

**NORTH HERTFORDSHIRE DISTRICT COUNCIL**  
**FINANCE, AUDIT AND RISK COMMITTEE**  
**MEETING HELD AS A VIRTUAL MEETING**  
**ON THURSDAY, 3RD DECEMBER, 2020 AT 7.30 PM**

**MINUTES**

**Present:** *Councillors: Kate Aspinwall (Chair), Sam North (Vice-Chair), Adem Ruggiero-Cakir*

**In Attendance:** *Ian Couper (Service Director - Resources), Reuben Ayavoo (Policy and Community Engagement Manager), Suresh Patel (Associate Partner - Ernst and Young), Nazeer Mohammed (Audit Manager - Ernst and Young), Josh Smart (Audit Senior - Ernst and Young), Mark Chalkley (SIAS Client Audit Manager), Nick Jennings (Head of the Shared Anti-Fraud Service) Matthew Hepburn (Committee, Member and Scrutiny Officer) and William Edwards (Committee, Member and Scrutiny Officer)*

**Also Present:** *At the commencement of the meeting Councillor Ian Albert was present as Executive Member for Finance and IT.*

**40 WELCOME AND REMOTE/PARTLY REMOTE MEETINGS PROTOCOL SUMMARY**

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

The Chair invited the Committee, Member and Scrutiny Officer to explain how proceedings would work and to confirm that Members and Officers were in attendance.

The Committee, Member and Scrutiny Officer undertook a roll call to ensure that all Members and Officers could hear and be heard and gave advice regarding the following:

The meeting was being streamed live onto You Tube and recorded via Zoom. Extracts from the Remote/Partly Remote Meetings Protocol was included with the agenda and the full version was available on the Council's website which included information regarding:

- Live Streaming;
- Noise Interference;
- Rules of Debate and
- Voting

Members were requested to ensure that they were familiar with the Protocol.

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

**41 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Sam Collins, Steve Deakin-Davies and Michael Weeks.

NB: Councillor Morgan Derbyshire sent apologies for the meeting via email at 19:24. However, this was not received by the Committee, Member and Scrutiny Officer until after the meeting had closed.

**42 NOTIFICATION OF OTHER BUSINESS**

There was no other business notified.

**43 CHAIR'S ANNOUNCEMENTS**

- (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.

**44 PUBLIC PARTICIPATION**

There was no public participation.

**45 FINAL AUDIT RESULTS REPORT**

The Associate Partner and the Audit Manager – Ernst and Young presented the report entitled Final Audit Results Report. The Associate Partner informed Members that his colleague, Josh Smart, was in also attendance as Audit Senior who had completed the Council's Audit.

The Associate Partner updated the Committee as follows:

- The September 2020 meeting of the Finance, Audit and Risk Committee reported the Audit Results of the 2019/20 accounts;
- At the September meeting, there were three key items that Ernst and Young were waiting to conclude: pension assurances, completion of work by the property valuation specialists and completion of the internal consultation process on the Council's Audit report namely in respect of the impact of Covid-19 on 'Going Concern' and 'Property Valuations';
- In November, all three of those items were concluded and Ernst and Young were in a position to issue the Council's Audit Opinion on 30 November 2020, allowing for the publication of the audited accounts by the target date;
- The September Audit went smoothly despite the challenges posed by working remotely; and
- Ernst and Young did not include an emphasis of matter on the Council's Going Concern and the report contained an explanation for that.

The Audit Manager continued the presentation and reported as follows:

- Property Valuation was a significant risk in September 2020 compared to their planning where it was an area of audit interest risk;

- The reason the risk was upgraded to significant was mainly owing to the uncertainty reported by the valuer;
- Ernst and Young engaged their real estate specialists where they used certain examples including Churchgate Shopping Centre. Based on their review from Ernst and Young's valuation experts, it was concluded the valuation was reasonable and the material uncertainty did not exist for property valuation;
- An emphasis of matter paragraph had been included in the report which outlined a disclosure relating to material uncertainty; and
- The other area outstanding in September was pension liability evaluation which was concluded in November. However, in October, the Council received a revised valuation report and there was a change of £206,000 in reduction of net liability.

The Associate Partner reassured Members that the emphasis of matter on property valuations and the late adjustments on the pensions liability were common. The emphasis of matter on property valuations had been appearing in the majority of Councils who hold significant property assets on their balance sheet.

The Associate Partner directed Members to the Fee Analysis detailed on Page 32 within the report.

It was:

**RESOLVED:** That the Final Audit Results Report be noted.

**REASON FOR DECISION:** To update the Committee on the Final Audit Results.

#### 46 **SIAS UPDATE ON PROGRESS AGAINST THE 2020/21 AUDIT PLAN**

The SIAS Client Audit Manager presented the report entitled SIAS Update on Progress Against the 2020/21 Audit Plan, including:

- Directed Members to the Table at Paragraph 2.2 on page 53 within the report and advised that the table detailed all final reports that had been issued since September 2020;
- As part of the Annual Audit Plan, a review of the effectiveness of the FAR Committee was completed. The Final Report was issued to Members and had been added at Appendix E;
- The Community Engagement Audit had been reduced to 10 days from 15 days in order to release days for an investigation in relation to a complaint received; and
- SIAS were requested to investigate part of a complaint received in relation to the award of a Community Facilities Capital Grant in May 2020.

The SIAS Client Audit Manager reported that there were some updates to be made to the information contained in the Table at paragraph 2.8, as follows:

- 187 (64%) planned days had now been delivered;
- 13 out of 24 planned projects had now been completed; and
- 7 Client Satisfaction with Conduct of the Audit questionnaires had been returned.

The SIAS Client Audit Manager advised that they expected to achieve the annual targets.

The SIAS Client Audit Manager directed Members to the appendices A-D and provided further information in relation to those reports still outstanding in Appendix B. He further advised that Quarter 3 in Appendix C, some of those audits should be completed before Christmas.

The following Members asked questions:

- Councillor Sam North

In response to the question raised, the SIAS Client Audit Manager advised that:

- In relation to the investigation, the report had been issued to the Deputy Monitoring Officer and Section 151 Officer.

Members entered into a discussion around 'North Herts District Council – Review of the Effectiveness of the Finance, Audit and Risk Committee 2019/20 - Section 4 – Looking Ahead' and the 4 actions that had been set out.

Councillor Kate Aspinwall and Councillor Adem Ruggiero-Cakir posed some questions in regards to the actions detailed at Section 4.

In response to questions, the Service Director – Resources provided the following information:

- 'The Independent Member' action detailed in Section 4 'Looking Ahead' was a matter for the Council's Constitution;
- Committee Independence was a matter for nominations at Annual Council but now was the time for Members to put their views forward in relation to that;
- In regards to Deputy Executive Members, from a practicality point of view, if 14 members of the Joint Administration were taken out, there would potentially not be a sufficient number of people. Therefore, not all Members could be excluded; and
- It was a good idea to compile a work plan at the beginning of the civic year with the Chair of the Finance, Audit and Risk Committee and the Chair of Overview & Scrutiny to ensure that the remit of FAR did not overlap with that of Overview & Scrutiny.

Councillor Kate Aspinwall, in relation to action 4.6 – Learning and Development, stated that Learning and Development should be a priority for Members in the next Civic Year.

The Committee were in agreement with the "Looking Ahead' Recommendations outlined at Paragraphs 4.3-4.6 on page 70 within the report.

It was:

**RESOLVED:**

- (1) That the Internal Audit Progress Report for the period to 18 November 2020 be noted; and
- (2) That the implementation status of High priority recommendations be noted.

**REASON FOR DECISIONS:** To update the Committee on the progress against the 2020/21 Audit Plan.

#### 47 **PROGRESS WITH DELIVERY OF THE 2020/21 ANTI-FRAUD PLAN**

The Head of the Shared Anti-Fraud Service presented the report entitled Progress with delivery of the 2020/21 Anti-Fraud Plan, including:

- Drew Members' attention to Appendix B – KPIs on page 89 within the report which were all on target;
- The Covid-19 outbreak created opportunities for fraudsters to exploit. The Shared Anti-Fraud Service's response to the pandemic and the impact it has had on the service was detailed in the report starting at Paragraph 2.18 on page 76 within the report;
- SAFS had deployed one Counter Fraud Officer to work exclusively for the Council. The Officer received support from the Intelligence Team;
- The Intelligence Team dealt with all fraud allegations received;
- The Counter Fraud Officer has been working with the Council on looking at the prevention of, and recovery of fraudulent grant payments. There were a few cases under investigation;
- Directed Members to paragraphs 2.5 – 2.10 on page 74 within the report which outlined fraud awareness and prevention;
- One of the key aims for the Council was to continue to maintain an 'Anti-Fraud' culture that would deter fraud and encourage the public and staff to identify fraud and report it;
- There had been a decrease in referrals across all the partners between March and July 2020;
- A Campaign was launched in August to raise awareness of Fraud against the Local Authority;
- The campaign reached approximately 350,000 residents and as a result there was an increase of visits to the SAFS website;
- International Fraud Awareness week took place in November 2020 – the outcome was not known yet however visits to the website had increased;
- There had been 66 allegations of fraud between April and October 2020 - that number was higher than on previous years possibly highlighting that the fraud awareness campaigns had been effective; and
- There were 49 live cases at the moment – this number was manageable.

It was:

#### **RESOLVED:**

- (1) That the progress made in delivering the 2020/21 Anti-Fraud Plan be reviewed;
- (2) That the performance of SAFS in meeting its Key Performance Indicators in 2020/21 be reviewed.

**REASON FOR DECISIONS:** To update the Committee on the progress with delivery of the 2020/21 Anti-Fraud Plan.

#### 48 **ANNUAL GOVERNANCE STATEMENT 2019/20: UPDATED ACTION PLAN FOR 2020/21**

The Policy and Community Engagement Manager presented the report entitled Annual Governance Statement 2019/20: Updated Action Plan for 2020/21, including:

- The report brought an update to the action plan 2020/2021;
- The report was part of the final Annual Governance Statement which Members of the Committee considered at the meeting of the Finance, Audit and Risk Committee in September; and

- Drew Members' attention to paragraph 8.2 on page 93 within the report and advised that all those actions outlined in Appendix A on page 95 within the report were on-going.

Councillor Ian Albert, Executive Member for Finance and IT, emphasised the importance of Members undertaking the Ethical Awareness Training detailed in Appendix A.

The following Members asked questions:

- Councillor Adem Ruggiero-Cakir

In response to the question on the Gender Pay-Gap Group, the Chair responded that she had discussed this matter with the Acting Human Resources Manager and was comfortable with the work being undertaken regarding all areas of diversity and inclusion. She further added that the Gender Pay-Gap Group was now considering wider inclusion issues in terms of diversity and protected characteristics.

The Service Director – Resources further reported that the Gender Pay-Gap Group formally changed its name to The Inclusion Group as it was now also looking at diversity and inclusion. The Terms of Reference had been drafted to reflect this.

It was:

**RESOLVED:** That the progress made against the individual actions as outlined in the Action plan for 2020/21 at Appendix A be noted.

**REASONS FOR DECISION:**

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

**49 RISK MANAGEMENT UPDATE**

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

- The Risk Management Group proposed to change the risk in relation the impact of Covid-19 on the Council's Leisure Management Contract;
- The 'Lockdowns' had placed huge financial pressures on Stevenage Leisure Ltd: and
- As requested at the last meeting of the Finance Audit and Risk Committee, the Risk Management Group had considered the Income Generation risk.

The following Members asked questions:

- Councillor Kate Aspinwall

In response to the Member's question, the Service Director – Resources advised that the Covid-19 Risk covered both the impact of the pandemic on the Council's Services and elements of recovery. A few months ago, the attention was on recovery but now the Council was required to move back to reaction. Expected that in Spring next year there would be need to review the presentation and structure of the risk

NB: Councillor Kate Aspinwall advised that she was having some connection issues. As a result, the Service Director – Resources repeated the answer provided.

NB: Councillor Kate Aspinwall lost connection to the meeting for a brief moment but re-established connection. In order to help solve the problem, the Committee, Member and Scrutiny Officer advised the Chair to disable her camera.

The Committee, Member and Scrutiny Officer read out the recommendations in the report as follows:

- (1) That the Committee notes the reviews of the Corporate Risks for the quarter, namely - The review of the Covid 19 Leisure Management Contract risk with a proposed increase in the score from 8 to 9.
- (2) That the Committee notes and recommends to Cabinet the amendments to the Risk Management Framework as part of the Management response to the SIAS Audit.

The Service Director – Resources advised that Recommendation 2.1 should be amended so that the Committee recommend to Cabinet 'that the risk score for the Covid-19 Leisure Management Contract risk be increased from 8 to 9;'

It was:

**RESOLVED:**

- (1) That the reviews of the Corporate Risks for the quarter be noted;
- (2) That the amendments to the Risk Management Framework as part of the Management response to the SIAS Audit, be noted.

**RECOMMENDED TO CABINET:**

- (1) That the risk score for the Covid 19 Leisure Management Contract risk be increased from 8 to 9;
- (2) That the amendments to the Risk Management Framework as part of the Management response to the SIAS Audit be noted and approved.

**REASONS FOR DECISIONS:**

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

**50 SECOND QUARTER REVENUE MONITORING 2020/21**

The Service Director – Resources presented the report entitled Second Quarter Revenue Monitoring 2020/2, including:

- Drew Members' attention to Table 3 on page 143 within the report which outlined the changes in the forecast for that quarter;
- The forecasts detailed the Covid-19 impacts that the Council were aware of;
- The 'reason for difference' column on Table 3 offered further information relating to the impact arising from Covid-19;
- Table 5 on page 150 within the report provided a full list of events reported at Quarters 1 and 2;
- The Council were predicting, even taking into account the money provided from central Government, a net impact on the budget of £1.5 million but potentially up to £2 million. Those figures were an estimate;
- In the first 'Lockdown' car parking income decreased to approximately 10-20% of the normal income levels. The second 'Lockdown' saw the car parking income decrease to 30-40%; and
- Table 6 on page 151 within the report highlighted the impact on the Council's General Fund based on the forecasts carried out at the start of the year. The Council were forecasting a balance of approximately £9.4 million however, by the end of the year, it was likely to be around £7.6 million on current forecasts.

NB: Councillor Kate Aspinwall lost connection to the meeting. The meeting adjourned at 20:27 as the Committee had become inquorate. The meeting reconvened at 20:32 when Councillor Kate Aspinwall re-established connection to the meeting.

The following Members asked questions:

- Councillor Kate Aspinwall

In response to the Member's question in relation to Careline, the Service Director Resources advised that in looking into the prospect of taking on Hertfordshire County Council's Telecare service the impact of the additional costs highlighted in the report (table 3) would be considered and placing it under the remit of NHDC's Careline.

It was:

***RECOMMENDED TO CABINET:***

- (1) That the report entitled Second 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 £2.036million 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 £53k decrease in net expenditure, be noted. These will be incorporated in the draft revenue budget for 2021/22.

***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.

**51 INVESTMENT STRATEGY (CAPITAL AND TREASURY) MID-YEAR REVIEW 2020/21**

The Service Director – Resources presented the report entitled Investment Strategy (Capital And Treasury) Mid-Year Review 2020/2, including:

- Directed Members to the contents in Table 2 on page 158/159 within the report;
- The Council were dealing with a high number of grants and schemes which meant the Council's cash balances were high;
- Investment Returns (yields) on cash balances were low;
- Directed Members to the Table contained on page 161 within the report;
- The table highlighted that there were some historic investments still in place and they would reach maturity at some point;
- Investments would be replaced with a new ones at a much lower interest rate;
- As part of the spending review, there was an announcement relating to borrowing from the Public Works Loan Board which was the 'go-to' place for borrowing for Local Authorities. Whilst the Council were not in a borrowing position at the moment, owing to the capital reserves, it would be something that would be looked into in future years;
- Rates had decreased on that borrowing and conditions had been imposed that stated that the Council were not able to borrow from the Public Works Loan Board if there was any spend in the capital programme that was primarily to generate income; and
- That announcement could have an implication on the Investment Strategy going to Full Council in February.

It was:

***RECOMMENDED TO CABINET:***

- (1) That the forecast expenditure of £3.937million in 2020/21 on the capital Programme 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 £7.022million, 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;

That Cabinet recommend to Council:

- (4) That the position of Treasury Management activity as at the end of September 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.

## 52 DRAFT BUDGET REPORT 2021/22

The Service Director – Resources presented the Draft Budget Report 2021/22, including:

- The main purpose of the report at the stage was to highlight the base positions and provide feedback from the budget workshops which took place in November;
- The budget would be presented at Full Council in February 2021;
- The comments from the workshop were captured in the report at paragraphs 8.9, 8.10 and 8.11;
- The resultant summary position was set out in Table 3;
- Owing to the changes made in relation to updating inflation amounts particularly regarding pay, the savings numbers had decreased from around £2.65m in the Medium Term Financial Strategy to £2.1 million. There would be a need to identify savings in future years;
- The Income Guarantee was to be continued in the period of April to June next year; and
- There was no commitment yet in terms of when the Government would look at future funding for Local Government which would have an impact on the Medium Term Financial Strategy in future years.

It was:

### ***RECOMMENDED TO CABINET:***

- (1) That the funding forecasts for 2021/22 and the significant uncertainty around Central Government funding levels in 2021/22 and beyond, and that these estimates provided could be subject to significant change, be noted;
- (2) That the comments made at the budget workshops, and comment on the inclusion of the revenue savings and investments in the draft budget, be noted;
- (3) That the comments made at the budget workshops, and comment on the inclusion of the capital investments in the draft budget, be noted;
- (4) That the Council Tax increases for 2021/22 will be in line with the Medium Term Financial Strategy (i.e. the maximum amount allowed without the need for a local referendum), be confirmed.

***REASON FOR DECISIONS:*** To ensure that all relevant factors are considered in arriving at a proposed budget and Council Tax level for 2021/22, to be considered by Full Council on 11 February 2021.

## 53 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

The Chair reported that at the next meeting of the Finance, Audit and Risk Committee, the following items would be due on the agenda:

- Annual Audit Letter 2019/20;
- Certification of Claims and Returns Annual Report 2019/20;
- Corporate Business Planning – Revenue Budget 2021/22; and
- Investment Strategy (Integrated Capital and Treasury).

The meeting closed at 8.54 pm

**Thursday, 3rd December, 2020**

Chair