

NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

**MEETING HELD IN THE COUNCIL CHAMBER, DISTRICT COUNCIL OFFICES, GERONON ROAD, LETCHWORTH, HERTS
ON WEDNESDAY, 13TH SEPTEMBER, 2023 AT 7.30 PM**

MINUTES

Present: *Councillors: Sean Nolan (Chair), Mandi Tandi and Tamsin Thomas.*

In Attendance:

Nick Jennings (Shared Anti-Fraud Manager, Shared Anti-Fraud Services), Chris Wood (Head of Shared Internal Audit Service (SIAS)), Georgina Chapman (Policy & Strategy Team Leader), Antonio Ciampa (Accountancy Manager), Ian Couper (Service Director - Resources), Rachel Merez (Ernst & Young), Debbie Hanson (Ernst & Young), Susan Le Dain (Committee, Member and Scrutiny Officer), James Lovegrove (Committee, Member and Scrutiny Manager) and Sjanel Wickenden (Committee, Member and Scrutiny Officer).

Also Present:

There were no members of the public present.

107 APOLOGIES FOR ABSENCE

Audio recording – 2 minute and 2 seconds

Apologies for absence were received from Terry Hone, Terry Tyler, Tom Plater, Chris Lucas and Independent Person John Cannon.

108 MINUTES - 21 JUNE 2023

Audio Recording – 2 minute 24 seconds

Councillor Sean Nolan, as Chair, proposed and Councillor Mandi Tandi seconded and, following a vote, it was:

RESOLVED: That the Minutes of the Meeting of the Committee held on 21 June 2023 be approved as a true record of the proceedings and be signed by the Chair.

109 NOTIFICATION OF OTHER BUSINESS

Audio recording – 3 minute 9 seconds

There was no other business notified.

110 CHAIR'S ANNOUNCEMENTS

Audio recording – 3 minute 18 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.

111 PUBLIC PARTICIPATION

Audio recording – 4 minute 13 seconds

There was no public participation at this meeting.

112 FINAL AUDIT RESULTS REPORT 2021-22

Audio recording – 4 minute 20 seconds

Debbie Hanson, Ernst & Young introduced the report 'Final Audit Result Report 2021-22' and stated:

- This was an update to the report presented to Committee in March 2023.
- The Pension Fund had a triennial valuation which commenced in March 2023.
- Additional work was undertaken regarding the Pension liabilities, which concluded that the Pension Fund triennial valuation represented an adjusting post balance sheet event.
- Work was now completed on the audit, and it would be an unqualified audit report, with no matters to report other than a very positive position.

Rachel Merez Ernst & Young presented the report 'Final Audit Result Report 2021-22' and further highlighted that:

- An audit difference of £5.6m was highlighted at page 23 of the report, this related to an asset being recorded twice, and resulted in a final adjustment of £6.9M as at March 2022.
- This also required adjustments in prior year £6.7M at March 2021 and £6M at March 2020.
- As a result of this accounting error the Council was required by the Accounting Standards to present three years of balance sheets in their statement of accounts.
- An additional adjustment (compared with the March report) of £1.5M was made in relation to the incorrect classification of assets.
- The pension liabilities increased by £9.4M after the triennial valuation data.
- The highlighted errors impacted unusable reserves only and had no impact on the General Fund.
- Management has agreed to correct all identified errors affecting the primary statement except for the North Herts District Councils share of the errors identified by the auditor in their audit of the pension fund accounts, as these are not material.
- The draft audit opinion status was presented on page 38 of the report.

In response to a question from Councillor Tamsin Thomas, Ms Merez advised that the report was submitted around a month prior to the meeting, and in that time the items outstanding had reduced further.

In response to questions from Councillor Tamsin Thomas, the Service Director – Resources stated that:

- Increased training and awareness of CIPFA guidelines had been instigated to prevent the cashflow classification mistakes that had been highlighted in this Audit.
- The cash reserves were invested over and over again during the year, in line with the treasury strategy. This therefore leads to large errors.

- Fixed assets were tracked on a spreadsheet, and an error was identified on this spreadsheet. This error had now been rectified and improved for the 2022-23 audit.
- The implementation of a new Finance IT system would streamline the Accounts production process.

Councillor Tamsin Thomas proposed and Councillor Mandi Tandi seconded and, following a vote, it was:

RESOLVED: That the Final Audit Results Report 2021-22 was noted.

113 STATEMENT OF ACCOUNTS 2021-22

Audio recording – 14 minute 45 seconds

The Service Director – Resources presented the report entitled 'Statement of Accounts 2021-22' and highlighted that:

- A series of adjustments were made to the draft version of the account, these were highlighted in paragraph 8.2.
- Recommendations in relation to the financial controls of the Council were highlighted in Paragraph 8.3.
- Ernst & Young were currently finalising the last steps of the audit these included a signed letter of representation from the Service Director – Resources and the Chair of the Finance Audit and Risk Committee.
- The report highlighted at paragraph 8.5 that Officers were not aware of any other events excluding the triennial pension review, that would affect the Statement of Accounts.
- The Annual Governance Statement stated in Paragraph 8.6 was approved in March 2023.

The following Members asked questions:

- Councillor Sean Nolan
- Councillor Tamsin Thomas

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

- The draft accounts for year 2022-23 had completed a public inspection, and were ready for auditing, however resourcing issues at Ernst & Young meant no date for the audit to commence had been set.
- The auditors for the year 2023-24 would be KPMG under an arrangement through the Public Sector Audit Appointments.
- About 10% of business rates collected were retained by North Herts District Council, although an additional small percentage was returned as grants, this was shown on page 87 of the report.
- The Corporate Risks were detailed on page 94 of the report.
- Anti-social behaviour had been listed as a corporate risk but was now downgraded to a services risk.
- Anti-social behaviour was especially prevalent in car parks, and this had resulted in some car parks being closed early and requiring more intensive cleaning.
- Museum assets would be recorded as having no significant **monetary** value in future versions of the report.

Councillor Mandi Tandi proposed, and Councillor Tamsin Thomas seconded and, following a vote, it was:

RESOLVED: That the Committee:

- (1) Noted the 2021/22 Annual Statement of Accounts as set out in Appendix A.
- (2) Noted the audit work completed to date, the findings from that work and the resultant changes made to the Statement of Accounts.
- (3) Approved the 2021/22 Annual Statement of Accounts, and that the Chair of the Committee signed the Statement of Accounts to confirm that they have been approved by the Committee.

REASON FOR DECISIONS: To ensure that the Council abides by the Audit and Account Regulations 2015, which require the approval and publication of audited Statement of Accounts.

114 ANNUAL AUDIT REPORT FOR 2021-22

Audio recording: 25 minute 36 seconds

Debbie Hanson, Ernst & Young presented the 'Annual Audit Report for 2021-22' and highlighted that:

- This report replaced the Annual Management Letter and summarised all the audit work completed during the year on the financial statement and value for money.
- The previous report 'Final Audit Results Report 2021-22' primarily focused on details of the financial statement, this report also included work in relation to value for money.
- There were no signs of any significant risk or weaknesses in the three key area of, financial sustainability, Governance, and the arrangements for improving economy, efficiency, and effectiveness in the use of resources, these were summarised on page 191.
- High level commentary of these three key areas was shown on pages 192-194 of the report and included that Ernst & Young were satisfied that the financial statement had robust processes, a five-year planning program that was reflected in the council plan and medium term financial strategy.
- The outturn over the previous years had been consistency less than Budget which provided assurances.
- Reserves were held above the minimum level that the S151 officer recommended, ensuring that adequate reserves and savings were held.
- Risk management arrangements were in place with key risks being identified and managed.
- The Council received a reasonable assurance which was the highest level available from the internal audit review.
- It was noted that the Council had a Climate Change strategy in place supporting the net-zero strategy of government.
- Ernst & Young were satisfied that the procurement strategies had appropriate controls in place.
- To improve the efficient delivery of services the Council was working in partnership with other bodies. The appendices had a more detailed summary of these partnership arrangements.

In response to a question from Councillor Tamsin Thomas, Ms Hanson stated that the reference to District Councillors as key partners on page 201 would be amended.

Councillor Tamsin Thomas proposed and Councillor Mandi Tandi seconded and, following a vote, it was:

RESOLVED: That the Annual Audit Report 2021-22 was noted.

115 SAFS ANTI-FRAUD REPORT 2022-23

Audio recording – 31 minute 18 seconds

Nick Jennings, Shared Anti-Fraud Service, presented the 'SAFS Annual Report 2022-23' and highlighted that:

- In 2022-23 there were six Key Performance Indicators (KPIs), these were met or exceeded and were shown on page 209 of the report.
- Members of the committee were provided training on fraud awareness and prevention in December 2022.
- There were 15 fraud alerts shared to Officers throughout the year.
- The reactive work undertaken from the referrals or allegations of fraud were highlighted on page 212 of the report; these had been listed by fraud type.
- The number of cases that were investigated and the outcome of these investigations was highlighted on page 213 of the report.
- Work had been undertaken with settle regarding tenancy fraud.
- Proactive work was being undertaken regarding the national fraud initiative, including the use of a fraud hub for all 10 districts and boroughs across Hertfordshire.
- The executive reports produced following a fraud investigation or the identification of a weakness, and the actions to prevent these reoccurring were summarised on page 216.
- A fraud risk assessment was undertaken in partnership with County and District Councils regarding the homes for Ukraine scheme.
- The work on the transparency code data, and this was required to be published. The report outlined work and outcomes to prevent and detect fraud was highlighted on page 217 of the report.

The following Members asked questions:

- Councillor Sean Nolan
- Councillor Mandi Tandi

In response to questions Mr Jennings, stated that:

- SAFS had worked closely with officers to understand their concerns about fraud, and worked regionally with partnerships to help identify what fraud risks were likely to affect the Council, which will ideally lead to preventing or identifying fraud quicker.
- Fraud changes and fraudsters follow money.
- There had been a reduction in the reporting of housing benefit fraud, with the change of this benefit into the Universal Credit scheme.

Councillor Mandi Tandi proposed and Councillor Tamsin Thomas seconded and, following a vote it was:

RESOLVED: That the Committee:

- (1) Noted the activity undertaken by the Shared Anti-Fraud Service to deliver the 2022-23 Anti-Fraud Plan for the Council.
- (2) Noted the other anti-fraud activities undertaken to protect the Council.

116 SAFS ANTI-FRAUD PROGRESS REPORT 2023-24

Audio recording – 39 minute 9 seconds

Nick Jennings, Shared Anti-Fraud Service, presented the 'SAFS Anti-Fraud Progress report 2023-24', and highlighted that:

- Appendix A was an update of the action plan for the current year.
- A review would be undertaken of the Anti-Fraud policies.
- Work was ongoing with the HR team to improve and enhance officers E-Learning.
- All 400 of the matches received into the Fraud Hub in March had now been closed.
- These matches identified 13 errors, and this led to a £56K saving for NHDC.
- A high level of matches had been received in Quarter 2 and these had been highlighted to officers.
- It was noted that the Fraud Hub system identifies a large number of false positives and Officers from SAFS review these to identify potential fraud.
- There had been some issues with the case management systems that affected the reporting of KPIs 2 and 3, assurances were given regarding KPI2 and the requirement to deal with the most serious fraud allegations within 2 days of receipt.
- Item 4D of appendix B highlighted the outstanding work on KPI 4 and the delivery of the 5 training events.
- KPI 5 was completed and would become green.
- KPI 6 related to the National Fraud Initiative and the Fraud Hub matches, the outcome should shortly become green.

In response to a question from Councillor Tamsin Thomas, Mr Jennings, stated that problems with the new case management systems were detailed on page 236 of the report, and had now been resolved, there had been a slight dip in the number of referral but only whilst the providers fixed the issues.

Councillor Tamsin Thomas proposed, and Councillor Mandi Tandi seconded and, following a vote it was:

RESOLVED: That the Committee noted the progress by Officers and the Shared Anti-Fraud Service to deliver the 2023-24 Anti-Fraud Plan for the Council

117 **SIAS SERVICE REPORT UPDATE 2023-24**

Audio recording – 44 minute 54 seconds

The Head of Shared Internal Audit Service presented the report entitled 'SIAS Service Report Update 2023-24' and drew attention to the following, that:

- There was an error at paragraph 2.1 of the report on page 251, the percentage should read 31%.
- 32% of planning days had now been delivered after a final report on the Harkness Court project and a draft audit report on the Freedom of Information.
- The performance indicator shown at paragraph 2.7 was now 21% for actual planned projects.
- Appendix D showed the implementation status of six high priority recommendation, three had been implemented, three were partially implemented, with one of these having had a revised start date of August yet was nearly completed and the remaining two items had completion dates in the future.
- More details of specific projects can be viewed on Pentana.

In response to a question from Councillor Sean Nolan, the Head of Shared Internal Audit Service, stated that of the partially implemented items:

- One item was subject to a reaudit and Members would get some assurances shortly as the end date was August 2023.
- One had an end date of March 2024.
- The remaining item had a slight change to the end date and was nearly completed.
- Other authorities had more concerning matters.

Councillor Mandi Tandi proposed, and Councillor Tamsin Thomas seconded and, following a vote, it was:

RESOLVED: That the Committee:

- (1) Noted the SIAS Progress report for the period to 25 August 2023.
- (2) Noted the plan amendments to the 2023-24 Annual Audit Plan.

118 ANNUAL GOVERNANCE STATEMENT 2022-23

Audio recording 50 minutes 33 seconds

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

- The draft policy was previously brought to the Committee in June, the statement reviewed the Governance arrangement for the Council in 2023-24 and proposed an action plan to improve the Governance arrangements.
- The action plan for 2023-24 was shown at appendix A.
- The current position of actions within the AGS action plan with comments received in June were included at Appendix B and, some of the comments had been incorporated into this report.
- Information relating to the pandemic period and references to SIAS latest annual opinion had been removed from the report.
- An assurance statement had been completed by Service Directors and the Managing Director and by the areas reviewed and effected by this statement.
- A detailed self-assessment document had been uploaded to the Corporate Governance web page.
- In June the committee requested to be updated on the Councils progress against the Action Plan, this was noted in Appendix B.

The following Members asked questions:

- Councillor Sean Nolan
- Councillor Tamsin Thomas

In response to questions the Policy and Strategy Team Leader stated:

- A subgroup had been created from the Inclusion group to review the Gender Pay Gap, after there had been a spike a few years ago. They meet last week, and an update would follow.
- No data was available on the uptake of Ethical Awareness, Anti-bribery, and Fraud Awareness eLearning, but work was ongoing with SAFS and the Learning and Development team.

In response to questions the Service Director – Resources stated:

- Prior to Covid-19 impacts the accounts would be prepared and audited by the end of July each year. The Annual Governance Statement would be drafted in May, for a draft version

to be approved by the Committee in June. The final version would then be approved at the end of July.

- That it should be noted that Gender Pay Gap and Equal Pay were difference matters. The Council carried out assessments to ensure that there were no equal pay issues, and none have ever been found.
- In terms of Gender Pay Gap, on average, women work in lower paid roles at the Council, compared with men.

Councillor Mandi Tandi proposed, and Councillor Tamsin Thomas seconded and, following a vote, it was:

RESOLVED: That the Committee:

- (1) Approved the amended AGS and Action plan (Appendix A).
- (2) Noted the current position of the actions within the AGS Action Plan, outlined at Appendix B.

REASONS FOR DECISIONS:

- (1) The AGS must be considered and approved by this Committee before the approval of the Statement of Accounts under Regulation 6(4)(a) of the Accounts and Audit Regulations ('AAR') 2015/234.
- (2) The Committee is the legal body with responsibility for approval of the AGS.
- (3) Reviewing the AGS Action Plan during 2023-24 will provide the Committee with assurances that the Council is examining and where necessary improving its governance arrangements.

119 FIRST QUARTER REVENUE BUDGET MONITORING 2023-24

Audio Recording 57 minute 51 seconds

The Service Director – Resources presented the report entitled 'First Quarter Revenue Budget Monitoring 2023-24' and highlighted:

- A change had been made to the version of this report that would be presented to Cabinet due to a notification from Government of the potential to create a business rates pool for the financial year 2024-25.
- The Business Rate pool would allow a small group of authorities in Hertfordshire to join together which had historically worked in favour of the Council.
- A decision to join the pool was required by early October, and work was ongoing with the other Hertfordshire Councils, supported by some specialist consultants. The proposal was that the final decision (when all the relevant information was available) should be delegated to the Service Director - Resources. This would balance the potential gain against any risk.
- Table 3 of the report detailed the various changes to Budget, the biggest change related to the Treasury Investment Income due to the Interest rate increase. Interest on the cash balance of the Council was not a long-term source of income.
- The Staff Pay Award was still pending, with a likely £258K overspend if the current employer offer was agreed, this would be backdated to 1 April 2023.
- Page 291 of the report highlighted the performance indicators of the key income sources, and their performance compared to the previous year.
- Table 6 of the report provided an update on the Covid 19 provision.
- The overall General Fund Impact had an underspend against budget which was forecasted as £2.649M for the end of the financial year.

The following Members asked questions:

- Councillor Tamsin Thomas
- Councillor Sean Nolan

In response to questions the Service Director – Resources stated:

- The working budget for the pay award was based on an overall 4% employee pay award, though, due to the structure of the offer, some staff would receive more than 4% and others slightly less, depending on their pay grade.
- There had been external costs of £2K for the Baldock Fire Recovery, this did not cover Officers time. The item had been highlighted as risks and costs may increase.
- The full Leisure Management fee is now being paid and was back to the Pre Covid amount. The new Leisure Contract was still in the tendering process, and the income from the new contract was currently unknown.

Councillor Tamsin Thomas proposed and Councillor Mandi Tandi seconded and, following a vote, it was:

RECOMMENDED TO CABINET:

- (1) That Cabinet note this report.
- (2) That Cabinet approves the changes to the 2023/24 General Fund budget, as identified in table 3 and paragraph 8.2, a £1.119million decrease in net expenditure.
- (3) That Cabinet notes the changes to the 2024/25 General Fund budget, as identified in table 3 and paragraph 8.2, a total £270k increase in net expenditure. These will be incorporated in the draft revenue budget for 2024/25.

REASONS FOR RECOMMENDATIONS: 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.

120 FIRST QUARTER INVESTMENT STRATEGY (CAPITAL AND TREASURY) REVIEW 2023-24

Audio recording 1 hour 10 minutes 8 seconds

The Service Director – Resources presented the report entitled ‘First Quarter Investment Strategy (Capital and Treasury) Review 2023-24’ and highlighted:

- That the first section of the report covered the Councils forecast Capital spend for 2023-24
- The second section of the report related to the Councils treasury position including cashflow, investments and loans.
- Table 2 of the report showed the scheme timetable revision, with projects that will either now start or continue into the financial year 2024-25.
- Table 3 of the report highlighted the Changes to Capital Schemes Commencing in 2023-24, with a large amount of Section 106 money to be allocated to social housing. The report proposes that this money be ringfenced for housing on the Foundation House site in Letchworth Garden City.
- The Council had been successful in gaining funding for a Heat Decarbonisation Plan for Leisure centres, the funding would be used to make a bid for Public Sector Decarbonisation Funds.

- Should the bid be successful there would be a move away from gas boilers and an investment in heat decarbonisations projects, if unsuccessful the capital funding would still be used for Solar PV and Solar Thermal projects.
- Table 8.11 of the report showed the Council's investments by categories with a breakdown of investments at 8.12 of the report, which were all providing interest of more than 4%.
- That the Council had no current need to borrow and longer term projections are that interest rates will settle at 2.5% or lower.
- The Council had complied with the Investment Strategy Policy.

In response to a question from Councillor Sean Nolan, the Service Director – Resources stated that the cost of the Public Sector Decarbonisation Fund bid had mainly been financed through a fund from the Greater South East Net Zero Fund, therefore the costs to the Council were less than £10K. The bid would identify projects that would help the Council to meet net zero, and therefore the project costs were worthwhile.

Councillor Mandi Tandi proposed, and Councillor Tamsin Thomas seconded, and following a vote it was:

RECOMMENDATIONS TO CABINET:

- (1) That Cabinet notes the forecast expenditure of £10.438M in 2023/24 on the capital programme, paragraph 8.3 refers.
- (2) That Cabinet approves the adjustments to the capital programme for 2023/24 onwards, as a result of the revised timetable of schemes detailed in table 2 and 3, increasing the overall estimated spend in 2024/25 and beyond by £1.271M.
- (3) That Cabinet notes the position of the availability of capital resources, as detailed in table 4 paragraph 8.6 and the requirement to keep the capital programme under review for affordability.
- (4) That Cabinet is asked to note the position of Treasury Management activity as at the end of June 2023.

REASON FOR REFERRAL:

- (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.

121 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio recording – 1 hour 18 minute and 1 second

The Chair stated that this would be considered at the next meeting.

The meeting closed at 8.48 pm

Chair