

# Opposition Priority Business – Council Meeting

## Wednesday 25 January 2017

### The poor control of the council's finances and service delivery

- 1.1 It is not my intention to produce a particularly long paper on this topic because the subject matter very much speaks for itself and certainly the Cabinet has received regular Revenue Monitoring Reports throughout the year about the Council's Revenue Account, and likewise it's Capital.
- 1.2 The Cabinet meeting in December 2016 received the latest Revenue Monitoring Report which was as at October 2016 and that revealed that although there had been some improvement in the forecast overspend as at September, which was at £7.2 million, the October forecast was nonetheless still £7.2 million, which is a pretty staggering 3.7% of the Revenue Budget, though this was a modest improvement on the July figure of £7.9million.
- 1.3 The Monitoring Report in December discloses that the bulk of the over spend arises in three main departments.
  - Finance, Resources & Customer Services - £1.194 million
  - Health, Housing & Adult Social Care - £3.906 million
  - Education & Children's Services – £2.563 million

The report does give details of where within those departments the over spends mainly arise.

- 1.4 The minutes of the December Cabinet show that, just as the September Cabinet did in respect of the first Monitoring Report giving the July forecast, the Cabinet simply 'noted for information'. We say that is simply not good enough. The Cabinet is the executive body of the council responsible for the council's finances and has a responsibility to give clear political leadership as to how budgets are to be contained.
- 1.5 The overspend was first flagged up for Cabinet in September as indicated when it showed that as of July just a few months into the new financial year, they were projecting a £7.9 million overspend. On any analysis that was a very big warning sign and should have been seen by the Cabinet as a major red flag to which it should have responded with clear political direction. No such direction is recorded as having been given, just as at the most recent Cabinet meeting, at which I was present, the discussion was very brief and simply records a noting for information.
- 1.6 The Cabinet's collective responsibility is clear. It is also the responsibility of the Council as a whole and therefore in particular the Labour majority group. It is simply no use crying over the fact that Government funding is said to be inadequate. We on this side have supported the "Fairer Funding Campaign" because that focusses in particular on the iniquitous "Damping" arrangements

that apply to Enfield and a number of other London boroughs, and affect them adversely. Our position remains the same in respect of “Damping” and we will continue to be part of the cross party campaign for “Damping” to be reviewed. Insofar however as Government funding generally has been reduced and does not therefore in the view of the majority party cover as much as it should, it is frankly pointless seeking to make that point as an excuse for not managing the budget. The bottom line in all of this is that the Council has to produce legally a balanced budget and to the extent that the ability of the Council to raise extra funding through local taxation is legally constrained in the interests of the national economy, the council has a duty to manage its budget strictly and ensure that all expenditure is cost effective.

- 1.7 Much of this has its origins in the lack of action and financial planning in the first term of the Labour administration – 2010 to 2014. We on this side were consistently warning the Council of the need to take appropriate action to avoid the problems which have now beset them and had this happened, whilst one cannot say there would have been no overspend – it clearly would have been less serious than the one that we now have.
- 1.8 Another particular remedy that seems to be regularly used is so called “re-profiling” of some of the revenue spend so that it is effectively capitalised. Convenient it maybe, but is no long term solution. The real solution is to ensure that spending is brought under control in those areas where it can be so that the demand led services which we accept are more difficult to control can be more properly serviced.
- 1.9 In terms of the origins of the present problems, it is instructive to look at the report of the Head of Internal Audit and Risk Management to the Audit Committee last July. That report identified a number of issues almost across the whole of the council’s services where to say the least, she was unable to give a “clean bill of health”, and this was particularly in areas where the financial implications of failings were potentially and actually significant. Thus when Labour Members say it is all a matter of inadequate funding our answer to that is that it is about how funding is managed rather than just simply volume – put another way quality rather than quantity!
- 1.10 As an example of this point, one of the areas which are currently identified as an area of overspend, namely Property Services, (which sits within the Finance, Resources & Customer Services Department) figures prominently in that audit report. The Revenue Monitoring Report, Appendix 3 showed that one of the reasons for the £665,000 ‘overspend’ in that department was that there had been a shortfall of income in various of the council’s lettings, and an overspend in running costs of admin buildings. Mitigating actions being taken include apparently reviewing income shortfalls, and making proposals for additional income to be included in the 2017/18 budget. When one looks at the Internal Auditor’s Report however, the Head of Internal Audit found that there was “no corporate asset management strategy in place to provide overarching objectives and strategic direction for the management of the property portfolio, and to inform decision making”. “There was no performance management framework in place to support the achievement of business

objectives” and thirdly it was not clear whether income targets set by the portfolio were informed by strategic objectives. Can we be surprised therefore at the result we now see?

- 1.11 Although this has since been addressed, the auditor also found that two of the contractors to the Property Services Department had been providing property management services without a valid contractual relationship in place. Performance management had not occurred consistently across the council’s three property management service providers. Then in respect of lease renewals and rent reviews (an integral part of a commercial property portfolio) evidence of renewals and rent reviews was inconsistent and did not fully demonstrate in all cases that returns were being achieved. There was also a lack of documented evidence to identify why similar properties commanded differing rents. Those findings were reported to Audit Committee in July last year they had obviously been known to the management and I assume therefore the relevant Cabinet Member some considerable time before they came to the Audit Committee and one wonders what action was taken by the Cabinet Member to ensure that these matters were addressed, because all of them contribute to what is now a shortfall in rents and other problems associated with this forecast overspend, and we are now being told that action will be taken for 2017/18!
- 1.12 There are a number of other instances identified in the report where what was found and identified is in many cases an indictment of poor management and poor political leadership, and that I’m afraid is one of the reasons why the council has a financial problem today.
- 1.13 Lastly I turn to the Capital Programme. We now see that borrowing is currently at £509 million in total (reported to Audit Committee on 12 January 2017 as part of the Treasury Management Briefing), and yet we are constantly adding to that borrowing in an unplanned way. No one on this side will object to capital expenditure for necessary projects, but there is every reason to object to a Capital Programme which is being extended in an unplanned way, as often as not to deal with speculative projects, or items which could and should have been foreseen so that they could be put into the plan at the budget meeting.
- 1.14 We have maintained our opposition to the Housing Gateway Project, and will continue to do so, as an example of where millions of pounds are being spent without adding one single unit to the borough’s housing stock. The justification offered by the administration is that these are assets which in due time can be sold. That unfortunately overlooks the reality that the circumstances of the bulk of people going into this type of accommodation unfortunately rarely change and so they stay with the council for life with result that these houses do not become vacant and thus cannot easily be sold. To that extent the administration’s justification is nothing more than a figment of the imagination, while the harsh reality is as I say, that £millions are being spent without creating one additional housing unit.. That cannot possibly be considered as prudent, and one has to ask why some of that money has not been spent on some new build? Perhaps the answers lie in the fact that new

builds under this Administration, even where the land was already in the council's ownership can and have taken up to 7 years to produce! Hardly the record of a council that is serious about tackling the housing problem, and certainly not good financial husbandry!

## **2. Recommendations**

- 2.1 That without further delay the Cabinet, prepares and presents at the Council meeting on 28 February 2017, being the Council Tax setting meeting, a separate report with clear proposals for the management of the projected overspend for what is left of this financial year, and for preventing a similar occurrence in the ensuing financial year.
- 2.2 That Individual Cabinet Members, particularly in those areas where overspends are occurring, monitor their departmental spending on at least a monthly basis, giving direction as to taking avoiding action.
- 2.3 That the Capital Programme should, going forward be much more carefully planned, and that requires both Directors and Cabinet Members to ensure that they have effectively a business plan in place and that they stick to it except in the most exceptional and urgent circumstances, and until such time as improved and more careful planning is put into place there will be no further increase in the council's overall borrowing".

Councillor Terry Neville OBE JP  
Leader of the Conservative Group  
January 2017