NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD AS A VIRTUAL MEETING
ON MONDAY, 8TH MARCH, 2021 AT 7.30 PM

MINUTES

Present: *Councillors: Kate Aspinwall (Chair), Sam North (Vice-Chair), Sam Collins, Michael Weeks and Helen Oliver (In place of Adem Ruggiero-Cakir)*

In Attendance: *Ian Couper (Service Director - Resources), Reuben Ayavoo (Policy and Community Engagement Manager), Suresh Patel (Associate Partner - Ernst and Young), Robert Garnett (Audit Manager - Ernst and Young) Mark Chalkley (SIAS Client Audit Manager), Nick Jennings (Head of the Shared Anti-Fraud Service) and Matthew Hepburn (Committee, Member and Scrutiny Officer)*

Also Present: *At the commencement of the meeting approximately* 5 *members of the public and Councillor Ian Albert as Executive Member for Finance and IT. Darryl Simmonds was present for IT Support.*

64 WELCOME AND REMOTE/PARTLY REMOTE MEETINGS PROTOCOL SUMMARY

Audio Recording – 7 Seconds

The Chair welcomed everyone to the Finance, Audit and Risk Committee.

The Committee, Member and Scrutiny Officer undertook a roll call to ensure all those present could hear and be heard and drew attention to the Remote/Partly Remote Meetings Protocol which was noted.

65 APOLOGIES FOR ABSENCE

Audio Recording – 7 Seconds

Apologies for absence were received from Councillor Adem Ruggiero-Cakir and Councillor Morgan Derbyshire.

Having given due notice Councillor Helen Oliver advised that she would be substituting for Councillor Adem Ruggiero-Cakir.

66 MINUTES - 18 JANUARY 2021

Audio Recording – 3 Minutes 9 Seconds

Councillor Kate Aspinwall (Chair) proposed and Councillor Sam North (Vice-Chair) seconded and it was

RESOLVED:

(1) That the Minutes of the Meeting of the Committee held on 18 January 2021 be approved as a true record of the proceedings; and

(2) That, with the authorisation of the Chair, her electronic signature and initials be attached to the Minutes approved in (1) above.

67 NOTIFICATION OF OTHER BUSINESS

Audio Recording – 4 Minutes 37 Seconds

There was no other business notified.

68 CHAIR'S ANNOUNCEMENTS

Audio Recording – 4 Minutes 43 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;

(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.

69 PUBLIC PARTICIPATION

Audio Recording – 5 Minutes 7 Seconds

There was no public participation.

70 ERNST AND YOUNG OUTLINE AUDIT PLAN 2021

Audio Recording – 5 Minutes 12 Seconds

The Associate Partner – Ernst and Young introduced his colleague Robert Garnett who would be the Audit Manager for the 2020/21 audit. The Associate Partner then presented the report entitled Ernst and Young Outline Audit Plan 2021, including:

- There were 2 new risks identified which were *National Non-Domestic*
- *Rates (NNDR) Appeals* and *Accounting for Covid-19 related government grants;*
- There was a revised auditing standard that had been issued in respect of the audit of accounting estimates;
- Ernst and Young had set materiality at £1.29 million for the financial statements which represented 2% of the prior year's gross revenue expenditure of the Authority;
- Informed Members of the National Audit Officer Code (NAO) 2020;
- The NAO was also looking at how to reduce workload to a smaller level for 2021 in light of the pressures faced owing to the pandemic; and
- Directed Members to the indicative timetable on page 43 within the report, showing the key stages of the audit and the planned deliverables agreed to be provided through the audit cycle in 2020/21.

The following Members asked questions:

- Councillor Michael Weeks.

In response to the Member's questions, the Service Director – Resources advised that:

- The Officer undertaking the valuing of assets was coming to the end of their term and as part of the transition period, someone else would take over the valuations. This was to keep in line with Chartered Surveyor guidelines.

The Associate Partner advised that:

- He was aware of incidences of management override at other Authorities.

The Service Director – Resources concluded that he was happy with the proposed audit timeline and understood the pressures that Ernst and Young were under from the NAO.

The recommendations were proposed by Councillor Kate Aspinwall and seconded by Councillor Sam North and upon being put to the vote, it was:

RESOLVED: That the report entitled Ernst and Young Outline Audit Plan 2021 be noted.

REASON FOR DECISION: To update the Committee on the Outline Audit Plan 2021.

71 SIAS INTERNAL AUDIT PROGRESS REPORT

Audio Recording – 18 Minutes 45 Seconds

The SIAS Client Audit Manager presented the report entitled SIAS Internal Audit Progress Report, including:

- Directed Members to the table at paragraph 2.2 on page 57 within the report which detailed the final reports issued since 18 November 2020;
- SIAS made three high priority recommendations as a result of the work undertaken in the audits detailed in paragraph 2.2;
- The title of the Parking Strategy and Enforcement audit had been changed to Parking Income in agreement with the Service Director - Regulatory;
- The following update was given in respect of the figures in the table at paragraph 2.9. As of 5 March 2021, 272 (93%) planned days had been delivered and 18 (75%) planned projects out of 24 had been completed;
- The SIAS Client Audit Manager was confident that targets would be reached;
- Members were directed to the contents in Appendix B and Appendix C and further information relating to the appendices was provided;
- Members were pre-warned that CIPFA had issued new guidance in relation to assurance and findings definitions. The new definitions, to be used from 1 April 2021, were as follows: the assurance level 'Good' would be changed to 'Substantial' and the assurance level 'Satisfactory' would be changed to 'Reasonable'. There would also be minor amendments made to the definitions.

The Chair thanked the SIAS Client Audit Manager for this report.

Councillor Kate Aspinwall proposed and Councillor Sam North seconded the recommendations.

It was:

RESOLVED:

(1) That the Internal Audit Progress Report for the period to 12 February 2021 be noted; and

(2) That the implementation status of High priority recommendations be noted.

REASON FOR DECISIONS: To update the Committee on the Audit Progress Report and high priority recommendations.

72 SIAS INTERNAL AUDIT PLAN 2021/2022

Audio Recording – 26 Minutes 25 Seconds

The SIAS Client Audit Manager presented the report entitled SIAS Internal Audit Plan 2021/2022, including:

- Directed Members to the Introduction, background and audit planning process as outlined from pages 75-76 within the report;
- The approach to audit planning was as follows: Local and National Horizon Scanning, Consideration of Risk Management Arrangements and Consideration of the Council's objectives and priorities;
- Further information was provided in relation to the contents at Table 2.9 on page 80 within the report;
- The SIAS Client Audit Manager advised that the intention this year was to undertake mini planning meetings to ensure work plans were still appropriate and if required, amend anything in advance of the audit; and
- The SIAS key performance indicators had not changed.

The SIAS Client Audit Manager provided further information in regards to the appendices A-C within the report.

The following Members asked questions:

- Councillor Michael Weeks.

In response to the Member's question, the SIAS Client Audit Manager advised that at this current moment, the response phase to the pandemic was still on-going and the COVID-19 Recovery – Planning Audit was likely to commence from April/May 2021.

The SIAS Client Audit Manager further added that the role of SIAS was to assess how the Council were responding to the pandemic.

The Service Director – Resources provided additional information by advising that:

- The majority of Council services had been and were operating normally despite the coronavirus pandemic. There were some services that were not able to operate as normal such as Environmental Health who were and have been under extreme pressure resulting from the pandemic;
- A key element to the recovery phase was related to helping staff to recover and the wider recovery plan was related to assisting residents and businesses;
- It was the role of management and Cabinet to identify how the recovery would look;
- The role of SIAS was to assess the recovery plans not to assess when recovery took place; and
- It was important for SIAS to maintain impartiality in order to ensure the reviews and audits were undertaken effectively.

Councillor Ian Albert, Executive Member for Finance and IT, advised that there was a cross-party response and recovery board which looked at the recovery plans.

Councillor Kate Aspinwall proposed the recommendations which were seconded by Councillor Sam North.

It was:

RESOLVED: That the proposed North Herts District Council Internal Audit Plan for 2021/22 be approved.

REASON FOR DECISION: To approve the proposed North Herts District Council Internal Audit Plan for 2021/22.

73 SAFS ANTI-FRAUD PLAN 2021/2022

Audio Recording – 41 Minutes 35 Seconds

The Head of the Shared Anti-Fraud Service presented the report entitled SAFS Anti-Fraud Plan 2021/2022, including:

- Advising that the report provided details of the Council's anti-fraud and corruption arrangements for 2020/21;
- The Anti-Fraud Plan ensured that the Council considered and acknowledged the risk of fraud and that there were appropriate policies and processes in place to deter/prevent/investigate fraud, and that senior officers understood their role in protecting the Council against fraud;
- There were four pillars to tackling fraud: 'Govern', 'Acknowledge', 'Prevent' and 'Pursue'. Further information relating to these was detailed on page 101 within the report;
- The overarching pillar was protecting the Council against fraud;
- Directed Members to the Fighting Fraud and Corruption Locally Strategy (FFCL) checklist as detailed on page 105 within the report;
- There were some amendments to Appendix B – KPIs including KPI (4) – SAFS have increased training days/events and KPI (5) - SAFS removed the success outcomes KPI;
- Majority of fraud cases related Council Tax Discount, Business Rates or Housing Applications;
- SAFS carried forward 45 live cases from 2019/20 and currently there were 41 cases open and under investigation with estimated fraud losses/savings of £354,000; and

- A significant number of cases had been delayed or suspended due to the restrictions with face to face interviews resulting from social distancing. There was hope that interviews could be conducted via Teams.

The following Members asked questions:

- Councillor Sam North; and
- Councillor Michael Weeks.

In response to questions raised, the Head of the Shared Anti-Fraud Service advised that:

- There had been an increase in grant related fraud owing to the Council administering more grants as a result of the pandemic;
- Allegations of Councillor fraud/corruption were the responsibility of the Monitoring Officer;
- There was a Whistleblowing policy, as well as money laundering, corruption and bribery elements within the over-arching anti-fraud policy. The next step was to ensure that there was sufficient training linked in to that to ensure Members and Officers understood their role in tackling fraud;
- If a Member were to act in a corrupt way, it would be the Monitoring Officer's decision as to whether to escalate this to the Standards Committee and/or the Police;
- The Fighting Fraud and Corruption Locally Strategy was not a new strategy, it had been in use since 2014 and had now gathered increased support from lobbying bodies; and
- The 88 fraud referrals was within the target for this time of year. By the end of the year, this number was expected to be approx. 100.

Councillor Kate Aspinwall proposed and Councillor Sam North seconded the recommendations.

It was:

RESOLVED:

(1) That the Anti-Fraud Plan 2021/22 be approved; and

(2) That the activity to protect the Council against fraud and corruption in 2020/21 be noted.

REASONS FOR DECISIONS:

(1) To approve the Anti-Fraud Plan 2021/22; and

(2) To inform the Committee of the activity undertaken to protect the Council against fraud and corruption in 2020/21.

74 LOCAL CODE OF CORPORATE GOVERNANCE 2021 AND ANNUAL GOVERNANCE STATEMENT 2019/20 (ACTION PLAN FOR 2020/21) UPDATE

Audio Recording – 1 Hour 50 Seconds

The Policy and Community Engagement Manager presented the report entitled Local Code of Corporate Governance 2021 and Annual Governance Statement 2019/20 (Action Plan For 2020/21) Update, including:

- It was good practice for the Local Code of Corporate Governance to be reviewed annually and the last update to it was in March 2020;
- There was an amendment to one of the visions. This now read 'Be a more welcoming, inclusive, and efficient council'; and
- All 5 actions contained in the Appendix B Action Plan were on-going and updates were given on the specific actions.

The following Members asked questions:

- Councillor Sam North;
- Councillor Kate Aspinwall.

In response to questions, the Policy and Community Engagement Manager advised that:

- The list of ethical values that were adhered to were the Seven Principles of Public Life (the Nolan Principles) as well as the Member Code of Conduct and Staff Values and Behaviours which underpin the Nolan Principles for members and staff;
- The Inclusion Group was an internal Officer led group that was looking at the Protected Characteristics. The first one was held on Monday 8 March and the theme was Age. The intention was to work through all the Protected Characteristics as defined in the Equality Act 2010 and;
- On the first Friday of the month, there was a staff learning and development morning. The last one held on Friday 5 March focused on equality and diversity, including unconscious bias and racism.

In response to questions, Councillor Kate Aspinwall, as acting Chair of the Joint Staff Consultative Committee (JSCC), advised that she had been in discussions with the Interim Human Resources Services Manager regarding the inclusion work. She stated that at the next JSCC, she would be raising more about what the inclusion work meant for the residents of North Herts.

The Service Director – Resources added that the Inclusion Group was able to feed information to the Leadership Team and the Shaping Our Future Steering Group.

Councillor Kate Aspinwall proposed and Councillor Sam North seconded the recommendations:

It was:

RESOLVED:

(1) That the Local Code of Corporate Governance 2021 (Appendix A) be approved; and

(2) That the current position with the AGS Action Plan (Appendix B), be noted.

REASONS FOR DECISIONS:

(1) It is recommended practice to review the Local Code of Corporate Governance each year to ensure it remains up to date and relevant.

(2) Reviewing the AGS Action Plan during 2020/21 provides the Committee with assurances that NHDC is following through with recommended changes and/or improvements to its governance arrangements.

75 RISK MANAGEMENT UPDATE

Audio Recording – 1 Hour 12 Minutes 58 Seconds

The Service Director – Resources presented the report entitled Risk Management Update, including:

- The Council were waiting a response from the Inspector in regards to the Local Plan. The Local Plan Risk would be affected by that response and decisions to be made by Cabinet ;
- The increase in the Homelessness Corporate Risk reflected the increased levels of homelessness, and use of temporary accommodation;
- It was agreed at the Risk Management Group to archive the Workforce Planning Corporate as there were actions and HR policies in place to manage the risk; and
- There was a potential risk of flooding in the village of Kimpton. At present, this risk was a service risk.

The following Members asked questions:

- Councillor Sam Collins;
- Councillor Michael Weeks;
- Councillor Sam North;

The Service Director – Resources responded to questions raised as follows:

- It was his understanding that there was a subsequent plan to increase the size of Luton Airport. However, the full details were not known to him. The Service Director – Regulatory could provide more on this;
- The budget for the likely need to continue accommodating homeless people in hotels was not yet accounted for. However, the minimum general fund balance had been increased to factor in expenditure such as the increased homelessness cost; and
- The Corporate Risk matrix was not concerning despite it being top heavy. The matrix did contain more Corporate Risks than usual but this reflected the nature and pressures that the Council were currently in. Various risks may reduce in due course.

Councillor Sam North requested an amendment to recommendation 2.1 – point 3 in order that the Waste Corporate Risk be reviewed by the Executive Member for Waste and Recycling as he stated that he was uncomfortable with the assumption that Central Government would fund a mandatory garden waste service. The amendment was supported by Councillor Helen Oliver.

In response to this point, the Service Director – Resources advised that he was not certain but usually Executive Members would be briefed on risks within their portfolio by the appropriate Service Director. The Service Director – Resources further added in regards to the garden waste service, that under the New Burdens Doctrine guidance, if the Government were to introduce a service that would cost the Council money to implement, they were required to fund it.

Councillor Ian Albert, Executive Member - IT & Finance, responded to Councillor Sam Collin's point relating to Luton Airport that an Architect had put forward a four runway solution 8 years ago. However, the Council had objected to the latest expansion regarding one runway and a 32 million passenger expansion.

Councillor Sam Collins requested an amendment to recommendation 2.1 point 1.

The Chair requested that each recommendation be taken separately on the vote.

The Chair clarified to Members the wording of the recommendations.

Councillor Kate Aspinwall proposed, Councillor Sam North seconded and upon being put to the vote, it was:

RESOLVED: That the reviews of the Corporate Risks for the quarter, be noted.

And

RECOMMENDED TO CABINET:

(1) That there be no change to the risk score for Corporate Planning risks, subject to the note 'representation prepared with regard the speculative expansion of London Luton Airport to four runways' being archived as deemed no longer relevant.

(2) That there be an increase in the risk score from 5 to 7 and a target risk score of 6 for the Increased Homelessness Corporate risk;

(3) That there be no change to the risk score for the review of the Waste Corporate risks subject to the risk score being agreed and signed off by the Executive Member for Waste and Recycling.

(4) That that the Workforce Planning Corporate Risk be archived. Original Risk score 5, final risk score 5.

REASONS FOR DECISIONS:

(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.

76 THIRD QUARTER REVENUE MONITORING 2020/21

NB: There was a break at 21:13 prior to the start of the next item. The Committee resumed at 21:20.

Audio Recording – 1 Hour 51 Minutes 40 Seconds

The Service Director – Resources presented the report entitled Third Quarter Revenue Monitoring 2020/2, including:

- Directed Members to Table 6 on page 163 within the report titled General Fund Balance and provided further information;
- Paragraph 8.4 on page 157 detailed the budgets that were requested to be carried forward in to 2021/22;
- There were 4 key corporate 'financial health' indicators identified in relation to key sources of income for the Council. Table 4 showed the performance for the year;
- All of the indicators were red as would be expected given the impacts of the pandemic, and had been reported accordingly throughout the year; and
- As part of the Government's economic support for Covid-19, the Council had been required to distribute a number of business grants. These are detailed in table 8 on page 164.

The following Members asked questions:

- Councillor Sam Collins; and
- Councillor Sam North.

In response to questions raised, the Service Director – Resources advised that:

- In terms of the income guarantee for parking, the Council were required to fund around a third of the loss; and
- An additional column would be added to Table 5 to show the amount covered by the Council and the amount covered by the income guarantee.

Councillor Sam North asked that a recommendation be added to thank staff for their work in administering grants to those in need as a result of the pandemic.

Councillor Kate Aspinwall proposed, Councillor Sam North seconded the recommendations and it was:

RESOLVED:

(1) That the Service Director – Resources be requested to add an additional column into 'Table 5 – COVID Financial Impact on General Fund' relating to the heading 'Expected to be covered by Income guarantee'. Members requested that figures should be provided in the additional column in order to show the amount covered by the Council and the amount covered by the income guarantee. This amendment to Table 5 to be provided as an Addendum to the Cabinet report.

(2) That Officers be thanked by the Committee for their work in administering grants to those in need as a result of the coronavirus pandemic.

RECOMMENDED TO CABINET:

(1) That the report entitled Third Quarter Revenue Monitoring 2020/21 be noted;

(2) That the changes to the 2020/21 General Fund budget, as identified in table 3 and paragraph 8.2, a £624k increase in net expenditure, be approved. (Noting that this net movement is expected to be covered by an increase in the Sales, Fees and Charges compensation from Government that has been applied);

(3) That the changes to the 2021/22 General Fund budget, as identified in table 3 and paragraph 8.2, a total £17k decrease in net expenditure, be approved.

REASON FOR DECISIONS:

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.

77 THIRD QUARTER INVESTMENT STRATEGY (CAPITAL AND TREASURY) REVIEW 2020/21

Audio Recording – 2 Hours 8 Minutes 50 Seconds

The Service Director – Resources presented the report entitled Third Quarter Investment Strategy (Capital And Treasury) Review 2020/21, including:

- There was a reasonable amount of capital slippage, as detailed at Table 2 on page 171 within the report;
- The approved investment limits within the Investment Strategy were breached during the quarter ended 31 December 2020. The limit on investments placed with Building Societies was exceeded by £2.0 million for 19 days in October. Measures had been put in place to ensure limits were not exceeded again;
- Interest rates continued to be very low;
- The DMO was the most secure place to hold money, but at the time of the investment detailed in the report was paying a -0.01% Interest Rate.

Councillor Michael Weeks attempted to ask a question but lost connection mid-flow.

NB: Councillor Michael Weeks lost connection to the meeting at 21:43. Councillor Weeks did not re-join the meeting. The meeting remained quorate.

There were no further questions raised therefore, Councillor Kate Aspinwall proposed and Councillor Sam North seconded the recommendations and it was:

RECOMMENDED TO CABINET:

(1) That the forecast expenditure of £2.354million in 2020/21 on the capital programme, paragraph 8.3 refers, be noted;

(2) That the adjustments to the capital programme for 2020/21 onwards as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend in 2021/22 by £1.102million, be approved;

(3) That the position of the availability of capital resources, as detailed in table 3 paragraph 8.6 and the requirement to keep the capital programme under review for affordability, be noted;

(4) That the £0.050million budget to refurbish the Gym Floor at the North Herts Leisure Centre be reprofiled into 2020/21, be approved. (The budget has been approved to spend in 2021/22 but with the Leisure Centre closed due to Covic-19 there's an opportunity to bring this work forward and avoid closing the gym once Covid-19 restrictions have been lifted).

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.

78 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio Recording – 2 Hours 15 Minutes 20 Seconds

The Chair alongside Members and the Service Director – Resources, agreed that financial recovery following the pandemic would be included in the Revenue Monitoring reports.

The meeting closed at 9.48 pm

Chair