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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, SG6 3JF
ON WEDNESDAY, 8TH JANUARY, 2025 AT 7.30 PM

MINUTES

Present: *Councillors: Sean Nolan (Chair), Vijaiya Poopalasingham (Vice-Chair), Tina Bhartwas, Ruth Brown, Dominic Griffiths, Caroline McDonnell, Ralph Muncer and Stewart Willoughby.*

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

In Attendance: *Amy Cantrill (Trainee Committee, Member and Scrutiny Officer), Faith Churchill (Democratic Services Apprentice), Ian Couper (Service Director - Resources) and James Lovegrove (Committee, Member and Scrutiny Manager).*

Other Presenters: *There were no other presenters.*

Also Present: *There were no members of the public present for the duration of the meeting.*

Councillor Ian Albert was in attendance as Executive Member for Finance and IT.

42 APOLOGIES FOR ABSENCE

Audio recording – 1 minute 31 seconds

Apologies for absence were received from Councillors Paul Ward and Steven Patmore.

Having given due notice, Councillor Ralph Muncer substituted for Councillor Patmore and Councillor Caroline McDonnell substituted for Councillor Ward.

43 MINUTES - 13 NOVEMBER 2024

Audio Recording – 1 minute 58 seconds

Councillor Sean Nolan, as Chair, proposed and Councillor Stewart Willoughby seconded and, following a vote, it was:

RESOLVED: That the Minutes of the Meeting of the Committee held on 13 November 2024 be approved as a true record of the proceedings and be signed by the Chair.

44 NOTIFICATION OF OTHER BUSINESS

Audio recording – 2 minutes 47 seconds

There was no other business notified.

45 CHAIR'S ANNOUNCEMENTS

Audio recording – 2 minutes 53 seconds

- (1) The Chair advised that, in accordance with Council Policy, the meeting would be 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.

46 PUBLIC PARTICIPATION

Audio recording – 3 minutes 42 seconds

There was no public participation at this meeting.

47 INTERNAL AUDIT REPORT – REVIEW OF FINANCE, AUDIT AND RISK COMMITTEE

Audio recording – 3 minutes 50 seconds

The Service Director – Resources presented the report entitled 'Internal Audit Report – Review of Finance, Audit and Risk Committee' and highlighted the following:

- The annual audit by SIAS had been completed, which included interviews with two members of the Committee, as well support Officers.
- The recommendations from SIAS were included as an appendix at page 24 of the report.
- The proposed annual self-assessment was previously conducted at the Council, however this was not well completed by Members. This could be reintroduced to allow more focussed training to be provided but would require Members to complete and return the assessment.
- This Committee still received finance reports, which was not the best approach but had been considered pragmatic. This recommendation was not for this Committee to decide, as would need to be part of the ongoing Constitutional Review.
- Members of the Committee could request to speak with auditors and, whilst this had not been taken up to date, Officers can provide relevant signposting.
- It was recommended that risk reports should have more detailed summaries included, and feedback on this change would be appreciated.
- Committee members were encouraged to attend training, where possible, and sessions ahead of the meeting had been set up for this Committee. Feedback was welcomed on this to ensure that training provided was effective at addressing the needs of the Committee.

The following Members asked questions:

- Councillor Ruth Brown
- Councillor Vijaiya Poopalasingham
- Councillor Ralph Muncer
- Independent Member John Cannon

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

- The pre-meeting training sessions could be recorded and uploaded to GrowZone for Members unable to attend.

- A meeting with the auditors could be arranged alongside the pre-meeting training for this Committee, at the meetings which the auditors would present reports.
- This Committee was the Audit Committee, however the issue identified was that financial reports were brought to this Committee. These reports were approached as providing critical governance advice on these items. However, it was felt this meant the Committee was too involved.
- The proposals would mean that financial reports would need to go to Overview and Scrutiny Committee, or another new Committee to consider these.
- Trends from both this audit and the recently completed Corporate Peer Challenge report highlighted that reports to this Committee should focus on governance and risk.
- Training sessions were not mandatory, but Members were strongly encouraged to attend, especially sessions provided at the start of each civic year.
- Providing training required a balance between making it accessible for new councillors, whilst trying to provide more detail for more experienced members.

Councillor Vijaiya Poopalasingham proposed and Councillor Ruth Brown seconded to approve the recommendation.

The following Members took part in the Debate:

- Councillor Sean Nolan
- Councillor Ruth Brown
- Independent Member John Cannon
- Councillor Ralph Muncer

The following points were made as part of the Debate:

- The Chair had recently attended a session with other Audit Committee Chairs, where this Council was an outlier in its approach to financial reports.
- Most Members did not look at these items daily and therefore the training provided to assist with discussions and provide knowledge of the areas was welcomed.
- The previous Peer Challenge report had also highlighted the Council as an outlier in this way of working, however changes were delayed until after the all-out election. There had been discussions around this at the Constitutional Review Working Group, but there would need to be specific consideration of this change and the potential impact of another Committee.
- Due to its size, the Council may not always be able to mirror the practices at larger organisations.

Having been proposed and seconded and, following a vote, it was:

RESOLVED: That the Committee commented on and noted the Internal Audit report as attached at Appendix A.

REASON FOR DECISION: To allow the Committee to discuss the findings of the Internal Audit report, and contribute to the actions to improve the effectiveness of the Committee.

48 REVENUE AND CAPITAL BUDGETS FOR 2025/26 ONWARDS

Audio recording – 28 minutes 24 seconds

The Service Director – Resources presented the report entitled ‘Revenue and Capital Budgets for 2025/26 Onwards’ and highlighted that:

- The recommendations outlined that this Committee was to comment on the recommendations to Cabinet, having considered the robustness of the process rather than the policy decision.
- The standard approach to budget setting began with Officers and Executive Members looking at proposals around additional spend, additional income streams, potential savings and others.
- These are then presented at the two budget workshops with the administration and opposition parties, which then fed into the Cabinet report. There is then a further report which is referred onto Council in February.
- Since the workshops took place, further information relating to local government funding had been received, which would not increase the core spending power of the Council, as had been estimated. However, there was additional funding from EPR for 2025/26 only.
- There were no long term funding details provided and therefore the funding settlement was still for one year.
- Cabinet are requested to consider the schemes they wish to proceed with next year, noting that in cost terms the proposals would be more expensive than outlined in the Medium Term Financial Strategy and they needed to consider achieving an overall balanced budget.

The following Members asked questions:

- Councillor Ruth Brown
- Councillor Dominic Griffiths
- Councillor Ralph Muncer
- Independent Member John Cannon

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

- The commitment from government had always been that authorities would receive new burden funding for ongoing costs of food waste collection, as it would be a statutory requirement.
- It was not always a contractual requirement, with contracted out services, to cover National Insurance rises and the Council was still negotiating this with contractors.
- In terms of the funding the Council may receive to cover increased National Insurance contributions, this would be part of the final settlement. However, concerns had been raised that the pot was too small, and the wrong methodology had been used and would favour some Councils over others.
- The Council would lose some funding with the Business Rates reset. The Council had previously been in a pool for Business Rates, which had resulted in gains of nearly £1m which was put into reserves to support budgets going forward. The Council would not be in a pool next year, so the benefit would be lower.
- This budget would use around £2-2.5million of reserves, from both Business Rates reserves and General Fund reserves, but mostly from the Business Rates reserves. This was around 10% of the overall budget in percentage terms.
- Good budget management over many years meant this Council had a higher level of General Fund reserves compared to some other authorities.
- It was a decision for Council as to whether it uses reserves to balance the budget for a longer period or achieve an in-year balanced budget more quickly.

- If the budget cannot be balanced, then Officers would warn Members of potential issues. The Council currently had reserves, but this needed to be managed by Members.
- There was a need to make changes, and big savings would be required in future budgets. The earlier these savings are made, the more reserves would be retained, which could allow for spend on one-off projects.
- Everything known about the changes to the Public Sector Decarbonisation Scheme project would be included in the budget reports. One option presented to Cabinet would increase spending on this project, if this option was taken it would be referred onto Council immediately for final consideration.
- The list of proposals was for Cabinet to consider and decide which would be in line with their priorities.
- Executive Members speak with Service Directors to understand what is needed in their area and this was fed into the budget workshops process, which allowed Members to challenge and provide feedback on proposals, but it was not formally prioritised.
- It would be possible to provide some commentary around the statutory and non-statutory proposals.
- Prioritisation of proposals by Service Directors would be arbitrary, as there would be no one set of criteria for prioritisation and there would be no comparison of prioritisation between directorates, but some further commentary could be provided.
- He considered proposals in both immediate and 5-year terms and had more concerns for proposals which had a implication in the later years compared to higher implications which only occurred in first two years, as there would be an ongoing impact of those with long term implications.

In response to questions, Councillor Ian Albert, as Executive Member for Finance and IT, advised that:

- The current position on reserves was set out at 8.7 of the report, which were currently healthy, but there would be difficult choices over the period of the Medium Term Financial Strategy (MTFS). This would require cross-party working and engagement with residents.
- The previous government had considered that too much was held in reserves by authorities.
- One risk that cannot be fully reflected were the proposals around devolution. It was possible that this Council may not exist by the end of the MTFS period.
- It was disappointing that opposition groups did not provide feedback after their budget workshop, but he would welcome feedback at a later stage.
- Cabinet would need to consider proposals in terms of what was statutory, or more necessary, for the Council to provide.

Councillors Ruth Brown and Ralph Muncer, as leaders of the Liberal Democrat group and Conservative group respectively, advised that their groups would provide a response once plans had been proposed by the administration.

Councillor Vijaiya Poopalasingham proposed and Councillor Ruth Brown seconded and, following a vote, it was:

RECOMMENDED TO CABINET: The Finance, Audit and Risk Committee commented on the recommendations to Cabinet, which are:

- (1) That Cabinet notes the Council's expected funding for 2025/26.
- (2) That Cabinet confirms (in line with the Medium-Term Financial Strategy) that budget forecasts should be based on increasing Council Tax by 2.99% (the maximum amount allowable without a local referendum). Noting that Government have assumed Council Tax will increase by the maximum allowed in calculating Core Spending Power.

- (3) That Cabinet notes that the Council may see real-term reductions in its funding in future years.
- (4) That, in the context of the above, Cabinet agree which proposals (revenue and capital) should be taken forward as part of the budget-setting process for 2025/26.

REASON FOR REFERRAL: To ensure that all relevant factors are considered in arriving at a proposed budget, Investment Strategy and Council Tax level for 2025/26, to be considered by Full Council on 27 February 2025.

49 REPORT ON RISK MANAGEMENT GOVERNANCE (MID-YEAR UPDATE)

Audio recording – 1 hour 06 minutes 33 seconds

The Service Director – Resources presented the report entitled ‘Report on Risk Management Governance (Mid-Year Update)’ and advised that:

- This report was provided twice a year to ensure that the Committee had oversight of risk management with the Council.
- Risk monitoring of projects had been moved to the Overview and Scrutiny Committee previously and this Committee was asked to look at how risk management was operating.
- In line with the Audit Report recommendations, the Executive Summary provided the specific areas where risk had moved and the key highlights.
- This report provided some commentary on the highest risk areas, with detail of work completed and ongoing work. Future reports would track where ongoing work has been completed and the impact this has had on the overall risk score.
- Some risks, despite ongoing work, would get stuck at a rating due to external factors. The report provides additional detail on the background which would demonstrate that actions are being taken, despite this not impacting the overall risk score.
- Until a project was complete the risk generally remained high but would usually drop off once complete.
- The Council had three, overarching risks which have causes that fall outside of the control of the Council and would remain high, and these areas were cyber-attacks, finances and resourcing.

The following Members asked questions:

- Councillor Ralph Muncer
- Independent Member John Cannon
- Councillor Sean Nolan

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

- All information included in the report came from the risk register. This provided a summary of the risks, provide assurance that risk reviews were taking place and that both new and archived risks were being managed.
- The Council could improve on identifying and recoding emerging risks, where they tended to be added on a reactionary basis, and these could be added earlier on.
- Emergency planning sat slightly outside of risk, as there was always a risk of an emergency, such as flooding, but it was not possible to predict or plan where and what this may be. However, there was ongoing planning to ensure the Council is prepared for any emergency situation.
- This report focussed only on corporate risks, and the terminology in the report should reflect that. All risks, including non-corporate risks, were included on Ideagen which was available to Members.

- Risk e-learning was available to all Officers, which a specific focus on Service Managers who are more likely to deal with projects with higher risk. Sessions were provided to the Senior Management Group on a semi-regular basis.
- The Council had a good Risk Officer in place who could provide support and training to Officers across the authority.

As part of the debate, Councillor Ruth Brown welcomed that risk e-learning was mandatory for managers and the training provided to Members ahead of this meeting was helpful. The report and matrices provided were clear and useful.

Councillor Dominic Griffiths proposed and Councillor Vijaiya Poopalasingham seconded and, following a vote, it was:

RESOLVED: That Finance, Audit and Risk Committee noted and provided recommendations to Cabinet on this mid-year Risk Management governance update.

RECOMMENDED TO CABINET: That Finance, Audit and Risk Committee commented on the changes to the Risk Management Framework and recommended to Cabinet that they approve the changes.

REASONS FOR REFERRAL:

- (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.

N.B. Following the conclusion of this item, there was a short break in proceedings and the Committee reconvened at 20.57.

50 SECOND QUARTER REVENUE BUDGET MONITORING 2024/25

Audio recording – 1 hour 27 minutes 12 seconds

The Service Director – Resources presented the report entitled ‘Second Quarter Revenue Budget Monitoring 2024/25’ and highlighted that:

- The report provided a background on the budget throughout the year.
- Variances for the year and the implications of these were outlined at 8.1 of the report and explanations had been provided where over £25k.
- Overall, the report highlighted that there was a net reduction in spend of £550k, however £317k of carry forwards were requested.
- The report provided detail on the process of monitoring the savings which were due to be delivered and outlined how well these were being achieved.
- Financial health indicators in relation to income were provided at 8.6 and 8.7 of the report.
- Minimum reserve levels depend on the risk assessments completed and the accuracy of these. If the number was negative, then the assessment had not been completed well enough, but if it remained positive then a prudent assessment had been made.
- The debt write-offs and reasons for these were included at 8.16 and 8.17 of the report.

In response to questions from Councillor Ruth Brown, the Service Director – Resources advised that:

- It would be difficult to advise on acceptable limits on underspend, the most important part was the explanations provided and ensuring that the reasons given for underspend were understood.

- Any issues with carry forwards related to grant funds would be flagged by Officers to ensure that it was highlighted where this could not be taken forward and needed to be spent.

As part of the debate, Councillor Sean Nolan noted that a number of the carried over funds and reduction in spend related to staffing issues, which had been identified as a risk. Whilst on paper a reduction in spend is good, it was not good for provision of services in the long term.

Councillor Ruth Brown noted that it was disappointing when projects were delayed but it could not be helped as issues were generally down to resourcing.

Councillor Vijaiya Poopalasingham proposed and Councillor Ruth Brown seconded and, following a vote, it was:

RECOMMENDED TO CABINET: The Finance, Audit and Risk Committee commented on the recommendations to Cabinet, which are:

- (1) That Cabinet note this report.
- (2) That Cabinet approves the changes to the 2024/25 General Fund budget, as identified in table 3 and paragraph 8.2, a £550k decrease in net expenditure.
- (3) That Cabinet notes the changes to the 2025/26 General Fund budget, as identified in table 3 and paragraph 8.2, a total £306k increase in net expenditure. These will be incorporated in the draft revenue budget for 2025/26.
- (4) That Cabinet approve the debt write-offs detailed in paragraphs 8.16 and 8.17.

REASON FOR REFERRAL: 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.

51 **SECOND QUARTER INVESTMENT STRATEGY (CAPITAL AND TREASURY) REVIEW 2024/25**

Audio recording – 1 hour 37 minutes 08 seconds

The Service Director – Resources presented the report entitled ‘Second Quarter Investment Strategy (Capital and Treasury) Review 2024/25’ and highlighted that:

- Details on capital slippage had been provided in this quarter two report, rather than later into the year as previously, which had meant the figures were bigger than usual.
- It was hoped this would be a realistic end-of-year figure. Whilst slippage was still likely to increase, this should be more accurate than previous Q2 figures.
- An explanation of why a difference exists had been provided and resourcing was an issue in some areas.
- There was potential that the museum storage may progress quicker, if an option other than developing the existing site was chosen, which would lead to less slippage into next year.
- There had been a £14M reduction in 2024/25, but this was to be moved into future years.
- It was still currently forecast that the Council would need to borrow a little this year to fund the capital programme. However, this may be possible to fund from capital reserves with a little more slippage.
- Some areas were bringing spend forward and these were outlined at 8.9 of the report.
- There was potential that the budget may need to increase slightly, but this would be presented to and considered by Cabinet.

- Money invested by the Council was mostly with other authorities, as detailed at 8.12, where interest rates were generally higher. However, all interest rates were higher than had become the normal, around 5%, and all rates on investments were set out at 8.13.

The following Members asked questions:

- Councillor Ralph Muncer
- Councillor Sean Nolan
- Independent Member John Cannon
- Councillor Tina Bhartwas

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

- He would push consultants and contractors to have the financial forecasts relating to the Leisure Centre Decarbonisation project by budget setting in February.
- There was only one example of where an external party was involved in a delay.
- A detailed report on the Museum Storage Options had been provided to Cabinet, following consideration by Overview and Scrutiny Committee. The options ranged from do nothing, through to redevelopment of the existing site or moving to an off-site option, with different options on funding provided for these.
- Cabinet wanted to do something to provide a permanent storage solution.
- There were too many items to have on permanent display, with the items with the broadest interest kept in the museum itself and the storage would be for other items that still had historical significance for the district but with less general public interest.
- The final report on the Museum Storage would be presented to Overview and Scrutiny Committee for consideration, ahead of the final decision by Cabinet. Depending on the option selected and the value of funding required, it may need referral onto Council.
- The number of quotes required under the procurement processes at the Council was determined by the value of what was being procured. If costs came in higher than expected, then further quotes may be required, which can lead to delays. But it was an important process that higher costs were challenged and that Officers were sure it was a required expenditure.

In response to questions, the Chair advised that there were elements within the museum storage which were held on behalf of other organisations and the facility was required to protect these, as well as ensure the museum retained its accreditation.

Councillor Vijaiya Poopalasingham proposed and Councillor Dominic Griffiths seconded the motion.

Councillor Ralph Muncer proposed an amendment to recommendation 2.4 to include 'subject to the revised assessments following the decision by Cabinet regarding the Public Sector Decarbonisation Scheme on 14 January 2025'. This was seconded by Councillor Ruth Brown.

There was debate amongst Members to understand the meaning of the amendment and this was clarified by Councillors Muncer and Brown.

Councillor Ian Albert, as Executive Member for Finance and IT, noted that this was a prudent amendment as conversations so far had not considered what would happen with the brought forward work, should the Public Sector Decarbonisation Scheme not progress, as these were linked to be conducted at the same time.

Having been proposed and seconded, following a vote, the amendment was **AGREED**.

Having been proposed and seconded and, following a vote, the substantive motion was:

RECOMMENDED TO CABINET: The Finance, Audit and Risk Committee provided comments on the recommendations to Cabinet, which are:

- (1) That Cabinet notes the forecast expenditure of £15.699M in 2024/25 on the capital programme, paragraph 8.3 refers.
- (2) 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.
- (3) That Cabinet recommends to Council that it notes the position of Treasury Management activity as at the end of September 2024.
- (4) That Cabinet recommends to Council that it approves capital budgets in 2025/26 for a new flume (£300k) and a refurbishment of the pool changing rooms (£250k) at North Herts Leisure Centre, subject to the revised assessments following the decision by Cabinet regarding Public Sector Decarbonisation Scheme on 14 January 2025.

REASONS 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.
- (3) The proposal to approve the 2025/26 capital budgets at North Herts Leisure Centre in January (rather than in the usual budget report at the end of February) means that the works can take place at the same time as the decarbonisation works, and therefore not require two periods where the pool cannot be used. It also provides a more obvious benefit to users of the facility.

52 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio recording – 2 hours 8 minutes 52 seconds

The Chair led a discussion regarding possible agenda items for future meetings and no further items were suggested.

The meeting closed at 9.40 pm

Chair