

Opposition Priority Business: Management of the Council's Finances

1. Background
 - 1.1 In May 2010 the outgoing Treasury Secretary, Liam Byrne, left a note for the incoming minister David Laws stating that “there’s no money left”.
 - 1.2 No such note was left for the incoming Enfield Council Labour administration due to the fact that under the previous Conservative led administration the Local Authority was left in a sound financial footing.
 - 1.3 It now transpires that the Labour leader, Ed Miliband, and the Shadow Chancellor, Ed Balls, knew of the impending financial crisis some 10 months before it happened.
 - 1.4 Despite the coalition’s policy of financial realism recognising no modern government can indefinitely spend more than it raises is sound, Labour in Enfield and Labour nationally condemned the policy as “cuts that were too deep too fast” and would not work.
 - 1.5 The US President, Barack Obama, and the IMF Chief, Christine Lagarde, have however praised the coalition’s economic policies, the latter noting that “Britain’s economic growth is inclusive, sustainable and a positive model for struggling European states”.
 - 1.6 Despite having full knowledge that any incoming administration would be faced with difficult financial circumstances, in its 2010 manifesto the Labour Administration refused to note this and instead promised further spending. Their 2014 manifesto was even more disingenuous as it was prepared against a known background of further and precise reductions in local government spending which had been announced by the Chancellor in 2013, but for which Labour in Enfield had made no plans whatsoever beyond what the Conservatives were doing using the LEANER programme which the Administration had introduced in 2006/7 in order to make the council more efficient. So Labour went to the electorate in 2014 with no specific plans to deal with the known reductions. Their answer was as always, more borrowing, a policy that the Conservative opposition rejects. Much of it is for expenditure that does not offer the Council taxpayer value for money, and ignores the fact that irrespective of remaining within the prudential borrowing limits, all borrowing comes at a cost and has to be repaid from revenue at a time when the revenue budget is being squeezed. The effect is to ensure that either council tax has to rise, not a real option in the absence of a referendum in support, or further reductions in expenditure are required. Thus we see proposals such as not locking park gates at night, reducing road gritting etc. we are also concerned at the pursuit of creative accounting to get around the local government accounting rules differentiating revenue and capital expenditure.

- 1.7 We are also concerned that the level and standard of the consultation on the local authority budget for both residents and business was inadequate, as with much else of their consultation procedures in other areas.
- 1.8 In summary, between 2010 and 2014 the Labour Administration failed to make significant and difficult financial decisions. The cumulative savings made to date would have meant that the local authority would be on a better financial footing today and would not be having to look at saving relatively small sums which have large impact on services.

2. Recommendation

- 2.1 In view of the serious problems it faces, the Council agrees to instruct the Audit committee, being a cross party committee, to specifically review the accounting policies of the council, monitor its borrowing levels, regularly review the council's financial position and review the whole budget consultation process to ensure it is meaningful and democratic going forward.

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Leader of the Opposition