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NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE COUNCIL CHAMBER, DISTRICT COUNCIL OFFICES,
LETCWORTH GARDEN CITY
ON WEDNESDAY, 7TH SEPTEMBER, 2022 AT 7.30 PM

MINUTES

Present: *Councillors: Councillor Terry Tyler (Chair), Councillor Clare Billing (Vice-Chair), George Davies, Phil Weeder, Sean Nolan, Terry Hone and Simon Bloxham (In place of Morgan Derbyshire)*

In Attendance: *Councillor Ian Albert (Executive Member for Finance & IT), Abigail Hamilton (Member and Scrutiny Officer), Ian Couper (Service Director – Resources), (Committee, Member and Scrutiny Officer), John Cannon (Independent Member), Nick Jennings, Debbie Hanson, Rachel Merez*

Also Present:

There were no members of the public present.

41 APOLOGIES FOR ABSENCE

Audio recording – 2:10

Apologies for absence were received from Councillor Morgan Derbyshire who was substituted by Councillor Simon Bloxham.

42 MINUTES - 15 June 2022

Audio Recording – 2:32

Councillor Terry Tyler, as chair, proposed and Councillor Phil Weeder seconded and, following a vote, it was:

RESOLVED: That the Minutes of the Meeting of the Committee held on 15 June 2022 be approved as a true record of the proceedings and be signed by the Chair.

43 NOTIFICATION OF OTHER BUSINESS

Audio recording – 3:16

There was no other business notified.

44 CHAIR'S ANNOUNCEMENTS

Audio recording – 3:26

- (1) The Chair welcomed those present at the meeting, especially John Cannon who is now the independent member for FAR

- (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.

45 PUBLIC PARTICIPATION

Audio recording – 3:49

There was no public participation at this meeting.

46 External Auditors Annual Report 20-21

Audio recording – 4:02

Debbie Hanson, Ernst & Young, presented the External Auditors Annual Report 2020/21 and highlighted points including:

- This report replaces what is previously known as the audit annual letter. It pulls together the finding of the audit work completed during the year. The key change within this report is that when the original audit results report was presented in March and June, there was no commentary on our value for money work. Now the only place you will find this is in this AAR report.
- We still haven't been able to issue the certificates on the audit. The NAO instructions have been issued on Whole of Government Accounts, but they are now requiring some additional procedures to be undertaken on a sample of local authorities below the threshold. Until these have been selected by the NAO we cannot say we have concluded all of our responsibilities. This has no significant impact on North Herts
- Our value for money work was in three key areas: financial stability, governance, and the Councils arrangements for improving economy efficiency and effectiveness. We have concluded that all of the Councils arrangement for these areas was adequate and there was an unmodified report with no commentary in relation to any weaknesses
- In relation to financial stability, the Council has a robust process to identify significant financial pressures both in the current year and future years. The Council has identified you'll need to achieve savings to balance the budget by 2026/2027 and this means the Council may have to make some difficult decisions. We note that there is an established budget challenge process which will help the Council address those challenges
- In relation to governance there is a risk management group that is well established in the Council. There is also an integrated budget setting process and the Council undertakes regular budget monitoring throughout the year
- In relation to the Councils arrangements for improving economy efficiency and effectiveness, the budget challenge process is a key element. The Council also has a transformation programme which will be very important in delivering savings and improving the three E's. The Council has performance indicators that it monitors that has been slightly impacted by covid-19 but these are still used. The Council had a peer review back in 2020 and an action plan is being developed to address the issues identified in that. The Council does work with a number of different partners and that is part of its strategy to improve economy efficiency and effectiveness

Councillor Terry Hone commented that he was pleased to see the unqualified opinion of the financial statements is there as there is a great concern that we are doing the right thing at North Herts Council, so he is happy the audit reflected positive results.

The following Independent Persons asked questions:

- John Cannon

In response to questions, Debbie Hanson advised:

- When undertaking work on financial statements, we engaged our own specialist valuer to look at a sample of assets in order to gain assurance that those assets were materially accurately valued. Overall our valuers concluded that the valuations provided by the Councils own valuers were within an acceptable range. However, we did note in terms of the land values, the Councils valuer used a value of 9,500 per acre, but our specialists concluded that it was quite a lot lower than the values we'd expect to see which would be somewhere in the range of 150,000-200,000. We did note that the building valuations were overstated due to different assumptions, therefore overall the asset values were within a reasonable range. We did calculate the potential impact of differences in land values on the financial statements and concluded that the maximum potential impact could be £1.1M difference on the land values. Therefore we were satisfied that there was no material impact, but we recommend that the Council does look at their evaluation approach to determine that they're using the appropriate valuations for land and buildings. Overall there is no material impact and it is a judgemental difference rather than factual.
- The pension deficit is not unusual, all local authorities will generally have a pension deficit.

Ian Couper also responded to questions:

- We are required to have a triennial valuation of the pension deficit and we have one ongoing at the moment. This sets a contribution rate for us which is made up of a percentage of payroll to cover the accrued benefits of current staff and there is also a lump sum which is currently at around £1M to pay for the deficit on people who have retired. These numbers are set based on a 20 year time horizon to get back to being fully funded. In addition we are required to have an annual interim valuation from the actuaries to go in to the Statement of Accounts. At the moment it is possible that the actual percentage amount we contribute will maybe go down slightly based on previous performance and it is possible that the lump sum will stay the same. Based on this there is a long term plan to get us back to being fully funded, but there are huge ups and downs between the years.
- We had a number of actions coming out of the peer review. A number of these were put in place and some were longer term actions. We will go back and have a look at the plan and make sure we have an update on it.

Debbie Hanson also introduced Rachel Merez who is taking over as the Audit Manager for the current year audits.

The Chair thanked Debbie Hanson for presenting and welcomed Rachel Merez

It was:

RESOLVED: That the Committee note the Auditors Annual Report presented by Ernst & Young

47 **SAFS Annual Report 2021/22 - SAFS**

Audio recording – 17:14

Nick Jennings, Shared Anti-Fraud Service, presented the SAFS Annual Report 2021/22 and highlighted points including:

- This report is to reflect on the previous year activity looking at anti-fraud arrangements at the Council and working with SAFS.

- This report is based on the delivery of the 21/22 anti-fraud plan which was approved by this Committee in March 2021.
- The report looks at how we structure the plan in line with current best practice, especially the guidance provided by the Fighting Fraud and Corruption Locally Strategy that was developed in partnership with the LGA and a number of other organisations. This is focused on how local authorities can deal with the risk and threat of fraud
- We look at SAFS performance and KPIs and how we have done against KPIs agreed with officers and the anti-fraud activity for the current year
- We have included transparency code data. This is data the authority is required to provide around its anti-fraud arrangements and the outcome of that activity and how much money has been spent on it
- This report is based on recommendations from the Fighting Fraud and Corruption Locally Strategy, particularly the five pillars: protect, govern, acknowledge, prevent, and pursue. It was also based on the Councils policies on anti-fraud and corruption and very closely reflects the guidance on best practice for local authorities including the use of checklists and identifying responsibility for particular activity across the authority by officers
- We deployed one officer to the Council in 21/22. They were supported by the SAFS support team including data analysts, financial investigators, and intelligence officer.
- The officer is the first point of contact for any officers working with the authority on undertaking any initial investigations that arise
- The Council has a place on its website for people to report fraud, this is linked into the SAFS website. This allows us to collate all the information and can report back to the Council on the volume type of fraud that is seen to be affecting the North Herts Council
- The e-learning that is provided via the Councils e-learning platform is currently being updated and a new version will be released soon. The version officers are using at presently is still valid and covers fraud, corruption, bribery and money laundering. We provide additional training for officers to support the e-learning training
- The ongoing impact in 21/22 from covid-19 has changed how we deliver our service slightly, particularly the use of sanctions and financial penalties. We are looking at prevention work at the front end and the impact on some of the investigations of conducting where we work with partners such as the Department for Work and Pensions
- We are continuing to assist officers with grants and provide additional support around data cleansing and we work closely with the National Anti-Fraud Network, Cifas, and the Cabinet Office to ensure there is pre and post payment checks against all the grants that the Council paid under the various schemes the government introduced during the pandemic
- We provided more frequent and enhanced alerts. This network provides the authority with a huge access to organisations and information about new and emerging fraud threats
- We detail the number of allegations we have received via the authority and how they are broken down by service areas and who is reporting these to the authorities. Not every allegation is correct or needs to be investigated fully, so how we have dealt with these individual allegations is broken down in the report
- The outcomes of some of the cases and investigations and financial savings and prevention work is detailed and the value of this has been identified for the authority.
- There is also detail of outstanding work that is being carried forward into this year
- The report shows the volume of referrals and how this reflects back on previous years. This can vary year to year as it follows trends and we saw a spike in 2020.
- We have broken down the work officers done around the National Anti-Fraud Initiative. Worked with officers from the authority to ensure the matches were resolved in accordance with the requirements for the Council to comply with the National Fraud Initiative. The outcome of the financial value in savings to the Council is tiny but it is work that needs to be undertaken every two years

- All the KPIs for last year were met or exceeded with the exception of one. We didn't manage to achieve 10 training events that were promised in the KPIs, however in the North Herts plan we offered 5 training events and we provided this but didn't amend the KPIs.
- The work we are currently undertaking shows we have a significant number of cases being investigated at the moment, but the fraud losses identified are not significant.
- We work with settle Housing. This is important work for the Council as the Council doesn't have its own housing stock and settle Housing manages the majority of the social housing across the district.
- Working with settle Housing allows us to undertake fraud investigations on their behalf where there are suspicions of tenancy fraud. The advantage for the authority is we are able to bring properties back into stock and the Council is able to allocate people from its housing waiting list.
- This relationship with settle Housing only started in the fourth quarter of last year, and we have recovered three properties so far

The following Members asked questions:

- Councillor Clare Billing
- Councillor Terry Hone

In response to these questions, Nick Jennings advised:

- The training that SAFS provide is part of the mandatory training for all officers.
- We have many Councils as part of the partnership and the types of fraud we see across them is similar. It is often linked to housing, housing applications, benefits and council tax. During the pandemic we saw more direct fraud attempts, both opportunists and more organised crime. We worked with officers during the pandemic to ensure there were measures, processes and checks in place to reduce the level of fraud around the grants that were issued. Some got through, but only small numbers compared to other authorities. The fraud is comparable in types and numbers between other Councils.

Ian Couper also responded to questions:

- I will have to check how many people have completed it but think it is and check that it is mandatory.

Ian Couper suggested providing more training in advance of the FAR meetings. Nick would come before the meeting in December to offer some training to Members on fraud.

Councillor Terry Tyler agreed this would be helpful and there was a general consensus that Members agreed to this training offer.

Councillor Terry Hone proposed and Councillor Clare Billing seconded and, following a vote it was:

RESOLVED: That the Committee:

- (1) Note the Councils work to combat fraud in 2021/22
- (2) Note the performance of SAFS in meeting its KPIs in 2021/22
- (3) Note the progress with delivering the Anti-Fraud Plan for 2022/23

Audio recording – 33:36

Chris Wood, Shared Internal Audit Service, presented the SIAS Annual Report 2021/22 and highlighted points including:

- This reports looks back at the service and activities during 21/22
- It gives Members a chance to receive information beyond the North Herts internal audit plan
- Some of this reports primary readers have been candidates for recruitment. They often find this helpful to learn more about the service

The following Members and Independent Persons asked questions:

- Councillor Terry Hone
- John Cannon

In response to these questions, Chris Wood advised:

- There was the same level of assurance in this audit despite the impacts of covid-19. It was a different way of working. For part of the year, we were able to audit in person, in the second half of 21/22 where it was necessary. Overall, its been quite beneficial as there is less travel and there is still a good level of interaction and support with staff. There has been a lot of information which is easier to share digitally through secure portals. The only part that was more difficult was looking at the Council systems themselves, however this hasn't affected the first half of 21/22 and were able to do that in person in the second half. Overall, its been helpful in learning about how we can audit and how we can be more effective and we have continued the way we have been working into 22/23.
- Many questions asked by John Cannon will be answered within the next report
- There is 15% plan days delivered. We are slightly behind and would have liked to have issued draft reports for things like the careline operations audit and be further on with the compliance contract audit. We have carried a few vacancies through the first part of the year and assigned a number of audits to our external delivery partners and this takes some start-up time but we have good traction on audits.
- Cyber risk is high risk to a number of organisations and is constantly evolving.

Ian Couper also responded questions:

- The audit of the compliance contract relates to property compliance. We have contracts around gas safety of our buildings, electrical safety, and other property checks. We've been given notice to terminate this contract so this audit is around the arrangements we are putting in place for the new contract from February next year.
- The cyber security audit doesn't fit in the categories like other audits. We are doing three IT audits a year which have their own category. They could be medium or high priority.

It was:

RESOLVED: That the Committee note the SIAS Annual Report 2021/22

49 SIAS Progress Report 2022-23

Audio recording – 38:43

Chris Wood, Shared Internal Audit Service, presented the SIAS Progress Report 2022/23 and highlighted points including:

- There is a slight error in the report. On page 97 15% plan days is stated, but on a table further down it is reported that it is 16% and both should read 16%. Looking at the performance figures from last week it has moved to 21% since this report was written a few weeks ago.
- There is a table showing when the audits are due to start and quite a few are due to start in quarter 2 and 3.
- There have been three final audit reports issued which FAR Committee Members have received
- There is a health and safety of lone workers audit that is still at a draft report stage
- There are only three high priority recommendations. They haven't been followed up yet and have implementation dates in March 2023. Hopefully these will be followed up by the next meeting
- There have been 6 audit plan changes. Most of these are a reallocation and reprioritisation of days and times rather than any new audits.

There were no further questions from Members.

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

RESOLVED: That the Committee:

- (1) Note the SIAS Progress Report for the period of August 2022
- (2) Note the plan amendments to the 2022/23 Annual Internal Audit Plan

50 Council Tax Reduction Scheme 2023/24

Audio recording – 47:00

Ian Couper, Service Director – Resources, presented the report entitled Council Tax Reduction Scheme 2023/24.

- Every year the Council is required to review its Council Tax Reduction Scheme. This year the Council has done a more fundamental review since there has been no major changes since the scheme was introduced.
- This report is to notify Cabinet what is going on but presented to FAR to comment on due to the financial implications.
- The proposal is that it will move to a banded scheme. This means that instead of each person or property being assessed a rate of council tax discount, they'll fall into bands meaning that small changes will have less of an impact and therefore they'll be less administration and less confusion for the residents.
- This scheme will only apply to working age claimants. Anyone who is an older claimant falls under the mandatory scheme and the Council doesn't have the ability to change the council tax reduction for those.
- The consultation will run from the 14th September 2022, which is after the Cabinet meeting next week, not from the 5th September 2022 as detailed in the report.
- The consultation will be with the public, Herts County Council and the Police and Crime Commissioner.

- The current estimate of impact is that it will reduce the number of properties in which we can charge council tax on. Those that are eligible for Council Tax Reduction count as less than one property, therefore means there is a lower council tax base.
- The overall cost is low and the revenues team has forecast that the costs will go down as well
- Overall it provides a better experience for residents. People will stay in one band rather than keep moving around, especially those on universal credit
- There is a discretionary element for those who might lose out to aid transition so they will not be as badly affected initially

Ian Couper noted that Councillor Ian Albert has been very involved within this scheme and can also help with any questions Members may have.

The following Members asked questions:

- Councillor Terry Hone
- Councillor Terry Tyler
- Councillor Clare Billing

In response to questions Ian Couper advised:

- North Hertfordshire District Council are the first district in Hertfordshire to make these changes to the Council Tax Reduction Scheme, based on information from Herts County Council

Also in response to questions, Councillor Albert responded:

- This scheme will be put in place initially for one year, but will look at how it can progress further
- The scheme had been remodelled many times and it is predicted that less than 100 people will be negatively affected. However, there should still be a discretionary scheme.
- The discretionary scheme is aimed at those who might not be entitled. We will identify who is in that situation and proactively contact them and propose the discretionary element of the scheme
- Since we will know their circumstances, we will work through it with them and decide on the discretionary element
- They won't need to fill in loads of forms as they will have completed an application to be on the scheme

Councillor Tyler suggested that we hear more about the scheme in the next session.

RESOLVED: That the Committee note and comment on the Council Tax Reduction Scheme 2023/24

RECOMMENDED TO CABINET: That Cabinet:

- (1) Note a full review is well underway and consultation with the public and Major Precepting Authorities will run for six weeks from 05 September 2022
- (2) Note progress made so far on the review and the intention is to introduce a new banded scheme for working age applicants from 01 April 2023

- (3) Note intention of review is to introduce a new scheme that will enable us to increase overall level of support for lowest income families and reduce administrative burden on Council, as well as making the scheme easier for our customers to understand and calculate entitlement
- (4) Note that modelling the new scheme may increase the costs from those of the current scheme

REASON FOR DECISIONS: To ensure that the Council has a fit for purpose Council Tax Reduction Scheme that:

- Provides the greatest support to the lowest income households
- Reduces the administrative burden that has been placed on the Council since the introduction of Universal Credit (UC)
- Is simple to understand, meaning that customers will be able to calculate entitlement and assess the impact of potential changes in circumstances.

51 **FIRST QUARTER INVESTMENT STRATEGY (CAPITAL AND TREASURY) REVIEW 2022/23**

Audio recording – 57:02

Ian Couper, Service Director – Resources, presented the report entitled First Quarter Investment Strategy (Capital and Treasury) Review 2022/23

- This report shows the investment strategy which is the combination of our capital programme and our treasury investments.
- The history of our capital budget since it was set in February 2022 and the changes that have happened since then. It takes us to a starting budget for this year £12.252M
- Some schemes are detailed within the report as being delayed, the biggest one being John Barker Place. An amount was agreed a couple years back however it is clear now that we will not get to the right point of the construction phase to give that grant to them this year. Building work has made good progress but the grant is linked to the delivery of new affordable social housing in that area.
- IFRS is an international financial reporting standard that was supposed to be implemented within local authorities this year which would require us to put leased vehicles onto our balance sheet and so we need a capital provision to do that. This delay is to make it easier for Councils and particularly auditors. This has been delayed again so we won't do the adjustments this year and the impact will be felt next year
- There are schemes around the Newark Close Road in Royston and the Lairage Car Park both of which have been delayed.
- There are new spends in relation to the capital projects.
- The Park Homes insulation spend which will be £341,000 and is fully funded from a grant. This helps with the Councils green agenda and also those living in the houses.
- As we get Section 106 projects that are eligible, we bring the project and funding into the capital budget. We have identified £169,000 of that fund that will be used in the current year
- There are some projects with overspends and we are looking for Cabinet approval to continue with those in line with financial regulations.
- In playground renovations there was some carry forward from last year in relation to interactive play and whilst that has progressed to being finalised and was within the available budget initially, it was more than had been budgeted for and

combined with the other planned works for the playgrounds, it means the variance will be higher the allowable tolerance in the financial regulations

- It has been identified that we can apply £81,000 of Section 106 funding here
- The Royston Leisure Centre solar thermal is also an overspend. We got some quotes and they were £20,000 more than budget, which is outside tolerance so it has been put on hold until Cabinet decision
- The outdoor pool boilers in Hitchin and Letchworth had initial quotes that were above budget but within tolerances, but as work progressed they found a few extra things that pushed it over budget. However, it made no sense to abort the work at that stage. The tolerance is outside financial regulations but for good reason.
- The acquisition of Churchgate has been completed in terms of due diligence process and purchase and the final price we paid was lower than the budget
- The forecast of additions to capital receipts from the year is 5.5M and a couple have already progressed this year. We continue to fund all of our capital programme from capital reserves.
- Capital is a big factor of how much cash we have, but all the other revenue reserves and provisions we have contribute to that
- We need to invest that surplus money somewhere to make sure it's safe and diversified, but also to generate return
- At the moment, government are giving good returns in terms of short term cash deposits and this is why we have 45% of our money with government at the moment
- Last year returns were 0.1% but now we're looking at returns 1.5% or above.
- There are some old treasury deals, which is why there are some lower returns, but when it gets put back in it'll be reinvested at a higher rate
- The maturity structure of our investment is quite short which is deliberate due to the interest rates going up. This will change in the future and we will look at putting out money for a longer period

The following Independent Persons asked questions:

- John Cannon

In response to questions, Ian Couper advised:

- The funding is from government and therefore is linked to grants we are already aware of and are pretty certain of
- The plan for Churchgate is to spend capital but we are working through a plan currently to set out a strategy and undertake public consultation around the site. Until we have something certain it won't be in the capital programme, we are looking at holding it for at least 2/3 years

Councillor Tyler commented that Churchgate would require some investment in the future.

RESOLVED: That the Committee note and comment on the First Quarter Investment Strategy (Capital and Treasury) Review 2022/23

RECOMMENDED TO CABINET: That Cabinet:

- (5) Notes forecast expenditure of £12.252M in 2022/23 on the capital programme
- (6) Approves the adjustments to the capital programme for 2022/23 onwards, increasing the estimated spend in 2023/24 by £2.048M
- (7) Notes the position of the availability of capital resources and requirement to keep the capital programme under review for affordability

(8) Note the position of Treasury Management activity as at the end of June 2022

REASON 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

52 FIRST QUARTER REVENUE BUDGET MONITORING 2022/23

Audio recording – 1:11:45

Ian Couper, Service Director – Resources, presented the report entitled First Quarter Revenue Budget Monitoring 2022/23.

- This report is on revenue budget and is what we spend on the day-to-day things, such as staffing and services
- Following the end of year position, we did notice one adjustment that needed to be made. This was put through the statement of accounts and affects the closing balance at the end of the year.
- Another thing to highlight is the amount of transfers to and from earmarked reserves wasn't quite there yet as we were still waiting for the final decision on the collection fund account
- The current plan from our external auditors is that they'll commence the audit of the 21/22 financial statements in November
- Our draft accounts have been published in line with the requirements and they are on our website.
- We have now gone through the public inspection of accounts period and we've had no feedback to directly to us and we will check with auditors if there has been any feedback with them. This process gives members of the public and residents a chance to ask questions and seek out documents we hold in relation to the statement of accounts
- In relation to table 3 of the report, the impact of these numbers is much lower than it could've been. Overall the variances are moving in the right direction in terms of reducing our spend or increasing our income.
- This most significant item relates to our treasury investment income, we have a current forecast of an underspend of £589,000. This is predicted to have a continuing impact of half a million in future years
- A big provision was set within the budget at the start of the year in relation to the impact of covid-19 continuing. The amount we set aside seems to be right and a lot of variances within this relate to the provisions set aside to balance this
- Recycled materials is an area where the budget is moving in the right direction. At the moment, the value is very high compared to what we forecast it would be, but these vary. Although there has been a £341,000 underspend this year, there's nothing in the forecast for next year as it may move by then
- Many areas of overspend are covered by the amount set aside for the impact of covid-19
- The only one that isn't, is in relation to staff costs. This forecast is based on the current employer offer to the unions which is a £1925 increase for all pay grades. This is being considered by unions at the moments, two have gone out with no recommendations, one is recommending employees don't take the offer. This is due back in September/October.

- For a number of years we have reported on a number of indicators relating to significant areas of income for the Council. This has changed from last year, for example land charge has been taken out and income sources that generate more income have been put in.
- There are colour targets, red being if they will miss the forecast, amber they are uncertain if it will reach forecast and green when they are on track to meet or exceed forecasts. These significant areas include garden waste charging, planning fees, and car parking
- We also have some activity linked to the areas which will give them context, for example number of bin subscribers for the garden waste charge.
- We have recently received an email from the Department of Levelling Up Housing and Community about interest in business rate pooling.
- We collect business rates and are able to retain a small portion of them. If there is any growth, we get to retain some of this. Business rate pooling allows the authorities in an area to join together to retain a higher amount of business rates growth. In order to do this, you must have the County Council and then usually four or five districts.
- In previous years it's been definite however this year it is more uncertain if it will happen. However, we are looking at doing it with Hertfordshire County Council. We are seeking delegation from Cabinet to commit to a pool if it looks beneficial for us.
- We have already commissioned some work as a joint group of chief finance officers across the county to look at if it makes sense and if we will be part of the pool.
- Our general fund is the Councils core pot of money, and the current projection is that we will be slightly ahead of where we were forecast to be. This is good news in relation to planning for the future.

The following Members asked questions:

- Councillor Clare Billing
- Councillor Terry Hone

In response to questions, Ian Couper advised:

- None of our estates income are in the income indicators in the report. Our estates portfolio generates income around £1M a year. We would expect that the income we used to get from Churchgate which was around £140,000 from the head lease will go up to reflect that we will be getting income directly from the tenants. In future we will look at putting estates income in to the indicators. Although there is a lot of income to be generated from Churchgate, there is also a lot of risk, especially in the medium term. We may need to set some aside in reserves to mitigate the impacts that may be coming down the line.
- I think the gas expenditure is realistic this year. On the Medium Term Plan Strategy, which is the next item, there is a further increase within that report.
- Yes we have benefitted from business rate pooling in the past. It can vary between pooling gains between £300,000 up to about £600,000 on year.
- We account for AFM in arrears, so this is the number from last year so this would have been confirmed by now. Not sure what it is for this year as we will get it next year. It is a slow gradual rate of recovery, but it isn't back to where it used to be yet.

RESOLVED: That the Committee note and comment on the First Quarter Revenue Budget Monitoring 2022/23

RECOMMENDED TO CABINET: That Cabinet:

- (9) Note this report

- (10) Approves the changes to the 2022/23 General Fund budget, a £559k decrease in net expenditure
- (11) Notes the changes to the 2023/24 General Fund budget, a £414k increase in net expenditure
- (12) Delegates to the Service Director: Resources authority to enter in to a Business Rate Pooling arrangement (if available).

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

53 Medium Term Financial Strategy

Audio recording – 1:27:32

Ian Couper, Service Director – Resources, presented the report entitled Medium Term Financial Strategy.

- This report will go to Cabinet next week and will be recommended to full Council.
- The purpose of this report is to set out forecasts of where the budget will be in future years. This is used to set a strategy of how we will manage that.
- We now have the double impact of covid-19, which we still haven't recovered from, and now high inflation as well.
- A positive in the report is that we start out with a high general fund balance. We also have some other reserves which are safe to release into the general fund. This gives some mobility to smooth some bumps that may come along the way
- Page 176 of the report covers the covid-19 impacts and we're still going to set an amount aside in 23/24 to help with the continued recovery of covid-19. This will be roughly half the amount of the 22/23 amount.
- Some areas are recovering well. Short stay car parks have recovered, but season tickets and long stay car parks have taken a hit in ongoing income. Leisure has recovered well but may decrease with the cost of living crisis. Recycled materials has been doing well as mentioned in the last report and there has been some provisions made for future years as it is highly varied
- There is a section looking at the impacts of inflation. We have costs of providing our contractor services, pay inflation for staff, policies around fees and charges, eligibility for Council Tax Reduction Scheme (CTRS), and the interest rate increases.
- We are looking at just under 10% increase in waste contracts moving into this current year – May 2022. There has been a forecast of a similar increase for next year. The increase this year has been driven primarily by fuel inflation. We are expecting this to go back to normal levels from May 2024 and settling around 2%.
- Pay inflation is the offer from employers to the unions. There is a forecast of another 4% increase in 23/24. This could be a fixed rate for all rates or it could be more evened out. By 24/25 we may get back to more normal rates at around 2% inflation.
- With the inflation, our old policies around fees and charges no longer work. We are looking at what to model here. This is linked to staff costs in terms of the cost of providing those services. We are looking at increases of around 4%. It is fair to continue with a cost recovery basis for our fees and charges and therefore modelling a 4% increase on those.
- In some areas we have previously made decisions to keep those fees and charges at a different rate, this is for parking and the garden waste charges which is

currently paid at a 2% increase per year so the modelling assumes this will continue

- We think that the market can bear a 10% increase in line with the increase in our contract costs on trade waste. We are proposing in the modelling that's what will happen moving into the next year
- We have talked about the new CTRS scheme coming into place. There is a risk of increase due to the amount of people eligible rising due to the recession.
- In terms of waste cost, there is expected to be some government changes to the way waste is collected in terms of what bins districts are required to put out and collect. Additionally a deposit returns scheme where people would take things like glass bottles and cans back to shops rather than putting them in waste bins. These are uncertain changes as of now. We are looking at our waste contract retendering and making sure it is fit for purpose in terms of what may come out of the government. There is risks here at what the costs may be for this.
- Page 180 looks at our various projects in the Council Delivery Plan. This sets out where these stand, which ones will continue in future years, where we stand resources wise, and some risks highlighted in terms of budgeting being set aside for things to continue.
- There is future funding from the government which is direct funding and rules around how we raise funding. We are expecting constraint from government around council tax to be around 1.99%. Council tax makes around 70% of our funding, this adds to our pressures as it's not changing with inflation
- There is uncertainty around the amount of money we will get from government in the medium term. There is a prospect of a new funding formula, possibly around 25/26. The impact of a new funding formula could be a cut of around £1M which we have used in future forecasts.
- In terms of future funding and future plans, we have healthy levels of general reserves and the plan will be to use that to mitigate the early impacts
- If we get to the stage where we have to cut services, they must be discretionary services.
- There will be a need in the current forecasts of substantial annual savings in the order of £2.6M currently over the next 5 years. Over the last ten years we have probably saved around £11M against our services in that time. We are looking at redesigning how we do this, income generation and potentially some service cuts to deliver that level of savings. We are trying to use our reserves to delay the point at which we would have to cut service levels. The aim is that we would make the big decisions when we have more funding certainty, and also hopefully our residents to be in a better place to deal with any changes to our services and also time to plan what those will look like and do some public consultations on this.
- The scope for cost increases and investments on new service initiatives is limited.
- This mainly focuses on the revenue budget, capital budgets are a key component of our budgets and do have revenue impact. At the moment we managed to fund all our capital programme from capital receipts, but there is a cost of this and it is less money sitting in our investments so we will lost the interest on that money as we spend. Additionally when we run out of capital receipts, we will have to charge a minimum revenue provision which is a minimum amount we will have to charge the revenue account each year to reflect we're in a borrowing position. In the long term we have to start funding money from external borrowing and this comes at an interest cost. Last year it was around 2.5% but now it is around 4% and is continuing to go upwards.

The following Members and Independent Persons asked questions:

- Councillor Terry Hone
- John Cannon

In response to questions, Ian Couper advised:

- There isn't anything currently included for the budgetary impact of refugees (e.g. from Ukraine). This will be considered in the budget. There is an emerging impact on the housing team around where we are in placement breakdowns under the Homes for Ukraine schemes.
- The amount given to Parish Councils is a historic arrangement and was first introduced to offset the impact they had from localisation of Council Tax reduction. It isn't directly subsidising a service they're required to provide, its providing funding that was taken away from them. If there is a new funding formula and it does lead to significant reductions in our funding we will look to withdraw the support to Parishes.
- Yes we are allowing enough time to identify and deliver savings. We should get notified by the government at some point next year about what our future funding will look like. This will allow us to start the process of significant work with service managers and service directors around looking at the spend of the Council and where we could make savings if we had to. This will lead to public consultation around areas residents value and how they think we can make savings and then bring that together into a plan of what it looks like. This will allow us time to deliver those savings. We do still have our enterprise team which look at commercial opportunities. Our transformation work still continues looking at our processes, particularly AI and automation and how this can manage levels of staffing and take away admin work
- Current forecasts of Churchgate are that we would expect income surplus. We've funded the capital from capital receipts and will now get the income from the shopping centre rather than just from the head lease income so this will go up slightly. The current centre as it is has some costs associated with it, such as minor works, but these aren't forecast to be significant or excessive. This may change and it will be necessary that we regenerate the centre before maintenance and repairs become significant costs. The longer term is that we will borrow money, as a Council we can borrow from the government. There isn't a detailed plan yet but we are looking for a plan that will work for the area and the finances. It's worth highlighting in the report that there is a risk there, but it is a risk we will have some control of.

RESOLVED: That the Committee note and comment on the Medium Term Financial Strategy, including the recommendations that will be made to Cabinet.

RECOMMENDED TO CABINET: That Cabinet recommends to Full Council the adoption of the Medium Term Financial Strategy 2023-28

REASON FOR DECISIONS: Adoption of a MTFs and communication of its contents will assist in the process of forward planning the use of Council resources and in budget setting for 2023/24 to 2027/28. This will support the Council in setting a budget that is affordable and aligned to Council priorities.

54 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio recording – 1:50:22

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

Councillor Terry Tyler reminded Members about the anti-fraud training that was suggested by Ian Couper. He also suggested that it would be good to have a case study about how the internal audit service works.

Councillor Clare Billing asked if it was too early to have a discussion or report from officers on the financial implications of Churchgate, both income and expenditure, major and minor.

Wednesday, 7th September, 2022

Ian Couper responded to this saying it is too early to get the report as we are still in the process of putting a project plan in place. There will be reports detailing financial information over the next few years regarding the next steps but right now it is too early.

Councillor Terry Hone asked if there could be something around the success of the lottery to give us some idea about how much is being spent and gained. Also to look at the process and if it's working or what we can do to make it better in terms of finance.

Ian Couper responded to this and agreed to put this in the revenue monitoring reports to look at the impact of this.

The meeting closed at 9:25pm

Chair