Governance, Audit, Risk Management and Standards Committee

Minutes

25 January 2022

Present:

Chair:	Councillor David Perry	
Councillors:	Philip Benjamin Dean Gilligan Kairul Kareema Marikar	Amir Moshenson Kanti Rabadia Antonio Weiss

200. Attendance by Reserve Members

RESOLVED: To note that there were no Reserve Members in attendance.

201. Declarations of Interest

RESOLVED: To note the declarations as published on the Council's website prior to the meeting and the following additional declaration made by Councillor Kairul Kareema Marikar at the beginning of the meeting and during consideration of: Agenda Item 11 – Information Report - Q3 Corporate Risk Register 2021/22.

Councillor Marikar declared an interest in that she had a care business. She would have an interest if funding for social care was raised at the meeting. She would leave the meeting if the interest became pecuniary.

202. Minutes

A Member commented on the style of the minutes and the lack of questions having been recorded therein.

The Chair stated that the format of the minutes had not changed, the minutes were not a verbatim record of the meeting and that he was merely seeking Members' approval in that they were accurate as no corrections had been notified as requested prior to the meeting and the minutes were considered to have been approved as published on the Council's website.

The same Member was concerned that a pertinent question he had raised at the last meeting had not been answered by the Council's external auditor. The question related to the backing of the usable reserves within the financial statements in respect of the report on the Statement of Accounts 2020/21 and that he would raise this matter under a substantive items as suggested by the Chair [Minute 206 refers].

RESOLVED: That the minutes of the meeting held on 30 November 2021, be taken as read and signed as a correct record.

203. Public Questions

RESOLVED: To note that no public questions were received.

204. Petitions

RESOLVED: To note that no petitions had been received.

205. Deputations

RESOLVED: To note that there were no declarations of interests made by Members.

Resolved Items

206. Treasury Management Mid-Year Report 2021/22

Prior to the consideration of the report, a Member (Minute 202 also refers) stated that one of his questions on the Statement of Accounts at the last meeting had not been answered by the external auditor in the written response provided after the meeting, which was also sent to all Members of the Committee. The Director of Finance and Assurance agreed to follow this up and the Member undertook to provide the relevant correspondence to her. He would continue to raise this question until he was satisfied that it had been answered.

The Committee then went to consider the substantive item.

The Committee received a Reference from Cabinet entitled 'Treasury Management Mid-Year Report 2021/22' together with the report of the Director of Finance for review. The report provided an update on the Council's Treasury Management activity in 2021/22, presented performance to 30 September 2021 in accordance with the Council's Treasury Management Practices and in compliance with the CIPFA Treasury Management Code of Practice. The Council had complied with all elements of the Treasury Management Strategy Statement (TMSS) as the treasury management function.

The Director of Finance and Assurance introduced the report and informed the Committee that Treasury Management activity had been kept to a minimum, no borrowing had taken place and that cash balances had been managed well and in a prudent manner. In addition, the Capital Programme had been managed carefully, there was sufficient cash flow and the interest rate on small investment had been maintained.

The Director responded to questions in relation to the Treasury Management Services offered by the GLA (Greater London Authority) – page 18 of the agenda, paragraph 5 referred – and assured Members that this would be in place for 1 April 2022. It would include the Council transferring its investment balances into the GLA Group Investment Syndicate (GIS). She explained that:

- the GLA would invest the Council's cash balances which would provide a better return for the Council due to the pooling of investments. The Council would monitor its Treasury Management activity but the GLA would oversee the investments

- the Council would also be able to access borrowing if required, such as for its Regeneration Programme(s). The Council would retain its Treasury Management activities. A key factor of using the GLA Service would be to access strategic advice and support

- currently, the Council held its cash balances in bank accounts which accrued interest but by joining the TMS offered by the GLA, a better return would be available to the Council. The Council did not have the capacity to move its money frequently in order to receive a better rate of return. It was intended to initially join the TMS for a period of six months and leave if there were no benefits. It was important to note that other support would be available by joining the TMS, such as expertise and advice and the benefits were expected to outweigh the costs. The cost of joining would be in the region of £50k but, if the Council were to appoint its own TM adviser, the cost would be substantially more

- the Director noted a Member's concern that the GLA was in deficit but assured him that the money would not be going to the GLA but held as a separate fund.

Members asked additional questions of the Director of Finance and Assurance and she responded as follows:

- the Council would not be borrowing £240m as indicated by a Member but the Capital Financing Requirement (CFR) – pages 21 and 22 of the agenda – gave an indication of what the Council would have to borrow if the Capital Programme was funded through debt. The Council used some of its own cash balances to fund the Capital Programme, which was also funded by government grants and capital receipts. The use of cash balances ensured that the Council did not have to borrow any money – external debt – to progress its Capital Programme until internal funds had been exhausted which would then require external borrowings

- authorised borrowing/limits – a series of boundaries were calculated and there was a requirement to operate within those boundaries and based on how much money was put in the capital budget. The Council needed to ensure that it could pay the money back even if the boundary was not reached. The boundary was a cap that should not be exceeded

- capital financing costs were set when the Capital Programme was agreed. There was a correlation between the setting of the Capital programme and what the Council wanted to invest in and whether it could afford to do so. Both the Council's Capital Programme and the Revenue Budget were linked in terms of affordability

- she would provide a written response in relation to Table 1 on page 19 of the agenda in respect of the capital expenditure on the Community Directorate's budget which appeared to have risen by 30% from the original estimate. She would have to peruse the Capital Monitoring Report prior to providing a response

- she would provide a fuller written response in relation to Table 2 on page 20 of the agenda which showed that the Capital Grants had fallen dramatically from their original estimate. The Director provided an example that there had been a fall in the money received from the TfL (Transport for London) for LIP (Local Implementation Plans) funding as a result of which some schemes had not progressed. A Member asked why it had been necessary for the forecast to have changed. The Director informed the Committee that the forecast had been built on the information available at the time and the revised estimate was where it was not possible for schemes to proceed. The reduction in the original and the revised estimates covered a number of schemes. She agreed to provide further information in relation to questions relating to the structuring

- she would provide Members with a profiling schedule of each individual loan from the PWLB (Public Works Loan Board) in relation to Table 9.9 on page 25 of the agenda

- the West London Waste Authority would be expected to pay back the loan referred to in paragraph 9.4, page 24 of the agenda. The Council was receiving £1.2m per year in interest. The Director undertook to provide a written response in relation to the year point in relation to the £15.8m. She explained that the capital sum of £15m was outstanding and remained the same but the Council was receiving the interest element. The principal amount would now be repaid and therefore the interest received would be less but she would clarify the situation. The term of the loan was 25 years at an interest rate of 7.604% on a reducing balance basis

- the CCTV would not be paid from the Community Budget but it would be capital investment – revenue costs from the revenue budget.

Prior to concluding the discussion on the report, the Chair reminded officers that responses were required in relation to some of the questions asked at the meeting, such as on the Community Budget, Revision of Outturn and Profiling of Debt Loan.

Having reviewed the report and in noting that responses would be received in writing from officers, it was

RESOLVED: That the report be noted.

207. Information Report - Invitation from Public Sector Audit Appointments to opt-in to external audits from 2023 - 24 to 2027- 28

The Committee received a report of the Director of Finance and Assurance, which provided an opportunity to consider the invitation from the Public Sector Audit Appointments (PSAA) to opt-in to the appointment of external auditors for the period 2023-24 to 2027-28.

An officer introduced the report and informed Members that:

- the length of the compulsory appointing period was for five consecutive financial years commencing 1 April 2023

- three options were set out in the report. The officer outlined each of the options, including their advantages, disadvantages and associated risks and stated that the preferred option was Option 3 – to opt-in to a sector led body using the Public Sector Audit Appointments (PSAA) due to the benefits it provided.

The Chair reminded Members that a decision to become an opted in authority had to be made at a full Council meeting in accordance with the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015 (the Regulations). He sought clarification of the role of Governance, Audit Risk Management and Standards Committee in respect of the report. The Director of Finance and Assurance stated that an informal view of the Committee was being sought which would be reported to full Council.

Members asked a number of questions in relation to the pool of accountancy firms available and their specialist areas, whether Members would have any input in the firm appointed including its capacity and staffing situation. The Director of Finance and Assurance and an officer responded as follows:

- nine large accountancy firms were expected to submit bids for the contract(s)

- as part of the process, the Council would be allocated a firm of accountants and it would be for the Council to accept or reject it and provide reasons for its decision. If the reasons for rejecting the first allocated firm were accepted by the PSAA, then a different firm would be allocated. The Director stated that the Society of London Treasurers had received a presentation from the PSAA and that improvements had been made to the process which would also look at the staffing levels of each firm. A testing structure had been established and each firm would be required to pass the tests; otherwise, the firm would not be able to submit a tender for the contract

- the initial decision would need to be made by full Council. It should be recognised that, previously, the National Audit Office allocated a firm to each Council and that for many years, the Council had not been able to appoint its own auditor. Moreover, it was not 'healthy' to have the same firm of auditors over many years.

The Chair referred to paragraph 17 of the report and stated that he was satisfied that the procurement process was robust. The firm would need to be both competent and have the capacity to provide a good service. On behalf of his political Group, the Chair spoke in support of Option 3. A Member from the same political Group echoed the sentiments of the Chair.

The Director of Finance and Assurance assured Members that the majority of local authorities were expected to opt-in to a sector led body using the Public Sector Audit Appointments (PSAA).

Members, having considered the advantages and disadvantages, including any associated risks, of the options set out in the report

RESOLVED: That the report be noted.

208. Exclusion of the Press Public

RESOLVED: That in accordance with Part I of Schedule 12A to the Local Government Act 1972, the press and public be excluded from the meeting for the following item(s) for the reasons set out below:

Item	Title	Reason
11.	Information Report – Q3 Corporate Risk Register 2021/22	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information).

209. Information Report - Q3 Corporate Risk Register 2021/22

The Committee received a confidential report of the Director of Finance and Assurance, which set out the Council's Corporate Risk Register 2021/22 for Quarter 3 of the financial year to assist the Committee in monitoring progress on risk management in accordance with its Terms of Reference.

An officer introduced the report and responded to questions from Members. Members discussed the report at length, and it was

RESOLVED: That the report be noted.

(Note: The meeting, having commenced at 6.33 pm, closed at 7.39 pm).

(Signed) Councillor David Perry
Chair