JNOTICE OF MEETING

OVERVIEW AND SCRUTINY COMMITTEE

Monday, 18th January, 2021, 7.00 pm - MS Teams

Members: Councillors Peray Ahmet (Chair), Pippa Connor (Vice-Chair), Erdal Dogan, Ruth Gordon and Khaled Moyeed

Co-optees/**Non Voting Members**: KanuPriya Jhunjhunwala (Parent Governor representative), Anita Jakhu (Parent Governor representative), Yvonne Denny (Co-opted Member - Church Representative (CofE)) and Lourdes Keever (Co-opted Member - Church Representative (Catholic))

Quorum: 3

20. FILMING AT MEETINGS

The Chair referred Members present to agenda item 1 in respect of filming at the meeting. Members noted the information contained therein.

21. APOLOGIES FOR ABSENCE

Apologies were received from, Yvonne Denny, KanuPriya Jhunjhunwala & Anita Jakhu

22. URGENT BUSINESS

There were no items of Urgent Business

23. DECLARATIONS OF INTEREST

None.

24. DEPUTATIONS/PETITIONS/PRESENTATIONS/QUESTIONS

None.

25. MINUTES OF SCRUTINY PANEL MEETINGS

RESOLVED

That the minutes of the following Scrutiny Panels were noted and any recommendations contained within were approved:

Adults and Health – 10th December 2020
Environment & Community Safety – 10th December 2020
Housing & Regeneration – 15th December 2020
Children & Young People – 17th December 2020

26. SCRUTINY OF THE 2021/22 DRAFT BUDGET/5 YEAR MEDIUM TERM FINANCIAL STRATEGY (2022/22- 2025/26) - RECOMMENDATIONS

The Committee received a cover report which set out how budget proposals detailed in the draft 5 year Medium Term Financial Strategy (2021/22 – 2025/26) had been scrutinised and the draft recommendations that had been reached by the Overview and Scrutiny Committee (OSC) and Scrutiny Review Panels. Attached to this report was the: 2021-22 Budget and 2021-2026 Medium Term Financial Strategy as considered by Cabinet on 9th December; A summary of General Fund Revenue 2021/22 Budget and Medium Term Financial Plan 2021-2026; a list of all new savings proposals, along with the Total Savings Proposals for each priority and a pro-forma outlining each saving; the proposed capital programme plan for 2021/22 – 2025/26, along with a description of the key proposed capital investments; and a copy of the savings tracker for each of the priority areas of the budget.

Members of the Committee were asked to consider and agree recommendations
contained within this report so that these could be considered by Cabinet on 9th
February 2021, when they were scheduled to agree the final MTFS proposals that will be put to Council on 22nd February 2021. The report and its appendices were introduced by Cllr Adje, Cabinet Member for Finance and Strategic Regeneration and Jon Warlow, Director of Finance, as set out in the report pack at pages 41-142. Also present for this item were Frances Palopoli, Head of Corporate Financial Strategy & Monitoring & Thomas Skeen AD for Finance.

The following was discussed in response to the report and the revenue budget:

a. In response to a question, officers advised that the report set out that a balanced budget would be achieved subject to the use of reserves to meet the £5.4m budget gap, as it stood at the time of writing the report. The Director of Finance advised that the direction of travel since December had been positive so it was envisaged that this gap may come down in the February report. In response to a follow-up, the Committee was advised that which reserve this money came from, and how it would be funded would be detailed in the report to Cabinet in February. Officers confirmed that there was a budget resilience reserve within the existing budget of around £7m.
b. In response to a question around the High Needs Block and the extent to which the Director of Finance was comfortable with the overspend

involved, the Director of Finance advised he could not say that he was comfortable with the position but commented that the overspend was a result of successive underfunding by central government. The Committee was advised that the net overspend was around £4m and that the service was working hard to keep the overspend down. Funding for the High Needs Block was ring fenced so that even if the authority wanted to, it could not use General Fund Reserves to meet this budget gap unless the Secretary of State gave approval. Officers advised that the government had given an indication some months ago that it was looking to develop a solution to the historic problem, but no further updates had been received to date. Officers highlighted that this was a sector wide concern and that although Haringey was above average in terms of the deficit, it was not the worst performing London Borough.

c. In response to a request for a breakdown of the additional funding invested in Children's Services and Adults, officers advised that there was a budget adjustment of £3m in Children and £2.3m in Adults. The Adults service funding would need to address both demographic and inflationary pressures coupled with an expected growth in Mental Health and Learning Disabilities support required as a legacy of the Covid-19 pandemic. Whilst in Children's the key pressure points were SEND; both service demand and transport pressures, but more significantly placement costs due to an increase in children with more complex needs.
d. In response to a question, officers reassured Members that a number of financial plans stretched out over 2 to 3 years and that only a fraction of plans would never be delivered. Officers acknowledged the difficulties that many businesses and the local community were facing due to Covid-19.
e. In response to a question about the cost of Covid-19 and whether this had been accounted for in the current budget gap, officers advised that when the current budget was set in February 20/21 it was hoped that the budget setting outlook would be fairly stable and that there may be a shortfall of £1-2m. However, the ensuing health crisis had resulted in around £40m of additional expenditure. At Quarter 2, the projected budget gap was around £11-12m, but further tranches of government funding had been received in response to Covid since then. This was followed by the SR20 Spending Review, which had also been factored into this report and the current budget gap in the report was identified as £5.4m. The final budget gap, including any funding shortfalls in funding for the authority's Covid respond would be presented in the February Cabinet report and the extent of this gap would determine the extent to which reserves would need to be used to close that gap. The Director of Finance assured the Committee that the authority had sufficient reserves to ensure that a balanced budget was set.
f. In response to concerns from the Committee about use of jargon and the need for clarity in what were public reports, officers agreed to note these concerns for the February Cabinet report.
g. In response to a request for assurance around whether the authority would receive all of the Covid-related grant from the government, the

Committee was advised that there were no certainties but that to date, Haringey had received £27m of emergency grant and £8m of income relief from the government. This left in a C. £4m gap from the £40m cost to the authority from Covid. Officers set out that they were expecting further un-earmarked grant from the government but that they had not received any further information to date. There were, however, a number of earmarked grants promised around Test & Trace, for example, but how much these would amount to in total was not clear.

h. In response to a question around the level of reserves held by the authority, officers advised that there was £65m in earmarked reserves within the General Fund, which was down from £74m the year before and £16m in un-earmarked reserves in the General Fund. The Director of Finance advised that he was satisfied with the level of earmarked reserves, given the pressures the authority was under and it was commented that they were adequate, given the risks the authority faced.
i. The Committee sought assurance around whether a budget gap of £5.4m could be met for the next four years. In response, the Director of Finance advised that going forward the underlying budget gap needed to be ameliorated and that the authority should not be planning to use reserves year-on-year to close that gap.
j. In response to a question, officers advised that the collection rate assumption for Council Tax was 96.5% which was a decrease of around 1% from the year before due to the impact of Covid. At present, Council Tax collection was holding up better than Business Rates.
k. Officers confirmed that the budget for next year included a 2.99% increase in the adult social services precept along with the maximum increase in Council Tax of 2%. Looking forward, the assumption was that these increases would not be made year on year for the duration of the MTFS but that there had been an assumed year-on-year inflationary increase of 0.99%.

The following was discussed in response to the capital budget section of the report and its appendices:

l. In response to a request for clarification, the Committee was advised that the cost implications from capital investment did not necessarily have an impact in the year they were allocated, instead they could have revenue implications over many years.
m. Officers agreed to come back with a response on the level of borrowing on the capital programme undertaken last year (2019/20). **(Action: Thomas Skeen).**
n. In response to concerns about the Minimum Revenue Provision (MRP) and the increasing revenue costs required to service the level of borrowing outlined in the capital programme, the Committee sought assurances around whether additional savings would need to be made in future to meet these borrowing costs. In response, officers acknowledged that the capital programme involved a significant investment and had increased from previous years. The cost

implications were different based on what the scheme was. The report identified that there were three primary sources for the £810m five year capital programme within the General Fund; external sources of funding i.e. grants, self-financing schemes, and schemes paid for through income that had a residual cost to the Council's revenue streams. Each of these funding sources equated to around one-third of the overall programme. The Committee noted that a lot of the additional costs added into the capital programme for next year were within the education sector, such as schools alternative provision and Pendarren.

o. Officers advised that MRP was effectively the principal debt repayment required to meet borrowing costs for the capital programme and that this was growing within the revised MTFS. The increases in the MRP were due to two factors: The first was that from 2022/23 there would be a new basis for how MRP was calculated due to the authority having historically overpaid in MRP costs and the consequent MRP holiday expiring in 2022/23; the second factor was that borrowing was growing and this had to be repaid. However, it was worth noting that not all of the additional borrowing involved costs as a significant amount was offset by savings elsewhere.

p. In response to a question, officers advised that by 2025/25 the repayment costs of the capital programme would be £29m in principal costs and 12.9m interest costs.

q. In response to further questions around what impact the additional borrowing would have on the revenue budget, officers set out that table 8.8 of the report showed that in the current year 4% of the net revenue budget was taken up by financing costs, in 2025/26 this would increase to around 10% or £27.3m. The Director of Finance acknowledged that additional borrowing would create additional pressures and the fact that there was a capital programme meant that further savings would likely be required in future, however the authority also needed to ensure that there was adequate investment made into its estate and that schools were safe and fit for purpose. The Committee was advised that given the additional investment it was important that the authority scrutinised this programme effectively.

r. The Committee sought further information in relation to a breakdown of the capital investment in schools. In response, officers advised that the asset management strategy was due to be considered by Cabinet in February and that this would provide a more detailed breakdown than the MTFS report.

s. The Committee noted that it was proposed to increase the HRA Capital programme from around £1b to £1.2b and assurance was sought around how the feasibility of repaying this additional debt would be monitored going forwards. Officers advised that there were a number of governance procedures in place to monitor this, along with a number of key documents and sources of further information. The Committee was advised that individual schemes would be subject to specific decision making processes either through Cabinet or officer delegation, depending on whether the cost was above £500k. In relation to the HRA, the HRA business was a vast financial model that played out all of the expected financial costs to the Council's housing stock, both existing and expansion stock. When the Council bought or built new schemes there was a significant financial impact to the authority, and the HRA business plan looked at the different models available and the profiling of those costs. This was a multi-year model and covered all of the estates and agreed schemes.

t. The Director of Finance advised that the maintenance of an adequate reserve was an important tool in relation to financial planning and the HRA reserve was around £14m. The Committee were also advised that the HRA at present had a surplus, which was used to fund capital expenditure rather than borrowing more money. The authority was looking to maintain that surplus to a reasonable level in future years in order to create a risk buffer. The HRA business plan was refreshed every year and the Committee was assured that if circumstances changed then amendments would be made to protect the HRA's revenue viability in future.
u. The Chair of the Housing and Regeneration Panel thanked the Director of Finance for setting out such a comprehensive answer and suggested that she would like him or one of his officers to come along to a panel meeting to provide an opportunity to ask further questions. **(Action: Cllr Gordon).**
v. The Committee sought clarification around the extent to which proposed investment in the Civic Centre was down to historic neglect of the building. In response, the Cabinet Member advised that there were some long standing historical issues that the current administration inherited, however the fact was that the building was now listed and the authority had a duty to refurbish the building and make it fit for purpose as a civic centre.
w. The Committee expressed an interest in scrutiny looking at the asset management plan in more detail, particularly in light of significant investment in the schools estate. The Cabinet Member set out that the asset management plan refresh was brought in for the current administration and that it provided an important tool to help the authority meet its duties around its estate and to ensure that its assets were properly maintained.
x. The Committee sought assurance from the Cabinet Member as to whether he was comfortable with the increased revenue costs from higher borrowing and the potential for this to lead to more savings being required in future. The Cabinet Member advised that he was mindful of the additional costs involved and that this was a significant investment, but that many of the commitments involved in the capital programme were vital to the future of the borough. The Cabinet Member advised that he was hopeful that the borough would secure further grant funding from the government to offset some of these costs.
y. The Committee sought clarification around the £106m allocation in the capital budget for the High Road West acquisition. The Director of Finance advised that under the terms of the land assembly agreement, the authority was to use its powers to purchase the land and would

then in effect sell the land on to Lendlease as part of the land assembly for that scheme.

z. The Director of Finance advised that the authority tended to lean on the side of caution and that capital bids were usually bigger than required in order to meet all obligations. The underspend from these schemes would be carried forward into the budget for following years.

aa. The Committee sought clarification around the extent to which the Council already owned the land in question and whether the £90m funding for next year was GLA funding or whether we were match funding this. In response, the Director of Finance advised that the primary grant from the GLA was in respect of housing acquisition. Some of the land under the scheme would be used to build homes that the Council would then acquire through the HRA. Funding from the GLA would be used to subsidise the social housing elements of the scheme, which would reduce the net cost that the HRA had to pay Lendlease for those properties.

bb. In response to further questions, the Director Finance advised that the line in the capital budget in relation to land acquisition was specific to the cost of the land assembly, which the authority was required to acquire under the terms of the deal. It was acknowledged that the Council owned some of the land already but the costs involved in acquisition were associated with the bits of land that needed to be acquired. The primary means of support from the GLA was around the housing grant which was a different number to the £90m for next year (£106m in total), this was to help buy new HRA properties delivered by the Lendlease scheme.

cc. The Cabinet Member assured the Committee that the £90m earmarked for acquisition would be reimbursed by Lendlease and the funding from the GLA was entirely separate. The GLA funding was to assist with the provision of social housing on the site. The original specification on the site was for around 100 homes at social rents but the funding from GLA would ensure that this was increased to 500.

dd. In response to a follow-up question from Cllr Brabazon around which land was include in the land acquisition, The Cabinet Member advised that the land being acquired was as per the original master plan for the site.

ee. Cllr Brabazon noted concerns about the use of District Energy Networks in light of their track record and recent events at Sutton, where tenants were left without power. In response, the Cabinet Member agreed to speak to Cllr White and to provide a written response to Cllr Brabazon. **(Action: Cllr Adje).**

Clerk's note – as per Paragraph 63 of the Committee procedure rules, the Committee agreed to suspend the rules pertaining to Paragraph 18 and thereby continue to meeting past the 10pm deadline.

In addition to the recommendations put forward by the Scrutiny Panel's, which were set out at pages 47-56 of the original agenda pack and pages 1-24 of the addendum report pack, the Committee made the following amendments and additional recommendations:

a. The Committee wished to express concerns that the borrowing costs of the capital programme would reach £27.3m in 2025/26. There was particular concern about the costs of this to our revenue budget and the fact that the authority would likely have to make additional savings/cuts to service this debt.
b. That Cabinet provide further assurances around the £90m allocated in the Capital budget for the land assembly agreement as part of the High Road West scheme. Concerns was noted that the authority appeared to be providing a large sum of money to a private company to provide homes on land which was largely owned by the Council, and which presumably could have been built cheaper by ourselves. Further clarification was requested as to what the money in the land assembly agreement was for and how this would be recouped by the Council
c. That budget scrutiny reports in future years include the impact of the unachieved savings from the current year on the budget for subsequent years and that these are clearly set out and made transparent. The provision of mitigation plans should also be included in the papers.
d. As part of its public consultation and engagement processes, Cabinet should undertake to provide more information to the public on its budget and spending commitments and the financial implications of these, including key messages on both the revenue and capital with a link to further details. Cabinet should also ensure that future budget scrutiny reports were written in plain English and were more readily accessible to ordinary members of the public. Assurance was requested that future budget scrutiny reports would include detailed financial information with each saving proposal and, in the case of pre-existing savings, whether those savings were achieved or would need to be carried forward.
e. There was concern regarding the availability and accessibility of financial information contained within reports to the Committee. OSC would like Cabinet to commit to ensuring that adequate financial information was provided going forwards for all future scrutiny reports so that members of the public could see how much money was allocated to individual decisions and proposals, and to provide increased financial transparency about the decisions the authority makes.
f. That Cabinet provides assurances around empty properties and the use of Compulsory Purchase Orders. It was noted that there were several properties that had been empty for 5 and 10 years plus and although CPO's are seen as a last resort, the Committee would like further information about in what circumstances Cabinet would be prepared to use these powers.
g. In relation to assistive technology, the Committee would also like to put forward concerns around the deliverability of adaptations or technology and request that assurances were provided that the service was up and running effectively before any cuts in care visits occurred.
h. Further clarification was sought around the operational budget for the mosaic system.

i. Assurance was sought around whether this was the best time to make savings around mental health, given increasing demand levels on mental health services.
j. That concern be expressed on the continuing budgetary pressures relating to the High Needs Block that were likely to increase in future years and that Cabinet provides reassurance that there are contingency plans to address these should the government fail to provide sufficient funding to meet them.
k. That Cabinet provide details of what plans and funding were available to tackle any increase in demand for children's social care because of the Covid-19 pandemic.
l. That the additional funding of £8.6m for Adult and Children's services for one-off use be noted and that Cabinet provides reassurance that this would meet additional demands in both areas.
m. That Cabinet provides a breakdown of what the £300k additional investment in free school meals would cover. The Committee would like further information about how and where this would be used and assurances about how sustainable this investment would be, in light of rising poverty levels and the fact that full free school meal coverage would cost circa £6m.
n. The Committee requested further assurances around the use of agency staff and interims and how these would be managed and monitored going forwards. The Committee would also like to see budget reductions in respect of consultancy expenditure be written into the budget process for 2021/22.

RESOLVED

That the Overview and Scrutiny Committee:

I. Approved the final budget recommendations to be put to Cabinet on 9th February 2021, as outlined in Appendix A of the report, subject to amendments agreed at the meeting.

II. Noted 2021/22 Draft Budget & 2021/26 Medium Term Financial Strategy Report, as presented to Cabinet 8th December 2020 (Appendix B) and the proposals therein, as considered by the Scrutiny Panels and the Overview and Scrutiny Committee in December 2020/January 2021.

27. TREASURY MANAGEMENT STRATEGY STATEMENT 2021/22

The Committee received a cover report along with the Treasury Management Strategy Statement (TMSS) for 2021/22, before it was presented to Corporate Committee and then Full Council for final approval. The report was introduced by Dapo Shonola, Head of Pensions & Treasury as set out in the agenda pack at pages 143-167. The following points were raised in discussion of the TMSS:

a. The Committee sought clarification around borrowing levels going forwards. In response officers advised that borrowing for the current year was £530m against a borrowing limit of £957m and that in 2024/25 borrowing would rise to £1.8b against a borrowing limit of £1.89b. Officers advised that the operational boundary was set as part of the budget framework and that there was still a projected £90m gap in the operational headroom for 2024/25.
b. In relation to a question, officers advised that the TMSS set out how the authority was going to borrow money, which was largely used to fund its capital programme.
c. In response to a request for assurances, officers advised that Treasury Management was audited as part of the final accounts and that there had been no concerns raised. Furthermore, the authority had not exceeded and of its Treasury Management indictors in the current year.
d. The AD for Finance elaborated that the annual accounts were audited every year, and these were signed off by Corporate Committee, whilst the internal audit of the treasury management functions was conducted every two years. No concerns had been raised about any of the transactions within treasury management in the most recent internal and external audit processes. The external audit for 2019/20 had not yet been completed so the AD for Finance advised that he could not say for certain that there were no issues but he advised that he was not aware of any issues arising during the work undertaken to date as part of the external audit.
e. In relation to a question around LOBO loans, officers advised that there had been an objection to the accounts raised in previous years around LOBOs but this objection was dismissed by the external auditor. Officers advised that Committee that there were 4 LOBO loans currently held by the Council and that the average rate of interest on these loans was 4.73%. In response to a follow-up question, officers advised that the relative borrowing costs of these loans was monitored regularly and that to date it had not been financially beneficial to the Council to restructure these loans. Officers assured the Committee that the interest rate was lower than an equivalent long term loan at the time from the Public Works Loan Board. Officers also gave assurance to Members that there was no risk of the lenders calling in these loans in the short-medium term as interest rates would not exceed 4.73% and so it would not be in their interest to do so.
f. In response to a question, officers advised that the authority held £125m in LOBO loans and although an average interest rate of 4.73%

may seem high, these were historic long term loans taken out when interest rates were higher and that the interest rate and resultant borrowing costs were lower than an equivalent loan from the Treasury's Debt Management Office (Public Works Loan Board).

g. In relation to concerns around the impact of negative interest rates, officers advised that the Council was being prudent and minimising the periods in which the authority kept a cash surplus. Overall, there was not considered to be significant implications to the Council's treasury management if there were negative interest rates. Instead, the Council would likely make investment changes to mitigate this.
h. Officers set out that most of the Council's money was invested with other local authorities rather than commercial banks and that it adopted a low risk profile in its investments.
i. In response to a request for assurance around whether the capital programme received sufficient scrutiny, the Head of Pensions & Treasury advised that he was happy that it received sufficient scrutiny. The capital programme was part of the budget scrutiny process and as such was scrutinised by the relevant scrutiny panels as well as the Overview and Scrutiny Committee. It was also subject to Cabinet scrutiny as well as officer scrutiny.
j. In response to a question around the capital financing costs of the HRA, officers advised that the capital financing costs were accounted for within the budget and that these would be met as part of the whole package of income vs expenditure within the HRA, hence the table on page 104 of the agenda pack showed a balanced budget.

RESOLVED

That the proposed updated Treasury Management Strategy Statement for 2021/22 was scrutinised and comments made prior to its presentation to Corporate Committee and Council for approval.

28. NEW ITEMS OF URGENT BUSINESS

N/A

29. FUTURE MEETINGS

15th March 2021

Philip Slawther, Principal Committee Co-ordinator
Tel – 020 8489 2957
Fax – 020 8881 5218
Email: philip.slawther2@haringey.gov.uk

John Jones
Monitoring Officer (Interim)

River Park House, 225 High Road, Wood Green, N22 8HQ

Thursday, 06 May 2021