

MINUTES OF THE MEETING Overview and Scrutiny Committee HELD ON Monday, 20th January, 2025, 6.30 - 9.45 pm

PRESENT:

Councillors: Matt White (Chair), Alexandra Worrell, Pippa Connor (Vice-Chair), Makbule Gunes and Lester Buxton

ALSO ATTENDING:

Councillor Dana Carlin, Chris Liasi - Committee and Governance Officer, Dominic O'Brien - Scrutiny Officer, Taryn Eves - Director of Finance, Jacqueline Longmore – Principal Lawyer, Anna Blendford - Assistant Director for Regen & Econ Development, Sarah Lavery - Head of Property Change, Zoe Robertson – Head of Place, Daniel Lynch - Senior Pensions & Treasury Accountant (interim), Andrew Meek - Assistant Director for Capital Projects & Property.

1. FILMING AT MEETINGS

The Chair referred Members present to agenda Item 1 as shown on the agenda in respect of filming at this meeting, and Members noted the information contained therein'

2. APOLOGIES FOR ABSENCE

There were no apologies for absence.

3. URGENT BUSINESS

There were no items of urgent business.

4. DECLARATIONS OF INTEREST

There were no declarations of interest.

5. DEPUTATIONS/PETITIONS/PRESENTATIONS/QUESTIONS

There were no deputations, petitions, presentations or questions.

6. MINUTES

The minutes of the previous meetings held on 25th November and 12th December were approved as a correct record.

7. MINUTES OF SCRUTINY PANEL MEETINGS

The Committee received and noted the minutes of the following Scrutiny Panels and approved recommendations contained within:

- Adults and Health Scrutiny Panel – 14 November 2024
- Climate, Community Safety & Environment Panel – 14 November 2024
- Children & Young People's Scrutiny Panel – 19th November 2024
- Housing, Development & Planning Scrutiny Panel – 21st November 2024

8. TREASURY MANAGEMENT STRATEGY STATEMENT 2025/26

The Committee received and made comments on the Treasury Management Strategy Statement 2025/26.

It was explained the SIP for code required the Council to approve a Treasury Management Strategy (TMSS) at the beginning of each year. The TMSS was presented to the Committee for scrutiny, with any comments to be shared with the Audit Committee. The Scrutiny Committee was asked to review and provide feedback on the TMSS for 2025-2026.

It was also noted that the Audit Committee would consider the draft TMSS at their meeting on January 27th. The Treasury Management function involves managing the Council's cash flows, borrowing, investments, and related risks. The Council had borrowed and invested significant sums, exposing it to financial risks, including the loss of investment funds and the impact of changing interest rates. Economic factors, such as the recent autumn budget and slower-than-expected interest rate changes, had influenced the TMSS for 2025-2026, with economic outlooks remaining uncertain.

Headline inflation continued to rise, and interest rates were expected to stay higher for longer. Markets predicted two more Bank rate cuts in 2025, with economists suggesting up to four cuts. By December 2024, the Bank rate remained at 4.75%, and bond yields had risen, prompting investors to seek higher returns. The Council's borrowing needs were driven by the capital programme, with Section 3 of the TMSS detailing capital expenditure and funding. New Treasury investments had an average rate of 4%, down from 4.75% the previous year. Long-term loans were borrowed at an average rate of 5.5%, consistent with previous assumptions. An application for exceptional financial support had been submitted, requiring approval to borrow or use capital receipts for revenue spending.

An update on the Council's financial position was scheduled for scrutiny on January 30th, before the final draft budget was presented to Cabinet on February 11th. The borrowing strategy in the TMSS remained consistent with prior years, aiming to secure low interest rates and achieve cost certainty. The cost of borrowing had increased for both short- and long-term debt, mainly due to Public Works Loan Board rates. As of December, the Council held £956.9 million in borrowing and £72.6 million in Treasury investments. Section 3.10, a new addition to the TMSS, outlined the reporting

requirements to the Committee, including training for officers and details about the exceptional financial support.

Concerns were raised about the exceptional financial support, noting that normally, councils would not be permitted to use borrowing for day-to-day revenue spending. They sought reassurance that the budget gap for 2025-2026 and 2026-2027 could be closed, as continued borrowing to fund revenue spending was not sustainable.

In Table 1 of the strategy, it was stated that exceptional financial support amounted to £20 million for both 2024-2025 and 2025-2026. The Council had requested this support due to current demand pressures, primarily in adult social care and temporary accommodation for homeless households. This situation mirrored that of other boroughs, both within and outside of London.

The government provided this support through a capitalisation directive, which allowed the Council to use capital, either through borrowing or capital receipts, or raise council tax.

In response to a question about the Council's borrowing strategy, it was noted that the Council had struggled to borrow from certain sources due to being perceived as higher risk compared to other local authorities. The concern was whether this limited the borrowing options and if it was having a significant impact on securing the best value loans. It was explained that while the Council had fewer borrowing options, it still had access to Public Works Loan Board (PWLB) rates, which made up most of its borrowing. Despite being perceived as riskier due to its borrowing levels and reserves, this did not hinder the Council's ability to borrow, and PWLB rates remained competitive.

In terms of financial strategy, borrowing to finance day-to-day expenditure via exceptional financial support was consistent with the general borrowing strategy. Previously, borrowing for exceptional financial support would incur an additional 1% premium on the PWLB rate, but this premium had been removed as of October. The process for borrowing remained the same, with the assumption that it would be through PWLB, without any additional costs for borrowing under exceptional circumstances.

RESOLVED:

The Committee raised the following comments to be discussed at the Audit Committee:

- **Concern over the liability benchmark and.**
- **Whether the council are giving enough room for the funds that the Council had predetermined (liability benchmark).**
- **Concern over the high level of debt and the fluctuations in interest rates**

9. SCRUTINY OF THE 2025/26 DRAFT BUDGET AND MEDIUM TERM FINANCIAL STRATEGY 2025/2030

The Chair stated that Budget Scrutiny will be chaired by the Vice Chair (Councillor Connor).

The Committee was asked to ratify the recommendations arising from the scrutiny panels regarding the draft budget for 2025-2026 and the Medium-Term Financial Strategy (MTFS) 2025-2030. Appendix 5 outlined the list of comments and recommendations from the budget scrutiny process. The process involved reviewing each individual panel's recommendations and any new information received, with the option to amend or add new recommendations based on that information.

During the scrutiny process, the Committee major capital programmes, with a focus on savings, including digital transformation savings. It was clarified that a digital transformation saving was rated "red" as it was not delivered at the time. One recommendation from the panel related to reducing placement costs through effective market management, with £2.2 million allocated for this purpose. The panel requested further details on the mechanisms to be used and any lessons learned.

There was also a discussion about the Pendarran site, specifically regarding renting out the main house with kitchen facilities. Concerns were raised about the deep cleaning required after rental to meet health and safety standards, especially around allergens like peanuts. It was explained that because of the site's use as an educational facility, the kitchen could not be rented out without ensuring the absence of allergens, which was a more complex process than standard cleaning. A recommendation was made to consider all options for income generation at the Pendarran site, ensuring that necessary health and safety standards were met. Another point of discussion was the reduction of placement costs for young people. A concern was raised about ensuring that young people under 25 could continue their education without disruption. The Committee sought clarification that support would remain in place to help these individuals complete their education and ensure their well-being and future employment prospects.

The Panels reviewed the budgetary proposals for the three directorates. It was noted that the budget papers did not list any specific budgetary pressures. A request for further information was made, especially regarding the plans for tackling health inequality, as the Committee was uncertain about the direction of these proposals. The Committee asked for this information before the 30th.

Concerns were raised about the lack of details regarding certain proposals, especially the Council Tax Reduction Scheme. Councillors inquired about the opportunities for scrutiny and whether there would be a process for members to reject proposals if they were not suitable. They asked for details on the scrutiny process, including the number of cabinet meetings involved and when the proposals would be reviewed.

The response provided clarified that the savings proposal for 2026-2027 would go through the decision-making process either in early 2025-2026 or as part of the budget for 2026-2027. The Committee was assured that there would be an opportunity for scrutiny of the proposals. Regarding the capital programme, the Committee had received responses about the Alexandra Palace project and capital support for digital solutions. The rationale behind the capital programme was discussed, and while the response on Alexandra Palace was thorough, the information on digital solutions was limited. The Committee confirmed that they were satisfied with the further information provided about the proposed reduction to the capital support for digital solutions.

The final feedback from the scrutiny chairs emphasised the difficulty of conducting scrutiny without full details. They stressed the need for clearer in-year budget monitoring as part of the scrutiny process. It was suggested that quarterly reports on finance, risk, and performance be reinstated for all the panels and chairs to ensure proper oversight moving forward.

RESOLVED:

That updates be requested on a number of items in advance of the next meeting on 30th Jan 2025 including:

- **Housing Related Support Contracts**
- **Council Tax Reduction Scheme**
- **Integrated Connected Communities**
- **Housing – Legal Disrepair**
- **Leisure Services & Health Inequalities**

That recommendations and requests for future updates be added/amended on a number of items including:

- **Connected Care Review**
- **Day Opportunities – Commissioning Review**
- **Osborne Grove Nursing Home**
- **Pendarren income generation**
- **Market management in children's social care**
- **Decentralised Energy Networks**
- **Disuse of Council-owned buildings**

That the list of recommendations be approved for submission to the Cabinet, subject to possible further additions to this list at the next Committee meeting on 30th January 2025.

10. UPDATE ON THE LOCAL GOVERNMENT SETTLEMENT FOR 2025/26

The update began by outlining the progress made since the last meeting in November regarding the budget and the Medium-Term Financial Strategy (MTFS). The speaker highlighted that the next steps and expectations for the meeting on the 30th were also addressed.

An update was provided on the provisional local government finance settlement, with a focus on the additional funding received. A key topic was the application for exceptional financial support submitted before Christmas. This application, made due to deadlines and potential risks, would be reviewed, and the outcome would be shared during the meeting on the 30th. The Committee was reminded that the work on the budget remained ongoing, with various elements being continuously adjusted. While there had been some positive funding updates, there were also increased demand pressures. Additionally, the speaker explained that the assurance on savings had not only focused on new savings for 2025-2026 but also on previously approved savings. A review was being conducted to determine which savings could still be delivered and which ones might no longer be achievable.

Regarding the settlement, it was noted that the government had also published a consultation on funding reforms for 2026-2027. The speaker emphasized the importance of participating in the consultation, as it would be evidence-based, and the deadline for submission was set for February 19th. The exceptional financial support application was revisited, clarifying that while the government would review the application, the goal was to avoid needing to draw on this support. The Committee was informed that the outcome of the application would not be known until the end of February, and if required, it would allow the council to set a balanced budget. There was an emphasis on minimizing reliance on such support to avoid long-term borrowing costs.

In closing, the Committee was reassured that significant efforts were underway to minimize any reliance on exceptional financial support for the 2025-2026 budget. The work continued to ensure the budget was as realistic and achievable as possible, with a draft budget report expected next week. The speaker concluded by inviting any questions from the Committee.

It was noted that this was the first time in the council's history that exceptional financial support had been requested. While the additional one-off funding of £2.925 million was seen as a positive development, concerns were raised regarding the pressures faced, particularly due to the high number of residents in private sector accommodation, which was significantly higher than other areas. Haringey had 40% of households in private sector accommodation, contributing to the growing demand for temporary housing. The borough was praised for its success in preventing homelessness, but the rising pressures were acknowledged as part of broader challenges faced by local authorities.

The discussion highlighted the importance of the 2026-2027 funding reform consultation, with a focus on ensuring that funding distribution addressed the actual needs of areas like Haringey. Despite the additional funding, the council's financial pressures were not fully alleviated, particularly in social care sectors, where rising costs and fragility in the sector were significant concerns.

It was confirmed that the assumptions used in forecasting pressures were under review, especially regarding the impact of National Insurance increases. While the council was still waiting for final confirmation on funding for National Insurance increases for direct employees, the budget assumed a 3.5% average increase across social care contracts. Given the uncertainty surrounding the National Insurance increase, work was being done to factor in potential inflation, particularly in the adult social care sector. There was also a need to address the fragility of social care services, and the risks associated with funding allocations that had yet to be confirmed. The council aimed to set a realistic budget while managing the ongoing uncertainties and risks.

RESOLVED:

The verbal update was noted by the Committee.

11. NEW ITEMS OF URGENT BUSINESS

There were no new items of urgent business.

12. FUTURE MEETINGS

- 30th January 2025 (Budget Scrutiny)
- 27th March 2025

CHAIR: Councillor Matt White

Signed by Chair:

Date: