NOTICE OF MEETING

OVERVIEW AND SCRUTINY COMMITTEE

Thursday, 23rd January, 2020, 7.00 pm - Civic Centre, High Road, Wood Green, London N22 8LE

Members: Councillors Lucia das Neves (Chair), Pippa Connor (Vice-Chair), Erdal Dogan, Adam Jogee and Khaled Moyeed

Co-optees/Non Voting Members: Mark Chapman (Parent Governor representative), Luci Davin (Parent Governor representative), Yvonne Denny (Co-opted Member - Church Representative (CofE)) and Lourdes Keever (Diocese of Westminster)

Quorum: 3

1. FILMING AT MEETINGS

Please note that this meeting may be filmed or recorded by the Council for live or subsequent broadcast via the Council's internet site or by anyone attending the meeting using any communication method. Although we ask members of the public recording, filming or reporting on the meeting not to include the public seating areas, members of the public attending the meeting should be aware that we cannot guarantee that they will not be filmed or recorded by others attending the meeting. Members of the public participating in the meeting (e.g. making deputations, asking questions, making oral protests) should be aware that they are likely to be filmed, recorded or reported on.

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The chair of the meeting has the discretion to terminate or suspend filming or recording, if in his or her opinion continuation of the filming, recording or reporting would disrupt or prejudice the proceedings, infringe the rights of any individual or may lead to the breach of a legal obligation by the Council.

2. APOLOGIES FOR ABSENCE

3. URGENT BUSINESS

The Chair will consider the admission of any late items of urgent business. (Late items will be considered under the agenda item where they appear. New items will be dealt with at item below).

4. DECLARATIONS OF INTEREST

A member with a disclosable pecuniary interest or a prejudicial interest in a matter who attends a meeting of the authority at which the matter is considered:

(i) must disclose the interest at the start of the meeting or when the interest becomes apparent, and
(ii) may not participate in any discussion or vote on the matter and must withdraw from the meeting room.

A member who discloses at a meeting a disclosable pecuniary interest which is not registered in the Register of Members' Interests or the subject of a pending notification must notify the Monitoring Officer of the interest within 28 days of the disclosure.

Disclosable pecuniary interests, personal interests and prejudicial interests are defined at Paragraphs 5-7 and Appendix A of the Members' Code of Conduct

5. DEPUTATIONS/PETITIONS/PRESENTATIONS/QUESTIONS

To consider any requests received in accordance with Part 4, Section B, paragraph 29 of the Council's constitution.

6. SCRUTINY REVIEW ON SEND (PAGES 1 - 38)

7. TREASURY MANAGEMENT STRATEGY STATEMENT 2020/21 (PAGES 39 - 68)

8. CABINET MEMBER QUESTIONS - CABINET MEMBER FOR FINANCE AND STRATEGIC REGENERATION (FINANCE PORTFOLIO)

Verbal update

9. SCRUTINY OF THE 2020/21 DRAFT BUDGET/5 YEAR MEDIUM TERM FINANCIAL STRATEGY (2020/21-2024/25) - RECOMMENDATIONS

To follow

10. NEW ITEMS OF URGENT BUSINESS

11. FUTURE MEETINGS

12th March

Philip Slawther, Principal Committee Co-ordinator
Tel – 020 8489 2957
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Bernie Ryan
Assistant Director – Corporate Governance and Monitoring Officer
River Park House, 225 High Road, Wood Green, N22 8HQ

Wednesday, 15 January 2020

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Agenda Item 6

Report for: Overview and Scrutiny Committee – 23 January 2020

Title: Scrutiny Review on SEND

Report authorised by: Cllr Dogan, Chair of Children and Young People's Scrutiny Panel

Lead Officer: Robert Mack, 020 8489 2921 rob.mack@haringey.gov.uk

Ward(s) affected: All

Report for Key/ Non Key Decision:

1. Describe the issue under consideration

1.1 Under the agreed terms of reference, the Overview and Scrutiny Committee (OSC) can assist the Council and the Cabinet in its budgetary and policy framework through conducting in-depth analysis of local policy issues and can make recommendations for service development or improvement. The Committee may:

(a) Review the performance of the Council in relation to its policy objectives, performance targets and/or particular service areas;

(b) Conduct research to assist in specific investigations. This may involve surveys, focus groups, public meetings and/or site visits;

(c) Make reports and recommendations, on issues affecting the authority's area, or its inhabitants, to Full Council, its Committees or Sub-Committees, the Executive, or to other appropriate external bodies.

1.2 In this context, the Overview and Scrutiny Committee on 17 July 2017 agreed to set up a review project to look at Child Friendly Haringey.

2. Cabinet Member Introduction

N/A

3. Recommendations

3.1 That the Committee approve the report and its recommendations and that it be submitted to Cabinet for response.

4. Reasons for decision

4.1 The Committee is requested to approve the report and the recommendations within it so that it may be submitted to Cabinet for response.

5. Alternative options considered

5.1 The Committee could decide not to agree the report and its recommendations, which would mean that it could not be referred to Cabinet for response.

6. Background information

6.1 The rationale for the setting up of the review, including the scope and terms of reference, is outlined in paragraphs 1.1 to 1.7 of the report.

7. Contribution to strategic outcomes

7.1 This review relates to Corporate Plan Priority 1 – “Enable every child and young person to have the best start in life, with high quality education”.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and Procurement

8.1 The provision for the SEND support is primarily from the DSG High needs block. Haringey’s Hign Needs Block is currently reporting a c£3.5m pressure against current year allocations (£7.7m total including prior year reserve shortfalls)

8.2 The number of children requiring SEND support has consistently fallen in the past 10 yours and is forecast to continue on that trend over the next 10 years. Actual spend has however risen over the period.

8.3 The report and its recommendations does not itself present additional financial risk. The implementation of these recommendations, if adopted, will be reviewed and any significant implications assessed.

Legal

8.4 Under Section 9F Local Government Act 2000 (“The Act”), Overview and Scrutiny Committee have the powers to review or scrutinise decisions made or other action taken in connection with the discharge of any executive and non-executive functions and to make reports or recommendations to the executive or to the authority with respect to the discharge of those functions. Overview and Scrutiny Committee also have the powers to make reports or recommendations to the executive or to the authority on matters which affect the authority’s area or the inhabitants of its area. Under Section 9FA of the Act, Overview and Scrutiny Committee has the power to appoint a sub-committee to assist with the discharge of its scrutiny functions. Such sub-committee may not discharge any functions other than those conferred on it.

8.5 Pursuant to the above provisions, Overview and Scrutiny Committee has establish Scrutiny Review Panels of which the Children and Young People’s Scrutiny Panel is one, to discharge on its behalf, defined scrutiny functions. On the request from Overview and Scrutiny Committee, Children and Young People’s Scrutiny Panel has undertaken a review on support for Children from Refugee families. In accordance with the Council’s Constitution, the Panel must refer the outcome of its review to Overview and Scrutiny Committee for consideration and approval.

8.6 The remit of the Scrutiny Panel's review is defined in the terms of reference set out in the review report. The Scrutiny Panel should keep to the terms of reference and ensure that its findings and recommendations are based on good evidence, accord with good practice and are reasonable and rational

Equality

8.7 The Council has a public sector equality duty under the Equalities Act (2010) to have due regard to:

- Tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
- Advance equality of opportunity between people who share those protected characteristics and people who do not;
- Foster good relations between people who share those characteristics and people who do not.

8.8 The Panel has aimed to consider these duties within this review and, in particular;

- How policy issues impact on different groups within the community, particularly those that share the nine protected characteristics;
- Whether the impact on particular groups is fair and proportionate;
- Whether there is equality of access to services and fair representation of all groups within Haringey;
- Whether any positive opportunities to advance equality of opportunity and/or good relations between people, are being realised.

9. Use of Appendices

Appendix A: Draft report of Scrutiny Review on SEND

10. Local Government (Access to Information) Act 1985

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Scrutiny Review: Special Education Needs

A Review by the Children and Young People's Scrutiny Panel

2019/20

Panel Membership	
	Cllr Erdal Dogan (Chair)
	Cllr Dana Carlin
	Cllr James Chiriyankandath
	Cllr Julie Davies
	Cllr Josh Dixon
	Cllr Mike Hakata
	Cllr Tammy Palmer
	Mark Chapman (Co-opted member)
	Lucin Davi (Co-opted member)
	Yvonne Denny (Co-opted member)
	Lourdes Keever (Co-opted member)

Support Officer: Robert Mack, Principal Scrutiny Support Officer
Rob.mack@haringey.gov.uk
0208 489 2921

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CHAIR'S FOREWORD

This review was set up in response to increasing levels of concern amongst parents and carers regarding support for children and young people with SEND. It is a large and complex area of policy though and we therefore focussed our attention primarily on Social, Emotional and Mental Health (SEMH) needs and autism in order to ensure a manageable scope.

We were concerned at the long delays for diagnosis and treatment. Action has been taken to address and mitigate these those, which is very welcome. However, the delays are likely to continue despite the progress made due to ongoing pressures within the NHS. There are also long delays in obtaining Education, Health and Care (EHC) plans and, whilst encouraging has also been made in reducing these, there is still a way to go and improvement needs to be maintained.

Our biggest area of concern was the increasing level of exclusions of children at SEN support stage, which can be exacerbated by delays in obtaining EHC Plans. Schools are finding it increasingly difficult to continue to accommodate pupils with SEN who have behavioural issues. This is due to the budgetary pressures that schools have been facing, which have led to reductions in the support available for pupils with SEN. Our schools are in danger of becoming less inclusive because of this. It is therefore imperative that action is taken swiftly to address these issues, particularly in view of the long term negative implications of being excluded from school. Good and local alternative provision is needed that meets the needs of schools. In addition, more early intervention has the potential to produce better outcomes and reduce long term costs. It is also very important that there is good and effective partnership working between the Council, schools and NHS services.

Much is demanded of parents and carers. There is a considerable burden of paperwork that is placed on them and they are increasingly having to battle to obtain the support that their children need. There is a welcome aspiration to engage and involve them in planning and developing services. However, the demands of looking after children with SEND are considerable which can make it very difficult for many to be actively involved. Flexible and imaginative ways of engaging parents and carers therefore need to be found.

Co-production with parents and carers and a collaborative approach should now be being followed in the design, planning and development and of services. There needs to be a shared understanding of what this means in practice and for it to be fully embedded. We would expect that the response to our recommendations to follow such principles to share these principles. .

The Panel would like to thank all of the people who came along and shared their views and experiences with them. We hope that our recommendations assist with making improvements.

Cllr Erdal Dogan
Chair

RECOMMENDATIONS:

EHC Plans

1. That the reduction of waiting times for EHC Plans continues to be prioritised and that progress is closely monitored with regular reports provided in performance information provided to the Cabinet Member for Children and Families and to the Panel. *(Para 3.15)*

2. That an appropriate tracking system for EHC plans be developed to ensure that the families and carers can be kept up-to-date with progress. *(3.16)*

3. That a process be developed for a follow up audit of children who are turned down for an EHC Plan in order to confirm that support needs are being met and no additional interventions are required. *(3.17)*

4. That, in the event of an assessment by an educational psychologist not being undertaken within the time limit for an EHC Plan, any independent assessments by a duly qualified educational psychologist that are commissioned directly by schools be accepted by the Council and schools reimbursed for the cost. *(3.21)*

Parental Involvement

5. That further work be undertaken by the SEND Service with parent and carer representatives and NHS partners to develop a shared understanding and vision of co-production and ensure that it is embedded fully in all relevant processes. *(4.7)*

6. That, as part of the development of a new parent carer forum for the borough, new and innovative ways of involvement and engagement with parents and carers of children with SEND be developed in consultation with organisations with specific experience and expertise in engagement of service users. *(4.16)*

SEND Transport

7. That the Children and Young People's Service be requested to submit regular updates on progress with the implementation of improvements in SEND transport to the Panel. *(4.17)*

Therapies

8. That a suitable "Invest to Save" proposal be developed to improve access to therapies for children and young people with send and, in particular, provide them in mainstream settings. *(5.12)*

Inclusion

9. That the Council seeks to establish how it can best work with schools to address the current pressures facing them in supporting pupils with SEN in mainstream settings and, in addition, continues to hold them to account for effective inclusive practice. *(6.20)*

Alternative Provision

10. That the current review of AP be expedited without delay, with firm recommendations and a clear action plan that address the lack of suitable in-borough provision for children with SEMH, the future model for the PRU and the re-location of the Tuition Centre. *(6.23)*

Transition

11. That proposals be developed for expanding the enhanced transition arrangements for vulnerable children moving from primary to secondary school that have been piloted within the borough. *(6.28)*

Special Schools

12. That the Council undertakes specific work with special and mainstream schools within the borough to develop close and structured co-operation and, in particular, special schools that provide places for pupils with a diagnosis of autism. *(6.36)*

Partnership Working

13. That, as good partnership practice and to ensure that all relevant issues are considered, the views of all SEND partners be routinely sought when significant changes are proposed to support and provision for children and young people with SEND. *(6.38)*

Work Placements

14. That a strategy be developed between the Council and schools to improve opportunities for work experience placements for young people with SEND. *(6.40)*

1. Background

Introduction

1.1 As part of its work plan for 2018/9, the Overview and Scrutiny Committee agreed to set up a review that focussed on the how the needs of children and young people with special educational needs and disability (SEND) were being met. The issue had become a matter of concern for a number of reasons:

- SEND children can often find difficulty in accessing services due to stretched Council budgets or lack of clarity on how parents can access services;
- Families can find it a struggle to obtain a formal diagnosis for their children, which is often a prerequisite in getting extra support at school and/or at home;
- Some groups of SEND children have an increased risk of exclusion from school and there can also be poor outcomes in the classroom, which can have a detrimental impact on families struggling to cope;
- Early intervention, including diagnosis, is key in order to put relevant support measures in place so that children with SEND can have fulfilling lives with good educational outcomes.

1.2 The Committee was mindful that SEND is a complex and wide ranging policy area. It was felt that the review was most likely to be effective if it focussed on a specific aspect of SEND. It therefore decided to look at the role and effectiveness of the current service children and young people with Social, Emotional and Mental Health (SEMH) issues and autism receive.

1.3 The review aimed to establish:

- What were the experiences of parents with SEMH and autistic children in trying to access support for their children?
- What were the waiting times for parents requesting an assessment, obtaining a diagnosis and receiving the extra support required?
- What were the outcomes of children with SEMH and autism in relation to their diagnoses?
- What were the challenges parents faced in obtaining Education, Health and Care (EHC) plans?
- How many children currently had a statement or EHC plan and how many applied for it? What were the rejection rates of children trying to obtain an EHC plan and what were the reasons?

Scope/Terms of Reference

1.4 The terms of reference that were approved for the review were as follows:

"To consider and make recommendations to the Council's Cabinet on the effectiveness of the care pathway for SEMH and autistic children, where blockages occur and how outcomes might be improved."

Sources of Evidence:

1.5 Sources of evidence were:

- Interviews with officers from the Council, partner organisations, schools and parent and carer groups;
- Research and policy documentation; and
- Performance information.

1.6 A full list of all those who provided evidence is attached as Appendix A.

Membership

1.7 Although the review was commissioned in 2018/19, it completed its work on 2019/20. As a result of this, there were some small changes in the membership of the Panel.

1.8 The membership of the Panel was as follows:

2018/19:
Councillors: Mehir Demir (Chair), Josh Dixon, Tammy Palmer, Dana Carlin, James Chiriyankandath, Julie Davies and Khaled Moyeed
Co-opted Members: Mark Chapman and Luci Davin (Parent Governor representatives), Yvonne Denny (Church representative)

2019/20:
Councillors: Erdal Dogan (Chair), Josh Dixon, Tammy Palmer, Dana Carlin, James Chiriyankandath, Julie Davies and Khaled Moyeed
Co-opted Members: Mark Chapman (Parent Governor representative), Luci Davin and Lourdes Keever (Parent Governor representative).

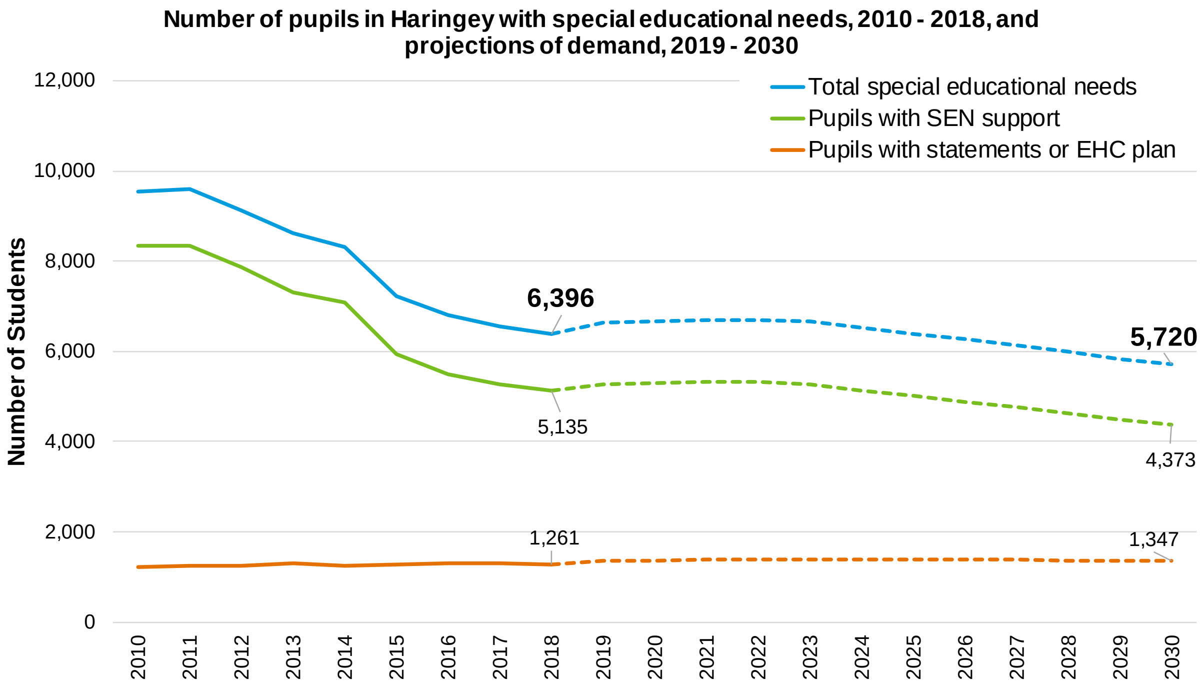
2. Introduction

Statistics

2.1 In 2017, the Council's Public Health Service had undertook a needs assessment of children and adults which contained a range of relevant information regarding Special Educational Needs (SEN) and autism:

- The percentage of school age pupils with SEN in Haringey showed a downward trend but was higher than the London and England averages (16% compared to 14%);
- Haringey had the fifth largest proportion of secondary school pupils in London with SEN and the third largest that had an EHC Plan. This compared with 19th for primary; and
- The rate of those with autism was higher at 17 children per 1,000 pupils compared to a London average of 14 per 1,000.

2.2 There were 6,396 children with SEN in Haringey schools or 15% of students in January 2018. The rate across London ranges between 15% and 20%. There has been a decrease in the percentage of those with SEN in Haringey from 22% to 12% since 2010. There had previously an over identification, which was due to student mobility and English as a second language needs. If current trends continue, the projected total number of students with SEN in Haringey in 2030 will be 5,720.



Note: These projections rely on the following assumptions: Students with statements of EHC plans is modelled as a linear trend. SEN support is modelled as a logarithmic trend, except where that trend would suggest an increase in prevalence of SEN Support. Total pupils estimated at Haringey residents aged 5-17.
Source: Department for Education SEN figures (2018), GLA 2016 Housing led mid year population estimates

2.3 Schools are expected to provide support to pupils with SEN. If the level of support necessary is more than the school can provide, an EHC Plan can be applied for. There are 5,135 children at SEN support in Haringey schools (i.e. supported just by schools), which is in line with national average. The majority of needs are language and behaviour. This number has also gone down in recent years and is projected to go down to 4,373 by 2030 should current trends continue.

2.4 The percentage of pupils with statements or EHC plans has remained steady over a number of years at just over 3% of Haringey students. The position in Haringey is contrary to the national trend where data published by the DfE shows that the number of children and young people with an EHC Plan rose from 240,000 to 320,000 between 2014-15 and 2017-18, an increase of 33%. In London, the trajectory has been almost identical, with an increase from 41,000 children and young people to 54,000, representing an increase of 31%.

2.5 There are approximately 40 referrals for EHC Plan assessments per month to the Council. Of these, approximately 78% are agreed to progress as an assessment. If not agreed, children are supported at SEN support in school. Some of these may come back for an assessment at a later stage.

2.6 56% of children with SEN in Haringey attend primary schools and 35% attend secondary schools. 8% attend special schools with the remaining students attending mainstream schools in the borough, which is significantly lower than the national percentage but not significantly different to the London average.

Autism

2.7 It is estimated that around 2,100 Haringey residents aged 14 and over have autism, including adults. Of these, 680 are estimated to be between 14-25. 204 children and young people with autism are attending primary and secondary local mainstream schools at SEN Support. In addition, 324 young people aged 14-25 have EHC Plans.

Current Projects

2.8 The Panel noted current that there were a range of projects being undertaken that aimed to develop local services and meet the needs of children and young people with SEN:

- A review of school exclusions and alternative provision (AP) by the Council's Corporate Development Unit;
- The Clinical Commissioning Group (CCG) was undertaking a project to transform CAMHS (Child and Adolescent Mental Health Services) to reduce waiting times and increase access;
- The Council's SEND service and the CCG were reviewing therapies for Speech and Language Services and Occupational Therapy;
- The autism pathway was being jointly reviewed by the CCG, Whittington Health and the Tavistock;
- Work was being done to improve EHC Plan quality and timeliness; and
- Improving transitions was being looked at by the 'Moving On' co-production transitions group, Local Authority SEND team and Adult Services.

2.9 The Panel noted the areas relating to SEND in which Haringey appeared to be performing well:

- Children did better than the national average at school and 99% of mainstream and special schools were rated good or outstanding;
- The early years services were well established and achieved good outcomes;
- There was an effective SEND Information, Advice and Support Service for families and children. There was also a good local offer website;
- Advisory teacher services were well respected and also provided services to other boroughs;
- The educational psychology services were knowledgeable and schools wanted to buy in their services;
- Parents were engaged through a range of groups; and
- There were strong providers in the borough to support families.

2.10 Haringey children perform at least as well as SEND children in neighbouring boroughs at school. Better measures of improvement have been developed and it was hoped that these will provide more accurate data in the due course.

Autism Needs Assessment

2.11 The Panel noted the following progress that had been made in addressing issues raised in the autism needs assessment that was undertaken by the Council's Public Health service in 2017:

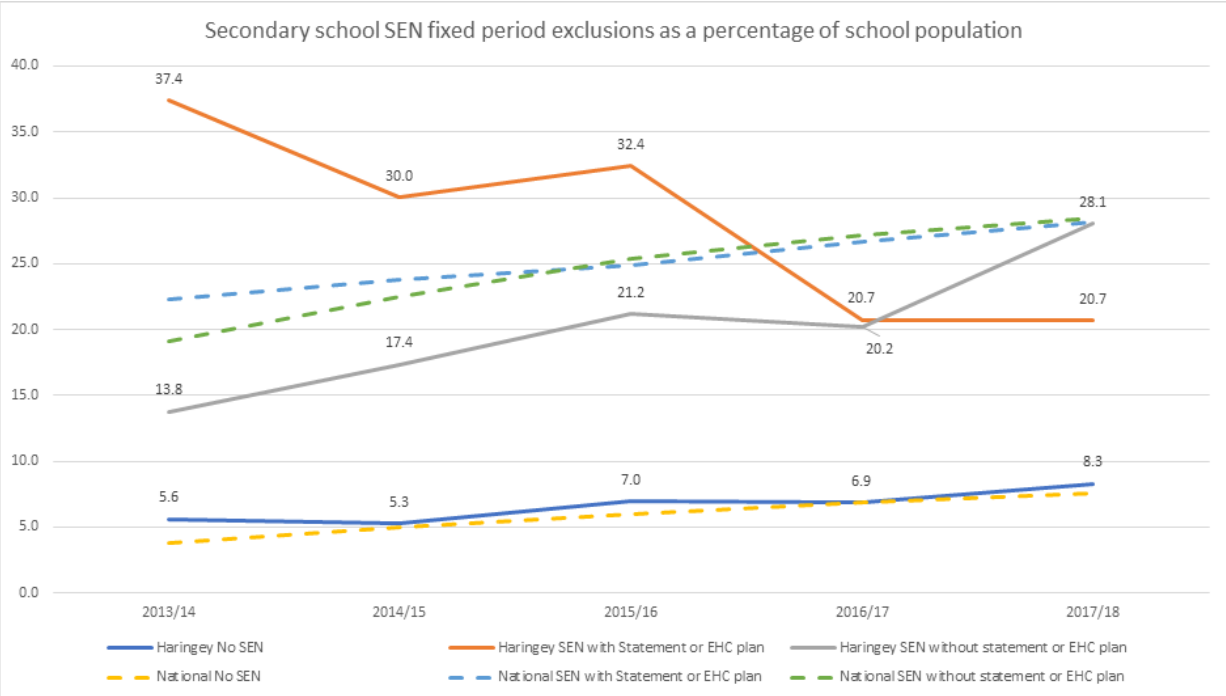
- Waiting times for diagnosis: Waiting times for diagnosis by consultant paediatricians are approximately 15 months at the Child Development Centre (CDC). The CCG and Whittington health were looking at waiting times to see how the Multi-Disciplinary Team required for the diagnosis could see children more quickly;
- Improving the education offer for people with high functioning autism: The Council and Heartlands Community School have opened a Free Special School called The Grove for children with high functioning autism;
- Waiting times for CAMHS services: The Council has been successful in a mental health Trailblazer bid to increase schools skills in identifying and managing children's mental health needs;
- Managing behaviour at home and at school for children with Autism: The CCG and education are working to develop a specialist service called 'positive behaviour services' to support children at home and school;
- Improving the post 16 education offer for all children, including those with Autism: The Council has opened a new post 16 setting called Riverside learning centre. There are also an increased number of places at Haringey 6th form Centre.

School Exclusions

2.12 Children with SEN can be at particular risk from exclusion and it is known from local and national reviews that this this can be as a consequence of their SEN. Exclusions are normally for a fixed period of time but can be permanent in certain circumstances. Schools are required to show how they will ensure that educational needs will be met when exclusions take place. Schools contact the SEN team for support from advisory teachers or for discussions around additional support if the child has an EHC Plan. A "team around the child" meeting can be called or an emergency annual review arranged. This may lead to the child attending AP for a short time or a change in school. In some cases, a special school can be considered.

2.13 Permanent exclusions must be agreed by the school governing body as well as the Headteacher. The family can ask a SEN expert to be present at a meeting with the school in order to ensure that a child is not being excluded for issues related to their disability. If a permanent exclusion occurs, the local authority is responsible for ensuring that the child is accessing an AP education offer.

2.14 Statutory guidance on school exclusions published by the Department for Education in 2012 stated that Headteacher should, as far as possible, avoid excluding any pupil with a statement of special educational need. This was updated in 2017 to refer to EHC Plans rather than statements. Since the issuing of the above-mentioned guidance, the rate of fixed term exclusions (FTEs) has gone down significantly in Haringey for those with an EHC Plan. At the same time, FTEs for children and young people with SEN who do not have a statement or plan have increased significantly. This pattern does not appear to mirror the national position where the percentage of FTEs for children and young people with and without EHC Plans have both increased. The number of permanent exclusions within Haringey schools is extremely low and it is difficult to determine any specific patterns from figures for these.



2.15 The table below shows the number in the 2016-17 academic year broken down by primary SEN type (the pupil's main SEN category). It includes all those who are either receiving SEN support or have an EHC Plan. It shows the population of Haringey secondary school pupils as a comparison. The figure for FTE is the number of exclusions, not the number of pupils.

	Primary SEN type	Population secondary schools	% secondary population	Number of FTEs in 2016-17	% of FTEs 2016-17
No SEN	No SEN	11295	85%	855	72%
ASD	Autistic Spectrum Disorder	200	2%	17	1%
HI	Hearing Impairment	27	0%	1	0%
MLD	Moderate Learning Difficulty	405	3%	33	3%
MSI	Multisensory impairment	6	0%		0%
NSA	No Specialist assessment	55	0%	12	1%
OTH	Other	54	0%	2	0%
PD	Physical Disability	24	0%		0%
PMLD	Profound and multiple learning difficulty	2	0%		0%
SEMH	Social, emotional and mental health	480	4%	196	16%
SLCN	Speech, language and communication needs	300	2%	41	3%
SLD	Severe learning difficulty	6	0%		0%
SPLD	Specific Learning difficulties	418	3%	35	3%
VI	Visual Impairment	15	0%	1	0%

2.16 85% of Haringey secondary pupils have no SEN and 72% of FTEs in 2016-17 were for pupils who were not SEN. The main difference is for pupils with SEMH, of which 4% of secondary pupils were classified but contributed 16% of all FTEs in 2016-17. There was no evidence of a higher level of risk of exclusion for children and young people with autism.

3. Identification and Support for SEN

Identification

3.1 Children with SEN can be identified before they start school. Children with complex needs are identified from birth. Referrals are made to health visitors and the CDC, which has consultant paediatricians, therapists and specialist health visitors. The needs of children with developmental delays not apparent from birth can be identified through the healthy child programme, checks and referrals made to speech and language, occupational therapy, physiotherapy or the CDC.

Referrals

3.2 Referrals can be made to a range of local therapies, such as speech and language therapy (SLT), physiotherapy and Occupational Therapy (OT). Children can also be referred to the Integrated Additional Services panel (IAS), which is a multi-agency panel of health, education and social care representatives. The types of services that are allocated by the Panel include:

- "Portage" home intervention service;
- Short respite breaks;
- Educational psychology assessments;
- Specialist nursery places; and
- Support from the Area Inclusion Officers in nursery or nursery inclusion top ups, which provide additional money for nurseries to meet children's needs.

Meeting Needs at Nursery and Home

3.3 Therapists and educational psychologists see children at nursery and at home. Nurseries are trained and supported to identify needs by the Area Special Educational Needs Coordinators (SENCOs) and therapists. Some nurseries have specialist Early Support places and there are 54 of these across 8 nurseries. Others can apply for inclusion top up and there are currently 99 children supported through this. Complex children can also be seen at home and community clinics by Portage Services and therapists. There is a home visiting service run by the SLT service for the most complex children and a range of specialist interventions for children with severe language needs. The interventions that take place help the service to identify children who need an EHC Plan to be ready for transfer to school in reception.

3.4 There are around 40 children with an EHC Plan initiated each year at pre-school. Pre-school referrals are not refused if children meet early support criteria and those referred are often known to need an EHC Plan as they have received a high top up from the inclusion budget. Those with inclusion top up to a moderate level may not need an EHC Plan at this stage.

School Aged Children

3.5 When children reach school age, their needs are expected to be met by schools. There is an active schools SENCo forum and training offer run by advisory teachers to support schools in identifying and meeting the needs of children with

SEND. Schools may screen children for difficulties and then refer them for therapies. Advisory teachers and clinical psychology service provide services following a diagnosis. Educational Psychology services are traded interventions so schools need to buy them in. 58 of 72 schools buy their Educational Psychology services from Haringey. Some academy chains have their own in-house provision. Assessment for an EHC Plan is not traded.

3.6 The most common primary needs among pupils in primary schools in Haringey are Speech, Language and Communications Needs (40%) and Moderate Learning Difficulty (15%). The most common primary needs among pupils in secondary schools are Social, Emotional and Mental Health (24%) and Specific (20%) and Moderate (20%) Learning Difficulty. The most common primary need among students in special schools is Autistic Spectrum Disorder (ASD) (51%).

3.7 On average 50 young people are accepted by CAMHS for a service per month due to emotional disorders expressed as either anxiety or depression or in their behaviour. Referrals to services may be due to language delay affecting curriculum access, behaviour, anxiety, difficulties with socialisation, poor progress in accessing the curriculum or physical access difficulties not otherwise covered. All services seek to meet needs within schools, although CAMHS also offers appointments at St Ann's Hospital.

3.8 Thresholds for an EHC Plan were set through a multi-agency working party in 2014, including parents, and then reviewed and lowered in 2018 following further consideration as they were considered to be too high. EHC Plan assessment is dependent on the educational impact of difficulties and not the diagnosis. Parents are informed whether there is agreement to progress to an EHC Plan assessment within 6 weeks in 96% of cases.

3.9 The number of children in Haringey with an EHC plan is 1,928, which represents 3.0% of the local population. This compares to a national average of 3.0-3.1%. Of these, 747 have autism and 179 have SEMH.

3.10 There are a small number of young people who are mental health in-patients. In such circumstances, an EHC Plan might be required due to the disruption in schooling. In addition, there are also around 250 children and young people who are home schooled and this includes 20 who have an EHC Plan.

Waiting Times for EHC Plans

3.11 The percentage of EHC plans finalised within 20 weeks in Haringey is variable, ranging from 45% to 63%. The target for issuing a plan is 20 weeks and is a statutory duty. Meeting the target is a challenge for all local authorities. The national average is 65% . The reasons for delays are:

- Increased volumes of assessments requested and the challenges this has presented to schools and partners; and
- The time taken by Council staff to write the plans with families.

3.12 In order to address delays, the following has been done:

- Processes have been changed to increase the involvement of schools in writing some aspects of the plans with families;
- Capacity has been increased in therapies such as OT to support the assessment process;
- The structure of the service has been reviewed so that there were fewer handovers between staff and the process is smoother; and
- The size of the team has been increased to support the improved processes.

3.13 The key issue is felt to be how much over 20 weeks people were waiting. The average is currently 11 weeks. The Panel noted that thresholds in Haringey are slightly lower than elsewhere. It also noted that delays with plans resulted in two complaints against the Council being upheld by the Ombudsman in 2018-19.

3.14 Changes have recently been made to the way in which plans are put together and there are new staff involved in the process. The number of plans that are completed within the 20 weeks target has increased substantially and there are now fewer concerns regarding delays. Increases in staffing and increased funding for therapies and, in particular, occupational therapy have contributed to this. However, further work is required to increase access to clinical medical officers and improve the timeliness of annual reviews.

3.15 The Panel feels that it is important that the focus on reducing waiting times for EHD plans is maintained so that the recent progress continues. It therefore recommends that this continues to be prioritised and closely monitored and that regular updates on progress be provided to both the Cabinet Member for Children and Families and the Panel.

Recommendation:
That the reduction of waiting times for EHC Plans continues to be prioritised and that progress is closely monitored with regular reports provided in performance information provided to the Cabinet Member for Children and Families and to the Panel.

3.16 Parents now have greater confidence in the process but work also needs to be done to improve communication with them. Currently, they can contact EHC caseworkers if they wish to be updated on progress but the Panel is of the view that parents should routinely be kept informed on the stage within the process that plans have reached. A proactive approach such as this will help to improve communication with parents and provide reassurance that progress is being made with the development of plans. It therefore recommends that an appropriate tracking system for EHC plans be developed to ensure that the families and carers are up-to-date with the progress of their application.

Recommendation:
That an appropriate tracking system for EHC plans be developed to ensure that the families and carers can be kept up-to-date with progress.

3.17 The Panel noted that 78% of requests for EHC Plans are agreed. There is currently no specific audit or follow up on individual children where there is no agreement to progress to an EHC Plan to see if this was the right decision though. Evidence was received from schools that children who had been turned down for EHC Plans could begin to struggle. The Panel is of the view that a follow up audit of children who were turned down for an EHC Plan could be of benefit by providing a check to see if support needs were being. Such an audit could facilitate interventions if necessary, including progression to an EHC Plan.

Recommendation:
That a process be developed for a follow up audit of children who are turned down for an EHC Plan in order to confirm that support needs are being met and no additional interventions are required.

Educational Psychology

3.18 Schools that the Panel received evidence from highlighted long waits for support from the educational psychology service. Mr Scotchbrook, the Headteacher of South Harringay School, stated that access and the variable quality were particular issues. His school had 13 children waiting to see an educational psychologist. The need for such support was critical in the case of six of these children. He felt that the Educational Psychology service did not have the capacity to deal with current demand. They currently only provided four days of support for schools in a year. The school had had tried to buy in extra support but this had been challenging to arrange. The lack of provision was causing delays in getting an EHC Plan. He also highlighted very long delays for appointments with the CDC and speech and language therapy.

3.19 Ms Robinson, the Headteacher of Woodside High School, reported that schools could pay for private educational psychology assessments in order to speed up an EHC Plan process but such assessments might not necessarily be accepted by the Council.

3.20 Paragraph 9.49 of the SEND Code of Practice states that advice and information must be sought as follows: *"psychological advice and information from an educational psychologist who should normally be employed or commissioned by the local authority*." Whilst this states that the expectation is that the educational psychologist should be employed or commissioned by the local authority, it does not appear to preclude the use of ones commissioned by schools providing advice and information.

3.21 The Panel is concerned that schools are sometimes being placed in a position whereby they feel that they have no alternative but to pay for their own assessments. It was noted that the SEND Service is now almost fully staffed. In particular, there is now a full complement of educational psychologists, which should assist in reducing waiting times. It is nevertheless of the view that, in the event of an assessment by an educational psychologist not being undertaken within the relevant time limit, any independent assessments commissioned directly by schools should be accepted by the Council. In such circumstances, schools should be reimbursed for the cost of this.

Recommendation:
That, in the event of an assessment by an educational psychologist not being undertaken within the time limit for an EHC Plan, any independent assessments by a duly qualified educational psychologist that are commissioned directly by schools be accepted by the Council and schools reimbursed for the cost.

4. Views of Parents and Carers

Introduction

4.1 The Panel listened to the views of a number of parents of children and young people with SEN regarding the support that they received. As part of this, the Panel heard from Haringey Involve, who were the official parent carer forum for the borough. Parent carer forums have been set up in most local authority areas of England, with help from the Department for Education, who provide a small grant to them and fund a team at "Contact" to support them. Their function is to work with professionals to help improve services.

Haringey Involve

4.2 Haringey Involve reported that represented the voice of parents and carers of children and young people with SEND within the borough. The government had recognised that their voices were often not being heard and so had provided funding for local groups to be developed. There was also a National Network of Parent Carer Forums. Haringey Involve currently had approximately 100 members but not many of these were active. They acknowledged that not all parents or carers would necessarily be aware of their existence. They were not a support group but undertook consultations with parents and carers and influenced policy. Co-production is a key part of how the parent groups work. It is based on the principle that parents and carers should take a proactive role and participate in the planning, design and development of services.

sendPACT

4.3 Evidence was also received from sendPACT, who are another local parent group. They felt that there was a tendency for decision makers to listen more to officers than parents and carers. Involving parents was beneficial and could help to make services more cost effective. Co-production involved parents and carers in a meaningful way and was not just a "box ticking" exercise. Parents and carers had been involved in the recent work that had taken place on transition to adult services but the new autism pathway had been developed by Haringey CCG without reference to them.

4.4 Haringey Involve stated that it was important that parents and carers were involved at all stages of work. There was a tendency to involve them in consultations but not decision making. They felt that there needed to be participation as well as involvement. Whilst the Panel's work on autism and SEMH was welcome, she felt that there was also a particular need for support for children with ADHD to be looked at in detail.

Co-production

4.5 The Panel noted that co-production project groups were currently looking at the following:

- EHC plan thresholds and template;

- Information, advice and support for transition;
- Direct Payments policy;
- Transitions policy and information on transitions; and
- Mental health providers.

4.6 There are also a number of areas where further co-production is planned including communication, overnight respite, travel and transport and therapies.

4.7 The Panel has noted the view of parents and carer representatives, both as part of the review and in other recent scrutiny exercises, that the current level of co-production is limited in scope. Co-production was introduced as part of the SEND reforms that were implemented in 2014, so it is a relatively new concept. Further work may therefore be required to develop a shared understanding of what it entails and to ensure that it is fully embedded in all processes within the SEND Service. This should be based on best practice from elsewhere.

Recommendation:
That further work be undertaken by the SEND Service with parent and carer representatives and NHS partners to develop a shared understanding and vision of co-production and ensure that it is embedded fully in all relevant processes.

Support

4.8 Parent and carer representatives commented on the support that children and young people received as follows:
- It could be a battle for parents and carers to obtain support and obtain an EHC Plan;
- They were required to deal with a high volume of paperwork, which could be very time consuming. In particular, EHC Plans have to be reviewed every year, which took up a lot of time and resources and could be stressful for parents;
- Support for children in mainstream schools needed to be sufficiently proficient for it to be successful. The quality of support was variable;
- Issues at school could be considered to be just behavioural rather than SEN. Inclusion was welcome but mainstream schools had to be able to meet the needs of children. Special schools could at least be relied upon to have a basic knowledge of conditions;
- Transport was a major issue. The number of buses had been reduced from eight to five. The form that was required to be completed by parents and carers had caused considerable stress to many parents;
- Out of school activities were very welcome but there was a lack of them in Haringey;
- Being a parent of a child or young person with SEN was very stressful. There was particular concern regarding what might happen to their child if they became unwell;
- Speech and language therapy (SLT) were very important but could be difficult to access;
- There was a need to consult with parents and carers of both high and low functioning children and young people with autism;

- It could be difficult for high functioning children with autism to access support. A lack of support in school could lead to them being stigmatised as having behavioural problems;
- Low functioning children and young people with autism often needed support on a 24/7 basis;
- It was important that investment was made in early intervention as this could save considerable amounts of money later on. For example, lack of support could increase the risk of children coming into contact with the criminal justice system when they became older, which had considerable cost implications;
- SendPACT had undertaken a survey on therapies. They had found that there was a shortfall in provision and what was provided was often not enough;
- Parent and carers had co-produced a pathway guide for young people entering adulthood to assist them in transitioning to adult services; and
- There were not many opportunities for respite.

4.9 The Panel also received evidence from Brian and Sue Leveson regarding their experiences of accessing support. Mr Leveson stated that support for children with SEMH was not joined up. For example, GPs and social services did not always follow up appointments with other NHS clinicians. However, Woodside High School had been very good at keeping in touch with them. Such support that was available was not flexible enough to address their needs satisfactorily.

4.10 Ms Leveson stated that procedures and regulations were often not followed through by services. In addition, some processes were difficult for parents to negotiate. For example, the process for obtaining a Blue Badge involved 10 different steps. They had found it time consuming and challenging despite being educated, having English as a first language and being experienced in dealing with services.

4.11 Mr Leveson felt that services needed to be joined up. This need not necessarily cost money. The statutory requirement to review EHC plans on an annual basis was challenging and could be a barrier for those whose first language was not English. In some cases, an EHC plan was not appropriate. Parents were often put in a position where they had to accept a large remit of responsibility. The local authority needed to take the lead role though. The needs of families with English as a second language needed to be addressed. Most feedback on services tended to come from parents and carers who were at the higher functioning end of the autism spectrum. Only a small percentage of parents and carers were involved in engagement.

4.12 The Panel noted that some parents were engaged with on-line and through social media. Engagement also took place during the day time as well as evenings. In addition, surveys were undertaken. Services stated that they were open to suggestion regarding other possible means of engagement.

Parent Carer Forum

4.13 The Panel subsequently heard that Haringey Involve had been de-commissioned as the parent carer forum for the borough. The forums fulfil a number of specific functions which other groups are unable to do. In the current absence of one for

Haringey, some functions have been taken on by the Council, such as writing the newsletter. Whilst there is active involvement from a number of parents, it is acknowledged that the range of those involved is not broad. In particular, there is a shortage of parents of children with EHC plans who are involved. Engagement takes place with families from refugee communities as well as those whose first language is not English but more still needs to be done to involve hard-to-reach groups. NHS partners have their own parent/carer participation groups.

4.14 Ms Monk-Meyer reported that engagement was now taking place with more parent and carers groups than previously. In addition, a parents committee was under development. The intention was that this would operate in a similar way to a school governing body. Whilst there was currently no official parent carer forum, work was taking place to address this.

4.15 The Panel welcomes the action being taken to re-establish an official parent carer forum. However, it is often very difficult for parents and carers of children with SEND to become involved, particularly those with children who need a higher level of support. This is evidenced by the comparatively low number of parents and carers that had been actively involved with Haringey Involve. This is not due to lack of interest but because caring for children and young people with SEND is extremely demanding and time consuming.

4.16 The Panel is of the view that new and innovative ways of involving parents and carers need to be explored in order to actively involve a larger number of parents and carers as well as broadening their range. Healthwatch plays an important role and has experience in supporting patient and public involvement in health services. It faces many of the same challenges in reaching people as parent and carer forums. Their experience and that of other organisations with a similar role in developing engagement and co-production, such as the National Development Team for Inclusion, should be utilised in order to develop an updated model for a parent carer forum for the borough. Support will also need to be provided for parents and carers in establishing a new forum.

Recommendation:
That, as part of the development of a new parent carer forum for the borough, new and innovative ways of involvement and engagement with parents and carers of children with SEND be developed in consultation with organisations with specific experience and expertise in engagement of service users.

4.17 The Panel noted the feedback from parents and carers on the complex and time consuming nature of the process for obtaining an EHC Plan. However, it is a statutory process and not something that the Council and its partners are in a position to simplify. Its detailed nature can also help to ensure that the needs of children are properly considered and continue to be so. It is nevertheless challenging for many parents, particularly those whose first language is not English. In such circumstances, advice and advocacy is particularly important. Every local authority has a legal duty to provide a SEND Information, Advice and Support Service to parents and areas of children with Special Educational Needs. In Haringey, this is provided by the Markfield Project. In addition, sendPACT also provides advocacy.

Transport

4.18 Although transport was not specifically considered as part of the review, the Panel is also aware of how much of a concern it is to parents and carers. It is therefore very pleased that action is currently being taken by the Council to address the issue. Recommendations of the review that was undertaken are now in the process of being implemented. The Panel will monitor progress with the improvements on a regular basis and hopes that it will deliver clear outcomes.

Recommendation:
That the Children and Young People's Service be requested to submit regular updates on progress with the implementation of improvements in SEND transport to the Panel.

5. Health and Well Being

5.1 NHS partners work very closely with the Council and have key roles in diagnosis and treatment. A number of NHS provider trusts are involved, including two separate ones for autism. Children aged 11 or under are dealt with by Whittington Health whilst older children and young people are cared for by the Tavistock and Portman Trust. There is a different pathway for SEMH.

Waiting Times for Diagnoses

5.2 The diagnosis of autism diagnosis involves a multi-disciplinary assessment and information gathering, including significant input from schools. In the last two years, there has been increasing concern about waiting times. There has been a 72% increase in referrals since 2013. In 2017/18, there had been 300 referrals but the capacity of the service is only approximately half. The vast majority of referrals were appropriate (about 85-90%) and there has been no change in this percentage. There is no clear evidence on the reason for the increase but it is likely that increased awareness is a factor.

5.3 Efforts have been made to streamline services as more support has historically been provided in Haringey than elsewhere. A business case has been developed to take this forward. Efforts have been made to fast track the more clear-cut referrals relating to 0 – 5 year olds. 140 children have been seen in the last two years but there are still approximately 300 higher functioning children on the waiting list. The waiting time is currently 15 months. Services elsewhere tend to be more therapy led than in Haringey, which is doctor led. It is for this reason that a review of therapies had taken place. A parallel service for new referrals was beginning and it is hoped to reduce the waiting time by half. The rationale behind the changes was that most relevant under-fives are already known to therapy services.

5.4 The Panel noted that that there would still be a challenge with higher functioning over fives though. 70% of these have other co-morbidities. There is a very high threshold for CAMHS services and it is often necessary to rely on voluntary services to provide support. The Whittington endeavoured to make the best use of the resources that they have at their disposal.

5.5 Dr Canagaratnam reported that the Tavistock and Portman has been undertaking diagnoses of young people over eleven in Haringey for two years. It has a multi-disciplinary team that includes educational psychologists and therapists. They receive more referrals than they are able to see and their waiting list is between 15 and 18 months, which is fairly standard. Efforts are being made to increase efficiency in order to reduce this. The young people that are seen can also be suffering from depression and anxiety which can make it difficult to be certain if autism is also a factor. They normally report with recommendations to a range of agencies, including CAMHS and schools. There is a lack of provision for adults and, as a result, young people can face a “cliff edge” when they reach 18.

5.6 Whilst there had been a reduction in the waiting time under-fives, it is nevertheless still a year for over fives. This is consistent with the national picture. Where there are concerns regarding social communication skills, action has been undertaken to mitigate the impact of delays by the following:

- Autism awareness training for professionals;
- "Cygnet" training to multi agency professional groups to enable staff to run parents groups for children with social communication needs; and
- Training on positive behaviour support to schools, social care, advisory teachers and educational psychologists.

5.7 The Panel noted that educational psychologists and CAMHS staff had already taken part in the training. A range of schools are interested in the positive behaviour training and it was hoped that they would be able to cascade it to staff who did not attend. Positive behaviour support enables plans to be put in place ahead of diagnosis.

5.8 Ms Guimarin reported that support is provided to families at home as well. She felt that there was a need for general autism training across the whole of the workforce for children and young people. It could often be difficult for identify children and young people who were autistic.

Pathways

5.9 Dr Sasikumar acknowledged that the pathway was confusing and time consuming to negotiate. All services were pressurised but tended to work in silos and she felt that it would be very helpful if each child or young person had a specific key worker. It is particularly difficult for parents whose first language was not English. SENCOs can play an important role and might be the best professional for parents to approach in the first instance. Schools are often best placed to provide a view as they see children and young people on a regular basis.

Therapies Review

5.10 Ms Monk-Meyer reported on the outcome of the review of therapies that had taken place. Their range had been looked at as well as how they were being used and waiting times. Some small improvements had been made to waiting times but these were still fairly long. Whilst some additional specialist provision had been provided, there was still a need for therapies to be mainstreamed.

5.11 Ms Anuforo reported that providers had been challenged to improve access to therapies and consideration was also being given to developing "Invest to Save" proposals. It was recognised that therapies made a difference. The challenge was how specialist provision could be incorporated into the mainstream. Specialist services needed to be maintained and universal access expanded.

5.12 The Panel recognises the clear benefit of therapies. In addition to those that they can bring to children and young people, they can also save money by reducing the need for further and more expensive interventions at a later stage. It would therefore support the development of a suitable "Invest to Save" proposal to improve access to therapies and, in particular, provide them in mainstream settings.

Recommendation:
That a suitable "Invest to Save" proposal be developed to improve access to therapies for children and young people with send and, in particular, provide them in mainstream settings.

6. Schools and Educational Issues

6.1 The support that children and young people receive at school was a particular focus of the review. Money is included for schools in their devolved budgets from the high needs block in order for them to meet SEND needs based on the deprivation index. In Haringey, schools are also provided with additional money to meet the needs at SEN support if they have high numbers of children with EHC Plans. There is £1.3 million available for this across the 72 schools within the borough.

6.2 The schools that we heard from described the increasing challenges that they were facing in providing support and accommodating pupils with SEN, which could lead, in some cases, to exclusions. School budgets were falling and they reported that they were less able to be flexible when faced with children and young people with behavioural issues.

Challenges

6.3 Mr Scotchbrook, the Headteacher of South Harringay School, stated that the money that schools received as top-up funding for children with an EHC Plan was never enough. His school also had a number of children who had specific needs but did not currently have an EHC plan. It was getting increasingly difficult to address funding challenges.

6.4 His school currently had 72 pupils who had SEN. This included seven who had an EHC Plan, with two of these being on the autism spectrum. Early diagnosis was important and engagement with the child or young person’s family. It was also important to involve teachers and others who had an understanding of the child’s needs as well as any external specialists. Professional development for teachers was crucial and good inclusive practice.

6.5 There were two children at his school who had an ASD diagnosis and were higher functioning academically. This did not mean that their level of autism did not require support though. Three applications for an EHC Plan had been turned down. They were currently just meeting expectations for their age but it was likely that they would start to struggle academically in another years’ time.

6.6 Ms Robinson reported that Woodside High had a specific inclusion team and extensive support provision for children and young people with SEMH and autism. This included a well-being room that provided a space for those who needed help and could be accessed by referral or dropping in. There was also on-site alternative provision called the Laurel for those children and young people who were at risk of exclusion.

6.7 This facility had been very successful since it had been introduced and had contributed to large reductions in fixed term exclusions. It had also been used by other nearby schools, including Heartlands High and Alexandra Park. It could be difficult to distinguish between behavioural matters and SEN needs. It was important that issues were identified. She was anxious that attendance at the

Laurel was not seen as a sanction. Children and young people were re-integrated back into the main part of the school on a phased basis.

6.8 The following support was also available:
- A counsellor for two days per week;
- The Child and Adolescent Mental Health CHOICES Service, also for two days per week;
- Mentoring; and
- Mentivity, who worked with children and young people who were considered to be at risk of involvement in crime or gang activity.

6.9 Each child or young person with SEN has a key worker in the school and there was an open door policy for parents. The school had worked hard to improve communication with parents and particularly those whose first language was not English. The SEND team included a number of Turkish speaking staff. Funding for the SEND Team was a major issue and used up a significant percentage of the school's budget.

6.10 Ms Robinson stated that the intensive work that the school was currently undertaking to reduce exclusions was not sustainable. There was a gap in AP for children and young people with SEMH within the borough and some were having to travel elsewhere, which could be disastrous. Schools could find themselves in a difficult position if there were a lack of options to address the needs of children and young people, particularly if they were disruptive.

6.11 Mr Webster reported that the situation at Park View was very similar to that of Woodside High. It was sometimes necessary to exclude pupils to access the support that was required. Ms Cassidy stated that there were placements available in other schools within the borough through managed transfers and these did not cost schools. However, there was a fundamental gap in provision for children and young people with SEMH and schools were being forced into a position where they needed to be punitive. In particular, there was a lack of provision within the borough and a need for preventative work.

6.12 There were a significant number of children and young people who were undiagnosed. There was a need to get sufficient evidence to support a diagnosis but the threshold for this was very high. In terms of autism, they worked very closely with the Council's Language and Autism Support Team. In some cases, the school had paid for an independent assessment. Significant delays in diagnosis could lead to schools being put in a position where they had to exclude.

6.13 There had been significant investment in the SEND team at the school. However, it had been necessary to undertake cuts in staffing in the team and to restructure due to financial issues. There was still extensive provision though, including:
- Mentoring and support for autism;
- Social communication groups;
- A lunchtime club; and
- A safe place that could be accessed if need be.

6.14 SEN pupils had key workers and had regular meetings with members of the team.

Parents were also invited to these meetings. In addition, the school had also developed a link with the Anna Freud Centre, who were a children's mental health charity. This was a three year programme and included how to deal with trauma. The school offered a full counselling service and this was available for parents as well.

6.15 There were heavy demands on staff and it could be very stressful. Such matters were not necessarily reflected in workloads for individual staff and part of the support from the Anna Freud Centre was aimed at staff. The number of staff responsible for SEND had been reduced from ten to six but the work was still there and he felt that they were being run into the ground.

6.16 The Panel noted that the recent review on exclusions had suggested that there is more to be done to support SEN in mainstream schools. There is currently a review being undertaken of AP and approaches to managing children needs who are at risk of exclusion. This is seeking to identity an appropriate model of provision for the borough and reduce exclusions.

Inclusion

6.17 The Panel is concerned that the current pressures facing our schools have reduced their ability to support pupils with SEND and capacity to be inclusive. Inclusive education brings clear benefits to children and young people with SEND through allowing them to be educated with their peers, facilitating better educational outcomes and preparing them for life after school.

6.18 The Headteachers of both Woodside High and Park View schools highlighted the fact that the work that undertaken with children and young people with SEN is not recognised within performance tables and has a negative impact on headline measures. There is was therefore no incentive for keeping challenging pupils in school. Austerity had hit the area hard and schools now had to provide many additional services. Schools were having to feed students and, in addition, a number had suffered significant trauma. There had been cuts to social care and there was a lack of continuity and a joined up approach. Current pupil cohorts can be challenging and it appeared that there had not been enough early intervention.

6.19 Ms Anuforo from the Council's Commissioning Service reported that schools can could support each other and Haringey Education Partnership can facilitate this process. She felt that an understanding needed to be developed of what schools required first though. There was no longer a Behaviour Support Team directly run by the Council to assist schools. There was a very diverse range of needs that needed to be addressed. There was a clear need for support to be available at an earlier stage but it was a complex issue to resolve.

6.20 The demands of school exam performance league tables and the pressure on resources that providing support entails provide an active disincentive for schools to be inclusive. The Panel feels that the Council should seek to establish the best ways in which schools can be assisted in mitigating these pressures. Whilst the Panel sympathises strongly with schools facing these challenges, it is of the view that schools should still be held to account for their inclusive practice. In the meantime, the Council should continue to work with other local authorities to lobby the government for additional funding for schools to alleviate some of the pressure.

Recommendation: **That the Council seeks to establish how it can best work with schools to address the current pressures facing them in supporting pupils with SEND in mainstream settings and, in addition, continues to hold them to account for effective inclusive practice.**

Alternative Provision

6.21 The Panel noted that, as part of the AP review, there is a specific strategic group looking at SEMH with the aim of reducing school exclusions. The purpose of the group is to look at what provision is available and whether it meets local needs. The feedback that was received from schools suggests that current AP is not meeting their needs and they are sometimes being forced to pay for expensive out-of-borough placements. It was stated that if better AP was available in-borough, it would be used instead.

6.22 It is therefore very important that the current review is finalised in a timely manner and that it contains clear recommendations to address these issues as well as an action plan for how they will be implemented.

6.23 The recommendations should also cover the future of the Tuition Centre and the Pupil Referral Unit (PRU), which is currently based at the Octagon Centre. The Panel is of the view that a more suitable location should be found for the Tuition Centre. In respect of the PRU, it notes the improved performance that was outlined in its OFSTED report of 2017 following TBAP Multi-Academy Trust. However, the Panel is also mindful of the TBAP's current financial difficulties and the intention of the Council to bring provision back in-house. The current contract with the TBAP has been extended for an additional year and will expire on 31 August 2020.

Recommendation: **That the current review of AP be expedited without delay, with firm recommendations and a clear action plan that address the lack of suitable in-borough provision for children with SEMH, the future model for the PRU and the re-location of the Tuition Centre.**

Trailblazer

6.24 The Panel heard that it was crucial that CAMHS were able to share the support they provide with schools. Funding has been obtained for the Trailblazer pilot project, which aims to provide support in school for those with mild to moderate anxiety and depression. In addition, the Schools Link programme has been set up which aims to improve communication between schools and CAMHS services and improve understanding about mental health conditions and local services available.

6.25 The Trailblazer pilot will provide £1 million of funding and focus on school years 6, 7 and 8. The Panel noted that good results were already being achieved. There are still 2.5 years of the scheme to run. There are also other sources of support for pupils with SEMH, which include:

- The More Than Mentors scheme, which uses an Early Action approach aimed at preventing future mental health needs;
- Kooth, which is an on-line counselling service;
- Workshops for exam anxiety; and
- The Stepping Stones programme, which is a schools based, preventative intervention aimed at vulnerable pupils who might benefit from additional guidance and support during the transition from primary to secondary school and is being used at Gladesmore School.

6.26 It is hoped that these measures will help to reduce exclusion rates. Waiting times for CAMHS services are going down and the aim is to achieve times of no more than four weeks for all referrals. However, treatment only begins at the second or third appointment though. There is a shortage of psychiatrists, family therapists and Cognitive Behaviour Therapists, which the NHS is attempting to remedy by training more.

Transition

6.27 Children with SEN can find the transition from primary to secondary school challenging, especially when they have not been diagnosed. Secondary schools often visit feeder primary schools and gather relevant information from them. They can also hold taster days and compile profiles of need for those children who need support. It can nevertheless be difficult, especially for autistic children. Secondary schools are larger and can feel chaotic in comparison to primary school. Primary schools are also often able to provide a level of support that is not possible in a secondary school. Work by Haringey Education Partnership to improve the transition process for vulnerable children has been piloted at a number of schools, including Park View.

6.28 The Panel noted that enhanced transition arrangements, including primary outreach, had been shown to work well and the intention is to expand this. This involves particular focus on children who are considered vulnerable. The Panel welcomes the enhanced transition arrangements for vulnerable children that have been piloted and recommends that these be expanded in order to ensure that such children are able to make the transition successfully.

Recommendation:
That proposals be developed for expanding the enhanced transition arrangements for vulnerable children moving from primary to secondary school that have been piloted within the borough.

School Places

6.29 The reviews of educational provision that have been taking place have occurred as a consequence of the Council's "Young People at Risk" strategy. There is also to be a specific review of SEND school places and this will take into account the new special school provision for autism at the Grove School. The intention is to keep children in the borough if possible. The review of the sufficiency of SEND school places was previously planned and is not linked directly to the other reviews taking place.

6.30 Gaps in school provision for academically able children with autism have been identified and there are some gaps in provision for children with SEMH throughout the age range. The intention is to develop more robust planning and therefore to cover a longer period. A variety of provision is required as this is a complex group of pupils.

The Grove

6.31 Lucia Santi, the Head Teacher of the Grove School, reported that the new school had been opened by the Heartlands Community Trust in September 2018. There were currently four secondary classes and two primary classes as well as post 16 provision. It is planned that capacity will eventually be 104 and that the intake will build up to this over three years.

6.32 The intake is predominantly young people with complex autism but it will also include provision for a number of academically able young people with autism. It is intended that the school will become a hub for educational support to children and young people with autism and assist other schools. The school follows the National Curriculum but modified in line with the school's vision. It plans to have its own multi-disciplinary team to provide therapies. It will work closely with other schools and parents. It will be "all through" when it is full. The Panel also noted that Haringey Education Partnership employs a contractor to work with special schools as an "Improvement Partner".

6.33 The number of children and young people with autism attending the Grove is small in number compared to those who attend mainstream schools. Aspirations are to enable children and young people to have some success in their education and facilitate a return to the mainstream. The intention is for academically able young people to re-enter the mainstream for 16 plus education. She was not in favour of tokenistic inclusion though and did not see the re-integration of young people back into mainstream education as necessarily a measure of success.

6.34 All of the places at the Grove are intended for Haringey children. Places are only allocated to those from outside Haringey if it is not possible to fill them all from within the borough. There is place funding as well as top-up funding for children who attend the school. All of those who currently attend the school have come with an EHC Plan.

6.35 The Panel noted evidence from Council officers that there was not as yet any structured co-operation between special and mainstream schools. It also noted that neither of the secondary schools that we heard from had so far developed links with the Grove School. It welcomes the intention of the Grove to become a hub for educational support with autism and assist other schools. There should be clear benefits from collaboration.

6.36 It therefore recommends that the Council work closely with special schools to ensure that close and structured co-operation is developed between them and mainstream schools and particularly the Grove. The Panel notes that there are two other special schools within the borough that also cater for children and young people with autism - the Brook and Riverside School. These should also be included within work to develop co-operation and collaboration so that the range of expertise and experience that exists within the borough can best be shared.

Recommendation:
That the Council undertakes specific work with special and mainstream schools within the borough to develop close and structured co-operation and, in particular, special schools that provide places for pupils with a diagnosis of autism.

6.37 The Panel noted evidence from NHS officers that, whilst provision at the Grove is focussed primarily on education rather than health, it might nevertheless play a role in preventing the escalation of issues. Ms Collin reported that Islington also had a special school for autistic children and health commissioners had felt that it had helped. Whether it was beneficial depended to some extent on how separate provision was viewed by children and young people.

6.38 The Panel also noted that NHS partners had been aware of the setting up of the Grove but not directly involved. The Panel was surprised to hear this as it would appear to be good practice to seek the views of all relevant professionals and partners when such decisions are taken. It could be argued that the setting up of such a school is purely an educational matter. However, the Panel noted the view of NHS colleagues that it such provision could also have a wider impact then education, albeit beneficial. The Panel is of the view that it is important that a joined up approach is followed and an opinion should sought from *all* relevant partners, particularly NHS colleagues, when proposals such as this are being considered.

Recommendation:
That, as good partnership practice and to ensure that all relevant issues are considered, the views of all SEND partners be routinely sought when significant changes are proposed to support and provision for children and young people with SEND.

Work Experience

6.39 We heard that schools try to find placements for work experience for young people with SEND. Ms Robinson reported that they often returned to their primary school for this, although working in a school was not something that they necessarily wanted to do. Young people needed to have aspirations beyond school. The school would provide support to young people in work placements and it was important that employers were aware of this.

6.40 The Panel noted the issues that young people with SEND can experience in finding work experience placements. It is important that they are given good opportunities and encouraged to broaden their horizons. It therefore recommends that a strategy be developed with schools to improve opportunities for work experience placements for young people with SEND.

Recommendation:
That a strategy be developed between the Council and schools to improve opportunities for work experience placements for young people with SEND.

Appendix A

Participants in the Review:

Ngozi Anuforo, Head of Strategic Commissioning, Early Help and Culture

Dr Myooran Canagaratnam, Tavistock and Portman Hospital

Kathryn Collin, Head of Children's Commissioning, NHS Haringey Clinical Commissioning Group (CCG)

Gill Gibson, Assistant Director for Early Help and Prevention

Ruth Glover SEND lead from Open Door;

Michele Guimarin, Vulnerable Children Joint Commissioning Manger, Haringey Council and Haringey CCG

Lisa Ferguson and Kenton Doyle, Haringey Involve

Marta Garcia, sendPACT

Vikki Monk-Meyer, Head of Integrated Service SEN and Disabilities

Parents and carers of children and young people with SEND; Brian and Sue Leveson, Femi, Manuel and Alex

Charlotte Pomery, Assistant Director for Commissioning

Eveleen Riordan – Assistant Director, Schools and Learning

Gerry Robinson, Headteacher of Woodside High School

Ian Scotchbrook, Headteacher of South Harringay Primary School

Lucia Santi, Headteacher of the Grove School

Dr Divya Sasikumar, Whittington Hospital

Andrew Webster and Susan Cassidy, Park View School

Agenda Item 7

Report for: Overview & Scrutiny Committee 23 January 2020

Item number: 7

Title: Treasury Management Strategy Statement 2020/21

Report authorised by: Jon Warlow, Director of Finance (S151 Officer)

Lead Officer: Thomas Skeen, Head of Pensions, Treasury & Chief Accountant
thomas.skeen@haringey.gov.uk 020 8489 1341

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non Key decision

1. Describe the issue under consideration

1.1 To present the Treasury Management Strategy Statement for 2020/21 to this Committee for scrutiny before it is presented to Corporate Committee and then Full Council for final approval.

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

3.1 That the proposed updated Treasury Management Strategy Statement for 2020/21 is scrutinised and comments made prior to its presentation to Corporate Committee and Council for approval.

4. Reasons for decision

4.1 The CIPFA Treasury Management Code of Practice requires all local authorities to agree a Treasury Management Strategy Statement including an Investment Strategy annually in advance of the financial year.

5. Alternative Options Considered

5.1 None

6. Background information

6.1. The CIPFA Treasury Management Code of Practice requires that the Treasury Management Strategy Statement is formulated by the Committee responsible for the monitoring of treasury management, is then subject to scrutiny before being approved by Full Council. In Haringey, the Corporate Committee is responsible for formulating the Treasury Management

Strategy Statement for recommendation to full Council through Overview and Scrutiny Committee. Any comments by Overview and Scrutiny will be reported to Corporate Committee. Training will be provided in advance of the meeting by Arlingclose, the Council's Treasury advisor.

6.2. The key updates to the proposed strategy being considered are summarised below:

- Prior years' treasury management strategy statements have focussed on the coming three financial years (as is the common practice at many local authorities). This year's strategy shows a five year position throughout the report, which better aligns with the Council's medium term financial strategy and budget report.
- The recent increase to borrowing rates from the Public Works Loan Board (PWLB) is referred to in paragraph 4.5 of the report. This refers to alternatives which will be considered to PWLB borrowing, now that the rate has been increased.
- The revised strategy has allowed for the possibility of the Council diversifying its treasury investments into higher yielding asset classes (paragraph 5.4). Were this to proceed, this would represent a change in the Council's strategy from prior years, and is included in the strategy to allow for this as a possibility at this stage, not for final decision making purposes. This would be the subject of further reports for later in the financial year if this is to proceed further, and would return to Overview and Scrutiny prior to progression.
- The strategy maintains the maximum limit of £5m on any single investment on the basis that the Council's treasury reserve is of this level.
- The section of the report which focusses on the Council's minimum revenue provision has been expanded to provide more detail and improve clarity in paragraphs 10.9 and 10.10.
- The revenue budget implications section of the report in section 12 has been expanded on to provide a greater level of detail and to provide clearer linkages to various elements of the Council's MTFS.

7. Contributions to Strategic Outcomes

7.1 The treasury strategy will influence the achievement of the Council's budget.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

<u>Finance and Procurement</u>

8.1 The approval of a Treasury Management Strategy Statement is a requirement of the CIPFA Treasury Management Code of Practice and CIPFA Prudential Code.

8.2 Financial Comments are contained throughout the treasury management strategy statement.

<u>Legal</u>

8.3 The Assistant Director of Corporate Governance has been consulted on the content of this report. The Council must make arrangements for the proper administration of its financial affairs and its power of borrowing is set out in legislation.

8.4 The Council is required to determine and keep under review its borrowing and in complying with this requirement it must have regard to the code of practice entitled the “Prudential Code for Capital Finance in Local Authorities” as published by CIPFA from time to time.

8.5 As mentioned in this report the CIPFA Treasury Management Code of Practice requires the Council to agree a Treasury Management Strategy Statement (TMSS) (including an Investment Strategy). In considering the report Members must take into account the expert financial advice available and any further oral advice given at the meeting of the Committee.

<u>Equalities</u>

8.6 There are no equalities issues arising from this report.

9. Use of Appendices

9.1 Appendix 1 – Treasury Management Strategy Statement 2020/21.

10. Local Government (Access to Information) Act 1985

10.1 Not applicable.

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London Borough of Haringey

Treasury Management Strategy Statement 2020/21

1. **Introduction**

1.1. Treasury management is the management of the Authority’s cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority’s prudent financial management.

1.2. Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy’s *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority’s legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

1.3. Investments held for service purposes or for commercial profit are considered in section 6 of this report, in line with the 2018 MHCLG Investment Guidance.

2. **External Context – provided by the Council’s appointed treasury advisor, Arlingclose**

2.1. **Economic background:** The UK’s progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority’s treasury management strategy for 2020/21.

2.2. UK Consumer Price Inflation (CPI) for September registered 1.7% year on year, unchanged from the previous month. Core inflation, which excludes the more volatile components, rose to 1.7% from 1.5% in August. The most recent labour market data for the three months to August 2019 showed the unemployment rate ticked back up to 3.9% while the employment rate was 75.9%, just below recent record-breaking highs. The headline 3-month average annual growth rate for pay was 3.8% in August as wages continue to rise steadily. In real terms, after adjusting for inflation, pay growth increased 1.9%.

2.3. GDP growth rose by 0.3% in the third quarter of 2019 from -0.2% in the previous three months with the annual rate falling further below its trend rate to 1.0% from 1.2%. Services and construction added positively to growth, by 0.6% and 0.4% respectively, while production was flat and agriculture recorded a fall of 0.2%. Looking ahead, the Bank of England’s Monetary Policy Report (formerly the Quarterly Inflation Report) forecasts economic growth to pick up during 2020 as Brexit-related uncertainties dissipate and provide a boost to business investment helping GDP reach 1.6% in Q4 2020, 1.8% in Q4 2021 and 2.1% in Q4 2022.

2.4. The Bank of England maintained Bank Rate to 0.75% in November following a 7-2 vote by the Monetary Policy Committee. Despite keeping rates on hold, MPC members did confirm that if Brexit uncertainty drags on or global growth fails to recover, they are prepared to cut interest rates as required. Moreover, the downward revisions to some of the growth

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projections in the Monetary Policy Report suggest the Committee may now be less convinced of the need to increase rates even if there is a Brexit deal.

2.5. Growth in Europe remains soft, driven by a weakening German economy which saw GDP fall -0.1% in Q2 and is expected to slip into a technical recession in Q3. Euro zone inflation was 0.8% year on year in September, well below the European Central Bank's target of 'below, but close to 2%' and leading to the central bank holding its main interest rate at 0% while cutting the deposit facility rate to -0.5%. In addition to maintaining interest rates at ultra-low levels, the ECB announced it would recommence its quantitative easing programme from November.

2.6. In the US, the Federal Reserve began easing monetary policy again in 2019 as a pre-emptive strike against slowing global and US economic growth on the back on of the ongoing trade war with China. At its last meeting the Fed cut rates to the range of 1.50-1.75% and financial markets expect further loosening of monetary policy in 2020. US GDP growth slowed to 1.9% annualised in Q3 from 2.0% in Q2.

2.7. **Credit outlook:** Credit conditions for larger UK banks have remained relatively benign over the past year. The UK's departure from the European Union was delayed three times in 2019 and while there remains some concern over a global economic slowdown, this has yet to manifest in any credit issues for banks. Meanwhile, the post financial crisis banking reform is now largely complete, with the new ringfenced banks embedded in the market.

2.8. Challenger banks hit the news headlines in 2019 with Metro Bank and TSB Bank both suffering adverse publicity and falling customer numbers.

2.9. Looking forward, the potential for a "no-deal" Brexit and/or a global recession remain the major risks facing banks and building societies in 2020/21 and a cautious approach to bank deposits remains advisable.

2.10. **Interest rate forecast:** The Authority's treasury management adviser Arlingclose is forecasting that Bank Rate will remain at 0.75% until the end of 2022. The risks to this forecast are deemed to be significantly weighted to the downside, particularly given the need for greater clarity on Brexit and the continuing global economic slowdown. The Bank of England, having previously indicated interest rates may need to rise if a Brexit agreement was reached, stated in its November Monetary Policy Report and its Bank Rate decision (7-2 vote to hold rates) that the MPC now believe this is less likely even in the event of a deal.

2.11. Gilt yields have risen but remain at low levels and only some very modest upward movement from current levels are expected based on Arlingclose's interest rate projections. The central case is for 10-year and 20-year gilt yields to rise to around 1.00% and 1.40% respectively over the time horizon, with broadly balanced risks to both the upside and downside. However, short-term volatility arising from both economic and political events over the period is a near certainty.

2.12. A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix A.

2.13. For the purpose of setting the budget, it has been assumed that new treasury management investments will be made at an average rate of 0.75%, and that new long-term loans will be borrowed at an average rate of 3.5%.

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3. **Local Context**

3.1. On 31st December 2019, the Authority held £407.2m of borrowing and £33.8m of investments. Forecast changes to borrowing balances are shown in the balance sheet analysis in table 1 below.

3.2. Table 1a: Balance sheet summary – cumulative forecast Capital Financing Requirement (CFR) and borrowing balances

	31.3.19 Actual £m	31.3.20 Estimate £m	31.3.21 Forecast £m	31.3.22 Forecast £m	31.3.23 Forecast £m	31.3.24 Forecast £m	31.3.25 Forecast £m
General Fund CFR	383.8	466.5	608.9	720.0	815.4	877.1	909.9
HRA CFR	249.8	300.7	464.1	610.0	683.2	744.5	829.0
Total CFR	**633.7**	**767.2**	**1,073.0**	**1,330.0**	**1,498.6**	**1,621.6**	**1,738.9**
Less: Other debt liabilities *	-31.8	-27.5	-23.4	-19.2	-14.8	-10.2	-8.2
Loans CFR	**601.9**	**739.8**	**1,049.6**	**1,310.9**	**1,483.9**	**1,611.4**	**1,730.7**
Less: Internal borrowing	-213.1	-213.1	-213.1	-213.1	-213.1	-213.1	-213.1
CFR Funded by External Borrowing	**388.8**	**526.7**	**836.5**	**1,097.8**	**1,270.8**	**1,398.3**	**1,517.6**
Breakdown of external borrowing:							
Existing Borrowing**	388.8	406.7	398.9	387.9	384.0	366.3	365.3
New Borrowing to be raised	0.0	120.0	437.6	709.8	886.8	1,032.1	1,152.3

*leases and PFI liabilities and transferred debt form part of the Authority's total debt
** shows only loans to which the Authority is committed and excludes optional refinancing

3.3. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). Usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, by utilising the cash representing these reserves and working capital, this is known as internal borrowing.

3.4. The Authority has an increasing CFR due to the capital programme, and will therefore be required to raise new borrowing of up to £1,152m over the forecast period.

3.5. CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1a shows that the Authority expects to comply with this recommendation during the course of the MTFS.

3.6. The capital plans which underpin the borrowing requirement above are dealt with in the council's main budget report (in particular the Capital Strategy section). All of the Council's capital programme is robustly scrutinised and tested to ensure that the capital plans are affordable and prudent. The above shows the five year effects of the Council's

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capital programme, however all capital plans are assessed in their entirety (i.e. some schemes are for a greater than 5 year time frame).

3.7. The breakdown of the borrowing position at each financial year end for both the General Fund and the HRA is shown below:

Table 1b: Year end borrowing position summary

	31.3.19 Actual £m	31.3.20 Estimate £m	31.3.21 Forecast £m	31.3.22 Forecast £m	31.3.23 Forecast £m	31.3.24 Forecast £m	31.3.25 Forecast £m
GF	170.3	227.3	373.8	489.1	588.9	655.2	690.0
HRA	218.5	299.4	462.7	608.6	681.9	743.1	827.6
Total	**388.8**	**526.6**	**836.5**	**1,097.7**	**1,270.8**	**1,398.3**	**1,517.6**

4. **Borrowing Strategy**

4.1. The Authority currently holds £407 million of loans, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in table 1a shows that the Authority expects to increase its borrowing by up to £438m by the end of 2020/21. The Authority may also borrow additional sums to reduce its existing internal borrowing to satisfy future years' borrowing requirements, providing this does not exceed the authorised limit for borrowing as set out in table 2 of this report.

4.2. **Objectives:** The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

4.3. **Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead. However, given the size of the Council's capital programme, and the need to diversify the Council's debt portfolio, long term borrowing will also be required during 2020/21, so the strategy will be to fulfil the Council's borrowing requirement with a mixture of long and short term borrowing.

4.4. By taking short term borrowing, the Authority is able to reduce net borrowing costs. The benefits of short term borrowing will be monitored regularly against the potential for incurring additional costs by deferring longer term borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine to what extent the Authority borrows additional sums at long-term fixed rates in 2020/21 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

4.5. The Authority has in recent years raised all of its long-term borrowing from the PWLB. The government increased PWLB rates by 1% in October 2019. Long-term borrowing will therefore now be considered from a variety of sources besides the PWLB such as banks,

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pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. The Authority's immediate cashflow requirements can be fulfilled by short term borrowing from other Local Authorities.

4.6. Alternatively, the Authority may arrange forward starting loans during 2019/20, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

4.7. Sources of borrowing**:** The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Haringey Pension Fund, and the London Collective Investment Vehicle)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

4.8. **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

4.9. **Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report.

4.10. **LOBOs:** The Authority holds £125m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. £50m of these LOBOs have options during 2020/21, and although the Authority understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Council will repay LOBO loans with no penalty if it can, however, it recognises that lenders are highly unlikely to offer this while the interest rates on existing loans remain above prevailing rates.

4.11. Some LOBO lenders are now open to negotiating premature exit terms from LOBO loans via payment of a premium to the lender. Haringey Council's policy will be to exit LOBO agreements if the costs of replacing the loans, including all premium, transaction and funding costs, generate a material net revenue saving for the Council over the life of the

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loan in net present value terms, and all costs are consistent with Haringey's approved medium term financial strategy. Whether to repay a LOBO loan will be determined by the S151 Officer, in line with Haringey's constitution.

4.12. When loans are prematurely repaid, there is usually a premium payable to the lender, to compensate them for interest forgone at the contractual rate, where prevailing interest rates are lower. Haringey would need to refinance LOBOs by raising borrowing for both the original sum borrowed, and the premium payable to the lender. However, this type of arrangement can prove beneficial where interest savings exceed premium costs. Replacing LOBOs, that contain an option for lenders to increase the rate, with fixed rate debt will reduce refinancing and interest rate risk.

4.13. **Short-term and variable rate loans**: These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).

4.14. **Debt rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

4.15. **Borrowing Limits:** The council's total borrowing limits are set out in table 2 below.

4.16. The **Authorised Limit** sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) and is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit). The Indicator separately identifies borrowing from other long term liabilities such as finance leases. The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

4.17. The **Operational Boundary** links directly to the Council's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit. The Operational Boundary and Authorised Limit apply at the total level.

4.18. The Chief Finance Officer has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of the Corporate Committee.

4.19. Table 2 Borrowing Limits

	2019/20 limit	2020/21 limit	2021/22 limit	2022/23 limit	2023/24 limit	2024/25 limit
	£m	£m	£m	£m	£m	£m
Authorised limit – borrowing	752.4	979.6	1,240.9	1,413.9	1,541.4	1,660.7
Authorised limit – PFI & leases	39.9	30.9	25.3	19.5	13.4	10.9
Authorised limit – total external debt	**792.3**	**1,010.5**	**1,266.1**	**1,433.4**	**1,554.8**	**1,671.5**
Operational boundary - borrowing	702.4	929.6	1,190.9	1,363.9	1,491.4	1,610.7
Operational boundary – PFI & leases	36.3	28.1	23.0	17.7	12.2	9.9
Operational boundary – total external debt	**738.7**	**957.7**	**1,213.8**	**1,381.6**	**1,503.6**	**1,620.6**

5. **Investment Strategy - Treasury Investments**

5.1. The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance (excluding exceptional transactions) has generally ranged between £10 and £50 million, and similar levels are expected to be maintained in the forthcoming year. It is a requirement of the Markets in Financial Instruments Directive II (MiFID) that the Council maintains an average investment balance of at least £10m, in order to remain professional client status (see also par 11.7)

5.2. **Objectives:** The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Were balances to be invested for more than one year, the Authority would aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

5.3. **Negative interest rates:** If the UK enters into a recession in 2020/21, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

5.4. **Strategy:** Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority aims to maintain its policy of utilising highly creditworthy and highly liquid investments such as loans to other local authorities, AAA rated money market funds and the Debt Management Office (part of HM treasury). The Authority will consider diversifying into more secure and/or higher yielding asset classes during 2020/21, in particular for the estimated £10m that is available for longer-term investment due to being required for the MiFID professional client status. Any such diversification would represent a change in strategy over the coming year, and would be the subject of further reports.

5.5. **Business models:** Under the new IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

5.6. **Approved counterparties:** The Authority may invest its surplus funds with any of the counterparty types in table 3 below, subject to the cash limits (per counterparty) and the time limits shown.

5.7. <u>Table 3: Approved investment counterparties and limits</u>

Credit rating	**Banks unsecured**	**Banks secured**	**Government**	**Corporates**	**Registered Providers**
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£5m 5 years	£5m 20 years	£5m 50 years	£5m 20 years	£5m 20 years
AA+	£5m 5 years	£5m 10 years	£5m 25 years	£5m 10 years	£5m 10 years
AA	£5m 4 years	£5m 5 years	£5m 15 years	£5m 5 years	£5m 10 years
AA-	£5m 3 years	£5m 4 years	£5m 10 years	£5m 4 years	£5m 10 years
A+	£5m 2 years	£5m 3 years	£5m 5 years	£5m 3 years	£5m 5 years
A	£5m 13 months	£5m 2 years	£5m 5 years	£5m 2 years	£5m 5 years
A-	£5m 6 months	£5m 13 months	£5m 5 years	£5m 13 months	£5m 5 years
None	£1m 6 months	n/a	£5m 25 years	£5m 5 years	£5 m 5 years
Pooled funds and real estate investment trusts		£5m per fund or trust			

5.8. **Credit rating:** Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

5.9. **Banks unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

5.10. **Banks secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

5.11. **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

5.12. **Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies for treasury purposes will only be made either following an external credit assessment or to a maximum of £5m per company as part of a diversified pool in order to spread the risk widely.

5.13. **Registered providers:** Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

5.14. **Pooled funds:** Shares or units in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

5.15. Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

5.16. **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties. Investments in REIT shares cannot be withdrawn but can be sold on the stock market to another investor.

5.17. **Operational bank accounts:** The Authority may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £10m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

5.18. **Risk assessment and credit ratings**: Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

5.19. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

5.20. **Other information on the security of investments**: The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

5.21. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

5.22. **Investment limits**: The Authority's revenue reserves expressly available to cover investment losses are forecast to be £5 million on 31st March 2020. In order that no more than 100% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment limits

	Cash limit
Any single organisation, except the UK Central Government	£5 m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£5m per group
Any group of pooled funds under the same management	£5m per manager
Negotiable instruments held in a broker's nominee account	£5m per broker
Foreign countries	£5m per country
Registered providers and registered social landlords	£5m in total
Unsecured investments with building societies	£5m in total
Loans to unrated corporates	£5m in total
Money market funds*	£25m in total
Real estate investment trusts	£5m in total

*These limits apply for both Haringey Council and Haringey pension Fund, so the limit for Money Market Funds is £5m per MMF and £25m aggregate limit for the Council, and £25m for the fund.

5.23. **Liquidity management**: The Authority uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast.

6. Investment Strategy – Non-Treasury Management Investments

6.1. The Authority invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments –** see section 5 of this report),
- to support local public services by lending to or buying shares in other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

6.2. This section (section 6) of this report meets the requirements of statutory guidance issued by the government in January 2018, and focuses on the second and third of the above categories.

6.3. **Treasury Management Investments**

6.3.1. The Authority typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £10m and £50m during the 2020/21 financial year.

6.3.2. **Contribution:** The contribution that these investments make to the objectives of the Authority is to support effective treasury management activities.

6.3.3. **Further details:** Full details of the Authority's policies and its plan for 2019/20 for treasury management investments are covered in the previous section, section 5 of this report.

6.4. **Service Investments:**

6.4.1. **Contribution:** The Council lends money to third parties such as its subsidiaries, local businesses, local charities, local residents and its employees to support local public services and stimulate local economic growth. These are usually treated as capital expenditure and included within the Council's capital programme

6.4.2. **Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, it will be ensured that any new loans made will remain proportionate to the size of the Authority. Balances as at 31.3.19 were as follows:

6.4.3. *Table 5: Loans for service purposes in £ millions*

Category of borrower	31.3.2019 actual		
	Balance owing	**Loss allowance**	**Net figure in accounts**
Subsidiaries	0.3	-0.3	0.0
Local businesses	4.8	-0.6	4.2
Local charities	47.4	-43.5	3.9
Local residents	0.1	0.0	0.1
Employees	0.1	0.0	0.1
TOTAL	52.7	-44.4	8.3

6.4.4. The largest balance above relates to Alexandra Palace debts (shown under local charities). There are historic debt balances owed by the Trust that have not been

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legally discharged, totalling £46.7m. Of this £3.6m relates to loans made in 2015/16 and 2016/17 for works to the Ice Rink and West Storage Yard, which are being repaid by the Trust in line with the original loan agreements. A further £43.1m is legally outstanding but does not currently have repayments being made, this debt dates back to previous decades when the Council expended funds on behalf of the Trust. Although this £43.1m debt has not been legally discharged, the Council has agreed that it will only seek to recover this when the Trust is in a position to repay amounts due. The loans to local business include the opportunity investment fund, and a loan to a business who operates some of Haringey's leisure facilities.

6.4.5. Accounting standards require the Authority to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Authority's statement of accounts from 2018/19 onwards are shown net of this loss allowance. However, the Authority makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

6.4.6. **Risk assessment:** The Authority assesses the risk of loss before entering into and whilst holding service loans by weighing up the service outcomes any such loan could provide against the creditworthiness of the recipient. This is done on a case by case basis, given the low number of such arrangements. This forms part of the Council's capital programme, further details of which are in the Council's annual medium term financial strategy.

6.5. Commercial Investments: Property

6.5.1. **Contribution:** The Council holds properties which are classified as 'investment properties' in the Council's statement of accounts. These properties are all within the local area, and include approximately 200 shops, offices and other commercial premises. The revenue stream associated with these (net of the costs of maintaining the properties) forms part of the Council's annual budget, therefore contributing to the resources available to the Council to spend on local public services. Any future acquisitions that the Council makes in this area will be made with reference to the CIPFA Prudential Property Investment guidance issued in 2019.

6.5.2. The value of investment properties disclosed in the 2018/19 statement of accounts was £70.5m.

7. Capacity, Skills, Culture and Advice

7.1. CIPFA's Treasury Management Code of Practice requires the Chief Financial Officer to ensure that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities.

7.2. Given the significant amounts of money involved, it is crucial members have the necessary knowledge to take treasury management decisions. Training sessions are arranged for members to keep their knowledge up to date.

7.3. The needs of the Council's treasury management staff for training in investment management are assessed as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

7.4. The Council has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is reviewed by the Council's treasury management staff.

7.5. Appropriately skilled and experienced finance and legal staff members work with service departments to ensure that the risks associated with any projects they undertake, and compliance with regulation and statutory guidance are properly understood, and form a key consideration in any decision making process.

7.6. The Council's constitution has clearly defined roles and responsibilities for treasury management responsibilities, both for members, committees, and officers.

8. Investment Indicators

8.1. The Authority has set the following quantitative indicators to allow elected members and the public to assess the Authority's total risk exposure as a result of its investment decisions.

8.2. **Total risk exposure:** The first indicator shows the Authority's total exposure to potential investment losses.

8.3. Table 6: Total investment exposure in £ millions

Total investment exposure	**31.03.2019 Actual**	**31.03.2020 Forecast**	**31.03.2021 Forecast**
Treasury management investments	30.6	15.0	15.0
Service investments: Loans	8.3	7.9	7.5
Commercial investments: Property	70.5	70.5	70.5
TOTAL INVESTMENTS	109.4	93.4	93.0

8.4. **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Authority does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Authority's investments are funded by usable reserves and income received in advance of expenditure.

8.5. *Table 7: Investments funded by borrowing in £ millions*

Investments funded by borrowing	31.03.2019 Actual	31.03.2020 Forecast	31.03.2021 Forecast
Treasury management investments	0.0	0.0	0.0
Service investments:	5.4	5.6	6.0
Commercial investments: Property	45.5	50.2	56.2
TOTAL FUNDED BY BORROWING	50.9	55.8	62.2

8.6. **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

8.7. *Table 8: Investment rate of return*

Investments net rate of return	2018/19 Actual	2019/20 Forecast	2020/21 Forecast
Treasury management investments	0.66%	0.75%	0.75%
Service investments:	3.70%	3.70%	3.70%
Commercial investments: Property	6.16%	4.00%	4.00%
ALL INVESTMENTS	4.43%	3.45%	3.45%

9. Treasury Management Indicators

9.1. The Authority measures and manages its exposures to treasury management risks using the following indicators.

9.2. **Security:** The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	**Target**
Portfolio average credit rating	*Above A-, score of 7 or lower*

9.3. **Liquidity:** The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling 3 month period, without additional borrowing.

Liquidity risk indicator	**Target**
Total cash available within 3 months	£10m

9.4. **Interest rate exposures**: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	**Limit**
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£2m
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£2m

9.5. The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

9.6. **Maturity structure of borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	**Upper limit**	**Lower limit**
Under 12 months	50%	0%
12 months and within 24 months	40%	0%
24 months and within 5 years	40%	0%
5 years and within 10 years	40%	0%
10 years and above	100%	0%

9.7. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

9.8. **Total short term borrowing:** the Council has used short term borrowing (under 1 year in duration) from other local authorities extensively in recent years, as an alternative to longer term borrowing from PWLB, due to the lower interest rates, and corresponding revenue savings. Short term borrowing could also be raised from other counterparties such as banks.

Short term borrowing exposes the Council to refinancing risk: the risk that interest rates rise quickly over a short period of time, and are at significantly higher rates when loans mature and new borrowing has to be raised. With this in mind, the Authority will set a limit on the total amount of short term borrowing that has no associated protection against interest rate rises, as a proportion of all borrowing.

Short term borrowing	Limit
Upper limit on short term borrowing that exposes the Council to interest rate rises as a percentage of total borrowing	30%

9.9. **Principal sums invested for periods longer than a year:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2019/20	2020/21	2021/22
Limit on principal invested beyond year end	£10m	£10m	£10m

10. Minimum Revenue Provision Policy Statement

10.1. Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Ministry of Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently issued in 2018.

10.2. The broad aim of the MHCLG Guidance is to ensure that capital expenditure is financed over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

10.3. The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year and recommends a number of options for calculating a prudent amount of MRP. The following statement only incorporates options recommended in the Guidance.

10.4. The Council's MRP policy was reviewed and revised to better reflect the rules set out in the prudential code and government guidance around prudent provision for repayment of borrowed capital. The revised policy, which took effect from 1 April 2016, ensured that provision for capital repayment is made over a period that is commensurate with the period in which the asset purchased provides benefits.

General Fund MRP policy: borrowing before 2007/08

10.5. The Council calculates MRP on historic debt based on the Capital Financing Requirement (CFR) as at 1 April 2007.

10.6. The Council calculates the MRP charge based on 2% of that CFR, fixed at the same cash value so that the whole debt is repaid after 50 years in total.

10.7. The historic MRP policy for borrowing incurred before 2007/08 led to MRP charges that exceeded what prudence required during the period from 1 April 2007 to 31 March 2016. This resulted in a cumulative charge at 31 March 2016 that was in excess of what is considered prudent and appropriate under the current policy. To reflect the historic over-provision the Council undertakes an annual review to determine whether to make a realignment of MRP charged to the General Fund, using the policy set out above, to recognise the excess sum charged to that point.

10.8. The following conditions will apply to the annual review:
- Total MRP after applying realignment will not be less than zero in any financial year.
- The cumulative total of the MRP realignment will never exceed the amount of historical over-provision calculated to 31 March 2016.

10.9. The table below summarises the historic overprovision position on pre 2008 General Fund expenditure:

Table 9 – Summary of historic overprovision of MRP on pre 2008 GF expenditure

	£m
MRP provided between 2008-2016 under previous policy to 31.3.2016	78.0
MRP required to be provided between 2008-2016 under current policy	45.2
Overprovision as at 31.3.2016	32.9

10.10. The remaining overprovision of MRP as at 31.3.2019 was £17.7m. The estimated MRP charges relating to pre 2008 general fund expenditure are summarised in the table below, due to the historic overprovision, MRP charges are estimated to be nil until part way through 2022/23 at which point the historic overprovision will be cleared.

Table 10: Estimated MRP charges on GF pre 2008 expenditure

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m	£m
MRP charge on pre 2008 GF expenditure	5.0	5.0	5.0	5.0	5.0	5.0
Less: historic overprovision	-5.0	-5.0	-5.0	-2.7	0.0	0.0
Net MRP charge for pre 2008 expenditure	0.0	0.0	0.0	2.3	5.0	5.0

General Fund MRP policy: prudential borrowing from 2007/08

10.11. For borrowing incurred on schemes described by the Government as Prudential Borrowing or Unsupported Borrowing, MRP will be calculated over the estimated remaining useful life applicable to the expenditure (usually the useful life of the asset it is financing) using the Annuity repayment method in accordance with Option 3 of the guidance.

10.12. This means that MRP will be calculated on an annuity basis (like many domestic mortgages) over the estimated life of the asset, at an appropriate interest rate. Estimated life periods will be determined by the Section 151 Officer under delegated powers.

10.13. In accordance with the provisions in the guidance, MRP will be first charged in the financial year following the one in which the entire asset to which the charge relates, becomes fully operational.

10.14. Financial agreements such as loans, investments or where assets are to be acquired for future development (including where capital receipts are part of the business case), will not, at the discretion of the CFO, attract MRP. This discretion will be applied where it is reasonable to assume that the initial capital investment will be returned to the Council in full at maturity or over a defined period.

HRA MRP policy

10.15. There is no statutory requirement to make an annual MRP charge for HRA assets, and the Authority does not currently plan to do this given the current low level of debt per property that the Council holds, and the fact that sums charged as depreciation in the HRA are spent on major repairs to the Authority's housing stock to ensure they remain in suitable condition. This policy will be kept under annual review.

Concession Agreements

10.16. MRP in relation to concession agreements (e.g. PFI contracts) and finance leases are calculated on an asset life method using an annuity repayment profile, consistent with the method for all prudential borrowing since 2007/08. Estimated life periods will be determined under delegated powers.

Finance Leases

10.17. For assets acquired by finance leases, including leases brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.

Statutory capitalisations

10.18. For expenditure which does not create a fixed asset, but is statutorily capitalised and subject to estimated life periods that are referred to in the guidance, these estimated periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

10.19. Other methods to provide for debt repayment may occasionally be used in individual cases where this is consistent with the statutory duty to be prudent, at the discretion of the Section 151 Officer.

10.20. The Section 151 Officer may approve that such debt repayment provision may be made from capital receipts or from revenue provision.

11. <u>Related Matters</u>

11.1. The CIPFA Code requires the Authority to include the following in its treasury management strategy.

11.2. **Financial Derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

11.3. The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

11.4. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

11.5. In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

11.6. **Housing Revenue Account:** On 1st April 2012, the Authority notionally split each of its existing long-term loans into General Fund and HRA pools. From 2012 going forwards, new long-term loans borrowed have been, and will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA at the Authority's average interest rate on investments.

11.7. **Markets in Financial Instruments Directive**: The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and

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fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, this is the most appropriate status.

12. Revenue Budget Implications

12.1. The budget for investment income in 2019/20 is £0.2 million, based on an average investment portfolio of £25 million at an interest rate of 0.75%. This is assumed to remain constant throughout the MTFS.

12.2. The budget for debt interest paid in 2020/21 is detailed in the table below for both the General Fund and HRA. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

12.3. The table below demonstrates the revenue budgets in both the General Fund and HRA for both interest costs on borrowing, and Minimum Revenue Provision charges. The Council's capital programme is moving to a financing strategy that seeks to ensure that investment via the capital programme is self-financing. The self-financing schemes will normally only proceed if they produce a reduction in expenditure that includes reductions enough to cover the cost of financing the investment. The level of these savings are demonstrated in the table below.

Table 11 Revenue Budgets for Interest Costs and MRP:

	2019/20 Forecast	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget
	£m	£m	£m	£m	£m	£m
MRP - pre 2008 expenditure	0.0	0.0	0.0	2.3	5.0	5.0
MRP - post 2008 expenditure	4.4	6.4	11.7	15.5	18.4	21.3
Total MRP	**4.4**	**6.4**	**11.7**	**17.8**	**23.4**	**26.4**
Interest Costs (General Fund)	4.2	5.0	6.9	8.7	10.2	11.4
Total Gross Capital Financing Costs (General Fund)	**8.6**	**11.5**	**18.6**	**26.4**	**33.6**	**37.7**
Offsetting Savings for self financing schemes	0.0	-2.2	-6.0	-9.7	-13.5	-15.4
Total Net Capital Financing Costs (General Fund)	**8.6**	**9.3**	**12.7**	**16.7**	**20.1**	**22.3**
Interest Costs (HRA)	**14.4**	**16.4**	**22.0**	**25.4**	**27.4**	**30.0**

13. **Other Options Considered**

13.1. The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Director of Finance (S151 Officer) having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

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Appendix A – Arlingclose Economic & Interest Rate Forecast December 2019

Underlying assumptions:

- The global economy is entering a period of slower growth in response to political issues, primarily the trade policy stance of the US. The UK economy has displayed a marked slowdown in growth due to both Brexit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations have eased.
- Some positivity on the trade negotiations between China and the US has prompted worst case economic scenarios to be pared back. However, information is limited, and upbeat expectations have been wrong before.
- Brexit has been delayed until 31 January 2020. A key concern is the limited transitionary period following a January 2020 exit date, which will maintain and create additional uncertainty over the next few years.
- UK economic growth has stalled despite Q3 2019 GDP of 0.3%. Monthly figures indicate growth waned as the quarter progressed and survey data suggest falling household and business confidence. Both main political parties have promised substantial fiscal easing, which should help support growth.
- The weaker external environment severely limits potential upside movement in Bank Rate, while the slowing UK economy will place pressure on the MPC to loosen monetary policy. Indeed, two MPC members voted for an immediate cut in November 2019.
- Inflation is running below target at 1.7%. While the tight labour market risks medium-term domestically-driven inflationary pressure, slower global growth should reduce the prospect of externally driven pressure, although political turmoil could push up oil prices.
- Central bank actions and geopolitical risks will continue to produce significant volatility in financial markets, including bond markets.

Forecast:

- Although we have maintained our Bank Rate forecast at 0.75% for the foreseeable future, there are substantial risks to this forecast, dependant the evolution of the global economy.
- Arlingclose judges that the risks are weighted to the downside.
- Gilt yields have risen but remain low due to the soft UK and global economic outlooks. US monetary policy and UK government spending will be key influences alongside UK monetary policy.
- We expect gilt yields to remain at relatively low levels for the foreseeable future and judge the risks to be broadly balanced.

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	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.21**
Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	**-0.73**
3-month money market rate														
Upside risk	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.30	0.30	0.30	0.30	0.30	**0.25**
Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	**-0.73**
1yr money market rate														
Upside risk	0.10	0.20	0.20	0.20	0.20	0.20	0.20	0.25	0.30	0.30	0.30	0.30	0.30	**0.23**
Arlingclose Central Case	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85
Downside risk	-0.30	-0.50	-0.55	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	**-0.60**
5yr gilt yield														
Upside risk	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.45	0.45	0.45	**0.37**
Arlingclose Central Case	0.50	0.50	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.57
Downside risk	-0.35	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	**-0.56**
10yr gilt yield														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	**0.37**
Arlingclose Central Case	0.75	0.75	0.80	0.80	0.85	0.85	0.90	0.90	0.95	0.95	1.00	1.00	1.00	0.88
Downside risk	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	**-0.45**
20yr gilt yield														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	**0.37**
Arlingclose Central Case	1.20	1.20	1.25	1.25	1.25	1.30	1.30	1.30	1.35	1.35	1.35	1.40	1.40	1.30
Downside risk	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	**-0.45**
50yr gilt yield														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	**0.37**
Arlingclose Central Case	1.20	1.20	1.25	1.25	1.25	1.30	1.30	1.30	1.35	1.35	1.35	1.40	1.40	1.30
Downside risk	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	**-0.45**

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 1.80%

PWLB Local Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

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