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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, 5TH FEBRUARY, 2025 AT 7.30 PM

MINUTES

Present: *Councillors: Sean Nolan (Chair), Tina Bhartwas, Ruth Brown, Nigel Mason, Ralph Muncer, Paul Ward and Stewart Willoughby.*

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

In Attendance: *Amy Cantrill (Trainee Committee, Member and Scrutiny Officer), Georgina Chapman (Policy & Strategy Team Leader) and Melanie Stimpson (Democratic Services Manager).*

Other Presenters: *Jessica Hargreaves (Engagement Director, KPMG) and Chris Wood (Head of Assurance Services (HCC) & Client Audit Manager (NHDC)).*

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.

53 APOLOGIES FOR ABSENCE

Audio recording – 1 minute 48 seconds

Apologies for absence were received from Councillors Steven Patmore, Vijaiya Poopalasingham and Dominic Griffiths.

Having given due notice Councillor Ralph Muncer substituted for Councillor Patmore and Councillor Nigel Mason substituted Councillor Poopalasingham.

54 MINUTES 08 JANUARY 2025

Audio recording – 2 minutes 26 seconds

Councillor Sean Nolan, as Chair, proposed and Councillor Ralph Muncer seconded and, following a vote, it was:

RESOLVED: That the Minutes of the Meeting of the Committee held on 8 January 2025 be approved as a true record of the proceedings and be signed by the Chair.

55 NOTIFICATION OF OTHER BUSINESS

Audio recording – 3 minutes 8 seconds

There was no other business notified.

56 CHAIR'S ANNOUNCEMENTS

Audio recording – 3 minutes 20 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.
- (4) The Chair advised that the order of the agenda had been changed to that published, and the substantial items of business were to be considered in the following order:
 - i) Agenda Item 9 – Annual Governance Statement 2023/24 and Action Plan 2024/25.
 - ii) Agenda Item 8 – Statement of Accounts 2023/24.
 - iii) Agenda Item 6 – SIAS Progress Report 2024-25.
 - iv) Agenda Item 7 – Budget 2025/26 (Revenue Budget and Investment Strategy)

57 PUBLIC PARTICIPATION

Audio recording – 4 minutes 21 seconds

There was no public participation at this meeting.

58 ANNUAL GOVERNANCE STATEMENT 2023/24 AND ACTION PLAN FOR 2024/25

Audio recording – 4 minutes 31 seconds

The Policy and Strategy Team Leader presented the report entitled 'Annual Governance Statement 2023/24 and Action Plan For 2024/25':

- The final version of the Annual Governance Statement for 23/24 was presented in 2025 due to the local audit back log.
- The report was made available to SIAS, SAFS and KPMG, in June in 2024 to give them chance to comment.
- A draft was also presented to this Committee in June 2024 from which Principle E was reworded as it was thought it went into unnecessary detail . The Chair also asked for further detail on the ICO case, which was subsequently provided via email.
- The assessment of governance arrangements was made using the CIPFA/SOLACE framework, which includes seven principles, and no significant issues were identified in the review.
- The action plan provided actions to improve governance.
- Actions were monitoring and improving the induction programme, office uptake of essential training on the Fraud prevention module (which was less than 75%), cyber prevention, the budget hub, the corporate peer challenge, social value and reviewing organisational structure.

Councillor Ruth Brown proposed and Councillor Tina Bhartwas seconded and, following a vote, it was:

RESOLVED: That the Committee:

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

REASON FOR DECISION:

- (1) The Annual Governance Statement (AGS) must be considered and approved by the Finance Audit and Risk (FAR) 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 FAR Committee is the legal body with responsibility for approval of the AGS.
- (3) Reviewing the AGS Action Plan during 2024-25 will provide the Committee with assurances that the Council is examining and where necessary improving its governance arrangements.

59 STATEMENT OF ACCOUNTS 2023/24

Audio recording – 11 minutes 2 seconds

The Engagement Director - KPMG presented the reports entitled 'KPMG Annual Report' and 'KPMG Year End Report to the Finance, Audit and Risk Committee' (also known as ISA 260 report), attached as Appendices B and C to the 'Statement of Accounts' report and advised that:

- The ISA 260 report, summaries the findings from the 2023/24 audit for the Council
- KPMG would be issuing a disclaimed audit due to the previous year being a disclaimed opinion and the short time between the backstop dates for completing the 2022/23 audit and the 2023/24 audit.
- Audit procedures were completed over elements of the Councils Income and expenditure, cash, payroll and LGPS balances.
- The ISA 260 document also highlights audit procedures in relation to the four significant risk areas.
- KPMG's disclaimed opinion includes these significant risk areas of valuation of land and buildings, valuation of investment property, and management override of controls. Full audit procedures have been completed over the significant risk in respect of the valuation of the LGPS.
- Alongside the financial statement audit was the value for money audit, which had a positive opinion of no significant weaknesses.
- KPMG were assisting on resetting the Local Government market and would aim for full audit procedures to be completed in the near future.
- Recommendations and identified misstatements are highlight in the report, which were immaterial, and do not impact on the Council's final reported position.

The Service Director - Resources presented the report entitled 'Statement of Accounts 2023/24' and advised that:

- The Council had elected not to correct the immaterial errors related to pension assumptions but would take action to try and ensure the errors did not occur for 2024/25 onwards.
- The report from KPMG contains four recommendations. Receiving recommendations is different in form to Ernst & Young, this was a benefit as it gave the Council insight into potential room for improvement, these were all responded to.
- Corrections the Council did make following the KPMG audit were in Appendix A highlighted in green.
- Draft accounts were published online and advertised for public inspection and had no feedback.
- The Committee were asked to approve the signing of the KPMG management representation letter that would be in a standard format.

The following Members asked questions:

- Councillor Paul Ward
- Councillor Ruth Brown

In response to questions, the Engagement Director - KPMG advised that:

- The time to get out of the disclaimed opinion was not certain but KPMG would work with the PSSA and the Financial Reporting Council to reduce the number of sections with a disclaimed opinion in each annual report, this would give a bit more assurance each year until the disclaimed balances become immaterial, the aim for this was either the 2025/26 or the 2026/27 audits.
- As part of the KPMG value for money audit risk assessment procedures, concerns were identified around staffing levels, vacancies and turnover, however with further investigation the mitigations the council had in place were satisfactory.
- KPMG would require a written response from the Council, in respect of the recommendations raised, then final document without the TBC's would be completed.
- The ISA 260 report would not need to be published but could be requested through freedom of information, the Annual Auditors Report would require publication by the Council.

In response to questions, The Service Director - Resources advised that the parts of the report highlighted in green would be removed.

Councillor Paul Ward proposed, and Councillor Tina Bhartwas seconded and following a vote, it was:

RESOLVED: That the Committee:

- (1) Noted the KPMG Annual Report as attached at Appendix B and the KPMG Year End Report to the Finance, Audit and Risk Committee at Appendix C.
- (2) Approved the 2023/24 Statement of Accounts as attached at Appendix A (with the Auditors Report to be added), and that they can be signed by the Chair.

- (3) Approves the signing of a Management Representation by the Chair of the Committee. This will be a standard format and is in the process of being finalised by KPMG.

REASON FOR DECISION: To ensure that the Council abides by the Audit and Account Regulations 2015, which require the approval and publication of audited Statement of Accounts. Furthermore, to meet the back-stop deadlines set out in the Accounts and Audit (Amendment) Regulations 2024.

60 SIAS PROGRESS REPORT 2024-25

Audio recording – 33 minutes 13 seconds

The SIAS Head of Assurance presented the report entitled 'SIAS Progress Report 2024-25' and highlighted the following:

- Two changes were made since the publication of the Agenda, and these would be added to the progress report in March 2025.
- Updates to the two high priority recommendations were found in appendix D.
- Amendments to the Audit Plan approved at the start of 2024/25 were to defer the UK Shared Profits Fund Audit to 2025/26 and was replaced by an audit on performance indicators.
- Three further draft reports were sent out on Friday, driving up the audits delivered so far figures up to 60% with each report equally approximately 5%.
- Billable days had increased from 71% to 77%, increasing traction and meaning the plan was on track for delivery.

The following Members asked questions:

- Councillor Paul Ward
- Independent Member John Cannon

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

- He would look in to whether the updated records on rent reviews would help the Council collect more income. Rent review record was a more of a control measure, which may help the Councils finances.
- Rational for the rearranging the audits was around resources for supporting the UKSPF audit, but still making sure any learn lessons could be considered for allocations in 2025/26.
- Peer challenge identified performance management and indicators as an area for improvement so timely to get support from SIAS to support looking at what the Council were currently doing and what could improve in more detail.

Councillor Paul Ward proposed and Councillor Tina Bhartwas seconded and, following a vote, it was:

RESOLVED: That the Committee:

- (1) Noted the SIAS Progress Report for the period to 17 January 2025.
- (2) Noted the implementation status of the reported high priority recommendations.

(3) Noted the plan amendments to the 2024/25 Annual Audit Plan.

61 BUDGET 2025/26 (REVENUE BUDGET AND INVESTMENT STRATEGY)

Audio recording – 41 minutes 20 seconds

N.B. Cllr Paul Ward declared an interest in this item due to his employment. He had spoken to the Monitoring Officer and had been advised that he could take part in the debate and vote on Recommendations 2.1 to 2.7 and 2.9, however needed to leave the Chamber and not take part in debate or vote on recommendation 2.8.

The Chair stated that recommendations 2.1-2.7 and 2.9 would be taken as one recommendation and 2.8 as a separate recommendation, and so to debate and vote would be separately.

The Service Director – Resources presented the report entitled 'Budget 2025/26 (Revenue Budget and Investment Strategy) 2.1 – 2.7 & 2.9' and highlighted the following:

- The Government confirmed the funds for NI insurance employer payments, this fund was less than the total expenditure for the Council but was more than expected in the draft Budget.
- At the last meeting of this Committee it was recommended that Cabinet and Council consider whether investments related to statutory services and the Implications of not going forward with them, this information had been added to the Cabinet report.
- For the first time, the Budget report combed Capital, Revenue and Treasury, which was common in other Councils. This allowed the implications of capital funding to be more clearly seen.
- The Report sets out that the Medium Term Financial Strategy (MTFS) was confirmed in September at Council and the Report adhered to that strategy.
- Following the MTFS, Officers and Executive Members looked at where the Council could make savings and where the Council needs to make investments.
- The next stage was the Budget Workshops with sessions for the administration and for Opposition groups.
- There is a requirement to consult Business Ratepayers. This has been published to the North Herts Council website with e-mails to business groups to be sent on Thursday which would seek any feedback before the Council meeting.
- The reasoning for some of the investments was set out in Section 8.1.
- The changes since the draft and why these were featured in the budget was highlighted in Section 8.4
- There is a requirement to consult Business Ratepayers. This has been published to the North Herts Council website with e-mails to business groups to be sent on Thursday which would seek any feedback before the Council meeting.
- From 26/27 the Council will have a 3-year settlement.
- In estimating future years budget the report took a middle case assumption.
- The Report looked at the assumptions of the budget in Appendix D and a key part showed positive and negative predictions to what the Council could get as part of future funding.
- Table 3 looked at specific grants. Some concerns and opportunities in terms of the budget projections were, the UKSPF fund which gave scope in terms of investments in the District and the Healthy Hub Funding where there is uncertainty over the expectations of what

needed to be delivered for this grant, and the Domestic Abuse Grant which was added to general funding so added as a budget pressure to allow the funding for the service to continue.

- The reserves that the Council had were laid out in 8.12, the main one of these is the Business Rates Grant Reserve which sat at £6.4 million.
- The Council could release most of the grant over the medium term.
- The Council's biggest provision is against Business Rates, due to a backlog of appeals and this funding would be released as appeals were settled.
- The report's recommendation for minimum funds balance was £2.6 million, the Council had funds above the recommendation and if the balance were close then concerns would have been raised.
- In future years if the Council have more risks due to projects, then the minimum balance would increase.
- The revenue effect of the lost or gained interest from investments is laid out in Section 8.27
- The Principles the Council must agree in terms of Treasury Management are in Section 8.29-8.35
- Expected funding over a 5-year period and sets savings target, with a net expenditure budget of £22.792m was set out in Section 8.37 – 8.41 and Appendix E.

The following Members asked questions:

- Councillor Ralph Muncer
- Councillor Ruth Brown
- Councillor Paul Ward
- Independent Member John Cannon

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

- The final Local Government settlement benefits the Council as we had assumed £0 of contribution in the provision estimates and the Government has given is £157k however the cost of the NI payment is higher than that at £370k.
- Gaps in the budget (shown as TBC) all related to savings (rather than investments), would not make the budget worse.
- The areas that are TBC are the car parking charging due to having a consultation which would affect the scope of charging and when it would be implemented, and agency for leisure which was subject to confidentiality.
- Summary in Appendix E showed the reserves, the general fund reserve was different from the other as it could be used to support general spending, other reserves are created for specific use, some of these were ring fenced for projects and that information was shown in table 4.
- The only place the report uses the total number of reserves going forward is in the investment strategy, which reflected the decreases in expected decreases in the waste reserve and the business rates reserve but assumed others would stay at a similar level.
- The TBC were still potential savings for 2025/26 and for contribution towards the 26/27 savings, the targets for future years was a net target, if investments create bigger costs that would add to the savings needed.
- A spike in net expenditure in 2025/26 was caused by carry forwards which were reported to cabinet.

- Churchgate spend came primarily from some grants and also the surplus funding, the funding was subject to some uncertainty due to commercial tenants playing rent.
- Homelessness grant funding was in a reserve for specific projects, this was reported to Cabinet.
- Welfare grant funding was and accumulation of funding the Council had got during Covid and there was a planned use of that reserve over time, but this would not be an ongoing spend, it would only be while the grant was available.

Councillor Ruth Brown proposed, and Councillor Stewart Willoughby seconded and, following a vote, it was:

RESOLVED: That Finance, Audit and Risk commented on the budget process, assumptions and risks contained within this report, in the context that Cabinet recommended to Council that:

- (1) Notes the position on the Collection Fund and how it will be funded.
- (2) Notes the position relating to the General Fund balance and that due to the risks identified a minimum balance of £2.6 million is recommended.
- (3) 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.
- (4) Approves the revenue savings and investments as detailed in Appendix B.
- (5) Approves the capital programme as detailed in Appendix C.
- (6) Approves a net expenditure budget of £22.792m, as detailed in Appendix E.
- (7) Approves a Council Tax increase of 2.99%, which is in line with the provisions in the Medium-Term Financial Strategy.
- (9) Approve the adoption of the four clauses in relation to the Code of Practice on Treasury Management (as detailed in paragraphs 8.32 to 8.35).

The Service Director - Resources presented the report entitled 'Budget 2025/26 (Revenue Budget and Investment Strategy)' and highlighted the following about recommendation 2.8:

- The Investment Strategy was outlined on page 76
- It looked at what the Council had available for investment, capital spend and combined with revenue forecasts, compared balances with what was needed for predicted spends to show what was left to invest.
- When investing the Council should look at Security, Liquidity and Yield.
- The report set out a strategy that aimed to have sensible limits that covered at the start of year, and the end of the year.
- For example, this included a reduction in the amount that could be invested with another local authority from 15% of investments down to 10% or in financial terms £4 million down to £3 million.

- There were also lower limits set out for investment with banks, banking groups and building societies comparing yield to risk.
- The report also listed investments which the Council were unlikely to use for example, UK Property Funds, Multi Bond Funds, Multi Asset Funds..

The following Members asked questions:

- Councillor Sean Nolan
- Councillor Ralph Muncer
- Councillor Ruth Brown

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

- Investing in Local Authorities, those authorities that were expected to merge in the next year or two should not affect the investment as debts will transfer to successor Local Authorities
- Banks may use the Councils money as they wish and at their risk, which could include shares, which is why research was done into the credit rating of the bank to reduce risk.
- The Council would not invest in shares due to high risk, which was outside the treasury strategy, the only exception to this would be multi-asset funds where there was then a spread of the risk.
- Currently most of the Council's investments were with other Local Authorities, of which a lot would have declared climate emergencies and therefore would be taking positive environmental actions. The Council would be excluded from some ESG funds due to a minimum financial threshold which were outside the Treasury strategy.
- The annual revenue position for the council from investments was included in the revenue budget which was shown in table 19.

Councillor Tina Bhartwas proposed, and Councillor Ruth Brown seconded and, following a vote, it was:

RESOLVED: That Finance, Audit and Risk commented on the budget process, assumptions and risks contained within this report, in the context that Cabinet recommend to Council that:

(8) Approves the Investment Strategy as detailed in Appendix F.

REASON FOR DECISION:

- (1) To ensure that all relevant factors are considered in arriving at a budget (revenue and capital) and Council Tax level for 2025/26. To ensure that the budget is aligned to Council priorities for 2024-28 as set out in the Council Plan.
- (2) The Council's Investment Strategy is set to comply with relevant statutory guidance, including the CIPFA Prudential Code. The Strategy also sets out the Council's approach to risks in relation to the investment of surplus cash.in relation to the investment of surplus cash.

62 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio recording – 1 hour 37 minutes 23 seconds

Wednesday, 5th February, 2025

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

The meeting closed at 9.08 pm

Chair