

**GREENER EALING LIMITED (“GEL”)  
MINUTES OF THE BOARD OF DIRECTORS’ MEETING  
HELD AT 13:00 HOURS ON WEDNESDAY 7<sup>th</sup> JULY 2022 BY MS TEAMS**

<b>Present:</b>	Mike Boulton	Chair and Director	<b>MB</b>
	Alison Reynolds	Director	<b>AR</b>
	Kieran Read	Director	<b>KR</b>
<b>In attendance:</b>	Kevin O’Leary	Interim Managing Director, GEL	<b>KOL</b>
	Earl McKenzie	Assistant Director Street Services, LBE	<b>EMc</b>
	Katarina Pohancenikova	Head of Finance, GEL	<b>KP</b>
	Helen Harris	Director of Legal and Democratic Services, LBE (attended up to item 12)	<b>HH</b>
	Mark Bradley	Beever and Struthers (External Audit) (attended for item 5)	<b>MB</b>
	George Shillam	Beever and Struthers (External Audit) (attended for item 5)	<b>GS</b>
	Lizzie Purewal	Bridgehouse Company Secretaries (minutes)	<b>BHCS</b>

**1. Apologies for Absence**

- 1.1** MB welcomed those present, apologies for absence had been received from Bill Gilmour, Darren Henaghan, and Lucy Taylor.

**2. Declarations of Interest**

- 2.1** There were no conflicts of interest regarding items on the agenda.

**3. Minutes of the Board – 7<sup>th</sup> April 2022**

- 3.1** The minutes of the Board meeting on 7<sup>th</sup> April 2022 were **approved** with no changes.

**4. Matters arising and Actions from the previous Board meeting**

- 4.1** The Board approved the revised version of the lease refinancing option: ‘RCVs to 7 years now, continuing with the current arrangement for the non RCV vehicles and plant until year 5 with a potential extension for a further 2 years for non RCV vehicles and entering a new lease arrangement for the plant after year 5. The actual saving over the remaining 3 years would be £664k.’
- 4.2** The Board discussed and **noted** the summary update of matters arising from the previous Board meeting.
- 4.3** **13.2 (3.02.22) – Outstanding legal advice to ensure state aid rules were followed in relation to the start-up costs treatment** – KOL commented that a proposal had been put forward that had reached an agreement in principle. HH commented that with regard to state aid/subsidy control, TLT had advised the Council to seek advice. It had been decided that the Council did not need or require further advice on the basis that the risk of challenge of a possible state aid breach was low. The intention was for the Council to write-off the set of costs the Council incurred on behalf of GEL in accordance with its financial regulations and usual practice. However, further advice would be required from the Council’s auditors on the element that the auditors required to be treated as capital investment in GEL. The Council was willing to write off the set-up costs if advice supported that position. KOL commented that GEL had received advice from Antony Collins supporting that position. It was agreed that KOL would coordinate the parties to confirm their final agreement **[ACTION]**.

**[KOL]**

- 4.4 KR questioned whether there was an absolute time frame within which start-up costs treatment needed to be resolved, given the matter had been ongoing for quite some time, and whether further support was required to progress the matter. KP commented that, in terms of the year end accounts and signing the financial statement for March 2022, it had been agreed that the start-up costs would be taken off completely from the confirmation letter. The matter therefore should not affect the timeline for signing the March 2022 accounts. However, there was a concern that if the Council suddenly decided to charge the cost to GEL and it had not been projected it might affect the bottom line and be a financial shock for GEL. KOL commented that the outline approach had been agreed with the Council in principle.

*Mark Bradley and George Shillam joined the meeting*

**5. Introduction of External Auditors: Beever and Struthers**

- 5.1 MB (audit partner, specialising in local authority subsidiaries) introduced himself and GS (senior manager). GS provided an overview of the audit strategy, included in the meeting pack, talking through the intended timeline, declaring their independence, and outlining the key auditing and accounting issues which would be the focus of the audit.
- 5.2 The current macroeconomic conditions were providing several challenges which were both directly and indirectly impacting the Company. The audit would include a review of key estimates, judgements and assumptions in the financial statements and business plan, including going concern. Consideration would be given to whether judgements and estimates had been made on an appropriate basis and adequately disclosed in the financial statements.
- 5.3 Finance leases – GEL currently had c. £7.5m of assets on lease. The audit would review the lease agreements in place to ensure they were correctly treated.
- 5.4 Defined Benefit Pension Scheme – The audit would review the actuarial valuations and the assumptions made by the actuaries to ensure assumptions were consistent with those used in 2020/21, or that any changes were understood and were reasonable.
- 5.5 Assessment of Fraud Risk – The audit would review the revenue recognition and consider the possibility of management override. Consideration would be given to whether the financial results could have been manipulated using journals and management estimates, such as provisions and accruals, and whether any judgement or estimates were appropriate.
- 5.6 AR referenced the delays experienced with the previous audit undertaken by Deloitte and sought assurance that Beever and Struthers had sufficient resources and were confident they could deliver to the plan. AR questioned whether there was support the Board needed to provide to help the process. MB commented that GEL was not the only local authority that had experienced delays with the large audit firms. MB provided assurance that Beever and Struthers treated all clients with the same prominence and prided themselves on delivering a high-quality audit. MB confirmed that resource capacity had been reviewed prior to accepting the appointment to ensure the work could be facilitated. KP had provided timely information and KOL was in place as a point of escalation if required. KOL would share any concerns with the board if required.

*Mark Bradley and George Shillam left the meeting.*

## **Governance**

### **6. Annual Policy Governance Review**

**6.1** KOL provided an overview of the policies to be reviewed:

**6.1.1** **Anti-Fraud Policy** – There had been no change to the policy. There had been no reports of suspected fraud in the last 12 months. The Board **noted** that no updates were required to the Anti-Fraud Policy.

**6.1.2** **Data Protection Policy** – There had been no change to the policy. The Board **noted** that no updates were required to the Data Protection Policy.

**6.1.3** **Risk Management Policy** – There had been no change to the policy. The Board **noted** that no updates were required to the Risk Management Policy.

**6.1.4** **Health and Safety Policy, Environmental Policy, and Quality Policy** – Minor changes had been suggested to each of the policies following the BSI review. The Board **approved** the updates to the:

- Health and Safety Policy
- Environmental Policy
- Quality Policy

**6.1.5** **Scheme of Delegation and Financial Regulations** – Changes had been proposed to the Scheme of Delegation to allow for more transparent and smoother processes within the Finance function. These changes had also been proposed to the Financial Regulations, to ensure both documents were aligned.

**6.1.6** KR acknowledged that splitting the write down of asset value authorisation was a sensible approach. KR questioned how the limit of £50K, to be authorised by the Managing Director and Head of Finance, had been determined. KOL commented that some equipment could be small items mowers/strimmer's and larger machinery possibly in the region of £20-30K. KOL agreed to provide an annual summary of equipment that was written off [**ACTION**]. [KOL]

**6.1.7** The Board **approved** the updates to the Scheme of Delegation and the Financial Regulations.

**6.1.8** **Board Terms of Reference** – The Board **approved** the Board Terms of Reference.

## **Strategy, Project & Operations**

### **7. Managing Director's report**

**7.1** KOL provided an overview of the Managing Director's report, and the following points were discussed:

**7.2**

- The main issue had been the pay award discussions with GMB which had now reached an impasse. GEL had indicated that the budget allowed for a 2.5% increase, which could then potentially be topped up by the Council following the outcome of the national negotiations. Discussions were continuing. GEL would like to bridge the gap, if possible, particularly due to the pressure on HGV drivers. GEL was currently 3 collection rounds down due to a loss of HGV drivers, which was being managed by overtime, which was not sustainable long-term. An informal proposal had been put forward and various options were being considered. KOL had been

undertaking a survey of London Boroughs and there was a strong case to increase pay.

- 7.3 • KR sought clarification on the Council's position on the HGV issue, questioning whether the Council had agreed funding. . EMc commented that contingency was in place. however, a budget adjustment would be required for future years.

- 7.4 • Asked by KR what the incremental cost would be for each % proposed for the wider workforce, KOL confirmed it would be £145K per 1% increase.

- 7.5 • MB sought clarification on the next steps. EMc commented that further discussions would be held over the next week, and he expected positive movement. KR suggested that an internal discussion was required, to understand the wider considerations and the Board responsibilities to the Company, ahead of any Board decision [**ACTION**].

[EMc/KR/  
AR/MB/  
KOL]

- 7.6 The Board **noted** the Managing Directors Report.

## 8. **Update on delivery against business plan 22/23**

- 8.1 KOL provided an overview of the work programme against the business plan objectives. This was the first iteration of the objectives, which covered all the main objectives, further updates would be made as required. The following points were highlighted:

- 8.2 • The anticipated progress had not been made on the BSI inspections and a revisit was expected in August/September to deal with the non-conformances with the management system that had been identified.

- 8.3 • Improvements from previous years, had been seen in all Street Cleansing categories that GEL was responsible for.

- 8.4 • New work opportunities were being explored.

- 8.5 • Communications and Marketing initiatives were continuing. The West London Jobs Fair had resulted in 3 new female staff members being appointed.

- 8.6 The Board **noted** the Business Plan 22/23 Objectives.

## 9. **Consolidated Performance Report including HSEQ & Transport**

- 9.1 KOL provided an overview of the report, and the following points were discussed:

- 9.2 • Overall performance in May was good. The national HGV driver shortage remained a significant and chronic risk for the contract, exacerbated by the cost-of-living increase which had increased the drain of drivers leaving for more money.

- 9.3 • There were 54 complaints for May and 40 for June. Feedback on BSI inspection was more needed to be done on the route cause analysis around complaints, which would help address some of these issues.

- 9.4 • The wider KPIs were all positive.

- 9.5 • Asked by MB whether the computer glitches on garden waste got resolved, KOL confirmed that garden waste was now running smoothly.

- 9.6 The Board **noted** the Consolidated Performance Report including HSEQ & Transport report.

## 10. **GEL Risk Management – Risk Register**

- 10.1 KOL highlighted the operational failure of food waste vehicles, previously included in Board papers. 3 vehicles had twisted chassis. Agents and suppliers had been engaged to investigate and get a resolution to the issue. The issue might result in GEL being limited in the use of the vehicles, where they can only be deployed either on a short or long-term period collecting non-food material streams, which would impact the overall capacity and delivery of the waste collection operation. Legal advice was being sought and it was

possible that this could be an issue going forward. KP commented that lease extension for this specific schedule was currently on hold.

**10.2** The Board **noted** the risk register.

## **11. Finance Update – February 2022**

**11.1** KP presented the financial results, highlighting the following:

- 11.1.1**
  - The overall draft financial position to 31st May 2022 is a deficit of £39k against a budgeted loss of £126k. Key variances relate to:
    - Turnover - favourable variances of (£71k) as a result of non-contractual work provided.
    - Staffing costs - favourable variance of (£64k).
    - Operating costs adverse variance of £63k.
    - Funding costs positive variance of (£15k) as a result of no loan being drawn down in the first two months of financial year 22/23
- 11.1.2**
  - The full year forecast had been updated and was currently showing a loss of £165k against the originally budgeted loss of £389k. The main factor contributing to the financial result improvement related to service efficiencies and further cost control measures on the services that should help to benefit in this year's financial results.
- 11.1.3**
  - It was believed that the lease refinancing, proposed to take place from July 2022, would further improve the financial position and help to close the 22/23 loss gap. The lease documents were currently being prepared and the improvements had not yet been factored into May's financial forecast.
- 11.1.4**
  - The Company continued to face financial pressures from the Pay Award, Fuel prices and the HGV Driver shortage, which might negatively impact on the future financial performance.
- 11.1.5**
  - GEL management was waiting for the Council to resolve outstanding issues and agree on costs recoverability, these included the Start-up costs treatment and the Heads of Terms (Premises lease agreement).
- 11.1.6**
  - The current cash position was stable, and there had been no draw down from the loan facilities.

**11.1.7** The Board **noted** the overall draft financial position to 31st May 2022.

*HH left the meeting.*

## **11.2 Bins Contract Award**

**11.2.1** KP commented that discussions had taken place with the Council regarding GEL taking over the ordering of bins. The agreement between GEL and LBE states that GEL need to procure where possible UK manufactured bins, in line with the overall CO2 reduction plan. GEL had actively investigated pricing with UK manufacturer suppliers however, the costs were in the region of 40% more expensive than those coming from abroad. GEL had agreed with the Council to use the ESPO framework, as part of the long-term CO2 % reduction against increase in spend. Following review, it was believed that the current number of suppliers on the ESPO Framework provided value for money and therefore a Direct Award each time stocks needed replenishing would suffice and fulfil the purpose of this contract. The Commercial Strategy was presented to the Council's Joint Contracts Board, where it was agreed in principle with details to be finalised.

**11.2.2** The Board **approved** the Bins Contract Award.

**12. Contract Procedure Rules**

**12.1** KP presented the GEL Contract Procedure Rules paper, commenting that small changes had been suggested to allow for more transparent and smoother processes. The changes were mainly to align some of the elements of some of the items to the Council's CPRs and to give better transparency in awarding the contracts to external parties.

**12.2** The Board **approved** the suggested changes to the GEL Contract Procedure Rules.

**13. Board Forward Plan**

**13.1** The Board **noted** the plan, which had no changes

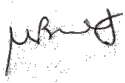
**14. Any Other Business**

**14.1** There was none.

**15. Date of next meeting: 15<sup>th</sup> September 2022**

**15.2** There being no other business, MB thanked those present and closed the meeting at 13:51.

Signed



Chair of the Board

Date Jan 20, 2023







# 2022 07 06\_GEL Board minutes\_to be signed

Final Audit Report

2023-01-20

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