

NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

**MEETING HELD IN THE FOUNDATION HOUSE, ICKNIELD WAY, LETCHWORTH
GARDEN CITY ON MONDAY, 18TH DECEMBER, 2017 AT 7.30 PM**

MINUTES

Present: *Councillors Councillor Terry Hone (Chairman), Councillor Simon Harwood (Vice-Chairman), Ian Albert and John Booth (substitute).*

In Attendance:

Ian Couper (Head of Finance, Performance and Asset Management), Chris Wood (Audit Manager - Shared Internal Audit Services), Mark Chalkley (Client Audit Manager - Shared Internal Audit Services) and Ian Gourlay (Committee and Member Services Manager)

Also Present:

50 APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Councillors John Bishop, Jim McNally and Terry Tyler. Councillor John Booth was substituting for Councillor Bishop.

51 MINUTES

RESOLVED: That the Minutes of the Meeting of the Finance, Audit and Risk Committee held on 20 November 2017 be approved as a true record of the proceedings and be signed by the Chairman.

52 NOTIFICATION OF OTHER BUSINESS

There was no notification of other business.

53 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.

54 PUBLIC PARTICIPATION

There was no public participation.

55 SHARED INTERNAL AUDIT SERVICES - UPDATE ON PROGRESS AGAINST THE 2017/18 AUDIT PLAN

The Audit Manager (SIAS) introduced the recently appointed Client Audit Manager (Mark Chalkley) who would in be the SIAS contact going forward for NHDC internal audit matters. The Chairman welcomed Mark to his first meeting of the Committee.

The Client Audit Manager (SIAS) presented an update report on progress against the 2017/18 Audit Plan.

The Client Audit Manager advised that, since the preparation of the report, SIAS had delivered 60% of planned audit days (229 days in total), and had issued a further five draft audit reports.

The Client Audit Manager drew attention to the two medium priority recommendations arising from the Office Accommodation Project audit summarised in Paragraph 2.3. He commented no new high priority recommendations had been made since the last meeting, and that the two high priority recommendations set out in the report had been implemented and would therefore be removed from the next update report. A number of small changes had been made to the budgets of a number of audits to reflect adjustments to the scope of those audits.

In terms of planned projects, the Client Audit Manager reported that SIAS had now achieved 14 out of 36 (39%). He explained that the Tree Strategy & Management and Taxi Licensing audits had moved to draft report stage. The Telephony Review audit was expected to reach draft report stage in the near future. The General ledger, Debtors and Creditors audits had been moved to February/March 2018 as a result of the planned Integra 2 upgrade.

The Client Audit Manager referred to Appendix D to the report, which set out the current approach in respect of the definition of High, Medium and Merits Attention audit recommendations, as requested by the Committee at its meeting held in September 2017.

In response to a Member's question, it was confirmed that the two Medium priority recommendations with regard to the Office Accommodation Project audit had been implemented.

At the Chairman's request, the Client Audit Manager undertook to remove the information in the tables set out in Paragraph 2.9 of the report in respect of progress on Audit Plan Delivery, as this was a duplication of the same information set out in Appendix D of the report.

The Chairman asked the Client Audit Manager to update the Committee on audit planning for 2018/19. The Client Audit Manager replied planning had started, and that he and the Head of Finance, Performance and Asset Management had conducted some preliminary discussions. The Client Audit Manager would be attending the NHDC Senior Management Team meeting in January 2018, following which he would meet with each Head of Service individually to identify a long list of potential audits. He and the Head of Finance, Performance and Asset Management would then meet to review the list and refine it to focus the audit workload on the key financial risks faced by the Council, all leading to the finalised Audit Plan for 2018/19 being presented to the Committee at its March 2018 meeting.

RESOLVED:

- (1) That the Internal Audit Progress Report for the period to 1 December 2017 be noted;
- (2) That the proposed amendments to the 2017/18 Annual Audit Plan be noted; and
- (3) That the implementation status of high priority recommendations be noted.

REASON FOR DECISION: To allow the Committee to review, comment and challenge the current status of the Internal Audit Plan.

56 RISK MANAGEMENT UPDATE

The Head of Finance, Performance and Asset Management presented a report which provided an update on Risk Management. The report also detailed changes to the Council's Risk and Opportunities Management Strategy and Policy.

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The Chairman stated that Recommendation 2.2 of the report should be amended so that the Cabinet would be requested to approve the Risk and Opportunities Strategy set out at Appendix B (not A) and the Policy at Appendix D (not B).

The Head of Finance, Performance and Asset Management advised that the Risks summarised in Table 1 of the report had been reviewed by the Risk Management Group and agreed by Senior Management Team. Members were able to view the current risk descriptions on Petana (was Covalent), the Council's performance and risk management software. There had been no changes to the assessment of the current "Corporate" risks.

The Head of Finance, Performance and Asset Management outlined the major changes to the Risk and Opportunities Management Strategy, as set out in Paragraph 8.2.1 of the report. He drew particular attention to the revised Section 4 of the Strategy (Assessing Risks and Opportunities), which had been updated in order to simplify the classifications for the "Likelihood" of risks. The Risk and Opportunities Management Policy had also been reviewed and contained only minor wording changes.

In response to a Member's query, the Head of Finance, Performance and Asset Management explained why there had been no changes to the status of some of the Corporate risks for the past Quarter.

RESOLVED: That it be noted that there were no changes to the Corporate risks for the Quarter.

RECOMMENDED TO CABINET: That the revised Risk & Opportunities Management Strategy (Appendix B to the report) and Policy (Appendix D to the report) be approved.

REASON FOR DECISION: To monitor the effective development and operation of risk management.

57 DRAFT BUDGET 2018/2019

The Head of Finance, Performance and Asset Management presented a report in respect of the Draft Budget for 2018/19, and advised that the report was for consideration prior to presentation to Cabinet on 19 December 2017.

The Head of Finance, Performance and Asset Management advised that the provisional Local Government Finance Settlement had yet to be announced, but was expected during the week commencing 18 December 2017. The Settlement would be definitely containing an announcement on Business Rates Pilot schemes. He felt that there would also be an announcement on New Homes Bonus.

The Head of Finance, Performance and Asset Management referred to the list of specific Government Grants set out in Table 2 of the report. If there were any changes to those Grants then any shortfall would need to be financed through the General Fund.

In respect of Council Tax and Business rates set out in Section 8.2 of the report, the Head of Finance, Performance and Asset Management reiterated that the estimates in that Section were underpinned by a number of assumptions.

The Head of Finance, Performance and Asset Management advised that the Council was expected to still be able to raise Council Tax by £5 for 2018/19 and that the Cabinet would be requested to recommend an appropriate increase to Council, in line with the Medium Term Financial Strategy. It was also expected that the Council Tax Base would increase by 1% per year.

The Head of Finance, Performance and Asset Management drew attention to the Council's specific reserves set out in Table 5 of the report. He also referred to Paragraph 8.3.3 of the

report, which detailed the provisions required to be set aside by the Council for future expected liabilities.

The Head of Finance, Performance and Asset Management commented that the Council's General fund balance was required to be at a minimum level to allow for risks, both of a known and unknown nature. Table 6 set out the headline figures for the Council's known risks.

The Head of Finance, Performance and Asset Management referred to the savings and investment proposals set out in Appendices B and C to the report. Paragraph 8.4.3 contained a number of updates since the Member Budget Workshops held in November 2017.

As a result of the Waste Contract savings, the Head of Finance, Performance and Asset Management explained that the Council was in a better financial position than originally anticipated. There was a reduced need to deliver savings over the next two years, but towards the end of the current four year period there would still be the need to find at least £500,000 of further savings based on current forecasts. These forecasts could be negatively impacted by changes in funding over that period.

The Head of Finance, Performance and Asset Management concluded by commenting that it was proposed that the Council's Efficiency Sustainability Plan should not be updated at the present time for the reasons set out in Paragraph 8.6.1 of the report.

The Head of Finance, Performance and Asset Management answered a number of Members' questions regarding the covering report.

The Chairman took the Committee through the efficiency and investment proposals set out in Appendices B and C of the report, and a number of comments were made.

RECOMMENDED TO CABINET: That the following comments of the Finance, Audit and Risk Committee be taken into consideration by the Cabinet during its deliberations on the Draft Budget for 2018/2019:

- E9 – Cessation of Area Committee Grants – not totally supported, as the savings figure is shown for 2018/19 onwards, and yet no mechanism is in place to supersede the Area Committee Grants process;
- E11 – Cease the provision of Christmas trees in Town Centres – further discussion should take place with Town Centre Managers with a view to the Town Centre Partnerships/BID organisations taking over this provision;
- ECP12/NCP7/ECP13 – various items relating to or linked to the Lairage Car Park in Hitchin – in view of the relatively low level of use of this Car Park, consideration be given to the completion of the Parking Strategy before (and if) these items were implemented; and
- General – the appendices should be revised at final draft Budget stage to group together the items under common or related themes, rather than being ordered by value.

REASON FOR DECISION: To provide an opportunity for the Committee to comment as appropriate on the Draft Budget for 2018/19.

58 FUTURE MEETING - POSSIBLE AGENDA ITEMS

The Chairman undertook to liaise with the Chairman of the Overview and Scrutiny Committee regarding the process for scrutinising and reviewing the emerging Parking Strategy.

The meeting closed at 8.30 pm

Chairman