

LABOUR GROUP AMENDMENT:

12.1 MOTION REGARDING THE COUNCIL'S FINANCES

Proposer: Cllr James King

Seconder: Cllr Rachel Blake

This Council notes that:

- Labour inherited a deficit from the previous Tower Hamlets First administration (now Aspire) when it won power of the Council in 2015.
- The Council at this time was run by Government Commissioners due to the mismanagement of finances by the Tower Hamlets First administration.
- The Labour administration worked hard under the guidance of the Commissioners to bring the budget under control.
- From 2015 the Government's spending review failed to fund Local Authorities adequately. Councils were told to manage within their means at times of great austerity, leading to a number of Councils filing for a Section 114 notice – essentially filing for bankruptcy. Despite this context, the Labour administration built up the Council's finances and healthy reserves.
- These reserves were built up by Labour to safeguard our residents from future Conservative government austerity, especially given the rhetoric displayed by the two candidates for the Conservative Party leadership.
- ~~the Aspire Manifesto Priorities for 2022 to 2026 point to rebuilding Tower Hamlets and rebuilding our future~~ building on the strong work of the previous Labour administration for the future of our residents.
- the Residents of Tower Hamlets overwhelmingly endorsed that vision.
- that progress on those aspirations can only be achieved in a stable financial environment, ~~which the inherited Council finances do not provide.~~ provided by the previous Labour administration.
- ~~the mishandling and mismanagement of the Council's accounts by the previous administration~~
- administrative issues which occurred outside of the control of the previous Labour administration has led to:
 - o Outstanding Audit Certificates for the years 2016/2017 and 2017/2018, thus rendering the Audits for those years incomplete
 - o The Audits for 2018/2019, 2019/2020 and 2020/2021 remain incomplete - statutory deadlines have been missed.
 - o The Audit for the last financial year (2021/2022) will not be completed by the statutory deadlines due to the unresolved backlog outlined above.
 - o This year's audit (2022/2023) hasn't started due to the delay from previous years
- The external auditor has given draft qualified audit opinions for 2018/2019 and 2019/2020 citing:
 - o Insufficient appropriate quality supporting working papers for audit from management
 - o Delays in receiving information and explanations in response to subsequent audit queries
 - o Other technical accounting errors that have required correction

- The Council received an independent expert report from Worth Technical Accounting Solutions which was presented to the Audit Committee in January 2021, and a finance improvement plan was subsequently put in place.
- Progress on the finance improvement plan has been reported to the Audit Committee at every meeting since January 2021, and the update can be found in each agenda's report pack.
- ~~—the scale of the failure in the Council's financial accounts is so big and has been unresolved for so long that a 35 page appendix was required to outline the size of the task in reversing the decline.~~
- ~~—the financial limbo is having a serious impact on the performance of other departments. The overall quality of data is poor and unhelpful for management decisions. There are worrying instances of misplaced data. The finance issue does not sit in isolation but has a knock-on effect on other departments thereby creating an atmosphere of dysfunction and incompetence which requires immediate action.~~

This Council believes that:

- that the state of affairs with the Council's accounts may point to past ineffective political management and leadership which was resolved by the previous Labour administration and placed us in a healthy financial position. This resulted in the Local Government Association stating in 2021 that Tower Hamlets Council had made good progress on its improvement journey.
- this ~~unprecedented~~ financial situation warrants received immediate critical and immediate attention when this issue was first raised with the previous administration which is why an independent audit expert investigated this in 2021 and advised on a finance improvement plan, and that the Council cannot be seen as financially prudent or responsible if we allow it to persist any longer.
- to ensure nothing like this happens again in future, it is vital to understand the root cause and extent of the problem so we can rectify matters identify where governance and management issues may need to be addressed.
- current senior finance officers are working with the auditors to address their findings so the accounts can be signed off, and Council wishes to acknowledge the hard work and dedication of our ~~current Finance Officers Team~~ who have worked incredibly hard over the past six years to assist the previous administration in achieving a balanced budget every year in these difficult economic times. However, Council remains concerned that the process of rectifying the situation is far from complete.
- the residents of Tower Hamlets, as well as the employees and businesses, deserve a speedy resolution of the issues and improvements in financial management processes to ~~restore~~ continue its confidence and secure our future.

This Council resolves to:

- Take note of the independent expert report from Worth in January 2021 and continue its work in following the finance improvement plan to ensure the Council's finances remain strong and do not go back into a deficit like it was prior to 2015.
- ~~—Appoint an Independent Diagnostic Consultant able to assist this Council in understanding what went wrong and how to avoid it ever happening again. The Independent Consultant will:~~
 - ~~o build on previous work to give us reasons for the current situation especially, the unsigned accounts from 2016 to 2022.~~

~~o undertake a council wide audit to ensure that there are no similar problems on the horizon~~
~~o give us the tools to implement a robust system which strengthens data quality issues and information management in the Council.~~
~~o will carry out an all systems review to help us develop a healthy organisation able to react quickly to the external environment, insulate itself from any negative consequences and deliver for the people of this borough~~

- Ring fence measures that tackle the Cost of Living Crisis and ensure that support for our most vulnerable residents, people and families struggling the most are protected and not neglected by the current administration ~~affected by Council actions to address concerns about the finances.~~
- work with Community Organisations and businesses large and small to safeguard stakeholders' interests throughout the independent investigation.
- work with our unions to safeguard local jobs