

Public Document Pack

BLISH 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, 31ST JANUARY, 2024 AT 7.30 PM

MINUTES

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

John Cannon (Independent Person) Non-voting advisory role.

In Attendance: *Ian Couper (Service Director - Resources) and Sjanel Wickenden (Committee, Member and Scrutiny Officer).*

Other Presenters: *Chris Wood (Head of Assurance Services (HCC) & Client Audit Manager (NHDC)).*

Also Present: *Councillor Ian Albert was also present.*

20 APOLOGIES FOR ABSENCE

Audio recording – 1 minute 52 seconds

Apologies for absence were received from Councillor Terry Tyler.

An apology for absence was received on behalf of Councillor Tamsin Thomas who would be arriving late.

N.B Apologies were received from Councillor Chris Lucas via email at 19:46, however these were not provided during the meeting itself.

21 MINUTES - 13 DECEMBER 2023

Audio Recording – 2 minutes 14 seconds

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

RESOLVED: That the Minutes of the Meeting of the Committee held on 13 December 2023 be approved as a true record of the proceedings and be signed by the Chair.

22 NOTIFICATION OF OTHER BUSINESS

Audio recording – 3 minutes 4 seconds

There was no other business notified.

23 CHAIR'S ANNOUNCEMENTS

Audio recording – 3 minutes 9 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 did not apply to this meeting.

24 PUBLIC PARTICIPATION

Audio recording – 3 minutes 58 seconds

There was no public participation at this meeting.

25 SIAS PROGRESS REPORT 2023-24

Audio recording – 4 minutes 4 seconds

The Head of Assurance presented the report entitled 'SIAS Progress Report 2023- 2024' and drew attention to the following, that:

- The final reports had been issued on the Freedom of Information, Safer Recruitment and the Digital Strategy audits as highlighted in Table 2.2.
- Independent examiner statements had been issued on the King George V Playing Field and the Workman Hall, copies were available to the Committee.
- The high priority recommendation on Risk Training had been implemented.
- The Disaster Recovery high priority recommendation had a revised implementation date of 31 January 2024.
- The audit projects were 46% completed and 61% of audit days had been delivered, which was still behind the planned delivery profile.
- The appendices showed the audits that had commenced and highlighted any delay reasons.
- There had been capacity challenges with delivering the audit, both within SIAS, largely earlier in the financial year, and within the Council.
- Some teams had been continuously audited throughout the year and this had led to audit fatigue and caused delays in mobilising evidence.
- Previously advised that they were cautiously optimistic regarding delivery of the KPIs but noted that now this may be more challenging, quarter 4 could however change this.
- When a project was delayed or moved to a different quarter the SIAS staffing resource gets redeployed, in some instances this had led to resourcing delays.
- There had been an exit meeting on the Critical Application audit on 31 January 2024 and the audit report was imminent.
- There was confidence that sufficient work would be delivered to support the annual assurance opinion due to be delivered in June 2024, as the majority of the audit work would be finalised by that point, the current delays were due to capacity and resourcing.
- The Council had a red resourcing risk, which was being mirrored across Hertfordshire, and underpins the challenges supporting some audits in a timely way.
- Work was ongoing at SIAS to review how work was delivered, but there were no concerns that an intervention was required at this time.
- SIAS were working with Officers on rectifying the timeline of the Audit Plan.

The following Members asked questions:

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

In response to questions the Head of Assurance stated that:

- The audit plan was being processed for completion in June 24, there was confidence that enough work would be completed to support an assurance opinion.
- There were enough resources available within SIAS and support from North Herts Officers to complete the audits.
- The two recent Client satisfaction scores had remained at 50%. The feedback had been reviewed and work was ongoing to resolve the low rate of return based on the number issued. The issues had been highlighted in employee performance reviews.
- Had an additional point be awarded in one of the completed client satisfaction surveys, then the most recent satisfaction score would have been 100% with both surveys being satisfactory overall, as some areas had higher scoring data. The low scores related to resources and their effective usage.
- The feedback was being reviewed and it was a challenge to get the right people in the right places.
- An external delivery partner, BDO UK had been engaged since 2011 for resilience with the fluctuating workload of SIAS. Work had been allocated to them at the beginning of this year and occasionally they were allocated additional work, however this came at a cost and it was more viable for SIAS to recruit their own staff.
- North Herts had no major issues with implementing internal audit recommendations with high and medium priority risks being reported and available to review on Ideagen.

In response to a question from Councillor Hone, the Service Director – Resources stated that there was confidence in SIAS to deliver and complete the audits, but this would be closely monitored.

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

RESOLVED: That the Committee:

- (1) Noted the SIAS Progress Report for the period to 12 January 2024.
- (2) Noted the implementation status of the reported high priority recommendations.
- (3) Noted the plan amendments to the 2023/24 Annual Audit Plan.

26 INVESTMENT STRATEGY (INTEGRATED CAPITAL AND TREASURY)

Audio recording – 21 minutes 25 seconds

The Service Director – Resources presented the report entitled 'Investment Strategy (Integrated Capital and Treasury)' and highlighted that:

- The strategy covered the capital programme and determined the value of cash available to invest as part of the Treasury Management Strategy.
- At the budget workshops in November, proposals were put forward for the revenue and capital budgets for 2024-25.
- There were three items that Cabinet considered following these workshops and these were detailed at 5.1 of the report.

- A verbal update was presented to Cabinet in January regarding new areas for capital investments and this was highlighted at 5.2 of the report.
- There was an increase to the capital allocation for waste vehicles, which was currently an estimate due to the ongoing contract procurement.
- There would be revenue income savings from the capital funding of the leisure contractor.
- The anticipated income from the Royston learner pool project would be required to offset the capital cost of the project for it to be viable.
- The outcome of a bid from the Public Sector Decarbonisation Fund should cover the majority of costs for the decarbonisation of leisure centres, but the Council would still need to make a significant contribution.
- The funding for new bins was discussed at the Cabinet meeting in December.
- The current capital programme was highlighted in section 7 of the report and provided a starting point for the capital spend in future years.
- A full programme of capital schemes planned for 2024-25 was detailed in Appendix A1.
- Capital receipts were highlighted in Table 10 and indicated delays to expected capital receipts which were being spent faster than they could be replaced. It was anticipated that next year the Council would run out of capital receipts.
- There had been some capital receipts forecasted this year, but these had been reduced and were likely to occur in future years and were due to resourcing needs and the current housing market.
- With the decline of capital receipts, borrowing would be required at a low level This could be funded externally but this would be subject to interest or internally, by borrowing against the cash in the Council reserves.
- The option to borrow internally would only be viable in the short term, and would result in lost interest income, but would cost less than external borrowing.
- It was hoped that should the Council need to borrow externally the interest rate would have lowered.
- Any borrowing would incur a revenue charge, and this would be spread over the lifespan of the asset that the borrowing related to and was explained in section 8.7 of the report.
- Cash amounts available for investments were detailed in Table 17.
- For investment limit purposes an average value would be used rather than an end of year balance, this was detailed in section 8.8 of the report, along with the amendments from previous years.
- The processes for investing were detailed in sections 8.10 to 8.15 of the report.

N.B Councillor Tom Plater left the Council Chamber at 19:56 and returned at 19:59 and Councillor Tamsin Thomas entered the Council Chamber at 20:00.

The following Members asked questions:

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

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

- That the Council would be borrowing by using the cash from their revenue reserves. There would be a need to borrow externally when there was a cashflow requirement to do so. This is different to the recommended minimum General Fund level.
- The Council would finance initial borrowing from revenue reserves and any further financing above that limit would come from external sources.
- Work was ongoing to develop a strategy to ensure the use of longer-term borrowing rates and a spread of maturity dates.
- The Waste and Leisure assets would be capitalised. The waste vehicles were already capitalised as the Council retains the benefit of these.

- There was uncertainty regarding whether it was more beneficial to provide up front funding for waste vehicles and this was being reviewed as part of the new contract procurement.
- It was anticipated that once a detailed plan for the regeneration of Churchgate was developed then the requirement of the Council to borrow could increase. This would be offset by expected future income.
- The minimum revenue provision was an estimate and took into account the outcome if the current capital programme was fully spent, and a charge to capital spend would be required the following year. Any capital slippage would affect this provision.
- The valuation of Churchgate was an external valuation.
- Should the Public Sector Decarbonisation Fund bid be unsuccessful then the Solar Thermal and Solar PV projects would still go ahead but the Heat Pump project would be delayed.
- In Table 14 the item with a maturity date of Jan 2031 should read as £25,000 and not £25,0000.
- There were concerns that the loan to Stevenage Leisure Ltd for the purchase of fitness equipment may not be repaid. This had been anticipated, and during the pandemic a bad debt provision had been created. The Committee could receive updates on the progress of this matter.
- There was a minimum value for the general fund recommended at £2.4M. Should the Council be forecast to go below this level it would be likely that a section 114 notice would be issued.
- If the revenue saving failed to reach their target, then the revenue costs of the Capital Programme could contribute towards the Council going below that minimum.

N.B Councillor Tamsin Thomas left the Council Chamber at 20:12 and returned at 20:13.

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

RESOLVED: That the Finance, Audit and Risk Committee provided comments on and recommended the Investment Strategy (Integrated Capital and Treasury) to Cabinet.

RECOMMENDATIONS TO CABINET:

That Cabinet recommends to Council that they:

- (1) Approve the adoption of the Investment Strategy (as attached at Appendix A), including the capital programme and prudential indicators. This incorporates the changes referenced in paragraphs 5.1 to 5.3.
- (2) That Council approve the adoption of the four clauses in relation to the Code of Practice on Treasury Management (as detailed in paragraphs 8.10 to 8.16).

REASONS FOR RECOMMENDATIONS:

- (1) To ensure that the capital programme meets the Council's objectives and officers can plan the implementation of the approved schemes.
- (2) To ensure the Council's compliance with CIPFA's code of practice on Treasury Management, the Local Government Act 2003, statutory guidance from the Department of Levelling Up, Housing and Communities (DLUHC) and the CIPFA Prudential Code. As well as determining and managing the Councils risk appetite in respect of investments.

27 REVENUE BUDGET 2024/25

Audio recording – 47 minutes 42 seconds

The Service Director – Resources presented the report entitled 'Revenue Budget 2024-25' and highlighted that:

- Recommendations were made to Cabinet in December following Member workshops, regarding which proposals to take forward. This report provided more detail on the risks and consequences of these.
- The draft budget was reviewed by Cabinet in January and some additional details had been added to the capital report highlighted at 8.3 of the report. The majority of the additions were capital related, which had implications to the revenue budget, there were also some additional revenue items.
- There was an announcement last week about raising the core spending funding to 4% and this was noted at 8.5 of the supplement.
- The additional value of the core spending fund was still to be released but an assumption of £173K had been made whilst waiting for confirmation. It was hoped that this would be received in time for Full Council in February 2024.
- There was an estimated general funding forecast in Table 2, the details were the best estimates for future years.
- It was anticipated that in future years there would be less funding available and therefore the Council would come under greater financial pressure. The projections for the next five years were detailed in Appendix D.
- The impact of other sources of funding was highlighted in Table 3 and detailed how these would impact on the general fund.
- Specific reserves for funding various projects were shown in Table 4.
- The minimum level of the general balance was formulated from a percentage of net revenue expenditure, a percentage of budget income and specific risk as detailed at 8.20 of the report. Full details of specific risks and the risk level could be found in Appendix A.
- Table 7 detailed the updated budget position of 2023-24 as at the end of November.
- Careline had made a positive impact on the income of the Council.
- Parking income had reached a plateau and was not expected to recover to pre Covid levels.
- A Section 25 Report was included as Appendix D, which included estimates and assumptions on items that affected the budget and their certainties.
- Appendix C showed the impact for future years and highlighted the level of savings that were likely to be required to achieve a balanced budget.

The following Members asked questions:

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

In response to questions the Service Director – Resources stated:

- The services provided by Careline were fully funded by Herts County Council and their social care clients and by private clients.
- There was a zero cost to North Herts Council for Careline, and it was providing some contribution towards overheads.
- There were savings set out in the 2024-25 budget and Careline had been included in those savings. Looking forward to future years, work was ongoing on the funding gaps including any implications of the new waste contract and any inflation impacts.

- The new Leisure contractor had a structure that provided VAT and Business Rate efficiency, similar to the current contractor and the impact of those efficiencies had been built into the contract price.
- The post May 2024 administration would need to work quickly to consider proposals that would need to be agreed for budget setting in February 2025 and to keep the Council in a sustainable position, which would involve difficult decisions.
- As part of the additional funding 4% Core Spending Power increase there would be a requirement to provide a return to the Department for Levelling up, Housing and Communities on Council efficiency. The details of this were not yet known.
- The quarterly monitoring report detailed the impact of risks including those that did not have a notional allocation as part of the recommended minimum balance calculation. The year end monitoring report would highlight the actual results of the risks against the risk forecast.
- An adjustment for the recently approved Members Allowances Scheme would need to be provided for the version of this report to be presented to Full Council.

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

RESOLVED: That the Finance, Audit and Risk Committee provided comments on and recommended the Revenue Budget 2024/25 to Cabinet.

RECOMMENDATIONS TO CABINET:

- (1) That Cabinet approves the decrease in the 2023/24 working budget of £301k, as detailed in table 7.

That Cabinet recommends to Council that it:

- (2) Notes the position on the Collection Fund and how it will be funded.
- (3) Notes the position relating to the General Fund balance and that due to the risks identified a minimum balance of £2.48 million is recommended.
- (4) Notes the net revenue savings that are likely to be required in future years, combined with the Chief Finance Officer's section 25 report (Appendix D) which provides a commentary on the risks and reliability of estimates contained in the budget.
- (5) Approves the revenue savings and investments as detailed in Appendix B.
- (6) Approves a net expenditure budget of £20.265m, as detailed in Appendix C.
- (7) Approves a Council Tax increase of 2.99%, which is in line with the provisions in the Medium Term Financial Strategy.

REASON FOR RECOMMENDATIONS: To ensure that all relevant factors are considered in arriving at a budget and Council Tax level for 2024/25. To ensure that the budget is aligned to Council priorities for 2024/25 as set out in the Council Plan

28 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio recording – 1 hour 9 minutes 40 seconds

The Chair led a discussion on future agenda items and confirmed that the Churchgate item requested by Councillor Terry Hone had already noted.

Wednesday, 31st January, 2024

Councillor Hone stated that it would be prudent to monitor the new Waste and Leisure contracts and any impacts these might have on future budgets.

The Service Director – Resources stated that more detailed information could be provided on the Council's investment in the Leisure contract when implemented in 2024-25. The waste contract was still in the procurement stage.

The meeting closed at 8.42 pm

Chair