

# Public Document Pack

## NORTH HERTFORDSHIRE DISTRICT COUNCIL

### FINANCE, AUDIT AND RISK COMMITTEE

THURSDAY, 21ST MARCH, 2019

### SUPPLEMENTARY AGENDA

Please find attached supplementary papers relating to the above meeting, as follows:

<b>Agenda No</b>	<b>Item</b>
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| 2. | <b><u>MINUTES - 28 JANUARY 2019</u></b> (Pages 3 - 10) |
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To take as read and approve as a true record the minutes of the meeting of this Committee held on the 28 January 2019.

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# Agenda Item 2

## NORTH HERTFORDSHIRE DISTRICT COUNCIL

### FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE COUNCIL CHAMBER, COUNCIL OFFICES, GERON ROAD,  
LETCWORTH GARDEN CITY ON MONDAY, 28TH JANUARY, 2019 AT 7.30 PM

#### MINUTES

**Present:** Councillors Terry Hone (Chairman), Kate Aspinwall, Jim McNally,  
Ian Moody and Helen Oliver (In place of Ian Albert)

**In Attendance:** Ian Couper (Service Director - Resources) and Mark Chalkley

#### 58 APOLOGIES FOR ABSENCE

*Audio Recording – Start time of Item – 18 seconds*

Apologies for absence were received from Councillors:

Councillor Simon Harwood  
Councillor Ian Albert – Councillor Helen Oliver substituting  
Councillor Terry Tyler - Councillor Steve Jarvis substituting

#### 59 MINUTES - 17 DECEMBER 2018

*Audio Recording – Start time of Item – 45 seconds*

**RESOLVED:** That the Minutes of the Meeting of the Committee held on 17 December 2018 be approved as a true record of the proceedings and be signed by the Chairman.

#### 60 NOTIFICATION OF OTHER BUSINESS

*Audio Recording – Start time of Item – 55 seconds*

There was no other business notified.

#### 61 CHAIRMAN'S ANNOUNCEMENTS

*Audio Recording – Start time of Item – 1 minute 0 seconds*

- (1) The Chairman announced that Members of the public and the press may use their devices to film/photograph, or do a sound recording of the meeting, but she asked them to not use flash and to disable any beeps or other sound notifications that emitted from their devices. In addition, the Chairman had arranged for the sound at this particular meeting to be recorded;
- (2) The Chairman reminded Members that, in line with the Code of Conduct, any Declarations of Interest needed to be declared immediately prior to the item in question;
- (3) The Chairman asked that, for the benefit of any members of the public present at the meeting, Officers announce their name and their designation to the meeting when invited to speak.

**62 PUBLIC PARTICIPATION**

*Audio Recording – Start time of Item – 2 minutes and 3 seconds*

*No members of the public were present.*

**63 EXTERNAL AUDIT PLAN**

*Audio Recording – Start time of Item – 2 minutes and 10 seconds*

*Councillor Oliver drew attention to the Audit Strategy, starting on page 13 (5) of report:*

- **Fraud:** management was able to override controls and put through fraudulent entries in the accounts;
- **Inherent risk:** very significant item on balance sheet equating to £108m in last year's accounts and work needed to ensure value was appropriate;
- **Pension liability valuation:** inherent risk for audit team as it was recognised as a large value on the balance sheet. £45m last year;
- **New area of focus:** new accounting standards. Two new reporting standards that applied for 2018/19 – IFRS 9 and IFRS 15;
- **Page 23:** Value for money conclusion was required each year – whether NHDC had put in proper arrangements put in place to secure economy, efficiency and effectiveness in its use of resources;
- **Plans for potential regeneration of Churchgate - £23m:** Needed to keep abreast of what council was going to do in this respect and arrangements were needed to ensure the appropriate information to make an informed decision looking at the financial business case and looking at alternatives being considered regarding the scheme;
- **Page 39:** Feast table – Council decided to take up the option for a contract let via Public Sector Audit Appointments' who were tough negotiators. Audit fee reduced to £40,000. Certification on housing benefit claims which was the only non-audit service undertaken. Fee charged by Council was low. They looked at DWP arrangements and fee needed to be increased to £9,000. Overall fees were due to come down to £49,000.
- **Local Government Audit Committee Briefing:** Page 51 – highlighted what was going on in the wider economy and does and was referred to in IFRS 9;
- Effect of Brexit on some local authorities;
- Recognition of corporate failures and public perception and expectation gap of what auditors do and what auditing standards are and what remit is under National Audit Office.

Councillor Oliver responded to Members' questions as follows:

- No significant impact was expected on NHDC during 2019/2020 and team was undergoing training in time for early testing;
- The same audit practice, published by National Audit Office, was followed;
- The tier reality limit was set as a percentage of gross expenditure and was normal practice in local government. The gross expenditure on services was the best basis to set the tier reality.

**RESOLVED:** That the Report entitle External Audit Plan be noted.

**REASON FOR DECISION:** To enable the Finance, Audit and Risk Committee to consider the report entitled External Audit Plan.

**64 CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2017/18**

*Audio Recording – Start time of Item – 15 minutes and 21 seconds*

- The authority spent a lot of money on housing benefits which was largely reimbursed by the Department of Work and Pensions - £34m last year.
- The local authority had to apply scheme rules correctly;
- Subsidy had gone up which reflected scrutiny of housing officers;
- Qualification letter reflected complexity of the scheme being administered – additional testing was required and these were passed. GWP may deduct money from subsidy which had previously been given to the authority. Reflected well on the benefits team;
- PSAA – 2017/8 – credit due to local authority as the housing association had offered a lot of assistance. Actual fee £6,772 which would have to be approved by PSSA.
- Cases were time-consuming and difficult.

**RESOLVED:** That the report entitled Certification of Claims and Returns Annual Report 2017/18 be noted.

**REASON FOR DECISION:** To enable the Finance, Audit and Risk Committee to consider the report entitled Certification of Claims and Returns Annual Report 2017/18.

**65 REVENUE BUDGET 2019/20**

*Audio Recording – Start time of Item – 20 minutes and 11 seconds*

The Service Director - Resources explained the main points of the Revenue Budget for 2019/20.

**Section 8.1 – page 73**

- Draft Settlement was positive in terms of where it could have landed compared to previous forecasts especially negative revenue support grants.

**Section 8.1.7**

- Summary of funding over the next few years in terms of Central Government Grants;
- New homes bonus – educated guess.

**Section 8.1.9**

- Benefit administration for initiative grant from NHCLG was going down by £44,000 from £474 in 2018/19 to £430 in 2019/20. Additional pressure in the budget estimates and general funding to reflect this. Same amount of work just that grant cut.

**Section 8.2**

- There was a small surplus on Council Tax collection funds and deficit on business rate collection funds; funded from Section 31 grant to receive from central government for the mandatory reliefs less business rates required.

**Section 8.26 – 8.27**

- Pilot status had been awarded for next year.

### Section 8.28 – 8.29

- Council tax and limits regarding maximum increases without the need for a referendum.

### Section 8.3

- Reserve balances for specific projects and events.

### Section 8.3.3

- Looked at balances on provisions which are known liabilities so estimates can be made. There was enough to recommend to Full Council that the minimum balance be made up of two elements. There was a table on page 82.

### Section 8.3.7

- Budget review was at the end of November. There were two significant variances with ongoing impact shown on page 83.

### Section 8.5

- Savings and investment proposals were virtually the same as last time. Some changes were made by Cabinet as shown on Page 91, Appendix B. There was a change to E2 and initially a saving in one year only; in relation to area wide parking reviews and was now extended across the full four years with £65,000 saving;
- Page 92 – there was a series of single year investments starting with R9 – R13.

Page 85 gave an overall summary for 2019/20.

Questions were received from Members following Ian Couper's presentation:

- There were no significant areas in terms of the HR proposals put forward; There were some previous efficiencies with ongoing impacts: PE1 on page 92 had HR implications. There had been a series of staffing savings in previous years around the senior management restructure and there had been follow-on from that in terms of savings and those had been dealt with over the past year, delivering savings put forward in previous budgets. It was standard practice to put this in;
- The reason for the Housing Benefit Administration Grant going down was unknown and Ian Couper would look into it and find out why;
- As part of the quarterly revenue monitoring review where the incidence of risk occurred, a running total against the notional total was kept aside and significant numbers came through as a result of this and the service director would use this in assessing the risk for future years;
- It should be possible to pick out the amount which actually materialised from the quarterly monitoring and to provide a summary across the year to show the number;
- Page 93 and PE4 – Both risks would disappear, assuming approved by Full Council in February, they would disappear next year. It approved by Full Council last year as a saving hence PE4. The administration was proposing to remove that efficiency. R4 requires Full Council approval to approve R4 to get rid of PE4;
- There were no amounts in budget forecasts for income as budgets tended to be a prudent estimate and therefore expenditure was taken before the income as a reliable estimate when the income starts to come through this would be included in budget forecasts, both with the revenue monitor and 2020/21 income targets around budget changes;

- The inconsistent stance on income and expenditure would be asked when the matter was next reviewed;
- The financial risks were related to 2020/21 as they would be given at least a year to try to generate income. Risks would be assessed if income was not generated and they would review the risks of potential redundancies at that point;
- Calculations would need to be robust;
- Significant comments had been made.

**RECOMMENDED TO CABINET:**

- (1) That Cabinet notes the expected Central Government funding levels.
- (2) That Cabinet notes the estimated position on the Collection Fund and how this will be funded.
- (3) That Cabinet confirms that Council Tax increases for 2019/20 should be in line with the Medium Term Financial Strategy.
- (4) That Cabinet notes the position relating to the General Fund balance and that due to the risks identified a minimum balance of £1.96 million is recommended.
- (5) That Cabinet approves the increase in the 2018/19 working budget of £116k, and to note the expected impact in 2019/20 of a £164k reduction in budget.
- (6) That Cabinet notes and comments on the requests for the carry-forward of budget of £41k from 2018/19 to 2019/20.
- (7) That Cabinet approves the inclusion of the efficiencies and investment proposals at Appendix B in the General Fund budget estimates for 2019/20.
- (8) That Cabinet notes the savings target in future years.
- (9) That Cabinet notes the estimated 2019/20 net expenditure of £15.1 million, as detailed in Appendix A, and recommends this budget to Council.

**REASON FOR DECISIONS:**

- (1) To ensure that all relevant factors are taken into consideration when arriving at the proposed Council Tax precept for 2019/20.
- (2) To ensure that the Cabinet recommends a balanced budget to Council on 7 February 2019.

**66 INVESTMENT STRATEGY (INTEGRATED CAPITAL AND TREASURY)**

*Audio Recording – Start time of Item – 47 minutes and 18 seconds*

The Service Director – Resources presented the report entitled Investment Strategy (Integrated Capital and Treasury) and drew attention to the following:

**Page 101**

Appendix A was similar to that seen in September. Treasury strategy had been combined with Capital Programme. Shared Internal Audit Service had been passed to carry out a review of the overall investment strategy to ensure it was compliant with all the new guidance and statutory guidance. Draft report had been published including areas which required change.

**Page 105 – Section 8.4**

- Investment strategy required to consider skills of individuals and committees involved in formulating, implementing or reviewing this strategy. Finance, Audit and Risk Committee had responsibility of reviewing strategy. Skills assessment matrix had been sent to committee but responses were still awaited so training could be carried out on a one-to-one basis or as part of an agenda item.

**Section 8.11**

- How the Council invested their surplus cash was previously a treasury strategy. There were proposals around changing the places where investment of surplus cash was made.

**Section 8.12**

- Treasury advisors linked asset services had made comments about approach to investments and felt the committee was overexposed to UK building societies. It was felt that this was overly prudent in relation to the fact that the building societies were unrated but were generally felt to be fairly stable institutions. UK investments only which limited ability to diversify the investment portfolio.

**Section 8.14**

- They would continue to invest in UK building societies and would continue to make use of an additional report and would limit the investments to a maximum of 60%, a reduction of 15%;
- They would start to invest in non-UK banks but only where the country rating was 'AAA' and institution with a rating of 'AA-' and above;
- They would invest in any AAA money market fund;
- Rather than expressing limits as percentage, the percentage would be taken as starting points and they would be converted into numbers (£m) and this would be applied instead to ease administration from the officer perspective and also to aid understanding about limits;

**Section 8.16**

- This reflected minor changes in where money could be invested.

**Other points of note:**

- Daily management of Treasury, Treasury management practices and policy statement (8.19).
- Offshore investment was a concern however the ultimate decision was down to the portfolio holder and administration;
- Page 115 – Reportive Requirements: The committee had a role of responsibility to monitor situations;

Questions were raised my Members in relation to the presentation:

- Training would possibility take on a general overview training or more specific depending on the responses received;
- Investments would always be in sterling.



**RECOMMENDED TO CABINET:**

- (1) That Cabinet recommend to Council the adoption of the Investment Strategy (as attached at Appendix A), including the capital programme and prudential indicators;
- (2) That Cabinet recommend to Council the adoption of the four clauses in relation to the Code of Practice on Treasury Management (as detailed in paragraphs 8.17 to 8.23).

**REASON FOR DECISIONS:**

- (1) To ensure that the capital programme meets the Council's objectives and officers can plan the implementation of the approved schemes;
- (2) To ensure the Council's compliance with CIPFA's code of practice on Treasury Management, the Local Government Act 2003, statutory guidance from the Ministry of Housing, Communities and Local Government and the CIPFA Prudential Code. As well as determining and managing the Councils risk appetite in respect of investments.

**67 FUTURE MEETINGS - POSSIBLE AGENDA ITEMS**

*Audio Recording – Start time of Item – 01 hours 2 minutes and 6 seconds*

The Chairman requested that should any Members have any suggestions for agenda items at future meetings would the please advise himself, officers or the Committee Clerk.

- SIAS updates

The meeting was closed at 08:32pm

The meeting closed at 8.32 pm

Chairman

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