Finance Board held on Thursday 18 April 2024 – Minutes

Present:

Attendees:

Commissioners:

Denise Murray Finance Commissioner, Chair
Gavin Jones, Lead Commissioner
Ged Curran, Commissioner

Members:

Cllr Wal Chahal Deputy Leader and Lead for Financial Oversight & Council Assets
Cllr Pavitar Mann – Labour Group Leader

Officers:

Sue Butcher – Executive Director Children's Services and Chief Executive Slough Children's Services
Patrick Hayes – Executive Director Housing, Property & Planning
Marc Gadsby – Executive Director People and Adult Services
Stephen Taylor, Monitoring Officer
Chris Holme – Interim Executive Director of Finance and Commercial Services and Deputy S151 Officer (remote)
Dave McNamara – Interim Finance Director

Secretariat:

Mandy Brown - Chief of Staff to the Commissioners
Nasreen Brittain – Executive Assistant to the Commissioners (minutes)

Also Present:

Andrew Merritt-Morling Programme Manager
John Hickson Finance Lead
Marcus Richards - EY Corporate Finance Practice

Not In Attendance:

Will Tuckley, Interim Chief Executive and Head of Paid Services
Cllr Dexter Smith – Leader with responsibility for Improvement and Recovery
Adele Taylor, Executive Director of Finance and Commercial Services and S151 Officer

Minutes

1. Welcome and Introductions and Declarations of Interest

1.1 Denise welcomed everyone to the meeting. No declarations of interest declared. Introductions made.

2. Minutes of the Meeting held 4 April 2024

2.1 Minutes of the meeting held on 4 April 2024 approved. Actions updated.

3. Finance Update (Chris Holme)

3.1 23/24 period 12 / provisional outturn

I. Number of activities needed to be undertaken before the position can be determined. Would need to review these stringently and any requests for carry forwards. More work to be done on recharges particularly on HRA and Capital. All are scheduled for completion by end of next week with full reporting the week after.

Current implications for 24/25 is a significant overspend on the general fund of around £18-20m. Particular pressures were in adults, home to school transport and homelessness.

As part of the review, would look at each of the areas to establish which were one-offs and which would recur. There appeared to be an underspend in HRA in-year, but this had not been confirmed at this stage.

On general fund capital there would be a significant underspend of approx. 30% of the approved programme. This would have slippage implications for 24/25.

Early focus on the 24/25 savings delivery programme of £12m would need to include mitigations of the current undelivered savings and overspend from 23/24, not mitigated in the 24/25 budget.

Denise reflected questions had been asked previously re recurrent pressures and assurance provided by all ED's that they would be mitigated. The conditions of the CD did not fund costs that had not been incurred and therefore carry forwards could not be capitalised. Denise wanted Chris to be aware of this when doing the final analysis. Chris responded this was the reason why mitigations would need to be looked at.

Cllr Chahal expressed concern about the increase of overspend to a potential £20m from £18m and agreed to diarise time with Chris Holme to discuss this.

Sue Butcher updated on SCF; reporting she was looking at a small surplus in 23/24. Not sure of the amount at this stage. Would be able to provide a better update end of week 22/4.

Ged reflected that at IRB Sue had referenced the back-office issues. Sue reported these were related to the funding reduction from DfE of money from 2025/26 onwards.. He would want to see how services were brought together. Denise noted that Commissioners would want to have some oversight in this process as it pertained to the Council services and SCF financial stability. Sue welcomed that. TUPE implications would also need to be considered going forward.

4. EY Progress Update (Marcus Richards EY) Sensitive and Commercially Confidential Papers

4.1 Programme update

I. Programme to establish balance sheet grip is being done engaging commissioners and with officers and recognises key dependency of the account production. 12 workstreams overall and those that are currently live were highlighted. Balance sheet review work is underway, this is a risk-based review providing assurance over actual balances as at 31 March 2023.

II. April is a critical month for this work, with a lot of activity scheduled for completion during this time if the milestones are to be met and deadlines set by DLUHC such as a report to update on current position is to be achieved.

4.2 Overview on:

I. Akzo Nobel

(a) This was initially purchased for the HRA and disposed of whilst in the HRA. The Council wanted to ensure that this was accurate, and it was making the most effective use of capital receipts. There was a lack of clarity over how this could be used to ease financial pressures on the General Fund, and at what value, to aid its financial recovery.

(b) The capital receipts of £144m were within the HRA. The review highlighted that, subject to certain requirements being met, excess capital receipts from the disposal of this assets can be used to offset against General Fund capital expenditure. Where the Council can demonstrate that:

1. There is no detriment to the HRA, and
2. That the HRA does not require the ‘excess capital receipts’ to deliver a sustainable 30-year business plan.

(c) It is within the Council’s gift to apply excess capital receipts to the General Fund. This mechanism provides a means by which the Council can utilise further excess capital receipts that may materialise in the future from sales of HRA assets.

II. Workstream 7 MRP

(a) Initially had a review of the Council’s model. Develop a revised model to correct inaccurate data and reduce volatility to that charge. Council could then benefit from a single version of truth re outputs. The Model also allowed assessment of key transactions that would impact on the Council such as Akzo Nobel for example and has now been handed over to the Council to maintain going forward.

III. Workstream 6 Capital Disposal

(a) Asset Appraisal and Disposal Framework (AADF) had been developed, which incorporated Commissioner initial feedback and various workshops with property and finance. The De Minimis Sales Price Model had also been developed with an associated user guide prepared. This would help unblock existing issues in the capital disposals pipeline, as the model would enable non-finance staff to calculate de minimis sales prices.

(b) Next steps – whilst the framework for appraising assets had been developed, the Council still needed to consider whether their asset disposal strategy needed updating based on current financial information and market conditions.

(c) The AADF was comprised of four key stages:

a. Pre-appraisal - Initial screening to ensure assets had been declared surplus through appropriate governance route, and adequate data availability to appraise

b. Direct Financial Value – Primary De Minimis Sales Price – compared the value in use (net present value of income and costs over the MTFP and lifetime) to the value from disposal (including the interest and MRP benefits from reducing the Council's borrowing) to provide an initial de minimis sales price.

c. Indirect Financial Value - De Minimis Sale Price Adjustment – adjusted the de minims sales price by considering any indirect impacts to Council income or costs over the MTFP and lifetime of a given asset.

d. Non-Financial Notional Value Premium – A premium was added based on an assets strategic, economic, operational, social, or environmental value to the Council. Given the subjective nature of this step, it was recommended that it only be applied for Community and Operational assets, not Commercial.

EY had set out asset appraisal and disposal framework, which was shared with the board.

Stephen Taylor asked what the starting point was and need to confirm whether this was best value or best consideration. Marcus confirmed it was best value. It included various considerations such as any indirect implications there might be, triggering additional costs, and any non-financial value an asset may have, i.e., community.

Denise responded that bringing in de minimis financial value to the council and then notional value such as environmental value gives a value to the Council, then best consideration was what the market would pay for it; the best price that can be achieved, including special circumstances such as marriage value. Stephen Taylor wanted to see what process was being used and recorded if selling at below best consideration. Denise responded that the two processes need to come together in the decision report and decision needed to clearly state the reasons if any for forfeiting on price, and whether further approval is required.

Marcus said the model would not influence how the market valued an asset.

Pat Hayes responded that this was a good model and really helpful. it was important to know that the best consideration was the best price at the time of selling an asset, not previous market value or estimated market value. Needed to be careful not to base historical view of price an asset nor estimate it.

Mark Gadsby talked about the impact of timing and whether there was a timeline for asset disposal in line with the strategic thinking.

Cllr Chahal felt this was a good way of working out the value of an asset to the Council. He welcomed the opportunity to put a sample of assets through this process to gauge how realistic the pricing has been to date.

Mark Halligan responded around pace and felt this model gave the Council a more accurate picture of the value of the assets resulting in fewer aborted sales. It would also assist with reporting to cabinet.

IV. Next steps:
Reports would be going to cabinet. HRA and Asset disposal framework and Akzo Nobel. Mark confirmed the EY report would be reference in the report to Cabinet. Chris Holme was doing the Akzo Nobel report. Chris Holme responded his assumption was this could go within the HRA report with an additional paragraph and recommendations.

V. Cllr Chahal responded the preference was for two separate reports for May and no slippage in timeline.

Agreement: Confirmed the two reports Asset Disposal Framework and Akzo Nobel would be going to May cabinet, and no shift into June.

5. Asset Disposal Programme (Mark Halligan) Sensitive and Commercially Confidential Papers

5.1 Figures currently reported were gross, but from June finance board they would be reported as net as requested by Commissioners.

Agreement: From June Finance Board all asset sales figures would be reported as net.

The numbers were generally improving, and risk was reducing. Improvement was not huge however, £392k from last month to £400k this month.

Market conditions remained challenging, particularly for high value assets. However, it was felt this should not stall progress, so would continue with the programme and were more confident that using the EY model would yield better results when taking assets to market.

A new risk that had emerged was the risk of not achieving the overarching financial target. Not primarily driven by performance, but rather the target being clarified as more than originally thought. Some significant progress had been made on HRA disposals. Capital receipts issue from these sales had now been clarified. Had the report from Akzo Nobel which would clarify how to drive future HRA asset sales.

Property resource for the programme had seen much movement over the last month. Three new property surveyors starting this month, providing a significant increase in capacity. Paralegal support was also being sought.

A key point to highlight would be resetting the forecast timescales showing the impact of the additional resource. The report in May and June would show a different profile in the asset disposal programme. More asset detail had been provided for the Board. Dashboard being produced for phase 1 summarising detail. Graph on the dashboard showed the gap between total forecast and the reclarified target. The dashboard this month had focused on phase 1. The next Board report would focus on phase 2 and the pipeline.

Denise responded that the additional information and narrative contained in the slides was welcomed and helpful going forward as we closely monitor and track progress.

Emerging estate strategy

A workshop around this was being planned as soon as possible. Two reports had gone to cabinet on estate strategy, one in September 2023 and second one went in

December 2023, which outlined some options and suggested some categorisation. Now with ED engagement Mark felt there was further detail to present to Cabinet. The team were now also seeking political guidance on the operating model, and also retaining high visibility and locality properties. Gavin Jones responded that the operating model would be contingent on this. and welcomed ED engagement on this issue. Pat responded that Slough was very far behind other Councils on the corporate landlord model, historical record keeping and lack of clear processes.

Mark responded to the question around the operating model. The key issue that impacted on demand for property space, was a shift to a more digital delivery.

Mark Gadsby added that there was no in-house provision other than reablement. More strategic commissioning was being done by Jane Senior, which fed into the resources required to deliver.

Denise noted the need to look at shareholdings and sought confirmation of who would lead on that element of work. Pat Hayes agreed he would look into that with Chris Holme.

Action: Pat/Chris Holme to look into shareholdings and confirm who would lead on this work.

Chris Holme thanked the team for the work done to date. Noted the Treasury Management had a higher assumption to support debt reduction and cashflow issues and these would need to be urgently assessed.

Marcus Richards (EY) confirmed the Council would have the first part 24/25 Treasury Management review ready in early May. Denise reiterated Commissioners wanted 24/25 clarity to avoid emergency borrowing.

6. 4/25 Audit Plan (as is position) (Dave McNamara)

6.1 23/24 internal audits:

Agreed Internal Audit Plan for 2023/24 comprised 17 planned audit reviews. 9 audit reports had been finalised with 3 audit reports in draft status. 4 audits were in fieldwork status. 67 improvement actions had been raised for 2023/24 of which 52% were complete, 34% were overdue and 14% were not yet due as at the end of March.

The focus Parking/ Car Parks and Libraries audits was cash collection and cash management – and were merged into one audit of cash management in these specific areas. Leaseholder service charges had been deferred to 24/25

Issues had been lack of resources and changes in the team, with a new interim Head of Internal Audit starting on Monday 22 April. Key focus would need to be risk management within the organisation.

Denise wanted to understand the impact of ongoing 23/24 audits on deliverability of 24/25 audit plan. Dave felt it would have an impact for 24/25. The challenge therefore was more than the 22 audits. There was an increase in the number of audits but less people to deliver. Chris Holme responded the plan had been approved however, recognised that due to lack of team resource delivering this number of audits would be a challenge. Chris highlighted there were no school risk in the audit plan, however, there was one school that was in significant financial difficulties that was not included on the list. Sue Butcher responded that this had just come to light and was in hand.

Denise said the Council needed to think about their approach to schools in financial difficulty, licensed deficits and ensuring proper procedure would be followed in line with approved frameworks.

7. *Financial and Commercial Services Resources (Padma Knowles HR)*

7.1 Establishment overview of Financial and Commercial services had been produced for the Board, including permanent, interim, and vacant positions. Areas ragged red, were flagged. Some areas were highly staffed by interims which needed to be addressed.

Obtaining the information was very challenging and needed to be manually formulated with the support of officers. Lots of data issues experienced. Figures on interim spend had been input with incorrect cost codes. Therefore, the spend in reality is likely to be much higher than reported because it wasn't possible to obtain the full financial data.

Indicative 32% (subject to validation) of permanent staff recruited in this directorate had left. This picture is not reflected elsewhere in the Council. Financial recruitment was ongoing. Red rag areas for focus were SMT, audit team and finance managers. The narrative for the recruitment needs to be updated.

Denise reflected on the challenges in some of the areas. Padma responded that SFM have been excellent at sorting out interview dates etc. and had have been constantly able to see good talent. Felt this was a good model that the Council could use. Using LinkedIn more, working with HR and Comms for content.

Cllr Chahal requested a meeting with Padma Knowles to see how these challenges could addressed and how new people/leads are sought.

The interim churn figure would be lower, and Padma felt some of it would be good churn if replaced by permanent recruitment. Denise wanted this to be kept live and recommended that Padma worked closely with officers to refresh the figures and develop a more accurate data set that can be monitored.

Action: Padma to work with Officers to ensure the data is accurate and thereafter keep this data live for future monitoring /reporting. Dave McNamara would assist.

Action: Padman to arrange a meeting with Cllr Chahal to discuss challenges and process.

8. *Items for Noting (Andy Jeffs)*

I. *Revenues & Benefits draft 23/24 outturn:*

I. Nothing to note.

II. Internal Audit Outstanding Actions:

II. Nothing to note.

AOB

a) None.

(The Meeting opened at 10am and closed at 11.22am)

Date of next meeting

Thursday 16 May 10am in the Council Chambers.