NOTICE OF MEETING

CORPORATE COMMITTEE

Tuesday, 1st February, 2022, 7.00 pm - Woodside Room - George Meehan House, 294 High Road, N22 8JZ (watch the live meeting here, watch the recording here)

Members: Councillors Peter Mitchell (Chair), Barbara Blake (Vice-Chair), Kaushika Amin, Dawn Barnes, Patrick Berryman, Mark Blake, Mahir Demir, Joseph Ejiofor, Scott Emery, Emine Ibrahim, Alessandra Rossetti, and Preston Tabois.

Quorum: 3

1. FILMING AT MEETINGS

Please note 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. 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. By entering the 'meeting room', you are consenting to being filmed and to the possible use of those images and sound recordings.

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

To receive any 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 under item 14 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. MINUTES (PAGES 1 - 22)

To confirm and sign the minutes of the Corporate Committee meeting held on 16 November 2021 and reconvened on 23 November 2021 as a correct record.

7. EXTERNAL AUDIT APPOINTMENT (PAGES 23 - 28)

To consider the arrangements for the appointment of an external auditor.

8. TREASURY MANAGEMENT STRATEGY STATEMENT 2022-23 (PAGES 29 - 54)

To consider the Treasury Management Strategy Statement for 2022-23 for recommendation to Full Council.

9. PROPOSED RENAMING OF BLACK BOY LANE

To consider the proposed renaming of Black Boy Lane. **(Report to follow)**

10. NEW ITEMS OF URGENT BUSINESS

11. DATES OF FUTURE MEETINGS

To note the dates of future meetings:

1 February 2022
10 March 2022

12. EXCLUSION OF THE PRESS AND PUBLIC

Items 11-12 are likely to be subject to a motion to exclude the press and public from the meeting as they contain exempt information as defined in Section 100a of the Local Government Act 1972 (as amended by Section 12A of the Local Government Act 1985); paras 1, 2, 3, namely information relating to an individual, information which is likely to reveal the identity of an individual, information relating to the financial or business affairs of any particular person (including the authority holding that information), and information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

13. EXEMPT MINUTES (PAGES 55 - 56)

To confirm and sign the exempt minutes of the Corporate Committee meeting held on 16 November 2021 and reconvened on 23 November 2021 as a correct record.

14. NEW ITEMS OF EXEMPT URGENT BUSINESS

Fiona Rae, Acting Committees Manager
Tel – 020 8489 3541
Email: fiona.rae@haringey.gov.uk

Fiona Alderman
Head of Legal & Governance (Monitoring Officer)
George Meehan House, 294 High Road, Wood Green, N22 8JZ

Monday, 24 January 2022

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MINUTES OF THE CORPORATE COMMITTEE MEETING HELD ON TUESDAY, 16TH NOVEMBER, 2021, 7PM – 10.20PM

PRESENT: Councillors Peter Mitchell (Chair), Erdal Dogan (Vice-Chair), Kaushika Amin, Dawn Barnes, Patrick Berryman, Mark Blake, Mahir Demir, Joseph Ejiofor, Emine Ibrahim, and Preston Tabois.

The following councillors joined the meeting virtually: Councillors Alessandra Rossetti, Julie Davies, Noah Tucker, Zena Brabazon, Mike Hakata, and Isidoros Diakides.

This meeting took place in two parts and these minutes should be read in conjunction with the minutes of the Corporate Committee on 23 November 2021.

1. FILMING AT MEETINGS

The Chair referred to the notice of filming at meetings and this information was noted.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Alessandra Rossetti and Councillor Scott Emery. *Councillor Alessandra Rossetti joined the meeting virtually but could not be considered to be present for the purposes of the attendance record.*

3. URGENT BUSINESS

There was no urgent business.

4. DECLARATIONS OF INTEREST

There were no declarations of interest. Councillor Joseph Ejiofor stated that, following advice from the Monitoring Officer, he did not have any interests to declare.

5. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

There were no deputations, petitions, presentations, or questions.

6. MINUTES

RESOLVED

That the minutes of the Corporate Committee meeting held on 9 September 2021 be confirmed and signed as a correct record.

7. REVIEW OF POLLING DISTRICTS, POLLING PLACES AND DESIGNATION OF POLLING SCHEME

Under s100B(4)(b) of the Local Government Act 1972, the Chair of the meeting was of the opinion that the item should be considered at the meeting as a matter of urgency by reason of special circumstances. These circumstances were because there were some amendments where the proposals cut through parkland (specifically the border between APK-B and APK-C and between WOD-A and WODB). The polling district boundary had been moved to the perimeter of the park. The red line was the original proposal and the green was the revised. Therefore the boundaries in this whole borough map should replace those shown on the individual polling scheme maps for these districts. This was a technical change and made no alteration to the electorate for either of the areas but required approval of the committee to be included in the polling scheme (Appendix 1b), as set out in Recommendation 1.

The Assistant Director Direct Services introduced the report which set out recommendations for each polling district and the associated polling place, including where feedback was received and any changes that were made as a result of the consultation phase.

It was explained that the Local Government Boundary Commission for England (LGBCE) concluded in December 2019 and recommended that Haringey should continue to have 57 councillors, should have 21 wards rather than 19, and that all ward boundaries should change. This was enacted by Parliament. The Electoral Services Team was responsible for developing proposals to create polling districts for these new wards and to identify polling places within each district. It was noted that there had been input from a member working group and an officer working group. It was also noted that a public consultation had commenced on 31 August 2021, including an all-member briefing, and that this had resulted in some changes which were set out in the report.

It was added that, if approved, the polling districts would be uploaded to the council's electoral register and would be operational for the council elections in 2022. It was highlighted that a full communications plan for the elections would make sure that people were informed about the location of their polling stations. It was noted that the proposals were due to be reviewed next year following the parliamentary boundary review which was due to report in 2023.

It was highlighted that a drawing which showed the new districts on a boroughwide map had been circulated as a late paper. It was noted that this drawing also showed locations where there had been minor boundary amendments to align with parkland boundaries. It was explained that this was a technical change which did not alter the electorate but that this needed to be approved by the Committee for inclusion in the polling scheme (Appendix 1b), as set out in the report recommendations.

It was noted that it was proposed to reduce the number of polling districts from 83 to 76 and it was enquired why there were some differences in the sizes of polling districts. The Assistant Director Direct Services explained that some polling districts were larger as they contained green spaces and that the review had tried to be consistent in the number of electors in each area.

It was commented that one polling station had been removed in Northumberland Park and that the electoral count would be 3,886. It was acknowledged that there had been two polling stations in this area that were very close to each other and that one polling station was being removed but it was noted that this was significantly larger than other areas. The Assistant Director Direct Services stated that the conditions had been checked to make sure that they were not excessive. It was accepted that some areas were larger but that the proposals took walking distance into account. The number of electors allocated to each polling place included those who opted for postal votes in each area. It was considered that the proposals would result in approximately even numbers across the borough.

Some members of the Committee expressed concerns about the close proximity of the polling stations in Noel Park ward, in particular St Mark's Church, Noel Park Primary School, and Wood Green Library. It was commented that the road directions may seem simple but that this would be quite a distance for some residents. The Assistant Director Direct Services explained that the arrangements in Noel Park ward and the named polling stations had been considered in detail. It was acknowledged that there may be further developments in the area in the future but that, at present, it had not been possible to identify any suitable alternatives.

It was noted that it would have been useful for polling stations to be shown on the A3 map of polling districts. It was also noted that some electors would have to walk past another polling station in order to get to their polling station and it was enquired how this would be addressed. The Assistant Director Direct Services noted that there was an aim for all polling stations to be within a walking distance of 12-15 minutes for all residents, based on information on the Transport for London website. It was acknowledged that this was sometimes challenging, particularly near ward boundaries, and that there were often limited venues that were suitable or available as polling places. It was added that the communications plan for the new polling districts and polling places would involve sending out maps and clearly informing residents of their polling places. It was added that the member working group would continue up until the pre-election period to ensure that the communications plan was as effective as possible.

Some members of the Committee noted that the recommendation in the report proposed that delegated authority be given to the Returning Officer to amend the polling scheme and it was asked whether this could be in conjunction with local councillors. The Assistant Director Direct Services explained that, if something was identified in advance, local councillors would be consulted but that there may be occasions where the Returning Officer would have to make a rapid decision and such consultation would either be impractical or inappropriate close to the election itself. It was therefore requested that the recommendation remained as proposed.

RESOLVED

1. To approve the polling scheme describing the polling districts and the polling places for the new 21 wards of Haringey as set out in Appendix 1a & b **and Appendix 4.**

2. To delegate authority to the (Acting) Returning Officer (ARO) and the Deputy (Acting) Returning Officers to amend the polling scheme where the names of buildings change and for specific elections where strictly necessary for a particular election, including changing polling places.

3. To agree that minor errors in transferring the maps in Appendix 1a & b **and Appendix 4** into the electoral registration software can be corrected with Acting Returning Officer (ARO) approval.

8. EXTERNAL AUDIT PLAN 2020/21

The Head of Finance and Chief Accountant introduced the report which presented the council's plan for the audit of the Statement of Accounts for 2020-21, which included the Housing Revenue Account and Haringey Pension Fund. It was explained that the plan had been updated and set out the approach that the auditors would be taking, including the highlights of the audit and the proposed audit fee. It had been noted that the deadline to complete the 2020-21 audit was 30 September 2021 but that only about 9% of local authorities had met this deadline.

David Eagles, the Audit Partner from BDO, noted that the materiality levels for the audit had increased slightly compared to the previous year to reflect the increased gross spend for the year and were set out on page 224 of the agenda pack. It was also noted that the timeline for the audit was set out on page 231 of the agenda pack.

It was stated that the significant risks for the purposes of the audit were identified in the report and included management override of controls, revenue recognition, expenditure cut-off, valuation of non-current assets, valuation of pension liability, reconciliation of bank accounts, allowance for non-collection of receivables, and sustainable finances (use of resources). It was commented that the risk relating to management override of controls was a standard risk in most audits and was not related to any particular concerns in Haringey and that the risk relating to related parties was not considered to be a significant risk but that there had been some issues in the past and this area remained under closer review.

It was highlighted that some issues had been identified in relation to IT general controls and that the complexity of this issue meant that specialist IT auditors were required. The specialist audit had identified areas of weakness where there was potential for manipulation and it was believed that stronger controls would be required to mitigate this risk. This required additional testing which would impact on the audit and would need to be discussed with management. It was clarified that officers would be working to complete as soon as possible but wanted to inform the Committee that there was a real risk of delays.

In response to a question from the Committee, David Eagles stated that the audit deadline was unrealistic as authorities were still catching up from the previous audit period, which had been significantly disrupted by the Covid-19 pandemic, and had therefore been given a shorter time scale for the 2020-21 audit. David Eagles was not aware of any penalties for local authorities who completed their audit after the deadline and it was noted that the regulators were being understanding in acknowledging that there was an ongoing national crisis.

Some members of the Committee noted that the outturn position for the Dedicated Schools Grant (DSG) was a £6.8 million overspend and it was enquired whether there would be a review of the strategies to close the budget gap. David Eagles explained that the focus of the auditors was to assess the arrangements that the local authority had in place and to consider the reasonableness of any assumptions. It was noted that the auditors could identify any areas of weakness but could not provide options.

The Chair drew attention to page 249 of the agenda pack which identified a significant control deficiency in relation to the implementation of IFRS 16 (leases) and it was enquired whether this would impact the audit timeline. David Eagles explained that IFRS 16 would be implemented from 1 April 2022 and would be a significant change to the financial reporting requirements for the council. It was noted that there had been a number of deferrals for implementation but that the auditors would be looking at the council's preparations as part of the 2020-21 accounts.

It was noted that the additional audit fees appeared to be very round numbers and it was enquired how these were calculated. David Eagles explained that the scale fees were based on a position dating back to 2010 and that the fees had not changed but that any additional costs related to different levels of work that were required. David Eagles believed that the fee was a round number as it had been negotiated to a lower cost. It was noted that the exact costs for this year were not known yet and that there may be some adjustments based on additional controls work.

RESOLVED

To note the contents of the report and to note the further oral updates provided by BDO LLP.

9. AUDIT & RISK SERVICE UPDATE - QUARTER 2 (JULY - SEPTEMBER 2021)

The Head of Audit and Risk Management introduced the report which detailed the work undertaken by the in-house Audit and Risk Team, as well as our outsourced partner Mazars, for the quarter ending 30 September 2021. It was noted that the service had received fewer fraud referrals during the Covid-19 pandemic but that this was now increasing to more normal levels.

It was noted that Early Help Care Plans had been removed from the audit plan but the Committee queried whether this issue had been resolved. The Head of Audit and Risk Management stated that the EY audit had been delayed by six months to allow the findings from the Care Quality Commission (CQC) to be embedded before an evaluation. It was added that this area would be reviewed as part of the internal audit plan in 2022-23. It was confirmed that Commercial Land and Property had been added to the audit plan in response to a request from management. The rationale for this was to ensure that there was a robust arrangement for the management of the portfolio.

It was noted that Park View School had been subject to cyber fraud and it was enquired whether there was evidence of similar issues elsewhere. The Head of Audit and Risk Management stated that this was the only known case at present. It was highlighted that cyber fraud was increasingly common and that a cyber audit was being conducted which would be shared with the Committee.

Some members asked whether it would be possible to provide comparative data and learning points over the previous two years in each quarterly report. The Head of Audit and Risk Management noted that there was an annual report which set out in detail the work relating to anti-fraud and any lessons learned, including the numbers of cases.

The Committee noted that there were currently 230 potential tenancy fraud cases outstanding and it was enquired whether there were a large number of older cases or whether this represented mainly new cases. The Head of Audit and Risk Management stated that there were 230 ongoing cases but that a number of these were older cases that required some physical visits and had been delayed by the Covid-19 pandemic. The Committee noted that it would be helpful to have further information on the average timescales for processing cases.

The Committee noted that the audits on Purchasing Cycle and Management of Contracts Register had been removed. It was enquired why these audits had been removed given the Committee’s previous questions and concerns about whether there were satisfactory assurances. The Head of Audit and Risk Management explained that the audits had been delayed pending the outcome of an organisational review about procurement related activities, including contract management. It was noted that the audit of Contract Management was currently at the fieldwork stage and it was enquired whether this would be deferred pending the outcome of the organisational review. The Head of Audit and Risk Management explained that this related to the follow up of a previous audit to review whether the recommendations had been implemented after six months.

Some members of the Committee commented that there was a significant number of cases relating to Homes for Haringey and asked whether this suggested that there were deficiencies in tenancy management or processes and whether the council should recuperate some costs from Homes for Haringey. The Head of Audit and Risk Management did not believe that there were particular issues with tenancies compared to other boroughs. It was explained that Homes for Haringey funded a Tenancy Fraud Officer who acted as a conduit between the two organisations.

It was enquired whether the Committee could be updated on the 11 cases of people who had No Recourse to Public Funds (NRPF). The Head of Audit and Risk Management stated that he would provide an update to the Committee outside of the meeting. In response to a question about audits being added and removed, the Head of Audit and Risk Management explained that the audit plan set out the areas that were due to be reviewed and why. It was noted that the audit plan was driven by the key areas of risk and that this was reviewed periodically and/ or when new information was available.

RESOLVED

To note the activities of the Audit and Risk Service during quarter two of 2021/22.

10. TREASURY MANAGEMENT UPDATE MID-YEAR REPORT 2021/22

The Head of Pensions and Treasury introduced the report which provided an update on the council's treasury management activities and performance in the first half of the financial year to 30 September 2021 in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice. It was explained that the report was for the Committee to note and that it would be presented to Full Council as required by the Code of Practice.

It was highlighted that there had been additional borrowing of £41 million, £11 million of long term borrowing and £30 million of short term borrowing, which aimed to incorporate the council's strategy to strike a balance between securing low financing costs and achieving long term cost certainty. It was anticipated that there would be additional long term borrowing later in the year. It was also noted that all activity had been in line with the approved Treasury Management Strategy so far this year.

The Committee noted that the council had held some Lender's Option Borrower's Option (LOBO) loans for a number of years and enquired about the process for repaying these loans. The Head of Pensions and Treasury explained that LOBO loans provided the lender with the option to propose an increase in the interest rate payable on a loan at pre-specified dates. It was stated that, if a lender proposed to raise its interest rate, the council could decide to repay the loan rather than accept a new, higher rate. It was noted that the likelihood of a lender deciding to exercise this option remained low. The Head of Pensions and Treasury stated that the council periodically reviewed opportunities to repay LOBOs with the treasury advisor but that these opportunities had not yet materialised.

Some Committee members suggested that interest rates were expected to rise and suggested that this would necessitate a review of how the council refinanced ongoing borrowing. The Head of Pensions and Treasury explained that restructuring a LOBO loan typically involved the council paying a premium to the lender which would most likely be expensive, given the length of time before the loans reached maturity. It was noted that officers were conscious that interest rates were likely to increase and were seeking to secure longer term interest rates for the Housing Revenue Account and the General Fund by taking out long term Public Works Loan Board (PWLB) borrowing. It was stated that, if any good opportunities to exit LOBO loans were identified, they would be investigated.

RESOLVED

1. To note the Treasury Management activity undertaken during the first half of the financial year to 30 September 2021and the performance achieved which is attached as Appendix 1 to this report.

2. To note that all treasury activities were undertaken in line with the approved Treasury Management Strategy.

11. BUILDING, PLACE AND STREET NAME REVIEW

The Assistant Director for Commissioning introduced the report which responded to the Committee's request for further consultation on the proposals for renaming Black Boy Lane before moving forward. In this context, the report detailed the council's proposed approach to working with residents and communities on improving the diversity and representation in Haringey's public realm. This report covered the range of issues where there were plans to engage with residents in relation to the public realm, the approach to co-production to be adopted, and a summary of work to date.

It was noted that a number of residents would be affected by street renaming and that the report considered the council's approach to reviewing the council's public realm and wider conversations. It was envisaged that the approach would be community led and would address systemic inequalities in the borough.

Cllr Ejiofor expressed his disappointment with the content of the report. He commented that the Committee had undertaken a long discussion at its meeting in March 2021 and that a number of recommendations had been made which were due to be implemented between March and October 2021. He stated that Black Boy Lane was offensive and that the report presented to the Committee appeared to delay the renaming of this street. He asked that the renaming of Black Boy Lane was separated from the broader review on street renaming across the borough. He added that the costs of renaming this street would be notional and would be met from existing budgets. Cllr Ejiofor expressed concerns that no action had been taken regarding the renaming of this street and stated that councils should lead change in relation to challenging racism.

Cllr Ejiofor moved the following motion:

This Corporate Committee has decided to separate the process for a broader buildings review from the process for moving forward with the renaming of Black Boy Lane.

The Committee recalls the comments made by the Corporate Committee at their meeting of 17 March 2021 and notes that the Committee has already agreed the following:

(i) Considered the feedback from the Second Statutory Consultation 'Notice of Intention' on the renaming of Black Boy Lane to La Rose Lane, in particular, the Corporate Committee had noted the objections from residents and organisations directly affected by the proposed renaming;

(ii) Considered and took into account the Equalities Impact Assessment of the proposed change on protected groups and the actions proposed to mitigate the impact including a commitment to provide support, a dedicated staff resource and resident/organisation payments; and

Furthermore, using the authority granted to this committee under the London Building Act (Amendment) 1939 Section 6(1) now agrees to the making of an Order to rename Black Boy Lane to La Rose Lane to take effect on 1 February 2022 and concurs that officers should now provide the necessary assurances to residents of Black Boy Lane for the change of this street name. The Committee also instructs officers that the support package offered to the residents be further explained and clarified.

Cllr Amin seconded the motion. She noted that the majority of residents were in favour of the renaming of Black Boy Lane and that the response rate from residents on Black Boy Lane had been low. She commented that the pub nearby had undergone a name change previously to remove the offensive name, following a campaign. She added that, following the Committee’s discussions and decisions at the meeting in March 2021, it was expected that the name change could be progressed today.

The Chair noted that this was a lengthy amendment and that the Committee would need some time to consider it. It was explained that the report aimed to bring communities together; it was acknowledged that residents in the immediate area had voted three to one against the name change and that work was required to respond to this. The report sought an approach that would include residents in the immediate area and involve them in the work to tackle racism across the borough.

Cllr Ibrahim expressed disappointment that the renaming was not being moved forward and stated that the name of the road was offensive and was a reputational issue for the council. She added that there were other road names that required review and change and that this name change should be undertaken as soon as possible with a distinct timeframe.

Cllr Tabois commented that a number of local people were offended by this street name and had asked him to change it. He believed that racism, in particular Black racism, should be tackled effectively rather than with ineffectual actions. He asked that this issue was resolved immediately rather than deferred.

Cllr Barnes suggested that this street was renamed imminently whilst the wider street naming review was undertaken. It was considered that explaining the implications for the renaming clearly might assist in gaining local support for the renaming.

Cllr Berryman stated that a statutory consultation had been undertaken which showed the residents in the immediate vicinity to be against the name change and he enquired whether the Committee had the power to make this change at the meeting. The Deputy Monitoring Officer noted that, following questions from the Committee, it would be helpful to have a short adjournment for him to review and consider the proposed motion.

Cllr Ejiofor highlighted that the statutory consultation was not against the proposal to rename the street but that the majority of respondents from Black Boy Lane had been against the renaming. It was added that the consultation had been boroughwide rather than specific to the street and he believed that it was within the power of the Committee to balance the views expressed. He noted his concerns that the previous decision of the Committee had not been implemented and stated that it was within the power of the Committee to amend the motion to separate the renaming of Black Boy Lane from the wider street naming review.

The Chair clarified that there had been delays in undertaking the period of consultation that was previously agreed by the Committee. This had been due to a number of factors, including Covid restrictions, the pre-election period, and the resource implications as the Committee had asked for face to face consultations and for the review of the support package.

With the consent of the Chair, Cllr Hakata spoke as ward councillor. He stated that the proposals in the report would deliver a strategic approach to reviewing the council's public realm and he believed that this was the correct course of action. He explained that there were a number of streets which showcased the names of people whose actions were now considered to be concerning but that this would need to be addressed strategically. Cllr Hakata commented that he believed that Black Boy Lane should be renamed but that there would need to be a decision on the new street name. He noted that there had been several proposals and that La Rose Lane had been the most popular in the consultation but that the Trustees of the George Padmore Institute, which had strong connections to John La Rose, had written to the council to state that the renaming arrangements would not have been supported by John La Rose. Cllr Hakata felt that the process for choosing a new street name was an important element of the process and should be carefully and strategically decided.

With the consent of the Chair, Cllr Tucker spoke as ward councillor. He commented that, when he had first moved to the area, he had been shocked that there was a street named Black Boy Lane and that many other people felt this way. He stated that this was a racist street name and that it should be changed. He noted it had been possible to change the name of the local pub, which had been similar, following a campaign and that the street name should be changed as soon as possible. Cllr Tucker explained that the consultation had included some options for an alternative street name and that La Rose Lane had been the most popular option. He stated that this would be an excellent alternative that would commemorate the work of John La Rose. He felt that a proposal to delay a decision was a proposal to never change the street name.

Cllr Ejiofor noted that a proposed package of financial support for residents affected by the street renaming for Black Boy Lane had been through consultation and was considered to be reasonable and appropriate. It was stated that the Committee had the legal authority to take decisions on street renaming and that the amendment proposed asked the Committee to make this decision.

The Chair noted that a significant amendment had been proposed and explained that he would provide an opportunity for officers to respond and that it might then be necessary to request comments from Legal and Finance. The Assistant Director for Commissioning explained that the report proposed an approach which centred around engaging with the community, contextualising the proposals for street renaming, and addressing inequalities alongside street names. It was highlighted that the approach was not to delay decisions but to have a process which aimed to tackle racism.

The Chair asked whether Cllr Ejiofor could clarify any comments on the financial support package. Cllr Ejiofor noted that the support package had been through consultation with officers, members, and wider consultees to determine what was appropriate. It was acknowledged that, in March 2021, the Committee had been open to further changes to the support package and this could still happen but the outline arrangements had been set out. Cllr Ejiofor commented that, although the members of the George Padmore Institute had expressed concerns with the proposed name, the family of John La Rose supported the proposal.

At 9.25pm, the Committee agreed an adjournment to allow for the consideration of the proposed motion and amendment by the Deputy Monitoring Officer. Cllr Ejiofor supplied a copy of the written motion for consideration. The meeting resumed at 9.55pm.

The Chair proposed to invoke Standing Order 63 to suspend Standing Order 18 so that the meeting could continue after 10pm; this was agreed by the Committee.

At 9.58pm, the Committee agreed a short adjournment to allow the further consideration of the proposed motion and amendments by the Deputy Monitoring Officer. *Cllr Berryman left the meeting at this point.* The meeting resumed at 10pm.

The Deputy Monitoring Officer provided advice to the Committee. He advised that the meeting be adjourned to 23 November 2021 as the motion and amendment put forward contained material that required additional information and officer consideration, specifically financial considerations, to ensure that the proposed option was still possible. It was explained that the motion and amendment proposed an action that was significantly different from the published intention in the report and that, from a governance perspective, it would be proper to consider this issue at a reconvened meeting on 23 November 2021 with more appropriate information and public awareness.

Cllr Ejiofor highlighted that the proposed amendment asked for the street renaming to take effect from 1 February 2022 and it was enquired whether the Committee would be able to make a decision at the reconvened meeting on 23 November 2021. The Deputy Monitoring Officer explained that additional information and consideration was required to determine whether the Committee could take this decision on 23 November 2021. He highlighted that it would be contrary to the legal advice to take a decision at this meeting. The Chair clarified that the proposal was not to delay a decision but to adjourn the meeting for one week in order to obtain the advice that would normally be available to the Committee when considering this type of issue.

Cllr Ibrahim stated that the Committee should receive the relevant advice, including the financial implications but that it was possible to question any advice that was provided. She added that she would like advice on whether the Committee could pass a motion to say that it supported Cllr Ejiofor’s motion in principle. The Deputy Monitoring Officer explained that any decision would need to be taken on its merits but that it would be possible for the Committee to provide direction to officers on the information and proposals that were requested. In response to a question about why the Committee could not make a decision now, the Deputy Monitoring Officer explained that it was uncertain whether any legal, financial, or other matters had changed since the advice that was provided to the Committee in March 2021. It was noted that no prior warning had been provided about the significant amendment to the proposals set out in the report and it was advised that it was prudent for the Committee to wait one week for additional information to be provided.

Cllr Ibrahim accepted that additional information was required but suggested that the Committee could support Cllr Ejiofor's motion in principle whilst being clear that this did not amount to pre-determination on any future decision which would be considered based on the information provided at the time.

Cllr Ibrahim moved that the Committee agreed in principle to support the proposal made by Cllr Ejiofor and seconded by Cllr Amin (which was set out below) and asked officers to provide additional information on 23 November 2021, including financial information and a potential timeline for implementation, which would allow the Committee to make an informed decision on the way forward. It was also noted that any decision would be made based on the information that had been requested.

> *This Corporate Committee has decided to separate the route forward for moving forward with the building and street names review and has decided to move forward with the process of renaming Black Boy Lane.*
>
> *The Committee recalls the comments made by the Corporate Committee at their meeting of 17 of March 2021, and notes that the committee has already agreed the following:*
>
> *(i)* *Considered the feedback from the Consultation #2 (Statutory) 'Notice of Intention' on the renaming of Black Boy Lane to La Rose Lane, in particular, the objections from residents and organisations directly affected by the proposed renaming;*
>
> *(ii)* *Considered and took into account the Equalities Impact Assessment (EqiA, Appendix 6 of the report) of the proposed change on protected groups and the actions proposed to mitigate the impact including a commitment to provide support, a dedicated staff resource and resident/organisation payments; and*
>
> (iii) *"…requested that a further period of consultation should be carried out in order to provide further assurances to residents of Black Boy Lane and elicit their support for the change of street name. The …. support package offered to the residents be reviewed as part of the further consultation work".*

Following a vote with 7 votes for and 2 abstentions, the motion was agreed. Each Committee member asked for their vote to be recorded.

Votes for: Cllrs Amin, Barnes, Blake, Demir, Ejiofor, Ibrahim, and Tabois.
Abstentions: Cllrs Mitchell and Dogan.

At 10.20pm, the Committee agreed to adjourn the meeting to 23 November 2021. It was noted that this would be confirmed in writing.

12. DECISION MAKING FOR THE ACQUISITION OF ALEXANDRA HOUSE

To be considered at the reconvened meeting on 23 November 2021.

13. NEW ITEMS OF URGENT BUSINESS

To be considered at the reconvened meeting on 23 November 2021.

14. DATES OF FUTURE MEETINGS

To be considered at the reconvened meeting on 23 November 2021.

15. EXCLUSION OF THE PRESS AND PUBLIC

To be considered at the reconvened meeting on 23 November 2021.

16. DECISION MAKING FOR THE ACQUISITION OF ALEXANDRA HOUSE - EXEMPT

To be considered at the reconvened meeting on 23 November 2021.

17. NEW ITEMS OF EXEMPT URGENT BUSINESS

To be considered at the reconvened meeting on 23 November 2021.

CHAIR: Councillor Peter Mitchell

Signed by Chair ………………………………..

Date …………………………………

MINUTES OF THE CORPORATE COMMITTEE MEETING HELD ON TUESDAY, 23RD NOVEMBER, 2021, 7.00 - 9.30 PM

PRESENT: Councillors Peter Mitchell (Chair), Erdal Dogan (Vice-Chair), Kaushika Amin, Mark Blake, Mahir Demir, Joseph Ejiofor, Emine Ibrahim, and Preston Tabois.

The following councillors joined the meeting virtually: Councillors Dawn Barnes, Noah Tucker, and Matt White.

This meeting took place in two parts and these minutes should be read in conjunction with the minutes of the Corporate Committee on 16 November 2021.

The Chair noted that this was a reconvened meeting of the Corporate Committee that had commenced on 16 November 2021.

1. FILMING AT MEETINGS

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

2. APOLOGIES FOR ABSENCE

It was explained that apologies for the reconvened meeting had been received from Councillor Dawn Barnes, Councillor Patrick Berryman, and Councillor Alessandra Rossetti. *Councillor Dawn Barnes joined the meeting virtually but could not be considered to be present for the purposes of the attendance record.*

3. URGENT BUSINESS

This item was considered at the first part of the meeting on 16 November 2021.

4. DECLARATIONS OF INTEREST

This item was considered at the first part of the meeting on 16 November 2021.

5. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

This item was considered at the first part of the meeting on 16 November 2021.

6. MINUTES

This item was considered at the first part of the meeting on 16 November 2021.

7. REVIEW OF POLLING DISTRICTS, POLLING PLACES AND DESIGNATION OF POLLING SCHEME

This item was considered at the first part of the meeting on 16 November 2021.

8. EXTERNAL AUDIT PLAN 2020/21

This item was considered at the first part of the meeting on 16 November 2021.

9. AUDIT & RISK SERVICE UPDATE - QUARTER 2 (JULY - SEPTEMBER 2021)

This item was considered at the first part of the meeting on 16 November 2021.

10. TREASURY MANAGEMENT UPDATE MID-YEAR REPORT 2021/22

This item was considered at the first part of the meeting on 16 November 2021.

11. BUILDING, PLACE AND STREET NAME REVIEW

This item was resumed from the first part of the meeting on 16 November 2021.

The Chair highlighted that a late paper had been circulated on the day of the meeting and asked whether members required some time to consider the paper. At 7.05pm, the Committee agreed to a short adjournment. The meeting resumed at 7.10pm.

The Assistant Director for Commissioning introduced the report which provided a response and further information in relation to the motion moved by Cllr Ejiofor at the Committee meeting on 16 November 2021. It was explained that the report proposed to take forward the process for the renaming of Black Boy Lane based on the Committee decision made on 17 March 2021 whereby there would be a further period of consultation to provide further assurances to the residents of Black Boy Lane and to elicit their support for the change of street name. It was highlighted that residents and other groups were informed about the Committee’s decision in March and would have a legitimate expectation that further consultation would be undertaken. It was proposed that the consultation would run from 1 December 2021 to 19 January 2022 and that a further paper would be reported to the Committee on 1 February 2022.

In response to a question about the decision in March 2021 to undertake further consultation, it was explained that there had been delays due to the pre-election period where council business was restricted, that there had been a new Cabinet, and that the council was still responding to the demands of the Covid-19 pandemic.

Cllr Ejiofor noted that the paper referred to the requirement for an executive decision to fund the package of support for residents in the event that the renaming of Black Boy Lane was agreed. He added that the previous decision of the Committee had noted that funding for the street renaming had been identified and enquired whether this could be used. The Assistant Director for Commissioning explained that there could be some changes based on the results of further consultation with residents in the immediate vicinity and the proposal for an executive decision would allow for any alterations in case the existing funding was insufficient.

Cllr Ejiofor enquired about the time period between a decision in February 2022 and any implementation, noting that the pre-election period for the council elections would start in 2022. The Deputy Monitoring Officer stated that he was not aware of a minimum time period for the implementation of street renaming but that it might be necessary to check the requirements for this process.

Cllr Amin enquired about the timescales for consultation and enquired whether the figures could be benchmarked against similar work that had been undertaken by other authorities. The Assistant Director for Commissioning explained that the proposed consultation period would run from 1 December 2021 to 19 January 2022; this would end before the Committee meeting in February and would provide a good time period for consultation, acknowledging the bank holidays at the end of 2021. It was noted that the proposed support package was based around the costs associated with street renaming and it was considered to be an appropriate amount. It was added that data from other authorities could be considered.

Cllr Dogan commented that, at the time of the previous street renaming consultation, it had been difficult to reach out to residents in the normal ways due to the Covid-19 pandemic and it was requested that the further consultation used in person and virtual methods to engage as much as possible. It was highlighted that it would be important to communicate the existence of the financial package of support for those affected by the renaming. The Assistant Director for Commissioning stated that there would now be more opportunities to conduct more in person work and that a variety of methods for engagement could be used. It was added that the financial support package would need to be fair and equitable for all residents affected.

In response to a question about the ordinary procedure for street naming, the Deputy Monitoring Officer confirmed that there was no statutory requirement to provide compensation for residents.

With the consent of the Chair, Cllr Tucker spoke as ward councillor. He stated that a deputation from Stand Up To Racism had been rejected for technical reasons for a second time but that he had seen the statement and noted that it raised a number of important points. He felt that the street renaming had been subject to delays which were political and were being used to prevent necessary change and he asked the Committee not to allow any further delays. He queried whether specific consultation for the residents of Black Boy Lane was required and asked why this consultation, that was agreed by the Committee in March 2021, had not been carried out. Cllr Tucker stated that, if a decision was not made at this meeting, the necessary street naming would be prevented and that this would be a shame.

The Chair noted that the Committee had discussed the issue of further consultation in detail and that the current proposal was to undertake the further consultation imminently so that a report could be presented to the Committee in February 2022.

Cllr Mark Blake suggested that the Committee could extend an invite to Stand Up To Racism to attend the Committee meeting in February 2022. The Democratic Services and Scrutiny Manager stated that they could provide a deputation as long as this was submitted three clear working days before the meeting. It was noted that the previous deputation request had not been made in time.

Some members enquired whether the street renaming decision could be considered now, without the need for further consultation as the majority of respondents had been in support of the renaming. The Assistant Director for Commissioning explained that the decision made by the Committee in March 2021 had given residents a legitimate expectation that further consultation would be carried out. The Deputy Monitoring Officer added that a number of messages had been given to residents following the Committee's decision in March which included letters to residents, a press statement, and information on the council's website. It was highlighted that, if the Committee made a final decision on the street renaming now, there would be significant risk of challenge. In response to a comment about implementation, the Deputy Monitoring Officer explained that a report would be presented to the Committee in February and that this should have more information relating to the implementation in the event that the Committee decided to agree the street renaming. It was added that recommendation 2.1.2. committed to providing a report to the Committee at the February meeting, including the agreement of an implementation timetable.

Cllr Ibrahim noted that some residents had a legitimate expectation that further consultation would be carried out but that other residents and organisations would have a legitimate expectation that this consultation would have taken place earlier and further decisions would have been made. She asked for it to be noted that it was disappointing that the decision of the Committee on 17 March 2021 had not been implemented expediently.

Cllr Amin stated that she wanted to discuss how some people had behaved at the Committee's meeting on 16 November 2021. Cllr Ibrahim added that technology could create some issues but that each person should be allowed to speak without interruption. The Chair noted that member conduct was an issue for the Standards Committee or could be raised through the Whips but highlighted that everyone should be treated with respect and should remember that meetings were conducted in public.

RESOLVED

To agree:

1. That officers would take forward the decision of the Committee made on 17 March 2021 to undertake a further period of consultation with Black Boy Lane residents, to commence on 1 December 2021 and to close on 19 January 2022.

2. That a report on the outcome of the consultation be brought back to the Committee on 1 February 2022 for a final decision on the making of an Order to rename Black Boy Lane. Further, for a decision on the implementation timetable such that it does not affect the preparation for and conduct of the May 2022 local elections, in particular, with regard to voter registrations.

3. In view of recommendations 1 and 2 above, it is proposed that the Committee amends its resolution to agree in principle the proposal made by Cllr Ejiofor so as to permit further consultation with residents and a report back to the Committee before a final decision is made to rename Black Boy Lane and as set out in Appendix 1 to the report.

4. To note that, after the close of further consultation, an Executive Decision will be sought to fund the proposed package of support to be offered to residents in the event of an Order of the Committee.

5. To note that the Council is developing a Strategic Framework for Reimagining Haringey's Public Realm, and that a report will be made to Cabinet on this in due course including funding to be made available for any future street renaming.

12. DECISION MAKING FOR THE ACQUISITION OF ALEXANDRA HOUSE

Under s100B(4)(b) of the Local Government Act 1972, the Chair of the meeting was of the opinion that the item should be considered at the meeting as a matter of urgency by reason of special circumstances. These circumstances were that there had been a need for additional consultation with Legal and Property services to enable the finalisation of these reports.

The Chair highlighted that some of the information relating to this item was exempt and should not be discussed during the public section of the meeting. It was noted that all questions would be directed through the Chair, would be based on the information set out in the report, and would be directed to officers. It was added that questions should relate to the remit of the Corporate Committee and not the remit of the Overview and Scrutiny Committee.

The Head of Audit and Risk Management introduced the report and noted that the Committee had received a summary of the internal audit findings in relation to the decision not to purchase Alexandra House at its meeting in March 2021. The Committee had considered the findings and had requested a follow up report on the decision making relating to the purchase of Alexandra House and whether council policy and procedure had been followed. It was highlighted that the role of the Committee was to consider the governance, internal control environment, and management of risk.

It was noted that the full Mazars report was now presented to the Committee. It was explained that Mazars had reviewed the process for the decision and noted that the former Interim Assistant Director of Property and Economic Development was open to the suggestion to purchase Alexandra House as it could have helped to deliver Medium Term Financial Strategy (MTFS) savings and it could have supported the accommodation strategy. It was considered that the governance arrangements to manage an acquisition of such significance were weak, that there were a number of informal and ad hoc processes, and that there was a lack of documentary evidence regarding the people involved and the decisions made. There was also no evidence of a thorough business case which would have given decision makers an opportunity to consider all issues in full.

In response to the issues raised by the investigation, officers had undertaken to improve the arrangements for dealing with property acquisition, including an Acquisition and Disposals Policy that had been approved by Cabinet, a management review of governance, changes to the senior reporting arrangements covering acquisition, improved formalised communications with the Cabinet Member, formal minutes for Strategic Property Board meetings, a formal tracker in Strategic Property so that all acquisitions were noted in one location, and further reviews of the arrangements in the future.

Cllr Ejiofor noted that Cabinet Members at the time of the decision had been proactive and had made a number of requests, such as the confirmation of a formal acquisitions and disposals policy. It was enquired whether there was any evidence that the Chief Executive or Leader at the time had been informed about the opportunity to purchase Alexandra House. The Head of Audit and Risk Management explained that internal audit held officers accountable for internal governance. It was noted that Mazars had found that the procedures in place at the time were not adequate and that, although the benefits of purchasing Alexandra House were referenced incidentally in some documents, no options or advice had been presented in a formal document. The Head of Audit and Risk Management stated that, in his view, a specific, formal document would have been necessary to allow any decision maker to make an informed judgement.

Cllr Amin asked how the Committee and local residents could be assured that there was transparency in relation to future decisions. The Head of Audit and Risk Management noted that the role of the Committee was to seek assurances. It was explained that these issues had been identified and management should put adequate controls in place to ensure that future decisions were properly considered. It was added that there should also be regular reviews by internal audit to ensure that the processes were sufficient and were operating correctly.

Some members stated that the report was not clear in relation to which individuals undertook certain actions and who was responsible at each stage and asked for further clarity. The Head of Audit and Risk Management explained that the report highlighted that the procedures in place were insufficient to provide this level of clarity and it was therefore difficult to say what should have happened. It was noted that ensuring that there were adequate processes was the responsibility of management. It was added that, from an audit point of view, the focus was on the processes undertaken and not on the decision itself.

The Chair noted that the Mazars report referenced the fact that key stakeholders had been interviewed. There was a later reference to reliance on the interview with the Assistant Director for Capital Projects and Property (Interim) and it was enquired how many people had been interviewed or whether there had only been one interview. The

Head of Audit and Risk Management believed that Mazars had predominantly relied on information from the interview with the Assistant Director but most likely would have spoken to others in the relevant service and it was noted that this might require confirmation with Mazars.

The Chair stated that Mazars had seen two separate papers that had been presented to the Strategic Property Board in December 2018. It was noted that, according to its terms of reference, the Strategic Property Board met quarterly and it was enquired why Mazars or the Committee had not been given sight of papers from November 2018 to May 2019. The Head of Audit and Risk noted that the two reports in December 2018 were the only formal records of any decision and that there had only been incidental references to the purchase of Alexandra House at other times. This highlighted the importance of having clear processes with written reports and formal minutes.

Cllr Tabois noted that this would not have been the first time that the council had bought a building or something similar. He believed that there had been a failure to follow procedures in this case and that someone needed to be held accountable. The Head of Audit and Risk Management explained that the matter had been reviewed by Mazars who were independent and they had raised concerns that the governance arrangements in place were weak which had resulted in a largely informal process. It was noted that this had been discussed with the Committee and that measures had been put in place to ensure that there were internal controls that were strong enough to correctly consider decisions.

Cllr Ibrahim noted that local authorities were sometimes criticised for being bureaucratic but that processes were required to avoid situations such as this case. She accepted that the process for deciding not to do something may have been less clear but that this could still be detrimental to services. She stated that the council should learn from this that executive members should be able to ask questions to ensure that things had been done correctly. She stated that it was important not to assign blame to individuals but that all parties should take responsibility and ensure that the right questions were asked when decisions were made.

Following consideration of the exempt information, it was

RESOLVED

1. To note the report and attached documents.

2. To note the improved internal control governance arrangements for dealing with property acquisition detailed in the Mazars report.

13. NEW ITEMS OF URGENT BUSINESS

There were no items of urgent business.

14. DATES OF FUTURE MEETINGS

To note the dates of future meetings:

1 February 2022
10 March 2022

15. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded from the meeting for consideration of items 16-17 as they contained exempt information as defined in Section 100a of the Local Government Act 1972 (as amended by Section 12A of the Local Government Act 1985); paragraphs 1, 2, 3, and 5; namely information relating to an individual, information which was likely to reveal the identity of an individual, information relating to the financial or business affairs of any particular person (including the authority holding that information), and information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

At 8.55pm, the Committee agreed a short adjournment. The meeting resumed at 9.05pm.

16. DECISION MAKING FOR THE ACQUISITION OF ALEXANDRA HOUSE - EXEMPT

The Committee considered the exempt information.

17. NEW ITEMS OF EXEMPT URGENT BUSINESS

There were no new items of exempt urgent business.

CHAIR: Councillor Peter Mitchell

Signed by Chair ………………………………..

Date …………………………………

Report for: Corporate Committee – 1 February 2021

Title: External Audit Appointment

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

Lead Officers: Kaycee Ikegwu, Chief Accountant, kaycee.ikegwu@haringey.gov.uk, 020 8489 5560; Sahr Kamanda, Deputy Chief Accountant, sahr.kamanda@haringey.gov.uk, 020 8489 5825

Ward(s) affected: N/A

Report for Key/ Non Key Decision: Non-Key Decision

1. Describe the issue under consideration

1.1 In July 2016, the Secretary of State for Housing Communities and Local Government (MHCLG) specified Public Sector Audit Appointments Limited (PSAA) as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.

1.2 In accordance with the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 (the Regulations), PSAA formally invited all eligible bodies to join the national auditor appointment arrangements for the audit years 2018/19 to 2022/23 in its role as a specified appointing person. Haringey Council, alongside most of London Councils opted in.

1.3 As the first appointing period is coming to an end, PSAA has formally invited all bodies to either opt in or out of this arrangement for the second appointing period of 2023/2024 to 2027/2028.

1.4 The decision for the Council to appoint its own external auditors itself, or to opt in for the sector led approach, must be made by Full Council and cannot be delegated.

1.5 The Corporate Committee's responsibilities in relation to audit include: 'Considering arrangements for the appointment of the external auditor'. This report is provided to advise the committee of the options available to the Council as we approach the end of the current appointing period and recommend a preferred solution.

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

Corporate Committee is asked:

3.1 To recommend to Full Council that Haringey Council opts in to the Public Sector Audit Appointments Ltd (PSAA) scheme to enable them to appoint the external auditor for the Council and for the Pension Fund.

4. Reasons for decision

4.1 The recommendation is based on the most economically advantageous approach, which will provide an appropriately qualified and suitable external audit function for the Council; and which will achieve economies of scale by opting in to a national procurement process to provide competitive prices for local audit services.

4.2 PSAA has a specialist, experienced team who will use their technical expertise and sector knowledge to make transparent and independent auditor appointments for the Councils.

4.3 Most London local authorities have indicated willingness to continue with the PSAA arrangement and it will be more beneficial to be part of this large group; to enable a collective reshaping and improvement in audit services.

5. Alternative options considered

5.1 There are a number of options which are available to the Council in making the appointment; the choice of which route to take must be made by Full Council and cannot be delegated. The options which are available are as set out below:

1. To establish a separate and individual auditor panel to advise on the external auditor appointment, with the final decision again being made by Full Council

2. To work collaboratively with one or more authorities, sharing an auditor panel if they choose

5.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) produced non-statutory guidance in September 2015 to advise local authorities of what they need to be aware of in relation to auditor panels. This report summarises the possible advantages and disadvantages of each option

5.3 Analysis of the Auditor Panel options

Ref	Option	Possible Advantages	Possible Disadvantages
1.	Set up own separate and individual panel to oversee separate and individual procurement	• Full ownership of the process • Fully bespoke contract with the auditor • Tendering process more based on local circumstances	• May not be able to get bids from suitable firms due to their focus being on PSAA contract. A single authority contract may be less attractive to some providers. • May procure at a very high cost for same reasons as above. • May experience difficulties in appointing majority independent panel members and independent panel chair as per the regulations • Will not achieve economies of scale
2.	Set up a panel jointly with other authority/ authorities as part of a procurement exercise for joint contract covering more than one authority or multiple separate contracts	• Less administration than a sole auditor panel • Will be able to share the administration expenses • May be easier to attract suitable independent panel members • If procuring a joint audit contract: o May still be a relatively locally tailored process o May be able to achieve some economies of scale • If procuring separate audit contracts: o An opportunity for fully bespoke contracts with the auditor if the group of authorities can agree	• If procuring a joint audit contract: o May need to compromise on the arrangements or auditor contract o May not end up with first choice of auditor, compared to an individual auditor panel. If a large group of authorities work together and decide to appoint one joint audit contract across all the authorities, a joint panel may be more likely to advise appointment of an auditor it considers suitable for all authorities taken together • Need to agree appointment of members across multiple authorities and set up an appropriate joint decision-making process

i. The arrangements for an auditor panel must comply with the requirements of the Act and must have a majority of independent, non-elected members. The auditor panel must also be chaired by an independent non-elected member. The rules about independence are very specific and must comply with The Local Audit (Auditor Panel Independence) Regulations 2014. The panel can be an existing committee or sub-committee of an existing committee provided that the membership criteria are met.

ii. Once the external auditor is appointed, the auditor panel will continue to have roles in monitoring the auditor's performance, ensuring the auditor's independence and in the event of any relationship problems with members or officers. In the event of a breakdown of the relationship, or poor auditor performance, the Council would be faced with a re-procurement exercise.

5.4 Appointment by the Sector Led Route

5.4.1 In July 2016, PSAA was specified as a designated person for the purposes of making external audit appointments. They are the only body to be designated as such.

5.4.2 If the Corporate Committee agrees to the recommendation and Full Council decided to opt for this route, the Council would confirm its intention to PSAA to participate in the sector led scheme by **Friday,11 March 2022**. PSAA would then carry out the procurement (in accordance with the Public Contracts Regulations 2015) on behalf of all councils and NHS trusts that have signed up with them and would then allocate external auditors, probably on a geographic basis as has happened in the past.

5.4.3 PSAA would then be the body that would support the external auditor's independence and would be involved if there were relationship problems. Monitoring the work of the external auditor would continue to be undertaken by the Corporate Committee.

5.4.4 PSAA would be the contracting authority, so there would be no procurement by the Council. The fees paid for the audit service would include PSAA's costs. It is however a non-profit making organisation and if any surpluses were achieved these would be returned to the scheme members. This year, Haringey Council received a redistribution of surplus of £31,360 and £3,190 for the Council's account and Pension Fund account respectively.

5.4.5 This route would be the most straightforward and least resource intensive. It would enable the achievement of more competitive prices because of the volume being procured. In the event of a breakdown of the relationship or poor auditor performance, PSAA would be able to replace the auditor with another that it has contracted with without the cost implications or interruption of service which might be experienced if the Council contracted with a single supplier.

5.4.6 Audit fees will continue to be met by each local authority. PSAA will manage the fee levels and pool scheme costs to enable costs to be charged to authorities in accordance with an agreed scale of fees. PSAA will consult with audited bodies on the proposed scale of fees until the initial procurement has been completed and contracts have been let.

6. Background information

6.1 Prior to its final abolition in March 2015, external auditors for local authorities were appointed by the Audit Commission. The auditor currently appointed for Haringey Council and for its pension fund is BDO LLP and they remain as the external auditors. The current audit contracts were novated from the Audit Commission to PSAA on 1 April 2015.

6.2 The contract was due to expire following conclusion of the audits of 2016/17 accounts, but was extended by PSAA, subject to MHCLG amendment of the transitional provisions to extend the period in which the statutory functions are delegated to PSAA.

6.3 In October 2015, the Secretary of State confirmed that the transitional provisions amendment allowing an extension of the contracts for a period of one year for audits of principal local government bodies to include the audit of 2017/18 accounts.

6.4 BDO was then appointed as the Council's auditors for the **first appointing period** which spans the five consecutive financial years commencing 1 April 2018. It covers the audits of accounts for the financial years 2018/19 to 2022/23.

6.5 The **second appointing period** will span the five consecutive financial years commencing 1 April 2023. It will cover the audits of accounts for the financial years 2023/24 to 2027/28.

7. Contribution to strategic outcomes

7.1 External audit makes a significant contribution to ensuring the adequacy and effectiveness of internal control and use of resources throughout the Council, which covers all key Priority areas.

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

8.1 **Finance and Procurement**

The External Audit plan of work in relation to the 2020/21 year is currently estimated to cost £242k and appropriate provision was made within the budget for 2020/21 under the current contractual arrangements. The Medium Term Financial Strategy (MTFS) at this stage assumes a similar level of budget will be required in future years.

8.2 **Legal**

8.2.1 The Head of Legal and Governance (Monitoring Officer) has been consulted in the preparation of the report.

8.2.2 The changes to the arrangements for appointing external auditors, and the range of options available under the framework of the Local Audit and Accountability Act 2014, are set out in the main body of this report.

8.2.3 If an authority fails to appoint an external auditor the Secretary of State has the power to direct the authority to appoint a particular auditor, or appoint one on its behalf.

8.2.4 The Head of Legal and Governance (Monitoring Officer) sees no legal reasons preventing Corporate Committee from agreeing to the recommendations in the report.

8.3 **Equality**

There are no direct equality implications for the Council's existing policies, priorities and strategies. However, ensuring that the Council has effective external audit arrangements in place will assist in providing assurance to residents and other stakeholders that the Council manages public money appropriately and in accordance with statutory requirements.

9. Use of Appendices

N/A

10. Local Government (Access to Information) Act 1985

Not applicable.

Report for:	Corporate Committee – 1 February 2022
Title:	Treasury Management Strategy Statement 2022/23
Report authorised by:	Thomas Skeen, Assistant Director of Finance (Deputy S151 Officer)
Lead Officer:	Tim Mpofu, Head of Pensions & Treasury, tim.mpofu@haringey.gov.uk
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 2022/23 to this Committee (following its scrutiny at the Overview and Scrutiny Committee) before it is presented to Full Council for final approval.

2. Cabinet Member Introduction

2.1 Not applicable.

3. Recommendations

The Corporate Committee is requested:

3.1 To agree the proposed updated Treasury Management Strategy Statement for 2022-23.

3.2 To recommend the proposed updated Treasury Management Strategy Statement for 2022-23 to Full 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 made by Overview and Scrutiny will be reported to Corporate Committee for consideration.

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

- The Treasury Management Strategy Statement sets out a five year position throughout the report, which better aligns with the Council's medium term financial strategy and budget report.

- Now that PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield, a practice not previously undertaken by this Council, the strategy makes clear the Council's intention to continue to avoid this activity in order to retain its access to PWLB loans.

- 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.

7. Contributions to Strategic Outcomes

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

8. Statutory Officers comments

Finance and Procurement

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.

Legal

8.3 The Head of Legal and Governance (Monitoring Officer) 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.

Equality

8.6 There are no equalities issues arising from this report.

9. Use of Appendices

9.1 Appendix 1 – Treasury Management Strategy Statement 2022/23.

10. Local Government (Access to Information) Act 1985

10.1 Not applicable.

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London Borough of Haringey

Treasury Management Strategy Statement 2022/23

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 are considered in section 6 of this report, in line with the 2018 MHCLG Guidance.

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

Economic background

2.1. The ongoing impact on the UK from coronavirus, together with higher inflation, higher interest rates, and the country's trade position post-Brexit, will be major influences on the Authority's treasury management strategy for 2022/23.

2.2. In December 2021, the Bank of England (BoE) increased Bank Rate to 0.25% while maintaining its Quantitative Easing programme at £895 billion. The Monetary Policy Committee (MPC) voted 8-1 in favour of raising rates, and unanimously to maintain the asset purchase programme.

2.3. Within the announcement, the MPC noted that the pace of the global recovery was broadly in line with its November Monetary Policy Report. Prior to the emergence of the Omicron coronavirus variant, the Bank also considered the UK economy to be evolving in line with its expectations. However, with the increased uncertainty and risk to activity the new variant presents, the Bank revised down its estimates for Q4 GDP growth to 0.6% from 1.0%.

2.4. Inflation was projected to be higher than previously forecast, with CPI likely to remain above 5% throughout the winter and peak at 6% in April 2022. The labour market was generally performing better than previously forecast and the BoE now expects the unemployment rate to fall to 4% compared to 4.5% forecast previously, but notes that Omicron could weaken the demand for labour.

2.5. UK CPI for November 2021 recorded an increase of 5.1% year-on-year, up from 4.2% in the previous month. Core inflation, which excludes the more volatile components, rose to 4.0% year on year from 3.4%. The most recent labour market data for the three months to October 2021 showed the unemployment rate fell to 4.2% while the employment rate rose to 75.5%.

2.6. In October 2021, the headline 3-month average annual growth rate for wages were 4.9% for total pay and 4.3% for regular pay. In real terms, after adjusting for inflation, total pay growth was up 1.7% while regular pay was up 1.0%. The change in pay growth has been affected by a change in composition of employee jobs, where there has been a fall in the number and proportion of lower paid jobs.

2.7. Gross domestic product (GDP) grew by 1.3% in the third calendar quarter of 2021 according to the initial estimate, compared to a gain of 5.5% in the previous quarter, with the annual rate slowing to 6.6% from 23.6%. The Q3 gain was modestly below the consensus forecast of a 1.5% rise over the quarter. During the quarter activity measures were boosted by sectors that reopened following pandemic restrictions, suggesting that wider spending was flat. Looking ahead, while monthly GDP readings suggest there had been some increase in momentum in the latter part of Q3, Q4 growth is expected to be soft.

2.8. GDP growth in the euro zone increased by 2.2% in Q3 2021 following a gain of 2.1% in the second quarter and a decline of 0.3% in the first. Headline inflation has been strong, with CPI registering 4.9% year-on-year in November, the fifth successive month of inflation. Core CPI inflation was 2.6% year-on-year in November, the fourth month of successive increases from July's 0.7% year-on-year. At these levels, inflation is above the European Central Bank's target of 'below, but close to 2%', putting some pressure on its long-term stance of holding its main interest rate of 0%.

2.9. The US economy expanded at an annualised rate of 2.1% in Q3 2021, slowing sharply from gains of 6.7% and 6.3% in the previous two quarters. In its December 2021 interest rate announcement, the Federal Reserve continue to maintain the Fed Funds rate at between 0% and 0.25% but outlined its plan to reduce its asset purchase programme earlier than previously stated and signalled they are in favour of tightening interest rates at a faster pace in 2022, with three 0.25% interest rate movements now expected by the markets.

Credit Outlook

2.10. Since the start of 2021, relatively benign credit conditions have led to credit default swap (CDS) prices for the larger UK banks to remain low and had steadily edged down throughout the year up until mid-November when the emergence of Omicron has caused them to rise modestly. However, the generally improved economic outlook during 2021 helped bank profitability and reduced the level of impairments many had made as provisions for bad loans. However, the relatively recent removal of coronavirus-related business support measures by the government means the full impact on bank balance sheets may not be known for some time.

2.11. The improved economic picture during 2021 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several financial institutions, revising them from negative to stable and even making a handful of rating upgrades.

2.12. Looking ahead, while there is still the chance of bank losses from bad loans as government and central bank support is removed, the institutions on the Authority's counterparty list are well-capitalised and general credit conditions across the sector are expected to remain benign. Duration limits for counterparties on the Authority's lending list are under regular review and will continue to reflect economic conditions and the credit outlook.

Interest rate forecast

2.13. The Authority's treasury management adviser Arlingclose is forecasting that Bank Rate will continue to rise in the first quarter of 2022 to subdue inflationary pressures and the perceived desire by the BoE to move away from emergency levels of interest rates.

2.14. Investors continue to price in multiple rises in Bank Rate over the next forecast horizon, and Arlingclose believes that although interest rates will rise again, the increases will not be to the extent predicted by financial markets. In the near-term, the risks around Arlingclose's central case are to the upside while over the medium-term the risks become more balanced.

2.15. Yields are expected to remain broadly at current levels over the medium-term, with the 5, 10 and 20 year gilt yields expected to average around 0.65%, 0.90%, and 1.15% respectively. The risks around for short and medium-term yields are initially to the upside but shifts lower later, while for long-term yields the risk is to the upside. However, as ever there will almost certainly be short-term volatility due to economic and political uncertainty and events.

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

2.17. For the purpose of setting the budget, it has been assumed that new treasury investments will be made at an average rate of 0.50%, and that new long-term loans will be borrowed at an average rate of 3.00%.

3. Local Context

3.1. On 30th November 2021, the Authority held £617.2m of borrowing and £10.1m of treasury investments. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance Sheet Summary and Forecast (Capital Financing Requirement)

	31.3.21 Actual £m	31.3.22 Estimate £m	31.3.23 Forecast £m	31.3.24 Forecast £m	31.3.25 Forecast £m	31.3.26 Forecast £m	31.3.27 Forecast £m
General Fund CFR	505.5	655.5	817.4	961.8	1,053.2	1,096.6	1,090.8
HRA CFR	332.3	405.0	558.1	860.2	1,110.9	1,212.3	1,262.4
Total CFR	**837.8**	**1,060.5**	**1,375.5**	**1,822.0**	**2,164.1**	**2,308.9**	**2,353.2**
Less: Other debt liabilities*	-27.3	-23.5	-19.5	-15.3	-10.9	-8.4	-7.9
Loans CFR	**810.5**	**1,037.0**	**1,356.0**	**1,806.7**	**2,153.2**	**2,300.5**	**2,345.3**
Less: Internal borrowing	-254.6	-145.8	-151.4	-169.7	-175.6	-180.3	-184.0
CFR Funded by External Borrowing	**555.9**	**891.2**	**1,204.6**	**1,637.0**	**1,977.6**	**2,120.2**	**2,161.3**
Breakdown of External Borrowing:							
Existing borrowing**	555.9	655.9	569.5	543.3	531.6	522.1	512.6
New borrowing to be raised	-	235.3	635.1	1,093.7	1,446.0	1,598.1	1,648.7

* leases and PFI liabilities that form part of the Authority's total debt

** shows only loans to which the Authority is committed and excludes optional refinancing

3.2. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while 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, sometimes known as internal borrowing.

3.3. The Authority has an increasing CFR due to the capital programme, but minimal investments and will therefore be required to borrow up to £1,643.3m over the forecast period.

3.4. 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 1 shows that the Authority expects to comply with this recommendation during the course of the MTFS.

3.5. 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). The Authority'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 Authority's capital programme, however all capital plans are assessed in their entirety (i.e. some schemes are for a greater than five year time frame).

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

Table 2: Year-end Borrowing Position Summary

	31.3.21 Actual £m	**31.3.22 Estimate £m**	**31.3.23 Forecast £m**	**31.3.24 Forecast £m**	**31.3.25 Forecast £m**	**31.3.26 Forecast £m**	**31.3.27 Forecast £m**
General Fund borrowing	281.4	499.1	665.8	816.4	912.0	956.7	951.2
HRA borrowing	274.5	392.1	538.8	820.6	1,065.6	1,163.5	1,210.1
Total borrowing	**555.9**	**891.2**	**1,204.6**	**1,637.0**	**1,977.6**	**2,120.2**	**2,161.3**

4. Borrowing Strategy

4.1. The Authority estimates that it will hold £656m of loans as part of its strategy for funding previous years' capital programmes at 31 March 2022. The balance sheet forecast in table 1 shows that the Authority expects to increase its borrowing by up to £637m by the end of 2022/23. 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 3 of this report.

Objectives

4.2. 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.

Strategy

4.3. 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. The size of the Council's capital programme, and the need to diversify the Council's debt portfolio to further minimise refinancing risk means that long term borrowing will be required during 2022/23. Therefore, the Authority's strategy will be to fulfil its borrowing requirement during the financial year with a mixture of short and long term borrowing.

4.4. 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 using short-term loans to finance the General Fund's capital programme. However, a significant portion of the HRA capital programme will continue to be financed by long-term borrowing, in line with the HRA business plan.

4.5. By doing so, the Authority aims to reduce net borrowing costs. The benefits of short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring 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 whether the Authority borrows additional sums at long-term fixed rates in 2022/23 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

4.6. The Authority has in recent years raised all of its long-term borrowing from the PWLB but will consider long-term loans from other sources including banks, pension funds and local authorities, and may 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. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Authority has not done this in the past and has no plans to engage in such activity, and will therefore retain its access to PWLB loans.

4.7. Alternatively, the Authority may arrange forward starting loans, 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.

Sources of Borrowing

4.8. The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
- 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

Other Sources of Debt Finance

4.9. 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 lease back

Municipal Bonds Agency

4.10. UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is 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.

LOBOs

4.11. 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 2022/23, 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 Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so, however, it recognises that lenders are highly unlikely to offer this while the interest rates on existing loans remain above prevailing rates.

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

4.13. 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.

4.14. As the Council's borrowing portfolio grows in line with its capital spending plans, the LOBOs will continue to shrink as a proportion of the Authority's total borrowing.

Short-term and Variable Rate Loans

4.15. 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).

Debt Rescheduling

4.16. 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.

Borrowing Limits

4.17. The council's total borrowing limits are set out in table 3 on the following page.

4.18. 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.

4.19. 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.

4.20. The Chief Finance Officer has the 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.

Table 3: Borrowing Limits

	2021/22 Limit £m	2022/23 Limit £m	2023/24 Limit £m	2024/25 Limit £m	2025/26 Limit £m	2026/27 Limit £m
Authorised limit - borrowing	1,272.4	1,286.0	1,736.7	2,083.2	2,230.5	2,275.2
Authorised limit - PFI & Leases	31.0	25.7	20.2	14.4	11.1	10.5
Authorised limit - total external debt	**1,303.4**	**1,311.7**	**1,756.9**	**2,097.6**	**2,241.6**	**2,285.7**
Operational boundary - borrowing	1,222.4	1,236.0	1,686.7	2,033.2	2,180.5	2,225.2
Operational boundary - PFI & Leases	28.2	23.4	18.4	13.1	10.1	9.5
Operational boundary - total external debt	**1,250.6**	**1,259.4**	**1,705.1**	**2,046.3**	**2,190.6**	**2,234.7**

5. Treasury Investment Strategy

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 treasury investment balance has ranged between £10.1 and £44.9 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 maintain professional client status (see also paragraph 11.7)

Objectives

5.2. The CIPFA Code requires the Authority to invest its treasury 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. Where balances are expected to be invested for more than one year, the Authority will 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.

Negative interest rates

5.3. The COVID-19 pandemic has increased the risk that the Bank of England will 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. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. 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. However, given the current economic outlook, this scenario is considered unlikely.

Strategy

5.4. 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). If the Authority were to consider diversifying into more secure and/or higher yielding asset classes during 2022/23, in particular for the estimated £10m that is available for longer-term investment due to being required for the MiFID professional client status, this would be the subject of further reports as it would represent a change in the treasury investment strategy.

Business Models

5.5. 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 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.

Approved Counterparties

5.6. The Authority may invest its surplus funds with any of the counterparty types in table 4 below, subject to the limits shown.

Table 4: Treasury Investment Counterparties and Limits

Sector	Time Limit	Counterparty Limit	Sector Limit
The UK Government	50 years	Unlimited	n/a
Local authorities & other government entities	25 years	£5m	Unlimited
Banks (secured)*	2 years	£5m	Unlimited
Banks (unsecured)*	13 months	£5m	Unlimited
Building societies (unsecured)*	13 months	£5m	£20m
Registered providers (unsecured)*	5 years	£5m	£20m
Money Market Funds	n/a	£5m	Unlimited
Strategic Pooled Funds	n/a	£5m	Unlimited
Real Estate Investment Trusts	n/a	£5m	Unlimited

Minimum Credit Rating

5.7. Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. 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.

Government

5.8. Loans to, and 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 Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

Bank Secured Investments

5.9. Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies 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. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

Banks and Building Societies (unsecured)

5.10. 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.

Registered Providers (unsecured)

5.11. Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are 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.

Money Market Funds

5.12. Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over banks of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

Pooled Funds

5.13. Bond, equity and property funds that 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.

Real Estate Investment Trusts

5.14. 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.

Operational Bank Accounts

5.15. 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.

Risk Assessment and Credit Ratings

5.16. 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.

5.17. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day 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.

Other Information on the Security of Investments

5.18. 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.

5.19. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, 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, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

Investment Limits

5.20. The Authority's revenue reserves available to cover investment losses are forecast to be £5 million on 31st March 2022. 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 entities under the same ownership will be treated as a single organisation for limit purposes.

5.21. Limits are also placed on fund managers, investments in brokers' nominee accounts and foreign countries 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 5: Additional Investment Limits

	Cash Limit
Any single organisation, except the UK Central Government	£5m 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 Pension Fund.

Liquidity Management

5.22. 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:

- **Treasury management investments –** where the Authority has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure,
- **Service investments** – to support local public services by lending to or buying shares in other organisations,
- **Commercial investments** – where the main purpose of the investment is to earn an investment income

6.2. This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.

Treasury Management Investments

6.3. 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 (CIPFA). The balance of treasury management investments is expected to fluctuate between £10 million and £50 million during the 2022/23 financial year.

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

6.5. **Further details:** Full details of the Authority's policies and its plan for 2022/23 for treasury management investments are covered in the previous section, section 5 of this report

Service Investments

6.6. **Contribution:** The Council lends money to third parties such as its subsidiaries, its suppliers, local businesses, local charities, housing associations, local residents and its employees to support local public services and stimulate local economic growth.

6.7. **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 March 2021 were as follows:

Table 6: Loans for service purposes in £ millions

Category of borrower	31.03.21 Balance £m	Loss allowance £m	31.03.21 Net figure in accounts £m
Subsidiaries	17.5	0.0	17.5
Local Businesses	2.1	-0.7	1.4
Local Charities	49.3	-43.5	5.8
Local Residents	0.1	0.0	0.1
Total Investments	**69.0**	**-44.2**	**24.8**

6.8. 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 legally discharged, totalling £49.3m. Much of this loan, £43.1m, is legally outstanding but does not currently have repayments being made, this debt dates back to previous decades when the Authority, Haringey Council, expended funds on behalf of the Trust. Although the £43.1m debt has not been legally discharged, the Authority has agreed that it will only seek to recover this when the Trust is in a position to repay amounts due.

6.9. The remainder of the outstanding amount are more recent loans relating to works carried out on the Ice Rink and West Storage Yard – these are being repaid in line with the original loan agreements. Loans issued to local business are arranged through the Opportunity Investment Fund.

6.10. 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 2020/21 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.

6.11. **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 Authority's capital programme, further details of which are in the Authority's annual medium term financial strategy.

Commercial Investments: Property

6.12. **Contribution:** The Authority holds properties which are classified as 'investment properties' in the Authority's statement of accounts. These properties are all within the local area, therefore contributing to the Council's local placemaking duties, 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.

6.13. The value of investment properties disclosed in the 2020/21 statement of accounts was £88.6m.

7. <u>Capacity, Skills, Culture and Advice</u>

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 Authority'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 Authority 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 Authority'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. <u>Investment Indicators</u>

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 because of its investment decisions.

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

Table 7: Total Investment Exposure

Investment Type	31.03.21 Actual £m	31.03.22 Forecast £m	31.03.23 Forecast £m
Treasury management investments	17.0	15.0	15.0
Service investments: loans	24.8	24.8	24.8
Commercial investments: property	88.6	88.6	88.6
Total Investments	**130.4**	**128.4**	**128.4**

8.3. **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.

Table 8: Investments Funded by External Borrowing

Investment Type	31.03.21 Actual £m	31.03.22 Forecast £m	31.03.23 Forecast £m

Treasury management investments	0.0	0.0	0.0
Service investments: loans	17.0	21.3	22.0
Commercial investments: property	60.8	76.1	78.7
Total Investments	**77.8**	**97.4**	**100.7**

8.4. **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.

Table 9: Investment Rate of Return

Investment Type	31.03.21 Actual	31.03.22 Forecast	31.03.23 Forecast
Treasury management investments	0.44%	0.50%	0.50%
Service investments: loans	0.77%	0.77%	0.77%
Commercial investments: property	6.20%	4.00%	4.00%
Total Investments	**4.42%**	**2.97%**	**2.97%**

9. Treasury Management Prudential 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	Target
Upper limit on one-year revenue impact of a 1% rise in interest rates	£2m
Upper limit on one-year revenue impact of a 1% fall 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	Target
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	2022/23	2023/24	2024/25
Limit on principal invested beyond year end	£10m	£10m	£10m

10. <u>Minimum Revenue Provision Policy Statement</u>

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 former 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 at 2% of that CFR, fixed at the same cash value so that the whole debt is repaid after 50 years in total.

10.6. 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.

10.7. 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.

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

Table 10: Summary of historic overprovision of MRP on pre 2008 GF expenditure

Investment Type	£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	32.8

10.9. The remaining overprovision of MRP as at 31.3.2021 was £7.8m. 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 11: Estimated MRP charges on GF pre 2008 expenditure

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £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	-2.7	0.0	0.0	0.0	0.0
Net MRP charge for pre 2008 expenditure	0.0	2.3	5.0	5.0	5.0	5.0

General Fund MRP policy: prudential borrowing from 2007/08

10.10. 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.

10.11. 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.

10.12. 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.

10.13. 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

10.14. 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

10.15. 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

10.16. 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

10.17. 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.

10.18. 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.

10.19. 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.

Financial Derivatives

11.2. 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, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk will be included to 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.

Housing Revenue Account

11.6. On 1st April 2012, the Authority notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed 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, adjusted for credit risk.

Markets in Financial Instruments Directive

11.7. The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and 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, the Director of Finance (S151 Officer) believes this to be the most appropriate status.

12. <u>Revenue Budget Implications</u>

12.1. The budget for investment income in 2022/23 is £75k based on an average investment portfolio of £15 million at an interest rate of 0.50%. This is assumed to remain constant throughout the MTFS.

12.2. The budget for debt interest paid in 2022/23 is detailed in the table 12 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. Table 12 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 is demonstrated in the table below.

Table 12: Revenue budget for interest costs and MRP:

	2021/22 Forecast £m	**2022/23 Budget £m**	**2023/24 Budget £m**	**2024/25 Budget £m**	**2025/26 Budget £m**	**2026/27 Budget £m**
MRP - pre 2008 expenditure	0.0	2.3	5.0	5.0	5.0	5.0
MRP - post 2008 expenditure	8.7	11.1	14.4	18.4	21.5	23.8
Total MRP	**8.7**	**13.4**	**19.4**	**23.4**	**26.5**	**28.8**
Interest Costs (GF)	8.6	11.3	14.8	17.0	18.2	18.6
Total Gross Capital Financing Costs (GF)	**17.3**	**24.7**	**34.2**	**40.4**	**44.7**	**47.4**
Offsetting Savings for self-financing schemes	-5.2	-8.8	-12.1	-14.9	-18.5	-18.0
Total Net Capital Financing Costs (GF)	**12.1**	**15.9**	**22.1**	**25.5**	**26.2**	**29.4**
Interest Costs (HRA)	**16.2**	**14.9**	**21.0**	**28.2**	**32.5**	**34.3**

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

Appendix A – Arlingclose Economic & Interest Rate Forecast - December 2021

Underlying assumptions:

- The global recovery from the pandemic has entered a more challenging phase. The resurgence in demand has led to the expected rise in inflationary pressure, but disrupted factors of supply are amplifying the effects, increasing the likelihood of lower growth rates ahead. The advent of the Omicron variant of coronavirus is affecting activity and is also a reminder of the potential downside risks.
- Despite relatively buoyant activity survey data, official GDP data indicates that growth was weakening into Q4 2021. Other data, however, suggested continued momentum, particularly for November. Retail sales volumes rose 1.4%, PMIs increased, and the labour market continued to strengthen. The end of furlough did not appear to have had a significant impact on unemployment. Wage growth is elevated.
- The CPI inflation rate rose to 5.1% for November and is expected to rise higher in the near term. While the transitory factors affecting inflation are expected to unwind over time, policymakers' concern is persistent medium term price pressure.
- The factors outlined above prompted the MPC to raise Bank Rate to 0.25% at the December meeting. Short term interest rate expectations remain elevated.
- The outlook, however, appears weaker. Household spending faces pressures from a combination of higher prices and tax rises. In the immediate term, the Omicron variant has already affected growth – Q4 and Q1 activity could be weak at best.
- Longer-term government bond yields remain relatively low despite the more hawkish signals from the BoE and the Federal Reserve. Investors are concerned that significant policy tightening in the near term will slow growth and prompt the need for looser policy later. Geo-political and coronavirus risks are also driving safe haven buying. The result is a much flatter yield curve, as short-term yields rise even as long-term yields fall.
- The rise in Bank Rate despite the Omicron variant signals that the MPC will act to bring inflation down whatever the environment. It has also made clear its intentions to tighten policy further. While the economic outlook will be challenging, the signals from policymakers suggest their preference is to tighten policy unless data indicates a more severe slowdown.

Forecast:

- The MPC will want to build on the strong message it delivered this month by tightening policy despite Omicron uncertainty. Arlingclose therefore expects Bank Rate to rise to 0.50% in Q1 2022, but then remain there. Risks to the forecast are initially weighted to the upside but becoming more balanced over time. The Arlingclose central forecast remains below the market forward curve.
- Gilt yields will remain broadly flat from current levels. Yields have fallen sharply at the longer end of the yield curve, but expectations of a rise in Bank Rate have maintained short term gilt yields at higher levels.
- Easing expectations for Bank Rate over time could prompt the yield curve to steepen, as investors build in higher inflation expectations.
- The risks around the gilt yield forecasts vary. The risk for short and medium term yields is initially on the upside but shifts lower later. The risk for long-term yields is weighted to the upside.

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
3-month money market ra													
Upside risk	0.05	0.05	0.25	0.35	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.25	0.55	0.55	0.60	0.60	0.60	0.60	0.65	0.65	0.65	0.65	0.65	0.65
Downside risk	0.00	-0.25	-0.25	-0.30	-0.30	-0.30	-0.30	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35
5yr gilt yield													
Upside risk	0.00	0.35	0.45	0.55	0.55	0.55	0.55	0.55	0.55	0.50	0.50	0.45	0.45
Arlingclose Central Case	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.65	0.70	0.75	0.75
Downside risk	-0.10	-0.20	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40
10yr gilt yield													
Upside risk	0.10	0.25	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	0.80	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.90	0.90	0.95	0.95
Downside risk	-0.10	-0.25	-0.30	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.40	-0.40	-0.40	-0.40
20yr gilt yield													
Upside risk	0.30	0.40	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	1.00	1.05	1.10	1.10	1.10	1.10	1.15	1.15	1.15	1.20	1.20	1.20	1.20
Downside risk	-0.15	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45
50yr gilt yield													
Upside risk	0.25	0.30	0.40	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.70	0.75	0.80	0.85	0.90	0.95	1.00	1.05	1.05	1.10	1.10	1.15	1.15
Downside risk	-0.15	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%
PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

Agenda Item 13

By virtue of paragraph(s) 1, 2, 3, 5 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is exempt

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