

MINUTES OF THE MEETING OF THE GENERAL PURPOSES COMMITTEE HELD ON THURSDAY, 22ND APRIL, 2021

MEMBERS: Councillors Mahym Bedekova, Katherine Chibah, Joanne Laban (Leader of the Opposition and the Conservative Group), Tim Leaver, Dino Lemonides, Edward Smith and Claire Stewart

Officers: Fay Hammond (Executive Director Resources), Matt Bowmer (Interim Director Finance & Commercial), Gareth Robinson (Head of Corporate Finance), Gemma Young (Head of Internal Audit and Risk Management), Jeremy Chambers (Director of Law and Governance), Claire Reilly (Head of Procurement, Resources & People), Joanne Drew (Director of Housing & Regeneration, Nnenna Urum-Eke, (Head of Development), Peter George (Programme Manager Meridian Water) will Wraxall (Shareholder & Commercial Partnerships Manager), Metin Halil (Governance Officer) and Susan O'Connell (Governance Officer)

Also Attending: David Eagles (BDO)

18. WELCOME & APOLOGIES

The Chair welcomed everyone to the meeting.

Apologies were received from Cllr Lee David-Sanders (Substitute Cllr Edward Smith).

The Panel were reminded of the current Purdah period during the meeting as follows:

"We are now in Purdah and during this heightened period of sensitivity it is important that we ensure that Council resources are not used for political purposes. Councillors are reminded that when at Council events or public meetings, councillors must not use that platform for political purposes. If Officers in attendance at the meeting believe this is happening the Chair of the meeting will be informed.

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2. DECLARATIONS OF INTEREST

Councillor Tim Leaver and the independent Member Peter Nwosu declared a non-pecuniary interest in Agenda item 7 as Directors of one of the companies in the report. They will both leave the meeting for this item.

3. MINUTES OF THE MEETING HELD 4 MARCH 2021

AGREED the minutes of the General Purposes Committee meeting held on 4 March 2021.

4. STATEMENT OF ACCOUNTS

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

NOTED:

1. The report presents the Council's final 2019/20 accounts as at the 14 April 2021.
2. The report covers the key changes that have been made from the audit work with BDO account and are outlined in paragraph 11 onwards of the report. The full list of adjustments is set out in the Adjusted Audit Differences section of BDO's draft Audit Completion Report.
3. The audit is still ongoing and there are likely to be some minor changes, such as disclosure notes and the text in the statement. It is not anticipated that there will be any further changes to the main core statements.
4. The finance team is continuing to deal with technical review queries, manager review queries and partner review queries.
5. The team's response in responding to queries is much improved, as an example 62 technical queries were received on Monday and all but 2 are now complete.
6. It has taken longer to get to this point than was anticipated at the last General Purposes Committee meeting.
7. The challenge faced at present is down to the extensive work that has needed to be undertaken by both the Council and BDO on Prior Period Adjustments (PPA). Officers were aware that once the outcome of the PPA was resolved that it would require extensive reworking of the accounts. However, it has required a full reconciliation of the data migration from SAP to the new CIPFA asset register. This has been a colossal piece of work, as an example there are twenty-two thousand lines of HRA assets in this schedule. In addition, this had to be reviewed including the changes coming out of it with the BDO team.
8. Another factor has been the need to reconcile and agree all of the adjustments in the final accounts set out in BDO's completion report.
9. The positive going forward is the quality of the asset data is now greatly improved and provide a clean base to go forward on.

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10. At this late stage of the audit, in addition to dealing with various quality review questions, BDO are now working on the valuation part of the audit and completing this work. As a consequence of this, it will not be possible for BDO to complete their work by the end of the month as intended. This now means that BDO has health audit work that needs to be undertaken. Discussions are ongoing with BDO on the timing of the completion of their work.

David Eagles from BDO (External Auditors) introduced the Auditors completion report

NOTED:

1. Since the last committee meeting on the 4 March the key point in the progress made is agreeing the PPA linked to the change of asset register.
2. It was anticipated at the time of the last meeting that there were some adjustments that could be put through as part of this process and that this would be a relatively straight forward exercise to get to that point. However, it has required a complete reload of that data set which then had to be worked through. To provide a context to this, that work was only completed at 4pm on Sunday 18 April and fed through to the completion report in the agenda papers. This was 6 weeks of significant work that it was not anticipated would take this long and has had a knock-on effect on the rest of the audit and the ability to complete things by the end of April.
3. It was absolutely essential that that starting point was resolved, agreed and reconciled to provide a firm starting point for undertaking residual sampling work on valuations to get to the final position to be able to provide the assurance on the accounts. The work that has been undertaken on the new asset register should pay dividends going forward, as the issues that have caused the overruns in the past should no longer be there.
4. The body of the completion report sets out the amendments that have been agreed and actioned and are reflected in the Statement of Accounts in the report.
5. The detailed report covers the findings in respect of significant risk areas that BDO have reviewed. The main adjustments include various references to different aspects related to the asset reclassifications and re-analysis of valuation issues, and a reflection of valuation issues relating to Meridian Water where there had been a misclassification of the development costs.
6. The significant issue related to the reworking pension fund estimated liabilities position is referred to on page 5 of the supplementary pack.
7. Page 11 of the pack provides a listing of the risk issues that BDO were reviewing as part of the plan.
8. Management override, which is the ability for management to manipulate accounts on page 12 of the report, no issues had been identified. This also looks at other areas of potential manipulation, work in terms of valuations has not yet completed. Although nearly at the point of completion on the pension fund and no areas have been identified on these so far.

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9. In terms of expenditure cut off this is very nearly finished it is not expected to find any significant material issues.
10. Pages 14 onwards in respect of valuation of non-current assets, work is still being undertaken and BDO are a significant way through the valuation work on the Meridian Water assets. HRA beacon assets, valuers have asked a number of questions on the approach, the principals and the methodology being used and BDO are satisfied that this is a reasonable basis for undertaking the work. The residual work that needs to be undertaken is some direct sample testing of valuations calculated as of 31 March 2019 and some various analysis for the position 31 March 2020. This is a significant volume of sample testing, the preliminary sample is 150 separate Beacon assets. The samples will be with the valuers so they can be addressed by the time BDO are able to recommence their work. There are some residual pieces of work ongoing in respect of investment properties and other buildings as well.
11. On the Pension Fund from page 16 the assumptions now being used are within the acceptable rate. The work on the pension fund is very nearly complete with some residual issues in terms of valuations.
12. Page 19 details issue related to control issues report. A recommendation is set out in the report with a draft response.
13. Page 21 migration of asset register is detailed, this is a necessary and valuable piece of work.
14. Preliminary findings in respect of use of resources work are that there are two significant risk areas; one relating to sustainable finances this is detailed in the report and BDO have concluded that the arrangements are adequate. The second relates to the development of the Meridian Water project and connected areas. The expectation is that they will be an unqualified conclusion in respect of use of resources.
15. Page 60 relates to recommendations and deficiencies.

Detailed discussions took place including:

- An observation was made that it is not acceptable as this is the third year in a row that the accounts are delayed.
- Academies and pensions why has this been missed? Officers advised that this was an error in the data sent across to the actuaries at the start of the process.
- Asset register the report says that both the council and BDO have had problems with SAP please can you explain further. It was clarified that the issue with the asset register is that it is hugely complicated. The issues that BDO have had from an audit perspective is to understand the nature of the issues arising due to the review. It has been complicated to understand and identified further challenges in getting to a resolution than anticipated in March. This has been a huge exercise the data in the SAP register was very poor and has been at the root of the challenges over the last 2-3 years. The move to the CIPFA asset register is a very strong positive step.
- In response to a request for more clarity on issues in the Narrative Statement and Annual Governance Statement, it is BDO's view that it is not sufficient to cover the underlying issues that were identified, for example there is reference to the report but not to the particular points

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that were found from the report and also what action the Council is taking. This is not sufficient for an auditor to understand that position. This is the same for the narrative report

- When will fieldwork be concluded in relation to the management override? BDO confirmed that this will be completed post NHS audit work. To provide context in order to complete overrun work on the council's audit BDO have used resources from work that should have been being undertaking elsewhere.
- What is the ballpark figure on fees for BDO for the audit? The position overruns currently running at about £100k compared to a scale of £130k. This is an indication of how much extra work has been undertaken. BDO have effectively provided nearly 2 audits over the last 6-7 months.
- Page 27 unadjusted audit difference. The council currently has a negative schools reserve offset against the general fund next year. This is due to a change in statutory requirements and is just a clarification in the way the balance needs to be treated.
- Why is there not written evidence in relation to borrowing and investment issues? Officers will need to come back on this issue, this was agreed to provide after the meeting.
- What is the Section 151 officer's view on this? The Committee was advised that officers are not happy that the accounts are not signed off at this time. It is expected that accounts will be unqualified when they are finally audited. There has been nothing to date throughout the audit period to suggest that this will not be the case. At the end of the process the accounts will be much more robust, in the same way that a more robust financial plan has been delivered and a 10-year capital programme. The set of accounts in the pack represents what is believed in terms of the accurate figures for all of the core accounts. It is proposed that if the core statements are not changed the Committee agrees these. If there are changes to the core statements this will come back to Committee. Confident at the end of the process there will be an unqualified set of accounts.
- Detailed discussion took place on the delays to BDO's work. It was raised that the initial position with the draft accounts was that the audit was not either visible or auditable. BDO worked with the council to assist with generating that trail so that it could be audited. BDO have been reviewing the position and challenging the position in respect of the asset register. That has required the council to go back and visit the asset register. Since the deadline dates last year BDO have swapped staff from other work to assist the council at the cost of other audits and planning and interim work. The fact that the accounts are not finalised is an indication more of the complexity of the issues and the complex nature of local government accounts. There is a significant amount of Local Government audits for 2019/20 which are ongoing across the sector involving all firms involved in this process.
- Why the asset register is the main reason every year. BDO advised that the asset register has been an issue over last couple of years due to the poor data quality causing issues in previous years took a while to sort out. The whole point of upgrading to the CIPFA register is to

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address this. Had this been in place before, audit would have been completed. The difference this year has been that the significant exercise to change the register has taken a lot longer and been more complex than anyone anticipated. The Executive Director, Finance provided further context. Two years ago the Asset register only had valuations for 27 properties across Enfield, now have much more robust valuations because of the number of beacons undertaken. This has been an extensive piece of work. Second piece of work has been how the council holds the records on the system in terms of using the CIPFA asset register. This has involved looking at the value of those assets now and also to reassess where they were at 2018/19. The record keeping itself and the valuation process of those assets has been improved.

- What knock on effect will there be on 2020/21 accounts? BDO advised for 2021/22 audits there is a wider sector position in respect of the deadlines that MHCLG has set accounts prepared by the beginning of August and audited and published by the end of September. Nobody within the auditing sector think this is reasonable or achievable. The Executive Director, Finance advised that in terms of knock on effect finance are working as a team to provide the draft set of accounts to the statutory deadline of the 1st August. The outturn position will be reported to Cabinet in July. Resources are in place to support the quality of the 2021/22 draft accounts.
- Will this be the last time that the valuation exercise creates a major hold up with process and will not be a fundamental issue in the future. From an audit perspective the critical issue is data quality and when a clean data set is achieved this should not be an issue in the future. The second issue is where the valuer does not deliver information on time to be challenged. If these are delivered will reduce risk significantly.
- Clarity of a timeline for completion of the audit was requested. BDO confirmed that the accounts need redrafted narrative front end and that the governance statement needs to be revisited and information expanded. If there are no issues coming out of the substantive work on the valuations that the valuer has come up with then there should be no changes to the primary statements. The NHS audits are scheduled to complete between 15-30 June depending on issues with those accounts, bearing in mind BDO have not been able to do any planning with the NHS. It is expected that it will take between 2-4 weeks to complete the work on the accounts so this should be towards the end of July. This work could come back to the Committee after this.
- Section 151 officer confirmed that whatever is picked up through the delegated authority if minor will be reported back to a subsequent meeting of the committee. If there is something major and consequential the delegation will not be exercised, and a report will be bought back for consideration by the committee.
- An email had been received from Cllr Lemonides, finance agreed that a response will be provided by email to the Committee on points 3-9.

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AGREED by a majority to approve the 2019/20 Statement of accounts as presented to the Committee and delegate authority to the Chair of the Committee in liaison with the Executive Director of Resources to agree any minor changes to the Council's Statement of Accounts which may arise as a consequence of the outstanding review work being undertaken by BDO.

Councillors Laban, Lemonides and Smith voted against this recommendation.

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

NOTED:

1. The Pension Funds accounts were presented and approved at the last meeting of the Committee.
2. The accounts were going through the technical review stage. There were 20 technical review questions and as consequence of responding to these some very minor changes have been made to the accounts.
3. The approved recommendation from the last meeting had no provision for any changes to be made. The final accounts have been bought back for approval. All technical queries have been sent to BDO and there will be some further very small minor adjustments to the accounts. The Committee is asked to delegate authority to complete this so that BDO can complete their audit work and issue a final completion report. BDO confirmed that there were minor technical points that have been worked through one final point to be finalised.

AGREED to Approve the final Pension Fund Accounts and delegate authority to the Chair of the Committee in liaison with the Executive Director of Resources to agree any minor changes Pension Fund Accounts which may arise in response to BDO's technical review

5. CONTRACT PROCEDURE RULES, WAIVERS & PROCUREMENT SPEND UPDATE

Claire Reilly, Head of Procurement, Resources & People introduced the report

NOTED:

1. The report provides an update on the Contract Procedure Rules (CPR'), Waivers and Procurement Spend covering the period April 2020 to March 2021.
2. The report covers; the continued improved management of waivers; the reduction in exceptions; the need to review CPR's in line with UK procurement regulations and an improvement plan for the future for procurement services.
3. In terms of Brexit the CPR's remain valid. Once the UK government decide what the regulations and rules will be around UK procurement. The CPR's will be updated to be in line with these.
4. The CPR's were updated and refreshed in July 2020 in line with the updating of the Constitution. Extensive training and awareness have taken place to ensure officers are aware of the CPR's.

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5. The number of waivers has greatly reduced over the last 5 years. In 2014/15 there were around 40, in the last 3 years there were not any and this year there has been one. The one waiver is detailed under paragraph 22 of the report.
6. The number of exceptions has also reduced and is detailed in paragraphs 23-27 of the report.
7. In terms of the procurement spend overall there was an increase for third parties in total spend but a decrease in number of spends via purchase orders.
8. The spend with Small to Medium Enterprises and local suppliers was slightly down in line with spend across purchase orders.
9. Work is being undertaken with Economic Development to look at how the council can support local businesses with a 'Keeping It Local' toolkit. Raising awareness has been undertaken with officers across the council to use local suppliers wherever possible.
10. Paragraph 35 details how local value is measured.
11. The council is moving to a more strategic and partnering approach with the introduction of Category Management model and is detailed under paragraph 33- 43 in the report.
12. A new Sustainable and Ethical procurement policy is being drafted and is due to go to Cabinet in July.
13. A Social Value portal will be implemented, that will support the monitoring and reporting of social value leveraged through procurement contracts.

Questions, comments and queries raised:

- What were the main themes of the Green Paper on the new procurement arrangements? Officers advised that the main themes were reducing bureaucracy with one set of rules for everything; reducing the routes to market to three and there is a drive for transparency and creating a central body to oversee procurement, monitor procurement activity and ensure that good practice is being maintained. Following a query, it was confirmed that the Green Paper did not state that frameworks will end.
- How does the new Contract Manager role fit in with the restructure of the service? Part of this role will be support services across the council to embed a better culture of contract management and support the facilitation through training and raising awareness setting expectation around what good contract management should look like.
- Clarification was requested on how P cards are monitored. Officers confirmed that there is a rigorous approach to card application, a business case must be completed, the levels of spend are set at a transaction level and an accumulative level across a monthly period. The monthly statement on each card must be reconciled. Exchequer Services also run regular monitoring activity and review any transaction over £1k. The Executive Director, Finance also reviews the data from time to time.
- A request was agreed that a report could come to a future committee meeting on when contracts are extended rather than go out to procurement, and that this will also cover frameworks with only one supplier. It was suggested that this comes back to the committee in the Autumn and

AGREED to the contents of the report.

6. HOUSING DEVELOPMENT APPROACH TO IDENTIFYING RISK AND MANAGEMENT

Joanne Drew, Director of Housing & Regeneration and Nnenna Urum-Eke, Head of Development presented the report.

NOTED:

1. The report is in response to the Committees request for a regular update and provides an update to the approach to housing development, including risks, governance and progress of the schemes.
2. A thorough review of the HRA business plan and the development strategy which is part of the plan has been received and agreed by Cabinet.
3. Skills and capacity development training provided is detailed within the report under paragraph 11.

Questions, comments and queries raised:

- An observation was made that it would be helpful for the names to be included within the new governance structure included in the report.
- What is the scope of the scheme, does this include partnerships schemes, Housing associations and major works? It was confirmed that the scope covers all aspects of development delivery whether that is direct delivery or enabling work with partners or the client role in developing agreements and other partnership agreements. It is forward looking in terms of encouraging staff to bring forward issues concerning schemes including challenges and options to consider. It is backward looking to terms of scrutiny of performance and ensuring all governance requirements are met.
- Following on from a query on upskilling staff officers advised in terms of development skills been working with London Councils to skill up the Local Government Sector. Enfield is part of the group that is developing a comprehensive skills programme. Enfield is part of Future of London Council Build Forum which is sponsored by the GLA. Enfield has also run several training courses over the last year. All officers have been trained on Proval.

AGREED to note the report.

7. LOCAL AUTHORITY TRADING COMPANIES UPDATE

Will Wraxall, Shareholder & Commercial Partnerships Manager introduced the report. Cllr Tim Leaver and the independent member Peter Nwosu left the meeting for this item.

NOTED:

- The report provides a high-level overview and details the progress made in the last 2 years.
- The governance of the Council's trading companies has undergone significant change since the previous report to the former Audit and Risk

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Committee. The objective is to define the council's roles and responsibilities and set expectations for the council and the companies both in the form of for strategic objectives for the companies and the operational procedures sitting below this.

- Reserve Matters which works in a similar way to a scheme of delegations is detailed under paragraph 10 of the report.
- The performance of companies is detailed under paragraphs 21-25 of the report. The two wholly owned council companies Energetik and Housing Gateway have consistently performed above the projections in their business plan.
- Energetik, the consideration as a shareholder is the extent to which the council wants there to be a next phase of development. This is a very capital extensive company. Strategic review work will be undertaken to look at the long-term strategy for Energetik.
- Housing Gateway has recently started a new business unit in the form of 'Enfield Lets'. This has been running for six months and the initial signs are positive. In terms of achieving cash profits for HGL there are a number of critical success factors in terms of the number of properties they need to acquire and manage.
- Montagu LLP is yet to undertake any substantive operational business, therefore there are no performance considerations to report at this time. The work so far has been at the strategic planning level.
- Paragraphs 17-20 details the legislative changes with regards to State Aid.

Questions, comments and queries raised:

- It was clarified that the costs of winding up a company is under £1k.
- Officers confirmed that the companies accounts are considered by Cabinet as the management of company accounts is an executive function.
- It was confirmed that the last filed accounts of IWF did show a net profit.
- Following a query on Energetik officers advised success is measured against the business plan with the expectation that this would be a capital-intensive business. It is common in the private sector for companies in the high tech or high mechanistic industries not to make profits in their first year. This is a longer-term project, Energetik care projecting a net profit in 2021-22; if achieved, this would be five years ahead of schedule within the business plan.

AGREED to note the report

8. GENERAL PURPOSES COMMITTEE WORK PROGRAMME 2021/22

It was noted that a new work programme is being prepared for 2021/22.

9. DATES OF FUTURE MEETINGS

It was noted that future meeting dates will be agreed at Annual Council.

10. EXCLUSION OF THE PRESS AND PUBLIC

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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).

11. MERIDIAN WATER RISK REGISTER UPDATE

Peter George, Programme Director – Meridian Water presented the report on an update on the Meridian Water Risk Register, containing changes that have occurred since the last time this item came to the Committee and answered questions from members of the Committee.

AGREED to note the Meridian Water Risk Register update.

The meeting ended at Time Not Specified.