

NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE FIRST FLOOR ROOMS 2/3, COUNCIL OFFICES, GERONON ROAD, LETCHWORTH GARDEN CITY ON MONDAY, 30TH JULY, 2018 AT 7.30 PM

MINUTES

Present: *Councillors Terry Hone (Chairman), Simon Harwood (Vice-Chairman), Ian Albert, Kate Aspinwall, Jim McNally, Janine Paterson and Terry Tyler.*

In Attendance: *Reuben Ayavoo (Senior Policy Officer), Ian Couper (Service Director - Resources), Antonio Ciampa (Accountancy Manager) and Amelia McInally (Committee and Member Services Officer).*

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

17 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Ian Moody.

Having given due notice Councillor Janine Paterson substituted for Councillor Moody.

18 MINUTES - 18 JUNE 2018

RESOLVED: That the Minutes of the Meeting of the Committee held on 18 June 2018 be approved as a true record of the proceedings and be signed by the Chairman.

19 NOTIFICATION OF OTHER BUSINESS

There was no other business notified.

20 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;
- (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.

- (4) The Chairman informed the Committee there would be some changes to the sequence of the Agenda and would be as follows:

Item 12 – Annual Governance Statement 2017/18 would become Item 6
Item 6 – Audit Findings Report for NHDC 2017/18 would become Item 7

21 PUBLIC PARTICIPATION

There was no public participation.

22 AUDIT FINDINGS REPORT FOR NHDC 2017/2018

The Manager (Govt. & Public Sector), Ernst & Young explained that it had been a challenging year for the finance teams and auditors due to the bringing forward of deadlines. The impact being, that teams had a month less in which to prepare accounts and two months less in which to complete all local government audits.

Due to the tight deadline, at the time of issuing the report to the Committee there was a programme of outstanding work included. This work has now been completed. Only the receipt of the signed Letter of Representation was outstanding, which would appear later on in this agenda.

The Manager (Govt. & Public Sector) advised that Ernst & Young was proposing to issue an unqualified opinion on the financial statements and an unqualified opinion on it's value for money conclusion. This meant Ernst & Young were satisfied appropriate arrangements were in place regarding value for money.

There were no unadjusted audit differences.

The Manager (Govt. & Public Sector), Ernst & Young advised that there was one key audit difference, adjusted by Management within the revised financial statements in respect of pension fund liability. The pension fund assets were usually based on an estimate at the end of January. When the pension fund audit was carried out it was found that the actual position at the end of March was significantly better originally projected. The pension position relating to the Council had improved by £1.9m which was a reflected position across the country due to market movements.

There were no matters to be highlighted for Members' attention other than the Value for Money conclusion.

The Manager (Govt. & Public Sector), Ernst & Young advised they had projected a significant risk in respect of the challenging savings programme for 2018/19 which was £3.6m at the time of the audit plan. A substantial amount of those savings were due to be delivered through the retender of the waste contract. They had also looked at the MTFs and key assumptions expected to be made, and these were in line with their expectations. There was a significant element of New Homes Bonus, which could be subject to change that was built into the base budget, but there was a reasonable level of reserves should the scheme change. The Council was on track as reported in the monitoring report to be very close to the budgeted position. It therefore appeared that the waste contract was delivering the envisaged savings.

The Manager (Govt. & Public Sector), Ernst & Young advised that they were not proposing any changes to their fee and there were no other particular issues to raise.

Overall the audit finding was a positive projection of future reserves.

RESOLVED: That the Audit Findings Report for 2017/18 be noted.

REASON FOR DECISION: To enable the Committee to consider and comment on the Report 2017/18.

23 MEDIUM TERM FINANCIAL STRATEGY

The Service Director - Resources presented a report on the Council's Medium Term Financial Strategy 2019-2024.

The Service Director – Resources explained that the strategy made references to the uncertainty facing the Council in relation to funding received which had been the case for a number of years. It was difficult to forecast beyond next year, and that next year would present challenges. £2.25m saving was required over the next four year period. Recent consultation from Central Government was suggesting negative revenue, support grants would be funded which would increase our income by £1m. However, indications were that NHB would decrease next year, and would be ending or replaced subject to further consultation. The message was to expect income to be halved next year. For future years the fair funding formula would take out that £1m and more. Changes to NHB (New Homes Bonus) would result in less funding. For savings and the budget over the next 4 years, £700,000 annually would need to be found by 2022/23, as a minimum. There were likely to be further savings required, preferably funded by income generation or possibly service reductions.

This was the current picture and basis for setting a budget for next year.

The Committee were asked to comment on the document.

RESOLVED: That the Committee recommended to Cabinet to proceed.

24 STATEMENT OF ACCOUNTS 2017/18

The Service Director - Resources presented the report in respect of the Statement of Accounts 2017/18.

The report was tabled due to the delay in Ernst & Young completing the audit, it had, therefore not been possible to finalise the report until that day. There were no substantial changes from the draft version of the accounts available on the website.

Discussion would focus on the minor changes from the draft version.

The Service Director - Resources explained the requirement to produce the accounts by 31 May 2018. There was then a period during which, the public could ask questions and view associated documents. There had been no such requests.

The statement of accounts required to be reviewed and approved by the Authority's statutory body, that being, this committee.

The Letter of Representation forms part of the approval of accounts, the Service Director - Resources and Chairman would then sign the letter and statement of accounts, if approved.

The Service Director - Resources referred to the changes to accounts from the draft, the only material change was to pension fund assets, being that there was always a balance between closing the accounts early and making use of estimates. New information meant adjustments were required. The new deadlines have been challenging. Some balances in the draft were incorrect in places but had been corrected. All changes had been highlighted to Ernst & Young and been approved by them.

The Committee was being asked to approve the Statement of Accounts as tabled.

The Chairman congratulated both teams on the unqualified accounts and meeting shorter deadlines. Members recognised that this was a tough task.

There was a lengthy discussion around a mistake identified in the accounts, where two lines in one of the notes were the wrong way round. It was agreed that the Committee would be content to approve once that adjustment had been made.

25 FIRST QUARTER REVENUE MONITORING 2018/19

The Accountancy Manager presented the report of the First Quarter Revenue Monitoring 2018/19.

The Accountancy Manager explained that the report reflected revenue position as at end June 2018 and how resources were broken down and tracked through the year. The report reflected marginal change overall, showing increases in recycling costs and conversely an increase in expected income in garden waste, at more than 50% take up which was higher than the level assumed.

Two additional members of staff had been proposed by the Senior Management Team, (SMT) to support the commercialisation drive across the Authority. SMT had proposed that during the first two years the posts be funded from the special reserve, afterwards, it was hoped that the two new officers appointed would fund themselves through the additional income produced from their work.

The report set out proposed efficiencies and predicted that budgets were expected to be spent.

The report provided an update on key income streams, including outcomes of the strategic parking review. In terms of funding, estimate of business rate income had been updated from a baseline level to a revised estimated figure and showed an increase of £225k. This was, the main reason for the overall increase in the expected general fund balance at the end of the year by £192k.

RESOLVED: That the report of the First Quarter Revenue Monitoring 2018/19 be noted.

26 FIRST QUARTER CAPITAL MONITORING 2018/19

The Accountancy Manager presented a report on The First Quarter Capital Monitoring 2018/19.

The Accountancy Manager explained the position of the capital programme at the end of the first quarter of 2018/19.

The Accountancy Manager referred to Table 1 setting out changes to schemes and Table 3 including the proposal to remove the Royston Leisure Centre scheme from the programme.

There had been some re-profiling of existing capital schemes, the main change being to disabled facilities grants. They were not disappearing, but would be managed by the Hertfordshire Homes Improvement Agency, hosted by Hertfordshire County Council.

The Accountancy Manager informed the Committee that Table 4 within the report showed how spending on schemes were funded.

RESOLVED: That the report of the First Quarter Capital Monitoring 2018/19 be noted.

27 TREASURY MANAGEMENT FIRST QUARTER 2018/19

The Service Director - Resources presented the report of the First Quarter Treasury Management Monitoring 2018/19.

The Service Director - Resources advised that they were expecting to generate £88,000 more than the expected £255k, this was due to the re-profiling of schemes during the second half of 2017/18 which was based on planned spend at that time. This then increased the amount available for investment.

Other than that, as the report details, there had been full compliance with the treasury strategy and the various limits set.

RESOLVED: That the report of the First Quarter Treasury Management Monitoring 2018/19 be noted.

28 ANNUAL GOVERNANCE STATEMENT 2017/18

The Senior Policy Officer presented for the approval of the Committee the report and Annual Governance Statement (AGS) for 2017/18. Reviewing the Council's governance arrangements for that period and proposing an action plan to update and improve those arrangements.

The final version of the draft AGS had been presented in June and this final version included the committee's comments from that June meeting which included the following:

- Inclusion of the actions to address the Gender Pay Gap report with the AGS action plan for 2018/19.
- To update the Executive Member responsibility and to reflect the update in staff designation following the recent senior management.
- In respect of an outstanding case with the Information Commissioners Office (ICO). The Information Commissioners Officer first notified the Council in November 2017 and a caseworker was assigned in April 2018. GDRP was not in place at that time. The Council had recently been informed that they had won that particular case.

Additional reference/update of AGS to the Head of Internal Audit Annual report that was presented at the June meeting. This was not available at the time of writing the draft AGS.

The CIPFA SOLACE Framework had been revised and had now been loaded on to the Council's Corporate Governance intranet page.

Updates would follow in September 2018 and March 2019 on the action plan.

The Chairman advised that it was a statutory requirement to approve the AGS and action plan. It was agreed.

RESOLVED: That the Annual Governance Statement for 2017/18 and action plan was agreed.

REASON FOR DECISION: It is a statutory requirement of the Council to review and approve the Annual Governance Statement and action plan.

29 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.

Audio Recording of Meeting

The meeting closed at 8.43 pm

Chairman