

MINUTES OF MEETING Overview and Scrutiny Committee HELD ON Thursday, 19th January, 2023, 7.30 - 9.30 pm

PRESENT:

Councillors: John Bevan (Chair), Pippa Connor (Vice-Chair), Makbule Gunes and Matt White

52. FILMING AT MEETINGS

53. APOLOGIES FOR ABSENCE

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

54. URGENT BUSINESS

The Chair agreed to alter the published agenda so that Agenda Item 9 – Scrutiny of the 2024/25 Draft budget was taken before Item 8 – Cabinet Member questions.

*Clerk's note - the minutes reflect the order the items were discussed, rather than the order given on the agenda. *

55. DECLARATIONS OF INTEREST

None

56. DEPUTATIONS/PETITIONS/PRESENTATIONS/QUESTIONS

None

57. MINUTES OF SCRUTINY PANEL MEETINGS

The minutes of Children and Young People's Scrutiny Panel on 3rd January 2023, which were marked to follow on the agenda were withdrawn.

The minutes following Scrutiny Panels were received and noted and any recommendations contained within were approved:

Adults and Health Scrutiny Panel – 8th December 2022

Housing, Planning and Development Scrutiny Panel – 12th December 2022

Environment & Community Safety Scrutiny Panel – 15th December 2022

58. TREASURY MANAGEMENT STRATEGY STATEMENT 2023/24

The Committee received the draft Treasury Management Strategy Statement for 2023/24 for comments, before it was presented to Corporate Committee and then Full Council for final approval. The report was introduced by Tim Mpfu, Head of Pensions and Treasury, as set out in the agenda pack at pages 35-60. The following arose during the discussion of this item:

- a. The Committee noted that the Council was due to increase its borrowing year and year and queried the reasons why around half of this borrowing was in the General Fund, and was therefore not related to housebuilding. In response, officers advised that one of the primary drivers were various regeneration schemes that the authority was preparing for as part of its financial framework. It was emphasised that a number of these were self-financing, and that they would only proceed following a final decision by Members. Other areas relevant to increased borrowing the General Fund were noted as: Increased expenditure in the schools budget; maintaining key infrastructure in the borough such as roads, parks and bridges; the development of the civic centre; and digital transformation.
- b. In relation to a follow-up, officers confirmed that the key regeneration projects were Gourlay Place, Wards Corner and the Selby Centre and that these included an element of housing which was in the General Fund at present but would be transferred over to the HRA in future.
- c. In light of the significant increases in borrowing, the Committee sought assurances about rising interest rates and the risk this posed to the Council. In response, officers advised that the capital programme was a framework to allow the Council to undertake these schemes at a future date and that a future decision would be made on a scheme by scheme basis, which involved individual business cases with up to date borrowing costs in each business case. It was also noted that the Council's TM strategy was based on advice it had received from Arlingclose. Officers advised that of course interest rates going up was a significant challenge for the Council and was one of the main drivers behind the financial challenges that it faced. The Council needed to be able to profile the debt so that the point at which it reached maturity was spread out.
- d. The Committee questioned whether there was a legal limit on how much an authority could borrow or whether it was all down to individual business cases. In response, officers advised that there was no formula for determining the maximum a Council could borrow, however the authority had to operate within the parameters of the prudential code. The Treasury Management Strategy set out the local financial consequences of existing and new borrowing, translating into changes in debt provision in future years. The impact of this on the revenue account was set out in terms of the costs to maintain that debt. This was the acid test of whether a particular level of borrowing was deemed to be affordable or not. The business case was a process of subsequent checks to make sure the financial assumptions underlying the scheme were still valid.
- e. The Committee questioned how much debt, for example, would the Council have to refinance within six months. In response, officers advised that they did not have the exact figure to hand but that it was less than 15% of the total debt that was up for repayment within any one year. Officers advised that this was not an area of particular concern and that this information could be shared with the Committee as part of the next Treasury Management update to OSC.
(Action: Tim).

- f. The Committee questioned how much the Council held in reserves to offset its debt liabilities. In response, officers set out that this question related to internal borrowing and how this featured in the programme. This was made up of cash on hand and grants held ahead of spend. The other key aspect in this was the delivery of the capital programme and any slippages therein. The working assumption was that 80% of the programme would be delivered as scheduled. The Director Finance advised that the cash available to offset borrowing costs came from a variety of different places, not all of which were useable reserves. As of the 31st March 2022, the authorities useable reserves for the General Fund for £120M, including the general fund balance and earmarked reserves.
- g. The Committee sought further assurances about whether this was the right time to be increasing borrowing levels, given the external financial risks. In response, the Director Finance commented that this challenge needed to be brought to bear at future decision making points. The Committee was advised that much of the spend was time dependent, such as there were roads that needed to be replaced. The authority was also a substantial recipient of grants for housing from the GLA which had a fixed window for implementation.
- h. The Committee sought clarification about the original £2.5m that was earmarked for housing on the Wards Corner site and whether that would be returned to the Bridge Renewal Trust, following the termination of the development agreement with Grainger. The Chair requested a written response from officers on this point **(Action: Jon Warlow /David Joyce)**.

RESOLVED

That the Committee scrutinised and provided comments on the proposed Treasury Management Strategy Statement for 2023/24.

59. SCRUTINY OF THE 2023/24 DRAFT BUDGET AND 5 YEAR MEDIUM TERM FINANCIAL STRATEGY 2023/2028 -

The Committee received the Council's 2023/24 Draft Budget and 5 Year Medium Term Financial Strategy (MTFS) 2023/2028 proposals. The report was introduced by Jon Warlow, Director of Finance as set out in the agenda pack at pages 61- 174. The Cabinet Member for Finance and Local Investment, Sarah Williams was also present for this agenda item. Frances Palopoli and Josephine Lyseight from Corporate Finance were also present. As the Chair of Budget Scrutiny, Cllr Connor chaired the meeting for this agenda item. The key points of the Director of Finance's introduction were noted as:

- As in recent years, this budget was set in a very challenging climate for this local authority, and the UK more generally. The overspend at Quarter 2 of the current 2022/23 financial year was around £16m. A significant improvement to this position was not anticipated and the degree of challenge was not expected to lessen. The overspend was primarily related to care service areas.
- The draft report presented to Members was prepared in December and was a best estimate in advance of the local government provisional financial statement.
- It was commented that in light of the savings programme this year, the amount of savings not achieved at all, was not unreasonable. Some of the previous savings have been re-profiled to future years.

- The Director of Finance advised that there was nearly £50m of additional investment in the budget, two-thirds of which was in care services. The additional net savings programme totalled around £10m. There were no new savings put forward in last year's budget.
- There was a circa £3m budget gap in the draft report, but this was before the local government finance settlement was released.
- There had been reports in the media that the government had increased core spending power for local authorities by an average of 9.2%. This was 9.8% for Haringey. This core spending power was made up of the majority of income streams to the General Fund including the revenue support grant, new homes bonus, social care grants and Council Tax. The majority of this increase was predicated on increasing Council Tax by the maximum permitted of 4.99%. The draft budget had been set with an assumption of a 2.99% increase.
- The Director of Finance advised that the main funding elements for Haringey had broadly come out as anticipated. Social care grants were higher than expected by around £10m. Of that £10m, £3.3m were specific grants, which left around £6.5m increase in the social care grant. Whilst the additional funding was welcomed, the Director cautioned that this did not even match the degree of expected increase in spending forecast in the social care area.
- The consequences of the grant announcements would be further reflected in the February report. The final MTFs report in February would set a balanced budget, as required by law.
- In relation to the HRA, the Committee was advised that there was a new form of rent modelled at a 7% increase, as announced by the government.
- In relation to the DSG and schools, the Council was continuing its dialogue with the government about joining the DfE Safety Valve Programme and this was progressing as well as might be expected.

The following arose as part of the discussion of this item:

- a. The Committee sought assurances around the current budget gap and the level of reserves being used to offset this deficit. In response, officers advised that the draft budget utilised £5.5m of reserves from a reserve that was specially created for this purpose two years ago. The final MTFs report in February would set out in detail the updated position in detail following receipt of any outstanding grants. The Council was legally required to set a balanced budget and officers gave assurances that it would do so.
- b. The Committee sought clarification as to whether further announcements were expected from government that may improve the picture. In response, it was noted that there were a number of outstanding grant allocations on which the authority was waiting. The largest of these was the Public Health grant which was around £20m and it was commented that this was always announced at a late stage in the budget setting process.
- c. The Committee enquired how much additional income could be raised from Council Tax, for example how much would a 1% increase generate. In response, officers advised that a 1% increase would equate to around £1.2m.
- d. The Committee sought assurances around the additional £6.5m in social care grant, over what had been anticipated and whether this would be used to increase the base budget position. In response, officers advised that there was no direct correlation between the amount of grant received and an increase in the social care budget. The draft budget already included a number of

- assumptions about what has been funded and officers reiterated that the increased grant did not match the expected additional spend required in this area.
- e. The Committee sought assurances around the Safety Valve programme and requested an update on when Haringey might get a positive decision on this from DfE, given it was supposed to happen in December. In response, the Cabinet Member advised that everyone was very keen to get this formed up as soon as possible. The Cabinet Member set out that it was her understanding that the Secretary of State was looking positively on Haringey's submission but that she didn't have any further information at this stage.
 - f. The Committee went through the table of budget recommendations, as well as the additional information that was provided in response to queries submitted by the scrutiny panels at their respective budget meetings, along with responses to queries on the Culture, Strategy and Engagement budget raised at the OSC meeting on 12th January.
 - g. In relation to saving AHC_SAV_008, Housing Demand – Targeted 1 bedroom move on project, the Committee requested that further information be supplied to the Housing, Planning and Development Scrutiny Panel on how the saving related to the spend on families living in TA. How does the £80k saving relate to 100 families, given the figures provided? **(Action: Clerk/Finance)**.
 - h. The Chair of OSC enquired whether the additional rent charged under the London Affordable Rent model could result in some residents being automatically entitled to housing benefit to meet the increased rent costs. In response, the Cabinet Member advised that LAR would only be charged on new build properties and that anyone moving into one of those properties would have a choice of whether they would like to do so. Nobody would be forced into a new set of circumstances, without their consent.
 - i. The Chair of the Environment & Community Safety Scrutiny Panel requested that a written response to be provided to the Panel, in relation to the shortfall in clean-up costs from THFC match days and events and how much money the Council would like to recover from Spurs for this. This was in relation to the MTFS tracker/pre agreed saving PL20/9. **(Action: Clerk/Finance)**.
**Clerk's note – this information was provided to Cabinet and the costs vary year on year, depending on the number of matches. The estimated costs for the current year for match day cleansing are £100k. For 2023/24, it is anticipated these costs will be circa £115k. To date, the club have contributed no funding towards these costs. **
 - j. In response to a point of clarification, the Chair of the Children's Panel agreed that the budgetary impact of the Safety Valve programme be included in future quarterly budget updates to the Children's Panel, rather than OSC. **(Action: Clerk)**.
 - k. In relation to the existing capital programme, line 214 on Osborne Grove nursing home, the Committee requested a breakdown of the financial benefits expected, if the scheme went ahead. This was so that these could be shared with the co-design group, in order to elicit further engagement/buy-in from residents. **(Action: Finance)**.
 - l. In relation to the new saving proposal CSE_SAV_002 - additional commercial advertising opportunities, officers advised that the revenue target for part of this saving from advertising on council vehicles was £30k per annum. After some

- discussion, the Committee voted by three votes to two, in favour of requesting that Cabinet remove the portion of the overall saving, CSE_SAV_002, that specifically related to advertising on Council fleet vehicles given the relatively low amount of money involved.
- m. The Committee requested that future budget scrutiny reports contain a panel specific cover report, setting out the key information relevant to each panel and that the main Cabinet report be attached as an appendix. **(Action: Finance)**.

RESOLVED

That the Committee considered and provided recommendations on the Council's 2023/24 Draft Budget and Five Year Medium Term Financial Strategy 2023/28.

60. CABINET MEMBER QUESTIONS - CABINET MEMBER FOR FINANCE & LOCAL INVESTMENT

The Committee undertook a Q&A Session with the Cabinet Member for Finance and Local Investment. The following arose as part of this session:

- a. The Committee enquired whether any decision had been taken in relation to setting the next year's Council Tax rates. In response, the Cabinet Member advised that this was still under consideration at the current stage.
- b. The Committee asked for further information about how participatory budgeting would work. In response, the Cabinet Member advised that there were a variety of different models, but that Haringey would be looking to involve resident engagement in its future budgetary processes. It was also suggested that this would include allowing local groups to spend local pots of money, such as the Carbon Fund.
- c. In response to a follow-up question, the Cabinet Member advised that she did not envisage consulting on the budget at an earlier stage in future, given how late much of the funding information was received from government and the resultant difficulty in making that engagement meaningful.
- d. The Committee sought assurances from the Cabinet Member about the level of borrowing proposed as part of the capital budget. In response, the Committee was advised that officers had provided assurances about the need for robust business plans to be in place and the need for continuous monitoring. The Cabinet Member set out that in times of austerity, the capital budget allowed the Council an opportunity to improve things for local residents, such as providing better parks and better housing.
- e. The Committee sought clarification about whether the Cabinet Member was suggesting that there was a risk that by not investing in the borough through the capital programme, that the long term costs to the revenue budget would be even higher. In response, the Cabinet Member acknowledged that this was absolutely the case and cited the Safety Valve project as a relevant example of invest to save.
- f. The Committee queried whether the local authority had considered the impact of budget deficits on schools in the east of the borough, including the fact that a number were having to make teachers and teaching assistants redundant. In response, the Cabinet Member acknowledged these concerns and advised that this was a prominent issue at the forefront of people's minds, which had been raised at a number of recent meetings that she had attended.

RESOLVED

Noted.

61. NEW ITEMS OF URGENT BUSINESS

N/A

62. FUTURE MEETINGS

30th March

CHAIR: Councillor John Bevan

Signed by Chair

Date