

Executive Response to Budget Scrutiny Report 2024/25

Introduction

Firstly, in this response to the Budget Scrutiny Report, the Mayor and Cabinet would like to thank the Chairs of the Scrutiny Panel and Scrutiny Commissions and all other Scrutiny Commission members who took part in this year's Budget Scrutiny process alongside Scrutiny officers.

This year the process was far more intense than previous years, partly reflective of the increasing financial challenges the Council faces, which we do not repeat here, but are clearly set out in the budget report. Where there were two private budget scrutiny sessions in setting the 2023/24 budget, for 2024/25 there were nine separate sessions. This takes an enormous amount of time, commitment and preparation from panel members, scrutiny officers, Cabinet, CLT Members, Directors and Heads of Service.

This response does not attempt to go through the response to individual comments from Scrutiny Commissions and next steps but addresses those comments raised in respect of the overarching themes and cross-cutting issues, as well as lessons learnt for future years. In most instances this is to provide further background and context to the comments made. We thank all the Scrutiny Bodies for their considerations which will help in framing the implementation of budget decisions as well as the budget process generally. The aim in this response is to be as constructive as possible and feed into the ongoing development and improvement of Budget Scrutiny in this immensely challenging time for the Council.

Overarching themes and cross-cutting issues

Scrutiny Comment (para 1)

There is an overarching concern that there needs to be a greater political steer to the administration about the impact on the Council's reputation of making a number of small savings on a few very high profile areas which are actually very visible to all residents. We would suggest that greater consideration should have been given to the cumulative impact of these in the first instance and the allied media coverage to be expected. The attention in certain areas is unlikely to be proportionate to the actual savings made. The Council instead should aim to be more explicit with residents about the extent of the challenge being faced and then illustrate this with a more judicious focus on the larger savings areas that are being proposed.

Executive Response

We agree with Scrutiny's concerns regarding proportionality and will take this on board as we continue to address the considerable financial challenges the Council faces. However, it is presumed that these comments relate primarily to the discretionary spend areas of savings, which formed the minority of budget proposals put forward as opposed to the higher level of savings proposed under the '12 areas.' Cabinet Members and Group Directors did give consideration to the cumulative impact of the small savings proposals and the communications required. Indeed during the process some proposals were rejected for this very reason.

While each year as part of the budget process we have a communications strategy which sets out the challenges we face, more has been done this year and even more is planned in this regard. As set out at the Scrutiny Commission meetings at the end of September, the Council's communications team [launched](#) a [resident-focused consultation](#) to inform a longer-term budget campaign. The campaign aimed to establish and improve resident understanding, awareness and preparedness of the Council's budget. This will make it easier to explain the changes we need to introduce, and the challenges the Council faces. As part of the campaign the communications team will produce a range of materials to inform residents of the council's finances and budget setting processes including a feature on the setting of the Council budget in Love Hackney; we will write to all residents when they receive their Council Tax bill, and we will use online and offline advertising and media as appropriate.

While recognising the importance of timely and effective communications and of assessing and mitigating impacts, the Council faces considerable budget pressures both for 2024/25 and future years. Meeting these will require some hard decisions which regrettably are likely to be both unwelcome news and have some impacts which cannot be avoided.

Scrutiny Comment (para 2)

We would emphasise that the Council needs to act with caution when making savings plans across multiple related areas in order to ensure that the full cumulative impact of these is assessed in advance. The savings in waste management services, for example - the end of free food waste sacks, the route optimisation of waste collections, and the reduction in the waste collections in parks, should be introduced in a phased way and should be kept under review.

Executive Response

This is agreed and as far as possible, recognising that savings proposals will be developed across different timelines, this is done. We also undertake a full cumulative impact assessment. This has been completed on an iterative basis and shared with decision makers (senior officers and cabinet members) to support final decisions about savings. An up to date version will be published with the budget report considering the final suite of proposals. The cumulative impact assessment is helping inform a phased approach to implementation to mitigate the cumulative impact of service changes on residents. The cumulative impact assessment will be a live tool - it will identify actions needed to support the implementation of savings, cross cutting mitigations (e.g. communications, transformation, workforce) and to consider and frame further savings proposals coming on line next year. Where appropriate the specific changes referred to are being implemented in a phased way, supported by appropriate communications and review points.

Scrutiny Comment (para 3)

We learned how Transformation Programmes have been put in place in a number of areas both to drive efficiency (“doing more with less”) and enable cost savings. There was however a lack of financial and other detailed information presented on some of these. Whilst we acknowledge some have only been instigated, Scrutiny is not yet able to test the proposals or their underlying assumptions and we’re unable therefore to understand how precisely these savings might be realised.

Executive Response

A lack of detail in some areas is acknowledged and the ongoing engagement with the Commissions, as set out in the report, on these issues is welcomed. Health in Hackney, for example, has already timetabled when it will consider the ongoing Transforming Outcomes Programme in Adult Social Care. While proposals will inevitably be at different stages of development throughout the year we will endeavour to learn lessons from this year’s process and ensure as much detail as possible is provided in a timely manner.

Scrutiny Comment (para 4)

We expressed a general concern that most services have been through major transformation programmes in the not too distant past, which begs the question of how much more can be achieved with trying to push for behaviour change and/or further reductions in relation to staffing or work practices. We would need greater reassurance that there is still scope for these.

Executive Response

The continuation of single year settlements and the paucity of information from the Government regarding funding more than one year in advance makes the development of a balanced budget over the medium-term period extremely difficult although we will continue to target this approach. In terms of future years the Director of Transformation is leading on scoping savings potential of a wider corporate transformation programme, however, given the level of the budget gap in the medium term, alongside this it is inevitable that there will be difficult decisions required that will have impacts on services provided.

Scrutiny Comment (para 5)

We would ask that evaluations and analyses of these pilots and transformation programmes should be reported to the relevant Scrutiny Commissions at key milestones and that these be added to future work programmes so that there can be some ongoing monitoring of progress.

Executive Response

This is agreed and the helpful feedback from individual Scrutiny Commissions on this matter is welcomed.

Scrutiny Comment (para 6)

There was a lack of detail so far on a plan for public engagement in relation to the transformation programmes and wider savings plans. We recognise that the Council has started communicating with residents about the Council's budget and financial position. Having robust communication plans for both residents and staff will be critical to everyone having the same level of understanding about the difficult choices being made. For this reason we would suggest that the strategic communications function needs to continue to be adequately resourced. Some of the Council's workforce are also residents and so both cohorts need to be given an opportunity to feedback.

Executive Response

See comment re paragraph 1 above.

The Council's communications team plans to engage with residents and with staff in support of the transformation programme. This work is currently being scoped and will be part of the Council's wider budget communications and then continue throughout the year as transformation projects start to gain momentum.

Scrutiny Comment (para 7)

We have concerns about the high use of external consultants and their costs. We would suggest that there needs to be tighter control of costs here and that the spend in each programme always needs to be proportionate to the level of savings they are expected to deliver.

Executive Response

It is agreed that use of consultants needs to be tightly controlled. The point regarding proportionality is well made and we will continue to have due regard to this, recognising that one-off investment in consultants which might seem high can lead to savings which accrue over many years and at a much higher cumulative level.

Scrutiny Comment (para 8)

We would suggest that there needs to be a rationalisation of use of consultants across the whole Council and a review of the level of expertise that appears to be lacking in certain departments and the reasons for this. We acknowledge that previous layering of management is likely to have contributed to the lack of expertise in these 'change management' functions but again an overview of this area needs to be taken.

Executive Response

The vast majority of change projects and initiatives within the council are responding to growth in demand and change that is required in the model of our service delivery, to remain within budget restraints. Training for officers is an essential part of service delivery and a skills gap analysis is planned to support ensuring that the Council takes an evidence based approach to investing in and developing colleagues, in order to address identified gaps between the current and future skills needed.

Whilst we must continue to review and carefully monitor the use of consultants, and ensure that the engagement of consultants is absolutely necessary, compiling a project team of specialists from within the existing workforce to transform parts of the council cannot always be considered business as usual. As Consultant roles are not permanent, the purpose of the engagement to deliver change within a defined and time limited project can also represent the best VFM overall in response to those influencing factors outlined.

Scrutiny Comment (para 9)

Some savings proposals are predicated on a standstill position in terms of both demand and costs yet, in Adult Social Care for example, growth in demand is fast outstripping demographic growth. We have a concern therefore that these trends could potentially derail future savings plans. We recognise that all budgets have factored in growth, where needed, but it is clear from the wider economic situation that these financial pressures will continue to increase and so need to be taken into account.

Executive Response

The current Medium Term Financial Plan (MTFP) factors budget growth of over £27m into social care across the period of 2024/25 to 2026/27, whereas savings across these service areas are significantly lower than this. Therefore a standstill position in this regard is not assumed. In terms of the updated MTFP this includes further growth in reflection of continuing pressures in these areas.

Scrutiny Comment (para 10)

Allied to this we'd question whether sufficient allowance has been made in the plans for the impact of cost of living increases on financially stretched residents and the wisdom, for example, of assuming an elasticity of demand when increasing fees and charges. We acknowledge too that inflationary pressures are hitting every aspect of procurement.

Executive Response

As officers set out in response to questions to Scrutiny Commissions and the Income Generation Task and Finish Group, the elasticity of demand has been considered in fee increases and we have been prudent in our assumptions about increased income. In some instances this has resulted in us not proposing fee increases. We will of course continue to keep this under review. It is also worth noting here that the Council is subject to inflationary increases in its costs and therefore, while not ideal, increases in fees and charges are necessary in order to maintain the services residents rely upon.

Scrutiny Comment (para 11)

The CYP Scrutiny Commission in particular found it difficult to make observations without having the detail needed before them to provide sufficient challenge. The refined set of proposals going to their second meeting were 6 weeks later than expected and so the time for them to consider these was condensed. Timing and getting the right information to Scrutiny Members is the key to effective budget scrutiny.

Executive Comment

These comments are noted and we will endeavour to address these in the coming year. Again we emphasise the challenging financial position and the difficult decisions this administration will continue to face which will inevitably require some flexibility to approaches.

Scrutiny Comment (para 12)

There needs to be acknowledgement here of the impact of the Renters Reform Bill which if it becomes law will impose a number of new obligations on the Council to those in the Private Rented Sector and in Housing Associations. With the remit and workloads of the PRS department now expected to increase there needs to be adequate budgetary provision for this.

Executive Response

The Mayor and Cabinet are acutely aware of the issues in the private rented sector space and that is why additional investment has been put into this area. As Living in Hackney Scrutiny Commission were advised it has been extremely challenging to recruit to some of the additional posts added to the structure and this has resulted in an underspend which will be maintained through 2024/25, but kept under review should circumstances change.

Learning for next year

Overall, the comments in this section are welcomed and the Mayor and Cabinet are committed to continuing to engage and develop the Budget Scrutiny process with members of the Scrutiny Commission and officers. We must, of course, do this in a pragmatic and reflective manner which is mindful of the financial challenges the Council faces and is suitably flexible to respond to changing circumstances and the iterative processes the budget development processes necessarily entail.

Scrutiny Comment (para 1)

We had understood that this year there would be an attempt to better integrate long term change programmes with the Medium Term Financial Planning and this would be our ongoing aspiration for this work. This past year however we felt that not enough clarity was provided on the underlying assumptions behind the budget process. We acknowledge the hard work Finance officers, Directors and the Cabinet Members put in in preparing for and contributing to these sessions and we noted that the volume of information provided

this year (including in the regular Budget Overview report to the regular Scrutiny Panel meetings), far exceeded what was provided in the past, and we are most grateful for this.

Executive response

We very much share this aspiration set out in the Budget Scrutiny report. Although we edged close to this for 2024/25 there is more to be done. As recently reported at Scrutiny Panel, a Director of Transformation has been appointed and work is underway to scope what level of efficiencies from this programme may be possible to feed into the MTFP. The budget timeline and processes will very much reflect this work but we have to acknowledge that this work alone will not close the budget gap going forward and difficult decisions will need to be made. This year we will look to frame these decisions with a fuller iteration of the wider budget and what is and isn't possible to influence. In regard to the underlying budget assumptions we will look to set these out in the initial engagement with the Scrutiny Panel early on in the process.

Scrutiny Comment (para 2)

A key learning point for next year is that information needs to be provided in a more timely manner if a budget scrutiny process is to be effective. Forward planning for the process for next year needs to commence now by adding budget scrutiny dates in the Council calendar to secure the sessions.

Executive Response

This is agreed and planning for this is already underway for next year. As mentioned elsewhere, while we endeavour to stick to timetables set out the nature of the process will mean there may need to be some flexibility.

Scrutiny Comment (para 3)

Scrutiny has generally not had sight of all the alternatives considered but discarded by senior officers before selecting the proposals that came before us. We acknowledge that this could be difficult but having a greater insight into the rationale and the assumptions underpinning the decisions made would, we think, help to improve the process.

Executive response

This is always a challenge given workloads and the need to plan for the implementation of proposals. However, we will consider how more of this information can be factored into what is presented to Budget Scrutiny.

Scrutiny Comment (para 4)

A new process was used this year and so there are lessons for both sides. For the work leading up to the 2024/25 budget we welcome the suggestion to commence this work from May 2024 and that we programme in advance 2 or 3 sessions per Scrutiny Commission.

Executive Response

Agreed and we will look to make this work in the coming year, although, as noted above some flexibilities may be required.

Scrutiny Comment (para 5)

We acknowledge that the individual Scrutiny Commissions may choose to get into the detail of a number of areas which have been considered at Budget Scrutiny and may get involved in looking at the policy, service provision and financial context for those. In addition, the Budget Scrutiny Process will throw up issues where individual Commissions might be seeking more detail which they can look at separately at their Commission meetings. This is for agreement between the Chairs, Cabinet Members and the Directors, in the normal course of their agenda planning, but it should be treated as separate from the Budget Scrutiny process which addresses specific savings proposals.

Executive Response

This comment is noted and supported.

Scrutiny Comment (para 6)

We will explore with officers drafting a Budget Scrutiny Protocol which we can agree and will set out clearly the process, the timeline, the expectations on both sides at each stage and the governance process up until the agreement of the budget at Full Council. We hope that this will lead to a more streamlined process for next year.

Executive Response

This suggestion is very much welcomed but again we would urge the acknowledgement that there will need to be some flexibility in the process.

Conclusion

In this document the Executive has looked to provide an objective and practical response to the detailed report of Budget Scrutiny. The focus and depth of the work undertaken this year is very much welcomed. While challenging at times, this is as it should be. Overall, there appears to be a consensus on the lessons learnt and it is helpful that these have been highlighted at this stage as we acknowledge the milestone of presenting this year's budget report to Council and continue on the cycle of addressing our medium term financial challenges.