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NORTH HERTFORDSHIRE DISTRICT COUNCIL

CABINET

TUESDAY, 21ST JUNE, 2022

SUPPLEMENTARY AGENDA

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

Agenda No	Item
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| 6. | <u>ITEMS REFERRED FROM OTHER COMMITTEES</u> (Pages 3 - 10) |
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Any Items referred from other committees will be circulated as soon as they are available.

Please find enclosed three referrals from the Finance, Audit and Risk Committee from 15 June 2022.

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7a. REFERRAL FROM FAR 15 JUNE 2022: REVENUE BUDGET OUTTURN

RECOMMENDED TO CABINET: That Cabinet:

- (1) Notes this report.
- (2) Approves a decrease of £592k in the 2021/22 net General Fund expenditure, as identified in table 4 and paragraph 8.1, to a total of £16.892million.
- (3) Approves the changes to the 2022/23 General Fund budget, as identified in table 4 and paragraph 8.3, a total £179k increase in net expenditure.

That Cabinet recommends to Council:

- (1) That Council approves the net transfer from earmarked reserves, as identified in table 9, of £8.123million.

REASONS FOR DECISIONS:

- (1) Members are able to monitor, make adjustments within the overall budgetary framework and request appropriate action of Services who do not meet the budget targets set as part of the Corporate Business Planning process.
- (2) Changes to the Council's balances are monitored and approved.

Audio Recording – 53:03

The Service Director – Resources presented the report entitled Revenue Budget Outturn 2021/22 along with Appendix A, and clarified to Members that it was the addendum reports enclosed in the supplementary agenda to which they should refer.

The Service Director – Resources highlighted points including:

- The purpose of this report was to inform members of the position of the revenue budget which concerned day to day running expenses including service delivery contracts and staff payment;
- The report concerned the position at the end of the last quarter and a survey of the last financial year in total;
- Tables 1 and 2 showed the budget set at the start of the year and the report covers amendments that have been made to the budget throughout the preceding financial year;
- Table 4 covered the last quarter and highlights any significant variances with the agreed budget, many of which were underspends;
- One of the significant underspends related to the Welcome Back fund provided by the EU to support projects that encouraged a return to high streets. This funding was not paid out due to a missed deadline; EU funding rules required payments be made before a cut-off point, whereas central government funding or similar grants only required that the expense be incurred before the relevant cut-off. Lessons had been learned to avoid this again though it was noted that EU funding streams would now tail off.
- The overall variance for underspend reported in that quarter was £592,000 with a request to carry forward £172,000 of that money into the next financial year;

- Paragraph 8.15 onwards covered the impact of covid-19 with the main elements being additional support to Stevenage Leisure Ltd; the actual impact was lower than what had originally been budgeted for totalling £765,000 from a budget of up to £2million.
- Table 7 highlighted the General Fund reserves which were currently significantly above the minimum level which given the uncertainty facing the Council with regards future funding formulae was positive;
- It was the role of the Chief Financial Officer to monitor the reserve levels;
- Higher reserves allowed the Council to respond to changing financial circumstances in a measured and considered way;
- The general fund had increased in the last year mostly due to previously earmarked reserves being recombined into the general fund;
- Net expenditure was at around £16.9million with funding coming in at £15.1million which represented a significant unsustainable funding gap; the majority of that overspend related to the impact of covid-19 that had not been mitigated for;
- Table 9 highlighted the earmarked reserves and movement of funds in and out of specific ringfenced funds which were subject to approval by Full Council.

Councillor Terry Hone asked for clarification on Table 6 which noted a balance not covered by Sales Fees and Charges (SFC) funding which suggested the Council incurred £723,000 of additional cost as a result of covid-19 that was not covered by funding from central government.

The Service Director – Resources advised that the figure in Table 6 plus the additional loss of income from Stevenage Leisure Ltd in the region of £765,000 covered at paragraph 8.16 amounts to £1.5million of additional cost and lost income not covered by SFC compensation. £558,000 of central government funding had been received which offset some of that amount but the Council still had to rely on its own reserves.

With the consent of the meeting it was:

RECOMMENDED TO CABINET: That Cabinet:

- (4) Notes this report.
- (5) Approves a decrease of £592k in the 2021/22 net General Fund expenditure, as identified in table 4 and paragraph 8.1, to a total of £16.892million.
- (6) Approves the changes to the 2022/23 General Fund budget, as identified in table 4 and paragraph 8.3, a total £179k increase in net expenditure.

That Cabinet recommends to Council:

- (2) That Council approves the net transfer from earmarked reserves, as identified in table 9, of £8.123million.

REASONS FOR DECISIONS:

- (3) Members are able to monitor, make adjustments within the overall budgetary framework and request appropriate action of Services who do not meet the budget targets set as part of the Corporate Business Planning process.
- (4) Changes to the Council's balances are monitored and approved.

The reports and papers associated with this item can be viewed here: [Agenda for Finance, Audit and Risk Committee on Wednesday, 15th June, 2022, 7.30 pm - North Herts Council \(north-herts.gov.uk\)](#)

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7b. FAR 15 JUNE 2022: INVESTMENT STRATEGY (CAPITAL AND TREASURY) END OF YEAR REVIEW 2021/22

RESOLVED: To note the report entitled Investment Strategy (Capital and Treasury) End of Year Review 2021/22

RECOMMENDED TO CABINET: That Cabinet:

- (1) Notes expenditure of £1.434million in 2021/22 on the capital programme, paragraph 8.3 refers.
- (2) Approves the adjustments to the capital programme for 2022/23 as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend in by £0.979million.
- (3) Notes the position of the availability of capital resources, as detailed in table 3 paragraph 8.7 and the requirement to keep the capital programme under review for affordability.
- (4) Approves the application of £1.225million of capital receipts/set aside towards the 2021/22 capital programme, paragraph 8.7 refers.
- (5) Notes the position of Treasury Management activity as at the end of March 2022.

That Cabinet recommends to Council to:

- (1) Approve the actual 2021/22 prudential and treasury indicators.
- (2) Note the annual Treasury Report for 2021/22.

REASONS FOR DECISIONS:

- (1) Cabinet is required to approve adjustments to the capital programme and ensure the capital programme is fully funded.
- (2) To ensure the Council's continued compliance with CIPFA's code of practice on Treasury Management and the Local Government Act 2003 and that the Council manages its exposure to interest and capital risk.

Audio Recording – 1:02:18

The Service Director – Resources presented the report entitled Investment Strategy (Capital and Treasury) End of Year Review 2021/22 along with Appendices A and B and highlighted points including:

- The total capital spend at the end of year was significantly lower than budgeted for coming in at around £1.434million where the budget originally forecast up to £16million. This budget was set with a significant speculative component to allow for potential commercial property acquisitions and housing investments which have not been made;
- CIPFA rules had also changed in year which impacted the range of investment opportunities the Council could pursue;
- £979,000 of the capital budget due to be spent at the end of last year had been slipped and would be allocated to the start of this financial year;
- Paragraph 8.6 lists the capital projects that have been undertaken in the last financial year;

- The current capital programme was funded primarily by usable capital receipts from previous capital sales but this source would run out in the next few years and the Council would then have to borrow to fund capital projects which was permitted under the regulations;
- There was one breach of the treasury strategy during the year that was to be noted where due to an IT failure which took longer to resolve than anticipated a treasury deal was not completed in time and the Council held an excess of money in its current account over night;
- Interest rates have been very low over the last year with returns ranging from 0.15% to 0.3% by the end of the year;
- Interest rates had risen quickly to around 1% recently which was better news but still below the level of inflation.

With the assent of the meeting it was:

RESOLVED: To note the report entitled Investment Strategy (Capital and Treasury) End of Year Review 2021/22

RECOMMENDED TO CABINET: That Cabinet:

- (6) Notes expenditure of £1.434million in 2021/22 on the capital programme, paragraph 8.3 refers.
- (7) Approves the adjustments to the capital programme for 2022/23 as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend in by £0.979million.
- (8) Notes the position of the availability of capital resources, as detailed in table 3 paragraph 8.7 and the requirement to keep the capital programme under review for affordability.
- (9) Approves the application of £1.225million of capital receipts/set aside towards the 2021/22 capital programme, paragraph 8.7 refers.
- (10) Notes the position of Treasury Management activity as at the end of March 2022.

That Cabinet recommends to Council to:

- (3) Approve the actual 2021/22 prudential and treasury indicators.
- (4) Note the annual Treasury Report for 2021/22.

REASONS FOR DECISIONS:

- (3) Cabinet is required to approve adjustments to the capital programme and ensure the capital programme is fully funded.
- (4) To ensure the Council's continued compliance with CIPFA's code of practice on Treasury Management and the Local Government Act 2003 and that the Council manages its exposure to interest and capital risk.

The reports and papers associated with this item can be viewed here: [Agenda for Finance, Audit and Risk Committee on Wednesday, 15th June, 2022, 7.30 pm - North Herts Council \(north-herts.gov.uk\)](#)

7c. REFERRAL FROM FAR 15 JUNE 2022: RISK MANAGEMENT QUARTERLY UPDATE AND RISK MANAGEMENT ANNUAL REPORT

RESOLVED: That the Committee notes the Annual Report on Risk Management.

RECOMMENDED TO CABINET:

- (1) That Cabinet agrees the introduction of a new Corporate Risk relating to Council Resourcing.
- (2) That Cabinet notes the Annual Report on Risk Management before referral to Full Council.

REASONS FOR DECISIONS:

- (1) The responsibility for ensuring the management of risks is that of Cabinet.
- (2) This Committee has responsibility to monitor the effective development and operation of Risk Management.

Audio Recording – 44:42

The Service Director – Resources presented the report entitled Annual Report on Risk Management and Risk Management Update and drew attention to points including:

- This report had been seen by the Risk Management Group to which all members of FAR and O&S had a standing invite, along with core risk and finance officers, service managers, SIAS and the health and safety advisory group;
- The introduction of a new corporate risk relating to Council resourcing related to a range of challenges placing pressure on Council resources including the war in Ukraine, increased fuel prices and the cost of living; staff resources due to additional work taken on like accommodation checks and the provision of energy rebate payments combined with rising costs due to inflation presented a risk that the objectives of the Council Plan would not be achieved due to the increased financial pressure;
- This report was the last to be presented to FAR in this format was the new risk management arrangements would come into effect for the next quarter.

Councillor Sean Nolan asked if additional funding from central government was available and whether the Council could secure it to mitigate the risk caused by increased pressure on staffing resources.

The Service Director – Resources advised that if government required extra work extra funding was provided but that it couldn't be guaranteed at this stage if that funding would match costs, and furthermore that the availability of funds does not always mean more staff are available to meet demand, e.g environmental health officers were in short supply and funding from central government would not increase the pool of available trained members of staff.

Councillor Terry Hone proposed, Councillor Phil Weeder seconded and on the vote it was:

RESOLVED: That the Committee notes the Annual Report on Risk Management.

RECOMMENDED TO CABINET:

- (3) That Cabinet agrees the introduction of a new Corporate Risk relating to Council Resourcing.
- (4) That Cabinet notes the Annual Report on Risk Management before referral to Full Council.

REASONS FOR DECISIONS:

- (3) The responsibility for ensuring the management of risks is that of Cabinet.
- (4) This Committee has responsibility to monitor the effective development and operation of Risk Management.

The reports and papers associated with this item can be viewed here: [Agenda for Finance, Audit and Risk Committee on Wednesday, 15th June, 2022, 7.30 pm - North Herts Council \(north-herts.gov.uk\)](#)