

# Minutes of Finance Board – held on Thursday 4 April 2024

**Present: -**

**Attendees:**

***Commissioners:***

Denise Murray Finance Commissioner, Chair

Gavin Jones, Lead Commissioner

***Members:***

Cllr Dexter Smith – Leader with responsibility for Improvement and Recovery

Cllr Wal Chahal Deputy Leader and Lead for Financial Oversight & Council Assets

Cllr Pavitar Mann – Labour Group Leader

***Officers:***

Stephen Brown, Chief Executive and Head of Paid Services

Adele Taylor – Executive Director of Finance and Commercial Services and S151 Officer

Patrick Hayes – Executive Director Housing, Property & Planning

Marc Gadsby – Executive Director People and Adult Services

Stephen Taylor, Monitoring Officer

Chris Holme – Interim S151 Officer

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

Neil Hoskinson, deputising for Sue Butcher

Jack Lancaster – EY Corporate Finance Practice

***Not In Attendance:***

Ged Curran, Commissioner

Sue Butcher – ED Children's Services, Chief Executive Slough Children's Services

Deemple Brain Programme Manager

## 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 15 February 2024

Minutes of the meeting held on 15 February 2024 approved. Actions need to be updated and new SPoC to be agreed/confirmed.

### 3. Finance Update including EY Progress Update (Adele Taylor)

3.1 (see slide deck finance board update 4 April 2024)

3.2 Slide 5 covers left to do on the ledger.

#### 3.3 Ernst Young (EY) Progress: Jack Lancaster

- I. Presentation shared with members. There is a challenging timeline for the Council to meet the deadlines from DLUHC and balance sheet review.
  - i. Balance sheet review work. MRP.
  - ii. Overview of progress to date: draft accounts submitted for 19/20 for review. Some reconciliation work still to do but on track for submission to Audit Committee on 17 April.
  - iii. On balance sheet review work, the aim was to give assurance on brought forward position to June deadline. Number of areas of risk on the balance sheet where balances had not moved or contained unusual entries.
  - iv. Minimum revenue provision had been concluded and Akso Nobel was included in that work. Council would now have a functioning revenue model. This should mean it would be much easier to update the Council going forward. Auditors' comments on the papers on Akso Nobel had now been returned. There was a model that would enable the property team to deliver.

Work streams update: good rhythm of assessing risks and reporting back to the Council. Orange Rag rating for 19/20 accounts, due to timelines having shifted, but remained on track for 17 April deadline.

On balance sheet work timelines had also slightly slipped, however, contingencies had been put in place and expected it to be back to green next week.

The collection fund work was currently amber. That was being led by another external consultant. There were a number of milestones due for Friday 12 April, so additional resources would be allocated to ensure that work was completed in time. This work was also looking over the past 4-5 years.

Capital Receipts work commenced on w/c 25th March. An additional ask had been requested to perform a reconciliation of SBCs Capital Financing Requirement, PID to be revised to reflect and then signed, Disposal analysis to be provided by SBC. EY to meet with Victoria Gelderd to ensure her involvement.

Capital Disposal Process: EY issued a draft version of the AADF to feed into Cabinet reporting and sought feedback from the Commissioner. Model to determine de minimis sales price in EY review, with proposal for a working session with SBC finance being scheduled for w/c 1st April.

James Elliman Homes work had been stood up and would also feed into the balance sheet review work and is due mid-May.

Treasury management: PID revised following meetings during w/c 25th March. Final PID to be issued 28th March noting request to ensure delivery is undertaken in collaboration with incoming interim Treasury Manager.

Stephen Taylor asked what information was being fed back to the Council. Jack responded weekly reporting was being done with the Commissioners and also regular reporting with the Council. Stephen Taylor wanted to know how the reporting to Cabinet was being done. Denise responded that once the detailed work had been completed, that would be reported back to Cabinet and would be a more complete summary. Within the CD a clear date had been indicated of 30 June 2024.

Adele Taylor responded that there would be individual papers to come out of this work too, e.g., Akso Nobel, where individual decisions would be included. These had also been included in the Corporate Schedule.

Cllr Chahal wanted to know who attended the weekly meetings for reporting. He requested he be able to attend. Chris Holme said the meeting was with EY and SBC Finance members. Chris was happy for Cllr Chahal to attend. Denise felt the Programme Board was the best place for Cllr Chahal to attend along with Denise and would make him a formal member of that Board.

**Action: Denise/Marcus Richards to make Cllr Chahal a formal member of the Programme Board to attend future meetings. (in progress)**

Cllr Mann asked what the scope of the EY contract was with the Council as she had not been aware of this until now, and what the purpose of the contract was. Adele responded the contract was with the Council and was aimed at providing additional capacity and support, particularly on some of the more technical transactions. This had been the first opportunity to give detailed reporting to the Finance Board. Denise responded that for some time they had been trying to ascertain the true risk to the Council and what was in the accounts and previous accounts. There were data voids, lack of resource sufficiency as well as capability issues. Therefore, Commissioners decided to engage external support using EY to assist with this piece. This has now been formally brought into a programme in order to meet the end June 2024 deadline. When the position is re-baselined, Commissioners and the Council needs to be confident that that is indeed a correct position. When deep dives are done, sometimes other issues are uncovered. The scale of the work was very significant; therefore, the correct resources were required to complete it.

Denise confirmed that regular EY reporting would come to the Finance Boards as well.

## **II. P11 Monitoring: (Adele Taylor)**

- a) There was a forecast overspend for Period 11 of £18.3m. This was a deterioration, of £0.5m, from the Q3 position reported to cabinet. There was some mitigation expected from a draw-down from the Budget Smoothing Reserve of £7m, approved in principle at Q3 cabinet, but with the amount subject to further work. These were in respect of accounting adjustments attributable to Balance Sheet and ledger reviews
- b) Predominant theme had continued to be demands in temporary accommodation and adult social care. There was a lot of work being done to ensure reconciliations were happening. In both areas there are acknowledged concerns on the quality and timeliness of data held in prime systems, which is being addressed. The changes since Quarter 3 are due to:
- I. Changes since Q3, a reduction in Contingency of £0.7m after the viring of additional pension costs to departments.
  - II. Unfavourable movement of £300,00 in children's services, namely relating to legal and pressures from costs of Psychological support.
  - III. An unfavourable movement in Revenues & Benefits from pressures on Housing Benefits subsidy and staff overtime costs. This has been offset by a favourable movement of £0.85m on transport costs arising from one-off grant income from 2022/23.

Denise asked Marc Gadsby whether these pressures could be mitigated for 24/25. Marc responded that the numbers being described for P11, were in line with the 24/25 position and recognised this would be difficult but there was a plan to deal with it and he had a degree of confidence to tackle it.

Denise asked if there were any further emerging issues regarding temporary accommodation. Pat Hayes responded there were not, and he remained confident the measures being taken were working and that significant savings would be made, and he was confident that the picture would improve.

Denise asked Adele, if the full £18m would come from the smoothing reserve and if the pressures rolled forward from 22/23, what would have to come from the smoothing reserve. Adele responded that any other reserves throughout the year would be included here, such as grant applications etc. There was still work being done to not have to return money from previous years for grants. Overspend from 22/23 was still to come, but Adele did not have that figure at this time. Chris Holme responded that was ongoing work and could not be commented on at this stage.

22/23 showed an overspend which would be fully resolved using the smoothing reserve. Gavin asked how much of a risk this was. Adele responded that it was very important that in 24/25 the Council would have to manage the budget much better than had been done in previous years,

and this was the key message that she had been giving to the Council. Have the lessons been learned for the future? Commissioners would take this up with the CLT. Gavin felt this was the most serious position that the Council had been in to-date.

Denise said the key point to note was the £2.7m could not come out of the capital direction. Key point to note is if the actual capital receipt targets are missed, this will put significant pressure on the council. Reserves will be quickly minimized.

Cllr Chahal understood the seriousness of the position and assured the Chair that there would be no deviation from the task.

£1.5m had now been billed which was from an unclaimed invoice, this was from money owed to the Council from sales of homes. Adele confirmed this would be added into the briefing for Cllr Chahal. The quarterly sessions would focus on this detail as well. Denise said it would impact on the balance sheet, not in-year revenue.

c) Finance Improvement Project Board – this had now been established and meeting regularly. It would drive the changes related to the finance improvement such as those mentioned on budget monitoring. The Board would also link and support transformation and recovery work in the wider Council context. The Lead member would need to be briefed and updated regularly too.

**4. Finance improvement Plan Feb24 (slide 2 onwards)**

**5. In both areas there were acknowledged concerns on the quality and timeliness of data held in prime systems, which was being addressed. In the original plan, some of the dates were to be confirmed which would need to be updated.**

**6. Reporting by exception – Red Ragged:**

- III. Earliest set of accounts not subject to a disclaimer opinion were likely to be 2023/24 instead of 2022/23 due to government proposing a backstop where any accounts including 2022/23 are likely to be issued a disclaimer opinion. A paper was presented to audit committee.
- IV. Up to date reconciliations of key systems, creditors and debtors' balances and regular review of the balance sheet needed to be undertaken and regularly reported on. Raising of debtor invoices were monitored and sufficient evidence to collect debt.
- V. Ensure anti-fraud and corruption culture demonstrate the Council was using public resources wisely. While resource training was available, training had not been given to all members or officers. This was being picked up as a priority for the new Finance Improvement Plan project to facilitate and the new Director of Financial Management would take the lead, once onboarded.
- VI. Risk management system of the Council and oversight of risk actions needed to be strengthened to underpin the decisions the Council made in terms of prioritising its resources alongside performance and finance information. Significant changes to staff had affected the work and rendered it red ragged due to absence of Head of Financial Governance, Risk and Internal Audit as well as other key staff changes. Denise asked for expansion on this, and on the head of internal audit and wanted to know what the departures were and issues relating to staff together with the implications to delivering the annual opinion. Adele said regarding risk management

there had been a number of staff departures. There was too much reliance on paper, with very manual-heavy processes, which would need to be resolved.

Denise reported the Head of Financial Governance, Risk and Internal Audit had now left, and the Council was currently in the process of recruiting a replacement. CVs were being reviewed and it was hoped to schedule interviews next week. Needed to continue to manage the current team to complete the reports required. There was a huge focus on ensuring the internal audits were completed.

Adele reported they had experienced challenges within the internal audit team. However, new starters had been working hard to get this work progressed, although some of the new staff who were due to start, did not arrive, which caused a resource issue. Denise asked who was acting in the role of Head of Financial Governance, Risk, and Internal Audit and who would provide the annual opinion. Chris Holme responded that the contract extension had not been possible with the outgoing postholder, but he was hopeful to have someone in place very soon based on the CVs. The acting head of internal audit who will provide the annual opinion could not be confirmed by Adele Taylor.

Denise wanted to know who was picking up risk management. Adele responded that risk and insurance was being undertaken by an existing member of the team who was being supported by the wider team.

## **VII. Reporting by exception – Amber:**

- a) Review of finance procedures was now underway at pace, although it was remained amber in its assessment for now. An update on this would be provided at the next Board meeting. The Finance Improvement Project Board (FIPB) was also building more detailed plans for the processes underpinning the constitutional level, dovetailing with ongoing activity. Any necessary changes would go to the May Council. This provided a firm target to complete the process in time.
- b) Finance and commercial services and capacity to support the financial recovery. Interim staff were making a significant difference to the team. Gaps had also been recognised. Needed to secure the required interim capacity. Recruitment into permanent roles across financial and commercial services would be vital and there was a recruitment plan to tackle this. It was also about retention of the staff. Recognised the addition of Dave McNamara to the team who had made a big difference.
- c) Financial reporting and budget management process needed to be undertaken on a regular basis and to best practice standards. Recognised the need to have more dashboard reporting. Companies' accounts had not been reported to Council, and so resources were being put into this area.
- d) Treasury management function had not been done well in this year, therefore felt it was an amber rating veering on red. However, more staff were being brought into this area to assist with the work required. Needed to break down the silos to improve cross-team reporting and improve the regular briefings to the Lead Member for Finance.
- e) Company Governance including monitoring was reassessed as amber from green and a further review of key areas was being undertaken to be completed by May24 and would include financial governance and loans.
- f) Training Programme developed for officers to improve financial awareness. This also fed into a management training programme that went beyond finance to cover all areas of CLT.

- g) The finance business partnering offer needed to be strengthened. While recruitment and onboarding of the new Interim Director of Financial Management was ongoing, this had been given an amber rating.

Denise said from Commissioners' perspective the green areas where progress had been made needed to be recognised. Some of the red/amber items had moved to green over time. Denise thanked the team for their work to date. Cllr Chahal echoed his gratitude. Felt the right lens had been applied by the finance team. Andy Jeffs' team recognised as well. Denise reminded the Board that the CIPFA financial code was comply or explain.

## **7. Asset Disposals Programme Update (Pat Hayes)**

### **7.1 Monthly Highlight Report – February 2024**

- I. Sales completed to date and sales exchanged shared. Just short of the £400m target.
- II. Pat had held off major sales over the past few months, to concentrate on the smaller ones which had gone well, for example an A entire housing unit. Record-keeping issues had also been worked on. St Martin's Place still experiencing issues regarding covenants. had gone live with the Lego site and would follow that up with the Bath Road office space.
- III. Still moving forward, the market was improving although not as fast as hoped. Still getting good prices on the smaller items. Estate strategy was progressing and had a clear approach on the disposal of community assets, although the decision on Observatory House was affecting some of the decisions.
- IV. Denise noted the Asset Disposal paper had not been circulated to the Board. The target being referred to was still £400m and there was a disconnect between the finance and property teams. The original target was £600m and no report had been taken to Council to change that target to £400m. Needed to report the correct figure going forward and track and match it. Absolute clarity on the target was now required. Chris Holme said the Council had agreed the target of £600m and this had not changed. He was reviewing the details of how that target was made up.

Would now need to establish whether that was a realistic target, as things had changed since 22/23. For example, did it assume the stock transfer. It was important to work in conjunction with the property team to get to one agreement on the target. Also needed agreement on how properties were disposed of which could result in further financing of debt. There was a debt reduction strategy, and the Council would have to reassess how realistic that was as well. Cllr Chahal said £600m was the number that the Council was working to unless there was clear evidence provided to the contrary. The focus was on asset sales and would be holding workshops with Pat Hayes, the Leader and Deputy Leader. Also concerned there was no resourcing in place, so two additional members would be allocated. Debt repayment against asset sales reporting was required over a 3-6 month period to ensure that targets could be met. There would be a review of all the assets in the pipeline as well as what assets could be disposed of to minimize the refinancing.

- V. Denise reaffirmed the establishment of the target must be agreed. Wanted to be able to start to fully see the target line, Chirs Holme had a good graph that displayed that to help track things. Reporting so far had indicated that the sales were significantly above, which is not the case, so needed to understand the realism.

**Action: Chris Holme agreed to share the graph with Pat Hayes and the property team.**

- VI. The other main issue was that net receipts that needed to be tracked and Commissioners as well as the Board had consistently been given the gross figure only. The property team needed to work with the finance team to provide that information, so a clear and true picture was available. 23/24 strategy assumption was £405m of asset sales rather than the £220m that had actually been achieved. This was refreshed after Akso Nobel. The refresh strategy would determine whether the Council could get to £600m, if that was too ambitious, then an alternative strategy and what that would look like, would have to be established.

**Outcome of discussion: Agreed the target for asset disposal was £600m.**

- VII. There was a £50m decrease compared to the reporting to the previous Board but no explanation had been given. Pat said this was in relation to the St Martin's Place asset. However, there were other activities that were more positive and were finding more assets that could be sold.
- VIII. Denise reflected the need to look at the governance, what Boards there were, who was sitting on them and how things were being reported. This area was now the most significant for the Council and urgent.
- IX. Pat reported that the strike price clarity was needed. Adele said this was part of the balance sheet grip work. Cllr Chahal responded that there were no more silos, and he expected the property and finance teams to work very closely going forward. Denise updated that the EY work would be based on appropriate income streams and price for asset sale. The model would not be the decision but would be the information required for decisions to be made by the Council. Stephen Taylor believed the 'best consideration at auction' was not always the best approach and the Council needed to consent to that. Dates for asset disposal committee meetings had been scheduled but repeatedly cancelled.
- X. HRA Assets: two had been brought forward and would be bringing forward the full list for approval in the next few months. Then a decision could be taken. Denise asked when the report would be presented to cabinet outlining the HRA Asset Disposals. Pat Hayes confirmed it would be to the May Cabinet. Denise confirmed that was a hard deadline which could not be moved, and the report would have to go to May cabinet.

## **8. Items for Noting (Adele Taylor)**

- XI. Update on Revenues and Benefits:**
- i. Some good progress contained in the report submitted which was noted by Denise.
- XII. Internal Audit Outstanding Actions:**
1. Some good progress in this area was also noted while recognising the challenges and issues that remained.

## **9. AOB**

- a) Denise thanked Adele and her team for the work done to date as she was leaving the organisation. Cllr Chahal also thanked Adele for her contributions. Adele reflected it had been a journey and everyone with whom she had worked with was keen to do better for the residents of Slough. She thanked the team and CLT



colleagues with whom she had had very good engagement. Members across the entire chamber were thanked for their contributions.

**(The Meeting opened at 10am and closed at 11.34am)**

**Date of next meeting**

**Thursday 18 April 10am in the Council Chambers.**