NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE COUNCIL CHAMBER, DISTRICT COUNCIL OFFICES, GERNON ROAD, LETCHWORTH ON WEDNESDAY, 25TH JANUARY, 2023 AT 7.30 PM

MINUTES

Present: *Councillors: Terry Tyler (Chair), George Davies, Terry Hone, Sean Nolan Nigel Mason*

John Cannon (Independent Person)

In Attendance: *Melanie Stimpson (Democratic Services Manager), Ian Couper (Service Director – Resources), Eleanor Hopcraft (Committee, Member and Scrutiny Officer)*

Also Present:

At the commencement of the meeting there was 1 *member of the public, including registered speakers.*

71 APOLOGIES FOR ABSENCE

Audio recording – 1 minute 32 seconds

Apologies for absence were received from Councillors Clare Billing and Phil Weeder[1].

Having given due notice Councillor Nigel Mason substituted for Councillor Clare Billing.

72 MINUTES - 7 DECEMBER 2022

Audio recording- 1 minutes 51 seconds

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

RESOLVED: That the Minutes of the Meeting held on 7 December 2022 be approved as a true record of proceedings and be signed by the Chair.

73 NOTIFICATION OF OTHER BUSINESS

Audio recording- 2 minutes 35 seconds

The Chair advised that there was a SIAS training session by Chris Wood for Members once the formal meeting had closed.

74 CHAIR'S ANNOUNCEMENTS

Audio recording- 2 minutes 57 seconds

[1] Apologies for absence regarding Cllr Weeder were submitted prior to the meeting, but not announced as notification was not sent to the appropriate Team email address.

The Chair:

(1) advised that, in accordance with council policy this meeting was being recorded and the recordings would be available on Mod Gov or via the Council's YouTube Channel.

(2) reminded Members that they must make declarations of interest before an item, the detailed reminder about this and speaking rights was set out under Chair's announcements in the Agenda.

(3) advised for purposes of clarification that 4.8.23(a) of the constitution did not apply to this meeting.

75 PUBLIC PARTICIPATION

Audio recording- 3 minutes 41 seconds

There was no public participation at this meeting.

76 FINAL REVENUE BUDGET 2023/24

Audio recording- 3 minutes 48 seconds

The Chair invited Ian Couper, Service Director: Resources to present the report.

In summary the Service Director: Resources advised:

- The Council was over halfway through the budget process for the year, starting with the Medium-Term Financial Strategy in September through to Council approving a budget in February.
- That there were a few changes between the version presented at this meeting and Cabinet version of the report, primarily the addition of recommendation 2.7 to be presented to Cabinet, with regard to the additional funding for the Leisure Contract.
- Paragraph 8.7 onwards of the report looked at the finality of the outcomes of the draft local government settlement. Overall, in terms of funding, the Council were slightly better than forecasted but inflation pressures have brought the Council back to where they started.
- Whilst the Council hoped that in 2023/24 to be part of a Business Rate Pool, revaluation of Business Rates meant greater risk which resulted in all the Councils withdrawal from the Pool.
- Paragraph 8.12 detailed other grants that the Council gets, including general and specific grants. It also gave an overview on where the Council thought changes would occur and how funds and resources would be affected.
- Paragraph 8.19-8.21 detailed the minimum balance for the General Fund, including the processes that were followed.
- Allowance for General Risk in relation to percentages of the Council's spend and income. Specific Risks were also covered in Table 5 and Appendix A which may have an impact in the coming year.
- The recommended Minimum Balance was £2.5million. The Council was not near that balance; however, this would help forecast for the coming years.
- Budget Position refresh at the end of November (month 8) is used to flag any issues in the current budget year going forward. This was detailed in Table 7.
- Paragraph 8.25 onwards detailed the Capital Budget and the Revenue impact. It was important the Revenue impact was brought forward as adjustments such as borrowing capital and borrowing internally had to be considered.

- Paragraph 8.27 detailed areas that are of interest and of concern with risks.
- Paragraph 8.35 referred to the Financial Resilience Index, with more detail in Appendix B. There were no concerns on the Index, but it was flagged for consideration.
- Paragraph 8.37 detailed cumulative impact, with more detail in Appendix C.
- In the short term, the Council was in a better position due to lower use of Reserves.
- In the medium term, the Council needed to make annual savings of £2.5million based on current forecasts by 2027/28.
- Due to this, there was the capacity to take a gradual approach in the next two years to factor in the recovery from the Cost-of-Living crisis and to get more certainty over future funding.
- In future years, significant savings will need to be identified and delivered.

Questions were asked by the following:

- Councillor Sean Nolan
- Councillor Terry Hone
- John Cannon

In response, the Service Director: Resources advised:

- There were two components to the £2.5million minimum balance. The amount for specific risks and additional funds also set aside for unknown risks.
- With any large contract there will be concerns around the price of a new tender. There are further concerns during periods of high inflation, and remaining uncertainty over government proposals in relation to waste collection.
- Areas such as Legal and Planning were struggling with recruitment. Different methods of recruiting were being tried such as welcome payments.
- No financial impact is expected in terms of current contract with SLL following the company losing the Stevenage Borough Council Leisure contract, as the open book arrangements only allowed for the direct costs of our contract to be charged.
- Reserves were being used to fund the General Fund position by £3million.

The Chair advised that this report was presented to FAR for comment before referral to Cabinet.

That Chair asked about losses to the reserves over the next financial year.

Ian Couper advised that this was detailed in Appendix C. It was forecast that in 2023/24 £750k reserves added to a potential penalty from Central Government of £1million in 2025/26 could be the losses.

Councillor Terry Tyler proposed and Councillor Terry Hone seconded, there being no debate, it was:

RECOMMENDED TO CABINET:

That Cabinet recommends that Council:

1. Notes the position on the Collection Fund and how it will be funded.

2. Notes the position relating to the General Fund balance and that due to the risks identified a minimum balance of £2.5 million is recommended.

3. Notes the net revenue savings that are likely to be required in future years, combined with the Chief Finance Officer's commentary on the reliability of estimates and the resilience index.

4. Approves the revenue savings and investments as detailed in Appendix B.

5. Approves a net expenditure budget of £18.123m, as detailed in Appendix C.

6. Approves a Council Tax increase of 2.99%, which is in line with the provisions in the Medium Term Financial Strategy.

REASONS FOR DECISIONS:

To ensure that all relevant factors are considered in arriving at a budget and Council Tax level for 2023/24. To ensure that the budget is aligned to Council priorities for 2023/24 as set out in the Council Plan.

77 INVESTMENT STRATEGY (INTEGRATED CAPITAL AND TREASURY)

Audio recording- 29 minutes 44 seconds.

The Chair invited Ian Couper, Service Director: Resources to present the report.

In summary the Service Director: Resources advised:

- The report detailed the capital budget and treasury position.
- Section 7 detailed the Current Capital Position.
- Section 8 onwards summarised Appendix A, the full Investment Strategy.
- Format described assets that the Council had currently, how to maintain those, detailed new assets that the Council was planning to acquire and planned investments into current assets.
- The Service Director highlighted a mistake in the Report in Paragraph 5. It referred to the additional allocation for CCTV cameras. The correct figure was £0.15million, not £0.015million. The amounts were correct in the detailed tables.
- The Strategy would lead to medium-term borrowing to fund investment due to Capital Reserves being used up.
- The report detailed borrowing internally against the Cash Reserve, which is recommended as best practice.
- The Council needed to consider a buffer balance for borrowing as well as structuring the borrowing.
- Paragraph 8.9 detailed some changes to limits where investments can be made due to less cash. It also covered a proposal to change the sovereign (country) rating of investments in non-UK banks from AAA to A- to allow more countries to pass and to diversify investments.

Questions were asked by the following:

- Councillor Terry Hone
- John Cannon

In response, the Service Director: Resources advised:

- The Council received a fully funded grant for a gum removal machine.

- This report does include a commitment to invest in Green/ESG investments, where available and provide reasonable rates.
- The Council hoped that all Council vehicles would be electric. All current vehicles are leased bar one. The capital allocation is to reflect a change in accounting treatment.
- The lease rates are similar to those of petrol and diesel equivalents.

The Chair advised that the report is presented to FAR for comment before referral to Cabinet.

Councillor Terry Tyler proposed and Councillor Sean Nolan seconded, there being no debate it was:

RECOMMENDED TO CABINET:

That Cabinet recommends that Council approve the adoption of:

1. the Investment Strategy (as attached at Appendix A), including the capital programme and prudential indicators.

2. the four clauses in relation to the Code of Practice on Treasury Management (as detailed in paragraphs 8.11 to 8.16).

REASONS FOR DECISIONS:

1. To ensure that the capital programme meets the Council's objectives and officers can plan the implementation of the approved schemes

2. To ensure the Council's compliance with CIPFA's code of practice on Treasury Management, the Local Government Act 2003, statutory guidance from the Department of Levelling Up, Housing and Communities (DLUHC) and the CIPFA Prudential Code. As well as determining and managing the Councils risk appetite in respect of investments.

78 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio recording- 41 minutes 13 seconds

The Chair led a discussion regarding possible agenda items for future meetings.

Property Investment and the Churchgate project (when considered an appropriate time for the Committee to consider the project) were discussed as future agenda items.

Councillor Terry Hone commented on the Overview and Scrutiny Committee item surrounding Property Investment and Churchgate. Councillor Hone asked if there was remit within the Terms of Reference for the Finance, Audit and Risk Committee to consider this matter, either as well as or instead of the Overview and Scrutiny Committee.

The Service Director: Resources advised that once there was a project proposed for Churchgate that included financials, then it would be an appropriate time for the Committee to be involved in the matter. Until that time, it was still an Overview and Scrutiny matter.

Councillor Ian Albert advised that there was nothing financial in place yet for Churchgate as ideas were still being generated via the public consultation, which had over 1600 replies to date. He further advised that it was important to bring the consultation results together before the next stage, and that financial implications needed to be considered by the Council as its impact would be felt across the district.

In response to a question Councillor Ian Albert confirmed that it would be presented to the Finance, Audit and Risk Committee once the project included financial information.

The Service Director: Resources advised that at the next Finance, Audit and Risk Committee meeting the Statement of Accounts 2021/22 should be approved. Therefore, immediately before the next meeting there would be a training session delivered on the Statement of Accounts to provide a brief overview for Members.

The Chair requested that, should any Members have any suggestions for agenda items for future meetings, they advise himself, relevant officers or the Committee, Member and Scrutiny Team.

The meeting closed at 8.18 pm

Chair