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## NORTH HERTFORDSHIRE DISTRICT COUNCIL

### FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE COUNCIL CHAMBER, COUNCIL OFFICES,  
GERNON ROAD, LETCHWORTH GARDEN CITY  
ON THURSDAY, 21ST MARCH, 2019 AT 7.30 PM

#### MINUTES

**Present:** *Councillors Terry Hone (Chairman), Simon Harwood (Vice-Chairman), Kate Aspinwall, Jim McNally and Helen Oliver (In place of Ian Albert)*

**In Attendance:** *Ian Couper (Service Director - Resources), Antonio Ciampa (Accountancy Manager) and Hilary Dineen (Committee, Member and Scrutiny Manager)*

#### 68 APOLOGIES FOR ABSENCE

Audio Recording – Start of Item – 10 seconds

Apologies for absence were received from Councillors Ian Albert, Ian Moody and Terry Tyler.

Having given due notice Councillor Helen Oliver advised that she would be substituting for Councillor Ian Albert.

#### 69 MINUTES - 28 JANUARY 2019

*Audio Recording – Start of Item – 35 seconds*

The Chairman allowed time for the Minutes of the meeting held on 28 January 2019 to be read.

It was noted that at Minute 63 - External Audit Plan Councillor Oliver's name had been used throughout instead of Kay Storey, Ernst and Young

#### **RESOLVED:**

- (1) That, subject to the changes below regarding Minute 63, the Minutes of the Meeting of the Committee held on 28 January 2019 be approved as a true record of the proceedings and be signed by the Chairman.
- (2) That, in respect of (1) above Kay Storey, Ernst and Young replace all mention of Councillor Helen Oliver.

#### 70 NOTIFICATION OF OTHER BUSINESS

*Audio Recording – Start of Item – 2 minutes 56 seconds*

There was no other business notified.

**71 CHAIRMAN'S ANNOUNCEMENTS**

- (1) The Chairman advised that members of the public and the press may use their devices to film/photograph, or do a sound recording of the meeting. He asked that flash not be used and that any beeps or other sound notifications that may emit from devices be disabled.
- (2) The Chairman advised that the meeting was being audio recorded.
- (3) Members were reminded that any declarations of interest in respect of any business set out in the agenda, should be declared as either a Disclosable Pecuniary Interest or Declarable Interest and are required to notify the Chairman of the nature of any interest declared at the commencement of the relevant item on the agenda. Members declaring a Disclosable Pecuniary Interest must withdraw from the meeting for the duration of the item. Members declaring a Declarable Interest, wishing to exercise a 'Councillor Speaking Right', must declare this at the same time as the interest, move to the public area before speaking to the item and then must leave the room before the debate and vote.

**72 PUBLIC PARTICIPATION**

*Audio Recording – Start of Item – 4 minutes 4 seconds*

There were no presentations by members of the public.

**73 NHDC SIAS PROGRESS REPORT - MARCH 2019**

*Audio Recording – Start of Item – 4 minutes 10 seconds*

The Head of Shared Internal Audit Service advised that the Client Audit Manager offered his apologies for not being able to attend this meeting.

The Head of Shared Internal Audit Service presented the report entitled NHDC SIAS Progress Report – March 2019 and drew attention to the following:

Paragraph 2.4 – High Priority Recommendations

There was one new high priority recommendation as a consequence of the work undertaken in the audits. This related to the Museum Services, details were in Appendix B.

Paragraph 2.5

There were no proposed amendments to the Annual Audit Plan.

The following Members took part in the debate or asked questions:

- Councillor Simon Harwood

In response to questions the Service Director – Resources advised that, in respect of King George V Playing fields, the audit undertaken was of the accounts only. If there were concerns about any other aspect, Members should discuss them with the Officers.

In respect of Museum storage, all storage requirements both current and future were to be considered in response to the audit recommendation.

The Head of SIAS advised that high priority items would be followed up by his team and reported back to this Committee.

**RESOLVED:**

- (1) That the Internal Audit Progress Report for the period to 1 March 2019 be noted;
- (2) That the proposed amendments to the 2018/19 Annual Audit Plan be noted;
- (3) That the implementation status of high priority recommendations be noted.

**REASON FOR DECISION:** To enable the Finance, Audit and Risk Committee to consider the report entitled NHDC SIAS Progress Report.

**74 NHDC SIAS 2019-20 INTERNAL AUDIT PLAN REPORT - MARCH 2019**

*Audio Recording – Start of Item – 10 minutes 24 seconds*

The Head of Shared Internal Audit Service presented the report entitled NHDC SIAS 2019-20 Internal Audit Plan Report.

He advised that this report dealt with the process regarding audit planning and drew attention to the following:

Paragraph 1.1 of the report should read:

“To provide Members with the proposed North Herts District Council (the Council) 2019/20 Internal Audit Plan.

- In line with good practice this had been shared with the Finance, Audit and Risk Committee Chairman;
- The number of audit days had been reduced from 360 to 340 ;
- The Plan is based on identifying key issues from SIAS knowledge and discussions with Service Directors;
- External Audit no longer place reliance on Internal Audit work, which changes the scope of Key Financial System audits and reduces the number of days;
- Key performance indicators were detailed in Paragraph 3.3 of the report;
- The proposed NHDC audit plan 2019/20 was presented as Appendix A. It detailed the owner and where the audit was initiated.
- The reserve list was presented at Appendix B
- Appendix C – audit start dates agreed with management.

The following Members took part in the debate or asked questions:

- Councillor Terry Hone;
- Councillor Simon Harwood

In response to question the Head of Shared Internal Audit Service advised:

- A 10 percent reduction in the number of days had been agreed for all partners in 2018/19 (400 days down to 360 days), with further reductions in following years;
- 300 days was generally considered the right level for Councils the size of NHDC however it was for the Authority to judge the level needed;

The Service Director – Resources advised:

- That if the number of days was reduced, there was a saving for NHDC. This had been agreed by Full Council and was reflected in the budget;
- The number of days must be appropriate to balance risks;
- The number of days was reducing over time;
- In respect of Trade Waste there were plans to consider how to work better with East Herts District Council and this would be audited in quarter 3 2019/20

**RESOLVED:** That the proposed North Herts District Council Internal Audit Plan for 2019/20 be approved.

**REASON FOR DECISION:** To enable the Finance, Audit and Risk Committee to consider the report entitled NHDC SIAS 2019-20 internal audit plan report.

## 75 SHARED ANTI-FRAUD SERVICE (SAFS) - SAFS/NHDC ANTI-FRAUD ACTION PLAN

*Audio Recording – Start of Item – 22 minutes 17 seconds*

The Assistant Manager, Shared Internal Audit Service advised that the Head of Counter Fraud offered his apologies for not being able to attend this meeting.

The Assistant Manager, Shared Anti Fraud Service presented the report entitled Shared Anti-Fraud Service (SAFS) - SAFS/NHDC Anti-Fraud Action Plan and drew attention to the following:

- The Plan had been reviewed by senior officers;
- The Plan, attached at Appendix B explained the risks and threats;
- A Councillor Workbook on Bribery and Fraud Prevention was attached at Appendix A;
- The Plan at Appendix B set detailed the principals and set out the goals;
- The Key Performance Indicators for 2019/2020 were set out in Appendix B.

The following Members took part in the debate or asked questions:

- Councillor Simon Harwood;
- Councillor Kate Aspinwall;
- Councillor Jim McNally;
- Councillor Helen Oliver.

In response to questions the Assistant Manager SAFS advised:

- That Authorities were very different and therefore was difficult to compare requirements and performance;
- That in respect of data release, the Housing Team had tools that they could use to determine when it should be used. The data can also be used to assist an applicant;
- That most training was regarding new methods of working and new staff.

The Service Director – Resources advised that training would be offered as appropriate.

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Members agreed that the Bribery and Fraud Protection Workbook should be circulated to all Members and included in the New Councillor Induction Pack.

In respect of training Members asked that KPI 4D be amended to read:

“5 targeted Fraud training events for staff/Members in year”.

**RESOLVED:**

- (1) That the SAFS/NHDC Anti-Fraud Plan 2019/2020 be approved;
- (2) That the LGA Councillors Workbook on Fraud and Bribery Prevention 2017 be circulated to all Members and included in the New Councillor Induction Pack;
- (3) That Key Performance Indicator 4D be amended to read:  
“5 targeted Fraud training events for staff/Members in year”.

**REASON FOR DECISION:** To enable the Finance, Audit and Risk Committee to consider the report entitled Shared Anti-Fraud Service (SAFS) - SAFS/NHDC Anti-Fraud Action Plan.

**76 LOCAL CODE OF GOVERNANCE STATEMENT (AGS) ACTION PLAN (2017/18) UPDATE**

*Audio Recording – Start of Item – 48 minutes 37 seconds*

The Senior Communities Officer presented the report entitled Local Code of Corporate Governance and Annual Governance Statement Actions (Plan 2017/18) Update and drew attention to the following:

- It was recommended good practice for the Local Code of Corporate Governance to be reviewed annually’
- The Code was last updated in March 2017;
- If the Code is approved by this Committee, it would be placed on the NHDC Corporate Governance internet page and be provided to Members through the MIS process and to employees via the Insight monthly staff briefing;
- The 7 framework principals for governance were detailed in Appendix A
- The Action Plan at Appendix B showed that 10 actions had been completed and 5 remained outstanding.

The following Members took part in the debate or asked questions:

- Councillor Jim McNally;
- Councillor Simon Harwood;
- Councillor Terry Hone.

In response to questions the Senior Policy Officer advised that he would investigate why 27 Members were not detailed as registered as Data Controllers and inform the Committee of his findings;

It was noted that Recommendation 2.1 was ambiguous and therefore should read:  
“That the Committee approves the Local Code of Corporate Governance 2018/19 (Appendix A)”

**RESOLVED:**

- (1) That the Local Code of Corporate Governance 2018/19 (Appendix A) be approved;
- (2) That the current position with the AGS Action Plan (Appendix B) be noted;
- (3) That the Senior Policy Officer be requested to investigate why 27 Members were not detailed in the report as registered as Data Controllers and inform the Committee of his findings.

**REASONS FOR DECISION:**

- (1) It is recommended practice to review the Local Code of Corporate Governance each year to ensure it remains up to date and relevant;
- (2) Reviewing the AGS Action Plan during 2018/19 provides the Committee with assurances that NHDC is following through with recommended changes and/or improvements to its governance arrangements.

**77 RISK AND OPPORTUNITIES MANAGEMENT UPDATE**

*Audio Recording – Start of Item – 59 minutes 50 seconds*

The Service Director – Resources presented the report entitled Risk Management Update and drew attention to the following:

- Risks were reviewed on a quarterly basis by the Risk Management Group;
- It was proposed that the risk score regarding Hitchin Town Hall be reduced from a 9 to a 3. This was to reflect completion of the purchase of 14 and 15 Brand Street and the fact that the rest of the project was now under full NHDC control;
- A new Corporate risk was proposed for Brexit, as detailed at Appendix B. The proposed score for this risk was 9 to reflect the current level of uncertainty.

Detailed debate was undertaken in respect of the new risk for Brexit. The following Members took part:

- Councillor Simon Harwood;
- Councillor Helen Oliver;
- Councillor Kate Aspinwall;
- Councillor Terry Hone;
- Councillor Julian Cunningham (at the invitation of the Chairman).

The Service Director – Resources advised that they were looking at all of the potential implications and would be taking proportionate actions based on likelihood and potential impact.

He advised that, at the moments NHDC did not have any EU funding, but it had to be noted that a proportion of LEP funds were from EU grants.

**RESOLVED:** That the Committee note the changes to the Corporate risks for the Quarter.

**RECOMMENDED TO CABINET:** That Cabinet approve the changes to the Corporate risks for the Quarter namely:

- North Hertfordshire Museum and Hitchin Town Hall Project to be reduced from a 9 to a 3 on the risk matrix.
- New Brexit Corporate risk to be introduced with a score of 9 on the risk matrix.

**REASON FOR DECISION:**

- (1) The responsibility for ensuring the management of the risks is that of Cabinet;
- (2) This Committee has responsibility to monitor the effective development and operation of risk management.

**78 THIRD QUARTER REVENUE MONITORING 2018/19**

*Audio Recording – Start of Item – 1 hour 19 minutes 14 seconds*

The Accountancy Manager presented the substantive and addendum reports entitled Third Quarter Revenue Monitoring 2018/19 and drew attention to the following:

- The forecast was for a £211k decrease in the revenue budget, with an ongoing impact of a £25k increase in expenditure and which includes the request to carry forward £87k of budget from 2018/19 to 2019/20;
- Table 3 itemised the more significant variances to the forecast;
- Paragraph 1.3 (should be 8.4), page 116 gave details of carry forward budgets;
- Paragraph 1.4, page 117 (should be 8.5) detailed the 4 key corporate 'financial health' indicators;
- Table 5 (page 118) detailed the General Fund impact;
- Table 6 (page 119) gave details of the Known financial risks.

The following Members took part in the debate or asked questions:

- Councillor Terry Hone;
- Councillor Helen Oliver;
- Councillor Simon Harwood;
- Councillor Kate Aspinwall.

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

- A consultant had given a quote regarding their fee for a Planning Appeal in relation to the proposed Crematorium, which confirmed that the Council has a good basis for an appeal;
- The vacancy control reflected the natural time taken to fill vacancy rather than a budget saving mechanism. It was for managers to decide how to cover their service.

Members were concerned that vacancy control should be reflected in the HR implications of the report.

**RESOLVED:** That the Service Director - Resources be requested to ensure that where there is a vacancy control target, HR implications are stated.

**RECOMMENDED TO CABINET:**

- (1) That Cabinet note the substantive and addendum reports;
- (2) That Cabinet approves the changes to the 2018/19 General Fund budget, as identified in table 3 and paragraph 8.2, a £211k decrease in net expenditure;
- (3) That Cabinet approves the changes to the 2019/20 General Fund budget, as identified in table 3 of the substantive report and paragraph 8.3 of the addendum report, a £25k increase in net expenditure.

**REASON FOR DECISION:** 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.

**79 THIRD QUARTER CAPITAL MONITORING 2018/19**

*Audio Recording – start of Item – 1 hour 32 minutes 14 seconds*

The Accountancy Manager presented the report entitled Third Quarter Capital Monitoring 2018/19 and drew attention to the following:

- The current estimate was a decrease in spend in 2018/19 of £0.475million and an increase in spend in future years of £0.466 million.
- Table 2 itemised and explained the more significant changes:

**RECOMMENDED TO CABINET:**

- (1) That Cabinet notes the forecast expenditure of **£6.736million** in 2018/19 on the capital programme, paragraph 8.2 refers, and approves the adjustments detailed in table 3 which result in a net decrease on the working estimate of **£0.022million**;
- (2) That Cabinet approves the adjustments to the capital programme for 2018/19 onwards as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend in future years 2019/20 by **£0.466million**;
- (3) That Cabinet notes the position of the availability of capital resources, as detailed in table 4, and the requirement to keep the capital programme under review for affordability.

**REASONS FOR RECOMMENDATIONS**

- (1) Cabinet is required to approve revisions to the capital programme;

Cabinet is required to ensure that the capital programme is fully funded.

**80 TREASURY MANAGEMENT THIRD QUARTER 2018/19**

*Audio Recording – Start of Item – 1 hour 34 minutes 5 seconds*

The Service Director –Resources presented the report entitled Treasury Management Third Quarter 2018/19 and drew attention to the following:

- That NHDC operated under the current Treasury Management Strategy for the last quarter;
- Due to the delays in Capital spend there had been additional funds available to invest, therefore the income from these investments was increased.

Members noted that the new Treasury Management Strategy would commence on 1 April 2019.

**RECOMMENDED TO CABINET:** That Cabinet note the position of Treasury Management activity as at the end of December 2018.

**REASON FOR DECISION:** 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.

**81 FUTURE MEETINGS - POSSIBLE AGENDA ITEMS**

No discussion took place regarding future meetings

**82 THE ROLE OF THE EXECUTIVE MEMBER AND THANKS**

*Audio Recording – Start of Item – 1 hour 35 minutes 43 seconds*

A discussion was held regarding the role of the Executive Member when attending the Finance, Audit and Risk Committee meetings.

The Chairman advised that the Committee had statutory functions and had a role to hold the Executive to account and therefore it was not appropriate for the Executive Member to sit on the Committee.

The Service Director – Resources advised that audit was a statutory duty that sat outside of the Executive.

The Chairman thanked the Members of the Committee for their work over the last 12 months.

The meeting closed at 9.10 pm

Chairman

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