

NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

**MEETING HELD IN THE FOUNDATION HOUSE, ICKNIELD WAY, LETCHWORTH
GARDEN CITY ON MONDAY, 22ND JANUARY, 2018 AT 7.30 PM**

MINUTES

Present: *Councillors Councillor Terry Hone (Chairman), Ian Albert, Nicola Harris (substitute), Steve Jarvis (substitute)(from 7.36pm), Jim McNally and Deepak Sangha.*

In Attendance: *Ian Couper (Head of Finance, Performance and Asset Management), Antonio Ciampa (Accountancy Manager), Ian Gourlay (Committee and Member Services Manager) and Suresh Patel (Associate Partner, Ernst and Young).*

Also Present: *Councillor Julian Cunningham (Executive Member for Finance and IT).*

59 APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Councillors John Bishop and Simon Harwood (Vice-Chairman) and Terry Tyler. Councillor Nicola Harris was substituting for Councillor Bishop, and Councillor Steve Jarvis was substituting for Councillor Tyler.

60 MINUTES - 18 DECEMBER 2017

RESOLVED: That the Minutes of the Meeting of the Finance, Audit and Risk Committee held on 18 December 2017 be confirmed as a true record of the proceedings and be signed by the Chairman.

61 NOTIFICATION OF OTHER BUSINESS

There was no other item of business tabled.

62 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.

63 PUBLIC PARTICIPATION

There was no public participation.

64 EXTERNAL AUDIT PLAN FOR THE YEAR ENDING 31 MARCH 2018

The Associate Partner, Ernst and Young, presented the External Audit Plan for the year ending 31 March 2018.

Monday, 22nd January, 2018

The Associate Partner confirmed that there had been no change by the National Code of Practice for Auditors to the scope of the audit required to be carried out by Ernst and Young. The 2017/18 audit strategy was summarised in the Plan, including audit risks, areas of focus and materiality. There were no changes to the risks set out in the document, the first two being classified as significant risks driven by auditing standards, and the other two being inherent risks, given the size of the estimates they represented in the Council's balance sheet.

In respect of the materiality figures set out in the Plan, the Associate Partner commented that the key message for NHDC was that these were at the top of Ernst and Young's limit, which reflected the low risk status of the audit, due to the good preparation of the accounts.

The Associate Partner drew attention to the value for money risk set out in the Plan with regard to the level of savings required to be delivered by the Council over the next three years. Ernst and Young's approach to monitor this risk was also set out in the document.

The Associate Partner referred to the timetable for the audit included in the Plan, and he reminded the Committee that the deadline for production and auditing of the accounts had been brought forward significantly (accounts prepared by the end of May and audited by the end of July).

The Associate Partner explained that the fees for Ernst and Young's services, as set out in Appendix A to the Plan, were as defined by Public Sector Audit Appointments Limited (PSAA).

RESOLVED: That the External Audit Plan for the Year Ending 31 March 2017 be noted.

REASON FOR DECISION: To enable the Committee to comment on the External Audit Plan for the Year Ending 31 March 2018.

65 CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2016/17

The Associate Partner, Ernst and Young, presented the Certification of Claims and Returns Annual Report 2016/17.

The Associate Partner advised the one claim applicable to NHDC was the Housing Benefits Subsidy Claim. Certification work on the claim was as prescribed by the Department for Work and Pensions (DWP).

The Associate Partner reported that the DWP required the reporting of even the most minor discrepancies, which was why the respective errors of £0.78 and £144.96 were set out in the report. He commented that these were extremely minor when compared to the discrepancies in the claims of other Authorities, which was a credit to how well NHDC had administered the claim.

The Associate Partner referred to the fee for the work set out in Section 2 of the report. A reduction in the indicative fee had been proposed on the basis that it had been agreed at the start of the process that NHDC would carry out some of the initial testing. The approval of PSAA Ltd to this reduced fee was currently awaited.

The Associate Partner commented that the report also highlighted the change for 2018/19, where NHDC would need to appoint a "reporting accountant" to carry out this certification work. At the Council's request, Ernst and Young would be preparing a quotation for this work, in the hope that it would be in the Council's interests to appoint them on the basis of their familiarity with NHDC's systems and processes.

RESOLVED: That the Certification of Claims and Returns Annual Report 2016/17 be noted.

REASON FOR DECISION: To enable the Committee to comment on the Certification of Claims and Returns Annual Report 2016/17.

66 **DRAFT REVENUE BUDGET 2018/2019**

The Head of Finance, Performance and Asset Management presented a report in respect of the proposed Revenue Budget for 2018/19.

The Head of Finance, Performance and Asset Management advised that he would be focussing on the changes to the draft Revenue Budget since the last meeting of the Committee in December 2017.

The Head of Finance, Performance and Asset Management referred to paragraph 8.2.5 and Table 3 of the report, which confirmed that the additional flexibility for Councils to increase their Council Tax by up to 2.99% was for two financial years (2018/19 and 2019/20). Therefore, as per the Council's Medium Term Financial Strategy, the financial modelling assumed that the increase would apply for those two years.

The Head of Finance, Performance and Asset Management drew attention to Paragraph 8.3.5 and Table 6 of the report, which set out the level of budget risks. There had been an increase in the risk allowance to reflect changes in planning, both in relation to the North Hertfordshire Local Plan Examination (which was taking longer than originally anticipated) and other emerging planning issues, such as the Oxford-Cambridge Arc and London expansion. The need to respond to those issues and promote the views of NHDC had been identified.

The Head of Finance, Performance and Asset Management advised that Table 7 of the report highlighted the larger variances found in the review of the 2017/18 budget at the end of Month 8 (November 2017). The impact on the 2018/19 budget of a reduction in expenditure of £82,000 was relatively small and had been built into forecasts.

In respect of Paragraph 8.5.3 and Table 8 of the report, the Head of Finance, Performance and Asset Management advised that this detailed the changes made by the Cabinet at its December 2017 meeting. Some of these had now been reflected in the budget as these were within the Cabinet's remit to change, whilst others would require the approval of the Full Council in February 2018. The impact of these proposals was shown in Table 8.

The Head of Finance, Performance and Asset Management stated that Section 8.6 and Appendix 1 of the report summarised the budget position, and included a forecast of the remaining savings that the Council still needed to identify by 2021/22, which were expected to be around £150,000. However, this amount could be significantly affected by a number of factors, including changes to the way New Homes Bonus was calculated in future years; changes to the Fair Funding Formula, which was currently being consulted on by the Department for Communities and Local Government (now Ministry of Housing, Communities and Local Government), with any changes likely to be implemented from 2020/21; and the successful delivery of the savings included within the budget forecasts.

In response to issues raised by the Committee Chairman, the Head of Finance, Performance and Asset Management predicted a surplus of around £200,000 on the Council Tax Collection Fund at the end of 2017/18, which would be retained in the Fund for 2018/19. He confirmed that work had already commenced on the Third Quarter Monitoring report, and to date no unexpected issues had been identified.

Some Members expressed continued concern about Efficiency E9 (Cessation of Area Committee Grants), in that whilst it was welcomed that Cabinet had taken on board the fact that there was no agreed replacement for Area Committees and had deferred the matter for a year, they felt that this efficiency saving was the first step in the dissolution of the Area Committees by transferring the grants budget to a Member Panel, in advance of the discussion and decision on any replacement mechanism for Area Committees. Those Members felt that the grants budget should remain with Area Committees for 2018/19.

Monday, 22nd January, 2018

Further concern was expressed by a Member about the grant-making process. He felt that a more cost effective way of administering the process should be investigated as part of any changes the Council would be making to the way the Council made grants.

In respect of Efficiency E16 (Apprenticeship Scheme), the Chairman was pleased to see that the Scheme would continue for the 2018/19 Financial Year.

In reply to a question regarding Efficiency E20 (Waste Contract Lot 2 Award), the Head of Finance, Performance and Asset Management advised that it was expected that the savings attributable to this item would be zero.

In response to queries regarding Efficiency E21 (Waste Contract – Garden Waste Charging), the Head of Finance, Performance and Asset Management explained that that the 26% take up of the scheme assumed 50% of that 26% taking up the early bird offer (estimated reduction in income of around £30,000). He added that it was his understanding that the early bird offer would be disseminated to all residents in the District by letter in early February 2018.

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 Revenue Budget for 2018/19:

- E9 – Cessation of Area Committee Grants – concern was expressed regarding the transfer of Area Committee grants budgets to a Member Panel, in advance of the discussion and decision on any replacement mechanism for Area Committees; and as part of any changes to the grants-making process, a more cost-effective way of administering the grants should be investigated.

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

67 CAPITAL PROGRAMME 2018/2019 ONWARDS

The Accountancy Manager presented the report of the Head of Finance, Performance and Asset Management in respect of the proposed Capital Programme for 2018/19 onwards.

The Chairman explained that the years set out in recommendation 2.2 of the report should be amended from “2017/18 to 2020/21” to “2018/19 to 2021/22”.

The Accountancy Manager advised that the new Capital Investment proposals and revision to existing proposals totalled £3.275Million over the next four year period. The overall Capital Programme over the same period would be £17.075Million.

The Accountancy Manager stated that the report set out how the Council proposed to fund the Capital programme. As mentioned in paragraph 8.6 of the report, if the Council spent exactly in line with the Capital programme set out in the appendices, then the Council would not have sufficient capital resources in 2018/19, and hence either a revenue contribution to capital or borrowing would be required to fund the expenditure. However, past experience had shown that Capital spend did not always occur in line with profiled expenditure.

The Accountancy Manager commented that the funding of the Capital Programme assumed the generation of Capital Receipts of around £8.5Million from asset disposals. Appendix A to the report provided a breakdown of expenditure by Council objective and how it would be funded each year; Appendix B provided a line by line breakdown of the Capital Programme, including projects completed in 2017/18; and Appendix C itemised the new Capital proposals and the changes to existing proposals.

Monday, 22nd January, 2018

In response to a question regarding ECP 12 (Hitchin Swimming Pool Car Park Extension), the Head of Finance, Performance and Asset Management confirmed that the outcome of the Public Inquiry held into this matter was still awaited. He undertook to ensure that Members were informed of the outcome as soon as notification was received.

RESOLVED: That the Capital Programme 2018/19 onwards be noted.

REASON FOR DECISION: To provide an opportunity for the Committee to comment as appropriate on the proposed Capital Programme for 2018/19 onwards.

68 TREASURY MANAGEMENT STRATEGY FOR 2018/2019

The Head of Finance, Performance and Asset Management presented a report in respect of the proposed Treasury Management Strategy for 2018/19.

The Head of Finance, Performance and Asset Management highlighted the two main changes proposed for the 2018/19 Strategy in respect of borrowing limits and the Minimum Revenue Provision (MRP).

With regard to Paragraph 2.3 of the Strategy, the Head of Finance, Performance and Asset Management advised that where the Council was in a borrowing position or needed to borrow due to lack of capital resources, it was required to charge a MRP to the General Fund. It had to set aside a provision to repay that loan when it became due. It was recommended that the Council used the Asset Life Method for the MRP. The two approaches for applying the Asset Life Method, namely Equal Instalments or Annuity, were set out in the Strategy.

The Head of Finance, Performance and Asset Management referred to paragraph 3.2 of the Strategy, which detailed the limits to borrowing activity. It was proposed to increase the operational boundary for external debt from £4Million to £5Million and to increase the authorised limit for external debt from £6Million to £15Million.

RESOLVED: That the Treasury Management Strategy for 2018/19 be noted.

REASON FOR DECISION: To provide an opportunity for the Committee to comment as appropriate on the proposed Treasury Management Strategy for 2018/19.

69 FUTURE MEETING - POSSIBLE AGENDA ITEMS

The Chairman was reminded that he had agreed to liaise with the Chairman of the Overview and Scrutiny Committee regarding the process for scrutinising and reviewing the emerging Parking Strategy.

The Committee was advised that it was proposed to run a training course on risk management in the near future. The Chairman strongly encouraged Members of the Committee and substitutes to attend this training course.

The meeting closed at 8.26 pm

Chairman