

NORTH HERTFORDSHIRE DISTRICT COUNCIL

DECISION SHEET

Meeting of the Finance, Audit and Risk Committee held in the Council Chamber, District Council Offices, Letchworth Garden City, SG6 3JF on Wednesday, 19th June, 2024 at 7.30 pm

1 APOLOGIES FOR ABSENCE

Apologies for absences were received from Councillor Tina Bhartwas and Ruth Brown.

Having given due notice Councillor Daniel Wright-Mason substituted for Councillor Tina Bhartwas.

2 MINUTES - 13 MARCH 2024

RESOLVED: That the Minutes of the Meeting of the Committee held on 13 March 2024 be approved as a true record of the proceedings and be signed by the Chair.

3 NOTIFICATION OF OTHER BUSINESS

There was no other business notified.

4 CHAIR'S ANNOUNCEMENTS

- (1) The Chair advised that, in accordance with Council Policy, the meeting would be 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 did not apply to this meeting.
- (4) The Chair advised a change in the order of the published agenda. Agenda item 12 Finance Audit and Risk Committee Annual Report 2023-24 would be considered after Agenda item 5.

5 PUBLIC PARTICIPATION

There was no public participation at this meeting.

6 FINANCE, AUDIT AND RISK COMMITTEE ANNUAL REPORT 2023-24

RESOLVED: That the Committee considered and commented on the Annual Report of the Finance, Audit and Risk Committee as attached at Appendix A and noted that there may be delays to some of the Planned Work for 2024-25, detailed on page 184, and this would be updated by the Service Director – Resources.

RECOMMENDED TO COUNCIL: The Annual Report of the Finance, Audit and Risk Committee (as amended) be noted.

REASON FOR RECOMMENDATION: To enable the Committee to consider the report before it is presented to Full Council. To provide Full Council with assurance as to the effectiveness of the Finance, Audit and Risk Committee.

7 VALUE FOR MONEY INTERIM REPORT 22/23 (ERNST AND YOUNG)

RESOLVED: That the Value for Money Interim Report 22/23 from Ernst and Young was noted.

REASON FOR DECISION: To enable the Committee to be provided with information on the work undertaken by the Auditors Ernst and Young and to highlight any significant weaknesses identified along with recommendations for improvement.

8 EXTERNAL AUDIT PLAN & STRATEGY 23/24 (KPMG)

RESOLVED: That the draft Audit Plan for 23/24 was noted.

REASON FOR DECISION: To enable the Committee to be provided with the outlined approach by KPMG to the audit of the Council's financial statements for the year ending 31 March 2024.

9 SIAS ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT ANNUAL REPORT 2023-24

RESOLVED: That the Finance, Audit and Risk Committee:

- (1) Noted the Annual Assurance Statement and Internal Audit Annual Report.
- (2) Noted the results of the self-assessment required by the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance and Improvement Programme (QAIP).
- (3) Approved the Shared Internal Audit Service Audit Charter for 2024/25.
- (4) Received management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2023/24.

REASON FOR DECISION: To enable the Committee to be provided with the ails the Shared Internal Audit Service's overall opinion on the adequacy and effectiveness of North Herts Council's framework of governance, risk management and control.

10 DRAFT ANNUAL GOVERNANCE STATEMENT 2023/24

RESOLVED: That the Committee reviewed and commented on the draft Annual Governance Statement Action Plan that would be finalised for approval once the Council's External Audit had been completed.

REASON FOR DECISION: The Committee is the legal body with responsibility for approval of the Annual Governance Statement. Reporting the draft Annual Governance Statement 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.

11 REVENUE BUDGET OUTTURN 2023/24

RESOLVED: That the Finance, Audit and Risk Committee provided comments and recommended to Cabinet the Revenue Budget Outturn 2023/24.

RECOMMENDATIONS TO CABINET:

- (1) That Cabinet note this report.
- (2) That Cabinet approves a decrease of £194k in the 2023/24 net General Fund expenditure, as identified in section 8 of the report, to a total of £16.494million.

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- (3) That Cabinet approves the adjustments to the 2024/25 General Fund budget, as identified in table 4 and paragraph 8.3 of the report, a total £634k increase in net expenditure.

That Cabinet recommends to Council.

- (4) That Council approves the net transfer to earmarked reserves, as identified in table 9 of the report, of £2.028million.

REASONS FOR RECOMMENDATIONS:

- (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.

12 INVESTMENT STRATEGY (CAPITAL AND TREASURY) END OF YEAR REVIEW 2023/24

RESOLVED: That the Finance, Audit and Risk Committee provided comments and recommended to Cabinet the Investment Strategy (Capital and Treasury) End of Year Review 2023-24.

RECOMMENDATIONS TO CABINET:

- (1) That Cabinet notes expenditure of £2.409million in 2023/24 on the capital programme, paragraph 8.3 refers.
- (2) That Cabinet approves the adjustments to the capital programme for 2024/25 as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend by £2.655million and £0.193million in 2025/26.
- (3) That Cabinet notes the position of the availability of capital resources, as detailed in table 4 paragraph 8.7 of the report and the requirement to keep the capital programme under review for affordability.
- (4) That Cabinet approves the application of £1.313million of capital receipts/set aside towards the 2023/24 capital programme, paragraph 8.7 refers.
- (5) Cabinet is asked to note the position of Treasury Management activity as at the end of March 2024.
- (6) Cabinet is asked to recommend this report to Council and ask Council to:
 - 1) Approve the actual 2023/24 prudential and treasury indicators.
 - 2) Note the annual Treasury Report for 2023/24.
 - 3) Approve a change to the Investment Strategy allowing investments to be placed on Lloyds Call Account so the combined total of Current Account and Call Account is up to £5M.

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.

13 ANNUAL REPORT ON RISK MANAGEMENT GOVERNANCE

RESOLVED: That the Finance, Audit and Risk Committee noted and provided comments to Cabinet on this report

RECOMMENDATION TO CABINET: That Cabinet notes and provides comments to Council on this report.

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

14 EXCLUSION OF PRESS AND PUBLIC

RESOLVED: That under Section 100A of the Local Government Act 1972, the Press and Public be excluded from the meeting on the grounds that the following report will involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the said Act (as amended).

15 LEISURE INVESTMENT OPTIONS - PART 2

RESOLVED: That the Finance, Audit and Risk Committee provided comments and recommended to Cabinet the Leisure Investment Options – Part 2.

RECOMMENDATIONS TO CABINET: That the Part 2 report is considered when reaching the decisions detailed in Part 1.

REASON FOR RECOMMENDATION: As detailed in the Part 1 report.

16 LEISURE INVESTMENT OPTIONS - PART 1

RESOLVED: That the Finance, Audit and Risk Committee provided comments and recommended to Cabinet the Leisure Investment Options – Part 1.

RECOMMENDATIONS TO CABINET:

That Cabinet takes into account the matters set out in the Part 2 report when reaching the following decisions:

- 2.1 That Cabinet agree in principle to terminate the Combined Heat and Power Centrica contracts at North Herts Leisure Centre (NHLC) and Hitchin Swimming and Fitness Centre (HSFC) at the appropriate time during the PSDS project and recommend to Council as per 2.6 below regarding the termination fee.
- 2.2 That Cabinet expresses its profound disappointment at the position taken by Centrica over the cost of the CHP contract termination, given the company's stated position as "Energising a greener, fairer future" and requests that the Council continues to raise, and seek solutions to, the issue of long-term inflexible agreements for gas CHPs with Salix and Government, which will inevitably prevent many public sector organisations from achieving their net zero ambitions.
- 2.3 That Cabinet does not approve the business case for Royston Leisure Centre Learner Pool and the capital budget is removed from the capital programme, due to the matters identified in the Part 2 report.

That Cabinet recommends to Council:

- 2.4 An increase in capital expenditure of £2.4m into the capital programme for the decarbonisation work to the three leisure centres. The overall budget will be profiled across 2024/25 and 2025/26.
- 2.5 An increase in the capital budget of £250k for the Royston Leisure Centre (RLC) gym extension, to ensure the extension is built to net zero carbon standards.
- 2.6 Approval of revenue expenditure of up to £757k for termination and removal fees of the gas CHPs at North Herts Leisure Centre and Hitchin Fitness and Swimming Centre. This would be funded from General Fund reserves.

REASONS FOR RECOMMENDATIONS:

- (1) North Herts Council passed a climate emergency motion in May 2019. This declaration asserted the council's commitment toward climate action beyond current government targets and international agreements. This is currently pursued through the North Herts Climate Change Strategy 2022-2027 which sets out what the council will aim to do to reduce its own carbon emissions to achieve Carbon Neutrality for the Council's own operations by 2030 and a Net Zero Carbon district by 2040.
- (2) Gas use from our leisure centres is a significant contributor towards the Council's own emissions. In 2022-23, gas use across the three leisure centres accounted for 1,428 tonnes CO₂e. This equates to 45% of the Council's Scope 1-3 emissions. Taking action to replace gas heating for our leisure centres with low carbon alternatives is the single most effective action we can take towards meeting our target of being carbon neutral by 2030.
- (3) There is currently a capital allocation in the 2024/25 budget to build a gym extension and learner pool (subject to business case) at Royston Leisure Centre.
- (4) During the procurement for the leisure and active communities contract, the Council committed to deliver the gym extension project which is incorporated in to the contractual management fee. The initial tender stage returns showed that extension would generate additional income of at least £150k per year, and subject to inflationary increases. The latest estimate is that the capital costs will be £1.25m. This is an increase from the initial estimate of £1m and includes making the extension net-zero. The income generated will still exceed the revenue cost of capital (at around £90k per year), but in line with the financial regulation the increased capital spend needs to be approved by Cabinet.
- (5) The business case for the learner pool has not yet been agreed and is included in the Part 2 report.

17 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

The Chair led a discussion regarding possible agenda items for future meetings. Further details regarding inherited versus mitigated risks for fixed financial obligations was requested.

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