

MINUTES OF A MEETING OF THE  
PERFORMANCE, AUDIT AND GOVERNANCE  
SCRUTINY COMMITTEE HELD IN THE  
COUNCIL CHAMBER, WALLFIELDS,  
HERTFORD ON TUESDAY 16 JANUARY 2018,  
AT 7.00 PM

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PRESENT: Councillor M Pope (Chairman)  
Councillors A Alder, P Ballam, P Boylan,  
J Kaye, D Oldridge, L Radford, S Reed,  
P Ruffles, S Stainsby, T Stowe and J Wyllie

ALSO PRESENT:

Councillors G Jones, B Deering, M Freeman,  
N Symonds and G Williamson

OFFICERS IN ATTENDANCE:

Lorraine Blackburn	- Democratic Services Officer
Nathan Bookbinder	- Policy Officer
Isabel Brittain	- Head of Strategic Finance and Property
Jess Khanom	- Head of Operations
Chris Smith	- Business Engagement Manager
Alison Street	- Principal Accountant

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| Su Tarran        | - Head of Revenues and Benefits Shared Service |
| Adele Taylor     | - Director                                     |
| Liz Watts        | - Chief Executive                              |
| Robert Winterton | - Financial Services Manager                   |
| Ben Wood         | - Head of Communications, Strategy and Policy  |

ALSO IN ATTENDANCE:

- |               |                   |
|---------------|-------------------|
| Alan Cooper   | - SIAS            |
| Debbie Hanson | - Ernst Young LLP |

320 APOLOGIES

Apologies for absence were submitted on behalf of Councillors K Crofton and R Henson.

321 MINUTES - 21 NOVEMBER 2017

RESOLVED – that the Minutes of the meeting held on 21 November 2017 be approved as a correct record and signed by the Chairman.

322 CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed the Executive Member for Finance and Support Services to the meeting. He referred

Members to the Briefing Note prepared by the Executive Member which had been circulated prior to the meeting.

The Chairman also referred to a letter from the Parish Clerk at Thundridge Parish Council who had expressed concern regarding the proposed removal of the New Homes Bonus from the General Fund which would reduce contributions to Town and Parish Councils over the next four years. He explained that this matter would be considered further in relation to the Budget and Service Plans report elsewhere on the agenda.

### 323 UPDATE FROM THE EXECUTIVE MEMBER FOR FINANCE AND SUPPORT SERVICES

The Executive Member for Finance and Support Services presented Members with an overview of his portfolio and circulated a briefing note to support his presentation.

The Executive Member referred to the outturn for last year and the progress made in relation to the potential budget overspend for this year. The Executive Member explained that the Council's budget spend was around £60Million. Following the introduction of a number of measures to mitigate the overspend, (including leaving posts vacant), it was anticipated that this would be approximately £56k. He stated that last year's overspend was £166k and that this was something which had affected many Councils. He stated overspends should be considered in the context of the size of the budgets, for example if the overspend was £150k, this represented a ¼ of 1% of the overall budget.

The presentation addressed a number of issues including changes in base lines, the national context, changes in

Government funding and measures to mitigate the impact of funding reductions. The Executive Member referred to changes which could be made in relation to Council Tax increases and in relation to Business Rates retention. Some Members expressed concern regarding a proposal to remove the New Homes Bonus from the MTFP and how this would impact on the allocation to Town and Parish Councils.

Councillor J Wyllie questioned the process in place in reporting overspends and queried whether Officers should be reporting the overspends directly to the Executive Member. The Head of Strategic Finance and Property explained that overspends were closely monitored by Leadership Team and reported regularly to Members via the Corporate Healthcheck. She added that the outturn figures were part of the Corporate Healthcheck and that Heads of Services received information on a monthly basis which was checked by Accountancy. The Executive Member reiterated that he worked closely with the Head of Strategic Finance and Property and was advised of issues coming out of Leadership Team on a regular basis. He explained the process and controls in place in reporting overspends.

The Head of Strategic Finance and Property commented that overspends early in the year was not usual but more often than not, this changed towards the end of the year due to actions taken to mitigate spend.

Councillor P Oldridge queried whether the measures to claw back expenses in the latter part of the year had impacted negatively on services. The Executive Member confirmed that the overspend position had improved

considerably and that the Council was heading towards a balanced budget as a result of the measures introduced.

The Committee Chairman queried whether the Council was able to retain 100% of Business Rates. The Head of Strategic Finance and Property explained that there were changes in relation to the Business rates retention scheme in future years proposed, in the new budget in regard to 75% retention. She also outlined what measures could be used in relation to increasing Council Tax and the use of Business Rates.

Councillor P Ruffles queried the arrangements for collecting Business Rates as part of the pilot project that Hertfordshire had applied to Central Government to be a part of. The Head of Strategic Finance and Property explained the background to the Hertfordshire Pilot scheme in relation to the distribution of Business Rates.

The Committee Chairman, on behalf of Members, thanked the Executive Member for his presentation.

RESOLVED – that the presentation be received.

324 BUDGET REPORT AND SERVICE PLANS 2018/19 - 2021/22

The Head of Strategic Finance and Property submitted a report detailing a number of recommendations for submission to the Executive in relation to the Medium Term Financial Plan 2018/19 – 2021/22, the 2017/18 - 2021/22 Capital Programme and the 2018/19 Schedule of Charges. Essential Reference Paper “F” was circulated to Members. She referred to the supporting information within the Essential Reference Papers, now detailed. The

Head of Strategic Finance and Property provided an overview of the report which she explained, took a prudent approach to the budget, taking into account known pressures and risks but was also forward looking.

Councillor J Wyllie was concerned about proposed changes to the New Home Bonus (NHB) and the recommendation to remove this from the General Fund over the life of the MTFP. Members felt that this was unfair to many towns and parishes affected by increased housing developments (particularly Bishop's Stortford) including the impact this would have on the environment and services. Members generally were concerned that there was no process or protocols proposed for the allocation of NHB funding following the changes. Members felt that commitments already made should receive the NHB but that measures should be put in place for future housing developments.

The Head of Strategic Finance and Property explained that the money would not be taken away but there would just be a different way of allocating funding and its distribution. The NHB would be held in reserve and used for infrastructure purposes that towns and parishes would be able to bid for.

Councillor J Wyllie explained that the wording of the recommendation needed rephrasing and a process established for NHB and its distribution. He stated that current commitments should be honoured but that a process be established affecting future developments. This view was supported. Councillor P Boylan stated that the suggested arbitrary removal of the NHB was unfair and that a decision to withdraw should not be made until further information was made available. This was

supported.

The Committee Chairman referred to a letter he had received from the Parish Clerk of Thundridge expressing concern about a reduction in the New Homes Bonus allocation. The Head of Strategic Finance and Property stated that under the new proposals, the Parish Council would have to make an application for future funding. Councillor A Alder suggested that Town and Parishes should be given a better steer on how much they might receive.

The Head of Strategic Finance and Property commented that NHB should not be included in any revenue budgets as this could be removed at any time by the Government.

Councillor N Symonds and P Ballam both acknowledged the vital and important work undertaken by PCSOs in town and rural areas and expressed concern about the proposed £43k savings in 2018/19. Members asked that a decision on this issue be deferred and that assurances be sought from the Police Crime Commissioner (PCC) that the Police would fund these posts before any decision was made to remove funding. The Head of Strategic Finance and Property undertook to liaise with the PCC on this issue.

Councillor L Radford sought and was provided with clarification in relation to the Hydro Scheme.

The Head of Strategic Finance and Property referred to Essential Paper "F" which set out the impact of proposed increased fees and charges of 2.5% and 5%. Members supported a 5% increase in Fees and Charges.

Members reviewed the Service Plans as detailed within Essential Reference Paper "G" and queried issues in relation to:

- The time taken to processing benefit claims (9.44 calendar days).
- Ensuring the Council fulfils its safeguarding responsibilities.
- Effective Building Control Service and the measures to be developed. Concerns raised regarding the deadline.
- Scotts Grotto and the transfer of the Asset.
- The co-ordination and promotion of the arts and cultural offer in East Herts.
- Trade waste recycling - an update was requested from the Head of Health and Housing regarding a "roll out" date.
- Integrating first points of contact for Operations, Planning, revenues and Benefits in a single customer services team.
- Launch Pad and its progress.
- The use of social media and the need to get more people to attend other Council meetings (other than Development Management).
- An explanation of SOCITM as an means of empirical measurement.
- The accommodation review of Wallfields, Hertford.

The Committee agreed to recommend to the Executive that a decision to remove NHB be deferred until a process for its distribution was established (notwithstanding any current commitments) and that the Executive be requested to review the NHB in more detail to ensure a fair process for its allocation.

The Committee also agreed that a decision on the proposed £43k savings in relation to PCSOs be deferred and that assurances be sought from the Police Crime Commissioner that the Police would fund these posts before any decision was made to remove funding.

Members received the report and made the recommendations to the Executive now detailed.

RESOLVED – that the Executive be advised that (A) the draft service plans for 2018/19 be adopted;

(B) the Council's share of Council Tax for Band D property at £164.09 be approved;

(C) the updated position, including the significant budget pressures and risks on the Medium Term Financial Plan and Budget for 2018/19 be noted;

(D) the decision to remove the NHB be deferred until a process for its distribution is established (notwithstanding any current commitments) and that the Executive be requested to review the NHB in more detail to ensure a fair process for its allocations;

(E) the new savings in 2018/19 as detailed within Essential Reference Paper "B" be approved with the exception of the savings proposed in relation to PCSOs until further information is received from the Police Crime Commissioner regarding who will provide funding;

(F) the Head of Strategic Finance and Property be authorised to lead on a process to investigate and implement the projects set out within Essential Reference Paper "C" with an investment pot of £200,000 for "invest to save" projects (i.e. those which will pay back and ultimately create a revenue saving);

(G) the Capital Programme as set out in Essential Reference Paper "E" be approved; and

(H) the schedule of charges as detailed in Essential Reference Paper "F" (with an overall increase of 5% for 2018/19) be approved.

325 ANNUAL AUDIT LETTER AND EXTERNAL CERTIFICATION OF CLAIMS SUMMARY 2016/17

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The External Auditor, Ernst Young (EY) submitted a letter setting out the results and conclusions of the significant areas reviewed as part of the audit process. Members were reminded that the detailed findings from the audit work in 2016/17 had already been reported to Performance, Audit and Governance Scrutiny Committee on 29 September 2017 when an unqualified audit report had been issued. EY also submitted a letter summarising the certification work carried out in relation to the Council's 2016/17 Housing benefit subsidy claim.

The External Auditor provided a summary of the report and referred Members to the Executive Summary as detailed. She confirmed that EY had concluded that the Council had put in place proper arrangements to secure value for money in the use of its resources.

Members sought assurances that the methodology of valuing assets was appropriate. The External Auditor provided an overview of what protocols were used. Some Members were concerned at the level of additional fees being charged for work which had delayed the audit process and which was the subject of negotiations with the External Auditor.

In response to a query from the Committee Chairman, the External Auditor provided a summary of what visits had been made by External Auditors in reviewing the Council's accounts. In response to a further query, the Head of Strategic Finance and Property explained that it was well prepared for the audit next year.

The Committee Chairman queried why the fees were so high. The External Auditor explained the background to this and the steps to streamline the process. The Head of Strategic Finance and Property explained that the fees were still the subject of further negotiation.

The External Auditor referred to the Certification Summary and the work undertaken by Revenues Staff on behalf of EY which had resulted in a reduction in the fee. The Chairman, on behalf of Members, thanked revenues for their help in this process.

The Chairman, on behalf of Members, thanked the External Auditor for their report.

RESOLVED – that (A) the Annual Audit Letter be received; and

(B) the report on the certification work for 2016/17 be noted.

326 SHARED INTERNAL AUDIT SERVICES - UPDATE ON AUDIT PLAN

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The Shared Internal Audit Service (SIAS) submitted a report on the progress made by SIAS in delivering the Council's Annual Audit Plan for 2017/18 as at 29 December 2017 and provided an update on performance management information as at 29 December 2017.

The Committee noted the Internal Audit progress report and approved the amendments to the Audit Plan as at 29 December 2017 and as detailed within the report. The Committee also noted the status of high priority recommendations.

RESOLVED - that (A) the Internal Audit Progress report be noted;

(B) the amendments to the Audit Plan as at 29 December 2017 be approved; and

(C) the status of high priority recommendations be noted.

327 TREASURY MANAGEMENT STRATEGY 2017-18

The Executive Member for Finance and Support Services submitted a report which set out the proposed Treasury Management Strategy and Annual Investment Strategy for 2018-19; changes made to the revised Treasury

Management Strategy and Annual Investment Strategy for 2017-18 including changes to the credit criteria for selection of investment counterparties.

The Committee Chairman referred to the Council's Policy on short term vs long term debt and borrowing. In response to a query the Director, provided the background to the Municipal Bond Agency.

The Committee Chairman queried how the valuation of land as detailed in paragraphs 2.10 - 2.11 would be carried out and was advised that this would be handled internally. The External Auditor confirmed that they were happy with this approach and that there would be dialogue between the Council and EY before the valuation was carried out.

Members received the report and made the recommendations now detailed.

RESOLVED - that the Executive be advised that (A) the Treasury Management Strategy and Annual Investment Strategy detailed in paragraphs 2.1 – 2.2 of the report submitted, be received and recommended for approval by Council;

(B) the Prudential Indicators detailed in paragraph 2.3 of the report submitted, be recommended for approval by Council; and

(C) the counterparty listing detailed in paragraph 2.4 of the report submitted be recommended for approval by Council.

328 ASSET MANAGEMENT UPDATE

The Head of Strategic Finance and Property submitted a report reviewing the asset management plan for 2017 – 2020 and the processes for reviewing the property assets to seize opportunities to rationalise the estate in order to make savings and generate revenue and capital.

Councillor P Ruffles queried delays regarding Castle Gardens which remained unresolved. The Head of Strategic Finance and Property stated that the Asset Group would report back as soon as they had further information.

The Committee received the report.

RESOLVED - that (A) the report be noted; and

(B) Members' comments be directed to the Head of Strategic Finance and Property.

329 CHARRINGTON'S HOUSE, BISHOP'S STORTFORD – UPDATE

The Head of Strategic Finance and Property submitted a report summarising the performance of Charrington's House as an investment and the transition into a potential development site. Members were reminded that Essential Reference Paper "B" contained exempt information and that a motion would need to be moved should Members wish to consider the information contained in this paper in more detail.

Councillor J Wyllie expressed concern regarding the car park at Charrington's and the confusion caused to the public by the marked "blue" bays. Members felt that the

public should be allowed to park there on Saturdays. The Head of Strategic Finance and Property explained that most of the “blue” bays were leased on a seven day basis, by the leaseholders of Charrington’s House. She agreed to review this further.

Councillor A Alder expressed concern regarding the position of the Disabled Parking bays (near the refuse containers) which she felt was unacceptable. She asked that this be reviewed. This was supported.

In response to a query from Councillor J Wyllie regarding the separation of car parking fees from the Old River Lane account, the Head of Strategic Finance and Property explained why the parking fees from Charrington’s House were included in the general parking fees account and not allocated to ORL. Members acknowledged the rationale for this but felt that these fees should be included with the specific revenue account for Old River Lane. The Head of Strategic Finance and Property undertook to circulate a Briefing Note on this.

The Committee noted the report.

RESOLVED – that (A) the report be noted;

(B) Officers investigate the possibility of the re-positioning the Disabled Parking bays;

(C) the Head of Strategic Finance and Property prepare a Briefing Note for circulation to Members, regarding the separation of car parking charges generated at Charrington’s House and its possible inclusion in the Old River Lane revenue account.

330 WORK PROGRAMME 2018

The Chairman of Performance, Audit and Governance Scrutiny Committee (PAG) submitted a report setting out the Work Programme for the 2018/19 civic year.

The Committee received the Work Programme as detailed.

RESOLVED – that the Work Programme be received.

The meeting closed at 9.15 pm

Chairman .....
Date .....