

**NORTH HERTFORDSHIRE DISTRICT COUNCIL**

**FINANCE, AUDIT AND RISK COMMITTEE**

**MEETING HELD IN THE COUNCIL CHAMBER, COUNCIL OFFICES, GERNON ROAD,  
LETCWORTH GARDEN CITY  
ON MONDAY, 20TH JANUARY, 2020 AT 7.30 PM**

**MINUTES**

**Present:** *Councillors: Kate Aspinwall (Chair), Councillor Sam North (Vice-Chair), Morgan Derbyshire, Steve Jarvis and Michael Weeks*

**In Attendance:** *Ian Couper (Service Director - Resources), Suresh Patel (Ernst and Young) and Matthew Hepburn (Committee, Member and Scrutiny Officer)*

**Also Present:** *At the commencement of the meeting Councillor Ian Albert*

**54 APOLOGIES FOR ABSENCE**

*Audio recording – 10 Seconds*

No apologies for absence were received.

**55 MINUTES - 5 DECEMBER 2019**

*Audio Recording – 37 Seconds*

**RESOLVED:** That the Minutes of the Meeting of the Committee held on 5 December 2019 be approved as a true record of the proceedings and be signed by the Chair.

**56 NOTIFICATION OF OTHER BUSINESS**

*Audio recording – 1 Minute*

There was no other business notified.

**57 CHAIR'S ANNOUNCEMENTS**

*Audio recording – 1 Minute 5 Seconds*

- (1) The Chair welcomed those present at the meeting;
- (2) The Chair advised that, in accordance with Council Policy, the meeting would be audio recorded;
- (3) The Chair drew attention to the item on the agenda front pages regarding Declarations of Interest and 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.

**58 PUBLIC PARTICIPATION**

*Audio recording – 1 Minute 30 Seconds*

There was no public participation.

**59 EXTERNAL AUDIT PLAN FOR YEAR ENDING 31/3/20**

*Audio Recording – 1 Minute 40 Seconds*

Ernst and Young presented the External Audit Plan for Year Ending 31/3/20 and advised the following:

- The basis of the audit, as explained on page 14 within the report;
- Questions and objections could be received from members of the public. However, as of that committee, none had been received;
- The main audit risk and main audit focus was summarised on page 17 within the report;
- Page 17 within the report also detailed a value for money conclusion;
- There was a new area of focus which was preparation for the implementation of IFRS 16 (leases);
- Page 25 within the report stated that the new property acquisition and development strategy and associated investment strategy was a significant value for money risk;
- That risk would incur an additional audit fee as it was considered a significant risk;
- Materiality for the financial statement of the council was £1.32 million;
- The performance materiality had been set at £0.99;
- All uncorrected misstatements relating to the primary statements greater than £0.066 million would be reported; and
- The Audit Timetable was detailed on page 35 within the report.

Mr Suresh Patel, Ernst and Young, advised that the end of July was not a suitable time to carry out an audit. Therefore, discussions with the Service Director – Resources would take place in order to decide on a more deliverable and viable timetable.

The Following Members asked questions:

- Councillor Michael Weeks;
- Councillor Steve Jarvis; and
- Councillor Kate Aspinwall.

Mr Patel responded accordingly to Members' questions.

**RESOLVED:** That the External Audit Plan for Year Ending 31/3/20 be noted.

**REASON FOR DECISION:** To communicate to Members the key issues arising from Ernst and Young's External Audit Plan for Year Ending 31/3/20.

## 60 REVENUE BUDGET REPORT 2020/21

*Audio recording – 21 minutes 37 seconds*

The Service Director – Resources presented the report entitled Revenue Budget Report 2020/21 together with the following appendices:

- Appendix A - Financial Risks;
- Appendix B - Revenue Budget Savings;
- Appendix C - Budget Summary 2020-24.

The Service Director Resources drew attention to the following:

- This version of the budget would be referred to Cabinet and, subject to any amendments, be referred to Council in February 2020;
- Council would then use this to set a budget for next year and, as a result would set the Council Tax for the District Council for that year;
- Section 8.1 detailed the General Funding;
- Table 1 set out the forecast over a number of years, although there were a number of uncertainties;
- Table 2 detailed the grant funding currently being received;
- Section 8.2 set out the Business Rates and Council Tax Collections Fund;
- Section 8.4 was a review of balances and reserves;
- Image 5 showed indicators of financial stress;
- Section 8.6 set out expenditure forecasts;
- The amount expected from recycling of paper collected from residents was significantly lower than the current contract due to market forces;
- Approximately £1.2 million savings would be required;
- Section 8.7 set out revenue effects on capital;
- The Property Acquisition Strategy would require significant investment and therefore some borrowing, but this had not been factored into the budget either for expenditure, interest or potential income;
- Section 8.8 set out reliability of estimates.
- There was a need to increase Council Tax in order to cover estimated expenditure in this and future years.

The following Members asked questions and took part in the debate:

- Councillor Michael Weeks;
- Councillor Steve Jarvis;
- Councillor Sam North.

The Service Director – Resources advised:

- It was prudent to make provision for any purchases that the Council may make;
- It was better to prepare for potentially difficult circumstances;
- Balances could be used to balance the budget over a short term.

Members agreed that the details in Paragraph 8.9, in particular the amount of savings required (£1.2million) be emphasised to Cabinet

**RECOMMENDED TO CABINET:**

- (1) That Cabinet's attention be drawn to Paragraph 8.9 of the report and that the amount of savings required (1.2 million) be emphasised;
- (2) That the decrease in the 2019/20 working budget of £200k, as detailed in table 6, be approved; and
- (3) That the carry-forward of £88k of budget in to 2020/21, as detailed in table 6, be approved.

That Cabinet recommend to Council:

- (1) That the transfer from reserves to the General Fund as detailed in 8.4.3 to 8.4.4 be approved;
- (2) That the forecast savings target for future years and the approach to balancing the budget, as detailed in paragraph 8.9.4, be noted;
- (3) That the Collection Fund and how it will be funded be noted;
- (4) That the position relating to the General Fund and that due to the risks identified a minimum balance of £2.45 million is recommended, be noted;
- (5) That the savings and investments as detailed in Appendix B be approved;
- (6) That a net expenditure of £14.974m, as detailed in Appendix C, be approved; and
- (7) That a Council Tax increase of £5 for 2020/21 for a band D property, with other increases pro-rata to this, be approved.

**REASONS FOR DECISIONS:**

- (1) To ensure that all the relevant factors are taken in to consideration when arriving at the proposed Council Tax precept for 2020/21; and
- (2) To ensure that Cabinet recommends a balanced budget to Full Council on 6 February 2020.

**61 INVESTMENT STRATEGY (INTEGRATED CAPITAL AND TREASURY)**

*Audio recording – 46 minutes 23 seconds*

The Service Director - Resources presented the report entitle Investment Strategy (Integrated Capital and Treasury together with the following appendices:

- Appendix A - Investment Strategy;
- Appendix A1 - A full list of planned capital expenditure (2020/21 onwards);
- Appendix A2 - A list of new capital schemes and schemes planned to commence from 2020/21.

The Service Director – Resources drew attention to the following:

- Paragraph 8.4 of the report set out details regarding an allocation of £20m that had been made that was aligned to the Property Acquisition and Development Strategy;

- Table 8 of the Strategy provided an assessment of expenditure that did not relate to service delivery;
- Paragraph 8.5 of the report set out that there would be a need to borrow to fund the Capital Programme and whether funds should be borrowed internally or externally;
- There was some uncertainty regarding capital receipts;
- Paragraph 8.6 of the report set out details of the Minimum Revenue Provision (MRP);
- Paragraph 8.8 of the report gave details of proposed changes to the Treasury Strategy;
- Paragraph 8.9 of the report detailed that, where returns are similar to or the same as non green alternatives, for the same level of risk, they will be prioritised;
- There were rigorous processes in place regarding treasury management.

The following Members asked questions and took part in the debate:

- Councillor Steve Jarvis;
- Councillor Sam North;
- Councillor Kate Aspinwall.

In response to question the Service Director - Resources advised:

- That, if the Council invested in property it would then have an asset;
- It would be imprudent to budget from income from acquisitions that had not yet made

***RECOMMENDED TO CABINET:***

That Cabinet recommend to Council:

- The adoption of the Investment Strategy (as attached at Appendix A), including the capital programme and prudential indicators; and
- The adoption of the four clauses in relation to the Code of Practice on Treasure Management (as detailed in paragraphs 8.11 to 8.16).

***REASONS FOR DECISIONS:***

- (1) To ensure that the capital programme meets the Council's objectives and officers can plan the implementation of the approved schemes; and
- (2) To ensure the Council's compliance with CIPFA's code of practice on Treasury Management, the Local Government Act 2003, statutory guidance from the Ministry of Housing, Communities and Local Government and the CIPFA Prudential Code. As well as determining and managing the Councils risk appetite in respect of investments.

## 62 FINANCIAL MANAGEMENT CODE

*Audio Recording – 1 Hour*

The Service Director – Resources presented the Financial Management Code to Members of the Committee and advised the following:

- The Financial Management Code ensured that there was a robust process in place for good financial management across the Council;
- The Code ensured there was a shared financial management responsibility across the Leadership team;
- The Committee would receive the Financial Management Code via email once it had been realised; and
- There were 17 standards contained within the code and those were detailed at Appendix A on page 143 within the report.

The following Members asked questions:

- Councillor Kate Aspinwall;
- Councillor Michael Weeks; and
- Councillor Steve Jarvis.

In response to questions raised, the Service Director – Resources responded as follows:

- The Financial Management Code was not due to go to Cabinet at present. It was the role of the Finance, Audit and Risk Committee to consider the code;
- In relation to clause E on page 145 within the report, owing to changes to accountancy rules, full recharges were no longer required; and
- He was comfortable that it was his personal and statutory responsibility for ensuring the statements of accounts produced by the local authority complied with the reporting requirements of the Code of Practice on Local Authority Accounting.

**RESOLVED:** That the Financial Management Code be noted.

**REASON FOR DECISION:** To demonstrate the extent to which the Council complies with the Code and areas where it plans to take further actions. This will support good governance and risk management.

## 63 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

*Audio recording – 1 Hour 9 Minutes*

The Chair requested that, should any Members have any suggestions for agenda items for future meetings, they advise himself, officers or the Committee Clerk.

The meeting closed at 8.40 pm

Chair