

NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

**MEETING HELD AS A VIRTUAL MEETING
ON MONDAY, 7TH SEPTEMBER, 2020 AT 7.30 PM**

MINUTES

Present: *Councillors: Kate Aspinwall (Chair), Sam North (Vice-Chair), Sam Collins, Steve Deakin-Davies, Adem Ruggiero-Cakir and Michael Weeks*

In Attendance: *Ian Couper (Service Director - Resources), Reuben Ayavoo (Policy and Community Engagement Manager), Mark Chalkley (SIAS Client Audit Manager), Suresh Patel (Associate Partner - Ernst and Young), Nazeer Mohammed (Audit Manager - Ernst and Young) and Matthew Hepburn (Committee, Member and Scrutiny Officer)*

Also Present: *At the commencement of the meeting Councillor Ian Albert (Executive Member for Finance and IT) and Georgina Chapman (Policy Officer)*

25 WELCOME AND INTRODUCTIONS

Audio Recording – 13 Seconds

The Chair welcomed everyone to the virtual Finance, Audit and Risk Committee meeting that was being conducted with Members and Officers at various locations, communicating via audio/video and online and advised that there was the opportunity for the public and press to listen and view proceedings.

The Committee, Member and Scrutiny Officer gave advice regarding the following:

Attendance

A roll call was undertaken to confirm that the required Members and Officers were present and could hear and be heard.

If for any reason the meeting was not quorate an Officer would interject the meeting and the meeting would adjourn immediately. Once the meeting was quorate the meeting would resume.

Only Members present during the entire debate for an item were entitled to vote. If a Member had been cut off during the debate and re-joined the meeting, then they would not be able to vote on that item.

Live Streaming

The meeting was being streamed live on the Council's YouTube channel. If live streaming failed the meeting would adjourn. If the live stream could not be restored within a reasonable period then the remaining business would be considered at a time and date fixed by the Chair.

If the Chair did not fix a date, the remaining business would be considered at the next ordinary meeting.

If technology failed for a member of the public who had attended to exercise their right to speak and was unable to do so, the Chair may decide to proceed to the next item of business to allow for connection to be re-established. If connection could not be restored within a reasonable period, the Chair may decide to conclude the remaining business, or consider the remaining business at a time and date fixed by the Chair. If the Chair did not fix a date, the remaining business would be considered at the next ordinary meeting.

Noise Interference

The Committee, Member and Scrutiny Officer asked all in attendance to ensure that electronic devices were muted.

Rules of Debate

If a Member wished to speak they should use the raise hand button and this would alert the host that they wished to speak.

Members were reminded that the normal procedure rules in respect of debate and times to speak would apply.

Voting

When requested to vote, Members were informed to vote using the Green tick for 'Yes', Red Cross for 'No' and Blue Raise Hand for 'abstain'.

Details of how Members voted would not be kept or minuted unless a Recorded Vote was requested or an individual requests that their vote be recorded.

The Committee, Member and Scrutiny Officer would clearly state the result of the vote and the Chair would proceed to the next agenda item.

The Chair, Councillor Kate Aspinwall, started the meeting proper.

26 APOLOGIES FOR ABSENCE

Audio Recording – 3 Minutes 26 Seconds

There were no apologies for absence received.

27 NOTIFICATION OF OTHER BUSINESS

Audio Recording – 3 Minutes 38 Seconds

There was no other business notified.

28 CHAIR'S ANNOUNCEMENTS

Audio Recording – 3 Minutes 40 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 and streamed on the Council's YouTube Channel;

- (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; and
- (4) The Chair advised that a comfort break would be called if the meeting were to run past 9:00pm.

29 PUBLIC PARTICIPATION

Audio Recording – 4 Minutes 15 Seconds

There was no public participation.

30 SIAS - ANNUAL REPORT 2019/20

Audio Recording – 4 Minutes 19 Seconds

The SIAS Client Audit Manager presented the report entitled SIAS Annual Report 2019/20, including:

- The Performance Indicators on page 13 within the report and advised that as at 31 March 2020, 94% planned days had been delivered against a target of 95%;
- 89% audits issued in draft by 31 March against a target of 95%;
- The figures in brackets represented revisions to account for the impact of audits unable to commence or complete due to Covid-19;
- The impact of Covid-19 was felt in March 2020 and posed audit delivery challenges; and
- The Public Sector Internal Audit Standards required SIAS to have an external quality assessment at least once every five years. The next assessment was due in November 2020. However, the SIAS Board have agreed to defer the assessment to May 2021.

The following Members offered comment:

- Councillor Sam Collins; and
- Councillor Michael Weeks.

RESOLVED: That the report entitled SIAS – Annual Report 2019/20 be noted.

REASON FOR DECISION: To enable the Committee to consider the SIAS Annual Report 2019/20.

31 SIAS - AUDIT COMMITTEE PROGRESS REPORT

Audio Recording – 10 Minutes 30 Seconds

The SIAS Client Audit Manager presented the report entitled SIAS Audit Committee Progress Report, including:

- Directed Members to the table at Paragraph 2.2 on page 21 within the report and advised that one report was outstanding. A meeting was due to take place in 2 week's time to finalise the report;
- Directed Members to the table at Paragraph 2.3 on page 22 within the report and advised that these 2 reports had now been issued;
- Members were directed to the High Priority Recommendations starting at Paragraph 2.4 on page 22 within the report;

- There had been some delays in progressing with the 2020/21 audit plan. As a result of the loss of available time to deliver the originally agreed plan, the SIAS Board have agreed to a reduction in the total number of planned days - this amounted to 28 days for NHDC;
- The Anti-Social Behaviour Audit had been removed. The decision to remove the audit was based upon the changing priority of the service;
- The Shared Learning and Joint Reviews had been removed;
- The Contingency had been removed from the audit plan;
- The Progress Monitoring had been reduced by 1 day;
- The impact of changes to the audit plans meant that the total number of days to be delivered was 292 days, reduced from 320;
- The planned audit projects had been safeguarded as far as possible to ensure that assurance opinions provided to the Council for the financial year were well informed;
- Directed Members to the table at Paragraph 2.11 and provided updated figures, as follows:
 - 78.5 (27%) Planned Days had been delivered; and
 - Draft reports remained unchanged;
- Audits were on track to be completed. However, the next 2 months were critical to ensure their competition; and
- Appendix C detailed that all work started was due to be completed in the next few months.

The following Members asked questions:

- Councillor Michael Weeks.

In response to the Member's question, the SIAS Client Audit Manager advised that there were no physical meetings taking place currently. Working remotely and differently posed some challenges but there was still good engagement from partners.

The Chair thanked the work that was being done by SIAS.

RESOLVED:

- (1) That the Internal Audit Progress Report for the period to 21 August 2020 be noted;
- (2) That the implementation of High Priority status recommendations be noted.

REASON FOR DECISIONS: To enable the Committee to consider the SIAS – Audit Committee Progress Report.

32 ANNUAL GOVERNANCE STATEMENT 2019/20

Audio Recording – 23 Minutes 7 Seconds

The Policy and Community Engagement Manager presented the report entitled Annual Governance Statement 2019/20 and drew Members' attention to the amendments to the AGS detailed at Paragraph 5.1 on page 34 within the report.

RESOLVED: That the amended AGS and Action plan be approved.

REASONS FOR DECISION:

- (1) The AGS must be considered and approved by this Committee before the approval of the Statement of Accounts under Regulation 6(4)(a) of the Accounts and Audit Regulations ('AAR') 2015/234;
- (2) The Committee is the legal body with responsibility for approval of the AGS;
- (3) Reviewing the AGS Action Plan during 2020-21 will provide the Committee with assurances that the Council is examining and where necessary improving its governance arrangements.

33 DRAFT AUDIT RESULTS REPORT

Audio Recording – 26 Minutes 55 Seconds

The Draft Audit Results Report was added under urgency provisions. The reason for urgency was that the Statement of Accounts must be approved by 30 November 2020, in line with the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. The next scheduled Finance, Audit and Risk Committee is due to take place after this deadline on 3 December 2020.

The Associate Partner and the Audit Manager – Ernst and Young, presented the Draft Audit Results Report.

The Associate Partner informed Members that the audits had been completed entirely via remote means.

The Associate Partner advised that subject to satisfactory completion of some outstanding items they were expected to issue an unqualified opinion on the Authority's financial statements. The Audit Manager provided more detail on the outstanding items, as per page 115 of the report.

The Audit Manager advised that they would include an 'emphasis of matter' paragraph in order to draw users' attention to the going concern disclosure.

The Associate Partner provided further information relating to the Fee Analysis, outlined on page 141 within the report.

The Service Director – Resources concluded the item by advising that Members were recommended to note the Draft Audit Results Report.

RESOLVED: That the Draft Audit Results Report be noted.

REASON FOR DECISION: To enable the Committee to consider the Draft Audit Results Report.

34 STATEMENT OF ACCOUNTS 2019/20

Audio Recording – 37 Minutes 55 Seconds

The Statement of Accounts was added under urgency provisions. The reason for urgency was that the Statement of Accounts must be approved by 30 November 2020, in line with the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. The next scheduled Finance, Audit and Risk Committee is due to take place after this deadline on 3 December 2020.

The Service Director – Resources presented the report entitled Statement of Accounts and drew Members' attention to Recommendation 2.2. He advised that there may be some minor changes to the accounts. However, if there were any major changes to be made, the report would be brought back before Members of the Committee.

The Service Director – Resources reaffirmed that the accounts required approval by 30 November 2020. However, the next Finance, Audit and Risk Committee was not scheduled until 3 December 2020, therefore illustrating the urgency.

There was clarification sought from Members regarding Recommendation 2.2 which the Service Director – Resources provided guidance on.

RESOLVED:

- (1) That the draft 2019/20 Annual Statement of Accounts, as set out in Appendix A, be approved based on the draft Audit Results report;
- (2) That subject to the final Audit Results report not requiring any substantial changes, the final approval of the 2019/20 Annual Statement of Accounts be delegated to the Chair of the Committee. This will include confirming that the Chair of the Committee can sign the Statement of Accounts to confirm that they have been approved by the Committee.

REASON FOR DECISIONS: To ensure that the Council abides by the Audit and Account Regulations 2015, which require the approval and publication of audited Statement of Accounts.

35 RISK MANAGEMENT UPDATE

Audio Recording – 44 Minutes

The Service Director – Resources presented the report entitled Risk Management Update, including:

- The Risk Management Group (RMG) discussed the impact of Anti-Social Behaviour on Council Facilities. The Group agreed to the reduction in the risk score from a 7 to a 5;
- In view of the Director of Public Health Herts reports stating that we were heading down the curve both locally and nationally, it was agreed by the RMG that the Covid-19 risk score should be reduced from a 9 to an 8;
- The RMG discussed the Service Risk for the Leisure Management Contract,. The group agreed that it should be split into two separate risk entries, one relating to the significant risks associated with Covid-19 and the other relating to the previously recorded ongoing operational risks. The RMG proposed that the Covid-19 risk should be a corporate risk with a score of 8;

- The Service Manager for Waste and Recycling had provided further information in relation to the Route Optimisation of Collection Rounds Risk. It has been confirmed that the route optimisation of rounds was complete and collection services were operating within normal expected parameters. Therefore, as the work has been completed and appropriate risk mitigation measures were in place, it was recommended that the risk was now archived.

The following Members asked questions:

- Councillor Sam Collins;
- Councillor Sam North;
- Councillor Kate Aspinwall;
- Councillor Adem Ruggiero-Cakir; and
- Councillor Michael Weeks.

Following Members questions relating to the Impact of Anti-Social Behaviour on Council Facilities Corporate Risk Score, the Service Director – Resources provided further information as to the reasons the score was reduced. He advised that work had been completed prior to Lockdown to tackle anti-social behaviour such as making physical improvements to the Lairage car park and the Car Parking Team moving back into the car park. Additionally, work done by the Community Protection team, the Police and Schools had all helped to reduce Anti-Social Behaviour in the car park.

There was a further discussion on the decision to reduce the Impact of Anti-Social Behaviour on Council Facilities risk score, with Members providing reasons that the risk score should not be reduced.

In light of Members' points, the Service Director – Resources responded that the risk score specifically related to Anti-Social Behaviour against Council facilities rather than general Anti-Social Behaviour.

A Member raised a question relating to Stevenage Leisure which the Service Director – Resources advised there would be a report presented at Council in regards to that subject.

There was a discussion as to whether the Covid-19 risk score should be reduced as there was a possibility of a second wave of the pandemic that could have a further impact on the Council's income.

The Service Director – Resources advised that there were mitigation processes in place such as the car park income guarantee from the Government.

RECOMMENDED TO CABINET:

- (1) That the Corporate Risk for the impact of Anti-Social Behaviour on Council Facilities be retained at a risk score of 7 instead of reduced to 5;
- (2) That the Novel Coronavirus (covid19) Corporate risk be retained at a risk score of 9 instead of reduced to 8;
- (3) That the New Corporate Risk, Covid19 – Leisure Management Contract, be proposed as a risk score of 8.
- (4) That the Route Optimisation of Collection Rounds Risk be archived.

REASON FOR DECISIONS:

- (1) The responsibility for ensuring the management of risks is that of Cabinet;
- (2) This Committee has the responsibility to monitor the effective development and operation of Risk Management.

36 FIRST QUARTER REVENUE MONITORING 2020/21

NB: Before the start of this item, there was a comfort break called at 20:45. The meeting resumed at 20:57.

The Committee, Member and Scrutiny Officer carried out a roll call to ensure all Members and Officers were present.

Audio Recording – 1 Hour 25 Minutes 46 Seconds

The Service Director – Resources presented the report entitled First Quarter Revenue Monitoring 2020/21, including:

- The table at Paragraph 8.1 on page 81 within the report and advised that Service Managers were responsible for monitoring their expenditure and income against their working budget. Table 3 highlighted areas where there were forecast to be differences;
- The Financial Impact of Covid-19 Report brought before Members in July 2020 was intended to illustrate a realistic bad case impact. However, despite this, the outcome showed that an Emergency Budget would not need to be set as the Council's reserves were sufficient;
- This report took a less severe approach as it reflected what had happened thus far;
- Further information was provided in relation to the income guarantee as detailed at Paragraph 8.16 on page 90 of the report and advised that the Council was able to decide the income streams to apply it to. The Income Guarantee only related to sales, fees and charges impacted by a reduction in demand;
- Two significant areas not covered by the income guarantee were therefore the garden waste service and income from recycled materials;
- The latest forecast at the end of August showed that the income recovery was better than forecasted; and
- The Service Director – Resources drew Members' attention to Paragraphs 8.3 and 8.4 on page 87 within the report in relation to a debt write-off.

The following Members asked questions:

- Councillor Sam Collins.

In response to questions, Councillor Ian Albert, as Executive Member for Finance and IT, advised as follows:

- A lot of the Government's estimates were predicated on the notion that the situation could only improve. However, this may not be the case;
- A number of things were being looked at including a budget challenge group and working closely with the Local Government Association in order to continue to lobby the Government as Local Authorities were running short of money;
- The Council's financial position was better than that of a lot of other Councils;
- There was no need currently for an emergency budget; and
- Another Lockdown could have a serious impact on the Council's finances.

RECOMMENDED TO CABINET:

- (1) That the report entitled First Quarter Revenue Monitoring 2020/21 be noted;
- (2) That the changes to the 2020/21 General Fund budget, as identified in table 3 and paragraph 8.2, a £1.468million increase in net expenditure, be approved;
- (3) That the changes to the 2021/22 General Fund budget, as identified in table 3 and paragraph 8.2, a total £186k increase in net expenditure, be noted. These will be incorporated in the draft revenue budget for 2021/22;
- (4) That the write-off of debtor invoices totalling £17,442.64 raised to Hitchin Markets Limited, as explained in paragraphs 8.3 and 8.4, be approved.

REASON FOR DECISIONS: Members are able to monitor, make adjustments within the overall budgetary framework and request appropriate action of Services who do not meet the budget targets set as part of the Corporate Business Planning process.

37 FIRST QUARTER INVESTMENT STRATEGY (CAPITAL AND TREASURY) REVIEW 2020/21

Audio Recording – 1 Hour 39 Minutes 45 Seconds

The Service Director – Resources presented the report entitled First Quarter Investment Strategy (Capital and Treasury) Review 2020/21 and highlighted to Members the Treasury Management position for 2020/21 detailed at Paragraphs 8.9 – 8.10 on page 100 within the report.

RECOMMENDED TO CABINET:

- (1) That the forecast expenditure of £10.519million in 2020/21 on the capital programme, paragraph 8.3 refers, be noted;
- (2) That the adjustments to the capital programme for 2020/21 onwards as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend in 2021/22 by £0.296million, be approved;
- (3) That the position of the availability of capital resources, as detailed in table 3 paragraph 8.6 and the requirement to keep the capital programme under review for affordability, be noted;
- (4) That the position of Treasury Management activity as at the end of June 2020, be noted.

REASONS FOR DECISIONS:

- (1) Cabinet is required to approve adjustments to the capital programme and ensure the capital programme is fully funded.
- (2) To ensure the Council's continued compliance with CIPFA's code of practice on Treasury Management and the Local Government Act 2003 and that the Council manages its exposure to interest and capital risk.

38 MEDIUM TERM FINANCIAL STRATEGY

Audio Recording – 1 Hour 42 Minutes 55 Seconds

The Service Director – Resources presented the report entitled Medium Term Financial Strategy, including Appendix A.

- As detailed in the separate report the financial impact of Covid-19 on income and expenditure in 2020/21 was forecast to be around £4,708k against estimated Government funding of £3,550k, leaving a shortfall of £1,358k;
- There was also expected to be a shortfall on the Council Tax Collection Fund from the increased entitlement for Council Tax Reduction Scheme (CTRS);
- The MTFS had previously assumed net growth of 1% per year in the Council Tax base. This was based on housing growth and a stable CTRS eligibility. The actual assumption was that growth would be a bit higher than 1% but that some of this was needed to fund the additional costs associated with new properties (e.g. waste collection);
- Further delays to the Local Plan hearings and a general economic downturn meant that housing growth was likely to be suppressed;
- Whilst CTRS eligibility may start to decrease over time it would probably still be higher than previous levels; and
- The current budget included an allowance for pay inflation of 2% each year. The pay award offered to the Unions by the employers under national pay bargaining for 2020/21 was for 2.75%. This was only for one year.

The following Members asked questions:

- Councillor Sam Collins;
- Councillor Michael Weeks; and
- Councillor Kate Aspinwall.

The Executive Member for Finance and IT responded to question as follows:

- As there was a larger base of people claiming Council Tax Reduction owing to Covid, it meant there was smaller amount of people to collect the same amount from, leaving the Council with an additional shortfall as outlined at Paragraph 2.7;
- Collection Rates were due for a discussion at Overview and Scrutiny. There was an issue with Business Rates. However, Council Tax was holding up well;
- The Service Director – Customers would provide a further update on collection rates;
- Brexit was not built into the assumptions as the risk was not yet known and there was a lot of uncertainty; and
- Long term planning was difficult owing to the pandemic and a new funding system.

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

- Increases in Council Tax Reduction Scheme eligibility decrease the Council Tax base;
- The Local Plan was not wrong in terms of housing growth. There was not certainly when the growth would take place;
- There was forecasted to be £6.4million in the General fund reserves by the end of the period based on the assumptions; and
The strategy would be amended if required should the situation deteriorate.

RECOMMENDED TO CABINET:

That Cabinet recommend to Council:

- (1) The adoption of the Medium Term Financial Strategy 2021-26 as attached at Appendix A.

REASON FOR DECISION: Adoption of a MTFS and communication of its contents will assist in the process of forward planning the use of Council resources and in budget setting for 2021/2022 to 2025/2026, culminating in the setting of the Council Tax precept for 2020/21 in February 2021.

39 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio Recording – 2 Hours 9 Minutes 30 Seconds

Members discussed items for the future agenda and it was:

RESOLVED: That the risks in relation to Commercialisation and the Commercial Team be reviewed by the Risk Management Group, and that this be reported back to the next meeting.

The meeting closed at 9.55 pm

Chair