

MINUTES OF A MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE
HELD IN THE COUNCIL CHAMBER,
WALLFIELDS, HERTFORD ON TUESDAY 24
JANUARY 2023, AT 7.00 PM

PRESENT: Councillor M Pope (Chairman)
Councillors A Alder, S Bell, K Crofton,
R Fernando, A Huggins and A Ward-Booth

ALSO PRESENT:

Councillors E Buckmaster, G McAndrew,
P Ruffles and G Williamson

OFFICERS IN ATTENDANCE:

Jess Khanom- Metaman	- Head of Operations
Steven King	- Finance Management Trainee
Steven Linnett	- Head of Strategic Finance and Property
Peter Mannings	- Democratic Services Officer

ALSO IN ATTENDANCE:

Duncan Jones	- Partnership Development Management (Hertfordshire Waste Partnership)
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Simon Martin

- Shared Internal Audit
Service

319 APOLOGIES

There were no apologies.

320 MINUTES - 15 NOVEMBER 2022

It was moved by Councillor Crofton and seconded by Councillor Ward-Booth that the Minutes of the meeting of the Committee held on 15 November 2022, be confirmed as a correct record and signed by the Chairman. After being put to the meeting, and a vote taken, this motion was declared CARRIED.

RESOLVED – that the Minutes of the Committee meeting held on 15 November 2022, be confirmed as a correct record and signed by the Chairman.

321 CHAIRMAN'S ANNOUNCEMENTS

There were no Chairman's announcements.

322 DECLARATIONS OF INTEREST

There were no declarations of interest.

323 TRAINING - HERTFORDSHIRE WASTE PARTNERSHIP - WASTE
MANAGEMENT - FINANCIAL DRIVERS

The Partnership Development Manager (Hertfordshire Waste Partnership) gave a presentation in respect of local authority waste management, with a particular

focus on changing financial drivers and funding flows.

The Partnership Development Manager, the Executive Member for Environmental Sustainability and the Head of Operations all answered questions from Members.

The Executive Member for Environmental Sustainability said that Officers would be preparing a paper for the Executive on the way forward based upon the content of the local authority waste management presentation.

Councillor Huggins asked if the matter of the volatility of waste featured in the risk management matrix under a financial heading and whether this could be included going forward. The Head of Operations said there was a financial heading within the strategic risk register and performance and contractors were also included in the risk register.

Councillor Pope reminded Members that the strategic risk register would be on the agenda at the next meeting. Members received the presentation.

RESOLVED – that the presentation be received.

324 BUDGET 2023/24 AND MEDIUM-TERM FINANCIAL PLAN
2023 – 2028 FOR SCRUTINY

Executive Member for Financial Sustainability submitted a report that set out the Medium-Term Financial Plan (MTFP) which was based on the expectation of local government experiencing a further round of austerity.

The Executive Member for Financial Sustainability talked about the assumptions that had shaped an earlier version of the 2023/24 budget and the MTFP for 2023. He said one assumption was that council tax would be applied at the maximum of £5. Members were reminded that the Autumn Statement from the Chancellor permitted an application of council tax at £5 or 2.99% and 2.99% equated to £5.50 for East Herts. The Executive Member said that this translated to an additional income of £33,000 for an additional penny a week on council tax bills.

The Executive Member for Financial Sustainability said the Head of Strategic Finance and Property had adjusted the figures in the report following the receipt of the provisional settlement just before Christmas. He said that the overall net cost of services had not changed significantly and neither had the savings target for 2023/24.

The Executive Member for Financial Sustainability referred to diligent work of the Leadership Team in producing a set of savings detailed in the report which equated to £866,000. He said the savings target for 2023/24 had been overachieved and he detailed some examples of how the savings had been achieved.

The Executive Member for Financial Sustainability said the savings taken together equated to £930,000 which was £108,000 more than the required savings target of £822,000. He said the £108,000 would be put towards the savings that would need to be found from 2024 onwards.

The Executive Member for Financial Sustainability

talked about the cautious use of reserves on a temporary basis and the full detail of the timescales were in the report. He spoke at length about the capital programme and talked about the MTFP and the allowance that had to be made for the minimum revenue provision.

Councillor Huggins asked for some clarity as to how the figure of a 10% increase in local council tax support cases had been reached. The Executive Member said this prediction was based on the experience and knowledge of the Head of the Revenues and Benefits Shared Service.

Councillor Bell said the Citizens Advice Bureau (CAB) reduction in funding could result in an increase in costs elsewhere for the council where the CAB could not deal with issues due to the loss of income. The Executive Member said the CAB had reduced the costs of its operations as there were no face-to-face facilities.

Councillor Huggins asked about the contract rate for the IT Shared Service. The Head of Strategic Finance and Property said that the council had made central provision for inflation in respect of major contracts and the IT Shared Service was a major contract.

The Head of Strategic Finance and Property responded to questions in respect of business rates and capital projects. Members received the report.

RESOLVED – that (A) Members noted that the proposed budget would make use of the flexibility from Government to increase Council Tax by 2.99%, which would result in a Band D

Council Tax increase of £5.50 which is 50 pence a year more than the planned £5 increase included in the March 2022 Medium Term Financial Plan;

(B) Members noted that Leadership Team would proceed with the savings plan for 2023/24 for changes under delegated authority and that do not directly impact residents or all of local businesses;

(C) Members noted that in order to smooth the delivery of the substantial savings targets over the Medium-Term Financial Plan that the General Reserve and the Interest Equalisation Reserve are used as reported;

(D) Members noted that a temporary use of £400k of the New Homes Priority Spend Reserve, repayable in 2027/28 and 2028/29, may be used to assist with smoothing the delivery of savings as reported;

(E) Members noted that the pausing of non-essential capital schemes to prioritise completion of the major projects; provide essential capital financing for the purchase of food waste caddies and changes to Buntingford Depot as part of the new contract fuel and energy strategy;

(F) Members note the pausing of the £9.6 million of capital spend will reduce revenue costs of Minimum Revenue Provision and interest by £719k per annum on rebased capital

financing charges using current interest rates;

(G) Members noted the savings requirements, that will need to be delivered to balance the budget in the Medium Term, the delivery profile of which has been smoothed using earmarked reserves, are:

- 2023/24 £822k
- 2024/25 £2,170k
- 2025/26 £2,192k
- 2026/27 £2,053k
- 2027/28 £567k.

(H) Members noted the level of budget reductions required to balance the budget in the medium term is beyond further efficiency measures alone and instructs Leadership Team to commence preparations for the Reconciling Policy, Performance and Resources exercise that the new Council, elected in May 2023, will need to undertake alongside the new Corporate Plan, to balance the budget over the medium term.

325 INVESTMENT STRATEGY 2023/24

The Executive Member for Financial Sustainability submitted a report in respect of the council's treasury management and annual investment strategy 2023/24.

The Head of Strategic Finance and Property said CIPFA had revised the treasury management code of practice and the prudential code and this was the first year when that revised code had come into force. Members noted that there was a new liability benchmark or

treasury indicator which supported the financing risk of the capital financing requirement.

The Head of Strategic Finance and Property said long term treasury investments including pooled funds must be classified as commercial investments unless justified by a cash flow business case. Members were advised that the more complex the treasury management function the more rigorous the training for both officers and Members.

Councillor Ward-Booth asked about the borrowing terms in respect of short-term borrowing. The Head of Strategic Finance and Property said the terms were for any period up to and including 364 days and the current borrowing was for around about the six-month mark.

Councillor Huggins proposed and Councillor Fernando seconded, a motion that the recommendations, as detailed, be approved.

After being put to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – that the Treasury Management and Annual Investment Strategy 2023/24 be reviewed.

326 DRAFT CAPITAL STRATEGY AND MINIMUM REVENUE PROVISION POLICY 2023/24 ONWARDS

The Executive Member for Financial Sustainability submitted a report in respect of the Council's Draft Capital Strategy and Minimum Revenue Provision (MRP) policy for

2023/24 onwards.

Councillor Pope talked about the condition survey and the provision in the budget for repairs to the boiler. The Head of Strategic Finance and Property said this had been allowed for in the capital programme. Councillor Pope and the Head of Strategic Finance and Property touched on the topic of the future decarbonisation of the heating system. The Head of Strategic Finance and Property said that any bid for grant funding was conditional on clarity about the council staying at Wallfields.

Councillor Fernando proposed and Councillor Bell seconded, a motion that the recommendation, as detailed, be approved. After being put to being to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – the Executive’s Draft Capital Strategy and Minimum Revenue Provision policy 2023/24 onwards be endorsed; and

(B) the principle of selling assets to raise capital receipts to reduce the revenue costs of the capital programme be endorsed.

327 DRAFT STRATEGIC ASSET MANAGEMENT PLAN 2023- 2028

The Executive Member for Financial Sustainability submitted a report in respect of the council’s Draft Strategic Asset Management Plan 2023 – 2028. He said the report presented a refresh of the asset management plan for the next 5 years and this plan worked alongside the capital strategy.

The Executive Member for Financial Sustainability said that the aim was to ensure that all the council's property assets were performing to the optimum and how they were contributing to the council's corporate priorities. Members were referred to the Appendix for a full list of the property assets with a valuation and details of any income.

The Head of Strategic Finance and Property replied to a query from Councillor Pope in respect of general and earmarked reserves. He said that as at 31 March 2022, significant reserve movements were not made in year and they tended to be year-end entries. Members were advised of reserve funding and grants which could only be used for specific activities such as electoral registration and homelessness.

Councillor Huggins commented on the inequality of residents in rural areas paying for the upkeep of parks and open spaces in urban areas. He said that there was £50,000 a year in the budget for play equipment and there was no clear steer as to the plan for this budget going forward.

The Head of Strategic Finance and Property said that now double taxation had been identified Officers needed to assess what the amount was and bring a paper before Members for a considered decision going forward.

Councillor Huggins proposed and Councillor Fernando seconded, a motion that the Executive's Draft Strategic Asset Management Plan be endorsed for recommendation to Council, subject to the observation

made by Councillor Huggins in respect of there being no clear plan for the £50,000 annual budget for play equipment.

RESOLVED – that the Executive’s Draft Strategic Asset Management Plan 2023-2028 be endorsed for recommendation to Council, subject to the observation made by Councillor Huggins in respect of there being no clear plan for the £50,000 annual budget for play equipment.

328 FINANCIAL MANAGEMENT 2022/23 - QUARTER 2 FORECAST TO YEAR END

The Executive Member for Financial Sustainability submitted a report in respect of the net revenue budget of £11,526m for 2022/23 and the revised capital budget of 33.555M for 2022/23.

The Executive Member for Financial Sustainability said that the headline figure for quarter two to year end was an overspend of £192,000. He said that it was not at all uncommon for there to be an overspend at this stage in the year and the year-end figure would reflect a much better position.

The Executive Member for Financial Sustainability said there had been some slippage in the capital programme in respect of Hertford Theatre and Hartham and this was reflected in a carry forward figure of £9.3m.

Councillor Ward-Booth asked about how confident was the council in the statement that the Northgate End Car Park would achieve the budgeted income once the

Old River Lane development was completed.

The Executive Member for Financial Sustainability said the statement was making it clear that the desired improvement in car parking revenue was not expected until the Old River Lane development was completed.

Councillor Bell referred to the net cost of services and asked how much of the cost increase was due to inflation increases and how much of the net cost was down to other external factors. The Executive Member for Financial Sustainability pointed to the additional costs from the national pay award and the increases in the major contracts such as the grounds maintenance contract and the refuse and street cleansing contract which were well above the assumed increases in the budget due to increased inflation.

The Head of Strategic Finance and Property responded to questions in respect of outstanding debts, credit control and officer training. Members were advised that there were shortages of planners, lawyers, accountants, environmental health officers and a new video method of recruitment was being used to recruit planning officers.

The Executive Member for Financial Sustainability said he would need to talk to Human Resources in respect of the point raised by Councillor Huggins in respect of how far behind were local authority salaries for planners when compared to commercial alternatives to local authority planners.

Councillor Ward-Booth proposed and Councillor Fernando seconded, a motion that the

recommendations, as detailed, be approved. After being put to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – that (A) the net revenue budget forecast overspend of £192k be noted; and

(B) the capital programme outturn of £21.057m be noted and the revised carry forward of £9.294m be approved.

329 SHARED INTERNAL AUDIT SERVICE - PROGRESS REPORT -
JANUARY 2023

The Shared Internal Audit Service (SIAS) Manager submitted a report which provided Members with the progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2022/23 Internal Audit Plan to 6 January 2023.

The SIAS Manager said 72% of the audit plan days had been delivered and the satisfactory outcomes of five audits were summarised at paragraph 2.2 and they all provided a substantial or reasonable level of assurance.

The SIAS Manager said a new audit of IT software and licenses had been added to the work programme. He confirmed to Councillor Pope that it was not unusual for new audits to be added mid-year in response to emerging risks. Members were advised that there was contingency of 10 audit days in the work programme and this new audit had been resourced from the contingency budget.

The SIAS Manager highlighted the status of high priority recommendations as detailed in Appendix B, subject to the upgrade or replacement of the ICON cash management software.

The Head of Strategic Finance and Property said that he had been trying to contact the software provider to get their account manager to scope out a plan for when this new software could be upgraded or replaced before the financial system was placed in to the cloud.

It was moved by Councillor Ward-Booth and seconded by Councillor Bell that the recommendations, as detailed in the report submitted, be approved. After being put to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – that (A) the Audit Progress Report be noted;

(B) the changes to the Internal Audit Plan as of 6 January 2023 be approved; and

(C) the Status of Critical and High Priority recommendations be noted.

330 DATA PROTECTION UPDATE

The Executive Member for Corporate Services submitted a report that provided an update in respect of data protection compliance, including data breaches and subject access requests (SARs). Members noted the update report.

RESOLVED – that the contents of the report be

noted.

331 AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

The Head of Strategic Finance and Property submitted a report in respect of the Audit and Governance Committee Work Programme so that Members could see the business that would come before the Committee at each meeting.

It was proposed by Councillor Ward Booth and seconded by Councillor Fernando that the Audit and Governance Committee Work Programme be approved as detailed in the report. After being put the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – that the Audit and Governance Committee Work Programme be approved as detailed in the report.

332 URGENT ITEMS

There was no urgent business.

The meeting closed at 9.12 pm

Chairman
Date