

MINUTES OF A MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE
HELD AS ON ONLINE MEETING ON
TUESDAY 17 NOVEMBER 2020, AT 7.00 PM

PRESENT: Councillor M Pope (Chairman)
Councillors A Alder, L Corpe, R Fernando,
A Huggins, T Stowe and A Ward-Booth

ALSO PRESENT:

Councillor M Goldspink

OFFICERS IN ATTENDANCE:

Lorraine Blackburn	- Scrutiny Officer
Jackie Bruce	- Infrastructure Contributions and Spend Manager
James Ellis	- Head of Legal and Democratic Services and Monitoring Officer
Steven Linnett	- Head of Strategic Finance and Property
Peter Mannings	- Democratic Services Officer
Graham Mully	- Insurance and Risk Business Advisor
William Troop	- Democratic Services Officer

Ben Wood

- Head of
Communications,
Strategy and
Policy

231 APOLOGIES

No apologies for absence were received.

232 MINUTES - 22 SEPTEMBER 2020

The Chairman asked if an update on the amount of EU residents that had applied for settled status had been sent to Members. The Democratic Services Officer said this had been emailed to Members following the previous meeting but could be re-circulated.

It was moved by Councillor Ward-Booth and seconded by Councillor Fernando, that the Minutes of the meeting of the Committee held on 22 September 2020 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 22 September 2020 be confirmed as a correct record and signed by the Chairman.

233 CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed Members, Officers and the public to the meeting. He said the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel

Meetings) (England and Wales) Regulations 2020 came into force on Saturday 4 April 2020 to enable councils to hold remote committee meetings during the COVID-19 pandemic period. This was to ensure local authorities could conduct business during this current public health emergency. This meeting was being held remotely under these regulations, via the Zoom application and was being recorded and live streamed on YouTube.

234 DECLARATIONS OF INTEREST

There were no declarations of interest.

235 SECTION 106 POLICY AND FINANCIAL CONTRIBUTIONS UPDATE REPORT

The Infrastructure Contributions and Spend Manager presented the report to the Committee and briefly explained the main points. She said that the Annual Infrastructure Funding Statement Report 2019-20 would be published on the Council's external website in an accessible format.

Councillors Pope, Huggins and Ward-Booth asked whether the Infrastructure Contributions and Spend Manager was satisfied that enough work had been done to ensure that all Members were aware of unassigned Section 106 contributions in their wards and when these must be utilised by.

The Manager said she worked through historic Section 106 payments, focussing initially on the contributions which were closest to reaching the deadline by which the funds needed to be spent. Members had been

contacted where there were unallocated contributions in their ward. There was further work to be done, but the only scenario in which Members may not have been contacted would be if the agreement's wording meant there was a tightly defined use for the funds which had not yet been triggered.

Members should be aware of available contributions in their ward with looser definitions, such as outdoor sport facilities, which was a common defined purpose as there was a general need for more of these facilities within East Herts. Developers generally did not have the local knowledge of smaller community groups which could utilise the funds. Therefore, Members were asked for potential project recommendations.

Councillor Stowe asked about a particular unallocated contribution which was to be used for outdoor sports facilities. This was offered in Aston, but was not available for a project in Datchworth, which had been a disappointment to some residents.

The Manager said that in this particular case there was an existing facility in Datchworth, which meant it hadn't been considered as an appropriate area to spend the funds. There was no defined distance which must exist between two similar projects funded by Section 106 contributions, but Officers had to consider whether there was a similar facility within the 'vicinity' and there was in this particular case.

The Chairman asked whether funds allocated for outdoor sports facilities could be used for improving cycling infrastructure.

The Manager said that in some cases cycling infrastructure could be considered outdoor sporting facilities. She had discussed this with the Executive Member for Environmental Sustainability as he had been keen to encourage cycling across the district. There had also been quarterly meetings with Hertfordshire County Council, who managed Section 106 contributions for sustainable transport and highways across the county, to explore possible collaboration to increase the scope of suitable projects.

The Chairman asked for reassurance that the Council was doing all it could to ensure contributions were received from developers before the time period in which they were to be utilised ended, which had previously been a potential danger.

The Manager said lots of work had been done to chase developers from which contributions were outstanding, and compound interest was charged on late payment fees. She said that since coming into post, she had undertaken a review on all outstanding contributions. The Council had recently received a long outstanding contribution from the parent company of a dissolved company after taking legal advice and working with an insolvency practitioner.

The Chairman asked whether the number of affordable homes given in the Annual Infrastructure Funding Statement Report was the total number of affordable homes built in 2019-20, or only those that stemmed from Section 106 contributions. He also asked how financial contributions made in lieu of affordable housing were spent.

The Manager said that the figure represented the total number of affordable homes specified in the Section 106 agreements signed in 2019-20, which may include homes not yet built. Financial contributions in lieu of the construction of affordable homes were made often when the developer did not have space to construct the affordable homes on the same site. The money was then allocated to a capital budget to use on affordable housing across the district. It was then the responsibility of the Property Service to identify appropriate projects. The Manager said she did not have to hand information on how these funds were spent exactly, but it was agreed this could be investigated and shared with Members.

Councillor Alder asked whether Thorley Parish Council would be eligible to apply for some of the Section 106 contribution from the development on the Land off Whittington Way, Bishop's Stortford, or if this would be allocated to Bishop's Stortford Town Council.

The Manager said she would investigate and revert to Councillor Alder. The Chairman asked how contributions for open space and ground maintenance had been used.

The Manager said that the Council often asked for contributions towards maintenance for a number of years, for example, when developers had paid for a playground. This was standard practise to avoid the maintenance costs becoming a burden on the Council. She added that she had now received the Council's proposed response to Central Government's planning white paper consultation and it was agreed that this

would be circulated to Members.

RESOLVED – that the report, the Planning for the Future White Paper of August 2020 and the Annual Infrastructure Funding Statement Report be received.

236 STRATEGIC RISK MONITORING – 2020/21 - QUARTER TWO

The Insurance and Risk Business Advisor presented a report to the Committee on Strategic Risk Monitoring, covering the period July – September 2020.

The Chairman asked why the likelihood and impact scores had been reduced for the performance, resilience and security of IT systems, which seemed to be anomaly compared to other organisation which saw this as an area of increased risk.

The Deputy Chief Executive said this reduction had been the culmination of a sustained effort to improve cyber security. The Council had replaced its network, improved security and increased its ability to recover from cyber-attacks, which reduced the potential impact of an attack.

The Insurance and Risk Business Advisor said the Council was currently tendering insurance contracts and planned to obtain cover for cyber-attacks. Many of these insurance products also included some testing and monitoring of systems. The progress of this tendering process and potential insurance-based solutions would also be reflected in this report to the Committee going forward.

Councillor Corpe asked what the perceived risk of using third party video conferencing technology, such as Zoom, was. He said that the Council had been using this software for many months now and it seemed rather secure. Arguably, remote meetings posed less of a risk than physical meetings, so would this be considered as a long-term option.

The Deputy Chief Executive said there were some concerns shortly after the Council began using this technology, including about unauthorised persons accessing video conferences. However, Zoom had quickly implemented new security features that reduced this risk and made the technology secure. The Council would soon roll out a full version of Microsoft Teams, but it was likely to maintain some licenses to use Zoom for larger meetings. Discussions were continuing on how remote meetings and other remote services utilised during the COVID-19 pandemic could be continued to the Council's benefit, particularly in view of the savings that must to be made.

Councillors Stowe and Alder said there were some drawbacks to remote working, such as reduced human contact and potential difficulties with technological solutions.

The Chairman asked about the practise of monitoring credit scores of contractors to mitigate their potential poor performance.

The Head of Strategic Finance and Property said that this practise, as well as monitoring the trade press, was useful to detect any possible early indicators that a contractor was in financial difficulty.

The Chairman asked whether the fall in the value of recycled materials would create a hole in the Council's budget. He also asked whether alternative waste solutions in partnership with other Councils had been considered.

The Head of Strategic Finance and Property said that the value of materials had fallen significantly. Under the Alternative Finance Model, an agreement with Hertfordshire County Council (HCC), recycling credits had been granted to the districts when recycling increased in relation to residual waste. However, the proportion of residual waste had increased significantly during the COVID-19 lockdown, which mean the Council had not received any credits, which increased the financial pressure. It was likely that HCC would not renew this agreement next year, but discussions continued with HCC to find a mutually beneficial arrangement. The permutations of the fall in values of materials would be reflected in future reports to the Committee.

RESOLVED – that the report be received.

237 QUARTERLY CORPORATE BUDGET MONITOR –
QUARTER 2 - SEPTEMBER 2020

The Head of Strategic Finance and Property presented a report to the Committee on the corporate budget, covering the period July – September 2020. He briefly explained the main points and said going forward, he planned to present the capital programme to show in which year expenditure would occur, which was a departure from the Council's previous practise.

The Chairman asked about the increased forecasted overspend and reduced rental income.

The Head of Strategic Finance and Property said at least two tenants had asked the Council for rent reviews, which were granted when it was established this was genuinely necessary. The Council had used the opportunity to add more favourable, flexible terms, such as implementing break clauses.

Councillor Ward-Booth asked why Legal and Democratic Services had overspent its budget on agency workers.

The Head of Legal and Democratic Services said there had been a need to pay for agency workers in the legal department due to a lack of solicitors. However, the Council was now advertising for four solicitor roles. Their recruitment should create a self-sufficient in-house team which would minimise the need for agency workers and result in an overall budget saving.

Councillor Ward-Booth asked whether these solicitors would be able to work on planning and building control legalities and reduce spending in this regard.

The Head of Legal and Democratic Services said that this was the aspiration, and the person specification for each role had been tailored to a particular need of the Council. Spending on specialist advice would not be totally eradicated, as expert counsel was sometimes necessary, but it was hoped spending on agency workers would be vastly reduced.

Councillor Corpe asked how the pandemic had prevented Millstream from purchasing properties in line with the business plan.

The Head of Strategic Finance and Property said the closure of estate agents in the early stages of lockdown had affected property purchases. However, Millstream had bought several properties in the previous two months and was recovering from the earlier slow down. The overall underachievement was also driven in part by the Council's inability to find tenants for some properties in view of the pandemic, particularly retail spaces.

Councillor Ward-Booth said there was a shortage of suitable investment opportunities due to the pandemic.

Councillor Huggins said this highlighted the importance of the work of the Financial Sustainability Committee, the need for reserves, and a diverse investment portfolio.

Councillor Alder asked what the total savings would be from the Council's use of LED lights.

The Head of Strategic Finance and Property said he would investigate and reply to Councillor Alder.

The Chairman asked about the projected use of reserves for 2020/21 and which reserve these funds would be taken from.

The Head of Strategic Finance and Property said he did not have details to hand of which reserves the funds

would be taken from. However, in regard to spending on leisure centres, once the regeneration of the facilities was complete, the contractor would begin to pay the Council to operate the services rather than vice versa.

The Chairman asked whether the relatively high number of aged debtors was a concern.

The Head of Strategic Finance and Property said it was important to write off any debt which was going to be uncollectable, which was likely necessary in this instance. He also said he was planning to introduce behavioural economics practises, such as changing wording on reminder letters and calling debtors at unusual times.

The Chairman said the Committee had not been informed some of the debt had been considered uncollectable before. He and Councillor Huggins asked if the Committee would be given an indication of which debt(s) would be written off.

The Head of Strategic Finance and Property said it would take a number of months to work through the debts and consider which debts were recoverable, but Members would be updated when possible. He said that there was little value in chasing debt that was uncollectable, but the Council would resume chasing a debt if the debtor reappeared. Work was being done to automate the manual process of inputting information on debtors, which would result in efficiency savings and free up Officers to pursue the debtors.

RESOLVED – that the report be noted.

238 ANNUAL TREASURY MANAGEMENT REVIEW 2019/20

The Head of Strategic Finance and Property presented the Annual Treasury Management Review to the Committee and invited any comments before the report went on to the Executive and Council.

The Chairman asked for the Head of Strategic Finance and Property's experience of using Link Asset Services.

The Head of Service said he had previously worked with Link and also with Arlingclose, which was Link's main competitor. His personal preference was for Arlingclose but there had been no problems with the service provided by Link.

Councillor Ward-Booth asked whether loans to other local authorities had been granted on medium or long terms. He also queried which authorities the Council had provided loans to.

The Head of Strategic Finance and Property said the terms of the loans varied. He did not have to hand a list of the local authorities which the Council had provided loans to, but would be happy to provide this to Members. Members also asked that the treasury reports list the individual investments and counter parties going forward, so that Members could see this information as a matter of routine.

RESOLVED – that the report be received.

239 TREASURY MANAGEMENT MID-YEAR REVIEW 2020/21

The Head of Strategic Finance and Property presented the report to the Committee. He said there had been a technical breach of the counter party limit for a period of two days, which had previously been reported on. This had been caused by a large payment from Central Government for business support grants. Therefore, the increased limit had been proposed.

The Chairman said that most of the structural borrowing had matured and asked if there was only around £1.5 million remaining to pay. He also asked about the need within the capital budget to borrow funds and commented that this was a good time to borrow due to low and stagnating interest rates.

The Head of Service said the Chairman's understanding of outstanding borrowing was correct and it had not made financial sense to reschedule any of this remaining debt due to the punitive repayment terms set by the Public Works Loans Board (PWLB) which made early repayment more expensive than carrying the debt through to maturity. It would be difficult to foresee that borrowing would be as cheap again as it was currently. When borrowing, the Council would secure fixed interest rates, and the term of the loan would be tailored to the specific use of the funds. The Council would need to ensure it could service all debts and stay within its borrowing limits. Whether this would hamper the Council's spending plans depended on the Old River Lane project and what kind of debt profile resulted from this, as well as a number of other factors. The various permutations would become clearer once the format of the capital programme

reporting was changed.

RESOLVED – that the report be received.

240 BUDGET 2021/22 AND MEDIUM TERM FINANCIAL PLAN
2021 – 2024 PROPOSALS

The Democratic Services Officer said that Appendices A and B had inadvertently been omitted from the Agenda pack. However, they had been circulated to Members via email shortly before the meeting and the Agenda would be re-published for the benefit of the public.

The Chairman said that the Head of Strategic Finance and Property had previously suggested that the Committee take part in a joint meeting with the Overview and Scrutiny Committee to review the finer details of the budget and medium term financial plan in January 2021. This was agreed.

The Head of Service presented the report and explained the main proposals to make savings, as well as the transformation programme to move towards more agile working solutions.

Councillor Ward-Booth said some services within the Council were to be commended for their proposals to make significant savings from their budgets. Others, such as Human Resources, had proposed relatively small changes. He said he was surprised payroll had not been outsourced, which was common practise in other similar-sized organisations. He asked if each service's spending would be subject to further scrutiny and added that the cost of training apprentices should

be attributed to the service for which they would ultimately work.

The Head of Service said outsourcing payroll was not always beneficial for local authorities as their pay structures and processes differed from limited companies, and this could often result in difficulties with third party contractors. It was anticipated that training costs would eventually fall, but currently external trainers were still charging the same rate for remote training as previous in-person events. He assured Members that all services within the Council would be scrutinised. A benchmarking exercise with similar Councils in the region and a five year review of budgets were to be carried out and would help establish in which areas the Council could potentially make savings.

Councillor Ward-Booth said that measures such as sharing payroll services with another Council could be considered. There was still greater scope for internal cuts which should be considered.

The Head of Service said these kinds of measures would be considered as part of the agile working proposals. The aspiration was to make savings without reducing the service offered to residents.

The Chairman said there were some difficult decisions to be taken due to the scale of savings needed. He thanked the Head of Strategic Finance and Property and his team for their work. He also asked whether the allowance for the pay award was realistic.

The Head of Service thanked his colleagues on the

Leadership Team, including the Head of Communications, Strategy and Policy, for their assistance with this matter. He said he believed the allowance for pay award was realistic.

It was moved by Councillor Fernando and seconded by Councillor Alder 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 report be received;

(B) the budget proposals be endorsed;

(C) the production of a phased capital programme be endorsed;

(D) the additional programme of work be endorsed; and

(E) a joint meeting of Audit and Governance and Overview and Scrutiny Committee be held in January 2021.

241 STANDARDS UPDATE

The Head of Legal and Democratic Services presented the Standards Update to the Committee and briefly explained the main points.

The Chairman asked when it was expected that Central Government would respond to the Committee on Standards in Public Life's (CSPL) 26 recommendations on ethical standards in local government. He also

asked if it was most prudent to await the decision on whether the LGA model code of conduct was to be adopted nationwide before the Council committed to an independent exercise to review its own code of conduct.

The Head of Service said there was no clear timescale, although CSPL had chased a response. To avoid potential duplication of work, it would be prudent to await the government response on whether the LGA model code of conduct should be adopted. He said it was his intention to report to the Committee on standards more regularly going forward and that updates on the current position could be provided in this way.

It was agreed by the Committee that if a decision on the model code of conduct was not forthcoming in the next six months, the current approach would be reviewed.

RESOLVED – that the report be noted.

242 CONSTITUTION REVIEW GROUP

The Head of Legal and Democratic Services presented the report to the Committee and briefly explained the main points.

The Chairman asked how Members should go about expressing an interest in participating in the group.

The Head of Service said Members should contact their political group's leader who could nominate Members for positions within the group.

It was moved by Councillor Huggins and seconded by Councillor Ward-Booth 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) an informal Constitution Review Group be established; and

(B) the terms of reference be agreed.

243 GDPR AND DATA RETENTION UPDATE

The Head of Legal and Democratic Services presented the GDPR and Data Retention Update to the Committee and briefly explained the main points.

Councillor Ward-Booth thanked the Head of Legal and Democratic Services for the comprehensive report which addressed all of the questions previously posed by the Committee.

The Chairman asked if the employment of an Information Governance and Data Protection Manager would be a catalyst for the Council to remain more vigilant of matters relating to GDPR and data retention. He also asked if the Committee would now receive regular updates on this subject.

The Head of Service said it was foreseen that the creation of the Information Governance and Data Protection Manager role would prevent the Council losing focus on the importance of these matters. He said that the Annual Governance Statement would generally include statistics on data security and

retention, however a report could be produced for the Committee if Members so wished.

It was agreed the Committee would receive updates every six months, beginning May 2021, on GDPR and Data Retention. This would include, for example, the number of data breaches which had occurred at the Council.

RESOLVED - that the report be noted.

244 WORK PROGRAMME PROPOSALS 2020-21

The Scrutiny Officer presented the report to the Committee and reminded Members of an upcoming workshop hosted by the newly entitled Centre for Governance and Scrutiny to which Members of this Committee and Overview and Scrutiny Committee would be invited.

Councillor Ward-Booth asked if their report on the review of scrutiny (including audit and scrutiny functions) had been had been finalised and circulated.

The Head of Legal and Democratic Services said this would be circulated and that he would chase the Centre for Governance and Scrutiny as the report had not yet been received. The Scrutiny Officer explained that a workshop had been arranged to consider the Centre for Governance and Scrutiny's recommendations and that this would take place on 3 December 2020 at 7pm.

The Scrutiny Officer confirmed the Committee's requests to take part in a joint meeting with Overview

and Scrutiny Committee, as well as receive an annual report on Section 106 and financial contributions had been noted.

It was moved by Councillor Alder and seconded by Councillor Ward-Booth 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 proposed consolidated work programme, as amended, be approved.

The meeting closed at 9.18 pm

Chairman
Date