

# **NORTH HERTFORDSHIRE DISTRICT COUNCIL**

## **FINANCE, AUDIT AND RISK COMMITTEE**

**MEETING HELD IN THE COUNCIL CHAMBER, DISTRICT COUNCIL OFFICES, GERON ROAD, LETCHWORTH GARDEN CITY  
ON WEDNESDAY, 23RD JUNE, 2021 AT 7.30 PM**

### **MINUTES**

**Present:** *Councillor Keith Hoskins MBE (Chair), Councillor Clare Billing (Vice-Chair), Sam Collins, Adam Compton, Morgan Derbyshire, Terry Hone and Nigel Mason (In place of Adem Ruggiero-Cakir)*

**In Attendance:** *Ian Couper (Service Director - Resources) and Matthew Hepburn (Committee, Member and Scrutiny Officer) was present in person.*

**Also Present:** *Councillor Elizabeth Dennis-Harburg (Leader of the Council) and Councillor Ian Albert (Executive Member for Finance and IT) were present in person. Louis Franklin was present remotely in order to carry out IT duties.*

#### **1 APOLOGIES FOR ABSENCE**

*Audio Recording – 1 Minute 42 Seconds*

Apologies for absence were received from Councillor Adem Ruggiero-Cakir.

Having given due notice, Councillor Nigel Mason advised that he would be substituting for Councillor Adem Ruggiero-Cakir.

#### **2 MINUTES - 8 MARCH 2021**

*Audio Recording – 1 Minute 52 Seconds*

Councillor Keith Hoskins proposed and Councillor Sam Collins seconded and upon being put to the vote it was:

**RESOLVED:** That the Minutes of the Meeting of the Committee held on 8 March 2021 be approved as a true record of the proceedings and be signed by the Chair.

#### **3 NOTIFICATION OF OTHER BUSINESS**

*Audio Recording – 2 Minutes 46 Seconds*

There was no other business notified.

#### **4 CHAIR'S ANNOUNCEMENTS**

*Audio Recording – 2 Minutes 53 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 YouTube;
- (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.

## 5 PUBLIC PARTICIPATION

*Audio Recording – 3 Minutes 17 Seconds*

There was no public participation.

## 6 SIAS ANNUAL ASSURANCE STATEMENT AND ANNUAL REPORT 2020-2021

*Audio Recording – 3 Minutes 22 Seconds*

The SIAS Client Audit Manager presented the report, including appendices, entitled SIAS Annual Assurance Statement and Annual Report 2020-2021 as well as providing a background overview of the Shared Internal Audit Service for the benefit of new Committee Members.

The Service Director – Resources confirmed that no matters threatened SIAS's independence SIAS was not subject to any inappropriate scope or resource limitations.

The SIAS Client Audit Manager directed Members to the following items in the report:

- The Assurance Opinions (Financial Systems and Non-Financial Systems) were both satisfactory;
- A summary of assurance levels and recommendation priorities were shown in the tables at Paragraph 3.2;
- Five projects were classified as "Not Assessed. These five audits had however contributed to the assurance opinion on non-financial systems as they were important pieces of compliance work carried out during the year relating to the effectiveness of the Finance, Audit and Risk Committee, audits of charitable accounts and two follow-up audits;
- A limited assurance opinion was provided in the Financial Resilience of Suppliers audit. This was due to three high priority recommendations being raised relating to contract monitoring, managing contractors in financial difficulty and contractor failure planning; and
- The table at paragraph 4.1 showed that all Key Performance Indicators were met despite challenges.

It was proposed and seconded and:

### **RESOLVED:**

- (1) That the Annual Assurance Statement and Internal Audit Annual Report be noted;
- (2) That the results of the self-assessment required by the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance and Improvement Programme (QAIP) be noted;
- (3) That the SIAS Audit Charter 2021/22 be noted;

- (4) That management assurance be sought that the scope and resources for internal audit were not subject to inappropriate limitations in 2020/2.

**REASON FOR DECISIONS:** To update the Committee on the Annual Assurance Statement and Internal Audit Annual Report 2020/21.

## 7 SIAS PROGRESS REPORT

*Audio Recording – 12 Minutes 53 Seconds*

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

- As at 4 June 2021, 22% of the 2021/22 Audit Plan days had been delivered;
- The table at paragraph 2.2 detailed the final reports that had been issued since 12 February 2021;
- There were no high priority recommendations made as a result of work undertaken in the audits;
- SIAS had returned a total of 7.5 days to contingency as a result of the time required for 2020/21 Projects Requiring Completion being less than originally anticipated during the setting of the 2021/22 plan;
- The following audits have been added to the Audit Plan since the original plan was approved in March 2021 - LA Track and Trace Grant and Energy Improvement in Park Homes Grant; and
- 66 (25%) Planned Days had been delivered and 2 reports were to draft.

The Chair and Members thanked the Shared Internal Audit Service and Officers for their work.

It was:

### **RESOLVED:**

- (1) That the SIAS Progress Report for the period to 4 June 2021 be noted; and
- (2) That the implementation status of High priority recommendations be noted.

**REASON FOR DECISIONS:** To update the Committee on the SIAS Progress Report.

## 8 FINANCE, AUDIT AND RISK COMMITTEE ANNUAL REPORT 2020-21

*Audio Recording – 19 Minutes 7 Seconds*

The Service Director – Resources presented the report entitled Finance, Audit and Risk Committee Annual Report 2020-21 and drew the Committee's attention to the contents of Appendix A, including:

- The Effectiveness of the Committee and the recommendations made by SIAS;
- The Service Director advised that in relation to training, Committee Members would receive a self-assessment by email which they were asked to complete in order for training to be tailored to the needs of the Committee; and
- The Service Director took Members through the Planned Work for 2021/22 and a summary of the reports that were due to be received by the Committee during the course of the Civic Year;
- The Service Director informed Members that the audit of the accounts would now not take place until November 2021. This meant that the approval of the accounts would take place in either December 2021 or January 2022.

The following Member asked questions:

- Councillor Clare Billing.

In response to questions, the Service Director advised that training would take place either face-to-face or remotely.

Councillor Sam Collins raised that there was an error in Appendix A in that he was listed as being appointed as a FAR Committee Member for the Civic Year 2020/21 and a substitute.

In response to this error, the Service Director advised that the final version would be corrected.

It was:

**RESOLVED:** That the Annual Report of the Finance, Audit and Risk Committee as attached at Appendix A be noted.

**RECOMMENDED TO COUNCIL:** That the Annual Report of the Finance, Audit and Risk Committee be noted.

**REASON FOR DECISION:**

- (1) To enable the Committee to consider the report before it is presented to Full Council.
- (2) To provide Full Council with assurance as to the effectiveness of the Finance, Audit and Risk Committee.

## 9 RISK MANAGEMENT UPDATE

*Audio Recording – 28 Minutes*

The Service Director – Resources presented the report entitled Risk Management Update, including the appendices. The Service Director advised that two risks had been reviewed; these were Cyber risks and the Brexit (EU Transition) Risk.

The Service Director – Resources informed Members that Consultation had been carried out with the Senior Management Team and the Risk Management Group (RMG).

The Service Director advised that that he would inform Members when the next RMG was taking place.

Directing his attention to Appendix C - Annual Report on Risk Management, the Service Director provided further information relating to the Insurance Review, Business Continuity Plans and Health and Safety. He also drew Members' attention to the Key Actions for 2021/22 which outlined actions that would ensure the continued development of risk management at the Council.

The following Members asked questions of the Service Director – Resources:

- Councillor Terry Hone;
- Councillor Clare Billing; and
- Councillor Adam Compton.

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

- The Delivery of the Waste Collection and Street Cleansing Services Contract appeared on the risk matrix as Medium/High owing to the size of the contract and the impact was significant should problems arise. However, the risk needed to be reviewed again as the service was operating well despite the occasional issues;
- There were several risks on the matrix that covered issues such as the impact of evictions and the end of the furlough of scheme on the Council's finances. These risks were: Increased homelessness, Novel Coronavirus and Managing the Council's Finances.
- He would be happy to look at re-wording 'e-tendering system able to transmit to the new government e-procurement system in the event of a no-deal Brexit'.

Having been proposed and seconded, it was put to the vote and:

**RESOLVED:**

- (1) That the reviews of the Corporate Risks for the quarter be noted; and
- (2) That the Annual report on Risk Management be noted.

**RECOMMENDED TO CABINET:**

- (1) The reviews of the Corporate Risks for the quarter;
- (2) That there be no change to the Cyber risks (current risk score of 8 and a Target Risk score of 6);
- (3) That the Brexit (EU Transition) Risk be decreased in the current risk score from a 7 to a 5, and a Target risk score of 3; and
- (4) That the Annual report on Risk Management be noted.

That Cabinet recommend to Council:

- (1) That the Annual report on Risk Management be noted.

**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.

## **10 REVENUE BUDGET OUTTURN 2020/21**

Audio Recording – 39 Minutes 28 Seconds

The Service Director – Resources presented the report entitled Revenue Budget Outturn 2020/21 and directed Members to the Executive Summary at Paragraph 1.1. He advised that the coronavirus pandemic had had a significant impact on the Council's General Fund Balance.

The Service Director – Resources then drew Members' attention to the following items in the report:

- Table 3 - Summary of significant variances on page 101 within the report and explained that some budget areas illustrated an underspend. He also advised that the Strategic

Priorities Fund contained funds that had been put aside in order to push forward initiatives to save money;

- There had been an underspend of funds in the Apprenticeship Scheme. In order to catch up, more apprentices would be recruited;
- Table 4 - Efficiency Delivery 2020/21 and advised that it outlined the interest earned on various investments;
- Table 5 - Corporate financial health indicators;
- The amounts in relation to Business Rates would be held in a reserve in order to smooth the impact on the General Fund balance;
- Table 6 - COVID-19 Financial Impact on General Fund showed that the net impact was £1,507;
- It was hoped that funds held in the MHCLG Grants Reserve could be released into the General Fund. However, it was prudent to keep it in there for the time being; and
- Table 10 – Covid-19 Financial Support to Businesses and Individuals highlighted the sheer volume of business grants that have been issued owing to the pandemic.

The following Member asked a question:

- Councillor Terry Hone.

In response to the question raised, the Service Director – Resources advised:

- He would check the variance of the Car Parking Income detailed on Table 3 as the figure did not add up; and
- The Waste and Recycling Net Impact was £524k owing to the various areas of expense such as disposal and the additional processing costs. Furthermore, owing to Covid-19 the garden waste service had been temporarily suspended during the first lock-down.

Councillor Sam Collins commented that it was pleasing to see that Table 6 clarified the Income Guarantee amount and that it showed a 25% shortfall as support from Government covered 75% of relevant losses.

It was proposed and seconded and upon being put to the vote, it was:

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

- (1) That the report entitled Revenue Budget Outturn 2020/21 be noted;
- (2) That a decrease of £866k in the 2020/21 net General Fund expenditure, as identified in table 3 and paragraph 8.1, to a total of £19.379million, be approved;
- (3) That the changes to the 2021/22 General Fund budget be approved, as identified in table 3, paragraph 8.2 and paragraph 8.3, a total £377k increase in net expenditure.

Cabinet recommends to Council:

- (1) That the net transfer to earmarked reserves, as identified in table 8, of £11.464million, be approved.

**REASONS FOR DECISIONS:**

- (1) 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.
- (2) Changes to the Council's balances are monitored and approved.

**11 INVESTMENT STRATEGY (CAPITAL AND TREASURY) END OF YEAR REVIEW 2020/21**

*Audio Recording – 57 Minutes 25 Seconds*

The Service Director – Resources presented the report entitled Investment Strategy (Capital And Treasury) End of Year Review 2020/21.

The Service Director – Resources drew Members' attention to the following items in the report:

- Table 1- Current Capital Estimates;
- Table 2 which listed the schemes in the 2020/21 Capital Programme that would commence or continue in 2021/22;
- The Disabled Facilities Grants funding came from amounts set aside from previous underspends against the grant. The level of overspend appeared to be a contravention of financial regulations. However, the level of overspend should be viewed in the context of the overall funding available and the fact that funding is received directly by Herts Home Improvement Agency (HCC) on NHDC's behalf;
- Capital schemes that have been completed during 2020/21 as detailed at paragraph 8.7;
- Table 4 - Funding the Capital Programme detailed how the Council would fund the 2020/21 capital programme. Most funding would come from capital receipts and s106 receipts;
- The Council generated £0.184M of interest during 2020/21; and
- To try and limit the reduction of investment income from short fixed term investments in 2021/22, the Council will seek to invest in Property Funds and Multi Asset Income Funds.

The following Member asked questions:

- Councillor Terry Hone.

In response, the Service Director – Resources advised that

- There was nothing in the capital programme that needed writing off;
- Overseas investment was allowed. However, there had not been any owing to the lack of opportunity and availability;
- In terms of PWLB, £405,000 remained outstanding.

It was proposed and seconded and upon being put to the vote, it was:

<b>RECOMMENDED</b>	<b>TO</b>	<b>CABINET:</b>
(1)	That the expenditure of £1.883million in 2020/21 on the capital programme, paragraph 8.3 refers, and in particular the changes detailed in table 3 which resulted in a net increase on the working estimate of £0.001million, be noted;	
(2)	That the adjustments to the capital programme for 2020/21 as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend in 2021/22 by £0.522million (£0.527million re-profiled from 2020/21 and £0.005million from 2021/22 re-profiled into 2020/21), be approved;	
(3)	That the position of the availability of capital resources, as detailed in table 4 paragraph 8.8 and the requirement to keep the capital programme under review for affordability, be noted;	

- (4) That the application of £1.224million of capital receipts towards the 2020/21 capital programme and the drawdown of £0.417million from set aside receipts, paragraph 8.8 refers, be approved;
- (5) That the position of Treasury Management activity as at the end of March 2021, be noted;

Cabinet recommends to Council:

- (1) That the report entitled Investment Strategy (Capital and Treasury) End Of Year Review 2020/21, be noted;
- (2) That the actual 2020/21 prudential and treasury indicators be approved; and
- (3) That the annual Treasury Report for 2020/21, 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.

**12 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS**

*Audio Recording – 1 Hour 9 Seconds 37 Seconds*

It was agreed that the CIPFA Financial Management Code be provided at a future meeting of the Finance, Audit and Risk Committee.

It was also agreed that towards the end of the year, a report on what the coronavirus pandemic had cost the Council, would be provided to the Committee.

The meeting closed at 8.42 pm

Chair