

NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

**MEETING HELD IN THE COUNCIL CHAMBER, COUNCIL OFFICES, GERON ROAD,
LETCHWORTH GARDEN CITY ON THURSDAY, 5TH DECEMBER, 2019 AT 7.30 PM**

MINUTES

Present: *Councillors Sam North (Vice-Chairman), Morgan Derbyshire, Steve Jarvis and Michael Weeks*

In Attendance: *Ian Couper (Service Director - Resources), Antonio Ciampa (Accountancy Manager), Gavin Ramtohal (Legal Commercial Team Manager), Darren Bowler (Assistant Counter Fraud Manager - Shared Anti-Fraud Service), Mark Chalkley (Client Audit Manager - Shared Internal Audit Service), Suresh Patel (Associate Partner - Ernst and Young), Amelia McNally (Committee, Member and Scrutiny Officer) and Matthew Hepburn (Committee, Member and Scrutiny Officer)*

Also Present: *Councillors Ian Albert and Martin Stears-Handscomb.*

40 APOLOGIES FOR ABSENCE

Audio Recording – 14 Seconds

Apologies for absence were received from Councillors Steve Deakin-Davies and Kay Tart.

41 MINUTES - 16 SEPTEMBER 2019

Audio Recording – 35 Seconds

In relation to the Finance, Audit and Risk Committee Minutes on 16 September 2019, Councillor Morgan Derbyshire advised that he was listed as present in the attendance list although he had actually sent his apologies the Committee Clerk confirmed that this would be corrected.

RESOLVED: That, subject to Councillor Morgan Derbyshire being marked as having given apologies, the Minutes of the Meeting of the Committee held on 16 September 2019 be approved as a true record of the proceedings and be signed by the Chairman.

42 NOTIFICATION OF OTHER BUSINESS

Audio Recording – 1 Minute 16 Seconds

There was no other business notified.

43 CHAIRMAN'S ANNOUNCEMENTS

Audio Recording – 1 Minute 24 Seconds

- (1) The Chairman welcomed those present at the meeting, especially those who had attended to give a presentation;
- (2) The Chairman advised that, in accordance with Council Policy, the meeting would be audio recorded;
- (3) The Chairman 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.

44 PUBLIC PARTICIPATION

Audio Recording – 2 Minutes 28 Seconds

There was no public participation.

45 NHDC PROGRESS REPORT - SHARED ANTI-FRAUD PLAN 2019/20

Audio Recording – 2 Minutes 34 Seconds

The Assistant Counter Fraud Manager - Shared Anti-Fraud Service introduced the report entitled NHDC Progress Report – Shared Anti-Fraud Plan 2019/20 and advised Members of the following:

- The Report itself referred to plans agreed by the Committee in March 2019;
- The two main documents were attached in the appendices – the SAFS/NHDC Anti-Fraud Plan 2019/20 and Performance against plan to 30/10/2019;
- In the first two quarters of 2019/20 SAFS received a total of 43 allegations of fraud affecting Council services which had now risen to 55;
- In relation to Table 2 at Paragraph 2.11, the Public were reporting the most amount of Fraud followed by Staff;
- There had been a reduction in reported fraud at NHDC compared to year on year and to other partners within the Shared Anti-Fraud Partnership;
- Of 52 live cases still under investigation, the estimated fraud loss and savings combined exceeded £229k;
- Two more serious cases of Council Tax fraud, which had been linked to housing benefit fraud, had been dealt with through criminal prosecution;
- On 13 occasions this year, NHDC had applied financial penalties for Council Tax fraud, generating a further £5k in revenue for the Council;
- Parking Enforcement Officers were working with SAFS to investigate abuse of Blue Badges in the Council's car parks;
- Council Officers ensured the Council complied with the National Fraud Initiative and;
- £1,302 potential matches were received as part of the 2018/19 NFI exercise.

The following Members asked questions of the Assistant Counter Fraud Manager - Shared Anti-Fraud Service:

- Councillor Michael Weeks.

In response to questions raised, the Assistant Counter Fraud Manager - Shared Anti-Fraud Service advised that it was hard to say whether NHDC were doing better compared to their cohorts as more activity was expected in the second quarter.

The Assistant Counter Fraud Manager – Shared Anti-Fraud Service had provided Fraud training to Members prior to that evening's meeting and advised that he would supply the Committee, Member and Scrutiny Officer with a Councillor Workbook in order for it to be distributed to those Members/Sub-Committee Members who were unable to attend the training.

RESOLVED: That the work of the Council and Shared Anti-Fraud Service in delivering the 2019/20 Anti-Fraud Plan be noted.

REASONS FOR DECISION: To update the Committee on the activities of the Shared Anti-Fraud Service.

46 NHDC ANNUAL AUDIT LETTER - 2018/19

Audio Recording – 16 Minutes 38 Seconds

Ernst and Young presented the report entitled NHDC Annual Audit Letter – 2018/19 and advised the following:

- The document summarised the output of the work on the Council's most recent financial statement;
- The key messages were that there were no issues found with the accounts;
- They were happy with the Annual Governance Statement and;
- The letter included plans for the 2019/20 audit which would start in February 2020.

RESOLVED: That the NHDC Annual Audit Letter – 2018/19 be noted.

REASONS FOR DECISION: To communicate to Members the key issues arising from Ernst and Young's audit work for 2018/19.

47 SIAS INTERNAL AUDIT PROGRESS REPORT

Audio Recording – 18 Minutes 58 Seconds

The Shared Internal Audit Service - Client Audit Manager presented the report entitled SIAS Internal Audit Progress Report and advised the following:

- The delivery of Audit Plan and Key Audit Findings;
- The 2019/20 final reports that had been issued since 30 August 2019 were General Data Protection Regulations, Integra2 and Equality and Diversity;
- There were no high priority recommendations arising from the work undertaken in the audits;
- Appendix B provided an update on recommendations;
- At the request of management, changes had been made to the 2019/20 Annual Audit Plan in the period since the last FAR Committee;
- There were several reasons for the back loading of the Annual Audit Plan, including management requested to postpone the start of the Members Expenses Benchmarking and New audits were added to the Annual Audit Plan and;
- The contents of Appendix C – 2019/20 Audit Plan Start Dates Agreed with Management.

The following Members asked questions:

- Councillor Michael Weeks;
- Councillor Steve Jarvis and;
- Councillor Sam North.

In response to questions, the SIAS Client Audit Manager provided the following:

- The audits that had been cancelled would be completed next year;
- Meetings would take place after Christmas in order to look at the audits required in the coming year;
- Agreed that planned audits would be written down.

RESOLVED:

- (1) That the Internal Audit Progress Report for the period to 15 November 2019 be noted;
- (2) That the proposed amendments to the 2019/20 Annual Audit Plan and the implementation status of high priority recommendations be noted.

REASON FOR DECISION: To allow the Committee to consider the Shared Internal Audit Service Progress Report.

48 PROPOSED AMENDMENTS TO THE CONTRACT PROCUREMENT RULE

Audio Recording – 35 Seconds 12 Seconds

The Legal Commercial Team Manager presented the report entitled Proposed Amendments to the Contract Procurement Rule and advised the following:

- The current version of the Rules required non compliance to be reported to the Monitoring Officer and the Senior Management Team and it was proposed that non compliance be reported to the Monitoring Officer and the Monitoring Officer may consult with the Service Director - Resources if appropriate;
- The proposed new section 3.10 reflected the Council's focus on community engagement and environmental protection;
- Additional guidance had been put into the rules in order to aid Officers and;
- Service Directors were now in a position to extend contracts by up to 24 months and up to a value of £200,000.

The following Members asked questions:

- Councillor Steve Jarvis and;
- Councillor Michael Weeks.

The Legal Commercial Team Manager provided the following responses to questions raised:

- Regarding protecting the Council below EU thresholds, pre qualification below the threshold for services is now prohibited by law but below threshold we can still ask suitability assessment questions. Such questions need to be proportionate and reasonable relative to the value of the contract;
- He had not seen any evidence of fraud being carried out in the procurement process;
- There were a number of safeguards in place within the procurement process and each process went through an intense system in order that a record was kept from start to finish which Officers were able to see and;
- All suppliers were credit checked.

RESOLVED: That the proposed changes to the Contract Procurement Rule be noted by that Committee.

RECOMMENDED TO COUNCIL: That the proposed changes to the Contract Procurement Rule be recommended for adoption.

REASONS FOR RECOMMENDATIONS: That the Contract Procurement Rules are part of the Constitution (under Section 20) and are revised and updated periodically as part of the Council's governance and procurement review processes, contributing to effective organisational internal control. In addition, the review and adoption of the Council's Contract Procurement Rules is a key action in the Council's Procurement Strategy.

49 DRAFT BUDGET 2020/21

Audio Recording – 43 Seconds 20 Seconds

The Service Director – Resources presented the report entitled Draft Budget 2020/21 and drew Members' attention to the following:

- The General and specific funding at Paragraphs 8.1 to 8.3 of the report;
- The current assumptions at Paragraph 8.2;
- The forecasts for funding for 2020/21 onwards at Paragraph 8.3 including Table 1 – Estimated general funding;
- Uncertainties were not restricted to the years 2020/21 and 2021/22 but were ongoing;
- The MTFs had highlighted a need to make £900k net savings over a four year period;
- There were a series of investments as well as savings which resulted in a net increase in spend;
- Paragraph 8.16 advised that the Capital Programme, with the exception of property investment acquisitions, could be afforded without the need to borrow, however the timing of capital receipts was critical and may require short term borrowing and;
- Pension Valuation reports for three years had been received since production of the report. The percentage contribution had not changed however the lump sum contribution was £1 million, which would increase by inflation over the next three years. This would increase the funding gap by a further £84,000.

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

- Councillor Michael Weeks.

RESOLVED: That the report entitled Draft Budget 2020/21 be noted.

RECOMMENDED TO CABINET:

- (1) That the funding forecasts for 2020/21 onwards, and that (especially significant for 2021/22) these will be subject to change be noted;
- (2) That the comments made at the budget workshops, and comment on the inclusion of the revenue savings and investments in the draft budget be noted;
- (3) That comments made at the budget workshops, and comment on the inclusion of the capital investments in the draft budget be noted;
- (4) That the risk in relation to the timing of capital receipts and that this might result in a need to borrow for capital purposes, which would result in additional revenue costs to those already reflected be noted;

- (5) That Council Tax increases for 2020/21 will be in line with the Medium Term Financial Strategy be confirmed; and
- (6) That the funding surplus in 2020/21 be transferred to a funding equalisation reserve be approved.

REASONS FOR RECOMMENDATIONS:

- (1) To ensure that all relevant factors are taken in to consideration when arriving at a proposed budget for 2020/21, to be considered by Full Council on 6 February 2020;
- (2) To ensure that the medium term impacts of decisions are considered, and how a balanced budget will be set for future years.

50 SECOND QUARTER REVENUE MONITORING 2019/20

Audio Recording – 52 Seconds 12 Seconds

The Accountancy Manager presented the report entitled Second Quarter Revenue Monitoring 2019/20 and drew attention to the following:

- The 2019/20 General Fund budget, as identified in table 3 and paragraph 8.2, a £360k decrease in net expenditure;
- Items within Table 3 – Summary of Significant Variances at paragraph 8.1;
- Paragraph 8.3 which detailed that Coinco International Plc (CCI), had entered into administration while owing North Hertfordshire District Council £130k. Cabinet was being asked to approve this write off;
- Paragraph 8.4 detailed that it was expected that efficiencies totalling £610k, that had been agreed by Council in February 2019, would be delivered;
- Paragraph 8.5 detailed that £74k of the budget carried forward from 2018/19 was not expected to be spent in the current financial year. This related to parking lines and signs maintenance and Herts Warmer Homes Project;
- Table 4 listed the Corporate Financial Health Indicators the Planning Application Fees were now at Amber status and;
- Items within Table 5 – General Fund impact at paragraph 8.13.

RECOMMENDED TO CABINET:

- (1) That the report be noted;
- (2) That the changes to the 2019/20 General Fund budget, as identified in table 3 and paragraph 8.2, a £360k decrease in net expenditure, be approved;
- (3) That the changes to the 2020/21 General Fund budget, as identified in table 3 and paragraph 8.2, a £188k increase in net expenditure, be noted; and
- (4) That the write-off of the debtor invoice of £130,566.75 raised to CoinCo International PLC in January 2015, as explained in paragraph 8.3, be approved.

REASON FOR RECOMMENDATIONS: 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 INVESTMENT STRATEGY (CAPITAL AND TREASURY) MID-YEAR REVIEW 2019/20

Audio Recording – 58 Seconds 30 Seconds

The Accountancy Manager presented the report entitled Investment Strategy (Capital And Treasury) Mid-Year Review 2019/20 and drew Members' attention to the following:

- The contents within Table 2 at paragraph 8.4 on page 152 of the report;
- Items within Table 3 at paragraph 8.6;
- The Treasury Management 2019/20;
- The Council generated £0.194 million of interest during the first six months of 2019/20 and;
- It was forecasted that the Council would generate £0.373 million of interest over the whole of 2019/20.

And it was **RESOLVED** that:

RECOMMENDED TO CABINET:

- (1) The forecast expenditure of £5.886million in 2019/20 on the capital programme be noted;
- (2) The adjustments to the capital programme for 2019/20 onwards as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend in 2020/21 and beyond by £1.369million, be approved;
- (3) The position of the availability of capital resources, as detailed in table 3 paragraph 8.6 and the requirement to keep the capital programme under review for affordability be noted by Cabinet; and
- (4) The position of Treasury Management activity as at the end of September 2019 be noted.

REASON FOR RECOMMENDATIONS:

- (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.

52 RISK AND OPPORTUNITIES MANAGEMENT UPDATE

Audio Recording – 1 Hour 1 Minute 49 Seconds

The Service Director – Resources presented the report entitled Risk and Opportunities Management Update and advised the following:

- The main focus of the report was on page 180 at Paragraph 8.1.2 which detailed that the Risk Management Group Meeting took place on 6 November where the impact of Anti Social Behaviour on Council Facilities had been discussed;
- The situation in Letchworth was improving; the police had charged 8 youths with 28 offences;
- The situation at the Lairage car park in Hitchin had got worse and;
- The impact of Anti Social Behaviour on Council remained at risk score 7.

The following Members asked questions:

- Councillor Sam North;
- Councillor Michael Weeks and;
- Councillor Steve Jarvis.

The Service Director – Resources provided the following responses to questions raised:

- An invite to the next Risk Management Group would be sent out to Members;
- The Waste Management, Recycling and Street Cleansing risk was currently scored at 9. However, this was in need of being reviewed; and
- The Income Generation risk had been reviewed but as it was a minor review, it was not considered necessary to take the risk back to the Risk Management Group as the score had not changed.

RESOLVED:

- (1) That the review/changes to the Corporate risk for the quarter, namely impact of Anti Social Behaviour on Council Facilities to retain its current risk score of 7 be noted and;
- (2) That the Waste Management Risk be reviewed by the meeting of Finance, Audit and Risk in March 2020.

REASON FOR RECOMMENDATION:

- (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 and opportunities management.

53 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio Recording – 1 Hour 10 Minutes 43 Seconds

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

RESOLVED: That the Service Director – Resources confirmed that he would like to add the CIPFA Financial Management Code (designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability) to agenda items for future meetings.

The meeting closed at 8.45 pm

Chairman