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NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE COUNCIL CHAMBER, DISTRICT COUNCIL OFFICES, GERNON ROAD, LETCHWORTH GARDEN CITY, SG6 3JF ON WEDNESDAY, 21ST JUNE, 2023 AT 7.30 PM

MINUTES

Present: *Councillors: Sean Nolan (Chair) Tasmin Thomas, Tom Plater, Mandi Tandi and Terry Hone.*

Independent Person – John Cannon.

In Attendance:

Ian Couper (Service Director - Resources), James Lovegrove (Committee, Member and Scrutiny Manager), Sjanel Wickenden (Committee, Member and Scrutiny Officer), Georgina Chapman (Policy & Strategy Team Leader) and Chris Wood (Head of Shared Internal Audit Service).

Also Present:

At the commencement of the meeting no members of the public were present.

94 APOLOGIES FOR ABSENCE

Audio recording – 1 minute 22 seconds

There were no apologies for absence received.

Councillors Terry Tyler and Chris Lucas were absent.

95 MINUTES - 8 MARCH 2023

Audio Recording – 1 minute 40 seconds

Councillor Terry Hone noted that there was an error regarding the name of the Independent Member on the attendees list.

Councillor Sean Nolan, as Chair, proposed and Councillor Tom Plater seconded and, following a vote, it was:

RESOLVED: That the Minutes of the Meeting of the Committee held on 8 March 2023 be approved as a true record of the proceedings and be signed by the Chair.

96 NOTIFICATION OF OTHER BUSINESS

Audio recording – 4 minutes 11 seconds

There was no other business notified.

97 CHAIR'S ANNOUNCEMENTS

Audio recording – 4 minutes 20 seconds

- (1) The Chair advised that, in accordance with Council Policy, the meeting would be audio recorded;
- (2) The Chair drew attention to the item on the agenda front pages regarding Declarations of Interest and reminded Members that, in line with the Code of Conduct, any Declarations of Interest needed to be declared immediately prior to the item in question.
- (3) The Chair advised that section 4.8.23(a) of the Constitution applied to this meeting.

98 PUBLIC PARTICIPATION

Audio recording – 5 minutes 12 seconds

There was no public participation at this meeting.

99 ANNUAL GOVERNANCE STATEMENT 2022/23

Audio recording 5 minutes 17 seconds

The Policy and Strategy Team Leader presented the report entitled 'Annual Governance Statement 2022/23' and drew attention to the following, that:

- This was the Draft Annual Report for 2022/23 which included an action plan for 2023/24.
- It was recommended that the Committee reviewed and reported on the report so that it could be finalised for approval in September after being reviewed by the external auditors.
- The Annual Governance Statement (AGS) was undertaken under the CIPFA Delivering Good Governance in Local Government Framework 2016 Edition, which incorporated 7 principles of Governance. The AGS was prepared after a review from the leadership team who also provided an assurance statement that there was no sign of governance issues having occurred in 2022-23.
- There were 6 items on the action plan which included: attending Anti Bribery training, Members training post Mat 2024 Elections, Inclusion Group procedures, greater scrutiny of the Gender Pay Gap action plan, trends of the Local Ombudsman complaints and Implement the Action Plan after review from Committees.

The following Members asked questions:

- Councillor Terry Hone
- Councillor Tom Plater
- Independent Person John Cannon

In response to question the Policy and Strategy Team Leader stated that:

- Items in relation to Internal Audit 2021/22 can be updated when the report is refreshed.
- The items included on the Action Plan were on page 29 of the report.
- Regular updates on the action plan would be provided.

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

- Explained the expected timetable for approval of the 2021/22 and 2022/23 accounts.
- This Annual Governance Statement related to the 2022/23 accounts, and there is a requirement that it is approved in advance of the accounts that it will be published alongside

- It is also good practice to agree the Annual Governance Statement as soon as practical, so the intention is to approve it at the September meeting. This would meet the requirement to approve in advance.
- A change to the wording of the recommendation was suggested to make the timing clearer
- The outstanding 2021/22 audit issues in relation to the pension balances would not impact the 2021/22 general fund balance however it was required for proper accounting purposes.
- Reviews of the Action plan occurred half yearly, usually in September and March.

In response to questions the Head of the Shared Internal Audit Service stated that:

- The next agenda item explored the Annual Governance Opinion contained in the Annual Governance Statement (AGS) in more detail.
- It was good to see an Action Plan attached to the AGS as transparency was an important factor in producing the AGS.
- Other authorities usually have an update of their Action Plan in December.

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

RESOLVED: That the Committee reviewed and commented on the draft AGS Action Plan for it to be finalised for approval in September.

REASON FOR DECISION: The Committee is the legal body with responsibility for approval of the AGS. Reporting the draft AGS and Action Plan at this stage provides an opportunity for the Committee to assess and comment on the draft, before it is finalised and brought back for approval.

100 **SIAS ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT ANNUAL REPORT 2022/23**

Audio recording 23 minutes 29 seconds

The Head of Shared Internal Audit Service presented the report entitled 'SIAS Annual Assurance statement and Internal Audit Annual Report 2022/23' and drew attention to the following, that:

- An annual Audit Plan was set in March 2022, and this set out the work for the year 2022/23.
- Throughout the year, progress reports of the Audit Plan were produced along with copies of the audits coming out of the plan issued to FAR Committee Members, and at the end of the year the Public Sector Internal Audit Standards required an assurance opinion based on the work in the plan.
- Appendix B showed the 'Definitions of Assurance and Recommendation Priority Levels', however there were some definitions missing as the Appendix from the previous year had been used, rather than an updated version.
- North Herts Council had received a 'Reasonable' overall assurance, with very few Councils likely to achieve the top assurance category of Substantial.
- NHC had no Section 114 Notices and stator recommendations, for example and was thus unlikely to have a 'Limited' overall assurance opinion.
- It was a standard requirement that we noted the outcome of our self-assessment against the Public Sector Internal Audit Standards. The 2022/23 year was assessed as generally conforms, which was the highest category.
- The Public Sector Internal Audit Standards requires that internal audit has an external quality assessment every 5 years, this was completed in 2021 and concluded the Council generally conformed.

- The Standard assured to the Committee that they had an internal audit service that met standards and delivered.
- The Committee was requested to approve the SIAS Internal Audit Charter, effectively a constitution for internal audit, which set out the audit's rights and responsibilities and approval was important for the Committee and internal audit's role in the broader governance structure.
- There was confirmation that no limitations or restriction on the scope of SIAS work had occurred and that SIAS remained independent and requested that the Service Director – Resources confirmed that matter.

The Service Director – Resources confirmed that no limitations or restriction had been placed on SIAS and that SIAS remained independent.

The following Members asked questions:

- Councillor Tom Plater
- Councillor Terry Hone

In response to questions the Head of Shared Internal Audit Service stated that:

- The individual audit for the Parking Strategy was not an area of particular risk and would have been replaced by a higher risk project.
- The reference to personal gain would also include political gain and can be amended to reflect this.
- Members can view implementation of internal audit recommendations at the Council using Pentana.

In response to questions the Service Director- Resources stated that:

- The Parking Strategy was likely to happen next year, although had been planned.
- The Climate Emergency, listed under the Critical and High Priority Recommendations related to an additional resource.
- A written response on the progress of the Critical and High Priority Recommendations would be sent.

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

RESOLVED: That the Committee:

- (1) Noted the Annual Assurance Statement and Internal Audit Annual Report.
- (2) Noted the results of the self-assessment required by the Public Sector Internal Audit Standards (PSIAS) and the Quality assurance and Improvement Programme (QAIP).
- (3) Approved the SIAS Audit Charter for 2023/24.
- (4) Received management assurances that the scope and resources for internal audit were not subject to inappropriate limitations in 2022/23.

REASON FOR DECISIONS: To update the Committee on the Annual Assurance Statement and Internal Audit Annual Report 2022/23.

101 REVENUE BUDGET OUTTURN 2022/23

Audio recording – 39 minutes 31 seconds

The Service Director – Resources presented the report entitled 'Revenue Budget Outturn 2022/23', as published as a supplementary document, and highlighted:

- The supplementary agenda pack contained 1 minor difference to the original published report.
- The report related to the revenue for the year 1 April 2022 to 31 March 2023.
- Paragraph 8.16 and Table 7 highlighted the General Fund Impact, with our main reserves increase which meant greater stability for the future.
- The Q4 spending was lower than forecasted in the Q3 forecast.
- Table 4 summarised significant variances at Outturn and detailed the reasons for differences, with an overall £920K balance. £184K of this related to projects carried over to the 2023/24 budget.
- A reduction of £250K in the amount that was expected to be needed as a contribution to Housing Benefit bad debts was the most significant ongoing change, this was highlighted in the addendum.
- Paragraph 8.3 of the report highlighted the impact of the carried forward budget from the previous year.
- Paragraph 8.4 of the report showed the planned efficiencies for the year, what was forecasted and budgeted, and will assist our forecasting for future years.
- Paragraphs 8.6 to 8.8 showed the key sources of incomes for the Council, with supporting data included in table 6.
- Paragraph 8.18 highlighted the final position of other reserves available to the Council for future spend. This is a combination of funding that the Council has chosen to set aside for specific purposes and funding that can only be spent on specific projects, e.g. based on funding criteria.

The following Members asked questions:

- Councillor Terry Hone
- Councillor Tom Plater
- Independent Person John Cannon

In response to questions the Service Director – Resources stated:

- That parking penalties notices payments had a higher than usual element of Bad Debt provision, and comparisons with previous years would be provided separately to the Committee.
- Parking penalties notices are not issued frivolously and had been chased prior to their write off, any upheld disputes would be credited rather than written off.
- There was a lot of uncertainty regarding Council funding in future years, with retained business rates, core funding and the influence of inflation.
- Council Tax receipts are based on numbers of households and increases allowed by Government, so this revenue is more certain.
- The Leisure Centre Management fee was a reflection of the recovery from the impact of Covid and was expected to stabilise.
- In 2022/23 there was a budget set aside for Covid recovery, and that was not all needed.

Councillor Tom Plater proposed, and Councillor Tasmin Thomas seconded and, following a vote, it was:

RECOMMEND TO CABINET:

- (1) That Cabinet note this report.

- (2) That Cabinet approves a decrease of £920k in the 2022/23 net General Fund expenditure, as identified in table 4 and paragraph 8.1, to a total of £15.818million.
- (3) That Cabinet approves the changes to the 2023/24 General Fund budget, as identified in table 3 and paragraph 8.3, a total £47k decrease in net expenditure.

That Cabinet recommends to Council.

- (4) That Council approves the net transfer from earmarked reserves, as identified in table 9, of £5.274million

REASONS FOR RECOMMENDATIONS

- (1) Members are able to monitor, make adjustments within the overall budgetary framework and request appropriate action of Services who do not meet the budget targets set as part of the Corporate Business Planning process.
- (2) Changes to the Council's balances are monitored and approved.

102 INVESTMENT STRATEGY (CAPITAL AND TREASURY) END OF YEAR REVIEW 2022/23

Audio recording – 57 minutes 37 seconds

The Service Director – Resources presented the report entitled 'Investment Strategy (Capital and Treasury) End of Year Review 2022/23', and highlighted

- The report covered the Councils capital expenditure for the year 2022-23.
- The Capital related to the acquisition and improvements to buildings and property and Treasury is the investing of surplus cash.
- The Treasury Strategy of February 2022 set the parameters for investing.
- Table 2 of the report showed the Scheme Timetable Revision of projects that now happen in 2023/24. The Capital slippage is higher than hoped and the reasons for difference can be found in Column 5.
- The Council had 3 items on the report Changes to Capital Schemes Commencing in 2022/23 in Table 3, all of these schemes showed underspends and column 5 details the underspend reasons
- Paragraph 8.6 of the report highlighted schemes that have been completed in the year 2022/23.
- Paragraph 8.7 and Table 4 of the report showed how these schemes were funded, including the use of capital receipts.
- The Council have been investing surplus funds, in line with the Treasury Management Strategy Statement and shown in Appendix B. Due to the rise in interest rates, over £1m in additional interest had been generated.

The following Member asked questions:

- Councillor Terry Hone
- Councillor Sean Nolan
- Independent Person John Cannon.

In response to questions the Service Director – Resources stated:

- In February 22 the Council forecasted what it thought interest rates would do, that interest rates would peak and then start to drop down towards 2.5%. At the moment the interest being earned by the Council is above 4% and may not have reached its peak. Currently, the Council is in a strong position, with high investment balances and low borrowing, but the

longer-term forecast assumes that the interest rate will come back down. The Council run out of capital receipts to fund its capital programme.

- A budget has been made for Street Cleaning Vehicles in 2025/26, and the Council are preparing for both funding options within the new contract, either Council or provider funding. A requirement under the accounting rules means that the Council must capitalise purchases for vehicles we gain from the use of, whatever the legal structure of funding or ownership.
- Finances and resources always have a limit our property improvements and The Council are focusing on ensuring that works the Council are prioritised based on risk and, where relevant, are commenced in the right seasonal months.

Councillor Tasmin Thomas proposed, and Councillor Tom Plater seconded, and following a vote, it was:

RECOMMENDATIONS TO CABINET:

- (1) That Cabinet notes expenditure of £6.923million in 2022/23 on the capital programme, paragraph 8.3 refers.
- (2) That Cabinet approves the adjustments to the capital programme for 2023/24 as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend in by £1.222million.
- (3) That Cabinet notes the position of the availability of capital resources, as detailed in table 4 paragraph 8.7 and the requirement to keep the capital programme under review for affordability. Page 75 Agenda Item 9
- (4) That Cabinet approves the application of £6.300million of capital receipts/set aside towards the 2022/23 capital programme, paragraph 8.7 refers.
- (5) Cabinet is asked to note the position of Treasury Management activity as at the end of March 2023.
- (6) Cabinet is asked to recommend this report to Council and ask Council to:
 - 1) Approve the actual 2022/23 prudential and treasury indicators.
 - 2) Note the annual Treasury Report for 2022/23.

REASONS FOR RECOMMENDATIONS:

- (1) Cabinet is required to approve adjustments to the capital programme and ensure the capital programme is fully funded.
- (2) To ensure the Council's continued compliance with CIPFA's code of practice on Treasury Management and the Local Government Act 2003 and that the Council manages its exposure to interest and capital risk.

103 LGA REVIEW ACTION PLAN

Audio recording – 1 hour 17 minutes 40 seconds

The Service Director – Resources presented the report entitled 'LGA Review Action Plan' and highlighted:

- This was a follow up review from the Peer Review and focused on the effectiveness of the O&S and FAR Committees.

- Paragraph 8.1 of the report highlighted the Action Plan to be considered by Cabinet, including target completion dates and current progress.
- The recommendation for the Service Director – Resources to draft wording for the Chair to read at each meeting has not happened for this meeting and would commence in September.
- The training stated in the Action Plan is for Members and to promote the role of the Committee.
- The recommendation to transfer the finance elements of FAR over to O&S was not being taken forward. This was because O&S was developing and FAR was benefitting from the expertise and knowledge of the current Committee and Independent Person. However, it could be revisited in the next civic year.
- The Service Director - Resources would contact Committee Services to confirm that every Member of the Committee can easily access information about the Committee meeting.

In response to a point of clarification from Councillor Tasmin Thomas, the Committee, Member and Scrutiny Manager stated that the information as to how the LGA Peer Review was shared with Councillors would be sent at a later date.

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

RECOMMENDATIONS TO CABINET: That Finance, Audit and Risk Committee recommend to Cabinet that they note the comments of FAR and approve the draft Action Plan.

REASONS FOR RECOMMENDATIONS: To ensure that the Council responds to the matters identified within the peer support report, ensuring that the benefits of that process are realised.

104 FINANCE, AUDIT AND RISK COMMITTEE ANNUAL REPORT 2022/23

Audio recording – 1 hour 26 minutes 54 seconds

The Service Director – Resources presented the report entitled 'Finance Audit and Risk Committee Annual report' and highlighted that:

- The report reviewed the last year of the Committee and highlighted what was scheduled for the current year.
- This included a review of the SIAS report on the effectiveness of the Committee from 2021 and the progress of their Action Plan.
- A similar SIAS review had not taken place for the last two years, as this report had essentially been covered by the Peer Review.
- This report also highlighted the cycle of reports, main achievements of the Committee and highlighted the appointment of the Independent Member in September 2022.
- The planned work highlighted in the report should be dated as 2023-24 and this outlined the expected reports and reviews for the coming year and noted that the reports from External Auditors would be delayed relating to the Pension Fund review and general audit resourcing.
- The Draft Accounts were required to be published and made available for inspection by the public by the end of May. This has not happened as there are outstanding actions with the 2021/22 accounts, that affect the 2022/23 accounts.

The following Members asked questions:

- Councillor Tom Plater
- Councillor Terry Hone
- Independent Person John Cannon

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

- The delay in publishing the accounts was related to a technical reason and would not have a financial impact on the Council.
- The aim now is to publish the accounts in September for the year 2021/22, so the accounts would be approved at the September Committee meeting.
- Former Chair, Councillor Tyler had been provided a copy of the report so that any comments could be provided.
- The audit for 2022/23 should commence in November 2023 and it is hoped it would be completed by March 2024.
- The Independent Person first attended meeting from September 2022, not June as listed in the report. This would be updated before presenting to Full Council.

Councillor Sean Nolan as Chair, proposed, and Councillor Terry Hone seconded and following a vote, it was:

RESOLVED: That the Committee considered and commented on the Annual Report of the Finance, Audit and Risk Committee as attached at Appendix A,

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

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

105 YEAR END REPORT ON RISK MANAGEMENT GOVERNANCE

Audio recording – 1 hour 40 minutes 19 seconds

The Service Director – Resources presented the report entitled ‘Year End Report on Risk Management Governance’ and highlighted:

- Paragraph 7.1 of the report outlined the background to the how the risks impacting on the delivery of the Council Plan were reported and the change to the current Council Delivery Plan as reviewed by the Overview and Scrutiny Committee, and for this Committee to review how risk is monitored.
- Paragraph 7.3 explained the role of the Council Risk and Performance Management Group (RPMG). The RPMG had regular daytime meetings that Members of FAR and O&S were welcome to attend where they have in-depth discussion around Risk and produced a formal report.
- The Year End Council Delivery Plan risks are highlighted in the Corporate Risk Matrix shown at paragraph 8.2.5.
- The items with high impact and high likelihood are the Response to Government Resources and Waste Strategy item, which was still to be published, and Churchgate
- A General Resourcing risk had been added to the list, currently shown with a rating of 8 on the matrix.
- Table 1 presented the risk categorisations and changes. It is important that risks have mitigation actions, and risk score changes are a sign that those actions are being implemented.
- Members can request more details of specific projects and are able to log in to and view projects on Pentana.
- Paragraph 8.7 discussed the approach of the Council to emerging risks and the Risk Appetite at North Herts and how the Council approach risks based on outcomes.
- As highlighted in paragraph 8.7.3, and following a suggestion from a risk audit, the Council now identifies and considers risks that are emerging and have a procedure on how to

identify and consider these. This included situations such as the war in Ukraine, in the Taiwan-China conflict and inflation. These are going to be considered by the Council's Senior Management Group, and when required would be added as more defined risks.

- The report includes detailed explanations on Insurance, Business continuity, Health and Safety and how these input into risk.
- Paragraph 13.1 related to target actions of the Council, which are risk training, the risk framework and insurance tenders.

The following Members asked questions

- Councillor Sean Nolan
- Independent person John Cannon

In response to questions the Service Director – Resources stated:

- The Shared Internal Audit Service shared information on issues and awareness of Risk from other Districts in the County. The Shared Anti-Fraud Service also shared information from other Councils and National bodies.
- It would be worth considering how we can learn from the risks that Central Government face and their learning.
- Paragraph 10.3 focused on the key dependencies and what the response would be if they were not available and how it would affect business continuity and what resources are available should something happen.

RESOLVED:

- (1) That Finance, Audit and Risk Committee noted and provided comments to Cabinet on the Annual Risk Management update, for referral on to Full Council.
- (2) That Finance, Audit and Risk Committee provided comments to Cabinet on the review of the Risk Management Framework.
- (3) That Finance, Audit and Risk Committee commented on the type of Risk Management Training they would like to see going forward.

RECOMMENDATIONS TO CABINET:

- (1) That Cabinet note the comments provided by FAR on the Annual Risk Management update and refer this onto Full Council.
- (2) That Cabinet note the comments provided by FAR on the review of the Risk Management Framework.

REASONS FOR RECOMMENDATIONS:

- (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.

106 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio recording – 1 hour 54 minute 8 seconds

The Chair led a discussion on future agenda items and the following Members took part:

- Councillor Tasmin Thomas

Wednesday, 21st June, 2023

- Councillor Terry Hone

Points raised in the discussion included:

- More training and information regarding financial risks.
- A focus on the Councils high risk projects.
- Being mindful of the work of the Overview and Scrutiny Committee.

In response to points raised the Service Director – Resources advised that, they would investigate how further information on high risk items could be reported to the Committee without duplicating the O&S work on the Council Plan.

The meeting closed at 9.29 pm

Chair

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