Finance Board held on Thursday 16 May 2024 – Minutes

Present:

Commissioners:

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

Members:

Cllr Dexter Smith – Leader with responsibility for Improvement and Recovery
Cllr Wal Chahal Deputy Leader and Lead for Financial Oversight & Council Assets

Officers:

Will Tuckley, Interim Chief Executive and Head of Paid Services
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
Sukdave Ghuman, Monitoring Officer
Annabel Scholes – Interim Executive Director of Finance and Commercial Services (S151 Officer)
Tessa Lindfield – Director of Public Health

Secretariat:

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

Also Present:

Andrew Merritt-Morling Programme Manager
Deemple Brain Programme Manager
Chris Holme – Head of Financial Governance
Dave McNamara – Interim Finance Director
Peter Hopkins – Property Director John Hickson Finance Lead
Marcus Richards - EY Corporate Finance Practice
Stephen Menzies – Interim Director of Digital and Technology
Mark Halligan – Interim Property Director

Not In Attendance:

Cllr Pavitar Mann – Labour Group Leader

Minutes

1. **Welcome and Introductions and Declarations of Interest**

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

2. **Minutes of the Meeting held 4 April 2024**

Minutes of the meeting held on 18 April 2024 approved. Actions updated.

3. **Finance Update (Annabel Scholes) 23/24 period 12 / provisional outturn Sensitive and Commercially Confidential Papers**

3.1 Working in partnership with EY and Marcus Richards, Annabel's initial feedback was very positive about the work that had been done by the team. Balancing the budget needed to be maintained throughout the year. Very keen to do a refresh of the MTFS before the summer break, to take to Cabinet in July. 24/25 in year challenges needed to be clear going forwards. Wanted to pick up key strategic goals. Denise shared that the refresh approach was very welcomed.

3.2 Chris Holmes reported that 18/19 accounts had been signed by previous S151 Officer, Adele Taylor and agreed by Grant Thornton (subject to formal sign-off pending their own internal clearances). The final sign off by Grant Thornton would be provided with a number of formal documents including findings reports, letter of signed opinion and publication letter. 2019/20 draft accounts signed by Chris Holme, were published on the Council's website and open for public inspection. 2020/21 draft accounts were almost complete and will be presented to May Audit and Corporate Governance Committee. There was an issue regarding what was required around annual governance statement which is being picked up separately.

3.3 22/23 backlog accounts indicative deadline is 30 September 2024 and currently reporting as on track to deliver. Then will move onto the 23/24 accounts where the deadline is 31 May 2025. Continued work to update the Council's ledgers, including reviewing the balance sheet, seeking to identify key areas of risk. This work also needed to be completed by end May 2024.

The balance sheet review exercise included deep dive areas of concern such as Inter-Company loans and Collection Funds. These had not been satisfactorily completed for many years, there was therefore a high risk that corrective action may be required.

Denise responded that the Council should have resources lined up to support the process of managing the publication of the accounts for inspection and align the Comms team as well. This was important as no accounts had been published for 3-4 years.

Cllr Chahal responding to the 21/22 accounts and beyond, requested adding the milestones to the dashboard to track the dates leading up to the end May 2025 deadline.

4. **Action: Finance team to add milestones to the dashboard.**

4.1 Deterioration of the position was £3.2m from the Q3 position reported to Cabinet. This change was due to continuing balance sheet reviews, with an impact on 23/24.. The confirmed draft outturn was still dependent on finalising figures in respect of Treasury Management. There was a risk of reserves being depleted in the 25/26 year if similar overspend occurred in 24/25. Treatment of benefits had had a £3.5m impact but was offset by having a positive impact on the 22/23 position. Increases the carry forward budget smoothing reserve but carries forward into 23/24 accounts.

£20.1m overspend for which approval would need to be sought. Service budgets position would remain unchanged. This meant that for 24/25 there was an inherent increase in cost base. Needed to work through this as part of the MTFS refresh as to what the impact would be over the next two years.

Dave MacNamara reported the service overspend had not changed dramatically. Needed to look at what those pressures were in 23/24 and ensure they were being correctly captured for 24/25. Denise responded that the position in relation to savings were previously discussed and assurances had been given by Executive Directors and s151 Officer regarding the recurrent nature of savings mitigations and plans for mitigation of the in-year late emergent pressures. Each Executive Director was asked to give an update on their area.

I. Pat Hayes reported that he was happy to provide that reassurance for Temporary Accommodation. They were making real progress on bringing in more cost effective accommodation and dramatically reducing the use of hotel and hostel accommodation. The issue was the speed with which this could be brought in while dealing with the increase in the number of larger families requiring accommodation.

II. Mark Gadsby reported he had delivered £6.5m of savings, which was approx. £1m overachievement for last year. At this point he had delivered £350k already with plans in place for the remainder. Emerging risks had been identified and mitigations were being put in place. He felt more comfortable going into 24/25.

III. Sue Butcher reported on education and that the main issue was the safety valve and needed to bring in additional capacity to project manage the programme. The budget was challenging, although there were some favourable moves. Overspend had been on staff not covered by DSG. Denise wanted to know the bottom line and where did the team think things would end the year. Alex Pilgerstorfer responded that the Company would end year with a balanced budget.

IV. Tessa Lindfield reported that the public health grant came in with an underspend, however, she was reflective of the fact that the department was very underdeveloped. That situation was changing however, and they were now populating the public health team. There was money in the ringfenced reserve and would need to think about how best to use this money in deliver Public Health outcomes. The Public Health Board had now been set up with processes also in place.

V. Pat Hayes reported HRA was coming in on budget and the position could be confirmed later today. The drive was to spend the money on improving things in this area. Denise said that she wanted to see all the ring fenced accounts in finance monitoring updates going forward.

5. **Action: Pat Hayes to provide Denise with HRA outturn and Annabel to ensure all ring fenced accounts are included in finance monitoring updates going forward.**

5.1 Ged wanted to understand what the issues were regarding the safety valve. Sue responded the DSG figures were not originally accurate and hadn't taken account of the EHCPs and were based on insufficient data, which was still emerging. Reporting had been based on these incorrect figures, with the wrong assumptions. A refresh would need to be done to correct this, and project management capability was being brought in to complete this work. Needed to ensure the figures going forward were based on reality. The starting position had been incorrect, and subsequently was not monitored or corrected. This was now going to be remedied by having a dedicated project manager to focus on this issue. Sue reported she had not been involved with this from the start. There were also new finance people coming in to do more in-depth work. Scrutiny of the Safety Valve had not happened to date but welcomed this happening going forward.

Denise said the CEO, DCS and S151 were signatories to the Safety Valve agreement on behalf of the Council and Sue and Annabel would need to work together to develop a resourcing plan and put the resourcing in place to appropriately monitor and report on the progress. Reporting to the Finance Board on this had been delayed and was now expected in June however, work was overdue. Ged reflected that Paul Moffat(DfE commissioner) had recently written to the DfE and asked whether he had been briefed. Sue said he would be briefed later today. Commissioners looked forward to seeing the resource plan that would be required to take this forward.

Corporate savings, MRP of £3.5m wasn't achieved but was being looked at. CLT were looking at these. Strategic commissioning target of £750k from last year, which was not achieved, and for the next year would be £1.5m that needed to be achieved. Wanted to give the Commissioners assurance that this was being looked at.

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

6.1 Programme update

I. Balance sheet grip. This workstream set out to review the Council's Trial Balance as at 31 March 2023, providing assurance on the 23/24 brought forward position. This was driven in part by a DLUHC requirement to have concluded a balance sheet review (along with any necessary mitigations) by the end of June 2024.There was a significant amount of work to do. Focus was on areas where there was a perceived risk and do the necessary deep dives. Some of these may result in a negative value on the balance sheet.

II. Additional risks were anticipated to emerge during the programme, which would be assessed to determine whether a further workstream was required to progress and resolve.

7. Overview on workstream 9 (Treasury Management):

I. Recognised a general consensus the Council did not have a sufficient grip on its cash balances, needed to utilise a single version of the truth and identify any key risks to the cashflow of the Council. A clear focus would be applied to the sustainable and resilient resourcing of each workstream, with an ambition of seeking to transition to permanent Council resource where possible.

II. 13-week short term cashflow. The STCFF graph was shared with the Board and showed the Council would dip into negative numbers. It would need to take out additional £50m debt over FY 24/25.

III. Refinancing strategy discussed. Recognising have not yet seen a particular focus on the Council strategy for income optimisation. Commissioners expected to see increased rigour around governance. Demonstrate a better grip of supplier negotiations and uplifts to manage cashflows. .

IV. Going forward officers to have a better understanding of the financial position and to therefore undertake further work to understand this area in more depth.

Denise wanted confirmation as to whether the general fund & HRA capital receipts had been fully reconciled with the asset disposal programme pipeline. Marcus said he would confirm this for both general fund and HRA assets.

Gavin reflected the picture painted was very concerning. Marcus responded that a lot of the issues were endemic of previous years. One point to note for further consideration was there was a view that there was a likely case the Council was utilising asset sale funds to fund operational activity.

Gavin wanted to know whether the problems being discovered went back many years or were they more recent oversights or a combination of both. Marcus said credit goes to the team for recognising the issue required expert intervention/assistance. Some came down to general degradation of scrutiny being applied to analysis. Secondly, systems and approaches were in place that were not fit for purpose. A lack of appropriate capability and systems in place had left the Council unable to get a grip on the situation.

Gavin asked what the skills, capabilities and systems were required to allow the new finance team to get that grip. Annabel said the team had picked this up which needed to be recognised. There were still challenges around the permanent team and their capabilities, and training was being provided as a result. Changes to resources had been made to get the team to deliver. There had been no compliance with the Treasury Management code. Needed to acknowledge and address these findings going forward.

Will agreed the picture presented by EY was very concerning. To be clear for the shorter term timeline, the work would identify what areas were fixed, and which were more variable, and susceptible to external factors. Marcus said the tool being developed will provide the shorter term position and would give clarity on things like the impact of slippage on the asset sales and the need to mitigate any slippage that occurred. Annabel said had already identified the Council didn't have processes such as payment profiles (and not making early payments to these) in place and was working with CLT on this. Capacity remained the real issue and would require time to fix.

Denise concluded that the key point to note in relation to this was that in 23/24, on three occasions emergency borrowing was required, this reflects the issues noted in this review. Asset sales pipeline information needed to be shared with EY as a matter of urgency.

8. **Asset Disposal Programme: Pat Hayes:**

8.1 Mark Halligan reported that transactions were once again progressing after having been paused. Capital costs related to some assets need to be tested in comparison to revenue being generated. Risks had been aborted asset sales.

Phase I assets, needed to establish whether the issue with some assets were an isolated issue, or more widespread.

Target of £600m was unachievable as the Council did not have the assets to achieve this, and he was looking at what would be an achievable target.

Resources: two new surveyors had been appointed and the onboarding had gone well. The immediate priority for them was the Phase I programme and accelerating that and to remove as many assets as possible from the pipeline into Phase I.

Next step for the strategy was to get a firm political steer. 12 June date confirmed for the cabinet workshop to do this work.

Governance was revitalising the Asset Committee and providing reporting to that.

8.2 Denise said there are three key funding aspirations associated to capital receipts, Treasury Management debt repayments, capitalisation direction and transformation. These were the real key drivers indicating the need to deliver the asset disposal programme and a focused overall estates strategy that aligns with the longer-term strategy. It's important that the property teams, transformation team and finance teams were working closely with this lens.

Pat responded that in terms of the tension between what was retained and what was sold was something that would have to be managed very carefully. On occasions the terms of leases did not drive up the value of the assets for sale.

Denise enquired whether a commercial officer or accountant were taking up the opportunity of the open book arrangements to ensure accuracy in margins reported? Pat said they had been quite robust with managing the open book arrangements and officers had been very involved with this piece.

Assurance was given that cross council governance work was also happening. Finance and property teams were also working very closely with one another. The Programme Board was functioning, and the s151 Officer had joined the most recent one.

8.3 Ged wanted the team to expand on where the income will come from as he was not clear on where things were on the overall income strategy. Pat responded the team had looked at lease-back of assets and was driving through some key income strategies, with political buy-in.

The Leader recognised the position and difficulties of the finances. He was aware there had been some push back regarding some of the initiatives and he hoped to make some forward movement on that. Regarding asset sales, he was conscious of the fact that this had a significant impact on the MRP position. Needed to decide what the right balance should be for the future. There were also some significant options around key sites.

Cllr Chahal echoed the above. He was also working with the asset and finance team to have one working team and was working with EY and finance team to achieve the same goal.

Dense said it was essential to look beyond asset sales and consider other investments e.g. equity holdings. The Estates Strategy needed to be finalised and presented to Cabinet and it was not clear when that would happen. Pat said once the Cabinet workshop had happened. Also, the TOM work would help accelerate the estates strategy. The view was to progress this quickly and resolve the issues around key sites.

Denise reflected gratitude that the there was more rigour being applied in a range of areas. Mark Gadsby wanted it noted that there was more of real team feel and effort.

9. Items for Noting:

9.1 None.

10. AOB

None.

The Meeting opened at 10am and closed at 11.21am

Date of next meeting

Thursday 20 June 10am in the Council Chambers.