

# NORTH HERTFORDSHIRE DISTRICT COUNCIL

## FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD AS A VIRTUAL MEETING  
ON MONDAY, 15TH JUNE, 2020 AT 7.30 PM

### MINUTES

**Present:** *Councillors: Kate Aspinwall (Chair), Sam Collins, Steve Deakin-Davies, Morgan Derbyshire and Adem Ruggiero-Cakir*

**In Attendance:** *Ian Couper (Service Director - Resources), Suresh Patel (Associate Partner - Ernst and Young), Nazeer Mohammed (Audit Manager - Ernst and Young), Mark Chalkley (Client Audit Manager - SIAS), Melanie Stimpson (Democratic Services Manager) and Matthew Hepburn (Committee, Member and Scrutiny Officer)*

**Also Present:** *At the commencement of the meeting Councillor Ian Albert*

## 1 WELCOME & INTRODUCTION

*Audio Recording – 40 Seconds*

The Chair welcomed everyone to the virtual Finance, Audit and Risk Committee meeting that was being conducted with Members and Officers at various locations, communicating via audio/video and online and advised that there was the opportunity for the public and press to listen and view proceedings.

The Committee, Member and Scrutiny Officer gave advice regarding the following:

### Attendance

A roll call was undertaken to confirm that the required Members and Officers were present and could hear and be heard.

If for any reason the meeting was not quorate an Officer would interject the meeting and the meeting would adjourn immediately. Once the meeting was quorate the meeting would resume.

Only Members present during the entire debate for an item were entitled to vote. If a Member had been cut off during the debate and re-joined the meeting, then they would not be able to vote on that item.

### Live Streaming

The meeting was being streamed live on the Council's YouTube channel. If live streaming failed the meeting would adjourn. If the live stream could not be restored within a reasonable period then the remaining business would be considered at a time and date fixed by the Chair. If the Chair did not fix a date, the remaining business would be considered at the next ordinary meeting.

If technology failed for a member of the public who had attended to exercise their right to speak and was unable to do so, the Chair may decide to proceed to the next item of business to allow for connection to be re-established. If connection could not be restored within a reasonable period, the Chair may decide to conclude the remaining business, or consider the remaining business at a time and date fixed by the Chair. If the Chair did not fix a date, the remaining business would be considered at the next ordinary meeting.

### Noise Interference

The Committee, Member and Scrutiny Officer asked all in attendance to ensure that electronic devices were muted.

### Rules of Debate

If a Member wished to speak they should use the raise hand button and this would alert the host that they wished to speak.

Members were reminded that the normal procedure rules in respect of debate and times to speak would apply.

### Voting

When requested to vote, Members were informed to vote using the Green tick for 'Yes', Red Cross for 'No' and Blue Raise Hand for 'abstain'.

Details of how Members voted would not be kept or minuted unless a Recorded Vote was requested or an individual requests that their vote be recorded.

The Committee, Member and Scrutiny Officer would clearly state the result of the vote and the Chair would proceed to the next agenda item.

The Chair, Councillor Kate Aspinwall, started the meeting proper.

## **2 APOLOGIES FOR ABSENCE**

*Audio Recording – 5 Minutes 26 Seconds*

There were no apologies for absence.

## **3 NOTIFICATION OF OTHER BUSINESS**

*Audio Recording – 5 Minutes 44 Seconds*

There was no other business notified.

## **4 CHAIR'S ANNOUNCEMENTS**

*Audio Recording – 5 Minutes 49 Seconds*

- (1) The Chair welcomed those present at the meeting;
- (2) The Chair advised that, in accordance with Council Policy, the meeting would be audio recorded and live streamed onto the Council's YouTube channel;

- (3) 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.

## 5 PUBLIC PARTICIPATION

*Audio Recording – 6 Minutes 20 Seconds*

There was no public participation.

## 6 UPDATE TO THE 2019/20 AUDIT PLAN

*Audio Recording – 6 Minutes 22 Seconds*

The Associate Partner - Ernst and Young and the Audit Manager presented the Update to the 2019/20 Audit Plan.

The Associate Partner – Ernst and Young informed the Committee that the purpose of the update was to advise on the impact that Covid-19 has had on the audit.

The Associate Partner – Ernst and Young and the Audit Manager directed Members to key points within the report, including

- MHCLG had changed the financial reporting dates for local authorities as a result of Covid-19. The Council was now required to publish its draft statements by the 31 August and publish audited accounts by 30 November;
- There was a presumption that the Council would continue as a going concern; and
- The Audit Plan included PPE valuations as an area of audit focus.

The Associate Partner – Ernst and Young reassured the Committee that, despite the challenges of remote working, the audits would still be completed and additional consultation processes would be put in place post Covid-19.

The following Members asked questions:

- Councillor Kate Aspinwall.

In response to the Member's question, the Service Director – Resources responded as follows:

- Any fee changes would be agreed with the auditor and fee requests referred to the PSAA; and
- The next Finance, Audit and Risk Committee would be held on 7 September 2020 when the accounts would be signed off.

In response to the Member's question, the Associate Partner – Ernst and Young responded as follows:

- The audit delivery was feasible. Remote working had been working well.

Upon being put to the vote, it was:

**RESOLVED:** That the Update to the 2019/20 Audit Plan be noted.

**REASON FOR DECISION:** To update the Committee on the 2019/20 Audit Plan.

**7 2019/20 ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT ANNUAL REPORT**

*Audio Recording – 19 Minutes 35 Seconds*

The Client Audit Manager (SIAS) presented the report entitled 2019/20 Annual Assurance Statement and Internal Audit Annual Report and drew Members' attention to key points in the report, including:

- Paragraph 2.7 on page 12 within the report and advised that SIAS' external quality assessment would be postponed from November 2020 to May 2021 at the latest as a result of Covid-19;
- Paragraph 2.11 on page 13 within the report and advised that the Head of Assurance had confirmed that during the year that 'no matters threatened SIAS's independence' and 'SIAS was not subject to any inappropriate scope or resource limitations'. The Service Director – Resources provided this assurance;
- The Diagram at paragraph 2.12 on page 14 within the report;
- Section 3 of the report on page 15 within the report and informed that there was 1 'limited' Assurance Level in 2019 and 3 in 2020;
- The majority of reports were classified as satisfactory;
- A limited assurance opinion had been provided in the Time Recording System audit;
- Six audits were at draft report stage at the time of writing the Annual Report;
- Section 4 – Paragraph 4.1 on page 17 within the report and advised that the SIAS Planned Days target 2019/20 had been 95%. However, the actual to 31 March 2020 was 99%; and
- Section 5 – Audit Charter, Appendices C and D.

The Client Audit Manager (SIAS) stated that it has been an overall positive year at the Council as key performance indicators had been delivered.

The Service Director – Resources added that in relation to the table at paragraph 3.2, having good assurance reports in satisfactory illustrated that reports were being targeted effectively.

Upon being put to the vote, it was:

**RESOLVED:**

- (1) That the Annual Assurance Statement and Internal Audit Annual Report be noted;
- (2) That the results of the self-assessment required by the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance and Improvement Programme (QAIP) be noted;
- (3) That the SIAS Audit Charter be accepted;
- (4) That the assurance provided by the Service Director: Resources that the scope and resources for internal audit were not subject to inappropriate limitations in 2019/20 be noted.

**REASON FOR DECISIONS:** To update the Committee on the 2019/20 Annual Assurance Statement and Internal Audit Annual Report.

## 8 SIAS PROGRESS REPORT

*Audio Recording – 28 Minutes 58 Seconds*

Before the Client Audit Manager (SIAS) presented the report entitled SIAS Progress Report, he informed Members that it had been challenging delivering audits owing to the changes to working and adapting to remote working.

Members were informed that as at 18 May 2020, 8% of the 2020/21 Audit Plan days had been delivered.

The Client Audit Manager (SIAS) referred Members to key points in the report, including:

- The table at Paragraph 2.2 on page 35 within the report which detailed the 2019/20 final reports that had been issued since 4 March 2020;
- Paragraph 2.7 on page 36 within the report and advised that there had been no proposed amendments to the Annual Audit Plan;
- The table at Paragraph 2.8 detailed the summary of performance based in the latest performance information reported at Appendix A; and
- Appendix B – Implementation Status of High Priority Recommendations.

Upon being put to the vote, it was:

**RESOLVED:**

- (1) That the Internal Audit Progress Report for the period 18 May 2020 be noted;
- (2) That the implementation status of High priority recommendations be noted.

**REASON FOR DECISIONS:** To update the Committee on the Audit Committee Progress Report.

## 9 FINANCE, AUDIT AND RISK COMMITTEE ANNUAL REPORT 2019/20

*Audio Recording – 34 Minutes 11 Seconds*

The Service Director – Resources presented the Finance, Audit and Risk Committee Annual Report 2019/20 and advised that this report would normally be referred to Council. However, owing to the change in the Council's Constitution, there was now no requirement to do so.

The Service Director – Resources pointed out an error in the report on page 49. The date shown under the Chair should be amended to read 'May 2020' instead of 'May 2019'.

Councillor Sam Collins sought clarification in relation to whether he was able to vote on the report as he was a Substitute on the Finance, Audit and Risk Committee and not a Committee Member for the Civic Year 2019/20.

In response to this matter, the Democratic Services Manager advised that the Member was able to abstain if he wished.

Upon being put to the vote it was:

**RESOLVED:** That the Finance, Audit and Risk Committee Annual Report 2019/20 be noted.

**REASON FOR DECISION:** To present the Annual Report and inform the Committee of its work and achievements over a 12 month period to March 2020.

## 10 REVENUE BUDGET OUTTURN 2019/20

*Audio Recording – 37 Minutes 25 Seconds*

The Service Director – Resources presented the report entitled Revenue Budget Outturn 2019/20.

Members were directed to Table 3 on page 56 within the report and advised that the table detailed major variances above £25,000. The Service Director – Resources drew Members' attention to the following variances:

- Careline were purchasing and installing digital alarms when an alarm required replacement. The digital alarm costed twice as much as the analogue product previously installed but could be used up to three times;
- Council Tax Court Summons Income was lower than budgeted as a result of the closure of the Court until at least 30 June 2020, in response to the COVID-19 pandemic; and
- The shortfall in parking income was indicative of the impact of the response from the government and public to the COVID-19 pandemic. Income recorded for March of £107k was significantly lower than the £164k recorded for March 2019.

The Service Director – Resources concluded that from looking at the estimated overall impact on 2020/21, it was hoped that there would not be any ongoing impact that would require the Council to make additional long-term savings.

The Service Director – Resources drew Member's attention to the following:

- Paragraph 8.12 on page 62 within the report and advised that the previous trend of reductions in eligibility for Council tax reductions had stabilised and the impact of Covid-19 was resulting in an increase in eligibility. This creates a deficit on the Council Tax Collection Fund;
- There was an update provided in relation to Paragraph 8.15 on page 63 within the report. It had now been confirmed that there was a £917,000 gain which would increase the general fund balance end of 2019/20 up to £9.4million;
- Table 6 at paragraph 8.17 summarised the impact on the General Fund balance of the outturn position detailed in the report;
- The Council's total business rates income had been above its baseline for several years, meaning pooling gains and Section 31 grants were able to be transferred into a business rate reserve. This provides protection against potential fluctuations in Business Rates income, timing differences inherent in collection fund accounting and the potential impact of a Business Rates reset; and
- The MHCLG Grants Reserve (as shown in Table 8 on page 65) would be reviewed as it was possibly now too high. The 2020/21 budget had committed to releasing £368,000 from this reserve relating to the 2018/19 pooling gain. The balance as of 31 March 2020 of MHCLG Grants Reserve was £3.7million.

The following Members asked questions:

- Councillor Sam Collins;
- Councillor Kate Aspinwall; and
- Councillor Steve Deakin-Davies.

In response to questions raised, the Service Director – Resources responded as follows:

- The impact of lost income from parking, as a result of COVID-19, would be kept under review particularly in relation to changes as lockdown is eased.
- The Council is currently forecasting a £1.4million loss in parking income for the year which was the most significant hit on the Council's income. This is based on a gradual recovery during the year;
- There had been a reduction in Penalty Charge Notices being issued. There would be a move back towards issuing PCNs, which had only been focused on safety issues;
- A number of businesses were receiving a mandatory business rate relief, providing the Council with some protection and guaranteed some level of income;
- There could be a longer term impact of business rates if some businesses were to close post lockdown;
- Alongside the Medium-Term Strategy, there would be a report providing a forecast of the impact of Covid-19; and
- Careline did not make a profit.

***RECOMMENDED TO CABINET:***

- (1) That the report be noted;
- (2) That a decrease of £129k in the 2019/20 net General Fund expenditure, as identified in table 3 and paragraph 8.1, to a total of £14.692 million be approved;
- (3) That the changes to the 2020/21 General Fund budget, as identified in table 3 and paragraph 8.2, a total £344k increase in net expenditure, be approved;
- (4) That the transfer, as referred to in paragraph 8.3, of £59k from the underspend on the General Fund to the strategic Priority fund to enable the Leadership Team to undertake invest to save and/or continuous improvement projects be approved.

That Cabinet recommend to Council:

- (1) The net transfer to earmarked reserves of £2.161million be approved.

***REASONS FOR DECISIONS:***

- (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.

## 11 INVESTMENT STRATEGY (CAPITAL AND TREASURY) END OF YEAR REVIEW 2019/20

*Audio Recording – 58 Minutes*

The Service Director – Resources presented the report entitled Investment Strategy (Capital and Treasury) End of Year Review 2019/20 and drew Members' attention the following:

- Paragraph 4.2 on page 73 within the report and advised that the primary principles governing the Council's investment criteria were the security and liquidity of its investments. After this the return was then considered, which provided an income source for the Council;
- Paragraph 8.4 on page 75 within the report and the contents in Table 2 which listed the schemes in the 2019/20 Capital Programme that will now start or continue in 2020/21;
- Paragraph 8.9 on page 78 within the report and informed that the Council's Capital Financing Requirement (CFR) at 31 March 2020 was negative £5.60 million. This means that the Council does not have a need to borrow for capital spend;
- The Treasury Management 2019/20 at paragraphs 8.10 – 8.18; and
- Paragraph 8.18 on page 80 within the report and advised that the Chief Executive (under urgency powers) had approved a removal on the limit on balances the Council held in its current account in response to Covid-19.

NB: Councillor Kate Aspinwall lost connection to the meeting at 20:35. The meeting briefly adjourned to ascertain if her connection could be re-established. Cllr Aspinwall reconnected to the meeting at 20:36 and the meeting resumed.

The following Members asked questions in respect of the Service Director's report:

- Councillor Steve Deakin-Davies.

In response to the questions raised by the Member, the Service Director – Resources responded as follows:

- A review of the benefits of Cloud computing would need to be looked at by IT; and
- It was covered in the recently approved IT Strategy.

NB: Councillor Morgan Derbyshire lost connection to the meeting at 20:40. The meeting briefly adjourned. However, Councillor Derbyshire was unable to re-join the meeting. The Chair, after having sought advice from the Democratic Services Manager, decided to resume proceedings as the Committee was still quorate.

### **RECOMMENDED TO CABINET:**

- (1) That the expenditure of £1.473million on 2019/20 on the capital programme, paragraph 8.3 refers, and in particular the changes detailed in table 3 which resulted in a net decrease on the working estimate of £0.055million, be noted;
- (2) That the adjustments to the capital programme for 2020/21 as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend in 2020/21 by £0.277million (re-profiled from 2019/20), be approved;
- (3) That 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, be noted;

- (4) That the application of £0.639million of capital receipts towards the 2019/20 capital programme and the drawdown of £0.397million from set aside receipts, paragraph 8.6 refers, be approved;
- (5) That the position of Treasure Management activity as at the end of March 2020 be noted.

Cabinet recommend to Council:

- (1) That the actual 2019/20 prudential and treasury indicators be approved;
- (2) That the annual Treasury Report for 2019/20 be noted.

**REASONS FOR DECISIONS:**

- (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.

**12 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS**

*Audio Recording – 1 Hour 14 Minutes 39 Seconds*

The Chair requested that, should any Members have any suggestions for agenda items for future meetings, they advise herself, officers or the Committee Clerk.

The following items were suggested for a future meeting:

- (1) A presentation from the Commercial Directorate on the return of investment;
- (2) The spend on investigating the benefits of IT Cloud computing; and
- (3) A recovery plan following the Covid-19 pandemic and the cost implications.

In response to those suggestions, the Chair advised that she would raise all the requests with the Chair of the Overview and Scrutiny Committee, to prevent the overlapping of reports.

The Service Director – Resources informed the Committee that there would be various phases of recovery from the Covid-19 pandemic as well as adjusting to a 'new normal' which would include looking at the way the District Council Offices were used.

The meeting closed at 8.52 pm

Chair