

# MINUTES OF MEETING Corporate Committee HELD ON Thursday, 4th February, 2021, 7.00 - 8.40 pm

## PRESENT:

**Councillors: Isidoros Diakides (Chair), Zena Brabazon (Vice-Chair), Dawn Barnes, Patrick Berryman, Dana Carlin, Vincent Carroll, Mahir Demir, Erdal Dogan, Scott Emery, Liz Morris, Alessandra Rossetti and Anne Stennett**

**ALSO ATTENDING: Cllr Cawley-Harrison, Cllr Palmer & Cllr Hinchcliffe.**

### 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 AND SUBSTITUTIONS (IF ANY)**

There were no apologies for absence.

### 3. **URGENT BUSINESS**

There was no urgent business

### 4. **DECLARATIONS OF INTEREST**

None.

### 5. **DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS**

None.

### 6. **MINUTES**

The Committee requested an update on the Leader providing copies of his correspondence with the La Rose Family. **(Action Clerk).**

*Clerk's update: The letters will be provided as part of the final decision making report due to be considered in March. The minutes of the previous meeting on 3<sup>rd</sup> December, under item 171 paragraph j, set out that "The Leader agreed that he would provide the Committee with copies of these letters as part of the final decision stage of the process".*

## RESOLVED

That the minutes of the meeting held on 3<sup>rd</sup> December 2020 were agreed as a correct record.

### **7. 2021/22 - TREASURY MANAGEMENT STRATEGY STATEMENT; ANNUAL INVESTMENT STRATEGY; AND MINIMUM REVENUE PROVISION POLICY STATEMENT**

The Committee received the draft Treasury Management Strategy Statement (TMSS) for 2021/22 and was invited to provide comments on it. The TMSS had already been considered by Overview & Scrutiny Committee and was subsequently due to be approved by Full Council. The report was introduced by Oladapo Shonola, Head of Pensions & Treasury as set out in the agenda pack at pages 13-38. The following arose from the discussion of the report:

- a. The Committee sought clarification around the nature of other sources of debt finance, as set out in section 4.8 of the TMSS. In response, officers advised that this section of the report set out other areas of debt liabilities that can arise aside from Council activities, but that as with all capital expenditure approval will be required before expenditure is incurred or this type of borrowing is undertaken. Examples of this included leases and items bought on hire purchase, such as if the Council were to lease a number of new photocopiers, this would then be reflected in the accounts as a debt liability.
- b. In relation to the external context section of the report, the Committee queried why there was no mention of Brexit. In response, officers advised that this was a section of the report in which the Council's treasury advisors, Arlingclose, provided headlines of the key external impacts to the Council. Brexit had already happened and was mentioned later in the report. In relation to a follow-up, officers advised that the need to borrow more because of Brexit was not something that would affect local authorities particularly but may impact central government.
- c. In relation to the impact of possible negative interest rates, officers advised that the Council did not have much in the way of surplus cash that it would need to generate interest on and so impact on the Council of negative interest rate would be minimal on investment returns. The Council short term borrowing rates would fall in this environment which would likely have an immediate impact on borrowing cost that should offset losses on investment returns. The Committee was advised that negative interest rates may, in fact, have a positive impact on the Council's long term borrowing to fund its capital programme.
- d. In response to a question around whether there was any scope for the Council to renegotiate deals with large scale building contractors and other such partners in the event of decreasing interest rates, officers advise that this was something that would be monitored going forwards but that renegotiating contracts would be difficult.
- e. In relation to concerns raised around PFI contracts and the likelihood of entering into new ones, officers advised that PFI contracts held by the Council

were all historical, with the most recent being from the late 2000s. These contracts were negotiated when there was significant government funding available to support them, which was no longer available. Officers assured the Committee that there were no plans of entering into any new PFI contracts and that if this did happen it would need to go through a process of political decision making and oversight such as Cabinet and Overview & Scrutiny.

- f. In response to a request from the Committee, officers agreed to amend the report to make it expressly clear that there was no intention of taking out any new PFI contracts and that any such arrangement would require Cabinet approval. **(Action: Dapo).**
- g. In relation to a question around Paragraph 4.3 and the Council's borrowing strategy, officers advised that this paragraph set out how the Council structured its debt to use as much internal borrowing or short term loans (due to favourable interest rates) as possible, whilst also needing to diversify the Council's debt portfolio to further minimise refinancing risk.
- h. The Committee sought assurances around where the financial risk of each project in the Capital programme was assessed and monitored. Officers advised that every capital bid had an assessment of financial assumptions undertaken as part of the process of developing an outline business case. The Committee commented that more robust processes of monitoring the ongoing financial risks needed to be developed, the impact of either appreciating or depreciating land values could have on the capital programme was given by way of an example. Officers acknowledged the need to monitor financial assumptions and set out that this was one of the elements that would be picked up by the external auditors as part of the final accounts verification process.
- i. In relation to concerns around an over-reliance on investing money with the government, the Committee were advised that this was the safest form of borrowing with the lowest risk, as the government were a sovereign monetary institution and its was extremely unlikely that they would ever go bust. Officers also set out that any secured investment would entail the authority holding collateral.
- j. In response to a question, officers advised that the report set out that the average rate of return on investments was around 0.75%.
- k. The Committee sought assurances around what would happen if Haringey lent money to another local authority that subsequently became insolvent. In response, officers set out that as far as they were aware no local authority that that had ever been in trouble had defaulted on its debts and that they would have access to government loans. Ultimately, it was envisaged that if that was to ever happen then the government would step in.
- l. In relation to the mechanism for securing lending/borrowing to another local authority, officers advised that some deals were conducted through a third-party broker, but that it was also possible to agree this bilaterally.
- m. In the instance that loans to a third party or commercial investments could not be paid back, then this debt would be written off and there was a clear process in place for doing this.

- n. In relation to the Community Benefits Society, officers advised that this did not fall into the category of commercial investment as it was residential rather than commercial and it was also an Arm's Length Management Organisation rather than a subsidiary. The Council leased properties to the Community Benefits Society, but it did not lend it money as such.

## RESOLVED

That the updated Treasury Management Strategy Statement for 2021/22 was agreed and recommended to Full Council for approval.

### 8. AUDIT & RISK SERVICE UPDATE QUARTER 3

The Committee received a report which set out the work undertaken by the in-house Audit and Fraud teams, as well as Mazars, for the quarter ending 31 December 2020. The report was introduced by Minesh Jani, Head of Audit and Risk Management as set out in the agenda pack at pages 39-51.

*\*Clerk's note: 20:13 - The Chair had to leave the meeting temporarily. The Vice-Chair chaired the meeting in his absence. 20:18 - The Chair returned to the meeting and resumed chairing.\**

The following was raised in discussion of the report:

- a. The Committee noted concerns around the limited assurance assigned to the management of cyber risks audit and raised concerns about the importance of cyber security, emphasising the potential consequences to the authority if its cyber security provisions were not robust. In response, officers acknowledged the importance of cyber risk and advised that the reason that there was no date for the completion of the management actions raised in response to the audit findings was that a composite action plan was being developed by the service. Officers assured the Committee that this action plan would be monitored by the relevant director and that the audit service would be conducting a follow-up audit in 2021-22.
- b. In response to a question around patching and whether the Council used a physical server, rather than a cloud-based server, officers advised that the issue in question was server based. Officers clarified that the auditors had conducted testing on all of the IT infrastructure and had identified some areas where the patching needed to be updated/improved. The Chair requested that a report be brought back to the next meeting which provided an update on IT security and the management action taken to date to rectify the issues raised. **(Action: Minesh).**
- c. The Committee were advised that during Q3, 6 properties were recovered in relation to tenancy fraud, which brought the YTD total up to 16. It was noted that this was significantly behind the annual target and that this was due to Covid impacting the service's ability to undertake site visits.
- d. In relation to Right-to-Buy fraud, the service had prevented 15 properties proceeding to sale in Q3 and 53 for the year. Officers advised that the service was unlikely to reach its target of 80 for the year.

- e. The Committee was advised that the Council had successfully won a court case earlier in the day around a tenant who was found to be illegally subletting their property and it was estimated that they had made around £19k from doing so. The Court awarded £21k in fines plus costs and the Head of Audit and Risk Management assured the Committee that the service would continue to prosecute similar cases where there was evidence of fraud. The Chair requested that members of the Committee be provided with a briefing on this court case and that it was also promoted through the Council's communications channels. **(Action: Minesh).**
- f. In the YTD to December there had been 43 referrals under NRPF.
- g. In relation to the National Fraud Initiative, officers advised that they had received a number of 'matches' and were working through these. A table would be included in the next report which provided an update on work done around the National Fraud Initiative. **(Action: Minesh).**
- h. In relation to a question around when audit reports issued in this quarter would be coming to the Committee, officers advised that these reports were due to be finished in this quarter. A summary of the outcomes of the audit report would be included in the next quarterly update coming to the Committee and the recommendations raised in those reports would also be issued once completed.
- i. The Chair requested that once completed, all audit reports would be sent to the relevant Cabinet Member, Chairs of relevant committees and the Chair of OSC. The Head of Audit and Risk Management agreed to take this forward. **(Action: Minesh).**

**RESOLVED**

That the Corporate Committee noted the activities of the team during quarter three 2020/21.

**9. NEW ITEMS OF URGENT BUSINESS**

N/A

**10. DATE AND TIME OF NEXT MEETING**

TBC.

**11. A.O.B.**

None.

CHAIR: Councillor Isidoros Diakides

Signed by Chair .....

Date .....