

MINUTES OF THE CORPORATE COMMITTEE HELD ON TUESDAY, 15TH NOVEMBER, 2022, 7:00PM – 9:30PM

PRESENT:

Councillors: Rossetti, Abela, Culverwell, Diakides (chair), Dogan (vice-chair), Jameson, Mason, and Mahbub

ALSO ATTENDING:

Kaycee Ikegwu (Head of Finance (Housing) & Chief Accountant), Minesh Jani (Head of Audit & Risk Management), Tim Mpofu (Head of Pensions & Treasury), Paul Dooley (Chief Information Officer), Peter Douglas (Security Compliance Manager), Benita Edwards (Assistant Head of Legal Services), David Eagles (BDO – External Auditor), Tharshiha Vosper (BDO – External Auditor), and Jack Booth (Principal Committee Co-ordinator).

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 Councillors Amin, Mark Blake, Adje, and Simmons-Safo.

3. URGENT BUSINESS

There was no urgent business.

4. DECLARATIONS OF INTEREST

There were no declarations of interest.

5. DEPUTATIONS / PETITIONS / PRESENTATIONS / QUESTIONS

There were no deputations.

6. MINUTES

The following was highlighted in relation to matters arising:

- A committee member asked for a report proceeding from this action: 'At the suggestion of the chair, look at the feasibility of setting up an informal group with the Head of Procurement, the Head of Audit & Risk Management, and the CEO to ensure that issues around procurement were resolved in a timely manner' (**Action: Minesh Jani**);

- The chair wanted his dissatisfaction noted, at those actions that were still ongoing; and
- A committee member queried when a manually simplified contract register would be available to view for the committee **(Action: Barry Phelps)**.

RESOLVED

To confirm and sign the minutes of the Corporate Committee meeting held on 15 September as a correct record.

7. DRAFT STATEMENT OF ACCOUNTS 2021-22

Head of Finance (Housing) & Chief Accountant said that before he would introduce his item, he would like to invite the external auditors from BDO to give the committee an explanation as to why the Draft Statement of Accounts for 2020-21 had yet to be completed.

The external auditors from BDO gave the committee the following update as to why the Draft Statement of Accounts for 2020-21 had yet to be completed:

- They had recommenced audit work on 3 October and had resource bookings until the end of the year;
- Current audits had focused on property, plant, and equipment (PP&E) and schools' payroll;
- In respect to PP&E, a key area within this was HRA evaluations, which had been examined;
- There were 219 assets that were outside expectation range. This had been reduced to 91 assets, the rest were being evaluated;
- 17 schools with expenditure still to review;
- The auditors had progressed on work about grants received in advance;
- Manager reviews were ongoing till January 2023. After this, external reviews would take place;
- The auditors were talking to the Department for Levelling Up, Housing & Communities (DLUHC) about particulars around valuing infrastructure assets. It was hoped that issues around this matter would be resolved so work and this area could be completed by January; and
- The auditors would bring an audit progress report to the Corporate Committee meeting on 2 February 2023, with a final completion report to be issued in March 2023.

In response to committee members questions the external auditors from BDO gave the following answers:

- There was no date for when the 2021-22 audit would be complete. This was because the 2020-21 audit would have to be completed first; and
- The risk to the council through looking at two years' worth of audits in quick succession was minimised through the issue of valuing infrastructure assets being a near ubiquitous problem across councils.

The Head of Finance (Housing) & Chief Accountant gave an update to the Committee on the Council's Draft Statement of Accounts 2021/22.

In response to committee members questions the Head of Finance (Housing) & Chief Accountant gave the following answers:

- The risk register for the council was not part of the Draft Statement of Accounts. There was an Annual Governance Statement (AGS) which was on pp.145-168 of the agenda and reports pack. The chair asked for an update on the AGS to be on a future agenda **(Action: Minesh Jani/ Kaycee Ikegwu/ Principal Committee Co-ordinator**

RESOLVED

To note the contents of this report, and the appended Draft Statement of Account.

8. TREASURY MANAGEMENT UPDATE MID-YEAR REPORT 2022-23

The Head of Pensions & Treasury informed the committee that the council had adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve reports on the performance of the treasury management function at least twice yearly (mid-year and at year end).

The Council's Treasury Management Strategy for 2022/23 was approved by Full Council on 1 March 2022. The report provided an update on the Council's treasury management activities and performance for the first half of the financial year to 30 September 2022 in accordance with the CIPFA Treasury Management Code of Practice.

The Head of Pensions & Treasury highlighted the following:

- The cost of undertaking new borrowing had increased over the period driven largely by the following factors:
 - o Higher levels of sustained inflation;
 - o Bank Rate increases by the Bank of England as a result of the sustained higher levels of inflation. It was noted that at the start of the financial year the Bank of England's Bank Rate was 0.75%, compared to the reported rate of 3% at the time of the meeting . This was a meaningful increase in the cost of borrowing over a short period; and
 - o Political instability during the months of September and October largely as a result of the UK Government's mini-budget.
- It was noted that the Council had a far-reaching capital programme which required extensive borrowing to finance the plans. Any new borrowing would be undertaken in the context of the approved Treasury Management Strategy. It was noted that the strategy was formulated based on a different set of assumptions than those in the prevailing economic environment. The Head of Pensions & Treasury highlighted an example from the report where the interest

rate on a 30-year loan from the Public Works Loans Board (PWLB) had increased from about 2.60% in April 2022 to 4.60% in September 2022.

- It was further highlighted that the increase in the cost of borrowing would be limited to the cost of any new borrowing undertaken by the Council.. This was due to the Council not holding any variable rate loans. The Head of Pensions & Treasury affirmed that all treasury management activities during the period were undertaken in line with the approved Treasury Management Strategy.

In response to committee members questions the Head of Pensions & Treasury gave the following responses:

- In the context of the Council's treasury management activities, borrowing decisions were based on the prevailing interest rates and progress made on delivering the Council's capital programme. Parameters for borrowing were set out in the approved Treasury Management Strategy. It was noted that borrowing decisions were taken within this framework and were made in consultation with the Council's treasury advisors. The Head of Pensions & Treasury highlighted that £70m of new long-term borrowing had been undertaken during the reporting period. The average interest rate for this new borrowing was lower than the current PWLB rates on offer at the time of the meeting.
- It was noted that an increase in the cost of borrowing would likely result in additional interest costs for the Council, which may have implications on the Council's overall service delivery. However, the cost of borrowing for the financial year 2022/23 was expected to be in line with the Council's approved budget.
- In response to a question on the impact of a recession on treasury management it was noted that the Council's treasury advisors had advised that this would most likely result in the Bank of England lowering interest rates in a bid to stimulate the economy.. However, the medium-term expectation was that the Bank of England would continue to increase interest rates.
- In response to a question regarding Lender Option, Buyer Option loans, the Head of Pensions & Treasury highlighted that the Council currently held LOBO loans with different option exercise dates, meaning the risk of these options being exercised was diversified thereby mitigating refinancing risk.
- The Head of Pensions & Treasury noted that PFI and finance leases were part of the council's debt but managed separately from the council's treasury management function.
- As part of Council's cashflow management activities, excess cash was managed in accordance with the approved Treasury Management strategy taking into account the security and liquidity requirements of the Council. Excess cash can be invested or deposited with money market funds, the Debt Management Office (DMO), or other local authorities. It was noted that most of the Council's treasury investments and deposits were placed with either money market funds or the debt management authority.

RESOLVED

The Corporate Committee:

- a. Noted the Treasury Management activity undertaken during the first half of the financial year to 30 September 2022 and the performance achieved outlined in the report.
- b. Noted that all treasury activities were undertaken in line with the approved Treasury Management Strategy.

9. INTERNAL AUDIT PROGRESS REPORT 2022/23 - QUARTER 2

The Head of Audit & Risk Management gave a progress report on work undertaken by Internal Audit in the quarter ending 30 September 2022 and focuses on progress on internal audit coverage relative to the approved internal audit plan, including the number of audit reports issued and finalised. Mazars delivered the Council's internal audit work.

In response to committee members questions the Head of Audit & Risk Management gave the following answers:

- The tree management was identified as a risk. This was partly because the service responsible did not have enough funds to carry out necessary safeguards in their entirety. To effectively manage the trees that the council were responsible for, the following measures needed to be in place:
 - - 1. Effective tree management plan identifying when certain trees needed to be inspected;
 - 2. Inspection regime to take place on regular basis and to be reported formally;
 - 3. Ensure remedial measures are taken;
 - There were gaps in how these three measures were undertaken. Predominately in the second and third measures due to lack of funding.
 - To resolve issues around tree management there needed to be:
 - A clear strategy; and
 - Additional funding It is understood arrangements have been made by the service, working with Finance for an increase in funding for the service to increase its inspections and management of trees.
- Audits for schools were captured in one annual report. The Head of Audit & Risk Management said that he would share specific reports on schools with interested committee members if they wanted this information;
- What was important with the management of CCTV operations was that there was a code of practice. Officers should be satisfied that the placement of cameras was in line with the code practice, particularly that certain aspects were not aggressively monitored. The service responsible for placement of cameras would carry out this assessment (**Action: Minesh Jani**).

- Auditors had done follow up audits on housing repair and anti-social behaviour. Not all the agreed recommendations have been implemented, many of the risks identified remain unresolved. It was unsure why these have not been implemented, the service would be better placed to say why this was. A service representative will be invited to the March 2023 meeting (**Action: Minesh Jani**).

RESOLVED

To note the audit coverage and follow up work completed.

10. ANTI-FRAUD & CORRUPTION PROGRESS REPORT 2022/23 - QUARTER 2

The Head of Audit & Risk Management presented a report detailing the work undertaken by the in-house Audit & Risk team. This provides the work plan for 2022/23.

In response to committee members questions the Head of Audit & Risk Management gave the following answers:

- The estimates stated on page 207 at paragraph 12.2 for a fraudulent tenancy were a national average. The estimate would increase when applied to London. When a case was presented at court, these figures became more precise factoring in the actual cost to the council of the cost incurred by the authority. The following factors, amongst others, were considered when determining the exact costs:
 - o Temporary accommodation at a particular post code;
 - o The rent, if any, that had been paid on the property; and
 - o The difference between the two figure was typically the amount that the council would pursue in a legal case.

RESOLVED

To note the activities of the team during quarter two of 2022/23.

11. CORPORATE COMMITTEE MEMBER SKILLS MATRIX

A report was presented to the Corporate Committee's on 22 July 2022 seeking feedback from member on the areas of the Corporate Committee's remit where members of the Committee would like training. In that paper, members were asked to complete an on-line skills matrix assessment. The feedback provided by members has been used to specify the training needs of the committee to allow the Corporate Committee to fulfil its remit.

In response to committee members questions the Head of Audit & Risk Management gave the following answers:

- External audit training would be carried out by the external auditors before the next review of the external audit in July 2023 (**Action: Minesh Jani**);

- CIPFA training was being arranged by Member Services, it would online training. All councillors would be invited to this training;
- CIPFA guidance recommends that this type of committee should co-opt independent members. This would help the committee, along with other recommendations, to be seen as taking decisions independently of the executive function of the council (**Action: Minesh Jani**).

RESOLVED

To note the contents of this report and the proposed dates for training set out at paragraph 11.6.

12. NEW ITEMS OF URGENT BUSINESS

There were no items of urgent business.

13. EXCLUSION OF THE PRESS AND PUBLIC

Item 14 was subject to a motion to exclude the press and public from the meeting as it 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); paragraph 3 of Part 1.

14. UPDATE ON PROGRESS OF ACTIONS IN CYBER SECURITY AUDIT

The Committee considered exempt information relating to item 14 of the agenda.

15. DATES OF FUTURE MEETINGS

Thursday, 2 February 2022

This meeting will consider the following agenda items:

- Polling districts and Polling Places Review (Lesley Rennie) [this has been moved from the November meeting to this meeting];
- Treasury Strategy Training (Tim Mpofo);
- Treasury Strategy (Tim Mpofo);
- External Audit Plan 2021-22 (BDO, Kaycee Ikegwu)
 - o Audit Progress Report for 2020-21 (BDO); and
- Provisional Plan for Audit 2021-22 (Kaycee Ikegwu).

Tuesday, 28 March 2023

This meeting will consider the following agenda items:

- Treasury Management Update for Quarter Three (Tim Mpofo);
- Audit & Risk Quarter Three Progress Report (Minesh Jani, Vanessa Bateman); Annual Internal Audit Plan, Strategy, & Charter 2022-23 (Minesh Jani, Vanessa Bateman); and
- Verbal Update on 2021-22 Audit Progress (Minesh Jani, Vanessa Bateman).
- Draft Statement of Accounts 2020-21
 - o BDO completion report for the draft statement of accounts

All meetings to commence at 7:00pm.

CHAIR: Councillor Isidoros Diakides

Signed by Chair

Date