

London Waste and Recycling Board Audit Committee Meeting

Meeting Note

9.30am, 30 January 2018

Room GLA-D
169 Union Street
London
SE1 0LL

*Approved at the LWARB Audit Committee
Meeting on 22 May 2018*

*Signature:
Bassam Mahfouz, Committee Chair*

Committee Members Present

Bassam Mahfouz (Chair)
Barbara Anderson
Cllr Nicholas Paget-Brown
Cllr Feryal Demirci
Cllr Ian Wingfield

Also Present

Adam Leibowitz, LWARB
James Lanman, LWARB
Wayne Hubbard, LWARB
Brian Welch, Mazars
Andy Conlan, Grant Thornton
Lucinda Napier – Cazenove Capital
Jeremy Barker – Cazenove Capital

1. Introductions and apologies for absence

Apologies were received from Nicholas Paget-Brown.

2. Declarations of interest

No declarations of interest were made in addition to those already recorded in the committee's register of interests.

3. Minutes of the previous meeting (20 October 2017)

Minutes of the meeting held on 20 October 2017 were approved.

WH reported that the CENET funding application was not successful.

BA asked whether a benefit was being felt from the new HR system. AL said that it was, particularly for basic records management tasks and leave/absence monitoring and approval. WH added that much larger benefits are to be had when the performance management modules are rolled out.

4. Treasury Management (verbal update)

JL introduced Lucinda Napier and Jeremy Barker from Cazenove Capital who gave a presentation on their possible treasury management solution, emphasising the a Cazanove solution would be bespoke and based on active asset allocation.

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FD asked about whether the assets would expose LWARB to unethical investments. JB said that it would be for LWARB to set a policy for Cazanove to follow and noted that many organisations (such as the Church of England) have investment policies that allow a small amount of flexibility (e.g. allowing 2-3% investments in 'non-ethical' businesses). BA thought this sensible as investments are often into funds that invest into further funds, so it would be very difficult to monitor/restrict *all* investments.

IW asked how quick funds can be moved. JB said that 90% of the fund is liquid within a week. LN added that the amounts held as cash can be up to 20%.

LN confirmed that fees are 0.4% + VAT plus underlying fees in the funds themselves.

BA asked whether the Board currently has a treasury management policy. JL said that it did not. WH said that the discussions were exploratory at the moment. Reserves are currently held by GLA with, in effect, zero risk, and no risk to capital.

BM noted that if the funds were to be moved away from the GLA, LWARB would need to reconsider its risk appetite, which may need to change given there is currently no further income from government. WH added that the amount and duration of any investments would still need to be decided.

JL noted that an investment programme could involve committing money away until a time in the next business plan period.

IW wondered whether LWARB should wait until Brexit is complete before investing in markets.

BA said that as LWARB members are not expert investors, the details should be delegated to others.

LN and JB left the meeting at this point.

JL tabled a document showing indicative returns under different strategies, noting that the Cazanove proposal was probably at the top of the LWARB risk appetite.

JL reported that he had met with L&G the previous week who have a bond fund targeting low risk bonds mixed with equity and insurance to deliver a 'stable' 1.5% return.

JL confirmed that there is approximately £15m in cash that could be invested, with £10m of that available immediately.

BA asked whether there were any statutory regulations covering LWARBs holdings. JL said there were none.

BA noted that the current strategy (GLA holding LWARB cash) does not protect LWARB's position as the return is less than inflation.

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BM said that two investment pots could be held. One low risk for current projects and a higher risk one for future projects.

BA suggested benchmarking against other similar organisations. AC said that many organisations had their policies published online so they should be easy to compare.

IW said he sits on a trade union pension fund which has recently moved to a Standard Life product which may be worth investigating.

BM noted that restricting the fund to ethical investments could affect returns. JL noted that it would be costly for LWARB to establish its own bespoke ethical investment policy. BA noted that many funds invest in, for example, tobacco – does LWARB have a view on this? WH said that if an ethical approach is taken, investment options are restricted (eg. The L&G fund would not be available). BA suggested that the risk appetite be agreed first before any decisions on ethical investments.

The committee agreed that a paper should be brought to the next meeting making a clear recommendation for the direction of travel, which will then be for the Board to agree.

5. Finance Reports (September - December 2017 and Forecast)

JL introduced the reports and noted in particular that for Q3 Resource London expenditure is below budget due to profiling but will be on budget by the end of the year. Advance London SME support programme is consistently under budget for non-staff costs. Discussions are taking place with funder to consider re-profiling the Advance London budget.

Serviced accommodation costs will be over budget by the end of the year as additional desks had been taken on. IW asked whether the contract could be re-negotiated. WH thought it would be unnecessary as LWARB will be moving out of LFB headquarters in September.

6. Internal Audit

Advanced London: BW noted that the audit returned a *satisfactory* evaluation and noted four areas for improvement: Frequency of meetings; induction process for new committee members; evaluation of the effectiveness of the Investment Committee and performance reporting. BM said that the overall assessment was satisfactory and good feedback had been received from Stewart Ferguson.

Core Financials: BM reported that the fieldwork had been carried out but the report was still pending, but said he was content with the new finance processes.

HR Audit: BM confirmed that this had been deferred until March/April.

7. Risk Register

AL explained that the risk register presented to this meeting was the output from the Risk Management Workshop held in November. Likelihood and impact scores were

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those agreed at the workshop. BW said that it was important to keep the register updated and that future audits would test against the existing controls.

BA observed that LWARB needed to ensure it had risk management well covered as risk will change rapidly, given LWARB's changing programmes. BM said register needs to be a 'live' document continually updated.

8. SODA Amendment

AL introduced the paper requesting an amendment to the Scheme of Delegated Authority.

The Committee

- Agreed the addition of Resource London Communications and Campaigns Officers to the Scheme of Delegated Authority, with an approval limit of £1,000 for programme expenditure in the Resource London Programme; and
- Recommend to the Board that these amendments be approved.

9. Staffing Update (verbal update)

WH gave an update as follows:

Advance London: the project manager and two senior advisors have handed in their notices. Exit interviews will be held with all three to try to understand better the reasons for their departure. There have been some personality clashes within the team and concern is that there may be a management issue as three of a team of five are leaving. WH thought that in retrospect perhaps the manager should have been recruited in advance of other members of the team in order to have an input into their recruitment. JL noted that the funding required all the team to be in place from the project inception. Interviews are currently taking place for replacements.

BA noted that it is notoriously difficult to retain staff in the SME/start up field. There may be a mismatch between the LWARB environment and the 'high octane' SME world, which may lead to a high turnover. WH noted that this is difficult given the short duration of the programme.

BM wondered whether personality tests as part of the recruitment process may have helped ensure good team dynamics. FD cautioned that one needs to ensure that candidates meet the requirements of the job description and do not have unrealistic expectations.

Innovation Hub: The a proposal is being considered by the Investment Committee. Depending on the outcome, additional staff may be required.

BM asked about the possibility of employing a fundraiser. WH said the primary focus was now on public sector funds and that LWARB would work with consultants rather than employ another person.

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10. Any other business

None

The meeting ended at 11.10am