

**NORTH HERTFORDSHIRE DISTRICT COUNCIL**

**FINANCE, AUDIT AND RISK COMMITTEE**

**MEETING HELD IN THE COUNCIL CHAMBER, DISTRICT COUNCIL OFFICES, GERNON ROAD, LETCHWORTH GARDEN CITY, SG6 3JF  
ON WEDNESDAY, 13TH DECEMBER, 2023 AT 7.30 PM**

**MINUTES**

**Present:** *Councillors: Sean Nolan (Chair), Terry Hone, Tom Plater, Mandi Tandi and Tamsin Thomas.*

*John Cannon (Independent Person) Non-voting advisory role.*

**In Attendance:** *Ian Couper (Service Director - Resources), James Lovegrove (Committee, Member and Scrutiny Manager) and Sjanet Wickenden (Committee, Member and Scrutiny Officer).*

**Other Presenters:** *Nick Jennings (Head of Service, Shared Anti-Fraud Services).*

**Also Present:** *There were no members of the public present.*

**9 APOLOGIES FOR ABSENCE**

*Audio recording 1 minute 40 seconds*

Apologies for absence were received from Councillor Terry Tyler.

Councillor Chris Lucas was absent.

**10 MINUTES - 8 NOVEMBER 2023**

*Audio Recording 1 minute and 57 seconds*

Councillor Sean Nolan, as Chair, proposed and Councillor Mandi Tandi seconded and, following a vote, it was:

**RESOLVED:** That the Minutes of the Meeting of the Committee held on 8 November 2023 be approved as a true record of the proceedings and be signed by the Chair.

**11 NOTIFICATION OF OTHER BUSINESS**

*Audio recording 2 minutes 40 seconds*

There was no other business notified.

**12 CHAIR'S ANNOUNCEMENTS**

*Audio recording 2 minutes 46 seconds*

(1) The Chair advised that, in accordance with Council Policy, the meeting would be audio recorded.

(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 advised that section 4.8.23(a) of the Constitution applied to this meeting.

### 13 PUBLIC PARTICIPATION

*Audio recording 3 minutes 33 seconds*

There was no public participation at this meeting.

### 14 SAFS PROGRESS UPDATE ON 2023-2024 ANTI-FRAUD PLAN

*Audio recording 3 minutes 40 seconds*

The Head of Service, Shared Anti-Fraud Service, presented the 'SAFS Progress Update on 2023-24 Anti-Fraud Plan', and highlighted that:

- The 2023-24 Anti-Fraud report was approved by this Committee in March 2023.
- The report progress and KPIs were shown in appendix B, with a more detailed report on page 29 covering the period 1 April to 31 October 2023.
- KPI 2a highlighted that 36% of allocated fraud days had been completed this has improved in quarter 3 (Q3).
- A persistent error with the new case management system had been identified and was being addressed, which had affected the reporting of time spent on cases.
- Work had been completed in accordance with the service plan and since Q3 the agreed number of days had occurred.
- The Council took part in the International Fraud Awareness week in November 2023.
- Work was ongoing with HR regarding the I-learning training with changes expected next year.
- A table highlighting all the referrals received from staff and members of the public to SAFS and the categories of these fraud allegations was shown on page 15 of the report.
- The estimated value of live fraud cases was £318K as highlight in section 15 of the report.
- The outcome of the recent grant fraud investigation resulted in a two year suspended sentence and 200 hours of unpaid work, with the matter being referred to the proceeds of crime team to investigate the recovery of any funds.
- The Fraud Advisory Panel reported in April about the Lost Homes Lost Hope risk from social housing which highlighted the importance of working closely with housing partners to prevent fraud.
- Work was ongoing with other agencies to ensure that SAFS was informed of any new fraud initiatives or threats.
- The County Council undertook an investigation of the Council Tax Framework and from a sample of 3500 cases selected for review, they found that 625 discounts could be removed which would generate an extra £264K of Council Tax funding.
- Work was ongoing with the National Fraud Initiative and the use of data and data analytics to identify and prevent fraud.
- NHDC had a lower number of data matches compared to other districts and these data matches had identified fraudulent claims that had generated a saving of £69K.
- SAFS were working with the Hertfordshire Fraud Hub to ensure that data was submitted on a regular basis, enabling the early identification of fraud.
- Polygamous workers were highlighted as a new risk, this was the result of remote working where employees worked at more than one authority.
- Specific reports regarding grant processes and recruitment risks had been produced.

The following Members asked questions:

- Councillor Terry Hone
- Councillor Tom Plater
- Independent Person John Cannon

In response to questions the Head of Service stated that:

- The case management system had been incorrectly recording time spent working on NHDC accounts and the reporting systems showed a shortfall. This meant that the 285 recorded days would not be met, however assurances could be given that the work had taken place.
- The work undertaken for the Council had been met and they were satisfied that any risk to the Council had been dealt with.
- There were still issues with the case management system and work was ongoing to rectify this.
- Urgent referrals were still being actioned and the team were meeting the two day target.
- The case management system was now recording accurate time spent and a weekly report was being produced detailing the time spent by each authority and Officer.
- They were unable to confirm if historical data would be updated.
- The workload was being completed and high risk cases were being identified and actioned appropriately.
- The case management system was used by 120 different organisations, meetings were ongoing with the provider and a request had been made for a system update.
- Ideally this situation would get rectified, alternatively an additional process would be instigated to mitigate and identify the high risk cases.
- The grant fraud perpetrator worked for the Business Improvement District (BID), they were identified by Council officers undertaking post payment assurance work and measures were put into place to prevent this type of fraud reoccurring.
- The person concerned abused their work position, and this was discovered post payment, recommendations had been given to Officers to prevent this type of fraud occurring again.
- There was a typographical error on section 17 of the report, and it should read Letchworth Garden City.
- The value of the fraud was £64K and the fraud occurred over several months.

*N.B Councillor Tom Plater left the Council Chamber at 19:48*

*N.B Councillors Tamsin Thomas and Tom Plater entered the Council Chamber at 19:51.*

Councillor Tom Plater proposed and Councillor Terry Hone seconded and, following a vote, it was:

**RESOLVED:** That the Committee noted the work of the Council and the Shared Anti-Fraud Service in delivering the 2023/24 Anti-Fraud Plan.

## 15 MID YEAR UPDATE ON RISK MANAGEMENT GOVERNANCE

*Audio recording 22 minutes 10 seconds*

The Service Director – Resources presented the report entitled ‘Mid Year Update on Risk Management Governance’ and highlighted that:

- The reporting of performance risks and performance indicators was included in the Council Delivery Plan and reviewed by Overview and Security and Cabinet. However it was important that this Committee also had an understanding of the risks which were contained in this report.

- The Corporate risk matrix was detailed on page 34 of the report, with table 1 showing the risk movements over the last six months.
- The risks were reviewed on a regular basis, they were not static risks and section 8.4 of the report detailed the review schedule.
- New, emerging and archived risks were highlighted at section 8.5 of the report and included two new entries, the Baldock Industrial Estate Fire and the Reinforced Auto cladding Aerated Concrete (RAAC) risk.
- RAAC had not been found in any buildings that were considered to be at a high-risk of having RAAC and work was ongoing to complete a review of all Council buildings and it was expected that this risk would shortly be closed.
- There was a SIAS report on risk management detailed in section 9 of the report which made five recommendations, one was still outstanding relating to the move to SharePoint.
- SharePoint was expected to go live on 19 December 2023.
- The Senior Management Group (SMG) undertook Horizon Scanning for mid to long term risks. They came up with risks in relation to resourcing (including the struggle to recruit and existing staff that may retire), political risks (local and national) and cyber security.
- Business Continuity was reviewing how the Council would react to a loss of key systems (including a cyber attack on the IT Systems) and investigating which areas would be priorities and which systems could be managed manually.
- The SMT reviewed the opportunities at Churchgate and the associated risks.
- The Local Plan was being reviewed, especially the implications of more dwellings and the impact these would have on funding, and services.

The following Member asked questions:

- Councillor Tamsin Thomas
- Councillor Terry Hone
- Councillor Tom Plater
- Independent Person John Cannon

In response to questions the Service Director – Resources stated that:

- RACC assessments had been completed for the Burymead museum storage and all the leisure facilities.
- SharePoint will be available on Councillors devices.
- There had been some delays on reviewing service risks, however these had now been completed. More details on these delays could be provided outside of this meeting.
- The Churchgate project was moving forward, however the Service Manager would be able to confirm the exact details for the change in risk level, which could then be forwarded to the Committee.
- The condition of the Churchgate building had been assessed and a plan for short term work prior to the regeneration was in place. Should the plan drift there could be the potential to raise the risk level.
- The Overview and Scrutiny Committee and Cabinet had reviewed the Waste contract and the bin capacity for recycling with the 3,3,3 collection cycle.
- The Risk Managers and associated Service Manager reviewed their service risks at different times. A Risk Officer supported the risk reviews and their reporting, and this was on a cyclical basis.
- The frequency of a service risk assessment would depend on the risk level. For projects, the project board would receive a more detailed risk report.

In response to the training requests of the Committee, the Service Director – Resources stated that a training session could be provided on the theory of risk management and determining risk scores. Members were also reminded that they were welcome to attend the Risk and Performance Management group sessions.

Councillor Tom Plater proposed and Councillor Terry Hone seconded and, following a vote, it was:

**RESOLVED:** That Finance, Audit and Risk Committee:

- (1) Noted and provided comments to Cabinet on the mid-year Risk Management Governance update, including progress made with completion of audit recommendations.
- (2) Commented on the type of Risk Management training they would like to receive going forward.
- (3) Noted the review of the Performance and Risk Management Group Terms of Reference.

**RECOMMENDED TO CABINET:** That Cabinet consider the comments provided from Finance, Audit and Risk Committee on the mid-year Risk Management Governance update, including progress made with completion of audit recommendations.

**REASONS FOR RECOMMENDATION:**

- (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.

## 16 SECOND QUARTER REVENUE BUDGET MONITORING 2023/24

*Audio Recording 41 minutes 2 seconds*

The Service Director – Resources presented the report entitled ‘Second Quarter Revenue Budget Monitoring 2023-24’ and highlighted:

- The major movements in variances were detailed in table 3 on page 87 of the report, with the continued high interest rates contributing to the treasury investment income.
- There had been some slippage with items, and these were requested to be carried over to 2024/25 budget. The main reason for the slippage related to resourcing.
- There has been a slight drop of income from trade waste, and there had also been a fall in the price and volumes achieved for recycling paper.
- Income from car parking had been identified as a long term risk on the Medium Term Financial Strategy (MTFS), long stay and season tickets sales seem to have been affected by employees working from home.
- Car park payments made by card have a card transaction fee which would be an ongoing cost.
- Income from garden waste and penalty charges were in line with the budget and had been highlighted as a green risk.
- With a slowing of small applications the income from Planning applications had moved to an amber risk indicator. Some of the shortfall was being covered by income from larger sites.
- Leisure centre management fees, commercial refuse & recycling services and car parking fees had all been given a red risks indicator.
- The contingency for Covid highlighted in table 6 of the report would now be released to offset areas where there had been an overspend.
- Table 7 detailed the projected end of year General Fund balance and this was higher than expected due to interest generated on investments.
- There were ongoing budget challenges which in the short term had been off-set by the income generated from the high interest rates.

The following Members asked question:

- Councillor Tamsin Thomas
- Councillor Terry Hone
- Councillor Tom Plater
- Councillor Sean Nolan

In response to questions the Service Director – Resources stated:

- The principal areas affected by staff recruitment included, Legal, Estates, Planning, Environmental Health and this was reflected across other authorities.
- There was a known struggle to keep staff with transferable skills even with using golden hellos (which would have retention clauses), especially when the private sector offered higher salaries.
- Apprenticeships had helped with staff recruitment, but it takes time to train an employee and the skilled roles still required staffing.
- Work was ongoing to enhance the employment package offered to new employees.
- More details would be sent outside of the meeting regarding the increased postage costs which did not include the distribution of the recent Outlook magazine.
- The leadership team were looking at the implications of salary pay points, this had been highlighted on the Council Delivery Plan and to the Overview and Scrutiny Committee.
- Last year £300K was carried forward from the unspent salary budget to be spent on short-term capacity to support the Council. Examples of how this was used include an extra HR post (to create capacity for work on improving our attractiveness as an employer) and Grant Officer post (with the aim of improving funding from grants coming into the Council).
- Any changes made to the salary packages of employees would be permanent and could not be used as a short-term fix.
- The issuing of Parking Penalties can be linked to whether the team was fully staffed, but also reflected whether residents and visitors were parking properly.
- The cost for any Planning Public Inquiries were not recoverable.

Councillor Terry Hone proposed and Councillor Mandi Tandi seconded and, following a vote, it was:

**RECOMMENDATIONS TO CABINET:**

- (1) That Cabinet note this report.
- (2) That Cabinet approves the adjustments to the 2023/24 General Fund budget, as identified in table 3 and paragraph 8.2, a £450k decrease in net expenditure.
- (3) That Cabinet notes the changes to the 2024/25 General Fund budget, as identified in table 3 and paragraph 8.2, a total £769k increase in net expenditure. These will be incorporated in the draft revenue budget for 2024/25

**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.

**17 SECOND QUARTER INVESTMENT STRATEGY (CAPITAL AND TREASURY) REVIEW 2023/24**

*Audio recording 1 hour 8 seconds*

The Service Director – Resources presented the report entitled ‘Second Quarter Investment Strategy (Capital and Treasury) Review 2023-24’ and highlighted that:

- Project movement and any slippage into 2024/25 was identified at table 2 of the report.
- Significant project changes against forecast were highlighted in table 3 of the report.
- The Local Authority Housing Fund phase 2 would be fully funded by grants. A tranche of the Phase 1 grant had been received and would need to be paid to Settle. Settle had completed the 3 properties that they signed up to do, and they were now occupied.
- The Estate team had been unable to update the forecast for surplus land being sold, therefore the information in table 4 on page 107 of the report was overstated.
- There was an emerging overspend on the replacement of CCTV cameras in the district which was estimated to be above 20%, the matter was likely to go to Cabinet in January. Work was ongoing to limit the ongoing revenue costs of this project.
- The majority of investments had current interest rates in excess of 5%, the table at 8.12 detailed the investments.

The following Members asked questions:

- Councillor Tom Plater
- Councillor Terry Hone
- Councillor Tamsin Thomas
- Councillor Sean Nolan

In response to questions the Service Director – Resources stated:

- The forecast additions highlighted in table 4 had not been updated in quarter 2 which was not ideal but manageable and this related to delays in the disposal of surplus land and buildings.
- An update was expected before Cabinet in January on the replacement costs for CCTV cameras.
- There was normally one week between the Finance Audit and Risk Committee and Cabinet meetings, any updates made to the report for the Cabinet meeting on 16 January 2024 would be highlighted.
- The two biggest items of underspend reported in table 2 were not directly linked to resourcing, however some of the smaller items were.
- The museum storage costs were higher than expected and further work was taking place to look at all options.
- The contractor employed by settle for the John Barker Place development went into administration and this project had to be reprocured.
- A risk assessment for car park resurfacing had been undertaken with the outcome that the majority of car parks were in better condition than expected so delaying resurfacing would not lead to any adverse risks.
- The use of the term 'not urgent' in table 2 should be stated as 'not a priority', with regular checks being conducted on these projects to ensure they were safe as the majority of these project being cyclical works.
- There were some risks that delaying projects may add to the cost of materials, but this was mitigated by the 5% interest rate from investments.
- Should a Council issue a S114 notice they were not bankrupt and any treasury investment borrowed from other authorities would be repaid. Investments were made in line with the investment strategy of the Council, but did also reflect the financial situation of the counterparty.

In response to a comment from Councillor Tom Plater, the Chair stated that in this instance the Committee was being asked to note the report and one matter had been raised that may change before Cabinet, had the Committee been asked to recommend the report then an adjustment to the recommendations would have been required.

Councillor Tamsin Thomas proposed and Councillor Terry Hone seconded and, following a vote, it was:

**RECOMMENDATIONS TO CABINET:**

- (1) That Cabinet notes the forecast expenditure of £8.185M in 2023/24 on the capital programme, paragraph 8.3 refers.
- (2) That Cabinet approves the adjustments to the capital programme for 2023/24 onwards, as a result of the revised timetable of schemes detailed in table 2 and 3, increasing the overall estimated spend in 2024/25 and beyond by £3.898M.
- (3) That Cabinet 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) That Cabinet recommends to Council that it notes the position of Treasury Management activity as at the end of September 2023 including the new Capital items.
- (5) That Cabinet recommends to Council that it confirms the addition of the Local Authority Housing Fund Phase 2 to the capital programme for 2023/24 and approves the reprofiling of Bancroft & Priory Splash Pads from 2024/25 into 2023/24.

**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.

**18 DRAFT BUDGET 2024/25**

*Audio Recording 1 hour 18 minutes 35 seconds*

The Service Director – Resources presented the report entitled 'Draft Budget 2024/25' and highlighted that:

- This was a draft version of the report, and the final version would be going to Council in February.
- The draft was completed after budget workshops with Members and Officers and their feedback to proposals, there may be some further proposals to be included in the Cabinet report.
- It had been proposed that the customer services centre remained open for longer hours, which would have a cost implication with a budget increase.
- There would be ongoing costs for the Economic Development Strategy whilst it was being developed.
- The Department of Levelling up Housing and Communities (DLUHC) had issued a policy statement relating to Local Government finance settlement, a draft settlement was due with more information before Christmas.
- The DLUHC policy statement gave some assurances about the expected financial settlement, with the MTFs predicting a 3% income uplift, from Retained Business Rates, Council Tax and grants.
- There would be a recommendation to increase Council Tax by 2.99%, which was the most allowed before a referendum was required.



- There was little certainty going forward regarding funding in advance of the next General Election, but hopefully post-election there would be a move towards more funding certainty.
- A more detailed report would be presented to the Committee on the 31 January with more detailed funding and risk assumptions and the recommendation for the minimum general fund balance.
- There would be some use of reserves in the budget, but these would be generated from the release of the business rates pooling gains.
- There would be an update given to Cabinet to reflect the decision from DLUHC assessment and an addendum for this would be given in the Cabinet version of the draft budget.

The following Members asked questions:

- Councillor Terry Hone
- Independent Person John Cannon

In response to questions the Service Director – Resources stated:

- The principal area of growth would be in Planning with the need to deliver major sites and the income that these would generate, staff will need to be in place to facilitate these large applications.
- Careline could be an area of revenue growth and generates an income from other client bases.
- There were also some smaller short-term areas of growth.
- Consultants were required for some specialised tasks, , the costs for employing specialist full time would be greater and generally consultant input was required for short periods of time.

Councillor Tom Plater proposed and Councillor Tamsin Thomas seconded and, following a vote, it was:

**RECOMMENDATIONS TO CABINET:**

- (1) That Cabinet note the latest funding forecasts for 2024/25 onwards and the significant uncertainty that still remains.
- (2) That Cabinet confirm that it will be necessary to increase Council Tax by the maximum amount allowed without a local referendum, as this is what will be assumed by Government in determining the Business Rates that the Council can retain and calculating the Council's Core Spending Power.
- (3) That Cabinet note 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 February, for referral on to Council at the end of February.
- (4) That Cabinet note 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 February, for referral on to Council at the end of February.

**REASON FOR RECOMMENDATIONS:** To ensure that all relevant factors are considered in arriving at a proposed budget, Investment Strategy and Council Tax level for 2024/25, to be considered by Full Council on 29 February 2024.

**19 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS**

*Audio recording 1 hour 29 minutes 52 seconds*

**Wednesday, 13th December, 2023**

Councillor Tom Plater suggested that training around the risks relating to staff recruitment and retainment could be discussed.

The Service Director – Resources mentioned that staff recruitment and retainment risks were included in the Council Delivery Plan considered by the Overview and Scrutiny Committee and the Joint Staff Consultative Committee also focused on recruitment and retainment and this may be seen as a duplication of work.

The Chair suggested a balance of work streams with more details of how risks were set and actions taken.

The Service Director – Resources proposed that a training session around internal audit took place prior to the January meeting, with the intention that the risk training could be delivered in March.

The meeting closed at 9.05 pm

Chair