

NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

**MEETING HELD IN THE FOUNDATION HOUSE, ICKNIELD WAY, LETCHWORTH
GARDEN CITY ON MONDAY, 20TH NOVEMBER, 2017 AT 7.30 PM**

MINUTES

Present: *Councillors Terry Hone (Chairman), Simon Harwood (Vice-Chairman)(from 7.38pm), Ian Albert, Clare Billing (substitute)(from 7.35pm), John Bishop and Terry Tyler.*

In Attendance:

*Ian Couper (Head of Finance, Performance and Asset Management), Antonio Ciampa (Accountancy Manager) and Ian Gourlay (Committee and Member Services Manager).
Kay Storey – Manager (Govt. & Public Sector), Ernst & Young.*

Also Present:

1 member of the public.

38 APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Councillors Jim McNally and Deepak Sangha. Councillor Clare Billing was substituting for Councillor Sangha.

39 MINUTES - 21 SEPTEMBER 2017

RESOLVED: That the Minutes of the Meeting of the Finance, Audit & Risk Committee held on 21 September 2017 be approved as a true record of the proceedings and be signed by the Chairman.

40 NOTIFICATION OF OTHER BUSINESS

There was no other item of business tabled.

41 CHAIRMAN'S ANNOUNCEMENTS

(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; and

(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.

42 PUBLIC PARTICIPATION

There was no public participation.

43 NORTH HERTFORDSHIRE DISTRICT COUNCIL - ANNUAL AUDIT LETTER 2016/17

The Manager (Govt. & Public Sector), Ernst and Young, presented the Annual Audit Letter for 2016/17, as required by the National Audit Office Audit Code of Practice.

Monday, 20th November, 2017

The Manager (Govt. & Public Sector) referred to the Executive Summary in the document and reminded Members that Ernst & Young had issued an unqualified audit opinion on the Council's Financial Statements and had determined that the Council had in place proper arrangements to secure value for money in its use of resources. There had been no requirement for Ernst & Young to exercise any of the other statutory powers and duties.

RESOLVED: That the Annual Audit Letter 2016/17 be noted.

REASON FOR DECISION: To communicate to Members the key issues arising from Ernst and Young's audit work for 2016/17.

44 LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING

The Manager (Govt. & Public Sector), Ernst and Young, presented the latest Local Government Audit Briefing paper. This was produced by Ernst & Young on a quarterly basis for the sectors they served, namely Local Government, Health, Police and Fire Authorities.

The Manager (Govt. & Public Sector) advised that the paper was very much for Members' information, but that there were a number of questions at the end of the document which Audit Committee Members may wish to consider they needed to raise them with officers.

The Chairman drew Members' attention to the questions in the document referred to by the Manager (Govt. and Public Sector).

In response to Members' highlighting of some of the questions, the Head of Finance, Performance and Asset Management stated that the Corporate Human Resources Manager was part of the Senior Management Team and hence her post was viewed as a senior position in the Authority; any reports regarding commercialisation would be channelled through either the Finance, Audit & Risk Committee or Overview & Scrutiny Committee, and that work on the Housing Company Business Case was ongoing at the present time; and the Shared Internal Audit Services (SIAS) quarterly progress report to the next meeting would include income generation and commercialisation audit updates.

RESOLVED: That the latest Local Government Audit Committee Briefing paper be noted.

REASON FOR DECISION: To enable the Committee to comment on the latest Local Government Audit Committee Briefing paper.

45 SECOND QUARTER REVENUE MONITORING 2017/18

The Accountancy Manager presented the report of the Head of Finance, Performance and Asset Management in respect of the Second Quarter Revenue Budget Monitoring 2017/18, and advised that the report was before this Committee for consideration prior to presentation to Cabinet on 21 November 2017.

The Accountancy Manager advised that the forecast budget variance was a decrease of £131,000 on the net working budget of £17.230M for 2017/18, with an ongoing impact in future years of a £13,000 budget increase. He referred to Table 2 of the report and highlighted the major variances, namely the £200,000 increased income projection for Housing Benefit overpayments and the £100,000 reduction in projected income from car parking fees.

The Accountancy Manager commented that there was a forecast underachievement of £115,000 on the £929,000 worth of agreed efficiencies for 2017/18, as set out in Paragraph 8.3 of the report. The progress of items carried forward from 2016/17 were summarised in Paragraph 8.4 of the report.

Monday, 20th November, 2017

The Accountancy Manager explained that Table 3 in the report showed that three corporate financial health indicators were at green status, with the exception at red status being car parking fees. Table 4 showed the forecast General Fund impact and Table 5 indicated that the remaining allowance for known financial risks was £493,000.

In response to queries raised by Members, the Head of Finance, Performance and Asset Management undertook to provide the Committee with further information on the cost of legal counsel advice in relation to a judicial review and the rationale for the post of Economic Development Officer becoming a shared resource between NHDC and East Hertfordshire District Council.

RESOLVED: That the Second First Quarter Revenue Budget Monitoring report 2017/18 be noted.

REASON FOR DECISION: To provide an opportunity for the Committee to comment as appropriate on the First Quarter Revenue Monitoring report 2017/18.

46 SECOND QUARTER CAPITAL MONITORING 2017/18

The Head of Finance, Performance and Asset Management presented a report in respect of the Second Quarter Capital Programme Monitoring 2017/18, and advised that the report was for consideration prior to presentation to Cabinet on 21 November 2017.

The Head of Finance, Performance and Asset Management advised that the forecast capital spend in 2017/18 was £14.520Million, a net increase on the working estimate of £304,000. He referred to the major scheme timetable revisions set out in Table 2 of the report, including the John Barker Place development and various property improvements. Table 3 showed the changes to Capital schemes commencing in 2017/18, including the purchase of new cardio and resistance equipment for the Hitchin and Royston leisure facilities, as approved by the Council in August 2017.

In response to questions raised by Members, the Head of Finance, Performance and Asset Management undertook to provide the Committee with clarification of the expenditure/repayment arrangements for the aforementioned cardio and resistance equipment and a breakdown of the £67,000 of Section 106 funds that had been released for community schemes.

RESOLVED: That the Second Quarter Capital Programme Monitoring report 2017/18 be noted.

REASON FOR DECISION: To provide an opportunity for the Committee to comment as appropriate on the Second Quarter Capital Monitoring report 2017/18.

47 TREASURY MANAGEMENT SECOND QUARTER 2017/18

The Head of Finance, Performance and Asset Management presented a report in respect of the Second Quarter Treasury Management Monitoring 2017/18, and advised that the report was for consideration prior to presentation to Cabinet on 21 November 2017.

The Head of Finance, Performance and Asset Management advised that the current forecast was that the amount of investment interest expected to be generated during the year was £0.320Million. This was a decrease of £7,000 on the figure reported at first quarter.

The Head of Finance, Performance and Asset Management referred to the recent small increase in the Bank of England base interest rate, but commented that this had been anticipated by the Market, and hence there was unlikely to be any increase in borrowing rates in the near future.

RESOLVED: That the Second Quarter Treasury Management report 2017/18 be noted.

REASON FOR DECISION: To provide an opportunity for the Committee to comment as appropriate on the Second Quarter Treasury Management Monitoring report 2017/18.

48 UPDATED FINANCIAL REGULATIONS

The Head of Finance, Performance and Asset Management presented a report seeking consideration of proposed updated Financial Regulations, prior to recommendation to Council for adoption.

The Head of Finance, Performance and Asset Management advised that the Financial Regulations had been updated to:

- Reflect changes to the staffing structure, including the retirement of the Strategic Director for Finance, Policy and Governance;
- Make them shorter and easier to find information; and
- Incorporate other minor updates.

The Head of Finance, Performance and Asset Management stated that Section 8 of the report summarised the changes. There were two changes to the reporting of revenue budget variances. The previous version required that variances (overspends and underspends) that were greater than 5% of budget or £25,000 were reported to Cabinet. Given that there were some budgets which were quite low in value (especially where they were a combination of expenditure and income) this could require some very low variances to be reported. The new version proposed that the variance had to be greater than 5% and £25,000. This meant that variances on larger budgets would not get reported until they became very high (e.g. 5% of a £4M budget would be £200,000). However, the Regulations further stated that the Chief Finance Officer would determine whether or not to report any variances that did not meet the value criteria.

It was noted that the second change related to the first quarter revenue budget monitoring. From now on, the financial accounts needed to be approved by Finance, Audit and Risk Committee by the end of July each year. To avoid having an additional meeting of the Committee, it was proposed that this meeting would also review the first quarter finance reports. To meet the deadlines for this meeting, it may be necessary for the first quarter revenue monitor to be based on the first two months, updated for significant changes that had occurred during month 3.

The Committee was supportive of the updated Financial regulations as drafted.

RECOMMENDED TO COUNCIL: That the proposed updated Financial Regulations, as attached at Appendix A to the report, be adopted.

REASON FOR DECISION: To reflect changes to the staffing structure, to make the regulations more concise with easier to find information, and to incorporate other minor updates..

49 FUTURE MEETING - POSSIBLE AGENDA ITEMS

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.

The meeting closed at 8.13pm.

Chairman