, the level and depth of challenge in these councils was not sufficiently robust. According to Grant Thornton, "...it is difficult to identify any outcomes from scrutiny that changed the approach or the path to the public interest reports."³⁶ Our aspiration was to fulfil our function, ask the right questions, and, where necessary, effect change. With the stakes high for LB Newham and its residents this year, with a £47m budget gap, with a further £60 m by 2026/27, and the likely consequences of this for residents and services, our role was to challenge the assumptions underpinning this budget and to ensure that our council policies are open to proper challenge and focus.

This is no small undertaking, as local government finance is complex and some decisions, such as the necessary level of financial reserves and the ratio between income and borrowing, require both expert advice from officers and external advisors, but also active engagement with members. Members represent a variety of expertise and life experience, with a democratic mandate from their communities. It is therefore reasonable for members, but particularly so for scrutiny members scrutinising local government finance, to seek information and clarifications in order to understand the risks associated with key investment decisions and the options that have been considered. This year, the Commission concluded that its report would be a qualified report due to the time and informational constraints faced in scrutinising the Draft Budget Proposals 2024/25.

The Budget Scrutiny Commission's guiding principle in our budget scrutiny this year has always been this: how can we deliver for residents in these challenging times? Residents are at the heart of scrutiny, and, in line with our statutory role as a scrutiny function, we aim to amplify the resident's voice and assure world-class services here in LB Newham. There are lessons to be harvested from this year's budget scrutiny process, requiring changes to organisational culture and embracing parity of esteem. Despite these constraints, we know, both as Executive and Scrutiny Members, that it is necessary to make savings if we are to manage demand, meet need and fulfil statutory duties with less money. The Budget Scrutiny Commission's recommendations in this qualified report recognise that there are hard decisions to be taken, including reviews of policy concerning areas of discretionary expenditure, but

³⁶ See Grant Thornton, "Lessons from recent Public Interest Reports" (2021), at page 7. Available at: [Online] [Lessons from Public Interest Reports \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/insights/public-interest-reports). [Accessed on 14 September 2023]. For interest, see also Grant Thornton, "Lessons from Public Interest Reports and other interventions – Part II" (September 2022). Available at: [Online] [Lessons from Public Interest Reports \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/insights/public-interest-reports). [Accessed on 14 September 2023].

these decisions are inevitable if we are to conduct ourselves as effective stewards of LB Newham's finances for our residents.

As we know, failings in local government finance are explained in less binary, less simple ways than as being symptomatic of councils that were poorly managed, or councils decimated by reduced funding from central government over the last decade.³⁷ Both analyses of local government financial failure hold true, but we know that the picture is more complex, more nuanced than this. Lack of information, ineffective challenge, groupthink: these all have a part to play. In particular, lessons learnt from local authorities such as Thurrock, Surrey Heath and Nottingham City Council underlined to us the importance of reviewing decisions when new information is received, when delivery is not as expected or when circumstances change. As Members of this Commission, we have made recommendations for areas of saving, which do not depend on sales leading to one-off capital receipts to meet ongoing financial pressures. Decisions made even a year ago may no longer be the right decisions now, in light of LB Newham's current financial health. Ability to pivot, agility in decision-making in a financial landscape of uncertainty, ever-increasing challenge and rising demand, and political courage to recognise that 'cutting one's losses' on an individual project, however laudable it is and however unpalatable in the short-term, is essential to ensure LB Newham's long-term collective financial viability and the interests of our residents.

³⁷ According to the Institute for Government, local authority spending power fell by 17% between 2009/10 and 2019/20, and in 2021/22 it was still 10.2% below 2009/10 levels. Institute for Government, "Explainer: Local government funding in England – How local government is funded in England and how it has changed since 2010" (10 March 2020; updated 21 July 2023). Available at: [Local government funding in England | Institute for Government](#). [Accessed on 19 September 2023]. See also Ogden, Kate, Phillips, David, and Sion, Cian, "What's Happened and What's Next For Councils?", The Institute for Fiscal Studies (7 October 2021) at pp. 299 and 311.

Appendices

1. Budget Scrutiny Commission Membership
2. Budget Scrutiny Commission Work Programme Timelines
3. Budget Scrutiny Commission Phase II Work Programme Timetable
4. Budget Working Commission (2022/23): Report, Recommendations and Executive Response
5. Mayor and Cabinet Portfolios
6. Budget Scrutiny Commission: Increasing/Decreasing the Budget Gap
7. List of Actions/Information Requests: Action Log

Appendix 1 – Budget Scrutiny Commission Membership

As of 20 July 2023	As of 21 December 2023
COUNCILLORS	COUNCILLORS
Anthony McAlmont (Chair)	Anthony McAlmont (Chair)
Elizabeth Booker	Elizabeth Booker
Rita Chadha	Rita Chadha
Stephanie Garfield	Stephanie Garfield
Lewis Godfrey	Lewis Godfrey
Nate Higgins (Green)	Nate Higgins (Green)
Lester Hudson	Lester Hudson
Daniel Lee-Phakoe ³⁸	Jane Lofthouse
Jane Lofthouse	Susan Masters
Susan Masters	Terence Paul ³⁹
Harvinder Singh Virdee ⁴⁰	Lakmini Shah ⁴¹
	Harvinder Singh Virdee

DECLARATIONS OF INTEREST

All Members' interests are held in the [Register of Interests](#). All Members' gifts and hospitality are listed in the [Register of Gifts and Hospitality](#). For transparency, Budget Scrutiny Commission Members have highlighted and declared the following interests during their conduct of scrutiny of the Draft Budget Proposals 2024/2025:

Councillor	Interest
Anthony McAlmont	Private Landlord
Stephanie Garfield	Husband serves as a trustee on the board of Theatre Royal Stratford East
Lewis Godfrey	Employed by Amazon
Lester Hudson	Family member on a care package

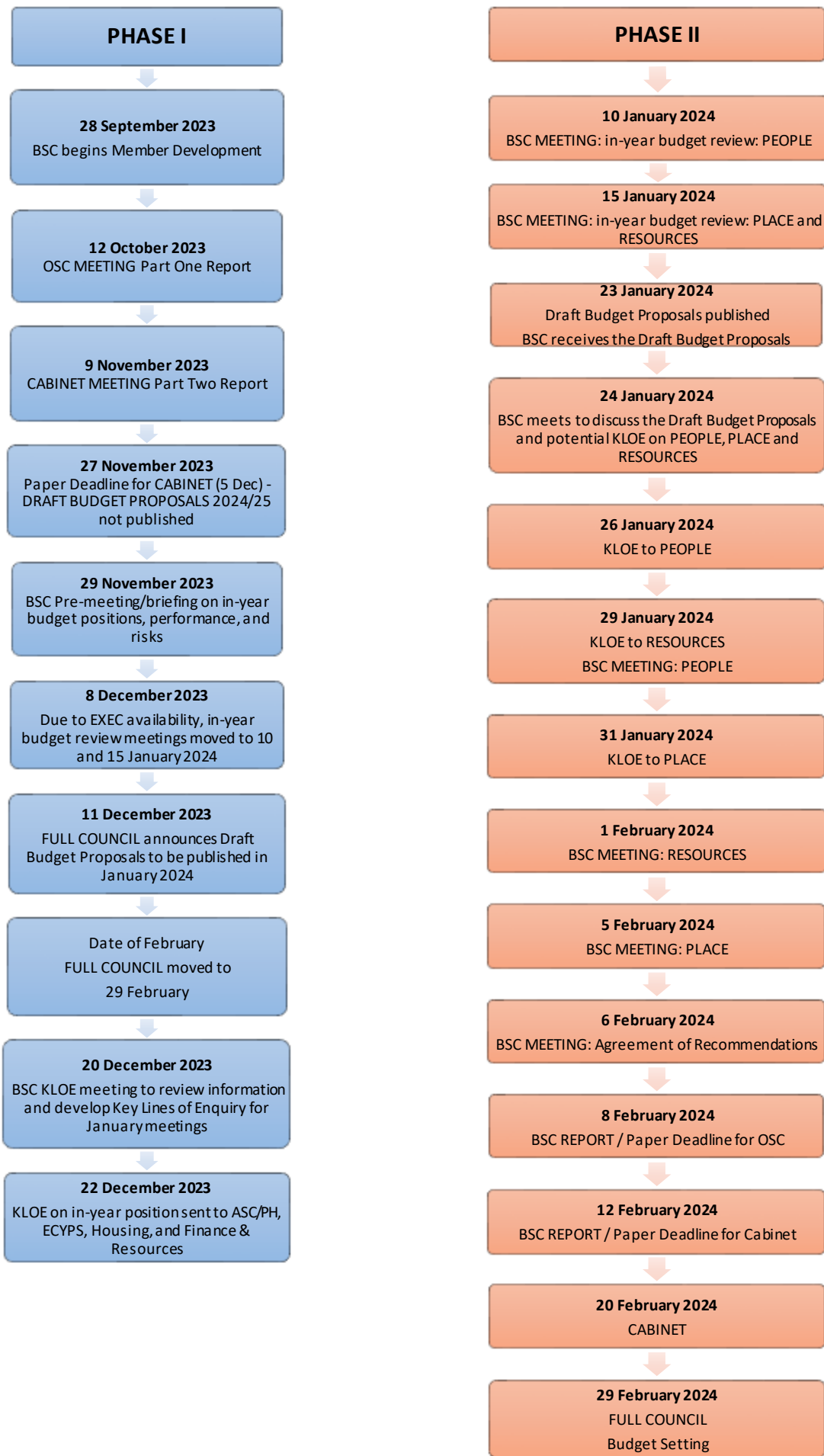
³⁸ Resigned from LB Newham as a councillor on 17 October 2023.

³⁹ As from 30 November 2023, as Chair of the Crime, Environment and Regeneration Scrutiny Commission. Ratified on 21 December 2023.

⁴⁰ Resignation on 13 October 2023. Reappointed as from 21 December 2023. Due to a family bereavement, Cllr Singh Virdee was not able to attend any meetings between 29 January and 6 February 2024.

⁴¹ As from 17 October 2023, as Chair of the Education, Children, Young People and Lifelong Learning Scrutiny Commission.

Appendix 2 – BSC Timelines



PHASE I

28 September 2023
BSC begins Member Development

12 October 2023
OSC MEETING Part One Report

9 November 2023
CABINET MEETING Part Two Report

27 November 2023
Paper Deadline for CABINET (5 Dec) -
DRAFT BUDGET PROPOSALS 2024/25
not published

29 November 2023
BSC Pre-meeting/briefing on in-year
budget positions, performance, and
risks

8 December 2023
Due to EXEC availability, in-year
budget review meetings moved to 10
and 15 January 2024

11 December 2023
FULL COUNCIL announces Draft
Budget Proposals to be published in
January 2024

Date of February
FULL COUNCIL moved to
29 February

20 December 2023
BSC KLOE meeting to review information
and develop Key Lines of Enquiry for
January meetings

22 December 2023
KLOE on in-year position sent to ASC/PH,
ECYPS, Housing, and Finance &
Resources

PHASE II

10 January 2024
BSC MEETING: in-year budget review: PEOPLE

15 January 2024
BSC MEETING: in-year budget review: PLACE and
RESOURCES

23 January 2024
Draft Budget Proposals published
BSC receives the Draft Budget Proposals

24 January 2024
BSC meets to discuss the Draft Budget Proposals
and potential KLOE on PEOPLE, PLACE and
RESOURCES

26 January 2024
KLOE to PEOPLE

29 January 2024
KLOE to RESOURCES
BSC MEETING: PEOPLE

31 January 2024
KLOE to PLACE

1 February 2024
BSC MEETING: RESOURCES

5 February 2024
BSC MEETING: PLACE

6 February 2024
BSC MEETING: Agreement of Recommendations

8 February 2024
BSC REPORT / Paper Deadline for OSC

12 February 2024
BSC REPORT / Paper Deadline for Cabinet

20 February 2024
CABINET

29 February 2024
FULL COUNCIL
Budget Setting

Appendix 3 – Budget Scrutiny Commission: – Phase II Work Programme Timetable

22 January DAY 1	<u>CABINET PAPER DEADLINE</u> BSC receives the Draft Budget Proposals (DBP) for 2024/2025	
24 January DAY 3	<u>BSC</u> Time: 6:00pm Venue: Dockside (WG.04) Planning Session	BSC Members Scrutiny Team
25 January DAY 4	<u>OSC</u> Call In	OSC Members
26 January DAY 5	<u>Key Lines of Enquiry – PEOPLE</u> Time: 12:00 Draft Key Lines of Enquiry sent to directorates	*earliest date, absent information /briefings before DBP publication date
29 January DAY 6	<u>Key Lines of Enquiry – RESOURCES</u> Time: 10:00 Draft Key Lines of Enquiry sent to directorates <u>First Meeting – PEOPLE</u> Time: 6:30pm Venue: EHTH (tbc) Witnesses: <ul style="list-style-type: none"> • Mayor • CMs • Corporate Directors • Officers Key issues: Draft Budget Proposals Key challenges, pressures, risks and investments <ul style="list-style-type: none"> • ASC and PH • ECYP • Resident Experience 	*earliest date, absent information /briefings before DBP publication date BSC Members Mayor CMs Cllr Neil Wilson Cllr Sarah Ruiz Cllr Charlene McLean Directorate Officers Jason Strelitz Vik Verma James Partis Finance Team Conrad Hall Andrew Ward Scrutiny Team
30 January DAY 7	<u>CABINET</u> Time: 10:00 am <u>Local Plan Task and Finish Group</u> Time: 7:00pm	Mayor Cabinet Mayor Scrutiny Members
31 January DAY 8	<u>Key Lines of Enquiry – PLACE</u> Time: 10:00 Draft Key Lines of Enquiry sent to directorates	*earliest date, absent information /briefings before DBP publication date
1 February DAY 9	<u>Second Meeting – RESOURCES</u> Time: 6:30pm Venue: EHTH – Council Chamber Witnesses: <ul style="list-style-type: none"> • Mayor 	BSC Members Mayor Chief Executive CMs Cllr Ali

	<ul style="list-style-type: none"> • Chief Executive • CMs • Corporate Directors • Officers <p>Key issues: Draft Budget Proposals</p> <ul style="list-style-type: none"> • Overview 2023/24 • Local Government Financial Settlement • Background to 2024/25 • MTFP to 2027/28 • Transformation 	<p>Directorate Officers James Partis Amit Shanker</p> <p>Finance Team Conrad Hall Andrew Ward</p> <p>Scrutiny Team</p>
5 February DAY 11	<p><u>Third Meeting - PLACE</u> Time: 6:30pm Venue: EHTH - Council Chamber Witnesses:</p> <ul style="list-style-type: none"> • Mayor • CMs • Corporate Directors • Officers <p>Key issues: Draft Budget Proposals Key challenges, pressures, risks and investments</p> <ul style="list-style-type: none"> • Housing • Inclusive Economy • Environment • Borough of Culture • Community Safeguarding 	<p>BSC Members Mayor CMs Cllr James Asser Cllr Shaban Mohammed Cllr Amar Virdee</p> <p>Directorate Officers Darren Levy Candida Thompson Vicky Clark Aled Richards</p> <p>Finance Team Conrad Hall Andrew Ward</p> <p>Scrutiny Team</p>
6 February DAY 12	<p><u>Fourth Meeting – REPORT and RECOMMENDATIONS</u> Time: 6:30pm Venue: Dockside Witnesses:</p> <ul style="list-style-type: none"> • N/A <p>Key issues:</p> <ul style="list-style-type: none"> • Agree recommendations from second and third meetings • Agree draft report 	<p>BSC Members Scrutiny Team</p>
7 February DAY 13	<u>AUDIT COMMITTEE</u>	Audit Committee
8 February DAY 14	<u>OSC PAPER DEADLINE</u> Papers published for OSC (15 February)	
8-9 February DAY 14-15	<p><u>BSC</u> Produce Report Finalise recommendations Agree final version of BSC Draft Report Comments by Cabinet Member, Chairman of BSC and relevant members of Executive Leadership team Design</p>	<p>BSC Members Mayor Chief Executive CMs Directorate Officers Finance Team Scrutiny Team</p>
12 February	<u>CABINET PAPER DEADLINE</u>	

DAY 16	Papers published for Cabinet (20 February) BSC Report with recommendations to form part of those papers	
15 February DAY 19	OSC Acknowledgement/Endorsement of BSC budget scrutiny Recommendations by OSC	OSC Members
20 February DAY 22	CABINET BSC Report LB Newham Budget	Mayor Cabinet
21 February DAY 23	FULL COUNCIL PAPER DEADLINE Papers published for Full Council (29 February) BSC Report with recommendations to form part of those papers	
29 February DAY 29	FULL COUNCIL Draft Budget to be approved	Full Council
11 March DAY 36	DEADLINE FOR BUDGET SETTING Statutory deadline	
	Report Launch Comms around BSC report	BSC Members Scrutiny Team Comms

Appendix 4 – Budget Working Commission (2022/23): Report, Recommendations and Executive Response

In 2022 – 2023, the Budget Working Commission (BWC) was the scrutiny vehicle via which LB Newham’s Building a Fairer Newham Budget (2023/24) was scrutinised. A copy of the report can be accessed via the LB Newham website [here](#) (Appendix 16). Nine recommendations were made, which are listed below. A copy of the Executive’s response to the BWC’s recommendations can be accessed [here](#) (at Appendix 17).

BUDGET WORKING COMMISSION (2022-2023): RECOMMENDATIONS

Budget Monitoring Reports

Recommendation 1: beginning in the next financial year, budget monitoring reports should include a table setting out all in-year draws from reserves (both allocated and unallocated) and their purposes, clearly differentiating between draws to meet planned, deferred expenditure and draws to meet in-year pressures.

General Fund Reserve

Recommendation 2: in the 2023/24 budget, £5 million should be contributed to the General Fund Reserve to close the gap between the value of the Reserve and what was intended at the beginning of the 2022/23 financial year. To enable this, in addition to the planned £4 million contribution, £1 million of new and avoidable expenditure which will not deliver net savings should be redirected to the Reserve.

Recommendation 3: if 2022/23 General Fund overspending is expected to be met from the General Fund Reserve, an equal sum of new and avoidable expenditure which will not deliver net savings should be redirected to the Reserve in the 2023/24 budget, to offset any further depletion of the Reserve.

Homelessness Response Programme

Recommendation 4: by the next municipal year, the Council should share a specific, measurable, achievable, relevant and time-bound action plan for the Homelessness Response Programme which includes its anticipated impact (including financial impact) with the Overview and Scrutiny Committee.

Temporary Accommodation

The Commission heard that when the Council last increased the residency requirement in its Housing Allocations Scheme, that reduced demand for temporary accommodation. In the extreme circumstances the Borough finds itself in, a majority of Commission members support a further increase to the residency requirement, which would bring the Council in line with neighbouring boroughs.

In the longer term, the most effective approach, and that which the Council is following, is to increase the supply of affordable temporary accommodation. Although, a financially costly commitment to remove 216 units from the Council's stock of temporary accommodation in the short term may not have been informed by the full implications of doing so in the present housing market.

Recommendation 5: commitments and decisions with financial implications should be informed by professional assessment and advice and involve the consideration of all of their implications and alternative options.

Agency staffing

Recommendation 6: beginning in the next financial year, the number, cost and deployment of all indirectly employed council staff should be included in budget monitoring reports and provided, on request, to Overview and Scrutiny.

Recommendation 7: the Council should set feasible targets for indirectly employed staff and specific, measurable, achievable, relevant and time-bound plans to deliver them.

Children and Young People's Services

Recommendation 8: the value for money of the Council delivering the 0-19 Service rather than commissioning it from an NHS provider should be reviewed as soon as practicable; and the findings of that review should be shared with the Overview and Scrutiny Committee.

Newham Sparks

Recommendation 9: a comprehensive and fully costed programme scope and project/delivery plan – including specific, measurable, achievable, relevant and time-bound outcome measures – for Newham Sparks and all of its work-streams be produced and published before any future budget proposals to deliver the programme or its work-streams are brought forward.

The programme requires an undefined amount of funding and thus may be subject to detailed and robust scrutiny in the future.

Appendix 5 – Mayor and Cabinet Portfolios⁴²

CABINET MEMBER	PORTFOLIO	Supported by
Mayor Rokhsana Fiaz OBE	Strategic Housing Delivery; Culture; Climate Emergency; Youth Empowerment; Youth Safety; Early Help; Children’s Health; Performance and Transformation	<p>Councillor John Whitworth - Deputy Cabinet Member for Planning and Development, Air Quality and Climate Emergency</p> <p>Councillor Caroline Adaja - Deputy Cabinet Member for Community Wealth Building, Business, Enterprise and Future World of Work</p> <p>Councillor Rohit Dasgupta - Deputy Cabinet Member for Equalities, Social Justice and Culture</p> <p>Councillor Steve Brayshaw - Commissioner for Skills and Lifelong Learning</p>
Councillor James Asser	Deputy Mayor and Cabinet Member for Environment and Sustainable Transport	<p>Councillor Miraj Patel - Deputy Cabinet Member for Environment</p> <p>Councillor John Morris - Deputy Cabinet Member for Highways and Sustainable Transport</p>
Councillor Zulfiqar Ali	Cabinet Member for Finance and Resources	

⁴² See LB Newham website for details of the Cabinet. Available at: [Online] [Cabinet – Newham Council](#). [Accessed on 31 January 2024].

CABINET MEMBER	PORTFOLIO	Supported by
Councillor Neil Wilson	Cabinet Member for Health and Adult Social Care	Councillor Mumtaz Khan - Deputy Cabinet Member for Health and Adult Social Care
Councillor Sarah Ruiz	Cabinet Member for Children's Services and Education	
Councillor Shaban Mohammed	Cabinet Member for Housing Management and Modernisation; Housing Needs; Homelessness; and Private Rented Sector	Councillor Sabia Kamali - Deputy Cabinet Member for Housing Management and Modernisation; Housing Needs, Homelessness and Private Rented Sector
Councillor Charlene McLean	Cabinet Member for Resident Engagement and Resident Experience	Councillor Canon Ann Easter -Commissioner for Interfaith and Interreligious Dialogue
Councillor Amar Virdee	Cabinet Member for Community Safety and Crime	

Appendix 6 – Budget Scrutiny Commission: Increasing/Decreasing the Budget Gap⁴³

Increasing the budget gap	£'000
Reversal of Enrichment Programme saving	400
Increasing growth proposal for temporary accommodation	3,000
Reversal of Children's centres	500
Review activity centres	74
Reverse community grants	160
	4,134
Decreasing the budget gap	
Efficiencies in Youth Empowerment Service	600
Pause the Stratford feasibility study	500
Scrapping Newham Sparks	1,600
Reduction in FTE of 9 on assumption of £30k per annum	138
Reduce Newham Culture, Arts etc. by 15%	489
	3,327
Net increase/decrease to the budget gap	807

⁴³ From BSC Member discussions. Courtesy of Alexa Ngini.

Appendix 7 – List of Actions/Information Requests

PLEASE SEE ACTION LOG.