

**NORTH HERTFORDSHIRE DISTRICT COUNCIL**

**FINANCE, AUDIT AND RISK COMMITTEE**

**Meeting held in the Council Chamber, Council Offices, Gernon Road, Letchworth Garden City on  
Monday, 17th December, 2018 at 7.30 pm**

Minutes

**PRESENT:** Councillor Terry Hone in the Chair  
  
Councillors Simon Harwood (Vice-Chair), Ian Albert, Kate Aspinwall  
and Jim McNally

**SUBSTITUTES:** Councillors Steve Jarvis

**IN ATTENDANCE:** Mark Chalkley (Client Manager Shared Internal Audit Service),  
Antonio Ciampa (Accountancy Manager), Ian Couper (Service  
Director – Resources), Nick Jennings (Head of Counter Fraud  
Shared Anti-Fraud Service), Gavin Ram Melanie Stimpson  
(Democratic Services Manager)

**ALSO PRESENT:** Councillors –

**43 APOLOGIES FOR ABSENCE**

*Audio Recording – Start of Item – Session 1 – 54 seconds*

Apologies for absence were received from Councillor T Tyler and as a result Councillor S Jarvis attended the meeting as the Substitute Councillor.

**44 MINUTES - 30 JULY 2018**

*Audio Recording – Start of Item – Session 1 – 57 seconds.*

**RESOLVED:** That the Minutes of the Meeting of the Finance, Audit and Risk Committee held on 30 July 2018 be approved as a true record of the proceedings and be signed by the Chairman.

**45 MINUTES - 24 SEPTEMBER 2018**

*Audio Recording – Start of Item – Session 1 – 1 minute 9 seconds.*

**RESOLVED:** That the Minutes of the Meeting of the Finance, Audit and Risk Committee held on 24 September 2018 be approved as a true record of the proceedings and be signed by the Chairman.

**46 NOTIFICATION OF OTHER BUSINESS**

*Audio Recording – Start of Item – Session 1 – 1 minute 14 seconds*

In accordance with 100B (4)(B) of the Local Government Act 1972 and in accordance with the urgent procedure rules as contained within the Council's Constitution the following item was considered - Updated Contract Procedure Rules.

**REASON FOR DECISION:** The Contract Procurement Rules are part of the Constitution (under Section 20) and are revised and updated periodically as part of the Council's governance and procurement review processes.

The Council's Constitution is being reviewed at the Council Meeting in January, which the Procurement Rules will be incorporated. As there was not another Finance Audit and Risk Committee prior to this meeting the matter was considered as a matter of urgency and was therefore not subject to call in.

**47     CHAIRMAN'S ANNOUNCEMENTS**

*Audio Recording – Start of Item – Session 1 – 1 minute 44 seconds*

The Chairman announced that Members of the public and the press may use their devices to film/photograph. In addition, the sound at this particular meeting was being recorded.

Members were reminded that any declarations of interest in respect of any business set out in the agenda, should be declared as either a Disclosable Pecuniary Interest or Declarable Interest and were required to notify the Chairman of the nature of any interest declared at the commencement of the relevant item on the agenda. Members declaring a Disclosable Pecuniary Interest must withdraw from the meeting for the duration of the item. Members declaring a Declarable Interest, who wished to exercise a 'Councillor Speaking Right', must declare this at the same time as the interest, move to the public area before speaking to the item and then must leave the room before the debate and vote.

**48     PUBLIC PARTICIPATION**

*Audio Recording – Start of Item – Session 1 – 2 minutes 50 seconds*

There was no public participation.

**49     NHDC PROGRESS REPORT - ANTI-FRAUD PLAN 2018/19**

*Audio Recording – Start of Item – Session 1 – 2 minutes 55 seconds*

The Finance Audit and Risk Committee received the Progress Report on the Anti Fraud Plan 2018/19 which was presented by the Head of Counter Fraud Shared Anti-Fraud Service.

The following Members asked a number of questions regarding the content of the report:

Councillors J McNally, S Jarvis, I Albert and T Hone.

As a result of the questions the Head of Counter Fraud agreed to circulate the total number of allegations investigated from the 83 cases reported, as listed in Table 1 of the submitted report.

Whereupon the Committee,

**RESOLVED:** That the work of the Council and the Shared Anti-Fraud Service in delivering the Anti-Fraud Plan 2018/19 be noted.

**REASON FOR DECISION:** To enable the Committee to consider the progress report on the Shared Anti-Fraud Service Anti-Fraud Plan 2018/19.

50 **NHDC - AUDIT COMMITTEE PROGRESS REPORT**

*Audio Recording – Start of Item – Session 1 – 14 minutes 43 seconds*

The Client Manager of the Shared Internal Audit Service presented the Internal Audit Progress Report as at 30 November 2018.

Councillor J McNally and T Hone asked questions regarding the content of the report.

It was noted that the report detailed nine high priority recommendations as a result of the CCTV joint review. The recommendations were monitored by Stevenage Borough Council as the lead authority as well as a Joint Executive Committee which was due to meet in January. The Committee requested to be kept informed of the progress with this matter.

Whereupon it was,

***RESOLVED:***

That the Finance, Audit and Risk Committee notes:

- i. the Shared Internal Audit Service Progress Report for the period to 30 November 2018;
- ii. the proposed amendments to the 2018/19 Annual Audit Plan; and
- iii. the implementation status of high priority recommendations.

***REASON FOR DECISION:*** To enable the Committee to consider the Shared Internal Audit Service Progress Report.

51 **UPDATED CONTRACT PROCUREMENT RULES**

*Audio Recording – Start of Item – Session 1 – 26 minutes 12 seconds*

The Legal Commercial Team Manager presented a report of proposed changes to the Contract Procurement Rules which in summary suggested the following amendments:

- Updates to reflect the restructure within the Council and the corresponding changes required in the Constitution;
- To provide a reporting line for potential breaches to line managers/Senior Management Team;
- Introduction of a new subsection to Section 14 to allow for retrospective approval on Single Tenders following certain requirements being met;
- To ensure that Subcontractors are paid within 30 days payment terms;
- Update to Section 29 which provides Service Directors authority to extend contracts up to 12 months to a maximum value of £100,000;
- Provisions on the use of consultants updated in line with audit recommendations;
- Update to Section 22 to establish an approval process for waivers above the EU threshold and a new approval process for waivers below the OJEU threshold.

In considering the proposed amendments to the Contract Procedure Rules the following Councillors made comments:

Councillors K Aspinwall, T Hone, J McNally, S Jarvis, S Harwood and I Albert.

In response to questions the Legal Commercial Team Manager explained that:

- The main aim of the changes was to reflect the restructure within the Council. However, other changes had been made for the day to day running of procurement to be more practical and efficient;
- Of potential implications of Brexit and the advantages and disadvantages of frameworks in response to a question on why frameworks were not more widely used;
- The potential to standardised procurement documents and processes across Councils would be difficult to achieve.

Subsequently it was agreed that 2.4 of the Rules should provide a definitive interpretation of the consequences if an individual did not comply with the Procurement Rules. Although it was accepted that each case should be considered on its own merits there might be contributing factors as to why the breach occurred. The Committee therefore agreed to the following wording:

***‘2.4 Failure to comply with the Rules ~~may~~ will result in Officers conduct being examined and may be a breach under the Council’s Managing Misconduct Policy....’***

In addition the Committee requested that the Legal Commercial Team Manager consider the following comments and make the changes as considered necessary prior to the Procurement Rules being presented to Council for adoption:

- For ease of reference, that Paragraph 11 ‘Call-Off Further Competition under a Framework Agreement’ and Paragraph 21 ‘Joining a Framework Agreement’ should be amalgamated;
- Reference the proposed new Rules 14.3, 14.8 and 14.9 – suggested that these be located to a more appropriate section with a view that all Rules relating to non compliance could be viewed together;
- Paragraph 4.3 and the term ‘appropriate officer’ - further clarification of the definition was requested.
- That the views of the Council’s Contract Procurement Group be sought regarding the ‘Apply Go Local Policy’ for contracts of up to £50k. Specifically, if there was a need to review the threshold for the Policy’s application.

Having fully considered and debated at length the proposed changes to the Contract Procedure Rules, the Committee,

**RESOLVED:** The Finance, Audit and Risk Committee considered the proposed changes to the Contract Procedure Rules and

**RECOMMENDED TO COUNCIL:** the adoption of the Contract Procedure Rules subject to the following amendment:

***‘2.4 Failure to comply with the Rules ~~may~~ will result in Officers conduct being examined and may be a breach under the Council’s Managing Misconduct Policy....’***

**REASON FOR DECISION:** That the Contract Procurement Rules are part of the Constitution (under Section 20) and are revised and updated periodically as part of the Council's governance and procurement review processes, contributing to effective organisational internal control.

In addition, the review and adoption of the Council’s Contract Procurement Rules is a key action in the Council’s Procurement Strategy.

## **52 RISK AND OPPORTUNITIES MANAGEMENT UPDATE**

*Audio Recording – Start of Item – Session 1 – 1 hour 7 minutes 54 seconds*

The Service Director – Resources presented a report to update the Committee on the Corporate risks of which there were no proposed changes.

In response to a question by Councillor S Harwood it was explained that in relation to the risk of the North Hertfordshire Museum and Hitchin Town Hall Project this would remain a high risk at least until the Council had ownership of 14/15 Brand Street and the Waste Management Recycling and Street Cleaning would remain a high risk at least until the changes to the routes had been fully established.

Whereupon it was,

**RESOLVED:** That the Finance, Audit and Risk Committee notes that there are no changes to the Corporate risks for the Quarter.

**REASONS FOR DECISION:** The Committee has responsibility to monitor the effective development and operation of risk management.

**53      SECOND QUARTER REVENUE MONITORING 2018/19**

*Audio Recording – Start of Item – Session 1 – 1 hour 11 minutes 41 seconds*

The Accountancy Manager presented a report of the summary position on revenue income and expenditure forecasts for financial year 2018/19, as at the end of the second quarter. The forecast variance was a £17k decrease on the net working budget of £15.293m for 2018/19, with an ongoing impact in future years of £300k decrease and a request to carry forward budget of £87k to fund a specific project in 2019/20. There significant variances within these totals were detailed and explained in Table 3 of the submitted report.

Having received and answered questions by Councillors T Hone and S Jarvis, it was

**RESOLVED:** That the Finance, Audit and Risk Committee notes the report, to be presented to the Cabinet.

**REASON FOR DECISION:** To provide an opportunity for the Committee to comment as appropriate on the summary position on revenue, income and expenditure forecasts for the financial year 2018/19, as at the end of the second quarter.

**54      SECOND QUARTER CAPITAL MONITORING 2018/19**

*Audio Recording – Start of Item – Session 1 – 1 hour 19 minutes 30 seconds*

The Accountancy Manager presented a report to the Committee on progress with delivering the capital programme for 2018/19, as at the end of September 2018, and its impact upon the approved capital programme for 2019/20 - 2021/22. The current estimate was a decrease in spend in 2018/19 of £8.666million and an increase in spend in future years of £7.387 million. The most significant individual changes were the re-profiling of funding for John Barker Place, Providing Housing at Market Rents and Hitchin Swim Centre Car Park into 2019/20 and the withdrawal of the capitalised Pension Fund Contribution.

Following Councillor T Hone having asked a question, it was

**RESOLVED:** That the Finance, Audit and Risk Committee notes the report, to be presented to the Cabinet.

**REASON FOR DECISION:** To provide an opportunity for the Committee to comment as appropriate on the progress with delivering the capital programme for 2018/19, as at the end of September 2018.

**55 TREASURY MANAGEMENT SECOND QUARTER 2018/19**

*Audio Recording – Start of Item – Session 1 – 1 hour 22 minutes 10 seconds*

The Service Director – Resources presented of the Treasury Management activities in the second quarter of 2018/19 to the end of September. The current forecast was that the amount of investment interest expected to be generated during the year was £0.320 million, which was an increase of £0.065 million on the working budget.

The Committee were also informed of the performance against the Prudential and Treasury indicators. During the second quarter the Council had operated within the treasury and prudential indicators as set out in the Treasury Management Strategy Statement and in compliance with the Council's approved Treasury Management Practices. Whereupon it was,

**RESOLVED:** That the Finance, Audit and Risk Committee notes the report, to be presented to the Cabinet.

**REASON FOR DECISION:** To provide an opportunity for the Committee to comment as appropriate on the Treasury Management activities in the second quarter of 2018/19 to the end of September 2018.

**56 CORPORATE BUSINESS PLANNING - DRAFT BUDGET 2019/20**

*Audio Recording – Start of Item – Session 1 – 1 hour 23 minutes 5 seconds*

The Service Director – Resources presented to the Committee the draft budget for 2019/20 and the main factors which contributed to the determination of the North Hertfordshire District Council Council Tax level.

In addition the Service Director – Resources also provided an update following the provisional Local Government Finance Settlement that was announced on 13 December 2018.

Comments and questions were received by Councillors I Albert, S Jarvis and T Hone. Whereupon it was,

**RESOLVED:** That the Finance, Audit and Risk Committee notes the report, to be presented to the Cabinet.

**REASON FOR DECISION:** To provide an opportunity for the Committee to comment as appropriate on the draft budget for 2019/2020 as per the Committee's Terms of Reference to 'assist the Council and the Cabinet in the development of its Budget and Policy Framework process by in-depth analysis of policy issues pertaining to finance, audit and risk'.

**57 FUTURE MEETINGS - POSSIBLE AGENDA ITEMS**

*Audio Recording – Start of Item – Session 1 – 1 hour 41 minutes 45 seconds*

The Chairman requested that any suggestions for agenda items at future meetings to be directed to Officers.

During discussions earlier in the agenda the Committee had requested to be kept informed of the progress with the nine high priority recommendations as a result of the CCTV joint review.

**Monday, 17th December, 2018**

The meeting closed at 9.20 pm

Chairman