FOLLOW-UP: MATTERS FOR CLARIFICATION FROM THE LAST MEETING

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REASON FOR REPORT

To follow-up any clarifications and information requests agreed by the Committee undertaking their role scrutinising the decisions and reports from the last Cabinet meeting. These matters are for noting only and not for call-in. If a particular Member wishes for further clarification on the information provided below, this will be for the Committee to determine.

OPTIONS OPEN TO THE COMMITTEE

That the Committee note the information provided.

CABINET – 23 JULY 2020

The Committee gave consideration to the reports and the decisions made by Cabinet at this meeting and sought further information or clarifications in the reports as set out below.

ITEM 5 - CRANFORD PARK: DELIVERY STAGE

Committee Clarification	Officer response
The Committee welcomed the report and project. ***Q1 - Will there be any involvement of local schools at this next stage?***	Q1 - Yes, links with local schools will be prioritised by the Park's new Community Engagement Officer. In the development stage, contact was made (e-mail and hard copy) with 30 local schools within a 3 km catchment area of Cranford Park. Twelve schools replied to our education survey, in which we were asking how to make the park more welcoming for school visits. There was an enthusiastic response to the project proposals. Also, the Heritage of London Trust (HOLF) (who are grant aiding the restoration of the stables at Cranford Park) are starting a Proud Places scheme for 7-16 year olds in September 2020. This new heritage project (funded through a charitable foundation) is designed to engender pride in young people for local places of historic interest. HOLT are already very interested in the potential for this at Cranford Park.

ITEM 6 - BUDGET MONITORING MONTH 2

Committee Clarification	Officer response
The Committee looked at the following paragraph in the Treasury Management Update: *Para 174 - "There were no breaches of the Prudential Indicators or non-compliance with the Treasury Management Policy and Practices. In order to maintain liquidity for day-to-day business operations during June, cash balances will be placed in instant access accounts and overnight deposits. In addition, cash flow forecasts indicate temporary borrowing of around £25m is required to ensure minimum cash levels are maintained throughout June. This replaces temporary borrowing that has mature so far this year or is due to mature in June."* The Committee also noted para.143 in the January 2019/20 Month 8 budget monitoring report to Cabinet and Treasury Management update around the bail-in risks detailed here: *"The Council aims to minimise its exposure to bail-in risk by utilising bail-in exempt instruments and institutions whenever possible. However, with average balances being lower than historic levels, the majority of funds need to be held in instant access facilities to manage daily cashflow. It is therefore not possible to fully protect Council funds from bail-in risk. At the end of November, 100% of the Council's day-to-day operational treasury investments had exposure to bail-in risk compared to a September benchmark average of 62% in the*	Q1 - The Council in line with most local authorities finances a significant proportion of its capital investment through borrowing, most of which is ultimately sourced from HM Treasury's Public Works Loans Board (PWLB). In October 2019, the PWLB added 1% to the cost of all borrowing to discourage increased levels of investment in higher risk commercial assets by a small number of authorities. In order to avoid locking in longer term borrowing (normally in the range of 20 years plus), the Council is making greater use of short term borrowing to finance capital expenditure while considering other borrowing options. It is expected that for authorities such as Hillingdon focused on "business as usual" capital investment required for service delivery, PWLB rates could be lowered in the near future and therefore it would not be prudent to lock in higher rates in a longer-term borrowing arrangement at this time. The Council's approach to managing borrowing is elaborated on within the Capital and Investment Strategy documents included as Appendix 12 in the Budget Setting report presented to Cabinet and Council in February 2020. Q2 - Banking reform legislation was implemented in 2015 with the aim of protecting individuals and taxpayers in the event of a bank failing. The bail-in process mandates creditors to take the losses and protect external parties such as Government and individuals/taxpayers from having to 'bail-out' the bank. Bail-in risk is inherent to the Council's investment as it does not have any government deposit protections unlike individuals or corporate clients. Bail-in risk therefore refers to the risk of the Council losing its deposits as they are unsecured should a bank be required to implement bail-in. The Council only invests in banks for limited duration with most deposits accessible the same day and with high credit rating, to reduce the risk of

Local Authority sector (latest benchmark provided quarterly by the Council's treasury advisors Arlingclose). The Council's exposure reduces to 0% once instant access facilities are excluded from the total bail-in percentage." The Committee asked: ***Q1 - What are the reasons for the £25m borrowing to ensure liquidity in June 2020?*** ***Q2 - Can officers please provide an explanation of what the current bail-in risks are?*** ***Q3 - And can the above be provided in plain english summary to assist Members in their understanding of any risks?*** Going forward, it was suggested that in future budget monitoring reports, the wording around this could be made a little easier to understand.	investing or depositing money with a bank that could fail. The Council is supported by specialist Treasury Advisors that update credit ratings on a daily basis to inform where monies can be safely deposited.
On Page 70 - Table 22 which shows the General Fund Capital Programme Financing Summary, Members noted there were large variances from the forecast and revised budget for 2020/21 particularly for Service Provision and Prudential borrowing. ***Q1 - Members queried whether this was COVID-19 related and whether officers could clarify these variances?***	Q1 - In broad terms the underspend on Service Provision at this early stage in the year reflects slippage and delays to a number of schemes which is largely attributable to the impact of COVID-19. The breakdown of this across schemes is narrated in paragraphs 150 -164 of the budget monitoring report. The reduction in Prudential borrowing forecast as one of the primary financing sources for the slipped schemes and programmes is a direct implication of the reduced service provision spend. Table 21 at paragraph 49 shows the five year programme has a much smaller underspend reflecting that the current position is largely the result of slippage and delays due to the pandemic.

<table>
<tr><th>Committee Clarification</th><th>Officer response</th></tr>
<tr><td>Recommendation 6, approved by the Cabinet, sought a 3 year strategic partnership with Trees for Cities at a cost of £25k per annum.

Q1 - Councillors asked what service area budget this funding would come from and how would it be funded?</td><td>Q1 - This will be funded from the department's Trees budget. The idea of the partnership with Trees for Cities is that our investment is match funded giving more opportunity for tree planting in the Borough.</td></tr>
<tr><td>Annex A - Schools Programme referred to the Schools SRP with £1,000k being moved from this year into future years with £2,042 originally planned to be spent this year.

Members asked the following questions relating to this:

Q1 - What schools projects had been earmarked for the £2,042k spend originally?

Q2 - Given the move of monies into future years, does the delay in these projects increase the deficit on SEND funding?</td><td>Q1 - 2020/21 Project Breakdown:

<table>
<tr><th>SEND Provision Capital Plan Proposals</th><th>2020/21 Month 2</th></tr>
<tr><td>Hedgewood Primary School</td><td>419</td></tr>
<tr><td>Secondary hub and satellite model</td><td>1,128</td></tr>
<tr><td>Contingency</td><td>495</td></tr>
<tr><td>Total</td><td>2,042</td></tr>
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Q2 - Where possible, projects are moving forward and we are taking the opportunity to align investment with the SEND strategy to deliver the best possible outcomes for children and young people. We do not anticipate any significant short-term impact on the Designated Schools Grant and over time, the investment in improved education facilities will deliver value for money.</td></tr>
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