

**NORTH HERTFORDSHIRE DISTRICT COUNCIL**

**FINANCE, AUDIT AND RISK COMMITTEE**

**MEETING HELD IN THE COUNCIL CHAMBER, DISTRICT COUNCIL OFFICES, GERONON ROAD, LETCHWORTH  
ON WEDNESDAY, 7TH DECEMBER, 2022 AT 7.30 PM**

**MINUTES**

**Present:** *Councillors: Terry Tyler (Chair), George Davies, Phil Weeder, Terry Hone, Simon Bloxham and Chris Hinchliff*

*John Cannon (Independent Person)*

**In Attendance:** *Ian Couper (Service Director - Resources), Louis Mutter (Committee, Member and Scrutiny Officer), Jo Dufficy (Service Director - Customers), Reuben Ayavoo (Policy and Community Engagement Manager), Anne Banner (Benefits Manager), Geraldine Goodwin (Revenues Manager), Chris Wood (Hertfordshire County Council), Debbie Hanson (Ernst & Young), Rachel Merez (Ernst & Young) and Ciaran Tumulty (Ernst & Young)*

**Also Present:** *At the commencement of the meeting there were no members of the public present.*

**55 APOLOGIES FOR ABSENCE**

*Audio recording – 1 minute 57 seconds*

Apologies for absence were received from Councillors Morgan Derbyshire, Sean Nolan and Clare Billing.

Having given due notice Councillor Simon Bloxham substituted for Councillor Morgan Derbyshire and Councillor Chris Hinchliff for Councillor Sean Nolan.

**56 MINUTES - 7 SEPTEMBER 2022**

*Audio Recording – 2 minutes 20 seconds*

Councillor Tyler as Chair proposed and Councillor Weeder seconded and, following a vote it was:

**RESOLVED:** That the Minutes of the Meeting of the Committee held on 7 September be approved as a true record of the proceedings and be signed by the Chair.

**57 NOTIFICATION OF OTHER BUSINESS**

*Audio recording – 3 minutes*

There was no other business notified.

**58 CHAIR'S ANNOUNCEMENTS**

*Audio recording – 3 minutes 8 seconds*

- (1) The Chair welcomed those present at the meeting, especially those who had attended to give a presentation;
- (2) 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.
- (3) The Chair made a statement concerning the sad death of Councillor Judi Billing MBE and invited attendees to join him in a minute's silence.

## 59 PUBLIC PARTICIPATION

*Audio recording – 5 minutes*

There was no public participation.

## 60 EY AUDIT PLANNING FOR YEAR ENDED 31 MARCH 2022

*Audio Recording: 5 minutes 8 seconds*

Debbie Hanson, Rachel Merez and Ciaran Tumulty presented the report entitled EY Audit Planning for Year End 31 March 2022 and highlighted the following points:

- The risks set out in the plan are standard and the sort of risks you expect to see for any Local Authority the size of North Hertfordshire delivering its services;
- EY have started the detailed work and are making good progress;
- Will be completing the work in the new year, not in time for the January meeting but will be back in March;
- Debbie Hanson then gave an overview of the 2021/22 audit strategy included in pages 25-29 of the report;
- 'Accounting for government grants' and the 'NDR appeals provision' are not included as risks this year. Previous years these risks were caused by COVID, these were not significant issues last year and have been removed.

The following Members asked questions:

- Councillor Terry Hone

In response to questions, Ernst & Young advised:

- The audit differences figure on page 42 is calculated as a % of overall materiality level, which is a standard of every audit.

**RESOLVED:** That the Committee notes the report entitled EY Audit Planning for Year End 31 March 2022.

## 61 SAFS UPDATE ON ANTI-FRAUD PLAN 2022/23

*Audio Recording: 15 minutes 30 seconds*

Nick Jennings, SAFS Manager presented the report entitled SAFS Update on Anti-Fraud Plan 2022/23 and highlighted the following points:

- Section 11 mentions its National Fraud Awareness Week, an activity which is supported by all authorities of the Shared Anti-Fraud Service. The first part of the week focuses on protecting the public from fraud and the second half focuses on providing cases of fraud that the Council has investigated;

- Training has been provided for Council staff including for staff working in Housing Services and the fraud risk around the housing allocation process and other topics;
- Section 14 mentions referrals which is the terminology used by SAFS for allegations of fraud;
- Seen a significant reduction in the volume of fraud being reported, this is being watched closely but seems to be a good trend;
- The public continue to report matters to SAFS which show they have confidence the authority will do something about it;
- Section 16 & 17 provides a list of cases still open at the moment, the value and the outcomes;
- Section 27 mentions the Council Tax Framework in place for all Councils in Hertfordshire. North Herts Council is using this framework this year. 194 properties shown as 'long-term empties' have been brought back in to use.
- Section 29 reports that SAFS has ensured NHCs compliance with the National Fraud Initiative which takes place in October every 2 years;
- Provided the Key Performance Indicators for SAFS shown as Appendix B and are all on target for delivery.

**RESOLVED:** That the Committee notes the work of Council Officers and the Shared Anti-Fraud Service in delivering the 2022/23 Anti-Fraud Plan

## 62 SIAS PROGRESS UPDATE 2022/23

The head of Assurance Services at Hertfordshire County Council, Chris P Wood presented the report entitled SIAS Progress Update 2022/23 and highlighted the following points:

- Page 89 contains a list of audits completed since the last meeting and an update on the Future Ways of Working audit; the work has concluded and a report is to follow;
- There is one new high priority recommendation out of the Careline Operations Audit, Members should be aware of this having received a report;
- Section 2.9 details the amendments to the Audit Plan, using some contingency time to conduct a Green Homes Grant audit;
- Have now delivered 50% of the plan, further details of draft reports contained in 2.11;
- 2.15 onwards highlights the issues of vacancies within the team; have had to procure 200 days additional work with other partnerships; all audit work has now been allocated.

The following Members asked questions:

- Councillor Terry Hone
- Councillor Terry Tyler

In response to questions Chris Wood advised:

- The first part of the plan was to get the additional resources in place; the second part of the plan aims to finish the high priority audits; officers will be fully aware when audits are due to take place and when deadlines are;
- The 200 additional days is across the partnership as a whole; have engaged in an external quotation process for two providers to support the current partner BDO while also engaging in a recruitment process at HCC; provided these processes work out the 200 days will be reduced.

**RESOLVED:** That the Committee:

(1) Notes the report entitled SIAS Progress Update 2022/23.

(2) Approve the plan amendments to the 2022/23 Annual Internal Audit Plan.

## 63 ANNUAL GOVERNANCE STATEMENT 2021/22

*Audio Recording: 31 minutes 10 seconds*

The Policy & Community Manager presented the report entitled Annual Governance Statement 2021/22 and highlighted the following key points:

- This is the Committee's opportunity to comment on the draft action plan before being finalised;
- The draft Annual Governance Statement is prepared after a self-assessment by the Leadership Team against the 7 principles of the Local Government Framework 2017 and are scored;
- The policy team are in the process of making some amendments of this self-assessment before the Statement of Accounts come for approval;
- Appendix A is a synthesised version of the AGS.

The following Members asked questions:

- John Cannon, FAR Independent Member

The Policy & Community Manager advised the following:

- The Self-Assessment document goes into more detail on 'Principle F: Managing risks and performance through robust internal control and strong public financial management' (pg.112) however more information can be provided if necessary.

The Policy and Community Manager responded that he would email the Committee members and receive comments on what information they want to see under Principle F.

The Service Director – Resources informed the Committee there is a requirement to approve the AGS prior to approving the Statement of Accounts, likely to be coming to the committee in March.

**RESOLVED:** That the Committee reviews and comments on the draft Annual Governance Statement Action Plan for it to be finalised for approval as soon as possible after the Council's External Audit has been completed.

**REASON FOR DECISION:** The Committee is the legal body with responsibility for approval of the AGS. Reporting the draft AGS and Action Plan at this stage provides an opportunity for the Committee to assess and comment on the draft before it is finalised and brought back for approval after the External Audit has been completed.

## 64 COUNCIL TAX REDUCTION SCHEME 2023/24

*Audio Recording 37 minutes 15 seconds*

The Executive Member for Finance & IT, Councillor Ian Albert presented the report entitled Council Tax Reduction Scheme 2023/24 and highlighted the following points:

- The Finance, Audit & Risk Committee had received an update on the proposed reduction scheme in September 2022; this was just before the consultation stage started;
- One of the key projects in the delivery plan was a full review of the reduction scheme, work has gone on throughout the year supported by a specialist consultant;
- One of the key aims of the scheme is to provide the greatest support to those who need it most; there will inevitably be people who do not benefit from these changes; they may see a reduction of their entitlement or end their entitlement all together;

- The review has led the Council to propose a banded scheme, which will enable key objectives to be met;
- Appendix A shows the percentages of increases and decreases; 81% will either receive an increase of entitlement or no change;
- Discretionary support will be provided to those who are experiencing exceptional hardship, these cases will be assessed on a case-by-case basis;
- Appendix B summarises the responses received during the consultation; the majority agree with the proposal to move to a banded scheme;
- The value of reduction ranges from very small amounts up to £29 a week;
- 372 people on an income of less than £100 a week will receive the maximum discount of 100%.

The following Members asked questions:

- Councillor Terry Tyler
- Councillor Terry Hone
- Councillor George Davies
- John Cannon, FAR Independent Member

In response to questions, the Executive Member for Finance & IT, the Benefits Manager and the Service Director - Customers respectively, advised:

- The discretionary fund would be considered if a resident contacted the Council, or a more proactive approach could be taken where residents who are known to the Council are offered the scheme;
- There has been a change in the way benefits are processed, the Council now receives information directly from the Department of Work & Pension through an 'Atlas file'. As we have access to that information directly a declaration of income from a resident is not required and the possibility of fraud is lower;
- The consultation was promoted as widely as possible through partners, registered landlords, Citizens Advice and social media channels. The views of those currently on the Council Tax Reduction Scheme was seen as very important. A number of pensioners responded to the survey and expressed concern that they would be effected in the proposed changes. We cannot directly link the responses between those who answered yes to being on the reduction scheme and those against the proposed scheme changes but there may be some correlation.

In response to the question from John Cannon, FAR Independent Person, the Service Director – Customers advised that more information on the income brackets of those being effected by the reduction scheme would be circulated after the meeting.

Councillor Phil Weeder proposed and Councillor Chris Hinchliff seconded and, following a vote it was:

**RECOMMENDED TO CABINET:** To:

- (1) Note that a full review of the Council Tax Reduction Scheme has taken place and that consultation with the public and Major Precepting Authorities has taken place.
- (2) Note the aim of the review has been to introduce a new scheme that will:
  - enable us to increase the overall level of support for the lowest income households;
  - reduce the administrative burden placed on the Council following the introduction of Universal Credit;
  - make the scheme easier for our customers to understand and calculate entitlement.

- (3) Recommend to Council that a new banded scheme for working age applicants is adopted from 01 April 2023.
- (4) Recommend to Council the use of the Council Tax Hardship Grant to fund a discretionary scheme to provide additional transitional support where appropriate and that decisions regarding Discretionary support are delegated to the Service Director Customers in consultation with the Executive Member for Finance and IT.
- (5) Note that the new scheme may increase the costs from those of the current scheme, any increase will be split between the Council and its Major Precepting Authorities. The Council's share is expected to be around 12.5%.

**REASON FOR DECISIONS:** To ensure that the Council has a fit for purpose Council Tax Reduction Scheme that:

- Provides the greatest support to the lowest income households;
- Reduces the administrative burden that has been placed on the Council since the introduction of Universal Credit (UC);
- Is simple to understand, meaning that customers will be able to calculate entitlement and assess the impact of potential changes in circumstances.

## 65 ANNUAL REVIEW OF THE CONTRACT PROCUREMENT RULES

*Audio Recording: 57 minutes 40 seconds*

The Service Director – Resources presented the report entitled Annual Review of the Contract Procurement Rules and highlighted the following points:

- The review is fairly minor as the Council is expecting a Procurement Bill next year with potentially fundamental changes;
- The changes are detailed in section 8 of the report;
- The first change is that Procurement has moved back in to Resources;
- The other changes were made to tidy up the rules weren't as clear as they could be;
- Now that the Council has a full-time Procurement Officer the focus is on documents that sit behind the Procurement rules, to support Officers carrying out procurements.

Councillor Terry Tyler proposed and Councillor Phil Weeder seconded and, following a vote it was:

**RECOMMENDED TO COUNCIL:** That Council considers the proposed changes and recommends their adoption to Full Council.

**REASON FOR DECISION:** The Contract Procurement Rules (CPR's) are part of the Constitution (under Section 20) and must be regularly reviewed and updated as part of the Council's governance and procurement review processes, contributing to the Council's system of effective internal control.

## 66 HALF YEARLY UPDATE ON RISK MANAGEMENT

*Audio Recording: 1 hr 10 seconds*

The Service Director – Resources presented the report entitled Half Yearly Update on Risk Management and highlighted the following points:

- Previously the Committee received quarterly reports on risk, looking at detailed risk proposals. As that has been integrated in the Council Delivery Plan, which is being

considered by Overview & Scrutiny, the Finance Audit and Risk Committee can stop looking at regular risk reviews;

- 8.2.2 highlights that all Councillors have access to Pentana, which is a Risk Management Software, giving full details of all the Council's risks;
- Table 1 shows how risks are moving; due to changing circumstances or actions to mitigate them. The table provides a summary of whether risks are moving or if they are not moving. Over time there should be change in risks;
- 8.2.3 notes that Risk Reviews are taking place.

The following Members asked questions:

- Councillor Terry Tyler
- Councillor George Davies
- Councillor Chris Hinchliff

In response to questions the Service Director – Resources advised:

- The Service Director – Resources will investigate why the Empty Homes Strategy Risk have a target to decrease its likelihood but increase its impact;
- This is intended to be a regular report twice a year; there is a Quarterly Risk Management Group during the day where members of FAR and O&S are welcome;
- Information on Pentana will be sent to Members of the committee;
- The Local Plan is still in the challenge period, until that period has elapsed the risk will remain high. It will then be reviewed.

Councillor Terry Tyler proposed and Councillor Phil Weeder seconded and, following a vote it was:

**RESOLVED:** That the Committee:

- (1) Notes and provides recommendations to Cabinet on the Half Yearly Risk Management update;
- (2) Notes and provides recommendations to Cabinet on the review of the Risk Management Framework;
- (3) Comments on the type of Risk Management Training they would like to see going forward.

**REASON 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.

## 67 SECOND QUARTER REVENUE BUDGET MONITORING 2022/23

*Audio Recording: 1 hour 9 minutes*

The Service Director – Resources presented the report entitled Second Quarter Revenue Budget Monitoring 2022/23 and highlighted the following points:

- Table 3 details the significant variances of budget areas, the main one being Treasury Investment Interest Income;
- Leisure Centre Management Fee is another significant variance; SLL Leisure use has continued to recover; overall income is doing well;

- Planning Income another significant variance; less planning and housebuilding believed to be due to a general economic slowdown;
- Despite not being a significant change page 251 highlights the income from the North Herts Lottery (as requested at the last meeting);
- Tables 4 & 5 cover main income streams; Table 4 compares to the original budget and are given a status of red, amber or green based on forecast achievement levels; Table 5 provides supporting information on the financial position;
- After the publication of this report there were an additional 4 debts in relation to Housing Benefit which required a write-off of more than £10,000; these have been referred to Cabinet for approval.

Councillor Terry Tyler proposed and Councillor Phil Weeder seconded and, following a vote it was:

**RECOMMENDED TO CABINET:** That Cabinet:

(1) Note this report;

(2) Approves the changes to the 2022/23 General Fund budget, as identified in table 3 and paragraph 8.2, a £270k decrease in net expenditure;

(3) Notes the changes to the 2023/24 General Fund budget, as identified in table 3 and paragraph 8.2, a total of £69k increase in net expenditure. These will be incorporated in the draft revenue budget for 2023/24.

**REASONS 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.

## 68 **SECOND QUARTER INVESTMENT STRATEGY (CAPITAL AND TREASURY) REVIEW 2022/23**

*Audio Recording: 1 hour 16 minutes 40 seconds*

The Service Director – Resources presented the report entitled Second Quarter Investment Strategy (Capital and Treasury) Review 2022/23 and highlighted the following points:

- 8.4 Table 2 details the proposals around Capital Schemes that will be delayed in to 2023/24 and onwards;
- 8.5 Table 3 focuses on changes to the overall costs of schemes in 2022/23. The Environmental Improvements to Leisure Centres have seen a large increase in costs affecting the viability of some of those measures;
- Due to the slippage of that capital there is more money to invest; interest rates are also increasing, which is demonstrated in the Treasury position on paragraph 8.9 onwards;
- 8.12 & 8.13 detail where the Council is investing its surplus cash. Some banks and building societies that are paying higher rates on average than the Debt Management Office (Government) so tending to use those up to the Investment Strategy limits, then using DMO.

Councillor Phil Weeder proposed and Councillor Chris Hinchliff seconded and, following a vote it was:

**RECOMMENDED TO CABINET:** That Cabinet:

(1) Note the forecast expenditure of £9.815M in 2022/23 on the capital programme, paragraph 8.3 refers.

(2) Approves the adjustments to the capital programme for 2022/23 onwards, as a result of the revised timetable of schemes detailed in table 2 and 3, increasing the estimated spend in 2023/24 by £0.861M and £2.0M in 2024/25

(3) Notes 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) Recommends to Council that it notes the position of Treasury Management activity as at the end of September 2022.

**REASONS FOR DECISION:**

(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.

**69 DRAFT BUDGET 2023/24**

*Audio Recording: 1 hour 20 minutes 35 seconds*

The Service Director – Resources presented the report entitled Draft Budget 2023/24 and highlighted the following points:

- The Medium Term Financial Strategy was approved at Full Council in September, which included a number of assumed budget estimates; these have since been updated as better information has become available.
- The revenue savings and investment proposals, and new capital schemes, go to the confidential Councillor budget workshop at the beginning of November. This report contains the results of those workshops as well as any budget funding updates;
- No recommendations came from either the Joint Administration and Opposition workshops;
- The total value of the revenue proposals does exceed the savings target that was set in the Medium Term Financial Strategy;
- Councils are being given increased flexibility to increase Council Tax up to 3%;
- 3% gives the Council more income should Council Tax be increased; there will be an assumption by the Government that the Council Tax will be increased to 3% in determining future funding;
- The table in paragraph 8.4 shows the financial impact of increasing Council Tax;
- The Local Government Draft Settlement will be announced on Thursday the 22 December 2022; told there was likely to be a interim announcement between the Autumn Statement and Draft Settlement but nothing has happened yet.

Councillor Terry Tyler proposed and Councillor Chris Hinchliff seconded and, following a vote it was:

**RECOMMENDED TO CABINET:** That Cabinet:

(1) Note the latest funding forecasts for 2023/24 onwards and the significant uncertainty that still remains;

(2) Confirms that it is necessary to increase Council Tax by 3% (the maximum amount now allowed without a local referendum) as this is what will be assumed by Government in determining the Business Rates that the Council can retain;

(3) Confirms that the Council should be a part of the Business Rate pool in 2023/24, but delegated to the Service Director: Resources, in consultation with the Executive Member for Finance and IT, authority to withdraw from the pooling arrangement if there are significant changes that would make it likely that the Council would suffer a financial loss from pooling;

(4) Notes the comments made at the budget workshops, and comment on the inclusion of the revenue savings and investments in the budget to be brought back for consideration in January, for referral on to Council in February;

(5) Notes the comments made at the budget workshops, and comment on the inclusion of the capital investments in the Investment Strategy to be brought back for consideration in January, for referral on to Council in February.

**REASON FOR DECISIONS:** To ensure that all relevant factors are considered in arriving at a proposed budget, Investment Strategy and Council Tax level for 2023/24, to be considered by Full Council on 23 February 2022.

## **70 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS**

*Audio recording: 1 hour 26 minutes 55 seconds*

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 8.59 pm

Chair