

**MINUTES OF THE MEETING OF THE OVERVIEW & SCRUTINY COMMITTEE
BUDGET MEETING
HELD ON THURSDAY, 19 JANUARY 2017**

COUNCILLORS

PRESENT

OSC Committee Members:

Abdul Abdullahi, Katherine Chibah, Nneka Keazor, Joanne Laban, Derek Levy and Edward Smith

Cabinet Members: Doug Taylor (Leader of the Council), Achilleas Georgiou, Alev Cazimoglu, Alan Sitkin, Ayfer Orhan, Yasemin Brett, Krystle Fonyonga, Daniel Anderson, Dino Lemonides and Ahmet Oyken

ABSENT

OFFICERS:

Rob Leak (Chief Executive), Ian Davis (Executive Director of Regeneration & Environment), Ray James (Executive Director of Health, Housing and Adult Social Care), James Rolfe (Executive Director of Finance, Resources and Customer Services), Tony Theodoulou (Executive Director of Children's Services), Jenny Tosh (Assistant Director - Education Services, Schools & Children's Services.), Stephen Fitzgerald (Financial Management Services), Ilhan Basharan (Communities and Resident Engagement Services Team Manager) and Claire Johnson (Corporate Governance & Scrutiny Manager) Jane Creer (Secretary)

Also Attending:

Councillors Terence Neville OBE JP and Ertan Hurer
8 Members of the Public

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WELCOME & APOLOGIES

Attendees and residents were welcomed to the meeting.

Apologies were received from Simon Goulden, Tony Murphy and Alicia Meniru.

The Chair outlined how the meeting was to proceed. The substantive item would be the LBE Budget Consultation 2017/18. This would follow a procedural debate on a called-in decision, which would be limited to 30 minutes.

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DECLARATIONS OF INTEREST

No declarations of interest were received.

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**CALL-IN REPORT - REVENUE MONITORING REPORT 2016/17:
OCTOBER 2016 & 2017/18 BUDGET UPDATE**

1. The Chair invited Councillors Hurer and Neville to elaborate on the reasons for the call-in.
2. Councillor Hurer stated:
 - The report to Cabinet forecast an outturn position of £7.2m overspend for 2016/17. This was reminiscent of the situation occurring last year, and there was not enough detail in the report as to how the shortfall would be reduced.
 - The response to reasons for call-in was simply a list of headings which provided no detail and did not specify a timetable for actions.
 - He would therefore welcome more detail, and if that was not forthcoming, for the report to be referred back to Cabinet to come up with a plan, or referred to Council to be fully debated.

Councillor Neville added:

- Points made during the call-in meeting of Overview and Scrutiny Committee on 4/10/16 also applied in this case.
 - An overspend projected of this magnitude was serious, and he was concerned that the public were not seeing a political response from those with responsibility ie. the Cabinet. This was absent from the papers. There should be a clear political steer so that people knew the real direction. The documents provided were not as clear as they should be as to how the Council was going to achieve the savings.
 - It was appreciated where the pressures were coming from, and that these were demand-led services which had to be managed and considered carefully in respect of prioritisation.
 - Councillor Hurer stressed the importance of transparency from the Council and felt that the public would be unable to see what was going on due to the lack of detail included. If one of the options for consideration was an increase in Council Tax, this should be stated and debated as soon as possible. Honesty and transparency were important.
3. The Chair invited Councillor Lemonides (Cabinet Member for Finance and Efficiency) and James Rolfe (Executive Director of Finance, Resources and Customer Services) to respond as follows:

Councillor Lemonides stated:

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- The comments made were puzzling as the details were included in the main agenda, on pages 14 to 21 which showed all the detail of the savings which the schemes were endeavouring to achieve.
 - There was therefore a plan in place, and further to that the response to reasons for call-in was 'plan B' if the departmental savings were not achieved. There would be further interventions as summarised.
 - The items summarised in the response, such as use of earmarked reserves / balances, were things which the government had accepted had to be done to bail out revenue expenditure.
4. The following questions and comments were then taken from Members of the Committee:

Councillor Chibah asked if the Cabinet Member would describe the current situation as unprecedented, and questioned whether rejecting this report would assist with moving forward in dealing with pressures. Councillor Lemonides advised that this was not an unprecedented overspend and that £7.2m although unpalatable was by no means the largest overspend in London. The overspend was also not unexpected as since 2010, Enfield had lost over £120m in its grant. He was updated at regular meetings with the Director and everyone was doing all in their power to reduce the forecasted overspend. James Rolfe confirmed the monthly monitoring process and the work from the Corporate Management Board to reduce expenditure across the Council, and to get the most out of the Council's asset base. At a meeting last week, the Local Government Minister was sympathetic and was impressed with the entrepreneurial work in Enfield. For context, of the 32 London boroughs, six underspent and 26 overspent last year. At the moment, six boroughs were showing an underspend, 23 or 24 were overspending and the others were about neutral. So although Enfield's forecast overspend was not acceptable, it was typical of and in some cases better than the situation across London.

Councillor Smith asked about the likelihood of finding the savings necessary. James Rolfe advised that at this stage, and given the fall back position set out, it was assumed that the departmental mitigating actions would achieve £2m and that the balance would need to be made up from other one-off measures,

In response to Councillor Smith's further query regarding the level of reserves available for use for this purpose, James Rolfe advised that this figure, £60m was publicly known, and the potential amount available for other purposes did alter through the year as circumstances changed. This also included the Housing Revenue Account (HRA) earmarked reserves.

Councillor Abdullahi asked about the achievement of £700k savings referred to in the response for reasons for call-in. James Rolfe confirmed that there had been measures to reduce expenditure wherever possible, and that initial forecasts tended to be more

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pessimistic and by this point in the year more data was available to base forecasts on, and that the actions taken had some effect.

In response to Councillor Laban's queries about completion of the action plans to reduce the forecast overspend, and how much more would need to be saved, James Rolfe re-iterated that £2m further savings were expected out of departmental expenditure, then the Council would be looking to the other measures set out in paragraph 3 of the response to call-in. This was the estimate at the moment and so these other measures were likely to also be needed to balance the books.

Councillor Laban asked for clarification of the term "transformation capitalisation". James Rolfe advised that new flexibility had been given by central government to councils to allow them to sell assets and use the cash to pay for transformation costs to become more streamlined and run with lower costs in future. In this case, the transformation involved IT teams in FRCS and HHASC in particular.

In response to Councillor Keazor's queries regarding innovative processes in place, Tony Theodoulou confirmed that actions were ongoing with a focus on providing effective services as efficiently as possible.

5. The Chair remarked that he would be minded to cast a vote on this issue, and that in his view the monitoring report to Cabinet was a snapshot in time and a statement of fact and would be difficult to refer back. The savings and mitigations were also intended to be ongoing, and budget monitoring was ongoing. Political debate at Cabinet and Council was to come in respect of the budget. Additionally, service areas giving concern would receive scrutiny by this committee or a special committee in forthcoming weeks, further to the Overview and Scrutiny meeting of 17/1/17. It was also noted that at full Council next week, an Opposition Priority Business item entitled 'The poor control of the council's finances and service delivery' would be debated in the rightful political arena. To refer this decision back would be counter-productive as it would effectively ask officers to stop taking the actions to bring the deficit down for two weeks to permit reconsideration by Cabinet, when everyone wished to see the deficit reduced if not eliminated.
6. Councillors Hurer and Neville were invited to make a summary statement, including:
 - Damping also happened under Labour governments.
 - The overspend figure of £7.2m was similar to the amount which was wasted on the Residents' Priority Fund.
 - Mitigation factors were listed but no quantum provided. There were no figures included for an update on savings made between September and December.

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- £700k savings was not a substantial amount, given that time was running out.
- The request for call-in was for a specific reason: for proper instructions to be given. Cabinet should be giving direction.
- Opposition councillors and the public were entitled to know with certainty that the deficit could be pulled down.
- There did not need to be a two week wait for reconsideration. A special meeting of the Cabinet could be called to make the decision and bring everything into the open. This hearing had brought no further satisfaction that the budget was under control.

7. The Committee then voted on the decision as follows:

Councillors Laban and Smith voted in favour of referral of the matter back to Cabinet.

Councillors Levy, Abdullahi, Chibah and Keazor voted against referral of the matter back to Cabinet.

8. The Committee therefore **CONFIRMED** the original decision.

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LONDON BOROUGH OF ENFIELD BUDGET CONSULTATION 2017/18

The Chair outlined the structure and process for the update and budget consultation.

Introduction / Presentation

James Rolfe, Executive Director of Finance, Resources and Customer Services gave a presentation, the key points of which were as follows:

- Key issues in 2017/18 were the projected overspend revenue outturn projection; financial pressures especially in adult social care and children's services; and austerity/poverty of resources between now and 2021 in the national economy which meant that local government across the country was facing reductions in funding.
- The budget gap over the next four years was £58.5m.
- Since 2010, the Council had achieved savings of £131m, against a net budget of £240m, which was a significant saving.
- The bulk of the changes to make savings took place last year, when there was an extensive budget consultation exercise, and the medium term position for the Council was set.
- This year there had been a review of the pressures and overspends, and a number of measures had been recommended.
- The budget consultation process this year had therefore been relatively light touch, and had checked and reaffirmed the views of local people.

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- The overall strategy for the medium and longer term was shown. This included external actions (regeneration of the borough etc) and internal actions, such as commercialisation.
- Benefits were expected from strategies including the Meridian Water development and housing zones, community energy networks, other limited companies and development of the Enfield brand, and ongoing service development.
- Measures were needed to take the Council across the next 3 - 5 years until the longer term benefits began to be realised.
- Central government had created the Adult Social Care Support Grant of £1.3m, but that was offset by the loss of the New Homes Bonus.
- The Improved Better Care Fund would also deliver another £600k for adult social care. There would also be flexibility to raise an adult social care precept by 3% per year up to a maximum of 6% over the next three years.
- The creation of academies and reduction of funding to local authorities meant that education services had less money though a lot of responsibilities for education had been retained.
- Letters had been written to the Secretary of State and MPs regarding the Council's situation and there had been a meeting with Marcus Jones MP, the Local Government Minister. There had been a huge reduction in Council funding as part of central government strategy.

Ilhan Basharan, Consultation and Resident Engagement Services Team Manager, gave a presentation on the results and methodology of the budget consultation for 2017/18, including:

- He confirmed that there had been an extensive 11 week consultation last year, which also involved a range of voluntary sector organisations and focus groups, and a questionnaire online and distributed in hard copy. Over 3000 responses had been received which provided substantial amounts of data to inform the medium term financial plan.
- In that context, a light touch consultation had been run this year over a five week period, but there had been opportunities for residents to have their say online and on paper copies delivered to every household in the borough.
- There had been one open-ended question for residents to provide a response and so the results were not directly comparable to the previous year, but 238 responses were received, and the top priorities were similar – to protect adult social care, children's services and the street scene. Items suggested for savings were Cycle Enfield, online provision, reduction in refuse and recycling collections, and less use of consultants.

James Rolfe clarified the new pressures in the medium term financial plan, including demographic pressures and wage pressures in the social care sector, which were on top of pressures already built into the budget. More details were set out in the report, including savings by department, noted in Appendix 1. The 2017 to 2020 medium term financial plan aimed to balance the budget over this four year period, and there would be big decisions to be made in the latter part of the medium term period.

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- There had been criticism last year of the proximity of the Overview and Scrutiny budget consultation meeting to the Cabinet budget meeting, and so this year's meetings were scheduled to allow all comments to be more properly and effectively used.
- Questions and comments made at this meeting would be minuted and would be included in the budget papers presented to Cabinet and Council.

Questions and Comments Raised During the Budget Consultation

1. General

Q Councillor Laban considered that public engagement had been poor and asked what could be improved for 2018/19.

A Councillor Georgiou clarified that the parameters of this year's consultation were deliberate, to gain an update only, and there had not been the same amount of promotion as the previous year. Attendees representing a carers group advised that they had circulated a link to the online consultation via email to their members. They felt that the consultation period had been too short, especially as it was over the festive period, that there should have been a closing date specified, and that people in flats often did not receive delivery of 'Our Enfield'. Councillor Georgiou in response advised that 'Our Enfield' was the only publication which went to every part of the borough, and its delivery was closely monitored. Anyone not receiving a copy should please contact the Council.

Q Councillor Smith queried the reference to the requirement to deliver a further £58.5m of savings to balance the Medium Term Financial Plan, whereas the paper seemed to be about savings of £10.9m over the same period.

A James Rolfe advised that this was not the full detailed budget report, which would be prepared for Cabinet in early February. This paper set out the budget proposals to allow scrutiny of what the proposals were. The full paper would set out details of the capital programme, Council borrowing and proposals over the next four years regarding services. This paper focussed purely on savings measures being put forward as part of the budget: £10.9m was the total figure of savings measures from departments to help balance the budget while £58.5m was the total budget savings the Council must make. Also since last year there were updated pressures, including the London Living Wage, inflation, Council capital programme and borrowing, Council pension funding, and more, plus £4.5m reduction in government funding.

Q Councillor Anderson raised that if Enfield received funding per head at an equal level to boroughs like Westminster it would be able to fund the benefits required, and asked for more clarification about damping.

A James Rolfe confirmed that if Enfield received the same levels of government contributions as some boroughs, the amount of money available would increase and this would be transformative for the borough.

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Q Councillor Chibah asked if the Council was doing everything it could to maximise income generation.

A James Rolfe confirmed that the Council's fees and charges were relevant, market-based and competitive. The leisure contract with Fusion was now making a surplus. More use was being made of Forty Hall to generate income. The Council was putting in place trading companies as more strategic solutions to generate income over the longer term. Councillor Sitkin added that the Council had robust business plans for companies, noting that investment in them would mean negative cash flow in the short term, but in the future they would generate income, and he was not sure the Council had many other choices. Councillor Georgiou also noted that the Local Government Minister had praised the entrepreneurial spirit in Enfield. There were many good schemes in Enfield, such as Housing Gateway, and a new IT company from which a substantial amount of money could be generated. Councillor Oykenner raised the cost of temporary accommodation and the cost avoidance that would be achieved by Housing Gateway.

Q Councillor Laban asked about officers' confidence in the projected income from Meridian Water development and in customer interest for the proposed IT company.

A Councillor Sitkin confirmed that the Council was very comfortable with projections regarding Meridian Water and confident that the public transport accessibility level would be sufficient to launch the development. Councillor Georgiou confirmed the level of interest in the proposed IT company from market research, and that 143 local authorities across the country used a similar framework to Enfield and were potential customers. James Rolfe advised that figures in the budget took into account the uncertainty in respect of income from companies.

Q Councillor Laban questioned that the same areas were consistently not balancing their budgets.

A Ray James confirmed that his directorate budget had been balanced in each of the ten years he had been the Director, that 75% of councils were facing overspends in relation to adult social care, and the issues were national. Tony Theodoulou advised that 86% of children's services departments nationally were in a worse financial position than Enfield, which was one of only 20 local authorities judged by regulators to offer good services to the vulnerable, and had the second lowest spend per head nationally. Staff were doing everything they could to meet the Council's duties under tight financial constraints. James Rolfe had confidence that the budget would be balanced, as the issues faced in his department were more of a short term nature.

2. **Health, Housing & Adult Social Care**

Q Councillor Abdullahi highlighted the adult social care precept, and queried how much money may be raised and whether it would plug the gap in adult social care.

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A Ray James advised that in Enfield the adult social care precept would raise around £2.1m if the Council was minded to increase it by an additional 1%. Any help was welcomed, but it would not be adequate. Councillor Taylor also commented that national government passing to councils the requirement to increase Council Tax precepts was a pressure, and that local authorities could not meet the needs of the local population from core funding. Councillor Cazimoglu added that the precept would not raise what was required to pay the London Living Wage and she considered the government response to be an insult to those who used the services and those who worked in them.

Q Attendees representing parent carers criticised the lack of specific figures in respect of income from the local authority trading company and figures in respect of cuts were equally vague. A reduction in personal budgets of 20% would be very concerning, given that the local authority had statutory duties towards vulnerable people. A review process must not be used to arbitrarily reduce a person's personal budget. Some service users had suffered and then had payments reinstated, but this cyclical approach was cruel. It was questioned how this could be done in a lawful way.

A Ray James clarified that savings from the trading company were set out in the budget last year and were assumed: this paper focussed on changes from last year. There was an assumption of £600k return from the company. This was more appropriate than asking directly provided services to bear savings. In respect of the independent living fund, the figure of 20% reduction was included for budget planning purposes and was not for all recipients. As people's needs changed, amounts received may be decreased. He acknowledged that some payments had been reinstated where the consequences were not as wished for. It was a difficult balancing act to direct limited resources to the people with greatest need, but an inevitable consequence of the scale of funding reductions. Councillor Cazimoglu also advised that the trading company's purpose was to generate income to sustain high quality, safe services in this borough. Central government cuts since 2010 had led to a huge funding gap which impacted front line services.

Q Councillor Keazor asked about assessment, and reassurance around service provision to the most vulnerable people.

A Ray James confirmed that the wellbeing of individuals was paramount, but balanced judgements had to be made in the context of the overspend. In response to further queries from public attendees regarding joint funding, it was advised that where the NHS were thought to be acting unfairly, Council officers would provide support in challenging these decisions and advocating for people.

Q Councillor Laban queried the reference to public health recharges, and why Public Health had not been recharged the full cost of services previously.

A Ray James advised that when the potential for any further savings had been scrutinised, the recharges had been revisited and that there had

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been some additions to the budget including school nurses, meaning that the recharges changed.

Q Councillor Hurer asked about the reduction in voluntary and community sector grants, and particularly whether groups had been helped towards getting funds elsewhere.

A Ray James confirmed that specific groups this would apply to had not yet been identified, but a report would be expected later this month. Councillor Cazimoglu acknowledged the difficulty in such decisions, but that the Council had to be mindful of its statutory responsibilities and of avoiding cutting frontline services.

3. **Regeneration and Environment**

Q Councillor Neville asked about the savings proposals from Regeneration and Environment, in particular the alignment of Enfield and Barnet's street lighting contracts and whether parts of the borough would be dimmer and if there was an increased burglary risk as a result.

A Ian Davis advised that the proposals did not involve any more dimming and trimming of street lighting. It was difficult to find any correlation between dimmer lighting and increased burglary and the Police had raised no concern. Councillor Anderson mentioned that at a recent CAPE community and Police meeting it had been suggested that street lights should not be left on all night.

Q Councillor Neville asked about the proposed saving from integration of Regeneration and Economic Development.

A Ian Davis advised that the integration of Regeneration and Economic Development would involve management restructure over Development Control, Strategic Planning and Regeneration, which would be able to work in closer alignment and provide a better approach to economic development.

Q Councillor Smith raised major delays in small sites schemes, and questioned how much confidence there could be in entrepreneurial skills within the Council.

A Councillor Oykener advised of the circumstances in respect of the small sites, which were regrettable but outside of the Council's control. Delivery was now coming together and the schemes were very good quality. There had also been successful completion of other redevelopment schemes, such as Highmead.

4. **Finance, Resources and Customer Services**

Q Councillor Neville asked about the IT restructure and reprovision.

A James Rolfe confirmed that this was as proposed in Enfield 2017 plans, and that the savings were in respect of bringing Serco staff back in house.

Q Councillor Neville asked about confidence that the expected bunding income would be realised.

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A James Rolfe clarified that the income figure arose from negotiations with customers, and confirmed that a formal planning application would come forward shortly.

Q Councillor Neville asked about property related budget figures, as had been included in the recently called-in monitoring report.

A James Rolfe clarified that the pressures seen this year in the property budget were essentially drops in income from unoccupied buildings, and these savings proposals would plug that gap. He advised that existing retail estate was performing well. Many industrial estate buildings were let out, but large parts of industrial estates were old and tired and not generating the rents they could – hence the regeneration of Montagu Estate. In the meantime these proposals would bridge the gap, and there was confidence for the improved position in the longer term.

Q Councillor Abdullahi asked about the forthcoming business rate retention and its effect.

A James Rolfe confirmed that the cross-London pilot would start on 1 April 2017, but little detail was available at the moment, though there had been detailed consultation around the principles. It was unknown how much the Council would benefit at this stage or what additional responsibilities the Council would be given or what the costs of implementing the scheme would be.

Q Councillor Laban asked about the letting of more floors at Enfield Civic Centre and why other Council-owned buildings were not being disposed of and consolidated.

A James Rolfe confirmed that more income was generated from renting a floor in the Civic Centre than from selling other buildings. Work was also in hand on the further rationalisation of Civic buildings.

5. Children's Services and Schools Budget

Q Councillor Neville queried the Schools and Children's Services proposals and that issues had been known and going on for a long time in relation to the SEN transport shortfall.

A Councillor Orhan highlighted the mitigating circumstances, and the actions of the department which were ongoing to reduce this area of spend. There was some clear evidence that demands were being managed and that best use was being made of available funding. In response to Councillor Neville's further query regarding anticipated same level of expenditure as last year for SEN transport, Tony Theodoulou confirmed that unit costs had been reduced, but there was a growing number of eligible users. The number of rejected applications suggested that policies were being applied rigorously. In response to a query from Councillor Laban, it was confirmed that efficiencies in transport were sought, but without impacting on the young people involved.

Q Councillor Neville queried the limited 6 month period proposed for the anti-fraud officer for No Recourse to Public Funds fraud exercise.

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A Tony Theodoulou clarified that this was not an additional officer. In this pilot phase, if sufficient levels of fraud were identified the scheme would be self-funding and could continue. Introduction of a UK Border Agency officer into the Council was being investigated, to work with staff to speed processes up.

Q Councillor Levy asked about the Education Services grant.

A Tony Theodoulou confirmed that the grant had now gone. This was an additional £3m pressure and the Council was in the process of closing that gap.

Consideration of Overall Scrutiny Response to the Budget Consultation

It was **NOTED** that the Minutes of the Overview and Scrutiny Committee Budget Meeting would form the Scrutiny response to the Budget Consultation 2017/18 and would be included in the budget papers presented to Cabinet on 8 February.

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DATES OF FUTURE MEETINGS

NOTED the date of the next business meeting is 23 February 2017.