

## MINUTES OF THE MEETING OF THE GENERAL PURPOSES COMMITTEE HELD ON THURSDAY, 14TH JANUARY, 2021

**MEMBERS:** Councillors Mahym Bedekova (Chair), Katherine Chibah, Lee David-Sanders, Joanne Laban, Tim Leaver (Vice Chair), Dino Lemonides and Claire Stewart and Peter Nwosu (Independent Member)

**Officers:** Fay Hammond (Executive Director Resources), Matt Bowmer (Interim Director Finance & Commercial ), Gemma Young (Head of Internal Audit and Risk Management), Jeremy Chambers (Director of Law and Governance), Peter George (Programme Director – Meridian Water), Claire Johnson ( Head of Governance & Scrutiny) Bola Tobun ( Finance Manager, Pensions & Treasury), Sally Sanders, (Head of Financial Assessments), Maggie Mulhall (AEA consultant, Electoral Services), Clare Bryant Halil (Senior Governance Officer) and Susan O’Connell (Governance Officer)

**Also Attending:** David Eagles (BDO), Francesca Palmer (BDO), Roopal Bakarania (BDO) and 4 members of the public.

### 1. WELCOME & APOLOGIES

The Chair welcomed everyone to the meeting.

### 2. DECLARATIONS OF INTEREST

There were no declarations of interest

### 3. MINUTES OF THE MEETING HELD 26 NOVEMBER 2020

AGREED the minutes of the General Purposes Committee meeting held on 26 November 2020.

### 4. UPDATE ON THE AUDIT OF 2019/20 STATEMENT OF ACCOUNTS

Matt Bowmer, Interim Director Finance & Commercial introduced the report.

NOTED:

1. There is now additional resource; with the Interim Chief Accountant and interim Deputy Chief Accountant in place. This has provided reassurance and confidence that the Council will work positively through audit and alongside BDO.
2. Recruitment still remains a challenge the Council has been unable to recruit a permanent Chief Accountant as the applicants were not of the right quality. However, one of the applicants has accepted the role of Deputy Chief Accountant on a permanent basis.

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3. In terms of sickness in the office in the first wave of Covid there was no one in the finance team off with Covid. However, in the current wave the Head of Corporate Finance is off with Covid.
4. There are two main focus areas on the audit; work on the Prior Period Adjustments (PPA) a detailed working paper is being pulled together for BDO and this is on course to be with BDO on the 18 January; and the second focus is working through outstanding queries.
5. The pension accounts are nearing completion, there is just one adjustment that BDO are looking at. The Pension Fund accounts will not be signed off until the full audit of the main accounts is completed.
6. Clarification was provided on the wording in paragraph 10 of the agenda report under the timelines mentioned here the draft accounts should be with BDO on the 30 June 2021.
7. It was mentioned that there are still five related party disclosures outstanding, these should have been signed off with the draft accounts at the end of July 2020.
8. Overall good progress is being made and the expectation is that the work will be completed by mid-March.

### Questions, comments and queries raised

- How does the progression on the 2019/20 accounts affect the progress on the 2020/21 accounts and timeline impact of not recruiting all the staff? Officers advised that ideally would not still be working on the 2019/20 accounts. However, there is a Deputy Chief Accountant leading and working on the planning for the closure of the 2020/21 accounts. Whilst we were unable to recruit a new Chief Accountant the Deputy was a months' notice and will be joining the Council at the start of February. This bolsters the overall resource. There has been a closedown workshop with the whole of the finance team, looking at what went well and what did not go so well for 2019/20. It was emphasised here that the number one priority for the team is the closedown of the 2019/20 accounts and delivering the 2020/21 accounts are on time.
- In the past some of the posts recruited to left the council quite quickly. What is the notice period for the staff who have now started? The interim posts have three month rolling contracts. Both new interims who have come in are working really well with the team and it is believed that they will be here for the duration. For the interim chief accountant role this will be not only for the 2019/20 accounts but the preparations and the audit of the 2020/21 accounts.
- What is the impact on financing with BDO when our accounts are late? Officers advised that where audit extended, and additional audit resources are needed to support the audit this will have an impact on fees to BDO. BDO advised that there is a core scale audit fee set by PSAA there were some proposed variations to reflect changes in quality standards. If BDO require more resource to complete the audit, then there will be extra costs. An update was provided before Christmas that this overrun had already reached between £30-£35k at that point. This additional amount will be subject to approval by PSAA prior to payment. In terms of resourcing BDO did originally have

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enough resource to provide audit had it been completed at the agreed time. Resources have not had to be pulled from other work for Enfield's audit. It should be noted that nationally only 45% of local government accounts were approved and audited by the end of November.

- Reassurance was requested on processes in place particularly regarding SAP, chart of accounts and valuations. Officers advised that changes to processes have already started in the current year having a far more rigorous approach to reconciliations and the underlying accounts during the year. At the whole finance team workshop one of the key areas discussed was getting things right first time; the quality of the working papers, how the finance team coordinates more effectively, how the papers are handed over to BDO and are complete and right first time, so that the papers do not come back once handed over the first time. SAP is the main financial system which is financially sound and robust as a system. However, it is difficult to extract data from in a timely manner the team will need to consider getting this information earlier than has been done in the past, effective planning for this this was discussed at the workshop. Chart of Accounts work was undertaken for the 2019/20 accounts and a trial balance can now be taken from this. Valuations in general are in hand but need to work through the PPA work first. BDO confirmed that valuations work is ongoing, and this is very much linked into the PPA and how the different valuations have been treated. BDO have the technical paper on Meridian Water valuations and this is being worked through at present. Critical for closedown is not just what the council does in terms of its direct preparation of the accounts it is also making sure that the valuer produces information on time.
- Given the issue with valuers are ongoing can the council find new valuers? Officers advised that in the process of commissioning valuers for 2020/21, there has been frustrations over their timeliness. Ideally for continuity the same firm of valuers carrying out this work over the five-year cycle of valuations for the accounts.
- If valuers have not produced for 2 years in a row is there any penalty for not delivering. If the job is not done well enough this year will the Council look elsewhere? Officers advised that there is a massive overall of approach to HRA positions going from 24 to over 400. The work that the valuers have been asked to undertake for this financial year 2019/20 has been really significant. Mindful of comments that members have members and performance will be considered going forward. Now that the resources of the close down team have been strengthened there will be more resources available to chase queries.
- Councillor Laban stated the valuer must deliver and if they do not deliver again this should go to the Cabinet Member.
- Regarding statistical sampling of 15,000 properties is 400 the right amount for valuations. Officers advised that it is about having representative parts of the overall population on which to base your valuations as long as appropriate representative properties included then this will be more than adequate. BDO confirmed that as long as there are sufficient beacons to represent the wider population the intention is that you multiply up. They confirmed that undertaking 400

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with the very detailed level of archetype that have been used this year does provide a good and thorough basis for that.

AGREED to note the report updating on the Audit of the 2019/20 Statement of accounts.

### **5. BDO- UPDATE ON THE AUDIT OF THE 2019/20 STATEMENT OF ACCOUNTS**

BDO advised that the working with the main accounts and are awaiting the PPA paper referred to in the last item. In terms of the Pensions accounts there is only one valuation issue that they are working through at being. BDO are also checking to make certain that the previously proposed amendments to the accounts have been applied correctly. It is critical that they get the PPA paper when expected and it is right first time and should then be able to conclude mid-March as previously mentioned.

AGREED to note the verbal update from the external auditors.

### **6. DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT 2021/22**

Matt Bowmer, Interim Director Finance & Commercial introduced the report.

NOTED:

1. The Council is continuing with the previous good practice of bring the draft strategy to the General Purposes Committee ahead of Cabinet and full Council at the end of February.
2. Last years work has moved from a 2-3-year strategy to a 10-year strategy in line with the 10-year capital programme
3. The format and content of the draft strategy is unchanged from last year.
4. In this draft the borrowing numbers included are based on the period 8 2021 capital monitoring position. The monitoring position numbers will be updated prior to report going to Cabinet for the revised 10-year programme. Bench marking data will also be included on the investment section of the report.
5. There are no changes of policy in the paper.
6. The headlines are in section 9 of the report. The borrowing numbers continue to reduce, and these numbers are down from those presented in the half year report. The total borrowing outstanding as of 31 December is now at 916m.
7. There is difference in figures under paragraph 9 (£914.4m) and 24 (916m) this is due to further borrowing from Salix. The figure is £916 the borrowing number continues to come down as the borrowing forecasts were revised based on slippage in the capital program this year. Similarly, the forecast TFR is coming down from previous forecasts and then it is forecast to increase to 1.466bn by 31 March 2022. MRP is forecast at 13.24
8. This report is aligned to both the 10-year capital program and the 5-year medium term financial plan.

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9. There is no change in the report to the way the prudential indicators are calculated. They naturally follow the revised borrowing numbers and will be updated accordingly.
10. Update on numbers in paragraph 24, currently the overall borrowing is continuing to reduce. Historical borrowing level is down at 2.79%.
11. There was a consultation on PWLB borrowing rates with the CLG which finished just before Christmas. They have taken out the 1% premium and it is back down to 0.8% on top of gilts. There are some constraints can no longer borrow from PWLB for commercial investments but can continue to fund regeneration.
12. Views on the proposals at paragraph 10 were requested.

Questions, comments and queries raised:

- A comment was made that there is a need to impress how Meridian Water weaves all this together, it is an important issue for the valuations, it is a large part of the borrowings and there is also the risk register. It is a very important issue this committee needs very frequent updates on Meridian Water.
- A further comment was made that the Council's debt is still very high considering accumulated prior to Covid and given the financial position on the revenue the amount of interest paying on the debt is concerning. Concern was expressed about the Council's ability to deliver everything that it has said it will deliver and manage to pay off the debt and reducing that because of the amount of pressure on the revenue and day to day spending that residents rely on
- From the report is the council's strategy to keep asset base in front of the debt in terms of housing both Meridian Water and the HRA? On the HRA there is a 30-year business plan in place and the capital development, the development in the capital programme and the borrowing reflected in the report is within affordability of the overall 30-year plan.
- A further comment was made that the level of debt at present is extremely concerning.

AGREED to note the draft Treasury Management Strategy

### 7. RISK REGISTER UPDATES

This was introduced by Gemma Young, Head of Internal Audit and Risk Management

NOTED:

1. The report comes to every committee and includes the Corporate Risk Register, the COVID-19 Risk Register and the Brexit Risk Register, the latter two usually alternating.
2. The Council is continually seeking to improve Risk Management and is moving the risk registers onto the Councils' Risk Management System (Pentana). Members will note from the Covid and Brexit Risk Register now able to cross reference risks back from the Corporate Risk

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Register to these registers. There also now heat maps within the report.

3. The Corporate Risk Register has been circulated for review by Departmental Management Teams and the Executive Management Team and has been updated accordingly.
4. The Brexit Risk Register is updated by Brexit Panel and the COVID-19 Risk Register is reviewed by Silver Command. There have been no major changes since the last committee meeting.

Questions, comments and queries raised:

- On Brexit Risk Register problems importing food and medicines is showing as high, given the rollout of the vaccine and that the shops do not appear to be struggling is this still correct. Officers confirmed that the risk register is under review at present the timings for agenda papers is before Christmas so there is a time lag in the registers. Currently reviewing the main Brexit Risk Register which comes to committee and the longer term one that sit under this so would expect there to be changes to the risks and comments will be fed back through the Brexit Panel.
- The Housing target on the risk of the ability to deliver affordable homes has the old target not the new one. This will be clarified with the risk owners and updated to the committee at its next meeting.
- On the Covid Register there is Closure of LBE buildings risk; should there not be a risk on the re-opening of buildings when the restrictions lifted. Officers confirmed that this will be fed back and updated to the committee at its next meeting.

AGREED to note the Risk Registers update.

### **8. AUDIT & RISK MANAGEMENT SERVICE PROGRESS REPORT**

This was introduced by Gemma Young, Head of Internal Audit and Risk Management.

NOTED

1. This item comes to every meeting to update the Committee members
2. The report covers the work that the Audit & Risk Management Service has undertaken during 1 April 2020 and 17 December 2020.
3. Progress continues to be made on delivering the plan, 90% of reviews have commenced, with 34% finalised. There is still a residual risk of not having sufficient assurance work on which to base the annual Head of Internal Audit opinion. This is being monitored by the Assurance Board and the committee will continue to be updated on this risk. Officers are optimistic that this risk will not materialise.
4. Since the audit plan was agreed in July 2020, 16 audits have been cancelled with a further three added to the plan.
5. 17 audits have been completed since the start of the year. 11 were grant certifications or management letters and therefore an assurance opinion was not given. Of the six remaining audits, one was given

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*Substantial* assurance, three *Reasonable* assurance, and two *Limited* assurance

6. The Assurance Board has been supporting the implementation of agreed actions. The implementation rate for high risk actions (on a 12-month rolling basis) is 83% and for medium risk actions is 85%.
7. A successful risk management virtual training programme was delivered in October 2020. This was a 12-hour course delivered over 4 days. This was well attended and received positive feedback.
8. It is hoped that shortly all the departmental risk registers will be loaded onto Pentana.

Comments, queries and questions raised:

- Are schools continuing to be a high-risk area, previously there were mentions of Merryhills school has this been resolved? Officers confirmed that will need to check on the specific school. However, there is now a new process in place with School Improvement Team whereby if a school is not implementing the actions it will be escalated to this team. It has not been necessary as yet to use this new process.
- Clarification was provided on the reasons for the cancellations of audits. The reasons are detailed in full on page 139 of the agenda pack most of them are due to Covid related reasons
- Clarification was requested on Appendix B Leavers Process Governance has a to be confirmed for the target date. Officers advised at present a technical solution is being pursued. In the meantime, this risk comes to Assurance Board. This area is likely to be proposed for next year's plan.
- Cllr Leaver advised that he has been having technical difficulties.

AGREED to note the Audit & Risk Management Service Progress Update

### 9. MEMBER DEVELOPMENT SESSIONS

Jeremy Chambers, Director of Law & Governance introduced the report:

NOTED:

1. Under the previous structure the report on training would have gone to Members Democratic Services Group.
2. The report highlights the training so far this year. Members attended sessions on Modern slavery (9 attendees), county Lines (12 attendees) and unconscious bias (26 attendees). Proposed future sessions are detailed in a table in the agenda report.
3. The use of virtual training has helped increased the numbers of those attending and will continue in future on a virtual basis.
4. The committee was asked to give feedback on issues for potential training sessions

Questions, queries and comments:

- Figures were requested by political party from the Labour group of those who attended. This will be provided after the meeting.

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- A session was suggested on Chairing training and understanding the Constitution. Officers confirmed happy to include in training programme and will also build into the 2022 councillor induction so this can be picked up twice. There is a governance training session on the 27 January will look to see if anything can be added to this if not this will be picked up on the training programme.
- Clarification was requested whether these virtual sessions are recorded and if so, can this be captured who watches this. Officers advised that in future can be recorded and available. Would have to liaise with IT whether it could be captured who had watched the training.
- The Chair reminded members that there training on audit on the 25 February 2021

### **10. GENERAL PURPOSES COMMITTEE WORK PROGRAMME 2020/21**

The work programme for 2020/21 was noted. The Climate Change Plan is on the work programme this is currently in fieldwork stage. This should be ready for April's meeting.

### **11. DATE OF NEXT MEETING**

The date of the next meeting was noted.

### **12. EXCLUSION OF THE PRESS AND PUBLIC**

RESOLVED in accordance with Section 100(A) of the Local Government Act 1972 to exclude the press and public from the virtual meeting for the item of business listed as part two on the agenda on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 (information relating to the financial or business affairs of any particular person (including the authority holding that information) of Part 1 of Schedule 12A to the Act (as amended by the Local Government (Access to Information) (Variation) Order 2006).

### **13. MERIDIAN WATER RISK REGISTER UPDATE**

Peter George (Programme Director – Meridian Water) presented the Meridian Water Risk Register and answered questions from members of the Committee. It was agreed that the amendments requested will be made.

AGREED to note the Meridian Water Risk Register update. A quarterly update to be included within the Committee's work programme in future. This item is come back to March's meeting.

The meeting ended at Time Not Specified.