

MINUTES OF A MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE
HELD IN THE COUNCIL CHAMBER,
WALLFIELDS, HERTFORD ON TUESDAY 25
JANUARY 2022, AT 7.00 PM

PRESENT: Councillor M Pope (Chairman)
Councillors A Alder, A Curtis, R Fernando,
A Huggins, R Townsend and A Ward-Booth

ALSO PRESENT:

Councillors E Buckmaster, M Goldspink,
L Haysey, G McAndrew, P Ruffles and
G Williamson

OFFICERS IN ATTENDANCE:

Michele Aves	- Democratic Services Officer
Lorraine Blackburn	- Scrutiny Officer
Steven Linnett	- Head of Strategic Finance and Property
Katie Mogan	- Democratic Services Manager

ALSO IN ATTENDANCE:

Simon Martin	- Shared Internal Audit Service
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295 APOLOGIES

An apology for absence was submitted on behalf of

Councillor Stowe. It was noted that Councillor Curtis was substituting for Councillor Stowe.

296 MINUTES - 9 NOVEMBER 2021

It was moved by Councillor Townsend and seconded by Councillor Curtis, that the Minutes of the meeting of the Committee held on 9 November 2021 be confirmed as a correct record and signed by the Chairman. After being put to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – that the minutes of the Committee meeting held on 9 November 2021 be confirmed as a correct record and signed by the Chairman.

297 CHAIRMAN'S ANNOUNCEMENTS

The Chairman reminded Members to kindly use their microphones when speaking to guide the camera for the webcast.

The Chairman welcomed Michele Aves, the new Democratic Services Officer to the meeting.

298 DECLARATIONS OF INTEREST

Councillor Townsend declared an interest in Agenda Item 5, as he was a user of a Resident Parking Zone.

Councillor Alder declared an interest as Sawbridgeworth Town Council were using the services of the East Herts Council's Human Resources Department.

299 BUDGET SCRUTINY - BUDGET 2022/23 AND MEDIUM TERM
FINANCIAL PLAN 2022-25

The Executive Member for Financial Sustainability introduced the report which set out proposals on the Budget 2022/23, the Medium Term Financial Plan 2022/23 – 2026/27, the 2022/23 – 2026/27 Capital Programme and the 2022/23 Schedule of Charges. He referred to plans being set around an increasing challenging background of diminishing funding from Government and uncertainties regarding future funding. The limited means of the Council raising its own revenue, and higher costs due to Covid. However, he explained that planning ahead had continued with the Council's 2020 comprehensive spending review giving significant levels of savings for this year, and with the transformation programme underway further savings were expected from 2023. He confirmed that for the budget to be prepared it was based on working assumptions, and that the Council Tax increase of £5.00 per year on a Band D property is the maximum that the Council can apply without a referendum. He explained that despite measures there will remain a budget gap which will need to be filled, and drew the committee members' attention to Appendix B within the report which set out further savings proposals in addition to those agreed last year.

The Chairman remarked on the quality of the reports and thanked Officers for their hard work.

The Chairman asked the Head of Strategic Finance and Property for clarity on paragraph 2.3 of the report, regarding the National Pay Award. The Head of Strategic Finance and Property explained that the pay

award for the financial year had not yet been agreed. The Employers side had made a final offer of 1.75%, and understood that the Unions were balloting for industrial action. Following guidance of the Executive, a pay award provision of 3% has been made for next year, which with inflation currently at 5% would be a less than inflation pay award. The Chairman asked that if the pay award was less than 3% would the funds go into reserves. The Head of Strategic Finance and Property said that this would become an under spend, and that 3% seemed sensible based on where inflation was currently going.

The Chairman referred to page 34 of the report regarding the possible change of location for the Council and asked if this would be facilitated by capital borrowing. The Head of Strategic Finance and Property explained that funding would come from reserves and that this was approved in principal but not committed. The Council building will be surveyed and the findings compared to the costs against the offer to co-locate at County Hall. He reiterated that no decision had yet been made, and that it will be included as part of the Transformation Programme.

Councillor Curtis referred to the savings proposals relating to Resident Parking Zones (RPZ) which had attracted attention from members of the public. Whilst supporting the principal that the scheme is cost neutral to the Council, he questioned if residents could be offered a discount by providing their vehicle registration details and not opting for hard copy permits.

Councillor Williamson explained that RPZ fees and

charges have increased by between 2.5% and 5% in recent years, and that this has been lagging behind the true costs of running the schemes. With the approval of the fees and charges policy at Council in December 2021, where full cost recovery was now sought for all services, this had led to a sharp increase in order to address this balance. He said he would seek further clarification from Officers on how the hard copy permits were produced, but his understanding was that there were practical difficulties with the alternatives suggested. Councillor Curtis suggested that the use of vehicle registration details instead of hard copy permits could be used in the future, as part of the Transformation Programme. He asked if the amount of hours inspectors patrolled the zones could be cut to provide savings.

The Executive Member for Financial Sustainability confirmed that the costs included the time which inspectors spent patrolling the schemes, and that it was important that there was a sufficient presence. He said that those who had paid for permits would want to see that areas were being suitably patrolled and that any reduction in the inspectors' hours would be a false economy and not welcomed by residents. The Chairman reiterated that the Council was not looking to make a profit from such schemes but only to recover its costs.

Councillor Goldspink referred to page 42 of the report which referred to the Council having to temporarily borrow funds to pay staff, and asked for clarification on how much this may be, and for what duration. The Head of Strategic Finance and Property explained that in the month of April, Council Tax receipts would not

match pre-set outgoings. In March, the Council is required to pay the parish precepts, and in February and March the Council also has low receipts due to the facility enabling Council Tax to be paid over ten instalments. It was therefore anticipated that short term cash flow borrowing would be needed for approximately one week, which was normal for a District Council. Councillor Huggins asked if there was a risk of borrowing not being available. The Head of Strategic Finance and Property assured the Committee that the market was buoyant, and there would be no problems in borrowing.

Councillor Townsend said that the RPZ permits had been predominately digital for at least one year, but that visitor permits have to be hard copy to be handed to people. He stated that the lump sum increase had upset residents as many have no choice where they park. He added his concerns that residents may decide not use the schemes, and this might swamp non-zonal areas. He expanded on his feelings that the sudden increase alongside other cost of living expenses was too much especially for essential car users on a low income. Councillor Goldspink echoed Councillor Townsend's comments as her constituents were also upset. She said that she was unaware that the schemes were so heavily subsidised, and whilst she understood the need to recoup costs, wished for increases to be phased in.

Councillor Ward-Booth referred to the reduction of internal audit days, and asked if the council was confident that they could audit themselves sufficiently. The Shared Internal Audit Manager confirmed that it was how the audit days were used for example, the

use of technology versus manual processes. He said that benchmarking against other comparable Councils had also been done.

Councillor Alder referred to page 72 of the report, specifically the £1.00 Sunday car parking charge, and commented that in Sawbridgeworth this would have little impact as people did not use the car park, and if they had to pay they would instead park in the roads. She also questioned if the income from the charge would meet the enforcement costs. Councillor Williamson confirmed that the proposals would mean that the Sunday parking tariff would move to the Standard Daily Rate. He said that he did not have a breakdown for the Sawbridgeworth carpark, but advised he would provide this to Councillor Alder in writing.

Councillor Huggins referred back to the RPZ issue. He said that Councillors had received emails from residents, and wished to assure them that the figures used to calculate the charges had been scrutinised by Members. He also asked why the assumption was that Council Tax would increase each year, and what would happen if it did not. He queried if the Sunday parking charges would operate using normal hours of business.

The Executive Member for Financial Sustainability confirmed that the figures relating to Residential Parking Zones were a true reflection of the costs, and these had been challenged and examined. He added that if Council Tax was not increased by the full amount each year this would lead to additional savings needing to be found. The Sunday parking charges

would operate as per other days, with hours being extended to 8pm. Councillor Huggins expressed his concerns for businesses, in particular the hospitality sector with regards to the evening parking charges. He voiced his preference for the changes to be delayed for a year to aid Covid recovery. He also questioned what the Council hoped to achieve by charging outside of the Sunday 10am – 4pm hours. Councillor Huggins commented on the fairness of only six playgrounds being transferred to Town and Parish Councils and questioned why this number is not higher. The Executive Member for Financial Sustainability responded by saying that 10% of playgrounds had been selected, and that the number could be extended in the future. Councillor Huggins asked how achievable the savings from transferring six playgrounds were, and specifically why Town and Parish Councils would take on the liability. The Executive Member for Financial Sustainability acknowledged the point, and explained that he would ask Officers to have discussions to see what was feasible.

Councillor Townsend returned to RPZs and asked if it would be possible for smaller and greener vehicles to pay less in future schemes. He also enquired as to the proportionate costs of managing and patrolling on Sundays, and if this had been considered. The Executive Member for Financial Sustainability said that these extra costs had been taken into account and there would be a net gain. He added that more detail could be provided if required.

Councillor Curtis thanked Officers and the Executive Member for their work on the proposals.

Councillor Goldspink referred to Appendix B in the report, with reference to the reduction in the grant to the Citizens Advice Bureau (CAB). She expressed her regret as they were an excellent service, and felt it was short sighted to reduce such support. The Head of Strategic Finance and Property clarified the grant paid to the CAB. When the CAB moved into the Wallfields offices the grant was increased by the amount of rent which the Council was charging. When the CAB vacated Wallfields they no longer had to pay the rent, and the grant was reduced. He explained that colleagues in Housing and Health were working with the CAB to obtain alternative funding so that they were not overly reliant on the Council.

The Chairman referred to page 35 of the report which gave an illustration of the difficulties faced by the Council. He also drew attention to the New Homes Bonus which was good news.

Councillor Fernando expressed his wishes for the Council to promote easy to access and easy to read information to residents about the RPZs.

The Chairman referred to page 43 of the report, namely the risks regarding business rates and Section 31 Grants. He asked for clarification on how likely these risks were. The Head of Strategic Finance and Property advised he was not yet in a position to comment. He said that there had been a number of changes in Business Rates Relief, and a new scheme was also proposed and would be recommended for approval by the Executive at their meeting on 8 February 2022. There was a risk of businesses closing, but East Herts was different due to its small and

unique businesses. He had flagged this as a risk to Members as he did last year, but he was confident there was not a big risk. The Chairman asked about the Business Rates pool. The Head of Strategic Finance and Property advised that membership to a pool was for a year, and it was unclear if pool memberships would continue.

The Chairman referred to page 47 on the Minimum Income Provision, and asked if it was likely to be agreed. The Head of Strategic Finance and Property advised that he did not see it being a problem.

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

RESOLVED – (A) That the Executive’s proposed budget and Medium Term Financial Plan be scrutinised and Members specifically considered the following:

- I. that the East Herts share of the Council Tax for a Band D property in 2022/23 be set at £184.09, an increase of £5, the maximum permitted within the draft Council Tax Referendum principles;
- II. the updated position on the Budget 2022/23 and the Medium Term Financial Plan including the budget pressures and risks;
- III. the capital programme set out in Appendix C and the impact on the revenue account of

- the borrowing costs; and
- IV. the initial equalities impact assessment of the savings proposals set out in Appendix D so that Members can be assured that there is no adverse impact on those with protected characteristics.

- (B) That the Committees comments be considered by the Executive, before the production of the recommended budget and Medium Term Financial Plan to be put to Council.

300 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2022/23

The Executive Member for Financial Sustainability introduced a report setting out the Council's Treasury Management and Annual Investment Strategy for 2022/23. He said that this was the first of three treasury reports for the year, and invited comments.

Councillor Curtis referred to page 185 of the report, and requested clarification of what is counted as revenue stream for the Council. The Head of Strategic Finance and Property confirmed that this consists of Council Tax, and all income which the Council earns.

Councillor Curtis asked what percentage of Council income comes from leisure. The Head of Strategic Finance and Property was unable to provide specific detail, but explained that once the leisure centres were completed the contractors were obliged to pay the Council to operate them. He continued that the tenders were not yet back for Hertford Theatre, and

that Old River Lane estimates were based on a business plan.

It was moved by Councillor Fernando and seconded by Councillor Curtis 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 2022/23 and Prudential Indicators be reviewed.

301 CAPITAL STRATEGY AND MINIMUM REVENUE PROVISION POLICY 2022/23

The Executive Member for Financial Sustainability introduced a report setting out the Council's Capital Strategy and Minimum Revenue Provision (MRP) policy for 2022/23 onwards.

The Chairman commented that the document was impressive, and congratulated officers on the report.

It was moved by Councillor Ward Booth and seconded by Councillor Curtis 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 Capital Strategy and Minimum Revenue Provision policy 2022/23 onwards (Appendix A to this report) be approved.

302 SHARED INTERNAL AUDIT SERVICE INTERNAL AUDIT PLAN 2021/22 PROGRESS REPORT

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 2021/22 Internal Audit Plan to 7 January 2022.

The Chairman referred to page 288, Appendix B of the report. The Head of Strategic Finance and Property gave Members an update on the Civica Project, and advised that he was working with IT to obtain a cloud solution implementation which would allow the finance system to be hosted outside of the hosted desktop. This would avoid being it being affected by IT outages.

It was moved by Councillor Curtis and seconded by Councillor Fernando 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 Audit Progress Report be noted;

(B) the changes to the Internal Audit Plan as of 7 January 2022 be approved; and

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

303 FINANCIAL MANAGEMENT 2021/22 – QUARTER 2
FORECAST TO YEAR END

The Executive Member for Financial Sustainability introduced a report setting out the financial monitoring for East Herts Council for 2021/22 as at 30 September 2021. He advised that the report gave a “snapshot” of the Council’s financial position, and how it was not unusual to show an over spend at this point in the cycle.

The Chairman referred to the report which forecasted an over spend in quarter one. The Head of Strategic Finance and Property elaborated, explaining that the Planning Department was carrying out a phenomenal amount of work. The pressures included the Harlow and Gilston Garden Town Project, which meant that the council currently had the ninth busiest planning department in the country. He said that recruitment to vacant planning posts and talks with other councils regarding shared services were ongoing.

Councillor Pope referred to Revenues and Benefits outperforming on revenue budget, and asked if grant funding from Central Government helped. The Head of Strategic Finance and Property said that performance continued to be monitored, adding that the department had carried out an enormous amount of work. He explained that the work to assess claims was difficult and that complex regulations changed frequently. He said that several staff had recently left the service, including an experienced manager, adding that it took approximately five years to fully train replacement staff.

The Chairman asked about the level of debtors going up as mentioned in page 303 of the report. The Head of Strategic Finance and Property said that debt figures will move dependant of the report cut off. He added that the intention is to take back and centralise recovery actions and processes to within the Finance Department under the Transformation Programme.

It was moved by Councillor Curtis 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 net revenue budget forecast overspend of £132k in 2021/22 be noted (table 1);

(B) the revised capital budget for 2021/22 of £57.060m, with a forecast underspend of £15.825m, be carried forward to 2022/23 be noted.

304 AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

The Head of Strategic Finance and Property summarised the content of the Work programme which would be presented to Members at each meeting.

The Chairman said that the report was very user friendly, and thanked officers for their work. The Head of Strategic Finance and Property proposed that training to Members in March would be focused on Risk Management. In May it would consist of Internal

Audit training, and in November the Shared Anti-Fraud Service, and Statement of Accounts.

The Chairman enquired as to Standards Training, to which The Head of Strategic Finance and Property advised he would speak to the Monitoring Officer.

Councillor Huggins requested that all training opportunities be publicised to all Members.

It was moved by Councillor Fernando and seconded by Councillor Huggins 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 work programme as detailed in the report, be approved; and

(B) That the training suggested by the Committee be implemented.

305 URGENT ITEMS

There was no urgent business.

The meeting closed at 8.22 pm

Chairman
Date