

NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

**MEETING HELD IN THE COUNCIL CHAMBER, DISTRICT COUNCIL OFFICES,
LETCWORTH GARDEN CITY**

ON WEDNESDAY, 15TH SEPTEMBER, 2021 AT 7.30 PM

MINUTES

Present: *Councillors: Councillor Keith Hoskins MBE (Chair), Councillor Clare Billing (Vice-Chair), Adam Compton, Morgan Derbyshire, Terry Hone and Nigel Mason.*

In Attendance: *Councillor Ian Albert, Ian Couper (Service Director – Resources), Mark Chalkley (Client Audit Manager – SIAS), Melanie Stimpson (Democratic Services Manager), James Lovegrove (Committee, Member and Scrutiny Officer), Louis Franklin (CSC – IT Support)*

Also Present: *At the commencement of the meeting approximately 1 member of the public, including registered speakers.*

1 APOLOGIES FOR ABSENCE

Audio recording – 1 minute 9 seconds

Apologies for absence were received from Councillors Adem Ruggiero-Cakir and Sean Prendergast.

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

2 MINUTES - 12 JULY 2021

Audio Recording – 1 minute 30 seconds

Councillor Keith Hoskins proposed and Councillor Clare Billing seconded and upon being put to a vote it was:

RESOLVED: That the Minutes of the Meeting of the Committee held on 12 July 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 25 seconds

There was no other business notified.

4 CHAIR'S ANNOUNCEMENTS

Audio recording – 2 minutes 30 seconds

- (1) The Chair welcomed those present at the meeting, especially those who had attended to give a presentation;

- (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 – 2 minutes 51 seconds

The Chair invited Roger Lovegrove, Transition Town Letchworth, who gave a presentation on Risk Management and highlighted:

- There are several risks facing the district and its residents, it is up to Councillors to look at the likelihood of these happening against the consequences of doing nothing.
- There is a risk that current housing stock will become too expensive to adapt and money will be spent on new builds, which will leave current stock uninhabitable.
- North Herts generates very little of its own electricity and captures and stores little water. Affinity Water does not plan on taking action to increase capacity in North Herts until at least 2080.
- Need to be proactive in installing charging points in new developments.
- Public are becoming more proactive in trying to tackle climate issues, as demonstrated with action on M25 this week.

The Chair thanked Roger Lovegrove for this contribution and questioned whether this Committee was the right place, as it was not a policy setting Committee.

The following members asked questions and made comments:

- Councillor Adam Compton
- Councillor Ian Albert

The comments made included:

- Confirmed there was a Risk Register, and this could be shared publicly, maybe with some redactions.
- Several issues highlighted were being looked at as part of the overall Council Climate Change strategy.
- Confirmation that all members can attend the Quarterly Risk Management meeting.

6 SIAS ANNUAL REPORT 2020-21

Audio Recording – 12 minutes 25 seconds

The SIAS Client Audit Manager presented the report entitled SIAS Annual Report 2020-21 and advised:

- The report highlighted the achievements of SIAS as a partnership.
- The effect the pandemic had is noted in the report.
- Overall the partnership performance was relatively strong.

Following a vote, it was:

RESOLVED: That the SIAS Annual Report for 2020-2021 be noted.

REASONS FOR DECISION: To update the Committee on the Annual Report 2020-2021 from SIAS.

7 SIAS PROGRESS REPORT 2021-22

Audio Recording – 14 minutes 40 seconds

The SIAS Client Audit Manager presented the report entitled SIAS Progress Report 2021-22 and highlighted:

- Paragraph 2.2 showed the final reports that had been issued since previous Committee meeting. There were two reports from 2021, which were finalised after the previous Committee meeting.
- Paragraph 2.5 onwards showed the proposed changes to the annual audit plan. These have come from discussions with senior management in August.
- When plan was set in March, the first six months was planned and the second six months would be more flexible in discussion with Service Leads.
- Paragraph 2.11 showed performance against indicators. Confirmed this was now 114 billable days which represented 42% of planned and there had been 9 final reports, which represented 32% of planned.
- For this stage of the year performance was on track.
- Appendix B was updated to show the start quarters as agreed.

The following Members asked questions:

- Councillor Clare Billing
- Councillor Adam Compton

The SIAS Client Audit Manager responded to questions and advised:

- Did not have the exact figures of reported Anti-Social Behaviour, but would provide these for the Members.
- Audit report of leisure contracts was awaiting response from Officers to be finalised and shared at next Finance, Audit and Risk Committee.
- All final reports will be shared with Committee members.

Following a vote, it was:

RESOLVED:

- (1) That the SIAS Progress Report for the period to 27 August 2021 be noted;
- (2) That the planned amendments to the 2021-2022 Annual Audit Plan be noted.

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

8 QUARTERLY RISK MANAGEMENT UPDATE

Audio Recording – 20 minutes 39 seconds

The Service Director – Resources commented on the Public Participate presentation:

- Confirmed risk matrix and monitoring tool could be accessed by all members of Committee.
- Confirmed that this was not made public as there was a lot of information and often confidential.

- Confirmed that corporate risks are published.

The Service Director – Resources presented the report entitled Quarterly Risk Management Update and confirmed there were no changes to the risk scores for Members to consider.

Following a vote, it was:

RESOLVED: That the update on the Corporate Risks for the quarter be noted.

REASONS FOR DECISION:

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

9 FIRST QUARTER REVENUE MONITORING REPORT 2021/22

Audio Recording – 23 minutes 15 seconds

The Service Director – Resources presented the report entitled First Quarter Revenue Monitoring Report 2021-22 and advised:

- Table 3 highlighted the various variances in finances, mainly due to impact of Covid-19, carried forward requests and the waste contract inflation.
- This table only highlighted the Q1 impact.
- Table 5 included 4 year forecast for some of the areas, such as parking and income from Hitchin Town Hall.
- Table 6 offered an overall general fund summary.
- The predictions for car parking income performance in Q1 are prudent but should get a clearer idea of actual performance in Q2.
- Q2 should offer a clearer picture of the leisure recovery. There was £2million additional costs included in the budget last year to cover the recovery of leisure. Performance in Q1 was overall good, but there was a dip over the summer holiday period.
- Business Rate Pooling had been confirmed as an option by Hertfordshire County Council. Applications must be submitted by 8 October 2020, which is why the request for a delegated decision had been made.
- Being part of a pool would be beneficial but questioned whether North Herts would be in the optimum pool for the whole County.

Following a vote, it was:

RECOMMENDED TO CABINET:

- (1) That this report be noted by Cabinet;
- (2) That Cabinet approve the changes to the 2021/22 General Fund budget, as identified in table 3 and paragraph 8.2, a £560k increase in net expenditure;
- (3) That Cabinet note the changes to the 2022/23 General Fund budget, as identified in table 3 and paragraph 8.2, a total £226k increase in net expenditure. These will be incorporated in the draft revenue budget for 2022/23;
- (4) That Cabinet delegates to the Service Director: Resources (in consultation with the Executive Member for Finance and IT) authority to enter in to a Business Rate Pooling arrangement (if available) if it is estimated that it will be in the financial interests of the Council.

REASON FOR RECOMMENDATIONS: 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.

10 FIRST QUARTER INVESTMENT STRATEGY (CAPITAL AND TREASURY) REVIEW 2021/22

Audio Recording – 28 minutes 29 seconds

The Service Director – Resources presented the report entitled First Quarter Investments Strategy (Capital and Treasury) Review 2021-22 and advised:

- An additional item was added to the version of the report sent to cabinet. This change was to Table 3 where works to Coombes Community Centre would require further work completing and had forecast another £25,000 for this.
- Table 4 showed that we would need to borrow if the Capital Programme is fully spent and relied on property acquisition and development.
- Currently, borrowing has not been explored and this would happen at a later stage, if required.
- There is more cash in treasury than forecast, mainly from funds from Government for Covid relief and support which is due to go out and grants which have not gone out yet. Rates earned on this cash is very low – generally around 0.1% across the year.

The following Members asked questions:

- Councillor Terry Hone

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

- Currently, borrowing costs and income have not been included, this was a prudent approach when there was uncertainty regarding what the opportunities would be.
- Borrowing would not be considered if the returns were not worthwhile.
- Capital from the sale of housing stock to settle has been used up over many years from 2003.
- Some capital receipts are still coming in from sale of land.

Following a vote, it was:

RECOMMENDED TO CABINET:

- (1) That Cabinet note the forecast expenditure of £16.144 million in 2021/22 on the capital programme, paragraph 8.3 refers;
- (2) That Cabinet approve the adjustments to the capital programme for 2021/22 onwards as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend in 2022/23 by £0.312million.
- (3) That Cabinet note the position of the availability of capital resources, as detailed in table 4 paragraph 8.6 and the requirement to keep the capital programme under review for affordability;
- (4) Cabinet note the position of Treasury Management activity as at the end of June 2021.

REASONS FOR RECOMMENDATIONS:

- (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.

11 MEDIUM TERM FINANCIAL STRATEGY

Audio Recording – 36 minutes 15 seconds

The Service Director – Resources presented the report entitled Medium Term Financial Strategy and advised:

- The Communications team looked at the wording of the report to make it more accessible to public and improve the presentation, but the principles and technical content are correct.
- The report has factored in the impacts of Covid 19.
- It was assumed that there will be no changes to the funding formula.
- It was assumed that there will be a small increase in the Council Tax base. As Covid restrictions reduce more people are expected to be able to pay standard rate of Council Tax.
- Council Tax will be increased by highest amount allowed without a referendum.
- There will need to be £1.8million of savings over the 5-year period.
- The report offered details on how this will be saved; through increase automation of services, increase income from commercial activities and reduction of some services.

Following a vote, it was:

RECOMMENDED TO CABINET: That they recommend to Full Council the adoption of the Medium Term Financial Strategy 2022-2027 as outlined in 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 2022/2023 to 2026/2027, culminating in the setting of the Council Tax precept for 2022/23 in February 2022. This will (alongside the Council Plan) support the Council in setting a budget that is affordable and aligned to Council priorities.

12 FINANCIAL REGULATIONS REVIEW

Audio Recording – 43 minutes 59 seconds

The Service Director – Resources presented a report entitled Financial Regulations Review and advised:

- There have been no fundamental changes. This report highlighted those changes and all the changes, with reasons, were outlined in Appendix A.

The following Members asked questions:

- Councillor Adam Compton
- Councillor Clare Billing

In response to questions asked the Service Director – Resources advised:

- There has been a combination of goods receipting and invoice payment without a purchase order. Move towards the purchase order, goods receipting and invoice payment system.
- Budgets are sometimes allocated to one code and later spread across other budget codes; therefore, it would not be appropriate to block requests over budgets, but this could be looked at in more detail.
- The SAFS powers are mirrored by SIAS for council employees.

Following a vote, it was:

RECOMMENDED TO COUNCIL: The proposed changes should be adopted.

REASON FOR DECISION: The constitution requires that the Financial Regulations are kept under review. Minor changes can be approved by the Chief Financial Officer, but more significant changes are approved by Council.

13 FINANCIAL MANAGEMENT CODE AND BALANCE SHEET INSIGHT

Audio Recording – 50 minutes 10 seconds

The Service Director – Resources shared the report entitled Financial Management Code and Balance Sheet Insight and advised:

- The first part of the report was an assessment against the financial management code. New code was launched by Chartered Institute for Public Finance Accountancy in 2019 to ensure all Council's had good financial measures in place following high profile Council failures.
- Mapped where NHDC is against the code and have checked this against the newly released Guidance Notes.
- Appendix A showed the detail of the code, outlined each element and the displayed actions taken in relation to these.
- Appendix B was an insight into the Council's Balance Sheet.
- Elements of the Balance Sheet are not relevant, they exist as accounting adjustments, for example property revaluations and pension future liabilities.
- There was no guarantee of property sales given the current market.
- There were still some outstanding debt due from prior to 2003, but these were on relatively high interest rates, therefore paying off early was not worthwhile.
- Businesses can appeal their Business Rates, however there was a large backlog of these and this can only be estimated.
- There had been a historic underestimation of pensions, combination of living longer and increase in cost of living, and this was paid off with a lump sum each month.

The following Members asked questions:

- Councillor Terry Hone

In response to questions the Service Director – Resources advised:

- It was hoped that by the next civic year there would be an independent Finance, Audit and Risk Committee member.
- The £4million provided to Stevenage Leisure Limited (SLL) would go through as expenditure. This was not expected to be returned to the Council, so would not be a debtor. This money was provided to keep the operations of SLL functioning.

Following a vote, it was:

RESOLVED: That the Committee noted this report.

REASONS FOR DECISION:

- (1) To enable the Committee to assess how the Council is performing against the Financial Management Code, in line with the Terms of Reference;
- (2) To provide training to the Committee to help them understand the Council's Balance Sheet (as part of the Statement of Accounts).

14 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio recording – 71 minutes 18 seconds

It was highlighted that 14 December Work Programme for Overview and Scrutiny Committee included a commercial update and questioned whether this would be more appropriate for Finance, Audit and Risk Committee.

Councillor Ian Albert advised that the previous Chair of Finance, Audit and Risk Committee and current Chair of Overview and Scrutiny Committee agreed this would be best discussed by Overview and Scrutiny.

Service Director – Resources advised this could sit within the remit of either of the Committees and it was for the Chairs of the Committees to decide where it should sit.

Councillor Keith Hoskins advised that he would speak with Chair of Overview and Scrutiny.

The meeting ended at 20:45.

The meeting closed at 8.46 pm

Chair