NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE LOWER HALL, ICKNIELD CENTRE, ICKNIELD WAY, LETCHWORTH GARDEN CITY ON MONDAY, 12TH JUNE, 2017 AT 7.30 PM

MINUTES

Present: *Councillors (Chairman), Councillor Simon Harwood (Vice-Chairman), John Bishop, Jim McNally, Deepak Sangha, Clare Billing (In place of Ian Albert) and John Booth (In place of Terry Hone)*

In Attendance:

Norma Atlay (Strategic Director of Finance, Policy and Governance), Ian Couper (Head of Finance, Performance and Asset Management), Antonio Ciampa (Accountancy Manager), Jeanette Thompson (Senior Lawyer), Simon Ellis (Development and Conservation Manager), Ian Gourlay (Committee and Member Services Manager), Terry Barnett (Head of Assurance Services, Shared Internal Audit Services) and Suresh Patel (Audit Executive Director, Ernst and Young)

Also Present:

1 member of the public..

1 APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Councillors Ian Albert, T.W. Hone (Chairman) and Terry Tyler.

Councillor Clare Billing was substituting for Councillor Albert and Councillor John Booth was substituting for Councillor Hone.

2 MINUTES - 22 MARCH 2017

RESOLVED: That the Minutes of the Meeting of the Finance, Audit and Risk Committee held on 22 March 2017 be confirmed as a true record of the proceedings and be signed by the Chairman.

3 NOTIFICATION OF OTHER BUSINESS

There was no other item of business tabled.

4 CHAIRMAN'S ANNOUNCEMENTS

(1) The Chairman announced that Members of the public and the press may use their devices to film/photograph, or do a sound recording of the meeting, but he asked them to not use flash and to disable any beeps or other sound notifications that emitted from their devices. In addition, the Chairman had arranged for the sound at this particular meeting to be recorded;

(2) The Chairman advised that, in line with the Code of Conduct, any Declarations of Interest should be declared immediately prior to the item in question; and

(3) The Chairman announced that this was the final Finance, Audit and Risk Committee meeting to be attended by Norma Atlay (Strategic Director of Finance, Policy and Governance) prior to her impending retirement. The Chairman thanked Norma for the support and advice she had provided to the Committee over many years and wished her well for her retirement.

5 PUBLIC PARTICIPATION

There was no public participation.

6 ANNUAL EXTERNAL AUDIT AND CERTIFICATION FEES

The Audit Executive Director, Ernst and Young, presented the Annual External Audit and Certification Fees 2017/18.

The Audit Executive Director advised that the report contained a letter which the external auditors were required to provide to the Council each year setting out the level of indicative fees which had been set by the audit regulator. For 2017/18, the indicative audit fee would be £52,037 (the same as for 2016/17). He commented that, from 2018/19, new arrangements for local auditor appointment set out in the Local Audit and Accountability Act 2014 would apply for principal local government and police bodies.

In respect of the indicative 2017/18 fee for housing benefit subsidy claim certification work, the Audit Executive Director stated that this would be based on the actual 2015/16 benefit certification fees. However, as the actual 2015/16 benefit certification fee had not been finalised by Public Sector Audit Appointments LTD (PSAA), they had not yet set the 2017/18 certification fees.

RESOLVED: That the Annual External Audit and Certification Fees 2017/18 be noted.

REASON FOR DECISION: To keep the Committee informed of the level of External Audit and Certification Fees for 2017/18.

7 EXTERNAL AUDIT UPDATE

The Audit Executive Director, Ernst and Young, presented an External Audit update, as at May 2017.

The Audit Executive Director drew particular attention to the 2016/17 audit timetable set out at Paragraph 2.1 of the report. The year end audit would take place for 3 weeks commencing on 24 July 2017, and the final Annual Audit Letter would be submitted to the meeting of the Committee scheduled for 21 September 2017.

RESOLVED: That the External Audit update as at May 2017 be noted.

REASON FOR DECISION: To keep the Committee informed of External Audit activities.

8 INFORMATION NOTE: PLANNING OBLIGATIONS FUNDING (SECTION 106 AND UNILATERAL UNDERTAKINGS)

The Head of Finance, Performance and Asset Management presented an Information Note on Planning Obligations Funding (Section 106 and Unilateral Undertakings), as requested at the previous meeting of the Committee.

The Head of Finance, Performance and Asset Management advised that Planning obligation payments were for facilities and infrastructure and therefore could only be used for capital expenditure. The agreement in relation to the planning obligation was likely to stipulate what the funding would be used for and also set a time period for doing so. Unilateral undertakings did not have a time period for when they needed to be used. Where the funding was not used in accordance with the agreed purpose then it may have to be returned to the developer.

The Head of Finance, Performance and Asset Management commented that, wherever possible, the contributions would be used towards existing planned capital projects to reduce the amount that had to be funded from other Council resources. There should always be a consideration of whether the Council had to provide additional capital funding and the ongoing revenue costs that arose from any new facilities or infrastructure.

The Head of Finance, Performance and Asset Management referred to Table 1 of the report, which provided a summary of planning obligation balances by year and type.

The Head of Finance, Performance and Asset Management stated that the Council held planning obligation amounts in respect of sustainable transport. Hertfordshire County Council (HCC) was kept informed of the amounts being held so that they could incorporate them into their schemes, as they were the highways authority. The Council could also identify and deliver their own schemes that were not highways related, such as providing cycle racks.

The Head of Finance, Performance and Asset Management explained that the Council also held balances in relation to Police and Healthcare (£211,000 as at 31 March 2017). These were included within the 'other' total in Table 1. Relevant contacts at these organisations were made aware of the balances that were available. Rural balances were made up of lots of small amounts allocated to each parish area. This meant that it could take a long time to identify projects that met the requirements and did not require the Council to contribute additional capital funding.

The Development and Conservation Manager answered a number of Members' questions in respect of the Information Note

RESOLVED: That the Information Note on Planning Obligations Funding (Section 106 and Unilateral Undertakings) be noted.

REASON FOR DECISION: To respond to a request made by the Committee.

9 THE EFFECTIVENESS OF THE FINANCE, AUDIT AND RISK COMMITTEE

The Head of Assurance Services (SIAS) presented a report on the effectiveness of the Finance, Audit and Risk Committee.

The Head of Assurance Services advised that the review had evidenced that the Committee was substantially compliant with the CIPFA best practice approach and consequently was an effective scrutiny body for financial, audit, risk and internal control matters. This report provided good levels of assurance to support the Council's Annual Governance Statement 2016/17.

Notwithstanding the above comment, the Head of Assurance referred to a series of proposed recommendations set out in the report at Paragraph 4.2 in respect of Learning and Development; Committee Business; Communication; and Overall Committee Effectiveness.

The Committee was supportive of all of the recommendations, and it was agreed that the Strategic Director of Finance, Policy and Governance and Head of Finance, Performance and Asset Management, in consultation with the Chairman and Vice-Chairman of the Committee, be authorised to complete the "Management Response" column of the Committee Action Plan prepared by SIAS and attached as Appendix B to the report.

The Head of Finance, Performance and Asset Management stated that he was in the process of arranging some CIPFA training to be held jointly with other neighbouring authorities.

RESOLVED:

(1) That, in respect of the SIAS recommendations regarding the effectiveness of the Finance, Audit and Risk Committee, the following be supported:

(i) Learning and Development

- All Members complete a skills self-assessment to identify areas of strength and training needs;
- A training programme is developed to satisfy any training needs identified;
- An induction programme is implemented for all new Members; and
- The SIAS circulates Shared Learning Newsletters to Committee Members to support ongoing learning.

(ii) Committee Business:

- Proposed agendas are scrutinised to confirm that they are risk-based, focussed and manageable;

- Information presented is confirmed as being in a format that allows Members to focus on key risk, control and governance issues which contribute to the achievement of the Council's objectives; and
- Members challenge processes, as appropriate, to ensure there is an appropriate balance between risk and control given the climate in which the Council now operates.

(iii) Communication:

- More regular meetings are held outside the Committee schedule between the Chairman of the Committee and Committee contributors.

(iv) Overall Committee Effectiveness:

- Consideration be given to a Peer review / self-evaluation; and

(2) That the Strategic Director of Finance, Policy and Governance and Head of Finance, Performance and Asset Management, in consultation with the Chairman and Vice-Chairman of the Committee, be authorised to complete the "Management Response" column of the Committee Action Plan prepared by SIAS and attached as Appendix B to the report.

REASON FOR DECISION: To ensure that the Council complies with the requirement in the Code of Practice for Internal Audit in Local Government 2006 in that an Audit Committee reviews its own remit and effectiveness.

10 ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT REPORT 2016/17

The Head of Assurance Services (SIAS) presented the Annual Assurance Statement and Internal Audit Report 2016/17.

In respect of the Annual Assurance Statement 2016/17, the Head of Assurance Services had concluded that SIAS 'generally conforms' to the Public Sector Internal Audit Standards (PSIAS), including the Definitions of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. 'Generally conforms' was the highest rating and meant that SIAS had a charter, policies and processes assessed as conformant to the Standards and was consequently effective.

The Head of Assurance Services commented that SIAS had issued a Substantial Assurance opinion on both the Council's financial and non-financial systems. SIAS had also concluded that the corporate governance and risk management frameworks substantially complied with the CIPFA/SOLACE best practice guidance on corporate governance. This conclusion was based on the work undertaken by the Council and reported in its Annual Governance Statement for 2016/17.

In respect of the SIAS Performance Indicators for 2016/17, the Head of Assurance Services stated that 91% of billable days had been delivered (against a target of 95%) and 82% of projects had been completed to draft report stage (against a target of 95%). The figures reflected the staffing challenges faced by SIAS throughout 2016/17, which it was hoped would be substantially addressed through a forthcoming staffing restructure.

The Head of Assurance Services referred to the proposed 2017/18 SIAS Audit Charter, attached as Appendix D to the report. The review of the Charter did not result in any fundamental changes to the 2016/17 version, although a number of minor amendments had been made.

The Strategic Director of Finance, Policy and Governance provided a management assurance that the scope and resources for internal audit had been subject to no inappropriate limitations in 2016/17.

RESOLVED:

(1) That the Annual Assurance Statement and Internal Audit Report 2016/17 be noted;

(2) That the results of the self-assessment, as required by both the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance and Improvement Programme (QAIP) be noted;

(3) That the SIAS Audit Charter be accepted; and

(4) That the assurance from management that the scope and resources for internal audit had been subject to no inappropriate limitations in 2016/17 be noted.

REASON FOR DECISION: To review and note the Annual Assurance Statement and the Internal Audit Annual Report for 2016-2017.

11 SHARED INTERNAL AUDIT SERVICES - UPDATE ON PROGRESS AGAINST THE 2017/18 AUDIT PLAN

The Head of Assurance Services (SIAS) presented an update report on progress against the 2017/18 Audit Plan, up to 19 May 2017.

The Head of Assurance Services advised that, as at 19 May 2017, 11% of the 2017/18 Audit Plan days had been delivered. Appendix A to the report provided a status update on each individual project within the Audit Plan.

As requested by the Committee at its meeting held in March 2017, the Head of Assurance Services stated that a summary of the Medium Priority SIAS audit recommendations was set out in the table at Paragraph 2.4 of the report.

The Head of Assurance Services drew attention to Appendix B to the report, which detailed the High Priority audit recommendations. In respect of the High Priority recommendation pertaining to the Area Committee Grants audit, he explained that this recommendation had been removed as it had been implemented. The other High Priority recommendations would be carried forward to the September 2017 meeting of the Committee.

In respect of the number of 2017/18 audits yet to be planned, the Head of Assurance Services clarified that this figure should be 26 (not 28 as stated in the report).

The Head of Assurance Services referred to the performance indicators for SIAS set out in Paragraph 2.10 of the report and commented that, with the upheaval resulting from the forthcoming staffing restructure, 2017/18 promised to be another very challenging year for the service.

RESOLVED:

(1) That the Internal Audit Progress Report for the period to 19 May 2017 be noted; and

(2) That the implementation status of High Priority recommendations be noted.

REASON FOR DECISION: To allow the Committee to review, comment and challenge the current status of the Internal Audit Plan.

12 RISK MANAGEMENT UPDATE AND ANNUAL REPORT ON RISK MANAGEMENT 2016/17

The Head of Finance, Performance and Asset Management presented a report which provided an update on Risk Management and the Annual Report on Risk Management 2016/17.

The Head of Finance, Performance and Asset Management advised that, in March 2017, officers reviewed the “Increased homelessness and use of B&B” risk and reduced the likelihood risk score to “Medium” (2). Use of B&B accommodation had consistently reduced over the last year and at the time of the review, there were no homeless households being accommodated in B&B. The current level of homelessness within the District was being managed using available temporary accommodation units. However, officers noted that this was a challenging issue and that demand could be unpredictable. Therefore, the risk would be subject to quarterly reviews. The proposed change would move the Homelessness risk from a 7 to a 5 on the Risk Matrix.

In respect of the “Office Accommodation” risk, the Head of Finance, Performance and Asset Management commented that Willmott Dixon had commenced work on site on 6 March 2017. They were currently undertaking asbestos removal and demolition works and were on schedule. Some unforeseen issues had been identified during the works and these were being assessed. Any solutions required would be financed from existing budgets. In view of the progress made and the Council's commitment to complete the refurbishment, Officers had reduced the Likelihood risk score to "2-

Medium. This proposed change would move the Office Accommodation risk from a 7 to a 5 on the Risk Matrix.

With regard to the "Sale of Materials" sub-risk, the Head of Finance, Performance and Asset Management stated that the likelihood risk score had been reduced to 2-Medium, as a new contract had been procured for mixed recycling services until May 2018. Currently, a saving against budget was predicted. This proposed change had no effect on the placement of the Waste and Street Cleansing Contract Renewal risk, which remained as **8** on the Risk Matrix.

The Head of Finance, Performance and Asset Management referred to the Annual report on Risk Management 2016/17, as attached at Appendix B to the report. He summarised the significant changes to the Top Risks which had occurred throughout the year, and drew attention to work carried out on the Insurance Review, Business Continuity and Health and Safety.

In respect of the "Increased homelessness and use of B&B" risk, a Member asked for details of the Homelessness Reduction Bill. The Committee was informed that this Bill had received Royal Assent in April 2017. Officers undertook to provide Members of the Committee with details as to what was proposed in the Bill.

RECOMMENDED TO CABINET:

(1) That the reduction in the score for the "Increased Homelessness and use of B & B" risk from a 7 to a 5 be approved;

(2) That the reduction in the score for the "Office Accommodation" risk from a 7 to a 5 be approved;

(3) That a reduction in the likelihood score for the "Sale of Materials" sub-risk to a 2 – Medium – be approved; and

(4) That the Annual Report on Risk and Opportunities Management 2016/17, as set out at Appendix B to the report, be supported and referred to Council for approval.

REASON FOR DECISION: To comply with the Risk and Opportunities Management Strategy, which stipulates that an Annual Risk Management report is taken to Council.

13 FINANCE, AUDIT AND RISK COMMITTEE ANNUAL REPORT 2016/17

The Committee received the Finance, Audit and Risk Committee Annual Report for 2016/17, prepared by the former Chairman of the Committee (Councillor Michael Weeks).

RECOMMENDED TO COUNCIL: That the Annual Report of the Finance, Audit and Risk Committee 2016/17 be noted.

REASON FOR DECISION: To comply with the requirements of the Council's Constitution.

14 DRAFT ANNUAL GOVERNANCE STATEMENT 2016/17

The Senior Lawyer presented a report in respect of the Draft Annual Governance Statement (AGS) 2016/17. A summarised version of the draft AGS was included as Appendix A to the report.

The Senior Lawyer advised that reporting the draft AGS and Action Plan for 2016/17 at this stage provided an opportunity for the Committee to assess and comment on the draft, before it was finalised and brought back for approval in September 2017. She explained that the governance review and draft AGS format was based on a (new) 2016 CIPFA/SOLACE Framework. For this reason, there had been direct liaison with a CIPFA Governance Advisor on how to approach the new assessment and format of the AGS.

The Senior Lawyer commented that the Council's Senior Management Team (SMT) had provided details of systems and examples that met the 2016 Framework Principles and a sub-group of SMT had scored the arrangements on an assurance level basis. Overwhelmingly, the conclusions against the 2016 Principles were "Substantial". Actions were included to address any perceived weaknesses and these had been detailed in the draft AGS Action Plan (the final page to Appendix A of the report).

The Senior Lawyer emphasised that account would be taken of any comments made by the Shared Internal Audit Service (SIAS), Ernst & Young, the Shared Anti-Fraud Service (SAFS) and the Committee on the draft AGS before it was finalised for the September 2017 Committee approval process.

RESOLVED: That the Draft Annual Governance Statement/Action Plan for 2016/17 (Appendix A to the report) be noted, and any further comments on the drafts be provided to the Senior Lawyer by the end of July 2016, in order for them to be finalised and approved (in September 2017).

REASON FOR DECISION: To offer Members of the Committee the opportunity to assess and comment on the Annual Governance Statement before it is finalised; and to provide the Committee with assurances that NHDC is examining and, where necessary, improving its governance arrangements.

15 REVENUE BUDGET OUTTURN 2016/17

The Accountancy Manager presented the report of the Strategic Director of Finance, Policy and Governance in respect of the Revenue Budget Outturn 2016/17, and advised that the report was before this Committee for consideration prior to presentation to Cabinet on 13 June 2017.

The Accountancy Manager advised that the final Revenue Budget outturn for 2016/17 was £15.974million. This represented an underspend of £1.294million against the working budget of £17.268million.

The Accountancy Manager commented that Table 2 of the report listed the most significant variances. One of the most significant related to the Vacancy Control savings target, which had been overachieved due to the introduction of alternative options for service delivery.

The Accountancy Manager explained that a further £255,000 of the underspend had been carried forward into 2017/18 which, together with the underspend reported for the third quarter of 2016/17, resulted in a total carry forward figure of £642,000.

The Accountancy Manager stated that the efficiency target of £357,000 agreed by the Council in February 2016 had been overachieved by £43,000, primarily due to additional income generated by the Legal Services Team.

The Accountancy Manager advised that NHDC had remained in the Hertfordshire Business Rate pool for 2016/17, with the expectation that this would reduce the levy amount required. This was the case in 2016/17, with the Council benefiting from a pooling gain of £154,000 in the form of a reduced levy contribution, with the calculated levy reduced from a total of £239,000 to £85,000.

The Accountancy Manager commented that, at the end of 2016/17, the Council had retained a total of £3.227million of Business Rates income, £819,000 more than had been projected to this point. This had been primarily due to the Council's Business Rates Collection Fund benefiting from a change in the discretionary reliefs issued. In 2015/16, NHDC had issued retail reliefs worth £760,000. Any compensation received from Central Government for this relief would be posted to the General Fund and transferred to an earmarked reserve to fund the payment of the deficit on the Collection Fund. The equivalent retail relief issued in 2016/17, however, reduced to £16,000 due to a change in the national scheme. This reduction in relief issued therefore increased the level of Business Rates income in the Collection Fund and contributed to increasing the amount that the Council retained.

The Accountancy Manager referred to Table 5 in the report, which showed a General Fund balance at 31 March 2017 of £8.235million, higher than projected. The Council had a number of earmarked reserves which could be used to fund revenue expenditure. These were detailed in Table 6 of the report. A total of £1.160million had been contributed to the reserves in 2015/16, and a total of £1.156million had been used to fund expenditure. Cabinet was to be asked to recommend to Council that the net contribution to reserves of £4,000 be approved, which would leave a total balance in earmarked reserves at 31 March 2017 of £4.609million.

RESOLVED: That the Revenue Budget Outturn 2016/17 be noted.

REASON FOR DECISION: To provide an opportunity for the Committee to comment as appropriate on the Revenue Budget Outturn 2016/17.

16 CAPITAL PROGRAMME OUTTURN 2016/17

The Accountancy Manager presented the report of the Strategic Director of Finance, Policy and Governance in respect of the Capital Programme Outturn 2016/17, and advised that the report was for consideration prior to presentation to Cabinet on 13 June 2017.

The Accountancy Manager advised that the final Capital Programme outturn for 2016/17 was £5.686million, some £3.745million less was reported for the Third Quarter. The vast majority of the underspend was due to the re-profiling of existing of existing schemes from 2016/17 to 2017/18 onwards. Table 2 in the report provided a breakdown of the schemes which had been re-profiled.

In respect of the most significant proposal regarding the request for the further capitalisation of Pension Fund Contributions, the Accountancy Manager stated that approval was required from the Department for Communities and Local Government (DCLG) to grant a capitalisation request, where capital funding was used for what would usually be considered to be revenue purposes. When the Council last made this type of application (3 years ago) it was granted. This time the application had been denied on the basis that the Council's reserves would still be above the minimum level at the end of 2020/21. Officers had highlighted to the DCLG that this was dependent on the delivery of significant savings and had asked them to reconsider their position on the matter.

The Accountancy Manager referred to Table 4 in the report, which described how the Council had funded the 2016/17 Capital Programme (through useable capital receipts; set aside receipts; Section 106 receipts; and other third party grants and contributions). At the end of 2016/17, the Council had just over £20milliion in capital reserves to fund schemes in future years.

RESOLVED: That the Capital Programme Outturn 2016/17 be noted.

REASON FOR DECISION: To provide an opportunity for the Committee to comment as appropriate on the Capital Programme Outturn 2016/17.

17 ANNUAL TREASURY MANAGEMENT REVIEW 2016/17

The Head of Finance, Performance and Asset Management presented the report of the Strategic Director of Finance, Policy and Governance in respect of the Annual Treasury Management Review 2016/17, and advised that the report was for consideration prior to presentation to Cabinet on 13 June 2017.

The Head of Finance, Performance and Asset Management advised that, during 2016/17, the Council had generated £0.444million of interest from its investments. This was slightly above the budgeted total of £0.440million. The Council continued to invest in smaller Building Societies (subject to checks that compared the size of the Society with that of the investment) but did not invest outside of the United Kingdom.

The Head of Finance, Performance and Asset Management stated that the Council had repaid £1.035million of borrowing during the year as it had matured. The Council had £0.480million of remaining borrowing. This borrowing was at a fixed rate for a fixed period. The premium from repaying this borrowing early meant that it was not worthwhile.

The Committee noted that the Council complied with its legislative and regulatory requirements. There was one minor breach of the limit that was set on the percentage that could be invested with a single counterparty.

The Head of Finance, Performance and Asset Management explained that the forecast was that investment income would continue to fall due to market conditions and balances being used to fund the Capital Programme.

RESOLVED: That the Annual Treasury Management Review 2016/17 be noted.

REASON FOR DECISION: To provide an opportunity for the Committee to comment as appropriate on the Annual Treasury Management Review 2016/17.

18 MEDIUM TERM FINANCIAL STRATEGY 2018-2023

The Head of Finance, Performance and Asset Management presented the report of the Strategic Director of Finance, Policy and Governance in respect of the process, assumptions and policies to be used in the Medium Term Financial Strategy (MTFS) 2018-2023.

The Head of Finance, Performance and Asset Management advised that the draft MTFS will be considered by Cabinet at its meeting in July 2017, and recommended on to Council in August 2017 for adoption. The MTFS provided an estimate of the funding available to the Council and then details the assumptions and policies on which these forecasts were based. The report gave the Committee a chance to comment on the process, assumptions and policies to be used in the MTFS. These comments would be considered by the Executive Member for Finance and IT and the Cabinet in determining the draft MTFS for 2018-23.

The Head of Finance, Performance and Asset Management stated that Table 1 in the report showed the forecasts for funding, expenditure and use of balances that were part of the budget agreed by the Council in February 2017.

The Head of Finance, Performance and Asset Management explained that it had been expected that there would be a move to 100% Business Rates Retention by 2019/20, but the General Election in June had meant that the required legislation for this would now not be in place in time for this to take place. It was also possible that this legislation would not be a priority for a new Government, and so it may be the case that it be delayed until at least 2020/21.

The Head of Finance, Performance and Asset Management commented that the forecast of Business Rates was based on what Central Government determined to be the Council's baseline need, which was a prudent assumption. The Council did get to retain some of the growth in Business Rates and the assumption to reflect this could be changed. However, any growth was highly uncertain and as well as being affected by the number of businesses in the District, was also affected by collection rates, revaluations and the status of appeals.

The Head of Finance, Performance and Asset Management advised that, for the 2017/18 budget, the Council had agreed to a £5 increase in Council Tax for a Band D property (2.4%). Council Tax for other bands had increased by the same percentage. This was the maximum amount that Council Tax could be increased by without the need for a local referendum. The current forecasts were based on this £5 per year increase continuing. The increase in rate of Council Tax was combined with an assumption of a 99% collection rate and a 0.5% growth in the Council Tax base (the number of properties in the area which were liable for Council Tax). However, the Council Tax base growth assumption could be increased.

The Committee noted that last year's MTFS determined the following strategies for reducing expenditure and/or increasing income:

- Transformation of services so that they could be delivered at lower cost. This may involve up-front investment to allow the transformation to take place. This could include sharing of services with other organisations to make best use of resources from economies of scale. There may be some changes to the way that resident's received services; and

- Looking at ways to make use of the Council's assets (e.g. capital resources) to generate revenue income (or reduce revenue costs). This would include increasing investment returns from the Council's assets.

The Head of Finance, Performance and Asset Management stated that the budget for 2017/18 was set based on having a General Fund balance of £6.4million at the start of the year, and by the end of 2020/21 this would be reduced to £3.2 million. By 2020/21, the forecast income and spend would be approximately equal. The actual General Fund position at the start of 2017/18 was £8.2million. This could give the Council the opportunity to plan to balance its funding over a longer period.

The Head of Finance, Performance and Asset Management referred to some of the other policies contained within the MTFS that may need to be reviewed as part of the refresh for 2018-23. These were:

- Pay inflation (expenditure) – currently assumed at 1% per year;
- General inflation (expenditure) – currently assumed to be zero;

- Discretionary fees and charges (income) – increases currently set at Consumer Price Index + 2%; and
- Annual reappraisal of all capital schemes – to ensure that they continued to meet Council Priorities and offered Value for Money.

In debating the report, the Committee agreed that the following work be undertaken:

- Pay Inflation – modelling work on the impact of pay inflation in excess of the 1% increase currently assumed, particularly in the light of the impact of the national pay review and the salaries paid by neighbouring authorities; and
- Capital – modelling work on the best use of Capital resources and the tolerances of risks associated with potential significant Capital Investment on schemes aimed at generating revenue income.

RESOLVED:

(1) That work be undertaken on the following aspects of the Medium Term Financial Strategy 2018-2013:

- Pay Inflation – modelling work on the impact of pay inflation in excess of the 1% increase currently assumed, particularly in the light of the impact of the national pay review and the salaries paid by neighbouring authorities;
- Capital – modelling work on the best use of Capital resources and the tolerance of risks associated with potential significant Capital Investment on schemes aimed at generating revenue income; and

(2) That any further Member comments on the Medium Term Financial Strategy 2018-2023 be provided to the Head of Finance, Performance and Asset Management as soon as possible, and by no later than 23 June 2017.

REASON FOR DECISION: To allow Members the opportunity to comment on the process, assumptions and policies to be used in the Medium Term Financial Strategy 2018-2023.

19 INFORMATION NOTE: CAR PARKING EXPENDITURE AND INCOME 2014/15, 2015/16 AND 2016/17

The Head of Finance, Performance and Asset Management presented an Information Note in respect of car parking expenditure and income for 2014/15, 2015/16 and 2016/17. He stated that the overall direct and allocated costs of the Council's car parks over those 3 years were: 2014/15 - £848,000; 2015/16 - £843,000; and 2016/17 - £866,000..

The Head of Finance, Performance and Asset Management advised that some of the reasons for differences in costs between years were as follows:

- The car parking enforcement team was fully staffed in 2014/15, but had struggled to recruit both in 2015/16 and 2016/17;
- The failure of the cash collection contractor during 2014/15 meant that they were not paid for part of the year;
- Maintenance costs varied with need between years;
- A number of rating assessments were resolved in 2016/17, which resulted in lower business rates for that year and rebates for previous years;
- There was a rent review for Bancroft Car Park that was settled in 2016/17, and included a back-dated increase as well; and
- Two car parks at Norton Common were made chargeable in 2016/17, which increased the costs of maintenance, cash collection and equipment.

The Head of Finance, Performance and Asset Management commented that the costs of bad debt provision included all those Penalty Charge Notices that were (or may) not be collected. It included where:

- The Penalty Charge had been waived. This was generally for first instances where the car park user could show that they had a ticket, pass or Blue Badge, but that it had not been displayed correctly;

- The car park user was able to demonstrate that the Penalty Charge should not have been issued;
- The Penalty Charge was written off as it was determined that the costs in pursuing payment were not worthwhile; and
- For amounts outstanding at the end of the year, a proportion was set aside to reflect the potential for non-receipt.

The Head of Finance, Performance and Asset Management referred to Appendix B to the report, which showed the income by car park for each of the three years 2014/15, 2015/16 and 2016/17, as well as the operating surplus/ deficit.

RESOLVED: That the Information Note in respect of Car Parking expenditure and income for 2014/15, 2015/16 and 2016/17 be noted.

REASON FOR DECISION: To respond to a request made by the Committee.

20 DRAFT STATEMENT OF ACCOUNTS 2016/17 - NARRATIVE REPORT

The Head of Finance, Performance and Asset Management presented the report of the Strategic Director of Finance, Policy and Governance in respect of the Draft Statement of Accounts 2016/17. He commented that the final Statement of Accounts would be approved at the September 2017 meeting of the Committee, but that the draft narrative report gave Members the opportunity to comment at an earlier stage.

The Head of Finance, Performance and Asset Management explained that there had been a change to the way that the Council was required to present information in the Statement of Accounts. This was known as 'Telling the Story'. The main change was to the Comprehensive Income and Expenditure Statement (CIES). Previously, service income and expenditure had been presented in a way prescribed by CIPFA. It would now be presented in the same way that the Council showed it in its quarterly monitoring reports. There was also a new note to the accounts which provided a link between how the Council was funded, how it set its budget and the CIES.

The Head of Finance, Performance and Asset Management stated that when the draft Accounts were made available for public inspection, Members of the Committee would be notified of this and sent a link to where they were published on the Council's website. This would give Members a chance to review the draft Accounts.

RESOLVED: That Members of the Committee be requested to provide the Head of Finance, Performance and Asset Management with any comments they may have on the Draft Statement of Accounts 2016/17 Narrative Report as soon as possible, but by no later than the week ending 23 June 2017.

REASON FOR DECISION: To allow Members the opportunity to comment on the Draft Statement of Accounts 2016/17 Narrative Report.

21 FUTURE MEETINGS - POSSIBLE AGENDA ITEMS

The Chairman requested that should any Members have any suggestions for agenda items at future meetings would they please advise himself, officers or the Committee Clerk.

The meeting closed at 9.40 pm

Chairman at the meeting on
Monday, 12 June 2017