

MINUTES OF MEETING CORPORATE COMMITTEE HELD ON MONDAY, 3RD FEBRUARY, 2020, 7.00 PM

PRESENT:

Councillors: Isidoros Diakides (Chair), Peray Ahmet, Dawn Barnes, Patrick Berryman, Mahir Demir, Makbule Gunes, Liz Morris, Alessandra Rossetti and Noah Tucker

ALSO ATTENDING:

129. 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.

130. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS (IF ANY)

Apologies were received from Cllr Hakata and Cllr Blake.

131. URGENT BUSINESS

None.

132. DECLARATIONS OF INTEREST

There were no Declarations of Interest.

Clerk's note 19:02 – the Committee agreed to adjourn at this point in the meeting.

133. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

Clerk's note 20:15 – the Chair reconvened the meeting.

There were no Deputations, Petitions or Questions.

134. MINUTES

RESOLVED

The Committee agreed the minutes of the meeting held on 2nd December 2019 as a correct record.

135. TREASURY MANAGEMENT STRATEGY STATEMENT 2020/21

The Committee received a copy of the Treasury Management Strategy Statement (TMSS) 2020/21 for approval prior to its presentation to Full Council for final approval. The report was introduced by Thomas Skeen, Head of Pensions, Treasury & Chief Accountant as set out in the agenda pack at pages 11-39. The Head of Pensions, Treasury & Chief Accountant advised the Committee that the TMSS had been considered by Overview and Scrutiny Committee at its meeting on 23rd January. The Committee were advised that OSC did not have any firm recommendations in regards to the TMSS, however there were a number of questions and areas of interest raised by OSC. The Head of Pensions, Treasury & Chief Accountant fed back on the comments received from OSC on 23rd January:

- OSC sought reassurance around whether the TMSS was benchmarked against other local authorities. Officers advised that regular benchmarking data was provided to Corporate Committee.
- OSC questioned what the main driver/s for the growth in borrowing needs were. In response, officers advised that the biggest factor was the increase in the HRA in order to fund significant investment in the capital programme.
- In response to a question around the level of investments, officers advised that the gross position was around £33.6m but that a number of these were self-financing savings, which reduced the net position to around £21m.
- The Committee asked questions around whether officers were comfortable with the interest and other additional borrowing costs from a substantial increase in borrowing in order to fund house building etcetera.
- OSC also asked a number of questions around the HRA and the impact on the revenue budget from additional rent receipts arising from a larger housing portfolio.

The following arose during the discussion of the report:

- a. The Committee enquired about the Council's upper limit on short term borrowing of 30% and questioned whether a greater proportion of borrowing should be done on a long term basis, given the risk of interest rate rises and the potential impact this could have on the Council's ability to build new houses. In response officers acknowledged these concerns and advised that the Council needed to adopt a balanced approach to its borrowing needs. The Committee was advised that long term borrowing created its own pressures on the revenue budget and that the Council needed to be able to access money at short notice to pay its staff or other overheads, for example. Officers assured the Committee that the 30% upper limit was considered prudent and also emphasised that this was a maximum figure, at the time of the meeting the Council had no short-term debt.
- b. In response to further questions around the short term borrowing limit, officers set out that the limit was 30% of total borrowing as opposed to new borrowing. Officers also set out that the Council took regular advice from Arlingclose in considering the Council's long-term and short-term borrowing needs, in order to make sure that the position was prudent.

- c. The Committee queried whether, given the 30% was a total short-term borrowing figure, increased overall borrowing levels would result in increased short-term borrowing. Officers confirmed that was the case, however this had been factored into the formation of the MTFs and that the timing of the increase in the PWLB was fortunate in that context. It was noted that many local authorities had a much higher proportion of short-term borrowing than Haringey. Officers emphasised that short-term borrowing involved lower revenue costs than long-term borrowing.
- d. The Committee sought assurances around how a change in the MRP rate in the medium term would impact the Council, particularly in relation to the increased borrowing levels set out in the TMSS. In response, officers clarified that the MRP was an accounting construct for local government which provided a mechanism for the Council to charge local tax payers for the depreciation costs of assets and so was not subject to changes in interest rates in the way that loans were.
- e. In relation to concerns about increased MRP costs over the duration of the MTFs, officers acknowledged that increased MRP costs would occur from a more extensive capital programme and that MRP costs weren't paid until the asset was in use, rather than from when it was built. It was noted that MRP was not paid in relation to the Housing Revenue Account.
- f. In response to a question about whether the Council was at risk of overpaying on its MRP again, officers advised that the basis for calculating MRP costs had moved to an annuity basis, which provided the lowest available position. Officers advised that they were as confident as they could be that the Council was not overpaying.
- g. The Committee sought reassurance about the impact of Brexit on the Council's borrowing needs. Officers responded that most of the borrowing that the Council had was fixed rate and so it was largely protected from sudden interest rate increases. Arlingclose had advised the Council that large scale interest rate increases were very unlikely and that a decrease in interest rates was, in fact, more likely.
- h. The Committee broadly endorsed the 30% upper limit for short-term borrowing but also set out that this was something that should be kept under review going forwards. The Chair emphasised that his key concern was around ensuring that the Council's borrowing was undertaken on the basis of minimum risk. The Committee acknowledged the need to take expert advice in order to make borrowing as cost effective as possible.
- i. The Committee sought reassurance around the nature of the loans/debt set out in the report around leisure services and also Alexandra Palace. Officers agreed to seek an update on this from the Director of Environment and Neighbourhoods. **(Action: Clerk).**

RESOLVED

That the proposed Treasury Management Strategy Statement for 2022/21 was agreed and recommended to Full Council for final approval.

136. NEW ITEMS OF URGENT BUSINESS

N/A

137. DATE AND TIME OF NEXT MEETING

18th March

CHAIR: Councillor Isidoros Diakides

Signed by Chair

Date