

ROYAL BOROUGH OF GREENWICH

AUDIT & RISK MANAGEMENT PANEL

TUESDAY, 14 DECEMBER 2021 AT 7.18PM

MINUTES

NB. The start of the meeting was delayed due to being inquorate at 7.00pm.

PRESENT:

Members:

Councillor Chris Lloyd (Chair), Councillors David Gardner and Charlie Davis

Officers

Director of Finance; Assistant Director of Finance (Financial Governance & Audit) and Committee Services Officer

Item No.

1 Apologies for Absence

Apologies for absence were received from Dr Susan Blackall and Councillors Mick Hayes, Pat Slattery and Jackie Smith.

Apologies for absence were received from Councillor Linda Perks, Cabinet Member for Finance and Resources.

2 Urgent Business

There was no urgent business for the meeting.

3 Declarations of Interest

Resolved –

That the list of Councillors' memberships as Council appointed representatives on outside bodies, joint committees and school governing bodies be noted.

4 Minutes

Resolved -

That the minutes of the meeting of the Audit and Risk Management Panel held on 29 September 2021 be agreed and signed as a true and accurate record.

5 Internal Audit and Anti-Fraud – Performance Report April 2021 to September 2021

The report was introduced by the Assistant Director of Finance (Financial Governance & Audit).

In response to questions from the Panel regarding the tenancy fraud detailed at section 6.14 of the report, the Assistant Director explained that there was a legal argument as to whether the loss was actual or notional and that had been tested at court and classified as a genuine loss. The reason why civil options had not then been pursued was because the property had been sub-let for free, so the tenant had made no financial gain. If pursued, they would have to consider the amount of equity on the tenant's own property to see if was viable to recover the money. Each case was considered on its own merits.

The Chair suggested that unless it was disproportionate to do so fraudulent tenants should be pursued for recovery of monies lost to the Council.

In response to questions from the Panel about the potential level of illegal subletting of tenancies, the Assistant Director agreed that while there were concerns he referred to evidence from the Audit Commission and from when the Council had a housing survey team, and on the basis of the checks they did through the credit reference agency and on the basis of how tenancies were now allocated, which suggested that it was only a small percentage, of about three to five percent. A difficulty was where someone legitimately got a tenancy but then their circumstances changed. It was not envisaged that they would undertake the exercise of running the existing tenants through the different credit reference providers in the remaining financial year; the exercise created a lot of data which required more than one team to process. They aimed to do it at least every five years. He advised that if anyone had suspicions of illegal subletting they could report them anonymously.

In response to questions from the Panel about the DWP and fraud investigations, the Assistant Director commented that the anti-fraud section

did not get much feedback on what action the DWP had taken, and he noted that the DWP had been criticised by the audit office for not following up on fraud. It was his view that it should have been left for local authorities to do the investigations. They did do some joint working with the DWP. It was recognised that the DWP was busy with Universal Credit at present.

In response to questions from the Panel regarding a Care Worker defrauding a resident, the Assistant Director acknowledged that there needed to be a fresh round of anti-fraud training, and they would look at mandatory online training. He emphasised that this was the first time such an incident had occurred. There were staff who were authorised to deal with resident's bank accounts; in this case the resident gave the Care Worker in question their bank details but it was not necessarily part of that Care Worker's role to have those details. There presumably was a reason why the judge decided not to give a custodial sentence.

Members requested anti-fraud training for social care staff and for the protocol for staff being allowed access to care recipients bank accounts / money to be circulated if possible.

Action: DoF

Resolved –

Noted Internal Audit and Anti-Fraud performance in relation to the delivery of the Royal Borough's Internal Audit Plan and the prevention, detection and investigation of fraud, for the period April 2021 to September 2021.

6 Treasury Management and Capital Mid-Year Update

In response to a question from the Panel about the borrowing portfolio, the Director of Finance explained that with regard to refinancing the authority entered a fixed loan arrangement and there was a penalty for paying off before the natural maturity date when rates were low because the lender might then only be able to re-lend that amount at that lower rate when that lender would otherwise have been expecting a greater return from the interest payments of the existing loan. Conversely if the rates were higher then there was an opportunity to realise a discount by paying off early because the lender could then re-lend at the higher rate. They were not in that second situation and so the issue was about bringing down the average interest rate of the portfolio.

Resolved –

1. Noted the Treasury Management Mid-Year Report for 2021/22 (Sections 4-11) with no comments to refer to Council.
2. Noted the Capital Mid-Year Report for 2021/22 (Sections 12-13) with no comments to refer to Council.

7 Review of the Capital Financing Requirement

The report was introduced by the Director of Finance. He highlighted that the Council's policy had resulted in savings with regard to interest payments but he drew Members' attention to the degree of risk arising from using reserves. There was now an underlying need to borrow to fund projects that were not financed by other means. The report advised on the borrowing and the actions taken to address risks in relation to that. The new loans, being at a lower rate, would lower the average interest rate of their borrowing portfolio.

In response to questions from the Panel about Greenwich Builds, the Director of Finance replied that one of the things looked at with funding Greenwich Builds was the model used in terms of receipts and borrowing, consideration was given to alternative models used by others. The financial issues leading to some of the costs were similar to what was happening elsewhere in terms of resources and labour. He referred Members to the report that was being presented to Cabinet on 15 December. The Director advised that the HRA considered financial modelling to ensure all factors were taken into account. As it was a 30 year business plan it had a lot of different variables and assumptions to deal with. It would provide warnings of periods of deficits

The Chair suggested that the issue of costs of developing Greenwich Build units was something for Scrutiny.

In response to questions from the Panel about potential refinancing, the Director advised until interest rates when up they would not be position to consider that. Greenwich's position with regard to borrowing in comparison to other boroughs was relative to what each borough did to address its needs. The Director commented that he was waiting for the provisional local government finance settlement, it was not known whether it would be a one year or three year settlement. What the authority sought was financial stability going forward.

Resolved –

1. Noted that the Council's utilisation of internal borrowing to cashflow its capital investment programme has saved the Council in excess of £40m in gross external interest payments since 2011
2. Noted that had the Council fully externalised its borrowing requirement, external debt payments would be more than £10m higher every year, than they are today
3. Noted that internal borrowing is a time limited mechanism and that excessive use brings with it increased refinancing risk
4. Noted the actions being undertaken to reduce refinancing risk within the council's Capital Financing Requirement and the revenue consequences of doing so:

Sections 5.20 – 5.25 (General Fund)

Sections 5.31 – 5.32 (HRA)

Section 10.7 (overall)

Section 12 (actions undertaken).

The meeting closed at 8.10 pm

Chair