

Opposition Priority Business The Current State Enfield Council's Finances

1.0 Executive Summary

- The Opposition is concerned about the robustness of the council's finances both now and in the future.
- The MTFP 2020/21 to 2024/25 Tranche Two Savings report that was presented at the OSC Budget Meeting stated that the proposed budget gap over the next four years is larger than Enfield Council's reserves.
- Enfield Council's auditors BDO highlighted in its recent report to the Audit and Risk Management Committee that the authority may not be financially sustainable in the medium term.¹
- The draft treasury management report proposes that Enfield Council will be £2billion in debt by the end of 2028/2029.

2.0 Recommendations

- Officers should carry out a full review of the viability of all existing and proposed capital projects.
- The Cabinet Member for Finance should set out a full and comprehensive savings plan for the next four years so that our budget gap is not larger than Enfield Council's reserves.
- The Council should commit to not overspending its revenue budget in all future financial years.
- The Council should not use reserves in future to fund overspends in the revenue budget.

3.0 Background

- The Budget Overview and Scrutiny Committee was held on 16th December 2019 where the MTFP 2020/21 to 2024/25 Tranche Two Savings report was presented.
- The document attached states clearly that the budget gap is greater than Enfield Council's reserves.

The current level of reserves (less Reserves set aside for repayment of debt – MRP and interest reserves of £22.7m and the £6.6m insurance reserve); totals £44.7m. After the use of reserves to balance 2019/20, the estimated level of reserves will be £39.0m. 5.23. The £39.0m estimated level of reserves

¹ <https://governance.enfield.gov.uk/documents/s79516/LBE%20external%20audit%20plan%201920%20-%2016%20Jan%202020.pdf> Page 13

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is 17% of the Council's net budget of £231m. The five-year budget gap as set out below totals £45.6m; exceeding the Council's level of reserves.²

- Enfield Council has used reserves to close the budget gap each year of this Council term so it is likely that the authority will continue to do so.

4.0 Draft Ten Year Treasury Management Report

- The report that went to the Audit and Risk Management Committee on 16th January projected that by 2028/29 Enfield Council's debt will be over £2billion. A copy of the report can be found with this OPB paper.
- The Opposition has raised its concerns about the council's debt position at many Council Meetings and been assured by the majority side that everything was under control and affordable.
- The interest on the proposed borrowing amounts places a severe strain on the funding for the services and drives cuts to these services that residents crucially rely on. This was the statement on the issue that was contained within The MTFP 2020/21 to 2024/25 Tranche Two Savings report:

There is ongoing work in both of these areas. The three year life of the existing Capital Programme was insufficient, and officers are currently drawing up commitments for a ten year Programme. This will be complemented by a ten year Treasury Management Strategy to give greater visibility on the Council's Capital Financing Requirement. Some allowance for this work has already been made above for the impact that this will have on the revenue budget. A broad £1.4m per annum increase has been included which should cover medium to long term highways maintenance, building maintenance and IT refresh programme commitments and there has also been allowance made for the financing costs of a number of initiatives which generate new or increased income streams for the Council.³

5.0 Keeping to Budget

- The Audit report from BDO has highlighted that Enfield Council may not be financially sustainable in the medium term.
- The report states above that each year the council does not keep within budget.
- If we examine existing capital projects, it clear that they are not being delivered within their allocated budgets e.g. The Edmonton Cemetery scheme

² <file:///C:/Users/jlaban.GLANORTH/Downloads/Tranche%20%20Savings%20MTFP%20Update%20-%20December%20Cabinet.pdf> Page 7

³ <file:///C:/Users/jlaban.GLANORTH/Downloads/Tranche%20%20Savings%20MTFP%20Update%20-%20December%20Cabinet.pdf> Page 12

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requires an extra £500,000 in addition to the agreed original budget [KD5084 - *Additional funding to complete Edmonton Cemetery Expansion*].

- The Council only needs a small number of these projects to overspend to cause a huge pressure financially to the authority.

6.0 HRA

- The Opposition supports the aspiration to improve council housing estates in the borough.
- However, the regeneration of our estates needs to be affordable.
- The decision to go out to ballot on the proposed regeneration of the Joyce and Snells estate was voted through by the Administration even though the Section 151 Officer stated that there were affordability concerns in the short term if the project went ahead.

There are, however, affordability concerns, particularly in the earlier years of the scheme. The total cost of the scheme is £0.770bn with debt reaching £0.608bn for the scheme as whole by 2034 of which £0.308bn would be with the HRA and this would naturally need to be considered alongside the 30-year HRA Business Plan and the aspiration to provide an additional 3,500 new homes.⁴

- The Administration therefore decided to go out to ballot and raise the expectation of residents even though the statutory finance officer had clearly written that there are concerns about whether the council could afford the project.
- The Opposition supports the desire to improve housing and provide a better environment for our less affluent residents. However, it will be those residents on low incomes that will be impacted the most if the Council goes forward with regeneration schemes that it cannot realistically afford.

7.0 Meridian Water

- The London Borough of Enfield Audit Planning Report: year ending 31 March 2020 drafted by BDO was discussed at the Audit and Risk Management Committee on 16th January. The document states the following:

These projects represent significant investment by the Council and there is a significant risk that the public money being invested does not deliver value for money if the projects are not successfully managed.⁵

⁴ <https://governance.enfield.gov.uk/documents/s78626/Joyce%20and%20Snells%20-%20Council%2020%20November%202019.pdf> Page 28

⁵ <https://governance.enfield.gov.uk/documents/s79516/LBE%20external%20audit%20plan%201920%20-%2016%20Jan%202020.pdf> Page 13

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- The Edmonton Leaside Area Action Plan [ELAAP] reports which we will be discussing later this evening suggest that there is some doubt as to whether Enfield Council can deliver the 10,000 homes it advertises due to being unable to build homes on Strategic Industrial Land [SIL]. The Administration has accepted the Planning Inspectorate's view that it is unable to deliver 10,000 homes as the SIL within the ELAAP is unlikely to be de-designated. One of the reasons that the ELAAP does not state about building homes on de-designated SIL is because the arguments put forward by the Administration were dismissed.

Taken together, these factors lead me to the view that many of the assumptions in the capacity study are no longer valid and that there is therefore no sound basis for concluding that the figure of 10,000 homes and 6,000 jobs is achievable and therefore justified.⁶

- If we cannot deliver 10,000 homes, it will put Enfield Council in a difficult financial position.

8.0 Concerns

- The Opposition believes it is important to discuss the following documents at Full Council:
 - Audit and Risk Management Committee London Borough of Enfield Audit Planning Report: year ending 31 March 2020;
 - The MTFP 2020/21 to 2024/25 Tranche Two Savings report;
 - Draft Treasury Management Strategy.
- This paper gives just a few examples of our spending but a wider discussion on the documents mentioned above is required along with some of our existing spending commitments.

9.0 Conclusion

- Enfield Council needs to have a financially sustainable budget.
- There are concern about the level of debt that Officers are projecting, its impact on the revenue account and therefore the day to day services delivered to residents.
- The activities requested as part of the recommendations reflect the concern councillors have about the robustness of Enfield Council's financial position.