

NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

**MEETING HELD IN THE COUNCIL CHAMBER, DISTRICT COUNCIL OFFICES,
LETCHWORTH GARDEN CITY, SG6 3JF
ON WEDNESDAY, 11TH JUNE, 2025 AT 7.30 PM**

MINUTES

Present: *Councillors: Sean Nolan (Chair), Vijaiya Poopalasingham (Vice-Chair), Ruth Brown, Paul Ward and Stewart Willoughby.*

John Cannon (Independent Member) Non-voting advisory role.

In Attendance: *Amy Cantrill (Trainee Committee, Member and Scrutiny Officer), Georgina Chapman (Policy & Strategy Team Leader), Ian Couper (Director - Resources) and Susan Le Dain (Committee, Member and Scrutiny Officer).*

Other Presenters: *Chris Wood (Head of Assurance Services (HCC) & Client Audit Manager (NHDC)) and Salma Younis (Engagement Director (KPMG)).*

Also Present: *There were no members of the public in attendance for the duration of the meeting.*

Councillor Ian Albert was in attendance as Executive Member for Resources.

1 APOLOGIES FOR ABSENCE

Audio recording – 1 minute 27 seconds

Apologies for absence were received from Councillors Dominic Griffiths and Steven Patmore.

2 MINUTES - 12 MARCH 2025

Audio Recording – 1 minute 45 seconds

Councillor Sean Nolan, as Chair, proposed and Councillor Stewart Willoughby seconded and, following a vote, it was:

RESOLVED: That the Minutes of the Meeting of the Committee held on 12 March 2025 be approved as a true record of the proceedings and be signed by the Chair.

3 NOTIFICATION OF OTHER BUSINESS

Audio recording – 2 minutes 30 seconds

There was no other business notified.

4 CHAIR'S ANNOUNCEMENTS

Audio recording – 2 minutes 39 seconds

- (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.

5 PUBLIC PARTICIPATION

Audio recording – 3 minutes 26 seconds

There was no public participation at this meeting.

6 SIAS ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT ANNUAL REPORT 2024-25

Audio recording – 3 minutes 26 seconds

The SIAS Head of Assurance presented the report entitled 'SIAS Annual Assurance Statement and Internal Audit Annual Report 2024-25' and highlighted that:

- The report represented the work conducted in the civic year 2024/25 and an annual assurance opinion for the authority.
- There were two not yet completed audits, related to the 'New Finance System' and 'Homelessness'. The audit on 'Homelessness' was about to start and field work was complete before progressing to a closing meeting and reporting stage on the 'New Finance System'.
- Changes to the Global Internal Audit Standards, which took effect from 1 April 2025, were laid out in Table 1.
- As required the report confirmed the qualifications of the audit team were still up to standards, that SIAS maintained independence and was not subject to any inappropriate scope or resource limitations.
- The Annual Self-Assessment scored SIAS as 'generally conforms', which was the highest level and an External Quality Assessment was due in 2026.
- The SIAS Audit Charter set out the framework within which it discharges its internal audit responsibilities to those charged with governance in the partner councils.
- Assurance mapping was completed in year based on the registered projects and risks in the Council Delivery Plan. The outcomes of this work were new to the report for 2024/25.
- New root cause analysis as part of the Global Standards started in Quarter 3 and a summary for the first full year in operation would be available at the end of 2025/26 as part of the Annual Assurance Statement at that time.
- As part of the presentation the Director – Resources confirmed that SIAS was not subject to any inappropriate scope or resource limitations from the Council.

The following Members asked questions:

- Councillor Paul Ward
- Councillor Stewart Willoughby
- Councillor Sean Nolan
- Councillor Ruth Brown
- Independent Member John Cannon

In response to questions, the SIAS Head of Assurance stated that:

- There was some variance in total medium and high priority recommendations compared to last year, this would vary year to year dependant on the nature and type of projects included in the Plan in any given year, but the overall number and prioritisation of recommendations contained in the report were of an acceptable level.
- The new Global Standards requires Root Cause Analysis for all issues this had been categorised in the table of underlying causes and would be used to identify patterns.
- Definitions of the categories of Root Cause Analysis were included at Appendix C.
- There will be a mid-year update on Route Cause analysis but as most of the work on this is done in the Quarters 3 and 4 there would not be a full picture until the end of year report.
- Experience to date indicates that some issues had multiple root causes and were difficult to categorise.

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

- The recommendations outlined on the Estates Audit had a target date of end of June 2025, most of the work was complete, this would be confirmed finished at next meeting of this Committee.
- Rent reviews had been completed and therefore it was expected there would be financial benefits from those, and these are linked to the Estates Audit, but there was no direct figure for them.

Councillor Vijaiya Poopalasingham proposed and Councillor Paul Ward seconded and, following a vote, it was:

RESOLVED: That the Committee:

- (1) Noted the Annual Assurance Statement and Internal Audit Annual Report.
- (2) Noted the results of the self-assessment required by the Global Internal Audit Standards (GIAS) and the Quality Assurance and Improvement Programme (QAIP).
- (3) Approved the SIAS Audit Charter for 2025/26.
- (4) Sought management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2024/25.

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.

7 EXTERNAL AUDIT PLAN & STRATEGY 24/25 (KPMG)

Audio recording – 24 minutes 35 seconds

The Engagement Director KPMG presented the report entitled 'External Audit Plan & Strategy 24/25 (KPMG)' and highlighted that:

- The 2024/25 audit was impacted by the 2023/24 audit delay.
- Four areas of significant risks were identified through audit of the accounts, which were valuation of land and buildings, valuation of investment property, valuation of post-retirement benefit obligations, and management override of controls.
- The Council migrated the general ledger software in August 2024 which posed a risk of incomplete or inaccurate data having been migrated over.
- The approach of KPMG to value for money reporting was outlined on page 16.

In response to questions from the Independent Member John Cannon, the Engagement Director KPMG advised that public sector organisations did not have revenue recognition risks, but rather the risks were associated with expenditure. Currently, there had been no expenditure risk identified, but going forward the project overspends might occur and this could be identified as a specific audit area, but that would not be included here as a fraudulent risk, unless this was flagged in the risk assessment process.

In response to questions from the Independent Member John Cannon, the Director – Resources stated that the new General Ledger System was robust and was used by a number of other local authorities. The system was chosen following a full procurement process, which included evaluation and comparison with competitors.

Councillor Stewart Willoughby proposed and Councillor Vijaiya Poopalasingham seconded and, following a vote, it was:

RESOLVED: That the Committee noted the External Audit Plan & Strategy 24/25.

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 2025.

8 DRAFT ANNUAL GOVERNANCE STATEMENT 2024/25 AND ACTION PLAN FOR 2025/26

Audio recording – 33 minutes 53 seconds

The Policy & Strategy Team Leader presented the report entitled 'Draft Annual Governance Statement 2024/25 And Action Plan For 2025/26' and highlighted that:

- The report was a draft which gave the Committee the opportunity to comment on the draft.
- The report was sent to SIAS, SAFS and KPMG for comments and the comments received by SIAS were contained in the report.
- The assessment did not identify any significant governance issues, but there were areas for improvement included in the Action Plan, including increasing completion rates for essential training for staff, that sub-delegations were understood and cyber risks.
- Actions related to Social Value were carried over from the previous Action Plan as they were not yet complete.

The following Members asked questions:

- Councillor Paul Ward
- Councillor Ruth Brown

In response to questions, the Policy & Strategy Team Leader stated that:

- The Leadership Team had received a copy of the draft report and had chance to comment on the achievability of the Action Plan.
- This Committee would receive an update on actions Autumn 2025 and Spring 2026 and was responsible for monitoring of the Action Plan.

Councillor Vijaiya Poopalasingham proposed and Councillor Paul Ward seconded and, following a vote, it was:

RESOLVED: That the Committee reviewed and commented on the draft AGS and Action Plan at Appendix A.

REASON FOR DECISION: The AGS must be considered and approved by this Committee before the approval of the Statement of Accounts under Regulation 6(4)(a) of the Accounts and Audit Regulations ('AAR') 2015/234.

9 REVENUE BUDGET OUTTURN 2024/25

Audio recording – 40 minutes 29 seconds

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

- Since the publication of the report a few changes were made prior to being sent to Cabinet, however none of these were substantive.
- The key variances for the year were summarised at Table 4 in the report. The key changes that would be in the Cabinet report were highlighted.
- For the apprenticeship scheme, the Council had been overpaying on National Insurance and would receive back approximately £14,000.
- The Council was planning to recruit another management trainee and the carry-forward would help maintain the number of apprentices the Council could recruit.
- Treasury investment income was higher than forecast, due to further capital slippage and higher interest rates, this could result in additional income on the treasury position for 2025/26 too and this would be reviewed at the end of Quarter 1.
- The Strategic Priorities Fund was created for various projects and the request was to use it to fund work on Local Government Reorganisation, and other associated work, if this was not completely covered by Government Funding.
- There was greater than expected contribution to the bad debt provision mainly due to the suspension of income recovery during the year with the transition to the new finance system. This was expected to balance out during the next year.
- Revenues & Benefits Service Government Grant Income of £37,000 would be carried forward. This carry-forward would support the final work on the new finance system.
- The administration proportion of the Shared Prosperity Fund Grant was an underspend due to the use of existing staffing for this purpose.
- Six corporate 'financial health' indicators were identified in relation to key sources of income for the Council in 2024/25 these showed a similar pattern seen in the quarter 3 report.
- The impact on the General Fund balance of the outturn position was summarised at Table 7 of the report, with the biggest impacts on business rates.
- A certain amount of business rates money was kept in case of appeals. Appeals were dealt with by the Valuation Office Agency and there was currently a backlog. After time passes the chances of appeals go down and therefore the appeal provisions can be released into the general fund.
- Business rate reliefs are given by the government in the form of Grant funding and details of what the Council had received was summarised in Table 9 of the report.
- Paragraph 8.17 states the Councils the risk allowance is used to set the minimum level of General Fund balance was determined based on known and unknown risks.
- An additional risk to add to the list in paragraph 8.17 was legal costs for a public inquiry into refused planning permission.

The following Members asked questions:

- Councillor Paul Ward
- Councillor Sean Nolan
- Councillor Ruth Brown
- Independent Member John Cannon

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

- There was no limit on variances Cabinet can approve on an existing budget, however they cannot introduce new areas of budget.
- Regulatory had large slippage towards the end of the year and the reasons for this slippage were outlined on page 103 of the agenda pack.
- Enterprise had less income than expected and this was outlined on page 98 of the agenda.
- The information about how this Council compared to other Local Authorities regarding revenue spend slippage was not available. The Director – Resources would try and compile some comparison information.
- A lot of this slippage was due to prioritised resources, especially regarding staffing.
- The General Fund may be artificially high as the Council had underspends which it would be spending in the future.
- The 2025/26 Revenue Budget would show the cost of the changes due to the changes in the Leisure Decarbonisation.

Councillor Vijaiya Poopalasingham proposed and Councillor Stewart Willoughby seconded and, following a vote, it was:

RECOMMENDED TO CABINET: The Finance, Audit and Risk Committee commented on the assumptions and information contained within this report, in the context that Cabinet agrees that:

- (1) That Cabinet note this report.
- (2) That Cabinet approves a decrease of £860k in the 2024/25 net General Fund expenditure, as identified in section 8, to a total of £17.889million.
- (3) That Cabinet approves the changes to the 2025/26 General Fund budget, as identified in table 4 and paragraph 8.3, a total £361k decrease in net expenditure.

That Cabinet recommends to Council:

- (4) That Council approves the net transfer to earmarked reserves, as identified in table 9, of £1.035million.

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.

10 INVESTMENT STRATEGY (CAPITAL AND TREASURY) END OF YEAR REVIEW 2024/25

Audio recording – 1 hour 7 minutes 15 seconds

N.B. Cllr Paul Ward declared an interest in this item due to his employment and left the chamber.

The Director – Resources presented the report entitled 'Investment Strategy (Capital and Treasury) End of Year Review 2024/25' and highlighted that:

- The schemes in the 2024/25 Capital Programme that would start or continue in 2025/26 were listed in Table 2.
- The changes to the overall costs of schemes in 2024/25 were detailed in Table 3.
- The Council had operated both within the treasury and prudential indicators set out in the Treasury Management Strategy Statement and in compliance with the Treasury Management Practices.
- The average interest rate agreed on new deals during the year was 5.26%. The current performance was achieving interest rates of around 4%, which was demonstrating the downward trajectory predicted.
- One breach of the Treasury Management rules was recorded during the year, which related to the combined balance of the Call Account and Current Account and was due to staff resourcing. The situation was resolved within 1 day. This would be reviewed to see whether it could be prevented from happening again.
- The full Treasury Management report was included as Appendix B to the report.

In response to a question from Independent Member John Cannon, the Director – Resources advised that all information in Appendix B pertained directly to North Herts District Council.

Councillor Vijaiya Poopalasingham proposed and Councillor Stewart Willoughby seconded and, following a vote, it was:

RECOMMENDED TO CABINET: The Finance, Audit and Risk Committee commented on the assumptions and information contained within this report, in the context that Cabinet agrees that:

- (1) That Cabinet notes expenditure of £11.362million in 2024/25 on the capital programme, paragraph 8.3 refers.
- (2) That Cabinet approves the adjustments to the capital programme for 2025/26 as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend by £5.202million.
- (3) That Cabinet notes the position of the availability of capital resources, as detailed in table 4 paragraph 8.7 and the requirement to keep the capital programme under review for affordability.
- (4) That Cabinet approves the application of £3.787million of capital receipts/set aside towards the 2024/25 capital programme, paragraph 8.7 refers.
- (5) Cabinet is asked to note the position of Treasury Management activity as at the end of March 2025.
- (6) Cabinet is asked to recommend this report to Council and ask Council to:
 - 1) Approve the actual 2024/25 prudential and treasury indicators as detailed in Appendix B.
 - 2) Note the annual Treasury Management Review for 2024/25 (Appendix B).

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 **FINANCE, AUDIT AND RISK COMMITTEE ANNUAL REPORT 2024-25**

Audio recording – 1 hour 16 minutes 07 seconds

The Director – Resources presented the report entitled 'Finance, Audit and Risk Committee Annual Report 2024/25' and highlighted that:

- The report for Council outlined the good work of this Committee over the last civic year.
- The progress on the recommendations made during this year following the SIAS audit were included at page 157 of the report.
- Feedback from Committee members was included and any further comments at this meeting could be added.
- The planned work for the year, including a Financial Regulations review and Medium-Term Financial Strategy in November, was outlined at page 161 of the report.

The following Members contributed to discussion:

- Councillor Sean Nolan
- Councillor Stewart Willoughby
- Councillor Vijaiya Poopalasingham
- Councillor Ruth Brown
- Councillor Paul Ward
- Independent Member John Cannon

The following points were raised:

- The Committee thanked the Director – Resources and Officers in his team.
- Members of the Committee had gained experience in the last civic year and were now understanding the important aspects of the reports and asking poignant questions.
- It was noted that the background work done by Officers was valuable.
- The training sessions before the meetings were better as Committee Members did not have to give up an additional evening.
- Committee Members should make use of opportunity to meet shared services, and the Chair was building a relationship with KPMG.
- The Independent Member John Cannon was thanked and noted to have valuable experience and asked challenging questions to ensure good governance oversight.
- The training sessions were effective and should be timed to meet the needs of the most Members.
- Further training on Business Rates Pooling would be helpful for Members.

The Director – Resources added that the self-assessment survey completed by Members would inform future training and that should Members wish training could be after the Committee meetings depending on the length of the agenda. The Chair agreed this could be trialled at the meeting on 10 September 2025 as there were three agenda items planned.

The Independent Member commented that the Committee worked well and was always conducted in a positive and collaborative way focussed on residents. However, it was noted that debate on items was limited, and this could lead to certain issues being missed. The Chair clarified that the debate section was in relation to the recommendations and potential amendments, rather than general discussion points.

Councillor Vijaiya Poopalasingham proposed and Councillor Ruth Brown and, following a vote, it was:

RESOLVED:

- (1) That the Committee consider and comment on the Annual Report of the Finance, Audit and Risk Committee as attached at Appendix A, particularly in relation to feedback on how the Committee operated during 2024/25.
- (2) That the Committee delegate to the Director – Resources, in consultation with the Chair of the Committee, to make any changes to Appendix A arising from discussion of this report.

RECOMMENDED TO COUNCIL:

- (3) The Annual Report of the Finance, Audit and Risk Committee be noted.

REASON FOR RECOMMENDATIONS: 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.

12 REPORT ON RISK MANAGEMENT GOVERNANCE (YEAR-END UPDATE)

Audio recording – 1 hour 42 minutes 46 seconds

The Director – Resources presented the report entitled 'Report on Risk Management Governance (Year-End Update)' and highlighted that:

- The mitigating actions and ongoing controls for identified risks were highlighted at Table 2 in the report.
- Actions completed since the mid-year update were in bold italics to indicate how mitigating activity was progressing.
- Some target risk scores were the same as actual risk as the Council had limited control over the risk, an example was cyber security. They were kept on the risk register as still actions to do and to maintain focus.
- An overview of new and archived risks was included at paragraph 8.4 of the report.
- All archived risks were included in Appendix A to the report.

The following Members asked questions:

- Councillor Paul Ward
- Independent Member John Cannon

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

- The Government had announced there would be a 3-year settlement, but the specific financial amount had not yet been announced.
- The report was a snapshot at the current time but also featured reflection on the last Civic year.
- Details of all risks were accessible to all Councillors via Ideagen. The Intranet provided a user guide and guest log in details.

Councillor Vijaiya Poopalasingham proposed and Councillor Paul Ward and, following a vote, it was:

RECOMMENDED TO CABINET: That Finance, Audit and Risk Committee note and provide recommendations to Cabinet on this year-end Risk Management Governance update, for referral on to Full Council.

REASONS FOR RECOMMENDATIONS:

- (1) Cabinet has responsibility for ensuring the management of risks.
- (2) This Committee has responsibility to monitor the effective development and operation of risk management.

13 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio recording – 1 hour 54 minutes 48 seconds

The Chair led a discussion regarding possible agenda items for future meetings and training sessions for the Committee.

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

The meeting closed at 9.29 pm

Chair