



James Ellis
Head of Legal and Democratic
Services

MEETING : AUDIT AND GOVERNANCE COMMITTEE
VENUE : COUNCIL CHAMBER, WALLFIELDS, HERTFORD
DATE : TUESDAY 15 NOVEMBER 2022
TIME : 7.00 PM

PLEASE NOTE TIME AND VENUE

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MEMBERS OF THE COMMITTEE

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

Substitutes

Conservative Group: Councillors J Burmicz and A Curtis
Liberal Democrat Councillor M Goldspink
Group:

*(Note: Substitution arrangements must be notified by the absent Member
to Democratic Services 24 hours before the meeting)*

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AGENDA

1. Apologies

To receive any apologies for absence

2. Minutes - 19 July 2022 and 29 September 2022 (Pages 6 - 38)

To approve as a correct record the Minutes of the meetings held on 19 July 2022 and 29 September 2022.

3. Chairman's Announcements

4. Declarations of Interest

To receive any declarations of interest.

5. Section 106 Update Report (Pages 39 - 101)

6. Shared Internal Audit Service - Progress Report (Pages 102 - 113)

7. Progress Of The Delivery Of The 2022/23 Anti-Fraud Plan (Pages 114 - 130)

8. Budget 2023/24 and Medium Term Financial Plan 2023 – 2028 Preparation (Pages 131 - 162)

9. Treasury Management Annual Review 2021/22 (Pages 163 - 192)

10. Monitoring of 2022/23 Quarter 2 Corporate Risk Register (Pages 193 - 225)

11. Template to Calculate Full Cost Recovery under the Fees and Charges Policy - 'To Follow'

'Report to Follow'

12. Audit & Governance Committee Work Programme (Pages 226 - 240)

13. Urgent Items

To consider such other business as, in the opinion of the Chairman of the meeting, is of sufficient urgency to warrant consideration and is not likely to involve the disclosure of exempt information.

Agenda Item 2

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MINUTES OF A MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE
HELD IN THE COUNCIL CHAMBER,
WALLFIELDS, HERTFORD ON TUESDAY 19
JULY 2022, AT 7.00 PM

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

ALSO PRESENT:

Councillors P Ruffles

OFFICERS IN ATTENDANCE:

Michele Aves	- Democratic Services Officer
Ben Wood	- Head of Communications, Strategy and Policy

ALSO IN ATTENDANCE:

Darren Bowler	- Shared Anti-Fraud Service (SAFS)
Simon Martin	- Shared Internal Audit Service

99 APOLOGIES

There were apologies for absence from Councillors Alder, Crofton and Huggins.

100 MINUTES - 31 MAY 2022

It was moved by Councillor Ward Booth and seconded by Councillor Fernando, that the minutes of the Meeting held on 31 May 2022 be confirmed as a correct record and signed by the Chairman. After being put to the meeting and a vote take, this motion was declared CARRIED. It was noted that Councillor Bell abstained from the vote as she was not present at the meeting.

RESOLVED – that the Minutes of the Committee meeting held on 31 May 2022 be confirmed as a correct record and signed by the Chairman.

101 CHAIRMAN'S ANNOUNCEMENTS

The Chairman reminded all participants to use their microphones when speaking as the meeting was being webcast.

The Chairman sent the Committee's warmest regards to Nick Jennings from the Shared Anti-Fraud Service (SAFS), and wished him a speedy recovery from recent ill health. He welcomed Darren Bowler, Counter Fraud Manager from SAFS to the meeting.

102 DECLARATIONS OF INTEREST

There were no declarations of interest.

103 TRAINING - SHARED ANTI-FRAUD SERVICE - FRAUD AND CORRUPTION AWARENESS FOR ELECTED MEMBERS

The Counter Fraud Manager from The Shared Anti-Fraud Service (SAFS) gave a training presentation to Members on 'Fighting Fraud in Partnership'. He explained what fraud was and the reasons as to why it was committed, referring to Dr Cressey's Fraud Triangle.

Members were advised of the essential role they played in protecting the public purse, and were directed to a must read reference book (the link for which had been provided in the presentation slides).

The Counter Fraud Manager explained the membership of SAFS, their joint working partnerships and their capabilities. He provided Members with case studies and confirmed that the training slides would be made available to all Members in the next edition of the Members Information Bulletin.

The Chairman asked why there were not more members of SAFS. The Counter Fraud Manager said that there were other Local Authorities interested in joining, which he hoped would happen as the service was a great model which offered a bespoke service to each Authority.

The Chairman asked for an update on the Fraud Hub. The Counter Fraud Manager said that that there had been IT problems, but that it was in progress, and was a great idea.

The Chairman asked if councils were affected by reputational damage from fraud. The Counter Fraud Manager said that it was a double edged sword, as Authorities needed to acknowledge incidents and put

procedures in place to avoid repeat occurrences. He said that in his experience, publicity from fraud incidents was not seen negatively, especially when monies were recovered and/or offenders prosecuted.

The Chairman thanked the Counter Fraud Manager for his presentation.

RESOLVED – that the presentation be received.

104 ANTI-FRAUD REPORT 2021/2022

The Counter Fraud Manager introduced the report. He explained how the Shared Anti-Fraud Service (SAFS) was a shared service of which East Herts was a founding member of in 2015, and how it provided a counter fraud function for the council and six others across Hertfordshire and Bedfordshire.

The Counter Fraud Manager advised that the report gave details of the work of both the council and SAFS in 2021/22. He provided Members with some background on SAFS, and explained how it provided a variety of functions for the council to help develop policies and processes to deter fraud.

The Counter Fraud Manager said that SAFS helped to design an anti-fraud plan for the council each year, and directed Members to Appendix A of the report which provided a copy of the 2021/22 Anti-Fraud Plan for the council, which was approved by the Committee in March 2021.

The Counter Fraud Manager said that as usual SAFS had deployed one Counter Fraud Officer to work exclusively for the council in 2021-2022. He explained how this Officer was managed by SAFS and had access to SAFS intelligence, data analytics and financial investigation expertise at all times.

He said that during 2021-22 SAFS worked closely with East Herts Officers on a review of Anti-Fraud policies for publication, and were also working with the council's Human Resources Team to update a number of Fraud related e training packages.

The Counter Fraud Manager said that the effects of Covid continued to impact on SAFS work throughout the year, and although the service was well placed in its working practices to be able to minimise this impact there were some areas which were out their control, as detailed at page 21 of the report.

The Committee heard how SAFS resources were deployed, including the support given to the council with the administration of various Covid grant schemes, and the twenty fraud and cyber alerts issued to Council Officers in 2021/22.

The Counter Fraud Manager said that the reporting of fraud had declined in 2021/22 compared to previous years, and that it was thought that staff working from home may have resulted in some loss of 'visibility' for SAFS and fraud. In response to this he said that the service was working hard to improve their presence across all council services, and continued to build on the council's anti-fraud culture, including in respect of housing fraud.

The Counter Fraud Manager gave Members an overview of the results achieved by SAFS for 2021/2022, and was pleased to advise the Committee that all but one of the Key Performance Indicators agreed as part of the Plan for 2021/22 had been achieved or exceeded. He concluded by saying that an update of work to date for the first quarter of the year, including the work on revised policies could be seen at page 29 of the report.

The Chairman referred to page 24 of the report and asked if the number of 'failed' referrals by outcome was a typical number. The Counter Fraud Manager said that this was typical, and explained how the service received a lot of referrals which could not be developed due to the sparse information given, or by virtue that they need to be passed onto a different team.

Councillor Bell referred to paragraph 4.3 on page 29 of the report, and asked if the estimated fraud loss attributed to the allegations received by the service was proportionate to a council similar in size to East Herts. The Counter Fraud Manager said that it was comparable, and explained that the use of estimates was a good way for SAFS to identify the differences in the types of fraud being suffered by councils and therefore the areas which required work.

Councillor Fernando asked for clarification of paragraph 2.33 on page 27 of the report. The Counter Fraud Manager apologised for a typing error in this paragraph, and confirmed that the word 'good' needed to be removed from the first sentence. He said that

East Herts had not used the Council Tax Review Framework in 2021/2022 and so would not to be charged for this.

The Chairman asked about the Council's money laundering policy. The Counter Fraud Manager said that this was one of the policies being worked on. He explained that councils do not have to have a money laundering officer, but that this was best practice. He said that the use for such an Officer was minimal but the training overwhelming, and that SAFS were to take over this function. The Counter Fraud Manager gave examples of scenarios where the council may encounter potential money laundering situations.

The Chairman congratulated the Counter Fraud Manager for his report. He summarised that Members had had an opportunity to examine and comment on the work done in 2021/2022 to combat fraud, and to review the performance of SAFS in meeting its key performance indicators.

RESOLVED – that the report be considered and received.

105 SHARED INTERNAL AUDIT SERVICE - PROGRESS REPORT

The Shared Internal Audit Manager introduced the report, advising Members that it was the first progress report for 2022/2023. He said that there had so far been no changes to the audit plan. He listed the reports key points, and referred to the two high priority outstanding items as detailed in Appendix B. He said that an update would be circulated by email to Members in the next few days.

The Chairman thanked the Shared Internal Audit Manager for his report. He said that the council was broadly where it should be for the time of year, and asked if technology was being used to streamline processes. The Shared Internal Audit Manager said that data analytics had been embedded into their work, but were best used on audits which had a large data set. He said that they were currently a few audits behind the work programme due to recruitment/retention challenges, which was an issue for many audit services.

The Chairman said that it was good that there were no other high/critical actions outstanding. The Shared Internal Audit Manager said that there was work in progress with regards to cyber security, for which management response had just been received. He said that this would therefore be circulated to Members shortly.

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

(B) that the status of the critical and high priority recommendations be noted.

The Head of Communications, Strategy and Policy introduced the report, outlining the Community Asset Register and its associated legislation. He said that it was good practice for the Committee to have an oversight of the register, and explained how it protected communities from losing their local assets.

The Head of Communications, Strategy and Policy said that at the time of writing the report there were twenty six Assets of Community Value in East Herts. There had now been one change to this, as the owner of the Countryman Inn had since given notice to sell. He referred to paragraph 2.15 of the report which detailed five further assets which were in the process of being registered and explained that Ley Parkland in Much Hadham was now unfortunately null and void.

The Chairman asked if Members were being advised when an asset was listed or renewed. The Head of Communications, Strategy and Policy said that there was a recommendation made at last year's meeting to alert Members when an asset in their Ward was renewed or listed. He said that this was now happening.

The Chairman thanked the Head of Communications, Strategy and Policy for his comprehensive report, and confirmed that it was useful for the Committee to see this once per year. He summarised that Members had had an opportunity to examine and comment on the Assets of Community Value Report 2022.

RESOLVED – that the report be considered and received.

107 AUDIT AND GOVERNANCE WORK PROGRAMME

The Chairman said that the Work Programme did not appear to have altered since the last meeting of the Committee. He said that the final audit accounts had not been available at the meeting, and so it was assumed they would be received in time for the September agenda and feature alongside the relevant training.

The Chairman noted that there was currently no training programmed for the meeting of the Committee in November, and he asked for any suggestions from Members as to what was required. The Shared Internal Audit Manager suggested that cyber security was a training option, and stated that he would make enquiries regarding who could provide this. The Chairman said that this would be useful and asked for this training request to be noted.

It was moved by Councillor Bell 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 Work Programme, as detailed in the report be approved;

(B) that any training requirements be specified.

108 URGENT ITEMS

There were no urgent items.

The meeting closed at 8.07 pm

Chairman

Date

MINUTES OF A MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE
HELD IN THE COUNCIL CHAMBER,
WALLFIELDS, HERTFORD ON THURSDAY 29
SEPTEMBER 2022, AT 7.00 PM

PRESENT: Councillor M Pope (Chairman)
Councillors A Alder, K Crofton and
A Huggins

ALSO PRESENT:

Councillor P Ruffles

OFFICERS IN ATTENDANCE:

Michele Aves	- Democratic Services Officer
Peter Mannings	- Democratic Services Officer
Steven Linnett	- Head of Strategic Finance and Property
Helen Standen	- Deputy Chief Executive
Alison Street	- Finance Business Partner

160 APOLOGIES

Apologies for absence were submitted on behalf of Councillors Bell, Fernando and Ward-Booth.

161 MINUTES – 19 JULY 2022

The Minutes of the meeting held on 19 July 2022 were unable to be confirmed as a correct record and signed by the Chairman as the Members present were not in attendance at the meeting.

The Chairman therefore deferred the approval of the Minutes of the meeting held on 19 July 2022 to the next meeting of the Committee, to be held on 15 November 2022.

162 DECLARATIONS OF INTEREST

There were no declarations of interest.

163 CHAIRMAN'S ANNOUNCEMENTS

The Chairman reminded all participants to kindly use their microphones when speaking as the meeting was being webcasted.

164 TRANSFORMING EAST HERTS PROGRAMME - FULL BUSINESS CASE REPORT

The Head of Strategic Finance and Property introduced the report, which was approved by the Executive in July 2022 and sets out the Transforming East Herts Business Case, principally for the new Customer Service Model/ Customer Relationship Model (CRM).

The Head of Strategic Finance and Property said that there were currently only four functions which could be completed by customers online. He said that this

was not customer friendly (especially to those who were shift workers), raised the burden on council resources and increased the council's telephone call volume.

The Head of Strategic Finance and Property said that the council could not afford to provide more staff to answer telephone calls, and that currently only seven in every ten calls were targeted to be answered. He said that taking advantage of automation would not only free up resources but would also allow those who were unable/ did not wish to transact online to get through to the council by telephone.

The Head of Strategic Finance and Property said the investment would also see the council's financial and telephony systems move to the Cloud. This would eliminate the need for the double keying seen in the current procurement system and allow staff to answer the telephone from any location via 'soft phones' on their laptops. He said that taking advantage of technology would make the council more efficient and effective.

The Deputy Chief Executive told the Committee of her recent experience of moving house from East Herts and into another district. She said that the East Herts online form which she completed covered only one service area and asked her for irrelevant information. She said that in contrast the CRM used by her new authority was seamless, linking services and giving automated confirmation and advice. The Deputy Chief Executive said that this seamless CRM experience was what was wanted for the residents of East Herts. She acknowledged that such a system would require an

initial investment but said that she believed a CRM was needed to enable the council to offer a better service to its customers going forward, allowing those who could self-serve to do so twenty-four hours a day and those who were unable to, or who did not wish to self-serve to get through to the council via the telephone.

The Head of Strategic Finance and Property said that the use of a CRM was not new, having been implemented at many councils following austerity. He said that fundamentally a CRM gave better value for money, giving better customer service at a price which the council could afford. He reiterated that it was not good enough that currently three in every ten customers did not get their telephone calls answered, and that it was not viable to employ more staff to answer the current call volume.

Councillor Huggins said that all Members agreed that there was a need to modernise, but this should not be at the expense of flexibility. He said that the CRM vision was good but that he was worried about the loss of human interaction and people getting lost in the system. He urged simplicity, with close monitoring of the new system, including the inclusion of key performance indicators in reports.

Councillor Alder asked how confident officers were that customers would get answers to and be able to progress with queries when using the CRM. She said that it was important not to forget those who were unable to use such engagement and asked if all human contact would be lost under the new system. Councillor Alder asked how confident officers were

that the system would not break down and asked how residents would be made aware of the new system, adding that the public must also know the thinking behind the new system and be able to give feedback.

The Head of Strategic Finance and Property said that as well as online self-service being available to customers 24/7 there will also be a staffed contact centre. He said that the system is trackable and will be co-designed with members of the public. He advised that the CRM will be delivered by the major supplier used by many local authorities and the entire Gov.uk website, which is reliable with a Cloud up time of 99.9 percent.

The Head of Strategic Finance and Property said that the CRM is flexible in design and would integrate with back-office systems enabling quicker and more efficient processes and reducing repeat avoidable contact. For example, it would reduce the current time to complete a bulky waste collection request from twelve and a half minutes to three – four minutes. He said that this in turn would give capacity to deal with more telephone calls, eighty percent of which are estimated to be answered within twenty seconds under the new system.

The Head of Strategic Finance and Property said that he and the Deputy Chief Executive had already implemented CRMs at different councils. He gave Kirklees Council and Brighton and Hove City Council as examples of authorities which were successfully using CRMs from the proposed supplier.

The Deputy Chief Executive said that the CRM would

be set up to send the customer and an email or text at the end of the transaction. This would outline the customer's query, give any further information/signposting and ask the customer if their query had been answered. She said that this gave direct customer feedback, enabling the authority to learn and change/improve services.

The Deputy Chief Executive said that the use of webchat was already being trialled on the council website for some services, and this was successful. She said that customers could opt to be transferred from the webchat bot to an advisor when using this facility during office hours.

Councillor Crofton said that he understood the need to move to a CRM, but that the telephone option must remain for customers who wished to use it. He asked if the current customer telephone helpline could include a queuing system and a call back facility. Councillor Crofton also asked who would implement the CRM and how much it would cost.

The Deputy Chief Executive said that the CRM could be designed as required, from a basic model upwards. She said that the council could learn from Stevenage Council who had insight and knowledge of the system following their CRM implementation approximately a year ago. She said that an East Herts Council officer was seconded to Stevenage during their CRM implementation, and was now back working at East Herts Council.

The Deputy Chief Executive said that there would always be the option for customers to contact the

council by telephone. She said that the current customer helpline did have a message which directed callers to the council website (and this message could be changed) but the system was very antiquated, did not support staff, and did not have the mechanics to enable other options. She said that the current telephone system was due to be upgraded by April 2023, and that both queuing and a call back facility were options which were wanted.

Councillor Crofton asked for the minutes of the meeting to show that this was the direction of travel, and that when the new telephone system was implemented in April 2023 both queuing and call back facilities would be included. The Chairman and Members supported this.

Councillor Alder asked why the telephone system could not be upgraded earlier. The Deputy Chief Executive said that this was not possible as the council was currently in a set contract which was up for renewal with the supplier. She said that as with any large contract there was around a six-month lead in time for negotiations.

The Head of Strategic Finance and Property referred to page 51 of the report and said that the cost of the CRM implementation and Cloud costs would total £702,000, with worst case scenario redundancy costs increasing this figure to £1,602,000.

The Chairman referred to page 27 of the report and asked if the figure of £487,000 related to the costs of only the CRM and not the Cloud costs. The Head of Strategic Finance and Property said that this was

correct.

Councillor Huggins asked if there were any risks of costs increasing should there be delays in implementation, and if the risk register would be updated to include the risks associated with the new systems. The Head of Strategic Finance and Property said that the contract relating to the Cloud financials had already been signed at a substantial discount. He said that the current Advanced E5 financial system was an on-premises server and would remain the same instead hosted securely in the Cloud. He said that he therefore saw the changeover as low risk with functionality remaining the same.

The Head of Strategic Finance and Property said that with regards to the CRM prices were fixed with G Cloud until the end of the framework, with the supplier contract to be signed within the framework period at framework prices. He said that data will be held in the UK on both systems, and that the Risk Register will be updated.

The Head of Strategic Finance and Property assured Members again that there was no intention for the council to remove a customer contact centre, which would be staffed by humans to answer the telephone to customers who wished to communicate in this way.

The Chairman asked Councillor Crofton to recap on his earlier comments regarding the customer telephone line. Councillor Crofton said that he wanted assurance that the telephone system would have both a queuing and call back facility by April 2023.

The Chairman referred to paragraph 2.3.1 of the report and asked what ensuring staff teams were resourced entailed. The Deputy Chief Executive said that the Leadership Team were aware that staff were not currently appropriately resourced due to costs. She said that vacancies had been held as redundancies were unwanted and that this had put pressure on staff. The Deputy Chief Executive said that under the CRM the council will be able to do more with less people, but it was important that there were staff to cover functions going forward. This included staff having the required knowledge, ability and training with turnover kept low and planning in place for succession.

The Deputy Chief Executive said that since April 2022, eleven numbers of staff had been trained across the authority in methodology, looking for waste and improvements to existing services and functions. She said that these staff had been deployed into service areas in which it was thought customer service could be improved. The Deputy Chief Executive said that a decision was now to be made as to if this training was to be rolled out across the organisation.

Councillor Crofton said that it was important that under the CRM checks and balances were in place and asked for assurances that these would be incorporated and managed. The Head of Strategic Finance and Property said that financial control had already been increased. He said that several corporate credit cards had been removed, with more to follow. That there was no longer petty cash within the organisation and that purchase order processes were enforced and rigorously checked. The Head of Strategic Finance and

Property said that further checks would be available when the financial system moves into the Cloud.

The Chairman referred to paragraph 2.3.5 of the report and asked how the council will consult with residents regarding services. The Deputy Chief Executive said that before the CRM is implemented consultation will occur, and the use of focus groups was being considered. She said that ongoing feedback would be gathered via the CRM follow up emails and texts, with the possibility of annual focus groups.

Councillor Huggins said that it was important that those who were less comfortable with using on-line services and required human assistance, for example those with benefit claims, were able to get the one-to-one help they needed. He said that bookable appointments were currently available with the Duty Planning Officer and asked why this was not available across other services. The Deputy Chief Executive said that as part of the response to the pandemic appointments in person and call backs were made available across a number of service areas. She said that these services needed to be publicised and be made available across all services.

The Chairman asked that the assurance from officers that annual focus groups will be used be minuted, and Members supported this. Councillor Huggins said that focus groups needed to be made up of 'real world testing' which recorded the experiences of average mixed ability users.

The Chairman referred to page 18 of the report and asked when and who would undertake the agile

working review. The Deputy Chief Executive said that the review started in April 2021 and was ongoing. She said that the review included the use of the aforementioned methodology trained staff. The Head of Strategic Finance and Property said that the review was looking at internal processes, understanding and challenging behaviours and finding easier and quicker ways of doing things.

Councillor Huggins said that it was vital that Members be given training to give them an understanding and an oversight of changes and agile working to avoid there being a knowledge barrier between themselves and officers. The Deputy Chief Executive agreed with this.

The Chairman referred to page 19 of the report and asked how new ways of working smarter through IT were being identified. The Deputy Chief Executive said that the working relationship with the ICT Service (shared with Stevenage Council) was good, but there were some historical challenges which needed to be rectified. She said that work carried out by 31ten and Ignite had looked at the council's IT processes, and it was being examined if East Herts Council should stay in the Shared ICT Partnership. She said that work carried out with Socitm earlier in the year had given options for the council to consider, and these were being considered by the Joint Information Technology Committee which Members of East Herts Council sit on.

The Head of Strategic Finance and Property said that the future would see more systems move into the Cloud, which was more reliable and enabled staff to

work outside of the hosted desktop.

Councillor Crofton asked if East Herts could use Stevenage's systems and processes as they had already implemented the new system. The Head of Strategic Finance and Property said that many of the new system's standard practices would be adopted, and that there were differences in the systems required/used by the two organisations, for example Stevenage still having ownership of housing stock.

The Chairman asked if staff were embracing the changes. The Deputy Chief Executive said that there had been quarterly briefings where information was given and staff able to ask questions. She said that information was given to staff as soon as possible, and that generally they were supportive. The Deputy Chief Executive said that a Transformation Programme Manager was in place and that a team would be built underneath her.

The Chairman asked if the costs for improving the Council Offices (as mentioned in the report) were yet known. The Deputy Chief Executive said that the results from the building survey were yet to be given. She said that an evaluation of staff needs was also needed to determine what was required from the building before renting out parts of it could be considered. She said that the Council has had interest from people wishing to share space, but future proofing was needed before this happened.

The Chairman said that the Commercial Strategy was mentioned in the report and asked if this could be seen for reference. The Head of Strategic Finance and

Property said the Commercial Strategy could be included on the Agenda of the next meeting of the Committee in November 2022.

Councillor Crofton asked for confirmation of how the changes would be funded. The Head of Strategic Finance and Property said that funding would come from the council's reserves.

The Chairman thanked officers for the report and their input. The Deputy Chief Executive gave thanks to Members for their suggestions which would be used going forward.

It was moved by Councillor Crofton and seconded by Councillor Huggins that the recommendation, as detailed, be endorsed with the additions that:

- The new telephone system (to be implemented in 2023) has both a queueing system and a call back facility.
- That annual focus groups composing of average user real life experiences be used to monitor the CRM

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

RESOLVED – that the Transforming East Herts Full Business Case, as approved by the Executive be endorsed with the additions as listed above.

165 ANNUAL GOVERNANCE STATEMENT 2021/2022

The Head of Strategic Finance and Property briefly

introduced the report for 2021/22 which covered the principles of good governance.

He said that the report included an update on the position of IT, the delay in the National Procurement Strategy and the completion of the Social Value Policy. He said that assurance mapping had proved to be very useful, that Asset Strategy was to be approved, with Commercial Strategy already approved.

The Head of Strategic Finance and Property said that a workforce plan was now in place for the Joint ICT Service, which included a Joint ICT Committee with Member oversight. He said that 2023 would see district elections, with preparations underway for a possible substantial change in membership.

The Chairman said the report was very thorough and useful, he referred to page 96 and asked if the Committee needed to see an assurance map. The Head of Strategic Finance and Property said that there was no visual assurance map, but a summary was included in the internal audit report which had been presented to the Committee.

Councillor Huggins referred to page 95 of the report and asked if clearer timelines could be applied to all of the governance issues which were outstanding. The Head of Strategic Finance and Property said that all items were attempted to be completed within the financial year, but that some issues were beyond his control, for example the delay to the national procurement strategy.

It was moved by Councillor Huggins 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) Members review and comment on the draft Annual Governance Statement for 2021/2022.

166 2021/2022 PROVISIONAL OUTTURN

The Finance Business Partner introduced the report which set out the provisional revenue and capital outturn for 2021/2022. She referred to the provisional £91,000 surplus in revenue and the £4.1 million of budgets to be carried forward to due to slippage on projects.

The Chairman asked for further information regarding the Shared IT Service underspend. The Finance Business Partner said that this was due to projects not being delivered as expected within the year.

Councillor Huggins asked why there was no capital carry forward for the Ward Freeman pool which had seen no spend for the year. The Head of Strategic Finance and Property said that these funds had already been carried forward in full as it was unlikely that Ward Freeman would have had a spend for this year. He said that this could be seen in the Capital Programme for next year, as approved in March.

The Chairman referred to page 9 of the report and asked if the underspend reported against the net cost of services was a symptom of posts being unfilled due

to possible changes. The Deputy Chief Executive said that any non-essential posts had not been filled to avoid possible redundancy costs. She said that short term contracts had been used rather than filling vacancies with contractors as this was cheaper and also managed people's expectations.

The Chairman asked if the level of grant funding seen on page 9 of the report was normal. The Finance Business Partner said that the level of grants received by the council changed every year and this made budgets difficult to set. She said that recent times had been very different due to Covid.

The Chairman asked if the projected decrease in business rates income were a concern. The Finance Business Partner said that the additional Section 31 Government grants were not counted as business rates income.

It was moved by Councillor Alder 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 General Fund Revenue Outturn of £91k underspend to be transferred to the general reserve be noted.

(B) that capital budgets of £4.1 million are recommended to be carried forward to 2022/23 to fund ongoing capital schemes.

FORECAST TO YEAR END

The Business Finance Partner introduced the report, which forecast an overspend due to an increase in inflation.

The Chairman asked if the increase in interest rates for borrowing referred to in the report related to future borrowing. The Business Finance Partner said this related to the short-term borrowing which had already been entered into to fund capital commitments. Explaining that these borrowing rates had increased from what was budgeted for.

The Head of Strategic Finance and Property said that Treasury advice was to currently borrow short term (which was defined as 364 days or less) with other Local Authorities to avoid locking into long-term loan agreements. He said that the council sometimes acted as a lender itself dependent on its cash flow position, and that the increase in interest rates would also see an increase in the return on the council's investments.

The Chairman asked for an update on the council's aged debtors. The Business Finance Partner said that these debts continued to be monitored by officers, which had reduced by nearly £500,000 since March. She said that some of these debts were unrecoverable and provision had been made to cover these.

The Head of Strategic Finance and Property said that a restructure in the Finance Department would see jobs created in credit control, bringing back debtors from service areas to speed up processing and allow monitoring in house. He said that debt instruction

through the Credit Protection Association cost £15.00 per case and had proved successful in the past.

The Chairman asked when these changes relating to debtors would happen. The Head of Strategic Finance and Property said that the income management system needed to be changed and this was not wanted mid-year. He said that he was aiming for change to take place in April 2023 but it was more likely this would be April 2024.

Councillor Crofton asked why the council was not using alternative debt collectors. The Head of Strategic Finance and Property said that the council's debts were all different, with some requiring specialist recovery, for example benefit debts were recovered by the Department for Works and Pensions via a debtor's ongoing benefit entitlement.

The Chairman referred to page 20 of the report and asked if the income received from Hertfordshire County Council in connection with landfill diversion could be quantified. The Finance Business Partner said that the amount of income received would be dependent on tonnages for all districts and can therefore vary.

The Chairman asked for a general outline of the council's reserves. The Finance Business Partner said that the council held sufficient reserves, and that there were no specific comments regarding the reserves from auditors.

The Chairman asked if the predicted overspend could increase. The Finance Business Partner said that this a

possibility, with Quarter 2 monitoring to begin next week. She said that officers would be in a better position to update Members following this.

RESOLVED – that the Financial Management 2022/2023 – Quarter 1 Forecast to Year End Report be received.

168 STRATEGIC RISK REGISTER – MONITORING – QUARTER 1 2022/23

The Head of Strategic Finance and Property introduced the report and welcomed questions from Members.

The Chairman said that the report showed that there had been few changes since the Committee last saw the Risk Register. He referred to page 104 of the report and asked if cyber related risks should be moved into the right-hand box of the matrix which housed the highest risk items. The Deputy Chief Executive said that the council was very well protected against cyber-attacks, with regular attempts being stopped. She said that it may be useful for Members to receive an update on failed cyber-attacks, to demonstrate how well the council was mitigated.

The Head of Strategic Finance and Property said that as the category which included cyber-attacks was already in the red zone of the matrix they were constantly monitored by Leadership Team.

The Chairman asked if emerging risks should have a section on the risk register. The Head of Strategic Finance and Property said that he would give this

consideration.

It was moved by Councillor Alder 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 Quarter 1 Strategic Risk register be reviewed, and officers advised of any further action that could be taken to manage risk.

169 AUDIT AND GOVERNANCE WORK PROGRAMME

The Head of Strategic Finance and Property introduced the report, giving an overview of the Work Programme and his hopes that the agenda for the November meeting of the Committee would include the Auditor's Accounts, and the Member training to accompany these.

He said that a letter had been received from the Auditor advising that the accounts would not be issued by 30 September 2022, although reasons for this delay had not been given. The Head of Strategic Finance and Property told the Committee that this letter had been published to the council's website as was required.

The Chairman advised the Committee that the Auditor's letter would be circulated by email to Members after the meeting by the Democratic Services Officer.

The Chairman asked the Head of Strategic Finance and Property for an update on the Public Sector Audit

Appointments (PSSA). The Head of Strategic Finance and Property said that ninety five percent of procurement was out to tender, with the more difficult cases struggling to engage auditors.

The Chairman referred to the meeting of the Committee on 19 July 2022 where a desire for cyber training for Members was expressed, as recorded in the minutes. He said that the Internal Audit Manager had said that he would make enquires regarding such training and asked if cyber training could be fitted into the Work Programme, possibly at the meeting of the Committee in June 2023. Members supported this request.

It was moved by Councillor Huggins and seconded by Councillor Crofton 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 set out in the report be approved; and

(B) that any training requirements be specified.

170 URGENT ITEMS

There were no urgent items.

The meeting closed at 9.14 pm

Chairman

Date

East Herts Council Report

Audit & Governance Committee

Date of meeting: 15 November 2022

Report by: Councillor Jan Goodeve – Executive Member for Planning & Growth

Report title: Section 106 Update Report

Ward(s) affected: All

Summary

- This report provides Committee Members with information on the 'Infrastructure Funding Statement Report 2021/22' prior to publication, along with an update on the collection and allocation of Section 106 contributions, potential legislative changes and the additional work undertaken by the Infrastructure Contributions & Spend Manager.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE:

- (a)** To note and comment on the annual 'Infrastructure Funding Statement 2021/22' report, the update on the collection and allocation of Section 106 financial contributions and the work of the Infrastructure Contributions and Spend Manager.

1.0 Proposal(s)

1.1 As above.

2.0 Background

2.1 Since September 2019 an annual update report has been compiled by the Infrastructure Contributions & Spend

Manager to provide information on Section 106 financial contribution collection and allocation, including changes to legislative requirements and reporting requirements. Copies of these previous reports can be found on the Council's website:

- Performance Audit and Governance Oversight Committee 2019 [report](#)
- Audit & Governance Committee 2020 [report](#) - including the initial Infrastructure Funding Statement
- Audit & Governance Committee 2021 [report](#) – including the second Infrastructure Funding Statement

2.2 The November 2022 report to the Audit & Governance Committee provides the latest update, including the third annual “Infrastructure Funding Statement” and information on the collection and allocation of Section 106 financial contributions, potential changes to Section 106 legislation and the ongoing work of the Infrastructure Contributions & Spend Manager.

3.0 Reason(s)

3.1 As requested, and in line with Legislative requirements, this report provides an overview of the third annual ‘Infrastructure Funding Statement 2021/22’ prior to its publication on the council’s website – see **Appendix A – East Herts Council Annual Infrastructure Funding Statement 2021/22**. Further information is provided in this report on the ongoing identification, collection and allocation of East Herts Section 106 financial contributions, potential legislative changes and the additional work undertaken by the Infrastructure Contributions & Spend Manager.

- 3.2 Members should also note that in line with the council's key priorities, work is being undertaken with fellow Officers and external organisations to promote sustainability and secure this approach in any new Section 106 funding bids to assist with the aim of being carbon neutral by 2030.

Infrastructure Funding Statement 2021/22

- 3.3 The third annual 'Infrastructure Funding Statement 2021/22' report and the three (3) required CSV files have been compiled by the Infrastructure Contributions & Spend Manager in line with the Legislation requirements of the Community Infrastructure Levy (Amendment) (England) (No 2) Regulations 2019) and will be published on the dedicated [Infrastructure Funding Statement webpage](#) in December 2022.
- 3.4 The 'Infrastructure Funding Statement 2021/22' provides a summary of new Section 106 legal agreements signed, along with detailed information on financial contribution income and expenditure, and projects funded in the financial year 2021/22. In line with the Legislation, it also includes information on Section 106 financial contribution collection and allocation for previous financial years.
- 3.5 Members are invited to comment on the 'Infrastructure Funding Statement 2021/22' report attached as **Appendix A**.

Update on Section 106 contribution identification, collection, and allocation:

- 3.6 Details are provided below on the work undertaken by the Infrastructure Contributions & Spend Manager to secure financial contributions and identify projects for inclusion in new Section 106 agreements, the ongoing collection and

allocation of triggered financial contributions.

- 3.7 The Infrastructure Contributions and Spend Manager continues to ensure that all Section 106 agreements are identified and updated on the 'Master Section 106 Contributions Spreadsheet' to ensure a single central record is maintained on held and future contributions, and this information is updated on the Development Management module of the Uniform IDOX system.
- 3.8 Information on Section 106 agreements, the annual Infrastructure Funding Statement and how to apply for funding for projects is now available on a dedicated [Section 106 funding](#) webpage.
- 3.9 New Section 106 Agreements and Contributions - Members will be aware that Section 106 contributions cannot be an income source for the council, as all identified contribution uses must conform with the three tests set out in Regulation 122 of the Community Infrastructure Levy (CIL) Regulations 2010 to be included in any new Section 106 Agreement.
- 3.10 The Infrastructure Contributions & Spend Manager continues to work pro-actively with Senior Planning Officers on all potential new Section 106 Agreements from forthcoming developments. As planning applications progress to approval, work is undertaken with individual Senior Planning Officers and developers to ensure that all potential identified contribution obligations are appropriate, compliant, and sustainable, and have identified allocation uses. This can involve significant negotiations and in some cases changes to individual contributions, such as Affordable Housing requirements, following viability reports.
- 3.11 Further information on the Section 106 contribution

requirements typically required from developments meeting the threshold for Section 106 contributions can be found in the attached **APPENDIX B – Typical Section 106 Requirements – October 2022**. The specific Supplementary Planning Documents (SPD's) and the associated calculation spreadsheets can be found on the [Planning Policy Supplementary Planning Documents](#) webpages.

- 3.12 In addition, the [‘Making a Planning Application’](#) webpage has further information on planning obligations and contribution requirements and a template Section 106 Agreement.
- 3.13 To assist with the creation of new legal agreements, a list of potential projects for inclusion in future Section 106 agreements has been created with input from Officers, Members, Town and Parish Councils along with many local groups and organisations. This ensures that any projects / groups identified for inclusion and funding in new Section 106 agreements are appropriate and provide a sustainable use of the received contributions, and that all parties are happy.
- 3.14 To facilitate the funding of council projects, fellow Officers are consulted on their potential projects and associated future funding requirements. This information is collated and used to assist Planning Officers with their pre-app discussions and Section 106 agreement negotiations with developers. Officers are also advised of the anticipated timescale for the receipt of identified Section 106 contributions to allow for capital programme planning and staffing allocation.
- 3.15 Significant work continues to be undertaken with the Legal Team prior to the confirmation of any new Section 106 agreements, to ensure that the individual contribution

wording allows for a spread of named projects to ensure resilience and that the funding is still useable should the individual project circumstances change.

- 3.16 Hertfordshire County Council (HCC) is responsible for the identification, collection and calculation of indexation on any contributions due directly to them – the [Guide to Developer Infrastructure Contributions](#) provides an overview of planning obligations HCC may seek as part of the planning process. It was approved for usage in July 2021 and replaces the previous ‘Planning Obligations Guidance – Toolkit for Hertfordshire’ (2008).
- 3.17 Indexation of East Herts Section 106 financial contributions – all financial contributions listed in any new Section 106 Agreements are subject to indexation. This indexation is calculated by the Infrastructure Contributions & Spend Manager from the base indexation date set out in the legal agreement to the payment trigger date for each contribution payable to East Herts Council using the identified Index.
- 3.18 East Herts Council Section 106 contributions are normally subject to Retail Price Indexation (RPI) – this provides for an increase of the base amount of the contribution in line with inflation. It is worth noting that the RPI index essentially does the same job as the Consumer Price Index (CPI) but typically tracks slightly higher, so the indexation figure produced is greater.
- 3.19 The calculated indexation is added to the original contribution amount when the specific trigger for payment is reached. The individual Section 106 Agreement set out the exact contribution amount and payment triggers of the specific contribution requirements and obligations.

3.20 **Appendix B** provides details on the typical Section 106 requirements from major developments, but the table below sets out which index and base date applies to the standard Section 106 financial contributions payable to East Herts Council:

Contribution Obligation & Policy	Index & Base Date of Index	Payment due / Timing
Affordable Housing Commuted Sum in lieu of on-site provision (EHDC) – HOU3	RPI - [month and year of committee resolution]	First Occupation
Allotments (EHDC) – CFLR1	RPI – May 2020	First Occupation
Bowls (EHDC) – CFLR1	RPI – May 2020	First Occupation
Cemeteries (EHDC) - CFLR1	RPI - [month and year of committee resolution]	First Occupation
Children’s Play and Provision for Young People (EHDC) – CFLR1	RPI – May 2020	First Occupation
Council Contributions Monitoring (EHDC)	RPI - [month and year of committee resolution]	On Commencement
Fitness Gyms (EHDC) – CFLR1	RPI – May 2020	First Occupation
Health Facilities <i>(collected on behalf of the Hertfordshire and West Essex Integrated Care Board (ICB))</i>	RPI - [month and year of committee resolution]	First Occupation
Natural and Semi-natural Green Space (EHDC) CFLR1	RPI – May 2020	First Occupation

Contribution Obligation & Policy	Index & Base Date of Index	Payment due / Timing
Outdoor Tennis (EHDC) – CFLR1	RPI – May 2020	First Occupation
Parking (EHDC) – TRA2	RPI - [month and year of committee resolution]	First Occupation
Parks and Gardens and Amenity Green Space (EHDC) – CFLR1	RPI – May 2020	First Occupation
Playing Pitches (EHDC) – CFLR1	RPI – May 2020	First Occupation
Recycling (EHDC) – 2 of the Herts Waste Development Framework	RPI – October 2008	First Occupation
Sports Halls – EHDC) – CFLR1	RPI – May 2020	First Occupation
Studio Space (EHDC) – CFLR1	RPI – May 2020	First Occupation
Swimming Pool (EHDC) – CFLR1	RPI – May 2020	First Occupation
Village Hall & Community Centre (EHDC) – CFLR7	RPI – May 2020	First Occupation

3.21 All current Section 106 agreements and their associated developments are actively monitored by the Infrastructure Contributions and Spend Manager to ensure that contribution payment trigger points are identified in a timely manner. Significant work is undertaken to confirm and calculate the indexation to be added to the individual contributions when triggered for payment and to ensure that they are collected on time. Because of this proactive engagement with developers, the payment of triggered contributions is now undertaken via

the issuing of individual Demand Notices rather than the issuing of invoices. These Demand Notices set out the contributions and indexation due when the contributions are triggered and allow for an easier payment process for both the developer and the council. Once received the contributions are added to the Master Section 106 Spreadsheet with individual budget codes created in collaboration with the Finance Team. This allows for the identification of individual contributions when they are allocated to their required use / project.

- 3.22 Late Payment of Section 106 Contributions – all new Section 106 Agreements contain a clause to cover any late payment of contributions by the developer. The standard wording for this clause stipulates that compound interest will be added to the overdue indexed contributions and will be calculated at 4% above the Base Rate of the Bank of England from the date the payment was due to the actual date of payment.
- 3.23 However, no late payment fees have been charged since late 2019 following a review of all current agreements and the proactive engagement with Developers by the Infrastructure Contributions & Spend Manager.
- 3.24 Procedure for allocation of received contributions by the Infrastructure Contributions & Spend Manager – once the triggered contributions (with the added indexation) have been received, the named recipient(s) are contacted and if they are able to progress the works outlined in the individual contribution wording, they are invited to complete the standard Section 106 funding application. Note: Every contribution now has an identified use / named recipient to comply with current Legislation.

- 3.25 If the recipients are not able to take their projects forward at this point, there is usually ten years from actual receipt date for them to use the contribution. This allows recipients time to plan the projects / works and obtain the necessary paperwork and permissions to back up their funding applications.
- 3.26 On receipt of the completed application form, along with copies of at least three quotations for the project / works to be funded by the Section 106 contribution and copies of any other permissions needed such as planning permission, the application is put forward by the Infrastructure Contributions & Spend Manager for review and approval. Once reviewed, approved, and signed off by the Infrastructure Contributions & Spend Manager, Senior Officers and the Executive Member for Planning & Growth, the funds are transferred on receipt of a signed Use Agreement Form.
- 3.27 The Use Agreement Form ensures that the funding is used by the recipient as per the contribution wording in the Section 106 Agreement and allows the council to reclaim the funds if they are mis-spent / not used in accordance with the individual legal agreement.
- 3.28 Ward Members are always informed of any successful funding applications from Section 106 contributions collected from developments in their area. Ward Members are actively encouraged to put forward projects / organisations in their area that would benefit from potential Section 106 funding. However, Members should be aware that any potential Section 106 funding is dependent on the approval of the associated planning applications for the proposed developments in their area or Ward.
- 3.29 This may seem to involve lots of paperwork, but it is a fair and

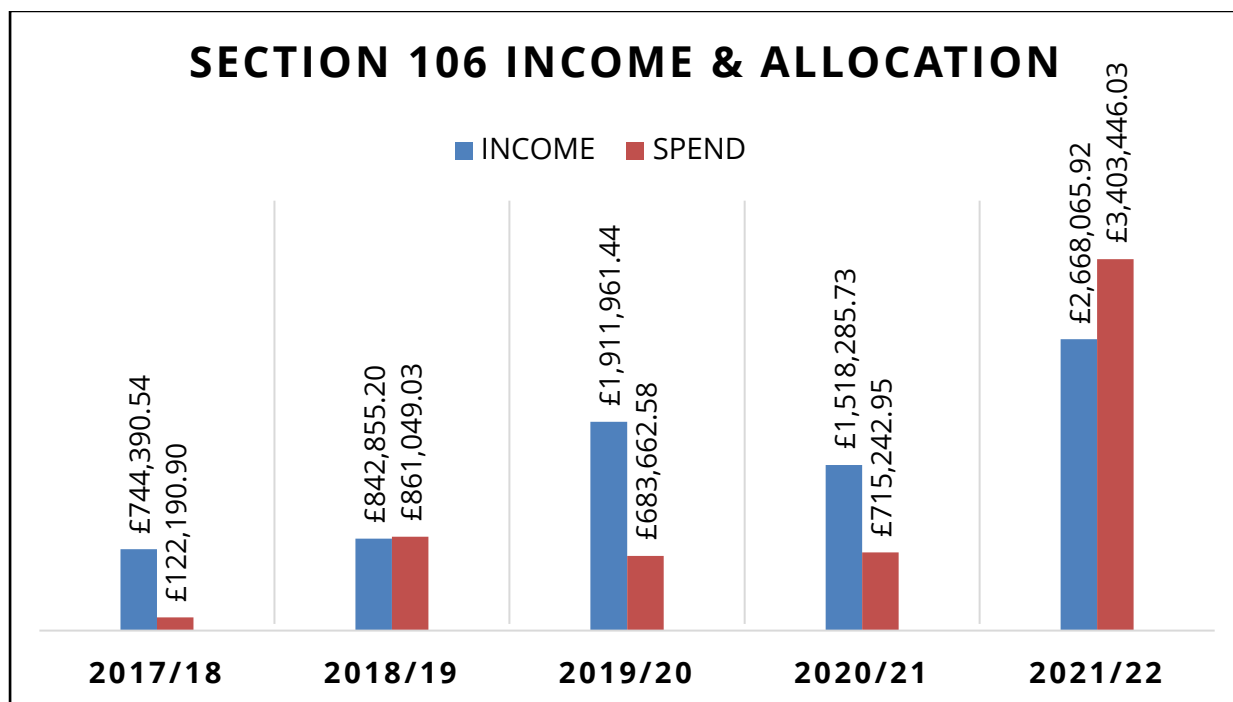
transparent process which is in line with the financial regulations and audit procedures of the council.

Update on Section 106 contributions in 2021/22

- 3.30 The Infrastructure Funding Statement 2021/22 (**Appendix A**) provides detailed information on the collection and allocation of East Herts Section 106 contributions in the last financial year. A snapshot of the financial highlights from the Infrastructure Funding Statement is provided below.
- 3.31 Total Section 106 income & expenditure - Members should note the following information on the total received Section 106 income & expenditure from 01/04/1996 up to 31/03/2022:
- Received contributions - £14,770,631.90
 - Spent contributions - £8,839,065.29
 - Allocated contributions* - £5,725,171.67
 - Unallocated contributions**- £206,394.94
- 3.32 *Allocated contributions include contributions identified for future allocation/transfer to Revenue Budgets for ongoing maintenance, Capital Budgets for major projects, Affordable Housing, specific named uses / projects and for transfer to external bodies (e.g., NHS via the Hertfordshire and West Essex Integrated Care Board).
- 3.33 **Unallocated contributions are available for internal and external funding application bids with certain caveats. Work is ongoing to identify projects to fit with these contributions.
- 3.34 Members will be aware that legal advice has confirmed that all Section 106 contributions can only be allocated in accordance with the specified contribution use wording in the individual legal agreement and within the vicinity of the associated

development. Any deviation or non-conforming use may be subject to challenge and potential reclaim by the developer.

3.35 Section 106 Income & Allocation over the last five (5) financial years - The graph below provides information on the total Section 106 contributions received and allocated by the council over the last five (5) financial years:



3.36 Members should note that the 2021/22 figures include:

- £2,668,065.92 collected from contributions triggered from thirty-six (36) contributions from seventeen (17) individual Section 106 Agreements.
- £3,403,446.03 allocated to twenty-seven (27) individual projects or uses from sixty-six (66) received contributions from forty-two (42) individual Section 106 Agreements.

Update on Section 106 Contributions in 2022/23:

3.37 Information has been provided on Section 106 contributions identified and allocated for spend / transfer in the 2022/23

financial year (01/04/2022 to September 2022):

- £738,370.42 has been collected to date as contributions triggered from three (3) separate developments.
- £618,344.91 identified for allocation / transfer in 2022/23 to date*.

3.38 *This includes the transfer of £180,828.09 health contributions collected by the council on behalf of the Hertfordshire and West Essex Integrated Care Board (formerly the CCG) for surgery expansions in Bishop's Stortford and Puckeridge. Plus, the use of £348,028.22 held Affordable Housing contributions to support a new Network Homes sheltered housing project in Bishop's Stortford and £65,988.60 maintenance contributions to support ongoing grounds maintenance of greenspaces previously adopted by the council.

3.39 More detailed information on the all-new Section 106 agreements, contribution receipts and allocations for 2022/23 (this financial year) will be provided in the next Infrastructure Funding Statement which will be reported on and published in December 2023.

3.40 Allocation of held Section 106 funding – Significant work is ongoing to confirm the allocation of Section 106 contributions for identified purposes / projects and organisations once triggered and received.

3.41 This currently includes collaborative work with Hertford, Ware and Buntingford Town Councils on the implementation of children's play and sports projects to be funded with identified Section 106 contributions. Plus, work with fellow Officers on the use of held contributions for biodiversity and sustainability projects, as well as on specific play area and open space improvements across the District.

- 3.42 Funding of council services and projects - Members should note that certain services and major council capital projects also have Section 106 contributions allocated to them in both historic and new Section 106 agreements. Information on Section 106 contributions which has been allocated to council projects and services in previous financial year is provided in the Infrastructure Funding Statement 2021/22 (**Appendix A**).
- 3.43 Work is ongoing with fellow Officers to identify all potential Section 106 funding available to support current and future council projects. Information is provided below on anticipated Section 106 funding identified and allocated for specific East Herts Council capital projects. This will be used to fund these services and projects directly or to offset council borrowing when the contributions are triggered for payment.
- 3.44 Examples of Section 106 funding anticipated to be triggered over the next few years for major council projects:
- New Grange Paddocks Leisure Centre - £1,378,886.00
 - Hartham Leisure Centre Refurbishment- £304,211.00
 - Castle Park, Bishop's Stortford (cycle routes & footpaths) - £561,839.85
 - Pinehurst Community Centre Refurbishment - £152,467.86
 - Hertford Castle Gardens grounds - £17,942.47
- 3.45 In addition to funding council capital projects, specific Section 106 contributions are used to fund the provision of refuse and recycling containers to new properties on the associated developments. In 2021/22 a total of £56,784.22 was collected and allocated to the Waste budgets for this provision. Further funding for this use is anticipated as the major developments reach completion and residential occupation.

- 3.46 Transfer of collected Section 106 contributions - East Herts Council also acts as the collection authority for NHS health contributions on behalf of the Hertfordshire and West Essex Integrated Care Board (ICB). Significant work is undertaken with colleagues at the ICB to ensure the timely collection and transfer of these contributions.
- 3.47 In addition, East Herts Council also acts to collect and then transfer financial contributions due to Hertfordshire County Council from developments where the county council is the landowner.
- 3.48 Unallocated Section 106 contributions - Significant work has been undertaken to identify and allocate all historically unspent Section 106 contributions to potential projects that would benefit from this funding which comply with the individual contribution use.
- 3.49 Work is ongoing with the Environmental Sustainability Co-ordinator and the Sustainability Policy and Projects Officer to identify contributions that could be used to support both internal and external sustainability and biodiversity projects. This collaborative approach is also being used to provide sustainability advice to potential Section 106 funding applicants. For example, the potential for solar panels and electric vehicle charging points installation at community centres and village halls across the District.
- 3.50 Work is also being undertaken with the Parking Services Manager to identify and use any Section 106 contributions specifically for residential parking and traffic regulation orders. The Infrastructure Contributions & Spend Manager also works closely with colleagues at Hertfordshire County Council and attends the quarterly Officer Delivery Group to

ensure effective collaboration on the use of transport contributions held by the county council.

Potential legislative changes

- 3.51 As Members will be aware, Central Government consulted on potential changes to the planning system in summer 2020 through the Planning for the Future (2020) White Paper. Radical reforms were proposed, including the replacement of Section 106 and Community Infrastructure Levy (CIL) developer contributions with the introduction of a new Infrastructure Levy (IL).
- 3.52 However, these reforms were heavily criticised and, rather than proposing them in a separate Planning Bill, less radical changes to the initial proposals have recently been announced as part of the [Levelling Up and Regeneration Bill](#) (introduced to Parliament on 11 May 2022 and now at the Committee Stage).
- 3.53 The Levelling Up and Regeneration Bill still proposes to implement a new Infrastructure Levy, which put simplistically, will be a locally-set, mandatory charge levied on the final value of development and applied above a minimum threshold. It will replace the existing system of the Community Infrastructure Levy (CIL) and Section 106 agreements.
- 3.54 However, it should be noted that the Levelling Up and Regeneration Bill proposes that there will continue to be a more narrowly targeted role for Section 106 Agreements. They will continue to have a role in supporting the delivery of the largest sites and on sites where infrastructure integral to the operation of a development needs to be provided (for example flood mitigation measures). The continued use of Section 106 agreements will ensure there is a provision of in-

kind infrastructure, Affordable Housing, or funds to ensure the successful delivery of the project, (which will be the same amount as would have been secured under the Infrastructure Levy).

- 3.55 Full information on the proposed Infrastructure Levy can be found in The Levelling Up and Regeneration Bill – (see [Part 4, Clause 113](#) on page 131 of the Bill for the specific details). The accompanying Explanatory Notes provide further information on the Infrastructure Levy proposals in the Bill – (see page 110 of the [Explanatory Notes](#)).
- 3.56 Once the legislation is passed, the Infrastructure Levy charging authorities (generally the Local Planning Authority) will be required to charge the Infrastructure Levy, which will have Charging Schedule rates set as a percentage of gross development value rather than based on floorspace. But it should be noted that it is intended that the Infrastructure Levy will be introduced over time to allow a “test and learn” approach to the new regulations. Therefore, it is not anticipated to be introduced to East Herts for a while and we will continue to use Section 106 for the foreseeable time.
- 3.57 Further information will be provided to Members once details on the final Bill and associated new Regulations, along with the expected timescale for implementation, are available.
- 3.58 September 2022 Fiscal Statement – Members should note that the Chancellor announced changes to the planning system in England in the ‘mini budget’ on 23 September. These include changes to onshore wind planning policy and the creation of “Investment Zones”. The proposed “Investment Zones” will benefit from tax incentives, planning liberalisation and wider support for the local economy. However, the announced 38

“Investment Zones” do not include any in Hertfordshire, and so will not apply to East Herts Council.

Section 106 income generation and information requests

3.59 Monitoring Fee Income - the inclusion of a Monitoring Fee Contribution in new Section 106 agreements, following a change in the legislation in 2019, has generated significant income totalling £26,950.81 to date, which is fed back into the planning budget.

3.60 This Monitoring Fee income is itemised per financial year below:

- 2019/20 - £3,100
- 2020/21 - £9,336.99
- 2021/22 - £14,513.82

3.61 Section 106 Contribution Status Confirmation - Income continues to be generated from the provision of Section 106 status confirmation letters to solicitors and housing associations – the fee charged for this increased to £94.00 per enquiry response in April 2022. This income is itemised per financial year below:

- 2019/20 – £2,229.00
- 2020/21 – £2,693.00
- 2021/22 - £4,809.30
- 2022/23 – £1,786.00 (nineteen confirmations to date)

3.62 Section 106 information requests - In the previous 12 months the Infrastructure Contributions & Spend Managers has responded to two Freedom of Information (FOI) request and two Member inquiries (via “Infreemation”) regarding Section 106 contribution collection and allocation.

4.0 Options

- 4.1 Members are invited to note and comment on the 'Infrastructure Funding Statement 2021/22' report, and on the ongoing work of the Infrastructure Contributions & Spend Manager.

5.0 Risks

- 5.1 The 'Infrastructure Funding Statement Report 2021/22 must be published on the East Herts website before 31/12/2022. To not do so would put the council in contravention of the Community Infrastructure Levy (Amendment) (England) (No 2) Regulations 2019 and would be a reputational and legal risk for the council. As the report has been written and is ready to be published this is a minor risk and the likelihood is unlikely.
- 5.2 The main risk of non-allocation of received Section 106 contributions within the timescale set out in the individual legal agreements is reputational as it could result in public challenge and potential reclaim by the developer.
- 5.3 Significant work continues to be undertaken to ensure that this will not happen and that all contributions are identified, allocated and used within the period stated within the individual Section 106 agreements – this is usually 10 years from the date of actual receipt of the financial contribution, but several new agreements now stipulate five years from receipt.

6.0 Implications/Consultations

- 6.1 Feedback on the 'Infrastructure Funding Statement 2021/22 was sought from Senior Planning Officers, Head of Communications, Strategy and Policy, Deputy Chief Executive and the Executive Member for Planning & Growth.

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

Financial

No

Health and Safety

No

Human Resources

No

Human Rights

No

Legal

No

Specific Wards

No

7.0 Background papers, appendices, and other relevant material

7.1 24/09/2019 - Performance, Audit and Governance Scrutiny Committee - [Section 106 Agreements Update Report](#)

7.2 17/11/2020 - Audit & Governance Committee - [Section 106 Policy and Financial Contributions Update Report](#)

- 7.3 19/11/2021 – Audit & Governance Committee – [Section 106 Update Report](#)
- 7.4 **Appendix A** – East Herts Council Annual Infrastructure Funding Statement 2021/22
- 7.5 **Appendix B** – Typical Section 106 Requirements – October 2022

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East Herts Council – Annual Infrastructure Funding Statement for 2021/22

Contents

Contents	2
East Herts Council – Annual Infrastructure Funding Statement for 2021/22	3
Introduction.....	3
Section 106 Agreements	4
Historic Section 106 Contributions:	5
Total Section 106 contribution collection and allocation in the previous five financial years:.....	5
Total Section 106 contribution collection and allocation in the previous financial year (2020/21).....	6
Overview of Section 106 in 2021/22	6
New Section 106 Agreements signed in 2021/22	7
Affordable Housing.....	10
Monitoring fees:.....	10
Total Section 106 income and expenditure up to 31/3/2022:.....	12
Section 106 contributions triggered for payment in 2021/22:.....	14
Individual contribution use categories	15
Section 106 expenditure in 2021/22:.....	17
East Herts Council Section 106 Capital & Revenue Contributions use in 2021/22:.....	25
Individual projects supported with Section 106 funding in 2021/22:.....	26
Applying for Section 106 Funding	30
Potential projects for new Section 106 Contributions	30

East Herts Council – Annual Infrastructure Funding Statement for 2021/22

Introduction

As part of recent changes to legislation Community Infrastructure Levy (Amendment) (England) (No 2) Regulations 2019) East Herts Council is now required to produce an Annual Infrastructure Funding Statement.

This report is the third Annual Infrastructure Funding Statement produced by East Herts Council and provides a summary of the income and expenditure of the financial contributions East Herts Council has secured through Section 106 Agreements for the financial year 2021/22. It does not include information on contributions listed within Section 106 Agreements payable directly to Hertfordshire County Council or on infrastructure that is delivered under Section 78 agreements, or directly by developers.

Hertfordshire County Council produce their own Annual infrastructure Funding Statement to provide this information which is available on the [Hertfordshire County Council](#) website.

Further detailed information on the new Section 106 Agreements signed and the contributions received, along with information on the allocation and expenditure of historic contributions in the financial year 2021/22 can be found later in this report.

Please note that the information provided in this report is the most robust available at the time of publication and will be updated annually and published on the council's website along with the three (3) required CSV files before 31/12/2022 in accordance with the legislation.

Section 106 Agreements

Under Section 106 of the Town and Country Planning Act 1990, East Herts Council can seek obligations, both on-site and off-site, to mitigate the impacts of development and ensure that East Herts Council's planning policy requirements are fulfilled.

These obligations can be financial and non-financial and are set out in legal agreements between the developer and the council. They support the funding and development of new infrastructure and services to benefit the community and to mitigate the impacts of the proposed development.

East Herts Council has set out its infrastructure needs in its Infrastructure Delivery Plan (IDP) and in its District Plan. Further information on these and Section 106 can be found on the planning pages of the [council website](#)

Section 106 contributions and obligations can vary on a site-by-site basis depending on a range of factors such as the viability of the development and site-specific considerations. Section 106 contributions and obligations can include:

- Site-specific financial contributions – these are secured for specific purposes as per the individual agreement wording and Community Infrastructure Levy (CIL) guidance. E.g., education facilities, health services, transport / highway works, community facilities, and leisure, arts, sport, and open spaces provision.
- Provision of on-site affordable housing (or financial contribution in lieu of on-site provision if applicable).
- Non-financial obligations such as employment strategies and travel plans.
- Monitoring fees.

However, they must comply with the requirements of [Regulation 122](#) of the Community Infrastructure Levy Regulations 2010 and be:

- a) necessary to make the development acceptable in planning terms.
- b) directly related to the development; and
- c) fairly and reasonably related in scale and kind to the development.

Historic Section 106 Contributions:

East Herts Council has collected information on all Section 106 Agreements to which it was a party and has monitored the receipt and allocation of Section 106 financial contributions from the financial year 1996/97 to the present date.

The council is required by the Community Infrastructure Levy (Amendment) (England) (No 2) Regulations 2019) legislation to report on the historic collection and allocation of the total amounts of Section 106 contributions for a minimum of the three previous financial years to the financial year this report covers (2021/22).

The Legislation also requires more details on the previous financial year (2020/21) to the year being reported on in this report. This is provided on page 6.

Total Section 106 contribution collection and allocation in the previous five financial years:

For the 2021/22 Infrastructure Funding Statement (this report), and in line with the requirements of the Legislation, East Herts Council has provided an overview on Section 106 receipt and spend information for the last five financial years:

- 2017/18 received - £744,390.54 spent - £122,190.90*
- 2018/19 received - £842,855.20 spent - £861,049.03*
- 2019/20 received - £1,911,961.44 spent - £683,662.58*
- 2020/21 received - £1,518,285.73 spent - £715,242.95
- 2021/22 received - £2,668,065.92 spent - £3,403,446.03

* Adjusted figures from those reported in the 2019/20 Infrastructure Funding Statement – spent figures reduced by £3,500.00 revenue contribution amendment as this was not actually used in that financial year. Overall contribution total remains the same as the contribution was allocated in the 2021/22 financial year.

Total Section 106 contribution collection and allocation in the previous financial year (2020/21)

Historically up to the end of the financial year 2020/21 (from 01/04/1996 to 31/03/2021) a total of £12,102,565.98 was received in Section 106 contributions by East Herts Council.

Of this £5,435,619.26 was used / transferred, with a further £6,101,413.39 identified for allocation, leaving £565,533.33 unallocated as of 31/03/2021.

See page 12 for information on the historic totals of Section 106 contribution collection and allocation for the financial year of this report (2021/22).

Overview of Section 106 in 2021/22

This section provides information on the Section 106 Agreements signed in the financial year 2021/22, with details on the total amount of financial contributions and the number of affordable housing units listed within each agreement.

Further detailed information is also given on the contributions triggered for payment in 2021/22, along with details on the allocation and spends of these and any historic contributions held up by East Herts Council up to 31/03/2022.

Since July 2019 the collection and allocation of Section 106 contributions payable to East Herts Council has been monitored by the infrastructure Contributions & Spend Manager.

The Infrastructure Contribution and Spend Manager continues to work closely with developers, fellow Officers and local groups and organisations to ensure compliance with the agreements contributions collection triggers and to identify projects for contribution funding and to facilitate identified allocation use.

New Section 106 Agreements signed in 2021/22

Seventeen new Section 106 Agreements were signed and sealed– this figure includes any Supplemental Agreements, Deed of Variations and Unilateral Undertakings agreed during this period.

These agreements have a total of £1,087,435.96 in financial contributions payable to East Herts Council, either as the beneficiary of the contribution or as the collection authority.

These new Section 106 Agreements also contain provision for the developers to provide twenty-eight affordable housing units on the various sites as part of the individual developments planning permission. Further information is provided later in this report on the breakdown of these figures for each of the individual developments.

The table below lists all the Section 106 Agreements to which East Herts Council was a signatory in the financial year 2021/22. Information is also provided on the total financial contribution amount payable to East Herts Council within each agreement. Please note that the figures shown will be subject to indexation and are due when the individual contribution payment triggers are reached:

Planning application reference:	Location:	Date of Section 106:	Total funding for East Herts Council:
3/17/2588/OUT	Bishop's Stortford Rail Station, Station Road	Deed of Variation dated 12/04/2021	No financial contributions due to East Herts Council
3/20/2492/HH	78 Bramfield Road, Datchworth, SG3 6RZ	Unilateral Undertaking dated 01/05/2021	No financial contributions due to East Herts Council
3/20/2285/FUL	Hertford Theatre, Hertford	Unilateral Undertaking dated 14/05/2021	No financial contributions due to East Herts Council

Planning application reference:	Location:	Date of Section 106:	Total funding for East Herts Council:
3/20/1154/FUL & 3/20/1155/FUL	10 Benington Road, Aston	S106 dated 01/06/2021	No financial contributions due to East Herts Council
3/21/0247/HH	Hanging Wood House, Ware, SG11 1RA	Unilateral Undertaking dated 18/06/2021	No financial contributions due to East Herts Council
3/20/1563/FUL	Mangrove Road, Hertford - (HERT5)	S106 dated 24/06/2021	£296,257.00
3/20/0897/FUL	Hertford Mill, Tamworth Road, Hertford	S106 dated 28/06/2021	£712,777.36
3/19/2211/FUL	Home Farm, Munden Road, Dane End, Ware	S106 dated 07/07/2021	No financial contributions due to East Herts Council
3/19/2208/VAR	Well House& Dixons Yard, Hunsdon	Deed of Variation dated 06/08/2021	No financial contributions due to East Herts Council
3/11/0554/OP	Terlings Park	Second Deed of Variation dated 17/08/2021	No additional financial contributions due to East Herts Council
3/20/1931/FUL	Gates of Hertford, Gascoyne Way, Hertford	S106 dated 24/09/2021	£78,401.60
3/19/2151/FUL	Hertford East Railway Station, Hertford	S106 dated 20/10/2021	No financial contributions due to East Herts Council
3/19/1642/FUL	Grange Paddocks Leisure Centre, Bishop's Stortford	Unilateral Undertaking dated 03/11/2021	No financial contributions due to East Herts Council
3/18/0432/FUL	Northgate End, Bishop's Stortford	Unilateral Undertaking dated 15/11/2021	No financial contributions due to East Herts Council

Planning application reference:	Location:	Date of Section 106:	Total funding for East Herts Council:
3/20/1953/FUL	Scott House, Hagsdell Road, Hertford	S106 dated 17/11/2021	(£856,260.00 – Only payable if triggered after a Viability Assessment)
3/20/0113/FUL	Woodlands Lodge, Dunmow Road, Bishop's Stortford	S106 dated 10/12/2021	No financial contributions due to East Herts Council
3/14/0531/OP	Area 3, Land South of Hare Street Road, Buntingford	S106 dated 10/01/2022	No financial contributions due to East Herts Council
Total financial contributions payable to East Herts Council – excludes £856,260.00 from the Scott House development 3/20/1953/FUL – Only payable after a Viability Assessment			£1,087,435.96

The figures quoted for the future contributions listed are subject to change due to the addition of indexation calculated when the contribution is triggered for payment.

Each Section 106 Agreement provides details on the trigger points for the individual contribution payment and indexation of the financial contributions listed within it, along with details on the timescale within which the contribution must be allocated – usually ten years from date of receipt of the contribution.

Information on the individual Section 106 Agreement entered in to with the individual developers can be found on the [planning portal](#) by using the planning application reference for the development to search for the documents.

Further information on the agreements and contributions for each financial year can be found the [Infrastructure Funding Statements](#) webpage on the council's website, which also has further Developer contributions data in three (3) separate CSV files, created as per the [legislation](#).

Affordable Housing

Two of the seventeen new Section 106 Agreements signed in 2021/22 included a provision to provide affordable housing on site as part of the development planning consent, giving a total of twenty-eight units.

The table below lists the individual developments with on-site provision for affordable housing included in the Section 106 Agreement:

Planning application reference:	Location of development:	Affordable Housing units:
3/20/1563/FUL	Mangrove Road, Hertford - (HERT5)	27
3/20/0897/FUL	Hertford Mill, Tamworth Road, Hertford	1
Total units of Affordable Housing listed within the above listed Section 106 Agreements:		28

Monitoring fees:

The Community Infrastructure Levy (Amendment) (England) (No 2) Regulations 2019 now allows Local Authorities to charge a monitoring fee through Section 106 planning obligations. These fees are to cover the costs of monitoring and reporting on the delivery of Section 106 obligations, but they must be proportionate and reasonable and reflect the actual cost of monitoring.

All new Section 106 Agreements from applicable developments within the District are now able to include a provision for charging monitoring fees, which are payable to East Herts Council. These are individually negotiated on a site-by-site basis and not all agreements signed in 2021/22 included this provision.

Three of the new Section 106 Agreements signed in the financial year 2021/22 included a provision to charge a Monitoring Fee Contribution. A fourth includes a Monitoring Fee Contribution, but this is only payable after a Viability Assessment.

The table below lists the individual developments with a Monitoring Fee Contribution included in the Section 106 Agreement and the amount:

Planning application reference	Location of development:	Monitoring Fee Contribution payable:
3/20/1563/FUL	Mangrove Road, Hertford - (HERT5)	£4,500.00
3/20/0897/FUL	Hertford Mill, Tamworth Road, Hertford	£4,800.00
3/20/1931/FUL	Gates of Hertford, Gascoyne Way, Hertford	£4,200.00
3/20/1953/FUL	Scott House, Hagsdell Road, Hertford	<i>(£1,140.00 – only payable after Viability Assessment)</i>
Total amount of Monitoring Fee Contributions listed within the above agreements – excludes £1,140.00 from the Scott House development 3/20/1953/FUL – Only payable after Viability Assessment		£13,500.00

Further information on [Affordable Housing obligations](#) and the requirements for Section 106 financial contributions can be found on the council's [Planning Policy web pages](#). The individual Supplementary Planning Documents (SPD's) on the Planning Policy web pages provide more detail on the thresholds for contributions and the financial calculations of the individual contribution requirements.

Further information on contribution thresholds and requirements is provided on the council's [Typical Section 106 Requirements](#) webpage. The council has also created a [template section 106 agreement](#), which provides full details of what is normally required, along with details on indexation of contributions and triggers for payment.

Total Section 106 income and expenditure up to 31/3/2022:

As previously explained East Herts Council has collected information on the receipt and allocation of Section 106 contributions payable to the council from the financial year 1996/97 to the present date.

The table below highlights the total amounts collected and spent between 01/04/1996 to 31/03/2022, along with information on the amounts currently held:

Section 106 contributions from 01/04/1996 to 31/03/2022:	Amount:
Received contributions - total to 31/03/2022	£14,770,631.90
Spent contributions - total to 31/03/2022	£8,839,065.29
Unspent Section 106 contributions:	Amount allocated:
Allocated to Revenue for maintenance - total to 31/03/2022	£327,654.84
Allocated for Affordable Housing (payment in lieu) - total to 31/03/2022	£1,838,950.35
Allocated to named uses - total to 31/03/2022	£2,545,669.71
Allocated to NHS/ Health - total to 31/03/2022	£1,012,896.77
UNALLOCATED - total to 31/03/2022	£206,394.94

The unallocated balance of £206,394.94 is made up of contributions listed as unallocated because they do not have a specific project named in the contribution wording. These unallocated contributions are available for use only as per the

contribution specification within the individual Section 106 agreements, and any potential funding bid for these funds is only approved if it conforms with the individual contribution use wording. Further details are provided below:

Bishop's Stortford – a total of £29,587.95 is available from Community Centres Contributions in Bishop's Stortford, which can only be used towards the provision of a community facility or facilities within the town.

Hertford - a total of £13,689.33 is available from Community Facilities Contributions in Hertford, which can only be used towards the cost of provision and maintenance of community facilities within the town.

Standon– a total of £108,896.74 has been identified for use within the Parish of Standon. This figure breaks down as follows:

- £4,213.22 - Children & Young People Contribution to be used towards the provision of facilities for children & young people within the Parish of Standon.
- £10,306.11 - Parks & Gardens Contribution towards the improvement of parks & public gardens facilities within the Parish of Standon.
- £94,377.41 - Outdoor Sports Facilities Contribution to be used towards the provision of outdoor sport in the Parish of Standon

Terlings Park / Gilston – a total of £30,828.78 is left from the Outdoor Sports & Community Uses Contribution from the Terlings Park development and is available for potential projects in the vicinity of the development.

Ware – a total of £23,392.14 is available from contributions for Children & Young People (£14,746.18) and Parks and Gardens (£8,645.96) to be used for projects which conform to these contribution uses in Ware.

Further information on how local groups and organisations can apply for Section 106 funding is available later in this report and on the [Section 106 webpage](#) on the council's website.

Section 106 contributions triggered for payment in 2021/22:

Payment was triggered from seventeen individual Section 106 Agreements in 2021/22, resulting in receipt of £2,668,065.92 in financial contributions. (This figure includes the indexation added on to the original contribution amounts).

The following table gives a breakdown, by development, of the financial contributions received in 2021/22. As payments are often phased over the construction period there may be additional contributions due from the individual developments listed that have not yet reached their trigger points:

Planning application reference:	Location of development:	Section 106 contributions received:
3/13/0804/OP	Stortford Fields - ASR 1-4 Bishops Stortford North, Bishop's Stortford	£576,819.66
3/13/0886/OP & 3/18/0652/OUT	St Michaels Hurst - ASR5 - Farnham Road / Hazel End Road, Bishop's Stortford	£332,444.47
3/14/0528/OP	Meadow Vale- Area 2 - Land South of Hare Street, Buntingford	£51,088.55
3/14/2144/OP	Patmore Close - Site B – Land South of Hadham Road, Bishop's Stortford	£670,985.54
3/17/1055/OUT	Western part of Café Field, Old Standon Hill, Puckeridge	£100,708.49
3/17/2588/OUT	Goods Yard (Blocks A1 - A5) Bishop's Stortford CM23 3BL	£267,629.39
3/18/1523/FUL	SAWB3 - Chalks Farm, South of West Road, Sawbridgeworth	£1,293.86
3/18/1760/FUL	SAWB2 - Land North of West Road, Sawbridgeworth	£2,239.21

Planning application reference:	Location of development:	Section 106 contributions received:
3/18/2457/FUL	Land East of Aspenden Road, Buntingford	£127,108.13
3/18/2465/OUT	HERT2 - Land East of Marshgate Drive, Hertford	£167,642.5
3/19/0308/FUL	306-310 Ware Road, Hertford	£50,651.11
3/19/1024/FUL	HERT3 - Land West of Thieves Lane, Hertford	£183,646.19
3/19/1826/FUL	HERT4 - Former Bengo Nursery, Hertford	£63,205.59
3/19/2626/FUL	Western Neighbourhood - Bishop's Stortford North, Bishop's Stortford	£300.00
3/20/0245/FUL	BISH9 - Manor Links, Bishops Stortford	£48,719.91
3/20/0897/FUL	Hertford Mill, Tamworth Road, Hertford	£4,800.00
3/20/1563/FUL	HERT5 - Land South of Hertford, Mangrove Road, Hertford	£23,583.32
Total contributions received in 2021/22		£2,668,065.92

Individual contribution use categories

The financial contributions from the above developments have been broken down into individual use categories in the table below. These categories reflect the standard Section 106 contribution requirements of the East Herts Local Plan and the associated Supplementary Planning Documents.

See the [Typical Section 106 Requirements](#) webpage which gives details of what is normally required. The council also has a [template section 106 agreement](#).

Section 106 contribution use:	Amount received 2021/22
Affordable housing - financial contribution in lieu of on-site affordable housing	£0.00
Amenity greenspace contributions (including allotments contributions)	£13,811.04
Biodiversity net gain contributions (including Off-site Biodiversity Net Gain contribution)	£18,989.17
Children & young people contributions (including maintenance contributions)	£21,467.26
Community facilities contributions (including village halls)	£240,259.52
Health services contributions - collected on behalf of the Hertfordshire & West Essex Integrated Care Board*	£371,068.92
Hertfordshire County Council (HCC) contributions – collected by EHDC & transferred to HCC**	£670,985.54
Monitoring contributions	£14,513.82
Outdoor sports contributions (including maintenance contributions)	£313,496.30
Parks & gardens contributions (including maintenance contributions)	£12,121.64
Recycling contributions for the provision of waste and recycling receptacles	£56,784.22
Sports facilities contributions (including contributions for indoor sports facilities)	£907,401.18
Transport - including contributions towards community transport	£27,167.31
TOTAL	£2,668,065.92

* East Herts Council is the collection authority for the Hertfordshire and West Essex Integrated Care Board.

** Contributions for Hertfordshire County Council (HCC) from developments on land owned by them are also collected by East Herts Council and then transferred to HCC.

Section 106 expenditure in 2021/22:

East Herts Council is the body accountable for the spending and allocation of received Section 106 financial contributions and therefore must ensure that:

- The Section 106 funding is spent on facilities / projects that conform with the individual contribution wording and are in the locality of the development.
- The process is transparent and fair to all and follows a consistent procedure.
- Projects supported are necessary, viable, will deliver the required social and community benefits, and will be well managed and sustainable.

In the financial year 2021/22 a total of £3,403,446.03 was allocated to individual projects or identified uses from sixty-six individual held contributions.

The table below gives further information on these sixty-six individual funding contributions identifying the source and amount, the allocation and remaining the balance, if any, of the specific contribution after the allocation:

Contribution obligation:	Year received:	Section 106 receipt:	Amount allocated:	Balance left:	Allocation details / projects funded:
Children & Young Peoples Contribution - 3/11/0674/FP	2011/12	£2,654.16	£2,654.16	£0.00	Allocated to Ware Town Council Skate Park Project
Community Contribution - 3/10/0793/FP	2011/12	£3,970.00	£2,434.82	£0.00	Allocated to Pinehurst Community Centre in Hertford
Affordable Housing Financial Contribution - 3/08/1160/FP	2011/12	£60,000.00	£60,000.00	£0.00	Allocated to affordable housing works in Bishop's Stortford
Open Space Contribution - 3/11/0872/RP	2012/13	£167,200.00	£163,700.00	£0.00	Transferred to HCC as identified landowner - Revenue contribution for open space maintenance

Contribution obligation:	Year received:	Section 106 receipt:	Amount allocated:	Balance left:	Allocation details / projects funded:
Parks and Public Gardens Contribution - 3/88/1349/OP	2012/13	£40,000.00	£4,000.00	£0.00	Revenue contribution for open space & grounds maintenance
Accessibility Contribution - 3/12/1094/FP	2013/14	£4,000.00	£4,000.00	£0.00	Allocated to Grange Paddocks car park in Bishop's Stortford
Open Space Contribution - 3/11/0872/RP	2013/14	£31,946.61	£3,195.00	£9,581.61	Revenue contribution for open space & grounds maintenance
Baldock Street Enhancement Contribution - 3/10/0386/FP	2014/15	£43,681.30	£1,872.00	£0.00	Allocated to East Herts Council for historic building works in Ware
Outdoor Sports Contribution - 3/13/0513/FP	2014/15	£9,537.92	£9,537.92	£0.00	Allocated to Ware Town Council Skate Park Project
Off Site Improvements Contribution - 3/10/1198/FP	2014/15	£53,772.00	£5,370.00	£16,180.00	Revenue contribution for open space & grounds maintenance
Outdoor Sports Facilities Contribution - 3/11/0554/OP	2014/15	£56,592.61	£46,304.10	£10,288.51	Allocated to Eastwick & Gilston Village Hall Kitchen Project and Terlings Park Play Area Improvements
Open Space Maintenance contribution 3/11/0384/FP	2015/16	£25,482.76	£15,289.20	£10,193.56	Revenue contribution for open space & grounds maintenance (* amount includes the previous 5yrs)
Health and Wellbeing Contribution - 3/14/0914/FP	2015/16	£18,367.65	£18,367.65	£0.00	Transferred to NHS North & East Herts CCG (Hertfordshire & West Essex Integrated Care Board)
Public Open Space Maintenance Contribution - 3/02/1545/FP	2015/16	£195,707.08	£117,426.00	£78,281.08	Revenue contribution for open space & grounds maintenance (* amount includes the previous 5yrs)

Contribution obligation:	Year received:	Section 106 receipt:	Amount allocated:	Balance left:	Allocation details / projects funded:
Affordable Housing Contribution - 3/12/2154/FP	2015/16	£565,300.00	£365,916.55	£199,383.45	Allocated to affordable housing works in Bishop's Stortford
Outdoor Sports Contribution - 3/14/1766/FP	2016/17	£22,134.50	£22,134.50	£0.00	Allocated to Ware Town Council Skate Park Project
Children & Young Peoples Contribution - 3/14/1766/FP	2016/17	£3,248.50	£3,248.50	£0.00	Allocated to Ware Town Council Skate Park Project
Outdoor Sports Facilities Contribution - 3/13/1000/FP	2016/17	£113,783.84	£113,783.84	£0.00	Allocated to Buntingford Town Council - Outdoor Sports Projects
Community Facilities Contribution - 3/11/0554/FP	2016/17	£30,578.13	£2,360.29	£0.00	Allocated to Eastwick & Gilston Village Hall Kitchen Project
Trinity Play Area Adoption Contribution 3/11/0384/OP	2016/17	£307,043.64	£184,224.00	£122,819.64	Revenue contribution for open space & grounds maintenance (* amount includes the previous 5yrs)
Outdoor Sports Contribution - 3/14/0707/FP	2016/17	£12,010.79	£12,010.79	£0.00	Allocated to Ware Town Council Skate Park Project
Children & Young Peoples Contribution - 3/14/0707/FP	2016/17	£1,762.93	£1,762.93	£0.00	Allocated to Ware Town Council Skate Park Project
Open Space Play Area Maintenance Contribution - 3/15/1118/FUL	2017/18	£2,734.00	£273.40	£2,460.60	Revenue contribution for open space & grounds maintenance

Contribution obligation:	Year received:	Section 106 receipt:	Amount allocated:	Balance left:	Allocation details / projects funded:
Local Sports Investment Fund Contribution - 3/13/0804/OP	2018/19	£50,000.00	£50,000.00	£0.00	Repayment of forward funding of Herts & Essex High School Sports Hall
Outdoor Sports Contribution - 3/16/1218/FUL	2019/20	£28,528.05	£16,600.00	£11,928.05	Allocated to Standon & Puckeridge Lawn Tennis Club
Outdoor Sports contribution - 3/15/0300/OUT	2019/20	£355,694.42	£10,996.92	£344,697.50	Allocated to Buntingford Town Council - Outdoor Sports Projects (Project 6)
Outdoor Sports Contribution - 3/13/0813/OP	2019/20	£16,815.28	£16,815.28	£0.00	Allocated to Buntingford Town Council - Outdoor Sports Projects (Project 5)
Local Sports Investment Contribution - 3/13/0886/OP	2019/20	£215,506.96	£150,000.00	£65,605.96	Allocated to Bishop's Stortford Rugby Football Club as named recipient (New changing rooms)
Hunsdon Village Hall Contribution - 3/14/2023/FP	2019/20	£3,872.93	£2,164.90	£0.00	Allocated to Hunsdon Parish Council for the Village Hall New Outdoor Awning Project
Outdoor Sports Contribution - 3/14/0528/OP	2019/20	£40,863.01	£10,684.87	£30,178.14	Allocated to Buntingford Town Council - Outdoor Sports Projects (Project 5)
Outdoor Sports Contribution - 3/14/1766/FP & 3/15/2502/VAR	2019/20	£29,881.48	£29,881.48	£0.00	Allocated to Ware Town Council Skate Park Project
Children & Young Peoples Contribution - 3/14/1766/FP & 3/15/2502/VAR	2019/20	£4,385.46	£4,385.46	£0.00	Allocated to Ware Town Council Skate Park Project
Outdoor Sports Facilities Contribution - 3/13/0118/OP	2020/21	£81,337.06	£81,337.06	£0.00	Allocated to Buntingford Town Council - Outdoor Sports Projects (Project 5)

Contribution obligation:	Year received:	Section 106 receipt:	Amount allocated:	Balance left:	Allocation details / projects funded:
Outdoor Sports Contribution - 3/13/0118/OP	2020/21	£122,744.26	£122,744.26	£0.00	Allocated to Buntingford Town Council - Outdoor Sports Projects (Project 4 & Project 5)
Amenity Space Maintenance Contribution - 3/15/0561/FUL	2020/21	£3,159.98	£316.00	£2,843.98	Revenue contribution for open space & grounds maintenance
Children & Young Persons Contribution - 3/15/0561/FUL	2020/21	£2,069.86	£207.00	£1,862.86	Revenue contribution for open space & grounds maintenance
Parks & Public Gardens Maintenance Contribution - 3/15/0561/FUL	2020/21	£5,820.19	£582.00	£5,238.19	Revenue contribution for open space & grounds maintenance
Children & Young People Maintenance Contribution - 3/17/0223/FUL & 3/20/0573/VAR	2020/21	£3,269.13	£327.00	£2,942.13	Revenue contribution for open space & grounds maintenance
Outdoor Sports Facilities Maintenance Contribution - 3/17/0223/FUL & 3/20/0573/VAR	2020/21	£28,959.37	£2,896.00	£26,063.37	Revenue contribution for open space & grounds maintenance
Community / Village Hall Contribution - 3/19/1024/FUL	2020/21	£42,664.00	£32,524.19	£10,139.81	Allocated to the Hertford Wellbeing Centre for improvements at Glenfield Court, Hertford
Sports Facilities Contribution - Swimming Pool - 3/19/1024/FUL	2020/21	£35,517.35	£35,517.35	£0.00	Allocated to Hartham Leisure Centre Refurbishment Project as named recipient

Contribution obligation:	Year received:	Section 106 receipt:	Amount allocated:	Balance left:	Allocation details / projects funded:
Sports Facilities Contribution - Studio - 3/19/1024/FUL	2020/21	£6,550.72	£6,550.72	£0.00	Allocated to Hartham Leisure Centre Refurbishment Project as named recipient
Sports Facilities Contribution - Fitness Gyms - 3/19/1024/FUL	2020/21	£15,857.78	£15,857.78	£0.00	Allocated to Hartham Leisure Centre Refurbishment Project as named recipient
Off-site Play Area Maintenance Contribution - 3/14/2200/OP	2020/21	£33,914.04	£33,914.04	£0.00	Allocated to Walkern Parish Council - Revenue contribution for Walkern Parish Council open space & grounds maintenance
Aspenden Village Hall Contribution - 3/18/2457/FUL	2021/22	£17,403.11	£17,403.11	£0.00	Allocated to Aspenden Parish Council for play area refurbishment
Recycling & Refuse Contribution - 3/18/2457/FUL	2021/22	£4,747.69	£4,747.69	£0.00	Transferred to East Herts Council recycling & refuse budget
Sports Contribution - 3/18/2465/OUT	2021/22	£133,206.50	£133,206.50	£0.00	Allocated to Hartham Leisure Centre Refurbishment Project as named recipient
Recycling & Refuse Contribution - 3/13/0804/OP	2021/22	£41,994.08	£41,994.08	£0.00	Transferred to East Herts Council recycling & refuse budget
Monitoring Contribution - 3/20/0897/FUL	2021/22	£4,800.00	£4,800.00	£0.00	Transferred to East Herts Council planning monitoring budget
Monitoring Contribution - 3/18/1760/FUL	2021/22	£2,239.21	£2,239.21	£0.00	Transferred to East Herts Council planning monitoring budget

Contribution obligation:	Year received:	Section 106 receipt:	Amount allocated:	Balance left:	Allocation details / projects funded:
Hertfordshire County Contributions - 3/14/2144/OP	2021/22	£670,985.54	£670,985.54	£0.00	Contributions collected by EHDC for transfer to HCC as per S106 Agreement dated 21/03/2016
Recycling Contribution - 3/17/1055/OUT	2021/22	£3,506.53	£3,506.53	£0.00	Transferred to East Herts Council recycling & refuse budget
Local Sports Investment Fund Contribution - 3/13/0804/OP	2021/22	£534,825.58	£534,825.58	£0.00	Repayment of Council forward funding of Herts & Essex High School Sports Hall in Bishop's Stortford
Monitoring Contribution - 3/19/2626/FUL	2021/22	£300.00	£300.00	£0.00	Transferred to East Herts Council planning monitoring budget
Sports & Fitness Contribution - Fitness Gym Contribution - 3/19/1826/FUL	2021/22	£5,025.81	£5,025.81	£0.00	Allocated to Hartham Leisure Centre Refurbishment Project
Sports & Fitness Contribution - Studio Space Contribution - 3/19/1826/FUL	2021/22	£1,762.69	£1,762.69	£0.00	Allocated to Hartham Leisure Centre Refurbishment Project
Sports & Fitness Contribution - Swimming Pool Contribution - 3/19/1826/FUL	2021/22	£11,257.92	£11,257.92	£0.00	Allocated to Hartham Leisure Centre Refurbishment Project
Monitoring Contribution - 3/20/1563/FUL	2021/22	£4,594.15	£4,594.15	£0.00	Transferred to East Herts Council planning monitoring budget
Monitoring Contribution - 3/18/1523/FUL	2021/22	£1,293.86	£1,293.86	£0.00	Transferred to East Herts Council planning monitoring budget

Contribution obligation:	Year received:	Section 106 receipt:	Amount allocated:	Balance left:	Allocation details / projects funded:
Offsite Sports Facilities Contribution (Plot A) - 3/17/2588/OUT	2021/22	£50,908.81	£50,908.81	£0.00	Allocated to Grange Paddocks Leisure Centre Refurbishment Project as named recipient
Offsite Sports Facilities Contribution (Plot B) - 3/17/2588/OUT	2021/22	£61,256.94	£61,256.94	£0.00	Allocated to Grange Paddocks Leisure Centre Refurbishment Project as named recipient
Monitoring Contribution - 3/19/1024/FUL	2021/22	£1,286.60	£1,286.60	£0.00	Transferred to East Herts Council planning monitoring budget
Sports Facilities Contribution – Swimming Pool Contribution - 3/19/1024/FUL	2021/22	£37,615.12	£37,615.12	£0.00	Allocated to Hartham Leisure Centre Refurbishment Project
Sports Facilities Contribution – Studio Space Contribution - 3/19/1024/FUL	2021/22	£6,937.62	£6,937.62	£0.00	Allocated to Hartham Leisure Centre Refurbishment Project
Sports Facilities Contribution – Fitness Gyms Contribution - 3/19/1024/FUL	2021/22	£16,794.39	£16,794.39	£0.00	Allocated to Hartham Leisure Centre Refurbishment Project
Recycling Contribution - 3/19/1024/FUL	2021/22	£6,535.92	£6,535.92	£0.00	Transferred to East Herts Council recycling & refuse budget
Total amount allocated in financial year 2020/21					£3,403,446.03

East Herts Council Section 106 Capital & Revenue Contributions use in 2021/22:

The allocation of contributions received as identified Section 106 funding to East Herts Council Capital and Revenue Budgets is undertaken at the end of each financial year. These identified contributions help fund specific council capital projects, affordable housing provision, ongoing grounds maintenance, provision of recycling and refuse containers along with the monitoring of the developments with Section 106 Agreements.

Information is given below on the use of these specific contribution allocations for the financial year 2021/22:

Affordable Housing Contributions - A total of £425,916.55 was allocated towards the council's costs of affordable housing provision in Bishop's Stortford and Ware.

Baldock Street Enhancement - £1,872.00 was transferred internally to fund the costs of historic building maintenance works in Baldock Street, Ware.

Bishop's Stortford Sports Investment Fund - £584,825.58 transferred to internally to repay the forward funding of the Herts & Essex High School Sports Hall in Bishop's Stortford by the council from the planned BS Sports Investment Fund.

Grange Paddocks New Leisure Centre – a total of £116,165.75 transferred internally to support the development of the council's new Leisure Centre in Bishop's Stortford.

Hartham Leisure Centre Refurbishment Project – a total of £270,525.90 transferred internally to support the refurbishment of the council's Leisure Centre in Hertford.

Pinehurst Community Centre Refurbishment Project - £2,434.82 transferred internally to fund the door refurbishment works at Pinehurst Community Centre in Hertford (start of a larger refurbishment project planned for 2022/23).

Grounds Maintenance Contributions - In 2021/22 the held Revenue Contributions for Open Space & Grounds Maintenance were reviewed and a programme of drawdowns over ten years from the date of receipt of the individual contribution devised to cover the ongoing maintenance costs of the council. This has identified £334,105.60 for allocation and use in the 2021/22 Grounds Maintenance Revenue Budget – this includes amalgamated contributions backdated to cover the years since receipt of the individual contributions (* highlights these individual contributions in the table above).

Recycling & Refuse Contributions - A total of £56,784.22 was transferred to the Recycling & Refuse Budget to cover the costs of providing wheeling bins and recycling boxes to new homes on the associated developments.

Monitoring Contributions – a total of £14,513.82 transferred to the Planning Budget to cover the costs of monitoring Section 106 agreements and the progress of the developments.

Individual projects supported with Section 106 funding in 2021/22:

Individual project funding is available for organisations and groups to bid for throughout the year (see 'Applying for Section 106 Funding' section below). The projects listed below highlight the Section 106 funding awarded or transferred in the financial year 2021/22:

Aspenden Parish Council Play Area Project - £17,403.11 awarded from the Village Community Contribution from the development on Land East of Aspenden Road, Buntingford (3/18/2457/FUL). Funding used towards a full refurbishment and repair of existing play equipment, the replacement and renewal of all safety surfaces and the installation of four new pieces of play equipment at the play area on Aspenden village green.

Bishop's Stortford Rugby Club - £150,000.00 awarded to Bishop's Stortford Rugby Football Club as a named recipient of the Sports Investment Fund Contribution from the St Michaels Hurst development in Bishop's Stortford (3/13/0886/OP). To be used to help fund the new changing rooms project at the clubhouse.



Picture shows the foundations for the concrete slab for Phase 1 of the new changing rooms at Bishop's Stortford Rugby Club in Bishop's Stortford. The gas and water services installation for this project were funded by earlier Section 106 contributions in 2019/20.

Buntingford Town Council Outdoor Sports Projects – a total of £356,362.23 Section 106 funding has been awarded from the Outdoor Sports Contributions received from the major developments in Buntingford to the following projects:

- Project 1 – Outdoor Gyms Project 2021 - £38,105.80 towards the Installation of two outdoor gym areas in Buntingford. One at Hare Street Road Playing Field and one at the Seth Ward Community Centre.
- Project 2 – Trampoline Project 2021 - £10,368.00 towards the Installation of a trampoline at Norfolk Road Playing Field.
- Project 3 – Skate Park Project 2021 - £95,570.71 towards the Installation of skate ramps at Norfolk Road Playing Field.
- Project 4 – Pump Track Project 2021 - £119,788.00 towards the Installation of pump track ramps at Norfolk Road Playing Field.
- Project 5 – Interactive Goal Wall Project 2021 - £81,532.80 towards the Installation of an interactive goal wall at Norfolk Road Playing Field.

- Project 6 - Cricket Nets Resurfacing Project 2022 - £10,996.92 towards the upgrade and refurbishment of the batting and bowling surfaces at the cricket practice nets located at Norfolk Road Playing Field.

Gilston Village Hall Kitchen Refurbishment - £23,882.77 awarded to the Gilston & Eastwick Village Hall Committee from the Outdoor Sports Facilities & Community Uses Contribution from the Terlings Park development (3/11/0554/OP). Used to fund the complete refurbishment of the village hall kitchen.



Pictures of the new kitchen at Gilston Village Hall - showing the new sink and units with the integral microwave and the units with the hob, ovens & fridge freezer

Hertfordshire County Council - £163,700.00 transferred as the Open Space Maintenance Contribution for land at Station Road, Watton-at-Stone (3/11/0872/RP).

Hertford Wellbeing Hub (Glenfield Court) Refurbishment - £25,062.00 awarded to Active in the Community CIC from the Community / Village Hall Contribution from the HERT3 development on land West of Thieves Lane, Hertford (3/19/1024/FUL). To fund the renovation works at Hertford Wellbeing Hub, formerly known as the Scout Hut in Sele Farm, Hertford. Plus £7,462.19 transferred to East Herts Property Section from this contribution for upgrading work prior to leasing out the building to Active in the Community CIC.

Hunsdon Village Hall Outdoor Retractable Awning - £2,164.90 awarded to Hunsdon Parish Council from the Hunsdon Village Hall Contribution from the Tanners

Way development (3/14/2023/FP) to fund the provision of a new retractable outdoor awning at the Village Hall.

Standon and Puckeridge Lawn Tennis Club New Toilet Facilities - £16,600.00

awarded from the Outdoor Sports Contribution from The Chestnuts development in Puckeridge (3/16/1218/FUL) to help part fund the new toilet facilities at the Tennis Club located on the Recreation Ground in Standon.



Pictures of the outside and inside of the extension added for the new toilet facilities at Standon & Puckeridge Lawn Tennis Club

Terlings Park Play Area - £24,781.62 awarded to the Terlings Park Management Company from the Outdoor Sports Facilities & Community Uses Contribution from the Terlings Park development (3/11/0554/OP) for the provision of new play equipment and works at the play area in Terlings Park, Gilston.

Walkern Play Area - £33,914.04 transferred to Walkern Parish Council for their play area from the Off-site Play Area Maintenance Contribution from the development on Land south of Froghall Lane, Walkern (3/14/2200/OP).

Ware Town Council New Skate Park Project - £85,615.74 Section 106 funding awarded to Ware Town Council from various contributions from the major developments in the town to help fund the new Skate Park in Priory Park, Ware. See the [Ware Town Council Skate Park](#) webpage for the more information on the project, including the final design of the skate park. The skate park opened to the public in January 2022.

Applying for Section 106 Funding

The [Section 106 Agreements & Funding for Projects](#) webpage on the East Herts Council website provides further information on how organisations and groups can apply for Section 106 funding.

By completing and submitting the online "[Expressions of Interest form](#)", anyone looking for funding for their project can let the council know who they are, what they have planned and how much funding they need. The council can then use this information to check to see if any Section 106 funding is available that may be of use for the project.

If there are Section 106 funds available and applicable, the organisation or group applying for funding will be contacted by the Infrastructure Contributions & Spend Manager and asked to complete a full Section 106 funding application form for audit purposes. The completed application form will be checked against the identified Section 106 Agreement contribution wording to confirm the appropriate use of the funding. Officers and Councillors will then evaluate the completed funding application before it is agreed and signed off.

Before the funds are transferred the organisation /group will need to sign an [Agreement for use of s106 monies](#) to confirm they will only use the funding on the named project. This enables the council to reclaim the funding if unspent or miss-used.

Potential projects for new Section 106 Contributions

Funding requests where no Section 106 funding is currently available will be noted by the Infrastructure Contributions & Spend Manager and the proposed project or potential use will be added to the list of potential contribution uses for possible inclusion in new Section 106 Agreements from any future local developments.



Typical Section 106 Requirements

Below are the standard financial contributions and other obligations that may be required for residential and commercial developments in usual circumstances. Other contributions or obligations not listed may be necessary in certain instances, for example due to the type or location of a development or when requested by a consultee.

Payments and other obligations are usually only sought on housing schemes if they are [major development](#).

(EHDC) = Contribution/obligation sought by East Herts District Council

(HCC) = Contribution/obligation sought by Hertfordshire County Council

Contribution Obligation & Policy	Amount * / Details	Purpose / Contact Officer	Index & Base Date of Index	Payment due / Timing
Affordable Housing (EHDC) – HOU3	35% (11 to 14 gross additional dwellings) OR 40% (15 or more gross additional dwellings) <u>Affordable Housing Split:</u> <ul style="list-style-type: none"> Affordable Rent Units - at least 75% of units' affordable rent Shared Ownership Units (as per Homes England model lease) - up to 25% of units shared ownership 	Construction of agreed number and type of dwellings and transfer to Registered Provider (Housing Association) Contact Housing Strategy Officer for tenure and dwelling types	N/A	Types agreed before planning permission granted. Transfer timings - Prior to Occupation of 50% of market units

APPENDIX B – Typical Section 106 Requirements

Contribution Obligation & Policy	Amount * / Details	Purpose / Contact Officer	Index & Base Date of Index	Payment due / Timing
First Homes	As per government template	Contact Housing Strategy Officer for further information	N/A	As per government template
Affordable Housing Commuted Sum (EHDC) – HOU3	Formula equating the cost to developer of subsidising affordable housing – Use Richmond's calculation pro-forma	Towards the costs of making housing suitable for the District's existing and future needs including for affordability – contact Housing Strategy Officer	RPI - [month and year of committee resolution]	First Occupation
Allotments (EHDC) – CFLR1	East Herts Contribution Calculator – Open Space	Towards the costs of facilities provision, improvement, and maintenance of allotment(s) and/ or community growing spaces at XX and/or XX as used by the residents of the development – contact Section 106 Programme Manager	RPI – May 2020	First Occupation
Bowls (EHDC) – CFLR1	East Herts Contribution Calculator – Built Facilities	Towards the costs of provision, improvement and maintenance of Bowls Club facilities including bowling green at XX and/ or XX as used by residents of the development – contact Section 106 Programme Manager	RPI – May 2020	First Occupation

APPENDIX B – Typical Section 106 Requirements

Contribution Obligation & Policy	Amount * / Details	Purpose / Contact Officer	Index & Base Date of Index	Payment due / Timing
Cemeteries (EHDC) - CFLR1	Bespoke Contribution	Towards the provision of additional burial space – to be based on anticipated need & future demand	RPI - [month and year of committee resolution]	First Occupation
Childcare Facilities (HCC) - CFLRX	HCC Guide to Developer Infrastructure Contributions	See HCC Growth & Infrastructure consultation response for details of requirements	BCIS 1Q2019 – [HCC to confirm start date]	Prior to Commencement
Children's Play and Provision for Young People (EHDC) – CFLR1	East Herts Contribution Calculator – Open Space	Towards the costs of provision, improvement and maintenance of children's play and young people's facilities at XX and/ or XX as used by residents of the development – contact Section 106 Programme Manager	RPI – May 2020	First Occupation
County Council Monitoring Contribution (HCC)	HCC Guide to Developer Infrastructure Contributions	Monitoring and administering any obligations required pursuant to the planning permission	RPI – January 2021	Prior to Commencement
District Council Contributions Monitoring (EHDC)	£300 + £300 for each contribution to EHDC	Monitoring the development over the lifetime of the planning obligations - contact Section 106 Programme Manager	RPI - [month and year of committee resolution]	On Commencement

APPENDIX B – Typical Section 106 Requirements

Contribution Obligation & Policy	Amount * / Details	Purpose / Contact Officer	Index & Base Date of Index	Payment due / Timing
Fire Hydrants (HCC) – DEL1	i) Submit water scheme for approval ii) Construct fire hydrants iii) Maintain fire hydrants	See HCC Growth & Infrastructure consultation response for details of requirements	N/A	i) Prior to commencement ii) Before occupation iii) Until adopted
Fitness Gyms (EHDC) – CFLR1	East Herts Contribution Calculator – Built Facilities	Towards the costs of provision, improvement, and maintenance of fitness gyms facilities at XX and/ or XX as used by residents of the development – contact Section 106 Programme Manager	RPI – May 2020	First Occupation
Health Facilities (collected on behalf of the Hertfordshire and West Essex Integrated Care Board (ICB))	Bespoke Calculation (calculated by ICB) Can include: <ul style="list-style-type: none"> • Mental Health • Acute • Community Healthcare 	See ICB consultation response for details of requirements	RPI - [month and year of committee resolution]	First Occupation
Library Facilities (HCC) – CFLR7	HCC Guide to Developer Infrastructure Contributions	See HCC Growth & Infrastructure consultation response for details of specific requirements	BCIS 1Q2019 – [HCC to confirm start date]	Prior to Commencement

APPENDIX B – Typical Section 106 Requirements

Contribution Obligation & Policy	Amount * / Details	Purpose / Contact Officer	Index & Base Date of Index	Payment due / Timing
Natural and Semi-natural Green Space (EHDC) - CFLR1	East Herts Contribution Calculator – Open Space	Towards the costs of provision, improvement, and maintenance of natural and semi-natural green space at XX and/ or XX as used by residents of the development – contact Section 106 Programme Manager	RPI – May 2020	First Occupation
Nursery Education (HCC) - CFLR10	HCC Guide to Developer Infrastructure Contributions	See HCC Growth & Infrastructure consultation response for details of specific requirements	BCIS 1Q2019 – [HCC to confirm start date]	Prior to Commencement
Outdoor Tennis (EHDC) – CFLR1	East Herts Contribution Calculator – Built Facilities	Towards the costs of provision, improvement, and maintenance of outdoor tennis facilities at XX and/ or XX as used by residents of the development – contact Section 106 Programme Manager	RPI – May 2020	First Occupation

APPENDIX B – Typical Section 106 Requirements

Contribution Obligation & Policy	Amount * / Details	Purpose / Contact Officer	Index & Base Date of Index	Payment due / Timing
Parking (EHDC) – TRA2	Bespoke Calculation – (Parking Team to advise)	Towards the design of, consultation on and implementation of a traffic regulation order for a residents' parking scheme on XXX and/or other measures to control parking there – contact Section 106 Programme Manager	RPI - [month and year of committee resolution]	First Occupation
Parks and Gardens and Amenity Green Space (EHDC) – CFLR1	East Herts Contribution Calculator – Open Space	Towards the costs of provision, improvement and maintenance of parks and gardens and amenity green space facilities at XX and/ or XX as used by residents of the development – contact Section 106 Programme Manager	RPI – May 2020	First Occupation
Playing Pitches (EHDC) – CFLR1	Sport England Playing Pitch Calculator	Towards the costs of provision of facilities, improvements, and maintenance of the playing pitches at XX and/or XX as used by the residents of the development - contact Section 106 Programme Manager	RPI – May 2020	First Occupation

APPENDIX B – Typical Section 106 Requirements

Contribution Obligation & Policy	Amount * / Details	Purpose / Contact Officer	Index & Base Date of Index	Payment due / Timing
Primary Education (HCC) – CFLR10	HCC Guide to Developer Infrastructure Contributions	See HCC Growth & Infrastructure consultation response for details of specific requirements	BCIS 1Q2020 – [HCC to confirm start date]	Prior to commencement
Recycling (EHDC) – 2 of the Herts Waste Development Framework	Planning Obligations SPD (2008) (page 33) - £76 for each dwelling with communal bins & £72 for all other dwellings	Towards the council's costs for provision of recycling and waste bins / containers at the development – contact Section 106 Programme Manager	RPI – October 2008	First Occupation
Secondary Education (HCC) – CFLR10	HCC Guide to Developer Infrastructure Contributions	See HCC Growth & Infrastructure consultation response for details of specific requirements	BCIS 1Q2020 – [HCC to confirm start date]	Prior to commencement
Sports Halls – EHDC) – CFLR1	East Herts Contribution Calculator – Built Facilities	Towards the costs of provision of facilities, improvements, and maintenance to the sports hall(s) at XX and/or XX as used by the residents of the development – contact Section 106 Programme Manager	RPI – May 2020	First Occupation

APPENDIX B – Typical Section 106 Requirements

Contribution Obligation & Policy	Amount * / Details	Purpose / Contact Officer	Index & Base Date of Index	Payment due / Timing
Studio Space (EHDC) – CFLR1	East Herts Contribution Calculator – Built Facilities	Towards the costs of provision of facilities, improvements, and maintenance to the studio space(s) at XX and/or XX as used by the residents of the development – contact Section 106 Programme Manager	RPI – May 2020	First Occupation
Sustainable Transport (HCC) – TRA1	HCC Guide to Developer Infrastructure Contributions	See HCC Growth & Infrastructure consultation response for details of specific requirements	SPON'S January 2019 – [<i>HCC to confirm start date</i>]	Prior to commencement
Sustainable Transport Voucher (HCC) – TRA1	HCC Guide to Developer Infrastructure Contributions	See HCC Growth & Infrastructure consultation response for details of specific requirements	RPI – May 2014	Prior to commencement
Swimming Pool (EHDC) – CFLR1	East Herts Contribution Calculator – Built Facilities	Towards the provision of facilities, improvements, and maintenance of the swimming pool at XX and/or XX as used by the residents of the development – contact Section 106 Programme Manager	RPI – May 2020	First Occupation

APPENDIX B – Typical Section 106 Requirements

Contribution Obligation & Policy	Amount * / Details	Purpose / Contact Officer	Index & Base Date of Index	Payment due / Timing
Travel Plan (HCC) – TRA1	<ul style="list-style-type: none"> i) Submit travel plan for approval and nominate travel plan coordinator ii) Carry out baseline survey iii) Implement travel plan iv) Carry out travel plan annual review v) Submit resident travel pack and sustainable travel voucher for approval vi) Provide resident travel pack to each dwelling vii) Provide sustainable travel voucher to each dwelling 	See HCC Growth & Infrastructure consultation response for details of specific requirements	N/A	<ul style="list-style-type: none"> i) Before first occupation ii) On first occupation iii) As per travel plan timings iv) For 5 years v) Before first occupation vi) On first and second occupations vii) On first occupation
Travel Plan (HCC) – TRA1	£6,000	See HCC Growth & Infrastructure consultation response for details of specific requirements	RPI – May 2014	Prior to Commencement

APPENDIX B – Typical Section 106 Requirements

Contribution Obligation & Policy	Amount * / Details	Purpose / Contact Officer	Index & Base Date of Index	Payment due / Timing
Village Hall and Community Centres (EHDC) – CFLR7	East Herts Contribution Calculator – Built Facilities	Towards the provision of facilities, improvements, and maintenance of the village hall and/or community centre at XX and/or XX as used by the residents of the development – contact Section 106 Programme Manager	RPI – May 2020	First Occupation
Waste (HCC) – CFLR7	HCC Guide to Developer Infrastructure Contributions	See HCC Growth & Infrastructure consultation response for details of specific requirements	BCIS 1Q2019 – [<i>HCC to confirm start date</i>]	Prior to Commencement
Youth (HCC) – CFLR7	HCC Guide to Developer Infrastructure Contributions	See HCC Growth & Infrastructure consultation response for details of specific requirements	BCIS – [HCC to set start date]	Prior to Commencement

* All contributions are indexed linked to the relevant Indices.

With indexation all HCC contributions are likely to be at least 35% more than the amounts stated here and listed in the HCC Guide.

The EHDC recycling contribution is approximately 50% more than the amounts stated above.

NOTE: The Section 106 Programme Manager will be able to assist with all Section 106 queries and should be contacted at the beginning of the planning application approval process.

APPENDIX B – Typical Section 106 Requirements

Other Potential Obligations:

Below is a small selection of other potential obligations that can be required as part of the Section 106 Agreement.

There may be other site-specific requirements based on the local requirements of each individual development. However, they must all comply with the requirements of [Regulation 122](#) of the Community Infrastructure Levy Regulations 2010 and be:

- a) necessary to make the development acceptable in planning terms.
- b) directly related to the development; and
- c) fairly and reasonably related in scale and kind to the development.

Bus Service Contributions – negotiated on a site-by-site basis by HCC and can also include a financial contribution towards a community bus scheme run by an independent organisations / town council. See HCC Growth & Infrastructure consultation response for details of specific requirements

Bio-diversity Net Gain Contribution – this is a new obligation so contact the Leisure & Parks Development Manager for further information - example wording:

Biodiversity Net Gain Contribution - £XX index linked for the creation of neutral grassland and woodland in East Hertfordshire.

Car Club – this is a site-specific obligation to be agreed with the developer - example wording:

"Car Club" means a club operated by a Car Club Operator Which Occupiers of the Dwellings may join, and which makes no fewer than two cars provided by the Car Club Operator available to hire to members; "Car Club Agreement" means an agreement between the Owner and a Car Club Operator for the provision of a Car Club.

Commercial, Business and Employment – provision of land, buildings and infrastructure is site specific on major sites and provided by the developer – Contact the Economic Development Officer for further guidance. Examples can include:

- *neighbourhood hub comprising shops and employment buildings (See Policy RTC5),*
- *community facilities including community spaces and health facilities (see Policy CFLR9),*

On-site play provision – the developer may provide play facilities on site - See Ian Sharratt for confirmation of design and anticipated costs:

- *LAP - provision on the development for younger children & little equipment*
- *LEAP – provision of fully equipped play area for all ages*
- *NEAP – provision of larger play area with extensive facilities for all ages on the development*
- *Alternatively, if not actually building the play area, the developer could provide an allocation of funding to fund the facilities themselves e.g., means the Index Linked (fixed) sum of £75,000 (seventy-five thousand pounds) allocated by the Owner for the provision of the LEAP (excluding the cost of the land)*

APPENDIX B – Typical Section 106 Requirements

Public Open Space Provision on the development – On-site provision by the developer of public open space, including landscaping, drainage infrastructure, all associated and ancillary development – can include parks & open spaces, green spaces etc. This may be handed over by the developer to be managed by a Management Company – Note: EHDC does not automatically adopt open space. See the Leisure & Parks Development Manager for confirmation of design.

Self – Build Plots (Policy HOU8)– larger sites may have space provided for self-build plots - example wording:

Self-Build and Custom Housebuilding has the meaning given to it in section 1 of the Self-build and Custom Housebuilding Act 2015 as amended (as may be varied or replaced from time to time)

"Self-Build Scheme" means, in relation to an Outline Phase (with Self-Build), a scheme identifying the Self-Build Plots which are proposed to be provided within that Outline Phase, including details of:

- a) *the location of such Self-Build Plots*
- b) *a programme for servicing such Self-Build Plots and making them available for disposal on the open market*
- c) *the marketing strategy for such Self-Build Plots; and*
- d) *the mechanism to agree market value in respect of such Self-Build Plots*

Self-Build Plots means the 7 plots of land which subject to the terms of Schedule 7 are to be serviced and made available for Self-Build and Custom Housebuilding and Self-Build Plot shall be construed accordingly

Special Residential Use Provision - this is agreed on a site-by-site basis on major developments and can include other residential provision such as Gypsy & Travelers sites and Travelling Showpeople site (see Policy HOU9)

Specific Highways Infrastructure – site specific highways infrastructure may be required on site by Hertfordshire Highways – this is can be the developer providing the infrastructure or making a financial contribution towards the costs of the provision.

Site Drainage & SUDS (Policy WAT5) – site specific water drainage schemes created by the developer, including Sustainable Urban Drainage Schemes (SUDs) on site – Contact HCC Growth & infrastructure or the Assets & Estate Manager or the Estates Surveyor at EHDC for guidance.

Use of Unspent S106 contributions (usually only for very large major developments) – example wording:

"Unspent" means not spent or Committed for the purpose for which it was paid (because it cannot be spent or is a surplus after the rest of the relevant financial contribution or allocation has been spent or Committed for the purpose for which it was paid or has remained unspent or committed for a period of up to 10 years) to be transferred into the Section 106 Fund and the said monies shall for the purposes of the Viability Schedule continue to be construed as Unspent until they have been spent on Affordable Housing to a maximum level of 40%

Agenda Item 6



East Herts Council Audit and Governance Committee

15 November 2022
Shared Internal Audit Service –
Progress Report

Recommendation

Members are recommended to:

- a) Note the Internal Audit Progress Report
- b) Approve the Internal Audit Plan Changes
- c) Note the Status of Critical and High Priority Recommendations

Contents

- 1 Introduction and Background
 - 1.1 Purpose
 - 1.2 Background

- 2 Audit Plan Update
 - 2.1 Delivery of Internal Audit Plan and Key Findings
 - 2.4 Internal Audit Plan Changes
 - 2.5 Critical and High Priority Recommendations
 - 2.7 Performance Management

Appendices:

- A Progress against the 2022/23 Internal Audit Plan
- B Implementation Status of Critical and High Priority Recommendations
- C Internal Audit Plan Items (April 2022 to March 2023) - Indicative start dates agreed with management
- D Assurance Definitions / Priority Levels

1 Introduction and Background

Purpose of Report

- 1.1 To provide Members with:
- The progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2022/23 Internal Audit Plan to 28 October 2022.
 - The findings for the period 2 July 2022 to 28 October 2022.
 - Details of any changes required to the approved Internal Audit Plan.
 - The implementation status of previously agreed audit recommendations.
 - An update on performance management information to 28 October 2022.

Background

- 1.2 Internal Audit's Annual Plan for 2022/23 was approved by the Audit and Governance Committee at its meeting on 5 April 2022. The Audit and Governance Committee receive periodic updates against the Internal Audit Plan. This is the second update report for 2022/23.
- 1.3 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit function is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed changes to the agreed Annual Internal Audit Plan.

2 Audit Plan Update

Delivery of Internal Audit Plan and Key Audit Findings

- 2.1 As of 28 October 2022, 44% of the 2022/23 Internal Audit Plan days have been delivered (the calculation excludes contingency days that have not yet been allocated).
- 2.2 The following final reports have been issued since the last Progress Report to the Audit and Governance Committee:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Customer Services	Sept 2022	Reasonable	Two Medium, Four Low Priority
Community Wellbeing & Partnerships	Oct 2022	Reasonable	Three Medium, One Low Priority
Whistleblowing	Oct 2022	Reasonable	Three Medium, One Low Priority
Contract Management	Oct 2022	Reasonable	One Medium, One Low Priority

- 2.3 The table below summarises the position regarding delivery of the 2022/23 approved projects to 28 October 2022. Appendix A provides a status update on each individual project within the 2022/23 Internal Audit Plan.

Status	No. of Audits at this Stage	% of Total Audits
Final Report Issued	6	24%
Draft Report Issued	1	4%
In Fieldwork/Quality Review	5	20%
In Planning/Terms of Reference Issued	6	24%
Allocated	6	24%
Not Yet Allocated	1	4%
Cancelled/Deferred	0	0%
Total	25	100%

Proposed Internal Audit Plan Changes

- 2.4 One unplanned audit has been added to the approved plan at the request of management. This audit related to the handling of noise and nuisance complaints made to the Council. The work was resourced from the Internal Audit Plan contingency provision, which has consequently been reduced from 9 days to 3 days.

Critical and High Priority Recommendations

- 2.5 Members will be aware that a Final Audit Report is issued when it has been agreed (“signed off”) by management; this includes an agreement to implement the recommendations that have been made.
- 2.6 The schedule attached at Appendix B details any outstanding Critical and High priority audit recommendations. No new Critical or High Priority recommendations have been added to the schedule.

Performance Management

- 2.7 The 2022/23 annual performance indicators were approved at the SIAS Board meeting in March 2022.
- 2.8 The actual performance for East Herts Council against the targets that can be monitored in year is set out in the table overleaf:

Performance Indicator	Annual Target	Profiled Target	Actual to 28 Oct 2022
1. Internal Audit Annual Plan Report – approved by the March Audit & Governance Committee or the first meeting of the financial year should a March committee not meet	Yes	N/A	Yes
2. Annual Internal Audit Plan Delivery – the percentage of the Annual Internal Audit Plan delivered (excludes contingency)	95%	49% (120/247)	44% (109/247)
3. Project Delivery – the number of projects delivered to draft report stage against projects in the approved Annual Internal Audit Plan	95%	36% (9/25)	28% (7/25)
4. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (2 received) Note (1)
5. Chief Audit Executive's Annual Assurance Opinion and Report – presented at the first Audit & Governance Committee meeting of the financial year	Yes	N/A	Yes

Note (1) – 1 received in 2022/23, this relating to a 2021/22 audit where the final report was issued after 1st April 2022.

APPENDIX A - PROGRESS AGAINST THE 2022/23 INTERNAL AUDIT PLAN

2022/23 Internal Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Key Financial Systems – 43 days									
Provision for full or targeted audit of one or more key financial systems. Mapping the remaining key financial systems to confirm appropriate lines of assurance and to inform the annual assurance opinion									
Business Rates (shared with SBC)						43	Yes	14	ToR Issued
Council Tax (shared with SBC)							Yes		Allocated
Housing Benefits (shared with SBC)							Yes		In Planning
Treasury Management (assurance mapping refresh only)							Yes		In Planning
Debtors (assurance mapping refresh only)							Yes		In Fieldwork
Creditors (assurance mapping refresh only)							Yes		In Fieldwork
Payroll (assurance mapping refresh only)							Yes		Allocated
Asset Management (assurance mapping)	Substantial	0	0	1	0		Yes		Final Report Issued
Main Accounting (assurance mapping refresh only)							No		Not Yet Allocated
Operational Audits – 57 days									
Contract Management	Reasonable	0	0	1	1	15	Yes	15	Final Report Issued
Community Wellbeing & Partnerships	Reasonable	0	0	3	1	10	Yes	10	Final Report Issued
Housing Acquisition & Conversion – Queens Road						10	Yes	0	Allocated
General Fund Health & Safety Property Compliance						10	Yes	3	In Fieldwork
Refuse Services (shared with NHDC)						6	Yes	4	In Fieldwork
Noise and Nuisance						6	Yes	5.5	Draft Report Issued
Certifications – 3 days									
Contain Outbreak Management Fund	Unqualified	0	0	0	0	1	Yes	1	Complete
Contingency	N/A	-	-	-	-	2	No	0	Through Year

APPENDIX A - PROGRESS AGAINST THE 2022/23 INTERNAL AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Corporate Services/Themes – 76 days									
Transforming East Herts						20	No	0	Not Yet Allocated
Supply Chain Interruption						10	Yes	1.5	ToR Issued
Elections Payroll						10	Yes	0.5	In Planning
Customer Services	Reasonable	0	0	2	4	10	Yes	10	Final Report Issued
Information Governance						10	Yes	3	In Fieldwork
Risk Management (assurance mapping refresh only)						3	Yes	0	Allocated
Corporate Governance (assurance mapping refresh only)						3	Yes	0	Allocated
Whistleblowing	Reasonable	0	0	3	1	10	Yes	10	Final Report Issued
IT Audits – 10 days									
Malicious Software (shared with SBC)						7	Yes	1	ToR Issued
Cyber Security (assurance mapping refresh only, shared with SBC)						3	Yes	0	Allocated
Shared Learning and Joint Reviews – 5 days									
Joint Review(s) – Topics to be confirmed by SIAS Board						5	No	0	Not Yet Allocated
Completion of 2021/22 Projects – 6 days									
Various						6	Yes	6	Complete
Contingency – 1 day									
Contingency						1	N/A	0	Through Year
Strategic Support – 49 days									
Head of Internal Audit Assurance Opinion 2021/22						3	Yes	3	Complete
Audit Committee & Recommendations Follow Up						12	Yes	5	Through Year

APPENDIX A - PROGRESS AGAINST THE 2022/23 INTERNAL AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Client Meetings & Ad hoc Advice						10	Yes	5.5	Through Year
Plan Monitoring, Work Allocation and Scheduling						12	Yes	6	Through Year
SIAS Development						5	Yes	5	Through Year
Matters Arising: Shared Anti-Fraud Service						2	Yes	0	Through Year
Audit Planning 2023/24						5	Yes	0	Through Year
EHC TOTAL		0	0	10	7	250		109	

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

The following appendix provides Audit and Governance Committee Members with a summary of the most recent update provided by management in respect of outstanding high priority recommendations.

No.	Report Title	Recommendation / Original Management Response	Responsible Officer / Original Due Date	Latest management update (or previous commentary where appropriate)	Status of Progress (Oct 2022)
1.	Payment Card Data Security Standard (2020/21).	<p><u>Recommendation:</u> <u>PCI-DSS Self-Assessment & Compliance Structure.</u> The Council has not completed a SAQ and does not have a formal PCI-DSS compliance strategy/program in place to meet required data security standards. As the option for non-compliance was taken several years ago and since that point there have been multiple personnel changes, the Council should re-assess the level of risk and decide if the non-compliant route is still the most preferred option. A cross-Council PCI-DSS working group should be established to focus on assessing the level of risk presented by sustained non-compliance with the PCI-DSS. This group's primary objective should be to determine whether to accept the level of risk and continue to pay the monthly penalty imposed by WorldPay or agree roles and responsibilities to engineer and maintain compliance with the published standards. Should the decision be made to focus on compliance, the Councils are recommended to consult the best practice guidance produced by the PCI DSS Council in January 2019.</p> <p><u>Agreed Management Action(s):</u> The s.151 officer has advised that the level of risk and the monthly fines for non-compliance does not represent proper management of financial affairs. In addition, the expansion of the number of services to be put on the web, which require the ability to have payment facilities, means that the Council must be PCIDSS compliant in order to proceed. Having previous experience of ICON it is not possible to achieve PCIDSS compliance with this software and suitable replacement software has been identified. This will be implemented jointly with Stevenage BC. A revised Information Security Policy has been developed and will be distributed to staff annually as part of the compliance process. This emphasises card security measures in the short term.</p>	<p>Responsible Officer: Head of Strategic Finance & Property.</p> <p>Due Date: 31 March 2022.</p>	<p><u>October 2022.</u> Verbal update to be provided at the meeting.</p>	Partially implemented.

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation / Original Management Response	Responsible Officer / Original Due Date	Latest management update (or previous commentary where appropriate)	Status of Progress (Oct 2022)
2.	<p>Payment Card Data Security Standard (2020/21).</p>	<p><u>Recommendation:</u> <u>Roles and Responsibilities.</u> As a subsequent output from the formation of the cross-Council PCI-DSS working group, there should be named individuals assigned to steering the Councils compliance journey. Traditionally, the ownership of the compliance process may be the Head of Finance, as they generally occupy the position of signing off the annual Attestation of Compliance (AoC). But it must also be noted that much of the compliance structure content relates to technical configuration, so the Council should designate roles based on this dual ownership. Whilst Finance owns the overall compliance objective, the IT work stream owns the infrastructure that the payment systems sit on. Both departments should have an equal vested interest in compliance.</p> <p><u>Agreed Management Action(s):</u> The above will lead the new system implementation and compliance as he has done this at a previous authority. To achieve compliance the new system will not permit card number entry by staff. Instead, customers choosing to phone up to pay will be handed off to a secure IVR system and will need to enter card details on their phone keypad. Subsequent payments, providing it is for a service with an account number for the customer, e.g. Council Tax, then the system uses a secure token that shows the last 4 digits of the card number and the expiry date. The customer is asked to confirm the expiry date and payment can be taken from that card with no need for card input unless the card is replaced/renewed. About 60% of PCIDSS compliance relates to firewalls, encryption and network security and requires best practice testing and maintenance which will be usefully checked for PCIDSS compliance as well as the standard annual cyber security checks.</p>	<p>Responsible Officer: Head of Strategic Finance & Property.</p> <p>Due Date: 31 March 2022.</p>	<p><u>October 2022.</u> Verbal update to be provided at the meeting.</p>	<p>Partially implemented.</p>

APPENDIX C – INTERNAL AUDIT PLAN 2022/23 – INDICATIVE AUDIT START DATES AGREED WITH MANAGEMENT

EAST HERTS					
Apr	May	Jun	July	Aug	Sept
Customer Services Final Report Issued	Contract Management Final Report Issued	Community Wellbeing & Partnerships Final Report Issued	Information Governance In Fieldwork (c/f from April)	Refuse Services In Fieldwork	Supply Chain Interruption ToR Issued
	Whistleblowing Final Report Issued	Asset Management Assurance Mapping Final Report Issued		Noise and Nuisance Draft Report Issued	Malicious Software ToR Issued
		Contain Outbreak Management Fund Final Report Issued			General Fund Health & Safety Property Compliance In Fieldwork (c/f from July)
Oct	Nov	Dec	Jan	Feb	Mar
Housing Benefits In Planning	Council Tax Allocated	Treasury Management Assurance Mapping Refresh In Planning	Corporate Governance Assurance Mapping Refresh Allocated	Housing Acquisition & Conversion – Queens Road Allocated	
Elections Payroll In Planning (c/f from August)	Business Rates ToR Issued		Risk Management Assurance Mapping Refresh Allocated	Cyber Security Assurance Mapping Refresh Allocated	
Creditors Assurance Mapping Refresh In Fieldwork (b/f from December)			Payroll Assurance Mapping Refresh Allocated	Main Accounting Assurance Mapping Refresh Not Yet Allocated	
Debtors Assurance Mapping Refresh In Fieldwork (b/f from December)					

Audit Opinions		
Assurance Level	Definition	
Assurance Reviews		
Substantial	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	
Not Assessed	This opinion is used in relation to consultancy or embedded assurance activities, where the nature of the work is to provide support and advice to management and is not of a sufficient depth to provide an opinion on the adequacy of governance or internal control arrangements. Recommendations will however be made where required to support system or process improvements.	
Grant / Funding Certification Reviews		
Unqualified	No material matters have been identified in relation the eligibility, accounting and expenditure associated with the funding received that would cause SIAS to believe that the related funding conditions have not been met.	
Qualified	Except for the matters identified within the audit report, the eligibility, accounting and expenditure associated with the funding received meets the requirements of the funding conditions.	
Disclaimer Opinion	Based on the limitations indicated within the report, SIAS are unable to provide an opinion in relation to the Council's compliance with the eligibility, accounting and expenditure requirements contained within the funding conditions.	
Adverse Opinion	Based on the significance of the matters included within the report, the Council have not complied with the funding conditions associated with the funding received.	
Recommendation Priority Levels		
Priority Level	Definition	
Corporate	Critical	Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
Service	High	Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	Medium	Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low	Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.

Agenda Item 7

Audit & Governance Committee
East Herts Council



East Herts Council

Progress with delivery of the
2022/23 Anti-Fraud Plan

Recommendation

Members are recommended to:

Note the work of the Council and the Shared Anti-Fraud Service in delivering the **2022/23 Anti-Fraud Plan**

Contents

Page	
3	Introduction
3	Background
4	Summary of anti-fraud activity at EHC- April- September 2022
Appendices	A. EHC Anti-Fraud Plan 2022/23 B. SAFS KPI performance

Introduction

1. This report provides details of the work undertaken to protect the Council against the threat of fraud and the Council's 2021/22 Anti-Fraud plan. The Committee are asked to note this work.
2. Recent reports on fraud and corruption have been shared with Council officers and are used by SAFS to ensure that the Council is aware of its fraud risks and finding ways to mitigate or manage these effectively wherever possible.
3. Some of the most significant recent reports include:
 - ***Fighting Fraud and Corruption Locally a Strategy for the 2020's***. This strategy focuses on the governance and 'ownership' of anti-fraud and corruption arrangements. The Strategy also identifies areas of best practice and includes a 'Checklist' to compare against actions taken by the Council to deter/prevent/investigate fraud. The checklist is maintained and reviewed by SAFS and officers.
 - ***Tackling Fraud in the Public Sector 2020***. In 2019 CIPFA commissioned a survey and round table events for senior managers in local government to establish what local authorities were doing to tackling fraud. The survey was conducted by an independent body with the support of LGA and MHCLG.
 - ***COVID-19 Counter Fraud Measures Toolkit***. The Government Counter Fraud Function within the Cabinet Office provided a 'toolkit' of services, guidance, support for local government as part of the national response to the Covid-19 outbreak in the UK.
 - ***Calculating Losses from Tenancy Fraud***. Since the closure of the Audit Commission in 2012 there has been little effort to put a value on the cost to local authorities of tenancy fraud. This paper, published by the Fraud Advisory Panel & Charity Commission in partnership with LBFIG in 2021, estimates that the cost to local government for each social property that is being sub-let is at least £42,000.

Background

4. The Council is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS). This Committee has previously received detailed reports about the creation of SAFS, and how this service works closely with the Shared Internal Audit Service (SIAS). SAFS works across the whole Council dealing with many aspects of fraud, from deterrence & prevention to investigation & prosecution.

Anti-Fraud Activity 2022/23

Staffing & Resources

5. In March 2022 (this Committee approved the 2022/23 Anti-Fraud Plan for the Council and KPIs for the SAFS. See **Appendix A** for details of the Plan and **Appendix B** for progress with delivery and KPI Performance- all KPIs are being met or on target to be met.
6. The SAFS Team this year is composed of 20 accredited and trained counter fraud staff and is based at Hertfordshire County Council's offices in Hertford.
7. Each SAFS Partner receives dedicated support and response. This is achieved by allocating officers to work in each Partner, but also allowing all officers to work with different Partners from time to time. Providing the Service in this manner allows officers to develop working relationships with Council staff, and also provides improved resilience and flexibility across the Partnership as a whole. SAFS Officers have access to Council offices, officers, systems & data to conduct their enquiries.
8. The SAFS has deployed one Counter Fraud Officer to work exclusively for the Council, this officer is supported by SAFS Management and the SAFS Intelligence Team, which includes expertise in open-source investigations, data-matching, data-analytics and financial investigations.

Fraud Awareness and Prevention

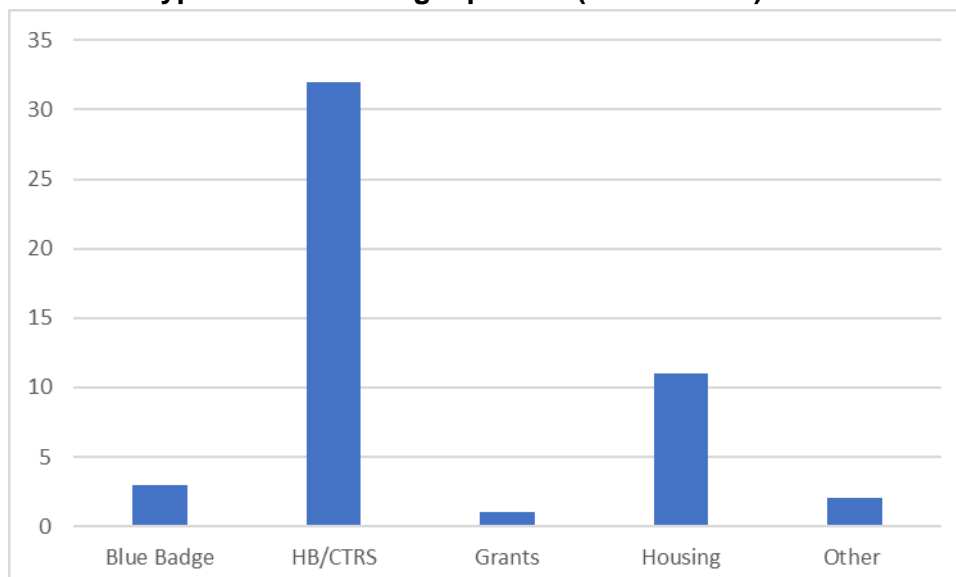
9. A key objective for the Council is to develop the existing anti-fraud culture; ensuring senior managers and members consider the risk of fraud when developing policies or processes; helping to prevent fraud occurring; deterring potential fraud through external communication; encouraging all officers to report fraud where it is suspected; and providing public confidence in the Council's stance on fraud and corruption.
10. The Council has in place an Anti-Fraud and Corruption Strategy which was updated earlier this year and is available on the Council's webpage <https://www.eastherts.gov.uk/about-east-herts-0/fraud-and-whistleblowing-policies> and this incorporates the latest best practice in counter fraud prevention from across the sector.
11. The Council is taking part in *International Fraud Awareness Week* in November 2022 with planned activity utilising social media and national/international resources. Campaigns such as this encourage residents to report fraud and provide assurance that the Council takes fraud seriously and acts on those reports.

12. The SAFS webpage – www.hertfordshire.gov.uk/reportfraud includes an online reporting tool. A confidential fraud hotline (0300 123 4033) and a secure email account are also available for reporting fraud – fraud.team@hertfordshire.gov.uk. These contact details are also available via the Councils own website <https://www.eastherts.gov.uk/about-east-herts-0/fraud-and-whistleblowing-policies> and on the Councils intranet for staff. None of these functions replace the Council’s own Whistleblowing reporting procedures. Council staff can use the same methods to report fraud or contact SAFS officers working at the Council offices.
13. Working with the Councils HR team SAFS maintains the delivery of its e-training package for staff to raise awareness of fraud, bribery, and money laundering. Additional training for front line staff includes training for Housing Services on fraud risks in the housing allocation process and in the next few weeks training on anti-money laundering will be delivered to staff in legal, procurement and finance teams.

Counter Fraud Activity & Reported Fraud

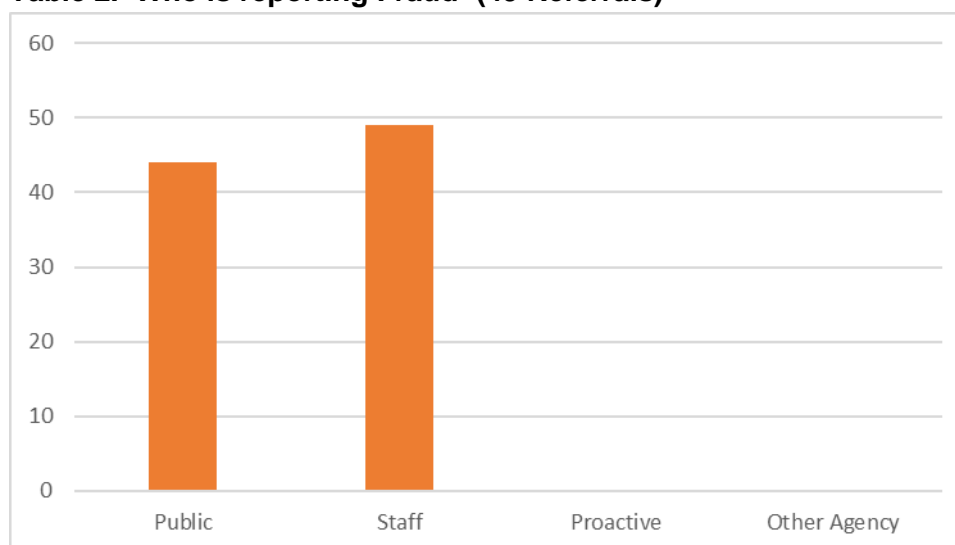
14. Between April and September SAFS received 49 allegations of fraud affecting Council services. Allegations of fraud have increased compared to the same period in 2021/22 (26 allegations had been received at this point in 2021). The reporting of suspected fraud by staff at the Council remains low compared to other similar SAFS Partners.

Table 1. Types of fraud being reported- (49 Referrals)



'HB/CTRS'- Housing Benefit/Council Tax Reduction Scheme/ Single Person Discounts.

Table 2. Who is reporting Fraud- (49 Referrals)



'Proactive' - includes all data matching/ analytics activity

15. SAFS carried forward 27 live cases from 2021/22. Many cases raised for investigation are still in the early stages and of 30 cases still under investigation, or at referral stage, at the end of September the estimated fraud loss/savings for these cases exceeds £246k.
16. Eight investigations had been closed so far this year with fraud identified/prevented on 4 occasions and fraud losses/savings of just over £68k have been reported to date.

'Fraud Loss' is where a fraud has occurred resulting in a debt that can be recovered through civil/statutory routes. 'Fraud Savings' reflect attempted frauds that have been prevented or an ongoing 'Loss' that has been stopped.
17. The largest volume of alleged fraud concerns claims for housing benefit and council tax discounts and in five cases financial penalties, as alternatives to prosecution, have been applied.
18. A number of cases continue to be delayed where SAFS works with other agencies, in particular the Department for Work and Pension (DWP), where staff are still being redeployed or recruited to fill significant vacancies in the Fraud and Error Teams post pandemic.
19. The report from the Fraud Advisory Panel in 2022 estimates that the cost of social housing fraud to local councils could exceed £42k for each property that is being illegally sub-let. Although the Council does not hold social housing stock it has a duty to prevent homelessness and provide housing. SAFS response to this fraud threat is our work with Registered Providers across the County, including Clarion Housing Association, to assist in the investigation and recovery of social

housing due to illegal sub-letting or 'key-selling'. A number of cases are currently being investigated within the Councils boundaries with the intention that, once recovered, these properties will be made available to families from the Councils Housing Register, including those in temporary accommodation.

20. The SAFS Fraud Investigator is based at the Council offices several days each month and spend part of their time sat within the Housing Needs Team area and this has helped to encourage staff working in the team to report suspicions of fraud directly. A number of cases of potential fraud have been investigated already in 2022/23.
21. SAFS works closely with the Councils parking enforcement team dealing with the misuse of disabled persons 'Blue Badges' in the Councils pay and display car parks across the borough as well as fraudulent applications for badges and the theft of badges from vehicles and subsequent misuse across the UK.

Proactive and Prevention Activity

22. SAFS provides alerts around mandate / phishing frauds targeting staff working from home from bodies including Cabinet Office, CIFAS, CIPFA, National Fraud Intelligence Bureau (NFIB), Herts Police- OWL, National Cyber Security Centre (NCSC) and NAFN.
23. The Head of SAFS sits on the Hertfordshire Fraud and Cyber Steering Group which is hosted by Hertfordshire Constabulary and includes stakeholders from a wide range of enforcement partners.
24. SAFS continues to work nationally and regionally with other counter fraud services and to share best practice and initiatives as well as requesting support and guidance from the South-East Counter Fraud Group, London Fraud Forum (LFF), London Borough Fraud Investigators Group (LBFIG) and the Home Counties Tenancy Fraud Forum (TFF).
25. SAFS has worked with the 'District Revenues Manager Group' to develop a new framework contract for all borough councils in Hertfordshire to conduct bulk reviews of council tax discounts and exemptions, improving collection and preventing fraud. This service will be fully funded by the County Council, with the district and borough councils undertaking the work with selected contractors, who can supply a fully managed service to councils. The Council is signed up as part of the Framework for 2023/24.
26. SAFS continues to work in partnership with the DWP to share data and evidence where fraud impacts on local welfare schemes, such as Council Tax Support or Housing Benefit, and national schemes, such as Income Support and Job

Seekers Allowance or Universal Credit. But, as mentioned already may cases are delayed due to DWP staff still being redeployed.

27. SAFS has ensured the Councils compliance with the National Fraud Initiative (NFI) by providing training and a user guide for staff involved in the upload of data that took place in October 2022 and the output from the exercise that the Council will receive by February and March 2023.
28. The Council subscribes to the Hertfordshire FraudHub. This project operates using the same legal framework as main NFI exercise but allows data to be matched more frequently helping to prevent fraud or detect it sooner. We are confident that this work will not only assist in preventing/identifying fraud earlier, but also help to reduce the volume of work received from the main exercise taking place between October 2022 and February 2023.

**East Herts Council
Anti-Fraud Plan 2022/23**

in partnership with

The Shared Anti-Fraud Service



<u>Contents</u>	Page No.
Introduction	2.
The National Context	3.
SAFS Resources for 2022/23	4.
SAFS KPI's & Standards of Service	6.
Anti-Fraud Action Plan 2022/23	7.
SAFS KPIs 2022/23	8.

Introduction

This plan supports the Council's Anti-Fraud Strategy by ensuring that the Council, working in partnership with the Shared Anti-Fraud Service (SAFS), has in place effective resources and controls to prevent and deter fraud as well as investigate those matters that do arise.

The Council's Strategy is to;

- **Be clear that the council will not tolerate fraudulent or corrupt acts and will take firm action against those who defraud the authority, who are corrupt or engage in financial malpractice.**
- **Provide a consistent framework for managers and Members, which enables effective deterrence, prevention, detection and investigation of fraud and corruption.**
- **Detail the responsibilities of employees, management and Members with regards to fraud and corruption.**
- **Assist the Head of Strategic Finance and Property in the fulfilment of the role as the council's Section 151 Officer and the Head of Legal and Democratic Services in the role as the council's Monitoring officer.**
- **Explain the role of council officers in relation to the prevention of fraud and actively promote a culture of openness and honesty in all dealings. (The council has Codes of Conduct for Members and officers.)**

This plan includes objectives and key performance indicators that support the Council's strategy and follows the latest best practice/guidance/directives from the National Audit Office (NAO), Local Government Association (LGA) and the Chartered Institute for Public Finance and Accountancy (CIPFA).

National Context.

In 2013 the National Fraud Authority stated that the scale of fraud against local government “is large, but difficult to quantify with precision”. Since 2013 a number of reports have been published including by CIPFA, NAO and MHCLG stating that the threat of fraud against local government is both real, causes substantial loss (including reputational, service as well as financial) and should be prevented where possible and pursued where it occurs. The latest annual estimates of fraud risk to local government exceed £7bn.

The Fighting Fraud and Corruption Locally, A Strategy for the 2020’s, published in March 2020 is supported by CIPFA, the LGA, SOLCACE and a number of External Auditors. A copy of the Strategy can be found at <https://bit.ly/3p5Rr98>

The new Strategy compliments work undertaken in 2019 by CIPFA, NAO and Cabinet Office as well as the *Code of practice on managing the risk of fraud and corruption* CIPFA 2015 adding ‘Pillars’ of **Governance, Acknowledge, Prevent & Pursue** with an overarching **Protect**:

Governance: Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Ensuring a tone from the top.

Protect: Against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.

For a local authority this will also cover protecting public funds, protecting its organisation from fraud and cybercrime and also protecting itself from future frauds.



Anti-Fraud Plan 2022-2023

The Councils Anti-Fraud Plan will be over-seen by the Shared Anti-Fraud Service (SAFS) but officers at all levels across the Council will have responsibility for ensuring that the plan is delivered.

The Anti-Fraud Plan highlights specific areas of work to protect the Council against fraud and corruption. The Council also has a duty to protect the public and it does this through its work across all services in particular, by sharing information and knowledge through communications either directly or via its website. The Council has frameworks and procedures in place to prevent fraud and encourage staff and the public to report suspicions of fraud through a number of channels.

The Anti-Fraud Plan for 2022/23 follows the guidelines and checklist contained in the Fighting Fraud and Corruption Locally Strategy and progress against this will be reported to senior management and the Councils Audit and Governance Committee. A full breakdown of planned activity to protect the Council can be found at **page 7**.

SAFS Resources 2022-2023

Anti-Fraud Arrangements

The Council is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS) and this service has provided the majority of the anti-fraud arrangements for the Council since April 2015. In 2019 the SAFS Partnership won the 'Outstanding Partnership' award at the Tackling Economic Crime Awards (TECAs) and in 2020 the TECAs award for 'Outstanding Professional in Counter Fraud' was won by a member of the SAFS team

SAFS is a Partnership with each organisation paying a fee for Hertfordshire County Council to provide a contracted service across the Partnership. SAFS, as a service, has a number of key objectives developed by its Management Board (the Board) and every Partner has a seat on the Board. For the East Herts Council the Head of Strategic Finance and Property is the Board representative.

Although SAFS provides much of the Councils operational counter fraud work Council officers are responsible for ensuring the policies, procedures, training and appropriate resources are in place to protect the Council from fraud, corruption and bribery.

Budget

In December 2021 the SAFS Board agreed to increase the fees for all Partners by 2.5% to meet increased service costs from April 2022. The Board also received assurance from financial modelling that the service would be sustainable, in its current form, for the next three years.

East Herts Council fees for 2022/23 are £86,165. This sum is payable quarterly.

Staffing

The full complement of SAFS in 2022/23 will be 21.6 FTE.

East Herts Council will have exclusive access to 1 FTE Counter Fraud Officer (Investigator), access to intelligence functions, data-matching services being offered through the Herts *FraudHub* (hosted by Cabinet Office) and can call on SAFS management for liaison meetings, management meetings and three Audit Committees reports per annum. An Accredited Financial Investigator is also available to assist in money laundering or proceeds of crime investigations.

SAFS has access to specialist IT forensics, covert surveillance and national counter fraud intelligence services provided via third parties and criminal litigation services provided by Hertfordshire County Council Legal Service.

SAFS will also provide alerts (local and national) to Council officers and senior management of new and emerging fraud risks through its membership of anti-fraud forums and specialist providers including the Fighting Fraud and Corruption Locally Board (FFCLB) the Credit Industry Fraud Avoidance Service (CIFAS), Certified Institute of Public Finance and Accountancy (CIPFA) Finance, National Fraud Intelligence Bureau (NFIB), Fraud Advisory Panel and the National Anti-Fraud Network (NAFN). SAFS has officers on the various Board for CIFAS & NAFN.

Workplans & Projects 2022-2023

As well as an agreed programme of work (see **page 7**) SAFS will work in the following areas delivering specific activity agreed with service managers. Progress with this work will be reported to the relevant head of service/managers on a quarterly basis.

Service Area	Agreed Projects
Central Services / Finance	<p>General Support and advice on fraud matters. 3 Reports to Audit Committee. Qly Meetings with officers to consider any new and emerging fraud risks and performance against SAFS KPIs SAFS attendance at Corporate Governance/Enforcement Groups. Assisting with the development/review of the Councils anti-fraud policies. Money Laundering Reporting Officer (MLRO) role and Policy review, ML Risk Assessment and training for relevant staff. 5 fraud training/awareness events for staff/members in year. Review and re-release of SAFS I-Learn training package on fraud/bribery/money laundering - hosted on the Councils Learning Pool. Making the on-line training mandatory with alternative options for staff without access to the Councils intranet. Roll out of NAFN training and registration for appropriate services/officers.</p>
Revenues and Benefits	<p>Close liaison with the Shared Revs and Bens service hosted by the Council. Proactive training and awareness for leadership and front-line staff. Reactive investigations for HB/CTRS including working with the DWP FES, where appropriate. Identify systems/processes/new developments to assist in recovery of debt created by fraud. Assist with potential fraud resulting from Covid Grant Schemes administered by the Council. Post payment assurance of grant schemes.</p>
Housing Services	<p>Reactive investigations for Housing Application, Tenancy fraud Provide a focus on fraud risks affecting temporary accommodation costs. Review housing register to identify fraudulent applications and, where appropriate, investigate these. Continue to work with Private Registered Providers (including Clarion/Catalyst/B3L) across all aspects of tenancy fraud to assist in the recovery of properties which can be prioritised for local residents from the Councils Housing Register.</p>
Data- Analytics	<p>Use of data and technology to prevent or identify fraud. Assist with NFI 2022/23 Data uploads (Oct 2022) and Output (February 2023). FraudHub. Further developing the effective use of the Cabinet Office FraudHub. Support for SAFS sponsored county wide Council Tax Review Framework for SPD and HER. Use of data-analytics to identify fraud as result of Covid-19 and other grants schemes. Review extension of NFI Powers to 'other' crime and debt collection.</p>
Other / Contingency	<p>Identify fraud risks and training in other areas including payroll, licensing, parking services, planning, procurement processes & contract management.</p>

SAFS KPIs.

SAFS will work to a set of KPIs agreed with senior officers and the KPIs will assist in delivering the Anti-Fraud Plan. The KPI's can be found at **page 8** and will be reported to senior officers and the Finance Audit and Risk Committee throughout the year.

SAFS - Standards of Service.

SAFS will provide the Council with the following anti-fraud services.

1. 24/7 Access to a fraud hotline, email and online solution for public reporting.
2. Process for Council staff to report suspected fraud to SAFS.
3. Training in: Fraud Awareness (management/staff/members), Fraud Prevention, Identity Fraud and Prevention.
4. Assistance in the design/review of Council policies, processes and documents to deter/prevent fraud.
5. SAFS will design shared/common anti-fraud strategies and policies or templates which can be adopted by the Council.
6. SAFS will continue to develop with the Cabinet Office and Council officers a data-matching solution (NFI- Herts *FraudHub*) to assist in the early identification and prevention of fraud.
 - The FraudHub will be funded by the Council
 - The FraudHub will be secure and accessible only by nominated SAFS and Council Staff.
 - Data will be collected and loaded in a secure manner.
 - SAFS will design and maintain a data-sharing protocol for all SAFS Partners to review and agree annually.
 - SAFS will work with Council officers to identify data-sets (and frequency) of the upload of these.
 - SAFS will work with Council officers to determine the most appropriate data-matching.
7. All SAFS Staff will be qualified, trained and/or accredited to undertake their duties lawfully.
8. All SAFS investigations will comply with legislation including DPA, UK GDPR, PACE, CPIA, HRA, RIPA, IPA* and relevant Council policies
9. Reactive fraud investigations.
 - Any high profile, high value, high risk cases or matters reported by senior managers will receive a response within 24 hours of receipt
 - All cases reported to SAFS will be reviewed within 2 days of receipt and decision made on immediate action including selection of cases for further review, no action, investigation or referral to 3rd parties including police, DWP, Action Fraud.
 - The Council will be informed of all reported fraud affecting its services.
 - SAFS will allocate an officer to each case.
 - SAFS officers will liaise with nominated officers at the Council to access data/systems to undertake investigations.
 - SAFS officers will provide updates on cases and a summary of facts and supporting evidence on conclusion of the investigation for Council officers to review and make any decisions.
 - Where criminal offences are identified SAFS will draft a report for Council officers to make a decision on any further sanctions/prosecutions.
10. Where sanctions, penalties or prosecutions are sought SAFS will work with the Council to determine the appropriate disposal in line with the Council's policies.
11. SAFS will provide Alerts to the Council, of suspected fraud trends or reports/guidance from government and public organisations that are relevant to fraud.
12. SAFS will provide reports to senior management on the progress with delivery of this Plan and any other relevant activity planned or otherwise.
13. SAFS will provide reports through the SAFS Board and to the Council's Audit Committee as agreed in the SAFS Partnership Contract.

**Data Protection Act, UK General Data Protection Regulation, Police and Criminal Evidence Act, Criminal Procedures and Investigations Act, Human Rights Act, Regulation of Investigatory Powers Act, Investigatory Powers Act.*

EHC / SAFS Action Plan 2022/2023

FFCL Pillars	Objectives	Activities	Responsible Officer
Governance	<p>Having robust arrangements and executive support to ensure anti fraud, bribery and corruption measures are embedded throughout the organisation.</p>	The Council has in place an Anti-Fraud and Corruption Strategy & Fraud Response Plan and associated policies to deter, prevent, investigate and punish acts of fraud or corruption.	Chief Executive / Monitoring Officer/ S.151 Officer
		The Councils Audit and Governance Committee will receive reports during the year about the arrangements in place to protect the Council against fraud and the effectiveness of these.	S. 151 Officer/ Head of SAFS
		Audit and Governance Committee and its Chairman, along with the senior management team, will ensure compliance with the latest best practice in the Councils anti-fraud arrangements including that published by CIPFA, NAO and LGA.	AC Chairman/ S. 151 Officer / Head of Legal and Democratic Services
		Weaknesses revealed by instances of proven fraud will be fed back to departments with recommendations to fraud-proof systems, and/or reported to senior managers or Internal Audit to review outcomes.	Head of SAFS/ SIAS Manager/ S.151 Officer
		SAFS will assist the Council in providing its Fraud Data for the Transparency Code each year	Head of SAFS
		The Council will make it clear through its policies and codes of conduct for staff and Members that fraud and corruption will not be tolerated.	Head of Legal and Democratic Service / Head of Human Resources and OD
ACKNOWLEDGE	<p>Accessing and understanding fraud risks.</p> <p>Committing the right support and tackling fraud and corruption.</p> <p>Demonstrating that it has a robust anti-fraud response.</p> <p>Communicating the risks to those charged with Governance .</p>	Inclusion of Fraud Risks and the Councils actions to manage/mitigate/reduce this in its Annual Governance Statement. Review the Councils Money Laundering/ Bribery/ Whistleblowing/ Cyber-Crime Policies	Insurance and Risk Business Advisor / S.151 Officer
		The Councils Communication Team will publicise anti-fraud campaigns and provide internal communications to staff on fraud awareness	Head of SAFS/ Head of Communications and Digital Media
		The Council and SAFS will provide fraud awareness & specific anti-fraud training across all Council services and review the E-Learning training available for staff	Head of HR and OD / Head of SAFS
		The Council is a member of the Hertfordshire Shared Anti-Fraud Service (SAFS). The Head of Strategic Finance and Property will ensure that the services provided by SAFS are appropriate and provide an effective ROI in both savings delivered and added value.	S.151 Officer
		Audits conducted by the Shared Internal Audit Service (SIAS) will take account of known or emerging fraud risks when audit activity is being planned. SIAS will also report any suspected fraud to senior manager and SAFS to review and act upon.	SIAS Client Manager
		All SAFS staff will be fully trained and accredited. SAFS will continue to work with the Cabinet Office to support the Counter-Fraud Profession.	Head of SAFS
PREVENT	<p>Making the best use of information and technology.</p> <p>Enhancing fraud controls and processes.</p> <p>Developing a more effective anti-fraud culture. Communicating its' activity and successes.</p>	SAFS will provide fraud alerts and new and emerging fraud threats to be disseminated to appropriate officers/staff/services.	Head of SAFS
		SAFS will work with all Council services to make best use of 3rd party providers such as NAFN, PNLD, CIPFA, CIFAS.	Head of SAFS
		Develop the Councils use of the Herts <i>FraudHub</i> and Deliver the NFI 2022/2023 Exercise	Head of SAFS/ s.151 Officer
		The Council, and SAFS, will seek to work with other organisations, including private sector, to improve access to data and data-services that will assist in the detection or prevention of fraud.	Head of SAFS/ s.151 Officer
		SAFS will provide reports to Board and SAFS Champions quarterly on anti-fraud activity at the Council	Head of SAFS
		Review data sharing agreements/protocols to ensure compliance with DEA & GDPR/DEA to maximise the use of sharing data with others to help prevent/identify fraud.	Monitoring Officer / DP Manager
		SAFS will work with the LGA and Cabinet Office to support the roll out of a Counter-Fraud Profession.	Head of SAFS
PURSUE	<p>Prioritising fraud recovery and use of civil sanctions.</p> <p>Developing capability and capacity to punish offenders.</p> <p>Collaborating across geographical and sectoral boundaries.</p> <p>Learning lessons and closing the</p>	All fraud reported to the Council will be via SAFS fraud reporting tools (web/phone/email) for staff, public and elected Members.	Head of SAFS
		All investigations will comply with relevant legislation and Council Policies. Investigations will include civil, criminal and disciplinary disposals	Head of SAFS
		SAFS will use its case management system to record and report on all fraud referred, investigated and identified.	Head of SAFS
		Legal Service and HR and debt recovery teams will seek to 'prosecute' offenders, apply sanctions and recover financial losses- supported by relevant policies.	Head of SAFS /Monitoring Officer/ s.151 Officer
		SAFS and the Councils Shared R&B Service will continue to work with DWP to deliver joint investigations where fraud affects both HB and CTRS	Head of SAFS/ Head of R&B Service
		SAFS will use its in-house expertise as well as external partners when considering the use of POCA, Surveillance or IT Forensics.	SAFS Manager
PROTECT	<p>Recognising the harm that fraud can cause in the community.</p> <p>Protecting itself and its' residents from fraud.</p>	SAFS will provide reports to Board and SAFS Champions quarterly on anti-fraud activity at the Council	Head of SAFS
		SAFS will review and share fraud trends and new threats	Head of SAFS
		Reports for Audit Committee on all Counter Fraud activity at the Council	Head of SAFS / s.151 Officer
		The Council has in place other measure to protect itself against cyber crime, malware and other potential attacks aimed at its IT infrastructure with training for staff and members	Interim Strategic IT and Partnerships Manager
SAFS will work with bodies including MHCLG/LGA/CIPFA/FFLB to develop anti-fraud strategies at a national level that support fraud prevention in local government	Head of SAFS		

SAFS KPIs - 2022/ 2023

KPI	Measure	Target 2022/23	Reason for KPI
1	Return on investment from SAFS Partnership.	Demonstrate, via SAFS Board, that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution.	Transparent evidence to Senior Management that the Council is receiving a service matching its contribution.
2	Provide an investigation service.	A. 1 FTE on call at the Council. (Supported by SAFS Intel/ AFI/Management). B. 3 Reports to Audit & Governance Committee in year. C. SAFS Attendance at Corporate Governance, Champion meetings, team management meetings.	Ensure ongoing effectiveness and resilience of the Councils anti-fraud arrangements.
3	Action on reported fraud.	A. All urgent/ high risk cases 24 hours from receipt. B. All other cases 2 working days on Average. C. Sharing of Fraud Alerts- within 2 working days. D. Dissemination of non-EHC referrals to 3 rd parties within 2 working days (Police/HMRC/DWP/NCSC)	Ensure that all cases of reported fraud are triaged within agreed timescales.
4	Added value of SAFS membership.	A. Membership of NAFN & PNLD for Council staff. B. Membership of CIPFA Counter Fraud Centre (via HCC) C. Access to CIFAS best practice/guidance/fraud alerts (via HCC) D. NAFN Access/Training for relevant Council Staff. E. 5 Training events for staff/Members in year. F. Money Laundering Reporting Officer role. G. Support for Covid grant schemes and other local/national responses.	Deliver additional services that will assist in the Council in preventing fraud across all services and in the recovery of fraud losses.
5	Allegations of fraud received. & Success rates for cases investigated.	A. All reported fraud (referrals) will be logged and reported to the Council by type & source. B. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each, Reported. C. All 'sanctions' imposed in live with Council policies/ legislation	This target will measure the effectiveness of the service in promoting the reporting of fraud & measure the effectiveness in identifying cases worthy of investigation.
6	Making better use of data to prevent/identify fraud.	A. Support the NFI 2022/23 upload and output/reports across services. B. Consider other areas where the better use of data will benefit the Council financially. C. Develop and extend the use/capacity of the Herts-FraudHub for EHC.	Further develop a Hub that will allow the Council to access and share data to assist in the prevention/detection of fraud.

SAFS KPIs - 2022/ 2023

KPI	Measure	Target 2022/23	Performance to September 2022
1	Return on investment from SAFS Partnership.	Demonstrate, via SAFS Board, that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution.	Report to SAFS Board in June & September 2022, further reports included in Fwd Plan for in December 2022 & March 2023. Councils S.151 sits on the SAFS Board and meets with SAFS Mgt regularly to review the effectiveness of SAFS and CF work across Council services.
2	Provide an investigation service.	A. 1 FTE on call at the Council. (Supported by SAFS Intel/ AFI/Management). B. 3 Reports to Audit & Governance Committee in year. C. SAFS Attendance at Corporate Governance, Champion meetings, team management meetings.	A. FTE Accredited CFO in place, supported by SAFS Intel/Mgt Teams. B. Reports to A&G Committee in July and November 2022 and third report planned for March 2023. C. SAFS has close working with relationship with R&B and regular liaison is taking place.
3	Action on reported fraud.	A. All urgent/ high risk cases 24 hours from receipt. B. All other cases 2 working days on Average. C. Sharing of Fraud Alerts- within 2 working days. D. Dissemination of non-HBC referrals to 3 rd parties within 2 working days (Police/HMRC/DWP/NCSC)	A. All urgent cases are being met within 24 hours B. Non-urgent referrals are also being resolved within 24 hours on average. C. Fraud alerts are issued within 24 hrs at present. D. All Referrals are reviewed and disseminated within 48 Hrs on average.
4	Added value of SAFS membership.	A. Membership of NAFN & PNLD for Council staff. B. Membership of CIPFA Counter Fraud Centre (via HCC) C. Access to CIFAS best practice/guidance/fraud alerts (via HCC) D. NAFN Access/Training for relevant Council Staff. E. 5 Training events for staff/Members in year. F. Money Laundering Reporting Officer role. G. Support for Covid grant schemes and other local/national responses.	A. SAFS have procured licenses to NAFN and PNLD for Council staff. B. SAFS Mgt are members of the CF Centre. C. HCC has membership of CIFAS with alerts shared with SAFS Partners. D. Council staff have access to NAFN training & support. E. Training events are still being developed with HR. F. The MLRO is in place with a Policy and training on AML for relevant staff. There is a reporting line/email for staff. G. SAFS continues to provide support for post 'assurance' work on Covid Grants.
5	Allegations of fraud received & Outcomes recorded.	A. All reported fraud (referrals) will be logged and reported to the Council by type & source. B. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each, Reported. C. All 'sanctions' imposed in line with Council policies/ legislation	A. This is happening daily as referrals received B. This is being monitored and will be included in SAFS year-end report. C. The SAFS CMS allows the reporting of granular detail on each referral received, every case investigated, and the MI from this is used to manage workflow and workloads.
6	Making better use of data to prevent/identify fraud.	A. Support the NFI 2022/23 upload and output/reports across services. B. Consider other areas where the better use of data will benefit the Council financially. C. Develop and extend the use/capacity of the Herts-FraudHub for HBC.	A. SAFS and Council officers have completed NFI upload of data in October 2022. B. The Council is taking part in the Countywide Council Tax Framework in 2023/24 C. The Council is making more use of the FraudHub with data from R&B and Housing being uploaded, but more work is required to included data from other service areas to make this more effective.

East Herts Council Report

Audit & Governance Committee

Date of meeting: 15 November 2022

Report by: Councillor Geoffrey Williamson, Executive Member for Financial Sustainability

Report title: Budget 2023/24 and Medium Term Financial Plan 2023 – 2028 Preparation

Ward(s) affected: All

Summary – This report sets out the revised Medium Term Financial Plan (MTFP) which is based on a less favourable and fundamentally more uncertain economic and policy climate than when the current MTFP was prepared and approved by Council in March 2022. The report also sets out Executive’s guidance to officers for preparing the detailed budget estimates and preparing a new MTFP to cover the period 2023 to 2027

RECOMMENDATIONS FOR AUDIT & GOVERNANCE:

- a) Note that Executive agreed, as guidance to officers, that the budget proposals should be based on a Council Tax increase of £5, contract inflation up to 4%, no inflation in other goods and services budgets and that the provision for the national pay award will be up to 4%;
- b) Note the assumption that the current local government finance system will continue for a further year and the windfall New Homes Bonus payment will be used to set aside £400k in reserves to meet part of the estimated cost of the refresh of the

District Plan with the remainder being used to support the budget through the exceptional circumstances of the current economic and political climate as detailed in Appendix B to the report;

- c) Note the savings requirements that the Transforming East Herts Programme will need to deliver in order to balance the budget in the Medium Term
- d) Note that Executive agreed that officers re-phase the capital programme and revenue impacts of capital financing and make recommendations about schemes that could be delayed or cancelled to reduce the savings requirements;
- e) Note the revised savings requirements of £0.812 million in 2023/24, £2.050 million in 2024/25, £2.114 million in 2025/26, £0.792 million in 2026/27 and £0.268 million in 2027/28.

1.0 Proposal(s)

- 1.1 The Medium Term Financial Plan (MTFP) presented to Council in March 2021 has been updated to reflect the less favourable and fundamentally more uncertain economic and policy climate. The revised MTFP position is shown in Appendix A. This takes into account the costs of the 2022/23 employer's pay offer to the unions which was £311,860 more than the budget provision. This causes compound increases in future years of the MTFP. Contract inflation was set at 4% for 2022/23 and actual inflation has been much more – in the case of the refuse contract 9.9%. Again this increased contract inflation of £529,632 causes compound increases in future years of the MTFP.
- 1.2 A number of key assumptions have been made in refreshing the MTFP and these are detailed in the following paragraphs. Please refer to the detailed economic and policy environment detailed in Appendix B for the planning context.

- 1.3 The Council Tax Base due to be set at Council in December is currently estimated to improve on the current MTFP assumptions and is provisionally 63,891.9. The assumption is that Local Council Tax Support cases will increase by 10% but there has been and is forecast to be additional growth from new properties.
- 1.4 Council Tax increases remain at the MTFP plan assumption of £5 per year, the maximum increase before a referendum is triggered. There are no signals from Government that there will be any increase above the £5 limit.
- 1.5 Although government have given a strong commitment to update the current local government funding regime, it is becoming increasingly unlikely that reforms will be implemented in 2023/24 due to the lack of time available to undertake a full consultation and implement major funding changes. The MTFP has therefore been updated to reflect the impact of a delay to funding reform to 2024/25 on current grant funding and future implementation.
- 1.6 The current planning assumptions on Revenue Support Grant (RSG) reflect actual inflation reported in September and Spending Review announcements. Ahead of funding reform and a multiyear settlement, the government has compensated for the mechanism which creates negative RSG in some authorities. The current assumption is that government will continue to compensate for negative RSG in the same way it has done in the recent years, before the RSG is reviewed as part of funding reform.
- 1.7 As part of the £1.6bn new Government Grant funding announced at SR21, the Council was allocated a one year Services Grant of £411k. The MTFP has been updated to reflect

LG Futures consideration that in the event of no funding reform this grant will continue in full.

- 1.8 New Homes Bonus (NHB) was due to end in 2021/22. However, in line with funding reform being delayed the cessation of NHB has also been delayed. The MTFP has therefore been updated to assume an additional year in advance of the implementation of funding reform. The forecast is based on a combination of historic average and share of the total anticipated national pot.
- 1.9 When the new system is introduced from 2024/25, in line with expectations around the Fairer Funding Formula, the council's share of business rates are forecast to reduce by £0.050 million per annum as the council is anticipated to be on the floor of the system and protected by transitional protection as it moves towards a lower funding settlement as the system is predicted to treat East Herts as a wealthy area which requires less funding to provide services.
- 1.10 The anticipated cash contribution to pay off the past service deficit arising in the pension fund has been kept at the same amount as the previous MTFP. The Actuary is completing the triennial revaluation of the fund and the actual deficit cash payment will be fed into the budget and MTFP once it is known.
- 1.11 Pay inflation, already increased by the 2022/23 employer's pay offer was originally set at 2% for 2023/24. In line with inflation forecasts this has been increased to 4% in 2023/24 and remaining at 2% in future years. Contract inflation was set at 4% in 2022/23 and 2.5% thereafter. Given the actual inflation in 2022/23 the inflation provision has been increased across each year to reflect the 9% increase on the base. In addition the inflation for 2023/24 has been increased from 2.5% to 4%.
- 1.12 The delay in Hertford Theatre has meant that the net income stream for the theatre has been moved back to 2025/26. The £1

million additional funding for weekly food collections has been moved from 2024/25 to 2025/26 to reflect the anticipated start of the new refuse, recycling and cleansing contract. In addition, a further £1 million has been added to the budget to meet potential increases in the contract costs going forward.

1.13 There has been slippage on the capital programme in 2020/21 and therefore the capital programme requires re-phasing to reflect this and therefore the capital financing costs require re-profiling which may reduce costs in earlier years and increase them in later years. This will be done alongside work on the capital programme during the budget estimate exercise to be completed during October and November. Alongside this, the viability of schemes will be tested and some non-major schemes may be recommended to be delayed, or stopped, or we may take a scheme to planning permission and then seek to sell the site with planning permission thus increasing any capital receipt. Alongside the MTFP an asset strategy will be developed with an emphasis on disposals to maximise capital receipts and replace borrowing thus reducing revenue costs of servicing debt.

1.14 The current capital programme has effectively used up the borrowing headroom that the revenue account is able to sustainably resource in the medium term and it is vital that the capital programme is tightly controlled and that any additions should not increase revenue costs. Newly emerging policies and strategies should be framed in the light of capital resources being scarce and not creating a revenue pressure in future years. In the current environment a large number of councils are contemplating cancelling capital projects. East Herts may need to consider cancelling non-major projects and there is absolutely no further capacity for additional significant projects in the medium term.

- 1.15 The Transforming East Herts Programme will modernise the council and deliver services that are digital by default ensuring end to end services are available 24/7 on the web. To be absolutely clear, there will still be a customer contact centre with members of staff on the telephone for those residents who cannot use digital services and need a customer contact agent to deal with complex queries. Adopting hybrid working and adopting modern workspaces should result in space being available in Wallfields to rent out. Given that other authorities have gone further than our 50/50 model and allow staff to work from home 100% of the time we may have to consider whether to expand home working in order to radically reduce the office accommodation requirement to make further savings.
- 1.16 There are two possible significant sources of additional revenue not included in the MTFP due to the fundamental uncertainty of the amounts and timing. The Levelling Up Bill indicates a potential 35% increase in planning application fees that would yield about £460k of additional income. There is no New Burdens Funding in the MTFP for 25/26 onwards for changes to refuse and recycling. This could assist with the cost of the refuse contract.

2.0 Background

- 2.1 Significant uncertainty continues to dominate the context within which we are working towards delivering a balanced budget over the medium term. Appendix B sets out further detail on this. The financial outlook remains unclear with a further one-year financial settlement anticipated for 2023/24 and key national reforms having been subject to further delay. The national policy agenda continues to evolve rapidly, with legislative and policy changes that respond to the new government's agenda the impacts of which are not yet fully clear.

- 2.2 The Council's business and financial planning is underpinned by the Corporate Plan and its four priorities, which provide a clear focus for decisions about spending and savings and direct activity across the Council.
- 2.3 The four priorities are:
- 2.3.1 **S**ustainability at the heart of everything we do;
 - 2.3.2 **E**nabling our communities;
 - 2.3.3 **E**ncouraging economic growth; and
 - 2.3.4 **D**igital by default.
- 2.4 Officers will continue to explore options to further reduce net cost to meet the savings target for submission in the December Executive report. This will include examining non-statutory service provision levels and also reviewing and benchmarking contracts to ensure the prices remain competitive. Given the financial position, which all the districts and boroughs in Hertfordshire are also facing, East Herts, as they are, will need to now consider the service offer to residents as no longer being protected and hard decisions lie ahead for Members as a result of the economic shocks buffeting the country.

3.0 Reason(s)

- 3.1 The Council is required to set a balanced budget each year. The Local Government Finance Act 1992 requires the Council to estimate revenue expenditure and income for the forthcoming year from all sources, together with contributions from reserves, in order to determine a net budget requirement to be met by government grant, Business Rates and Council Tax.

4.0 Options

- 4.1 Given the financial outlook the Executive have very few options available to ensure a balanced budget. Any growth the Executive wish to propose must be balanced by reductions elsewhere.

- 4.2 The Executive may propose a lower rate of Council Tax but this will result in additional savings requirements which will require significant changes to the service offer and the revenue foregone from Council Tax will be lost in perpetuity.
- 4.3 In order to draw up the detailed budget and MTFP the Executive are recommended to agree, as guidance to officers, that the budget proposals should be based on a Council Tax increase of £5, contract inflation up to 4%, no inflation in other goods and services budgets and that the provision for the national pay award will be up to 4%.

5.0 Risks

- 5.1 Significant uncertainty continues to dominate the context within which we are working towards delivering a balanced budget over the medium term. The financial outlook remains unclear with a further one-year financial settlement anticipated for 2023/24 and key national reforms having been subject to further delay. The national policy agenda continues to evolve rapidly, with legislative and policy changes that respond to the new government's agenda, the impacts of which are not yet fully clear.
- 5.2 The council faces recruitment and retention problems and will need to consider ways to deal with this which is affordable and sustainable.
- 5.3 The adequacy of the General Fund balance to meet unexpected expenditure will be considered by the Head of Strategic Finance and Property and be reported to Council as part of his report under Section 25 Local Government Act 2003 on the robustness of the estimates made in drawing up the budget and the adequacy of the proposed level of reserves.

6.0 Implications/Consultations

- 6.1 The council is required to consult with Business Ratepayers under s.34 Local Government Finance Act 1988.
- 6.2 Consultation with the public will involve asking about perceptions of value for money and the importance of services to them but not specifics of the budget proposals due to the technical nature of the budget papers and resource pressures within the council.

Community Safety

The budget underpins delivery of the Council's policies and priorities in relation to community safety.

Data Protection

No

Equalities

The Council has a statutory duty under the Equalities Act 2010, in particular s149. This includes the requirements on the Council to have due regard to the need to eliminate discrimination and harassment, to advance equality of opportunity, to foster good relations and to remove or minimise disadvantages suffered by persons who share protected characteristics.

Compliance with these duties in the Equalities Act does permit the Council to treat some persons more favourably than others, but only to the extent that such conduct is not otherwise prohibited.

In setting the budget, decisions on some matters may be particularly relevant to the discharge of this duty, particularly fees and charges concessions and an equalities impact assessment will be undertaken to assess and ensure compliance with this duty.

Environmental Sustainability

The budget underpins policies and priorities in relation to the environmental and sustainability areas.

Financial

These are contained in the main body of the report.

Health and Safety

No

Human Resources

The budget will provide a provision for a pay award of up to 3% but the actual award is subject to national NJC negotiations. This provision is set in the light of forward inflation estimates for September 2021 in the Bank of England Monetary Policy Report August 2021.

Human Rights

No

Legal

The Council is required to set a balanced budget each year. The Local Government Finance Act 1992 (as amended by the Localism Act 2011) requires the Council to estimate revenue expenditure and income for the forthcoming year from all sources, together with government grant and contributions from reserves, in order to determine a basic Council Tax Requirement.

Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of the estimates and adequacy of reserves to the Council when it is considering the budget.

Section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to the Full Council if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year. The issuing of a Section 114 report requires the Full Council to meet within 21 days to consider the report and during that period the Council is prohibited from entering into new agreements involving the incurring of expenditure.

Specific Wards

No

7.0 Background papers, appendices and other relevant material

Appendix A – Medium Term Financial Plan Initial Projection

Appendix B – Detailed planning context

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GENERAL FUND REVENUE BUDGET AND MEDIUM TERM FINANCIAL PLAN

2022/23		2023/24	2024/25	2025/26	2026/27	2027/28
£'000		£'000	£'000	£'000	£'000	£'000
378	Chief Executive & PA's	349	359	370	381	393
1,423	Communications, Strategy & Policy	1,457	1,491	1,527	1,563	1,602
534	Human Resources & Org Development	546	531	542	553	564
1,770	Strategic Finance & Property	2,076	2,119	2,163	2,208	2,244
594	Corporate	795	999	1,207	1,421	1,641
1,482	Legal & Democratic Services	1,505	1,545	1,586	1,627	1,671
2,298	Housing and Health	2,270	2,336	2,407	2,481	2,558
238	Capital Expenditure Charged to a Revenue Account	238	3,238	238	238	238
1,945	Planning & Building Control	1,966	2,028	2,091	2,156	2,223
2,277	Operations	1,909	1,396	1,313	1,392	1,555
976	Shared Revenues & Benefits Service	1,021	1,066	1,112	1,160	1,208
2,213	IT Shared service	2,313	2,313	2,313	2,313	2,313
	Pay inflation above budget provision 22/23	312	312	312	312	312
	Pay inflation above budget provision 23/24 onwards	312	637	976	1,330	1,700
	Audit Fee increase	115	117	120	122	124
	Contract inflation above provision 22/23	529	529	529	529	529
	Contract inflation above provision 23/24 onwards	210	127	140	160	180
	Contract renewal cost pressures	50	100	550	50	-
16,129	Net Cost of Services	17,972	21,243	19,496	19,996	21,054

Savings to be identified

2022/23		2023/24	2024/25	2025/26	2026/27	2027/28
£'000		£'000	£'000	£'000	£'000	£'000
	Savings to be identified 2023/24	(812)	(812)	(812)	(812)	(812)
	Savings to be identified 2024/25		(2,050)	(2,050)	(2,050)	(2,050)
	Savings to be identified 2025/26			(2,114)	(2,114)	(2,114)
	Savings to be identified 2026/27				(792)	(792)
	Savings to be identified 2027/28					(268)
	Total Transforming East Herts Savings	(812)	(2,862)	(4,976)	(5,768)	(6,036)

Corporate Budgets

2022/23		2023/24	2024/25	2025/26	2026/27	2027/28
£'000		£'000	£'000	£'000	£'000	£'000
-	Fees & Charges Annual Review	(100)	(150)	(200)	(250)	(300)
20	Minimum Revenue Provision	943	1,685	2,289	2,335	2,335
459	Interest Payable on Loans	815	1,500	1,800	1,800	1,800
(750)	Investment Income	(1,000)	(1,000)	(900)	(800)	(800)
754	Pension Fund Deficit Contribution	800	800	800	800	800
483	Total corporate budgets	1,458	2,835	3,789	3,885	3,835

Reserves

2022/23		2023/24	2024/25	2025/26	2026/27	2027/28
£'000		£'000	£'000	£'000	£'000	£'000
438	Contributions to Earmarked Reserves	681	190	490	335	-
(1,555)	Contributions from Earmarked Reserves	(1,585)	(3,000)	-	-	-
-	Planned Use of General Fund Balance		(750)	(750)		
1,383	New Homes Bonus Cont to Reserve		250	250	-	-
265	Total reserves	(904)	(3,310)	(10)	335	-

Funding

2022/23		2023/24	2024/25	2025/26	2026/27	2027/28
£'000		£'000	£'000	£'000	£'000	£'000
(150)	Capital Salaries	(150)	(150)	(150)	(150)	(150)
(3,616)	NDR	(5,000)	(4,950)	(4,900)	(4,850)	(4,800)
-	Business Rates Pool 22/23 Pooling Gain	(511)				
(1,900)	Section 31 Grants	-	-	-	-	-
2,386	(Surplus)/Deficit on Collection Fund	1,585	-	-	-	-
(689)	Government Grant	(441)	-	-	-	-
(1,383)	New Homes Bonus	(1,116)	(250)	(250)	-	-
(5,352)	Total Funding	(5,633)	(5,350)	(5,300)	(5,000)	(4,950)

11,526	Net Expenditure financed by Council Tax	12,081	12,556	12,999	13,448	13,903
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(11,526)	Demand on Collection Fund	(12,081)	(12,556)	(12,999)	(13,448)	(13,903)
62,610	Council Taxbase	63,892	64,692	65,292	65,892	66,492
184.09	Council Tax at Band D (£)	189.09	194.09	199.09	204.09	209.09

Percentage Increase in Council Tax	2.72%	2.64%	2.58%	2.51%	2.45%
£ increase in Council Tax	5.00	5.00	5.00	5.00	5.00

Appendix B – Detailed planning context

1. This Appendix sets out our latest understanding of how we will need to continue to respond to the broad and rapidly evolving range of policy, and financial drivers which influence the outlook for the Council, both in the short and longer-term.
2. Since the Medium Term Financial Plan (MTFP) was approved by Council in March the instability in our planning context has grown, with significant further national economic and political developments. A new Prime Minister took office on 6 September and although the new Government's policy agenda and priorities are beginning to emerge, there remains uncertainty over whether, or how, national policy proposals brought forward by the previous administration will be progressed. The new Government takes over at a time when current and forecast economic conditions continue to shape a very challenging financial outlook both for the Council itself and many of the district's residents and businesses.
3. With our firm foundation of careful management of resources over many years, and with the assistance of Government Covid support during the pandemic, we have been able to maintain stability in service provision in recent years and we are managing current, in-year pressures within our current plans and contingency arrangements. However, the financial outlook in the medium term is increasingly challenging and uncertain with national economic conditions impacting on our projected future position, alongside pre-existing pressures and uncertainties. This report provides our latest assessment of the position.

Overall Context

4. The context the Council is operating within continues to change rapidly. The following sections provides an overview of the overall economic, fiscal and policy context the council is operating and planning within.
5. National Government changes - On 5 September Liz Truss was announced as the new Leader of the Conservative Party and Prime Minister. She indicated that her Government's initial priorities would be growing the economy, addressing energy price rises and energy supply, and access to NHS services. New ministerial appointments were made in early September including Simon Clarke as the new Secretary of State for Levelling Up, Housing and Communities. Further detail of the new Government's policy agenda, and how that will impact on local government, is expected to

emerge during the autumn, after a pause in parliamentary business during the period of mourning following the death of Her Majesty Queen Elizabeth II.

Living with COVID-19

6. The Government published the COVID-19 Response: Living with COVID-19 Guidance in February 2022 and its ongoing response is structured around four principles:
 - a. Living with COVID-19: removing domestic restrictions while encouraging safer behaviours through public health advice, in common with longstanding ways of managing most other respiratory illnesses.
 - b. Protecting people most vulnerable to COVID-19: vaccination guided by Joint Committee on Vaccination and Immunisation advice and deploying targeted testing.
 - c. Maintaining resilience: ongoing surveillance, contingency planning, and the ability to reintroduce key capabilities such as mass vaccination and testing in an emergency.
 - d. Securing innovations and opportunities from the COVID-19 response: including investment in life sciences.
7. Vaccination, therapeutics, higher levels of immunity and the Omicron variant have adjusted the risk the virus poses. The virus is yet to become endemic, and it is difficult to predict when this state may be attained. It will likely continue to disrupt many aspects of life and there remains a degree of unpredictability about the course ahead. We can potentially expect further waves of transmission because of waning immunity and the emergence of new variants. Disadvantaged communities and areas are likely to be more at risk from surges and outbreaks, and at risk of prolonged disruption of education and economy.
8. National testing policy and public testing behaviour has changed. After a wave of infection during March 2022, rates of COVID-19 have declined, however routine testing for the general population ceased from 1 April 2022. Free testing is still available to those working in health and care and those more vulnerable to the virus. The Office for National Statistics COVID-19 Infection Survey is continuing to provide insight into the prevalence of the virus alongside local intelligence surrounding outbreaks in line with other infectious disease management processes.
9. The national Public Health infrastructure has been redesigned with Public Health England ceasing to exist from 1 October 2021. In its place the Office for Health Improvement and Disparities has been created, within the

Department for Health and Social Care (DHSC), along with the UK Health Security Agency. The role of these organisations and relationship with local authorities is developing through on-going consultation.

10. An equitable recovery from the pandemic is important and returning to business as usual to address other priorities is essential. Many opportunities exist to maximise the learning and relationships from the pandemic and apply this to actions to improve health and wellbeing. This aligns with the levelling up agenda.

Economic Outlook

11. The UK has experienced a steep increase in inflation in the first half of this calendar year. The cost of goods and services has increased in recent months and Consumer Price Index (CPI) inflation rose to 9% in April, its highest level for more than 40 years. This increase is being driven by a number of factors including the global rise in energy and fuel prices, linked to the war in Ukraine and which led to the price cap on energy bills increasing by 54% in April, and global restrictions on supply chains due to disruption from the war and the coronavirus pandemic.
12. Rising inflation, along with the increasing cost of fuel, energy and food, tax increases and interest rate rises are all contributing to a significant increase in the cost of living for households, which is outpacing average growth in earnings. In March, the Office for Budget Responsibility (OBR) projected that real household disposable incomes per person would fall by 2.2% in 2022/23, the largest fall in a single financial year since Office for National Statistics records began in 1956/57. The impact of the increased cost of living will, however, have a greater impact on those on lower incomes or already in financial hardship; and the Institute for Fiscal Studies has suggested that the real CPI inflation rate experienced by those on the lowest incomes in April was closer to 11% due to those households spending a greater proportion of their total budget on energy.
13. On 26 May, the Government announced a £15bn package of measures to support households with the rising cost of living. Measures include:
 - a. A one-off £650 payment to low-income households on Universal Credit, Tax Credits, Pension Credit and legacy benefits, with separate one-off payments of £300 to pensioner households who receive Winter Fuel Payments and £150 to individuals receiving disability benefits. Payments will be made directly by the Government to households.
 - b. An increase to £400 in the previously announced universal discount on energy bills planned for October. Households will also no longer be

required to repay this over 5 years. This support is in addition to the £150 Council Tax rebate for households in England in bands A-D and the £144m Discretionary Fund for billing authorities to support households in need but not eligible for the Council Tax Rebate, both announced in February. East Herts is responsible for the delivery of both of these for East Herts residents which has involved huge amounts of work for the Shared Revenue and Benefits Service following on from the huge amounts of work to pay businesses grants during the Covid Pandemic. These reactive resource hungry burdens on the council have affected the ability to deal with arrears with collection rates falling for both business rates and council tax.

- c. An extra £500m Household Support Funding, extending the fund from October 2022 to March 2023. This is in addition to £500m Household Support Funding announced at the Spring Statement. Hertfordshire County Council is responsible for this funding and Government will issue guidance to it to ensure support is targeted towards those most in need of support, including those not eligible for the cost of living payments above.
14. While the Office for Budget Responsibility (OBR) revised their projections for Gross Domestic Product (GDP) growth this year down from 6% to 3.8% in March, there have since been predictions that the UK economy may go into recession later this year as inflation damages consumer spending and business investment.
15. Since June, national economic conditions have become increasingly challenging with forecasts indicating this is likely to continue for some time. Inflation, as measured by the Consumer Prices Index (CPI), reached 10.1% in the 12 months to July and, despite an unexpected fall to 9.9% in August, is currently forecast by the Bank of England to peak at 13% in the coming few months before reducing to the 2% target over the next two years. The high rate has been driven particularly by significant increases in the cost of energy and food, both linked to the ongoing war in Ukraine amongst other factors and creates significant cost of living pressures for individuals and families. The Institute for Fiscal Studies has highlighted that lower income households are likely to face higher rates of inflation than the headline figures suggest because they spend a higher proportion of their income on food and energy. In response to rising inflation the Bank of England raised interest rates by 0.5% to 1.75% in August – the largest increase since 1995 - with further rises anticipated.

16. In late August the energy regulator Ofgem announced an 80% increase in the cap on household energy prices from 1 October to £3,549 (annual cost for dual fuel for an average household). Although Ofgem did not provide specific price cap projections for the new year due to ongoing market volatility, it was indicated that there could be significant further increases through 2023. The regulator's announcement highlighted the significant impact this would have on households and called for further support from Government in addition to measures already introduced to support households with energy bills earlier in the year. Research published by the University of York indicated that, without further action, around two thirds of UK households could be in fuel poverty (spending more than 10% of net income on fuel) by January. Significant concerns have also been raised nationally about the impact of inflated energy prices on the sustainability of some businesses, who are not covered by the price cap.
17. In response to the significant rise in energy prices, on 8 September the new Government announced a package of measures to ensure that typical households will pay no more than £2,500 a year on gas and electricity bills from 1 October through an Energy Price Guarantee. The Prime Minister confirmed that the new price guarantee will last for two years and will be paired with both the existing Energy Bill Support Scheme, which will provide £400 support to households, and a £150 saving, brought about by a temporary suspension of green levies on energy bills. Households who do not pay direct for mains gas and electricity – such as those living in park homes or on heat networks – will receive support through a new fund. The Government will also support business, charities and public sector organisations with their energy costs this winter, providing an equivalent guarantee for six months. In addition, the Treasury announced a joint scheme, working with the Bank of England, to provide resilience to both energy and financial markets, and the economy, and reduce the eventual cost for businesses and consumers. The Government also announced a new Energy Supply Taskforce to agree long-term contracts that reduce the price charged for energy and increase the security of its supply.
18. As well as the potential for increased demand on services, high energy prices and inflation also impact directly on our operating costs as set out in more detail in paragraph 3 below. Levels of inflation and cost of living pressures are impacting on pay negotiations across the workforce in both the public and private sectors. Combined with a reduction in the active workforce post-Covid and low rates of unemployment there remains a

highly competitive and challenging environment for recruitment and retention of staff.

19. The impact of the increases in the cost of living on residents, particularly those already experiencing financial hardship, can be expected to result in an increase in need for public services and voluntary sector support locally.
20. Looking ahead, the outlook for the UK economy over the next 18 months has worsened compared to forecasts earlier in the year. Gross Domestic Product (GDP) fell by 0.1% in the second quarter of 2022, the first fall in GDP since early 2021. The Bank of England forecasts that the economy will go into recession later this year, with output falling from the last quarter of 2022 to the last quarter of 2023. Even when growth resumes, it is forecast to be "very weak".
21. The Chancellor made a fiscal statement (as opposed to a full Budget statement) on 23 September which included setting out the cost and funding of the energy support package. The statement also included details of the new Government's taxation policy and plans to strengthen economic growth which resulted in substantial tax cuts being funded by borrowing, and, after considerable adverse market reaction it became clear that substantial reductions in expenditure and benefits were not transparently disclosed. There has been a "U turn" on the abolition of the 45% higher rate tax bracket, but the substantial adverse market movements have not been reversed. The markets are now pricing in a 6% interest rate and the devaluation of Sterling against the US Dollar and the Euro will increase import costs (including electricity supplied by France via the interconnector) resulting in expectations of higher inflation and lower economic growth, the exact opposite of what the Chancellor intended.
22. Whilst we cannot be certain about detail, it would appear that local authorities can expect settlements that do not meet inflationary pressures and the Government is sending clear signals to prepare for more austerity. This outlook will be extremely challenging for the council's budget, and it would appear to be impossible to make savings and protect the service offer to residents going forward.
23. Research by Retail Economics and Metapack has found that shoppers nationally will spend 22% less (£4.4 billion) on non-food spending in the run up to Christmas this year as a result of the cost of living crisis. 38% of shoppers identified themselves as "distressed" and at high risk from the cost of living inflation and 38% said they were "secure but concerned". The expectation is that 20% fewer shoppers, compared to pre-pandemic levels, will be out in December this year. This is a 4% increase on last year when

shoppers were mainly staying away as a result of the Omicron variant. October and November are projected to be worse than last year with numbers down 2% and 2.7% according to the study.

24. This weakening consumer outlook in the “golden quarter”, or last 3 months of the year, when most retailers book the majority of their profits, will hit our local retail businesses hard. They are also experiencing rising input and operating costs, putting profit margins under severe pressure, and we can expect some businesses will cut back trading hours and some businesses may close permanently.
25. Support to the High Street is being delivered through the UK Shared Prosperity Fund.

Levelling up

26. One of the Government’s central policy objectives for this Parliament was to ‘level up’ the country and address the imbalance in economic performance and life opportunities between places and regions in the UK. There is now uncertainty if levelling up is to be replaced with an emphasis purely on growth which may well exacerbate regional inequalities which it would appear are to be addressed by trickle down economics. For example, the removal of the cap on bankers’ bonuses is intended to cause growth in the financial services sector in London. However, since the growth inequality between London and the rest of England resulted from the “Big Bang” deregulation of the City and the resulting boom in financial services, the encouragement of growth in London’s financial sector seems to be directly contrary to the aims of levelling up.
27. The Government’s detailed strategy to deliver levelling up was set out in the Levelling Up White Paper, published in February 2022. The White Paper gives an analysis of the geographical disparities in the UK and the history of policy approaches to addressing these. Based on this analysis, it proposed a new, long-term approach to ending geographical inequality; and a framework to take this forward and deliver on the four levelling up aims to:
 - a. boost productivity, pay, jobs and living standards by growing the private sector, especially in those places where they are lagging;
 - b. spread opportunities and improve public services, especially in those places where they are weakest;
 - c. restore a sense of community, local pride and belonging, especially in those places where they have been lost; and
 - d. empower local leaders and communities, especially in those places lacking local agency.

28. As part of the framework, 12 medium-term national levelling up missions were also outlined, aligned to the above aims. These set out overarching objectives for a range of national policy areas, including transport infrastructure, digital connectivity, education, skills, health, wellbeing and local leadership, which are intended to anchor national policy making and to be used to measure the success of levelling up over the next decade. The paper also set out a new policy regime for Government, underpinned by five pillars: a mission-orientated approach to setting policy; reorientation of central government decision-making; greater empowerment of local government decision-making; a revolution in data and transparency at the subnational level; and enhanced transparency and accountability of this new regime. The new regime may present opportunities for local areas in future as the Government takes a more 'place-based' approach, to policy and decision making. There was no new funding announced specifically to meet the challenges identified in the White Paper.
29. In terms of detailed policy proposals, the White Paper largely draws together existing Government initiatives under the levelling up aims and missions. Notable new announcements included:
- a. publication of a devolution framework – the White Paper's local leadership mission is that 'By 2030, every part of England that wants one will have a devolution deal with powers at or approaching the highest level of devolution and a simplified, long-term funding settlement', and the paper set out a framework to give consistency and clarity over pathways to devolution for areas that wish to pursue it. The framework also set out clearly the devolved powers and funding available to places under different devolution governance arrangements.
 - b. plans to introduce a new independent data body to improve transparency of local government performance.
 - c. planned initiatives for improving community empowerment and engagement, with more detail on these awaited. This includes a planned new Strategy for Community Spaces and Relationships which the White Paper indicates will include proposals 'making it easier for communities to set local priorities and shape neighbourhoods', a review of neighbourhood governance to improve community empowerment and a plan to pilot new models for community partnership.
 - d. plans to 'simplify the local growth funding landscape' and further information on UK Shared Prosperity Funding.

- e. an ambition for up to 5% of Local Government Pension Funds to be invested in local areas.
 - f. potential transfer of taxi and private hire vehicle licensing to upper-tier authorities.
 - g. designation of Education Investment Areas and announcement of plans for a White Paper to reduce Health Disparities.
30. Nine County Deal pilot devolution areas were also announced alongside the White Paper: Cornwall; Derbyshire & Derby; Devon, Plymouth & Torbay; Durham; Hull & East Yorkshire; Leicestershire; Norfolk; Nottinghamshire & Nottingham; and Suffolk. These areas are now working with the Department for Levelling Up, Housing and Communities (DLUHC) to develop and negotiate plans for devolution to their areas, in line with the powers and funding set out in the devolution framework. Hertfordshire will continue to monitor how these deals progress to better understand the opportunities and risks associated with County Deals.
31. A Levelling Up and Regeneration Bill was announced at the Queen's Speech in May and makes provision for the legislative changes required to deliver on some aspects of the levelling up programme set out in the White Paper, including creating a legal duty for the Government to set and report on delivery of levelling up missions; and introducing measures and reforms to deliver on plans for devolution, such as creating a new model of combined authority - combined county authorities - to provide the governance structures needed to progress devolution to some County Deal areas. The Bill includes provision to allow billing authorities to double the standard Council Tax rate on any home left empty for longer than a year, rather than 2 years, and will introduce a new discretionary Council Tax premium on second homes of up to 100%. The Bill also incorporates legislative changes to deliver some of the planning reforms outlined in the previous Planning for the Future White Paper.
32. The Levelling Up and Regeneration Bill continues to progress through parliament, reaching Committee stage in the House of Commons before the summer recess. It is expected to continue its progress through the autumn. August saw the announcement of two proposed new devolution deals - one in North Yorkshire and York and another covering the East Midlands. Both deals included a focus on skills, transport and infrastructure and included the adoption of a directly elected mayor for the area covered by the deal. Further devolution announcements from the initial round of County Deal negotiations signalled in the Levelling Up White Paper are anticipated by the end of the year.

Planning Reforms

33. Significant parts of the Levelling Up and Regeneration Bill relate to reforms and changes to the planning system. Whilst detail around some of the reforms will not emerge until consultations around aspects of the Bill are issued later in the year, a clear direction of travel for the planning system is given. Aspects of the Bill are relatively consistent with proposals that were set out in the Planning for the Future White Paper, which was published in September 2020. However, some of the previously proposed reforms, such as introducing a land zoning system and removing the need for planning applications in certain instances, have been seemingly withdrawn.
34. The Bill emphasises the importance of a plan-led system (i.e. the Local Plan sets out where, when and how development will take place) and proposes that more weight is given to the content of Local Plans in decisions on planning applications. Whilst this approach is to be broadly welcomed, it will “ramp-up” the need for timely and effective input into the Local Plan processes, particularly from infrastructure providers - the Bill proposes a duty for infrastructure providers to engage in the Local Plan process and their engagement is likely to be tested by the Planning Inspector as part of the Examination in Public.
35. Other changes and reforms proposed focus on matters such as infrastructure funding, environmental assessment of proposals, enforcement and providing additional protection to heritage assets. When it comes to service provision, there is a recognition from Government that planning departments are generally under-resourced, and the Bill proposes some significant increases in planning application fees (potentially up to a 35% increase) and the ability for statutory consultees to charge for their advice and input.
36. The Environment Act requires new developments to deliver a minimum of a 10% gain in biodiversity, known as Biodiversity Net Gain (BNG). A phased approach to the implementation of BNG is due to commence from autumn 2023 and whilst the preference will be for the gain to be delivered on the development sites in question, there will be occasions where off-site gain is necessary and the Local Nature Recovery Strategy to be developed by Hertfordshire County Council will be used to guide this to some extent. It is acknowledged by DEFRA that assessing and monitoring the implementation of BNG will create additional resourcing pressures on planning authorities. It is expected that some clarity over what additional burdens monies will be provided to planning authorities will be available by this autumn.

Legislative Programme

37. The May 2022 Queen's Speech set out the Government's legislative programme for the new Parliamentary session, announcing that its top priorities were to grow and strengthen the economy to ease the increasing cost of living for families; reduce crime and improve community safety; and fund the NHS to address coronavirus backlogs.
38. Key pieces of legislation the Government announced in the speech include the Levelling Up and Regeneration Bill (see above) and the Schools Bill which makes provision for the legislative changes required to implement plans in the Education White Paper. Other legislation of relevance to local government included:
 - a. Non-Domestic Rating Bill – covering previously announced changes to the business rates system, specifically enabling more frequent revaluations and reliefs for decarbonisation and property improvements (all reliefs to be reimbursed in the usual way).
 - b. Data Reform Bill – which will help to improve appropriate access to data in health and social care contexts, whilst reforming the General Data Protection Regulation (GDPR) and Data Protection Act post-Brexit.
 - c. Draft Audit Reform Bill – which establishes the Audit, Reporting and Governance Authority (ARGA), a proposed audit regulator intended to replace the Financial Reporting Council. The Bill also makes provisions intended to increase resilience and choice in the statutory audit market.
 - d. Procurement Bill – previously announced in the 2021 Queen's Speech, this Bill will aim to reform the current procurement regime, which currently reflects EU law, and make public procurement more accessible for new entrants.
 - e. Transport Bill – which establishes a new body, Great British Railways to 'act as the single national leader of the railways' and supports the installation of more electric vehicle charge points throughout the UK.
 - f. Energy Security Bill – which will support the transition to a more secure, affordable and cleaner domestic energy system through measures such as supporting industry to invest in the growing consumer market for electric heat pumps, extending the energy price cap beyond 2023 and enabling the first large-scale hydrogen heating trial.
 - g. Product Security and Telecommunications Infrastructure Bill – previously announced in the 2021 Queen's Speech, this Bill will

accelerate and improve the roll out of mobile and broadband networks through measures such as reforming the Electronic Communications Code to support faster and fairer negotiations for the use of private and public land to enable deployment of telecommunications networks.

Keeping the public safe

39. The Government has conducted a review of Police and Crime Commissioners (PCCs) and the conclusions of the second part of the review - designed to ensure that PCCs have the information, levers and tools to help cut crime, drugs misuse and anti-social behaviour – were published in March.
40. The second part of the review includes recommendations to give PCCs levers to bring together crime and justice partnerships and some recommendations within this impact on district councils in their roles in Community Safety Partnerships (CSPs).
41. The Home Office will undertake a full review of CSPs to improve their transparency, accountability, and effectiveness, before assessing their position within the wider landscape of local partnerships. Through this review, the Home Office will also consider a new duty for CSPs to report on their anti-social behaviour strategies and delivery plans to PCCs; with potential for the PCC's role in the Anti-Social Behaviour Community Trigger process to be set out in the new legislation. The Home Office has also committed to clarify the existing legislation on PCC representation on local government committees, in order to facilitate greater collaboration between PCCs, local government leaders and Local Enterprise Partnerships. To support this, the Home Office will develop guidance to help facilitate closer engagement between PCCs and those charged with responsibility for economic regeneration within the core PCC guidance.
42. In July 2021, Government launched a consultation on a national resilience strategy. The consultation asked questions on a range of topics, including risk and resilience, partnerships, community, investment, and resilience in an interconnected world. The Civil Contingencies Act 2004 (CCA) is also being reviewed. The early results were published in spring 2022.
43. Respondents have said they believe more can be done at the national and local level to communicate national risks. Greater transparency and accessibility in relation to risk information was also a common theme. There was a consensus that everyone has a part to play in improving the UK's resilience, particularly in the light of the COVID-19 pandemic and the active partnerships this created between organisations and volunteers.

44. The CCA prescribes the local arrangements for civil protection (Part 1) and the UK's emergency powers (Part 2). Evidence submitted shows that the Act has served the responder community well. There was broad agreement that current information sharing arrangements are insufficient and the duty to share information should be placed on central Government. The majority of respondents also recognised funding as a key factor in the ability to deliver emergency preparedness in the UK. Government have said the review of the CCA will carefully consider how the Act can support organisations to use their resources as efficiently as possible. This last statement is disappointing as the review foresees new responsibilities and burdens falling on the council but without any new burdens funding.

UK Shared Prosperity Fund

45. UK Shared Prosperity Fund (UKSPF) is the Government's domestic replacement for the European Structural and Investment Fund Programme (ESIF) in which the UK continues to participate until 2023. The Government launched the prospectus for the new UKSPF programme on 13 April 2022 with a focus on three main investment themes: Communities and Place, Supporting local business, and People and Skills.
46. The responsibility for administering and managing the programme has been awarded to district councils. Each council has received its allocation and must develop a local investment plan to be submitted to Government between 30 June and 1 August 2022, with announcements anticipated to be made from October 2022 onwards.
47. The three year spending plan for the UK Shared Prosperity Fund will be approved by Executive in due course.

Transforming Public Procurement Green Paper and Bill

48. Following the UK's exit from the EU, the Government is taking the opportunity to replace the current procurement regime, which was transposed from EU procurement directives. This will be the biggest change to procurement regulations since their introduction in 1996 and reduces four regulations (Public Contracts Regulations 2015, Utilities Contracts Regulations 2016, Concession Contracts Regulations 2016 and Defence and Security Public Contracts Regulations 2011) down to one set of regulations.
49. The Government published its Green Paper on Transforming Public Procurement in December 2020, with a consultation period open to buyers and suppliers until March 2021. The Government's response to the consultation was published in December 2021 which indicates that implementation will be towards the end of 2023 at the earliest but is

dependent on the conclusion of legislation (the Procurement Bill, which was re-introduced in the 2022 Queen's Speech). The Government has confirmed its intention to provide a six-month implementation period prior to the legislation coming into force.

50. The Green Paper stated that the objectives of the new regulations are to ensure public procurement is simpler, less bureaucratic and provides a fairer and more flexible approach, whilst taking greater account of Social Value to deliver the best possible outcomes. The onus will be on officers to take advantage of the flexibility and apply their commercial skills, whilst also aligning with local and national priorities as set out in the National Procurement Policy Statement and the council's procurement strategy.
51. During the implementation period, there are likely to be additional costs to implement the changes, with pressures around resourcing and training to fully assess and develop officers to be confident and compliant in delivering under the new regulations.

Workforce and workspace challenges

52. As we move beyond the COVID-19 pandemic, a range of recruitment challenges have emerged. The national labour market picture is of concern, with March 2022 figures showing a further fall in unemployment to its joint lowest level since 1974, whilst at the same time, a continued decline in the size of the labour force with economic inactivity (the measure of those not looking for work and/or not available for work) rising. There are now 490,000 more people economically inactive than pre-pandemic.
53. Recent research by the Institute of Employment Studies (IES) has identified that there are now 1.1 million fewer people in the labour force than would have been expected based on pre-pandemic trends. Vacancies are up across all industries and the further falls in unemployment mean that there are now just 1.1 unemployed person per vacancy – the tightest labour market in at least 50 years. This reflects our experiences locally where we are now seeing significant challenges in recruiting to some of our posts.
54. We are updating our recruitment branding, promoting the council as an excellent place to work and 'employer of choice'. In support of this we will attend events like careers fairs and shows in order to maximise our presence with job seekers.
55. As well as seeking to attract experienced individuals, we will also need to look to utilise approaches such as apprenticeships, traineeships and intern arrangements as a way of bringing new talent into the council. These schemes will support individuals to 'learn on the job' and enable us to 'grow our own' workforce for the future.

56. Ensuring our workforce is reflective of our residents should also be an important part of our strategy. We provide good employment opportunities for our local residents which in turn, supports them in being economically active. Being a diverse and inclusive place to work further supports our recruitment and retention aims.
57. The Council's new hybrid working model was launched in November 2021 to support the wider return to the office, bringing staff back together again after a year of working arrangements being affected by the COVID-19 pandemic. Subject to the needs of the service, hybrid working is a way of structuring work to enable our staff to be as productive as possible, regardless of where they are working. Hybrid working also supports staff wellbeing and a reduction in our carbon footprint.
58. The new working model has been developed following an extensive programme of engagement with all services across the Council. We anticipate that for many of our staff, hybrid working will mean working from the office for 50% of their working week, rather than the traditional 100% in the office. Decisions around working patterns are led by business need at their core and not driven by personal preferences. The scheme will be reviewed with staff at the end of the year.
59. There are many benefits to the Council in adopting a hybrid model. By adapting the way we work, we will be able to build on the carbon emissions reductions realised during the periods of lockdown through reduced travel to the office or attendance at face to face meetings, thereby supporting our carbon reduction aims. In addition, it will also support recruitment and retention needs, as recent research has shown that hybrid working is the top search term used by job applicants and that 47% of employees would likely look for a job elsewhere if their employer did not adopt a flexible working model. Feedback from our own staff has confirmed the benefits felt in relation to improved wellbeing and resilience.
60. To ensure that we can maximise the benefits of a hybrid working model, we are investing in the technology needed, as well as drawing up plans to configure our workspaces differently to reflect our revised business needs. Using funding secured during the pandemic we have purchased laptops for 150 staff, and we have made adaptations to Wallfields House to enhance the amount of hybrid meeting spaces available with video conferencing facilities and increasing the amount of smaller private meeting spaces to support confidentiality requirements. As part of the Transforming East Herts Programme, we will be reducing the amount of space we require at to reflect the reduction in staff numbers in the office at any one time. This

will help inform the decision on whether the council remains at Wallfields as the space cleared could be let to another body.

61. Officers are also evaluating a bid to the Public Sector Decarbonisation Grant funding scheme to replace the remaining time life expired boiler (the other boiler which had been cannibalised for spare parts has now been removed), windows and passive ventilation grilles (a significant number of the grilles require new motors) with new zero carbon installations. The grant funding conditions require the council to pay the equivalent cost of like for like replacements but leverages in significant government grant to pay for the zero carbon installations that should significantly reduce operating costs, meet the council's net zero targets and adapt the building for climate change. The grant bid does not compel the council to accept the funding so should Members decide to move from Wallfields it need not be accepted but should Members decide the council is to remain at Wallfields then a significant part of the essential updates to the heating and ventilation system will be funded by government grant.

Redmond Review and Audit Reforms

62. In 2019, Sir Tony Redmond undertook an independent review of the effectiveness of local authority audit and local authority financial reporting transparency. The Redmond Review reported 23 recommendations to the then Secretary of State for Housing, Communities and Local Government for consideration.
63. It was announced in 2019 that the Audit, Reporting and Governance Authority (ARGA) would be set up to replace the Financial Reporting Council (FRC). In this year's Queen's Speech, the Draft Audit Reform Bill was announced, which will see the ARGA fully implemented by 2023. Neil Harris has been appointed as the first Director of Local Audit to lead the move from the FRC to the ARGA.
64. Challenges with the delivery of local authority audits continue, with Public Sector Audit Appointments (PSAA) Ltd, reporting that only 9% of 2020/21 local authority audits were completed on time. For the council, the deadline of 30 September 2021 was missed with the audit only commencing in January 2022 and, despite EY indicating it would be completed in May 2022, the audit has not yet been concluded. Heightened regulatory expectations have resulted in increased audit activity particularly with regard to Property, Plant and Equipment valuations and Pensions. Audit firms have struggled to recruit and retain staff, adding to the pressures. Audit fees have increased, with grant funding of £15m nationally being announced to

support local authorities to meet these costs. This is an evolving agenda and updates will be taken to the Audit Committee.

65. On 31 May 2022, the Government's response to the local audit framework: technical consultation was published, which reconfirmed plans to establish the ARGA as the body to drive through regulatory and cultural change within local authority audit. It also confirmed that, when parliamentary time allows, it will be compulsory for all council audit committees to have at least one independent member appointed. In addition, CIPFA are refreshing their "Audit Committee: Practical guidance for local authorities and police" for issue in 2022.
66. PSAA have concluded the procurement of audit firms for the period 2023 to 2028 but they have informed us that we can expect audit fee increases of 150%. It is unclear whether Government will provide additional funding for this increase and the council will need to fund the £100k increase on the core audit fee, plus increased fees for claims certifications of [Alison to provide figure] by finding compensating savings elsewhere.

East Herts Council Report

Date: 15 November 2022

Report by: Councillor Geoffrey Williamson, Deputy Leader & Executive Member for Financial Sustainability

Report title: Annual Treasury Management Review 2021/22

Ward(s) affected: All

Summary

The report reviews the Council's treasury management activities for 2021/22, including the prudential indicators and identifies the associated impact on the 2021/22 treasury management strategy.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE:

(a) That Members examine and comment on the 2021/22 Treasury Management Activity and Prudential Indicators.

1.0 Proposal(s)

1.1 That Members examine and comment on the Treasury Management Activity and Prudential Indicators for 2021/22 (Appendix A).

2.0 Background

2.1 Treasury management is defined as: 'The management of the Council's investments and cash flows, its banking arrangements, money market and capital transactions; the effective control of the risks associated with these activities; and the pursuit of optimum returns consistent with the Council's risk management policy for treasury management.'

2.2 This activity is supported by the council's appointed independent advisors – Link Asset Services.

2.3 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017).

2.4 This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

3.0 Reason(s)

3.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2021/22.

4.0 Options

4.1 Members can suggest amendments or additions to the Annual Treasury Management Review 2021/22.

5.0 Risks

5.1 Risk management is embedded in treasury management operations through the adoption of the CIPFA Treasury Management Code. Credit ratings, other market intelligence and counterparty limits assist to assess and mitigate risk.

6.0 Implications/Consultations

6.1 No.

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

Financial

Yes.

The costs of treasury operations, debt management expenses and investment income are included in the 2021/22 Budget Outturn.

Health and Safety

No

Human Resources

No

Human Rights

No

Legal

The Local Government Act 2003 and supporting regulations requires the Council to 'have regard to' the CIPFA Prudential Code for Capital Finance in Local Authorities 2017 Edition and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. The Council also has to 'have regard' to the MHCLG's Guidance on Local Government Investments 3rd Edition effective for financial periods commencing on or after 1st April 2018, and to CIPFA's Treasury Management in the Public Services: Code of Practice 2017 Edition and Guidance Notes for Local Authorities 2018 Edition.

Specific Wards

No

7.0 Background papers, appendices and other relevant material

7.1 Appendix A – Annual Treasury Management Review 2021-22

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East Herts District
Council Annual
Treasury
Management
Review 2021/22
Outturn Report 2021/22

Contents

Purpose.....	6
Executive Summary.....	7
Recommendations.....	7
Introduction and Background	8
1. The Council’s Capital Expenditure and Financing.....	8
2. The Council’s Overall Borrowing Need	9
3. Treasury Position as at 31st March 2022.....	11
4. The Strategy for 2021/22	13
5. Borrowing Outturn.....	20
6. Investment Outturn.....	20
7. Performance Measurement (optional area) ..	Error! Bookmark not defined.
8. The Economy and Interest Rates	21
9. Other Issues	Error! Bookmark not defined.
Appendix 1: Prudential and treasury indicators	Error! Bookmark not defined.
Appendix 2: Graphs.....	24
Appendix 3: Investment Portfolio	Error! Bookmark not defined.
Investments held as at 31st March 2022 compared to our counterparty list:	Error! Bookmark not defined.
Appendix 4: Approved countries for investments as at 31.3.22	26

ABBREVIATIONS USED IN THIS REPORT

This is an optional area which clients may wish to include in their report if they feel that members would appreciate having this list of abbreviations and definitions.

ALMO: an Arm's Length Management Organisation is a not-for-profit company that provides housing services on behalf of a local authority. Usually an ALMO is set up by the authority to manage and improve all or part of its housing stock.

CE: Capital Economics - is the economics consultancy that provides Link Group, Treasury solutions, with independent economic forecasts, briefings and research.

CFR: capital financing requirement - the council's annual underlying borrowing need to finance capital expenditure and a measure of the council's total outstanding indebtedness.

CIPFA: Chartered Institute of Public Finance and Accountancy – the professional accounting body that oversees and sets standards in local authority finance and treasury management.

CPI: consumer price index – the official measure of inflation adopted as a common standard by countries in the EU. It is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

ECB: European Central Bank - the central bank for the Eurozone

EU: European Union

EZ: Eurozone -those countries in the EU which use the euro as their currency

Fed: the Federal Reserve System, often referred to simply as "the Fed," is the central bank of the United States. It was created by the Congress to provide the nation with a stable monetary and financial system.

FOMC: the Federal Open Market Committee – this is the branch of the Federal Reserve Board which determines monetary policy in the USA by setting interest rates and determining quantitative easing policy. It is composed of 12 members--the seven members of the Board of Governors and five of the 12 Reserve Bank presidents.

GDP: gross domestic product – a measure of the growth and total size of the economy.

G7: the group of seven countries that form an informal bloc of industrialised democracies--the United States, Canada, France, Germany, Italy, Japan, and the United Kingdom--that meets annually to discuss issues such as global economic governance, international security, and energy policy.

Gilts: gilts are bonds issued by the UK Government to borrow money on the financial markets. Interest paid by the Government on gilts is called a coupon and is at a rate that is fixed for the duration until maturity of the gilt, (unless a gilt is index linked to inflation); while the coupon rate is fixed, the yields will change inversely to the price of gilts i.e. a rise in the price of a gilt will mean that its yield will fall.

HRA: housing revenue account.

IMF: International Monetary Fund - the lender of last resort for national governments which get into financial difficulties.

LIBID: the London Interbank Bid Rate is the rate bid by banks on deposits i.e., the rate at which a bank is willing to borrow from other banks. It is the "other end" of the LIBOR (an offered, hence "ask" rate, the rate at which a bank will lend). These benchmarks ceased on 31st December 2021 and have, generally, been replaced by SONIA, the Sterling Overnight Index Average.

MHCLG: the Ministry of Housing, Communities and Local Government - the Government department that directs local authorities in England.

MPC: the Monetary Policy Committee is a committee of the Bank of England, which meets for one and a half days, eight times a year, to determine monetary policy by setting the official interest rate in the United Kingdom, (the Bank of England Base Rate, commonly called Bank Rate), and by making decisions on quantitative easing.

MRP: minimum revenue provision - a statutory annual minimum revenue charge to reduce the total outstanding CFR, (the total indebtedness of a local authority).

PFI: Private Finance Initiative – capital expenditure financed by the private sector i.e. not by direct borrowing by a local authority.

PWLB: Public Works Loan Board – this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.

QE: quantitative easing – is an unconventional form of monetary policy where a central bank creates new money electronically to buy financial assets, such as government bonds, (but may also include corporate bonds). This process aims to stimulate economic growth through increased private sector spending in the economy and also aims to return inflation to target. These purchases increase the supply of liquidity to the economy; this policy is employed when lowering interest rates has failed to stimulate economic growth to an acceptable level and to lift inflation to target. Once QE has achieved its objectives of stimulating growth and inflation, QE will be reversed by selling the bonds the central bank had previously purchased, or by not replacing debt that it held which matures. The aim of this reversal is to ensure that inflation does not exceed its target once the economy recovers from a sustained period of depressed growth and inflation. Economic growth, and increases in inflation, may threaten to gather too much momentum if action is not taken to 'cool' the economy.

RPI: the Retail Price Index is a measure of inflation that measures the change in the cost of a representative sample of retail goods and services. It was the UK standard for measurement of inflation until the UK changed to using the EU standard measure of inflation – Consumer Price Index. The main differences between RPI and CPI is in the way that housing costs are treated and that the former is an arithmetical mean whereas the latter is a geometric mean. RPI is often higher than CPI for these reasons.

SONIA: the Sterling Overnight Index Average. Generally, a replacement set of indices (for LIBID) for those benchmarking their investments. The benchmarking options include using a forward-looking (term) set of reference rates and/or a backward-looking set of reference rates that reflect the investment yield curve at the time an investment decision was taken.

TMSS: the annual treasury management strategy statement reports that all local authorities are required to submit for approval by the full council before the start of each financial year.

VRP: a voluntary revenue provision to repay debt, in the annual budget, which is additional to the annual MRP charge, (see above definition).

Annual Treasury Management Review 2021/22

Purpose

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2021/22. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2021/22 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 02/03/2021)
- a mid-year, (minimum), treasury update report (Council 01/03/2022)
- an annual review following the end of the year describing the activity compared to the strategy, (this report)

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit & Governance Committee before they were reported to the full Council. Member training on treasury management issues was undertaken during the year on 09/11/2021 in order to support members' scrutiny role.

Executive Summary

During 2021/22, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Prudential and treasury indicators	31.3.21 Actual £m	2021/22 Original £m	31.3.22 Actual £m
Capital expenditure	31.5	45.8	25.2
Capital Financing Requirement	6.1	42.2	29.2
Gross borrowing	1.5	26.0	21.5
Investments			
• Longer than 1 year	20.0	20.0	20.0
• Under 1 year	12.4	5.7	20.2
• Total	32.4	25.7	40.2
Net borrowing	(30.9)	0.03	(18.7)

Capital expenditure was significantly lower than estimated, due to delays in major projects.

Under 1 year investment balance was higher than expected at year end, due to short term borrowing completed at the end of March 2022 to fund major project spend in 2022/23.

Other prudential and treasury indicators are to be found in the main body of this report. The Head of Strategic Finance also confirms that borrowing was only undertaken for a capital purpose and the statutory borrowing limit, (the authorised limit), was not breached.

The financial year 2021/22 continued the challenging investment environment of previous years, namely low investment returns.

Recommendations

The Council is recommended to:

1. Approve the actual 2021/22 prudential and treasury indicators in this report
2. Note the annual treasury management report for 2021/22

Introduction and Background

This report summarises the following:-

- Capital activity during the year;
- Impact of this activity on the Council's underlying indebtedness, (the Capital Financing Requirement);
- The actual prudential and treasury indicators;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- Summary of interest rate movements in the year;
- Detailed debt activity; and
- Detailed investment activity.

1. The Council's Capital Expenditure and Financing

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

General Fund	31.3.21 Actual £m	2021/22 Budget £m	31.3.22 Actual £m
Capital expenditure	31.5	45.8	25.2
Financed in year	(6.9)	(4.8)	(2.0)
Unfinanced capital expenditure	24.6	41.0	23.2

2. The Council's Overall Borrowing Need

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2021/22 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies, (such as the Government, through the Public Works Loan Board [PWLB], or the money markets), or utilising temporary cash resources within the Council.

Reducing the CFR – the Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the General Fund borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources, (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council's 2021/22 MRP Policy, (as required by DLUHC Guidance), was approved as part of the Treasury Management Strategy Report for 2021/22 on 02/03/2021.

The Council's CFR for the year is shown below, and represents a key prudential indicator. It includes PFI and leasing schemes on the balance sheet, which increase the Council's borrowing need. No borrowing is actually required against these schemes as a borrowing facility is included in the contract.

CFR: General Fund	31.3.21 Actual £m	2021/22 Budget £m	31.3.22 Actual £m
Opening balance	(18.5)	6.1	6.1
Add unfinanced capital expenditure (as above)	24.6	35.0	23.1
Less MRP/VRP	0	0	0
Less PFI & finance lease repayments	0	0	0
Closing balance	6.1	41.1	23.1

Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2021/22) plus the estimates of any additional capital financing requirement for the current (2022/23) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2021/22. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	31.3.21 Actual £m	2021/22 Budget £m	31.3.22 Actual £m
Gross borrowing position	1.5	26.0	21.5
CFR	6.1	42.2	23.1
Under / over funding of CFR	(4.6)	(16.2)	(1.6)

The authorised limit - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2021/22 the Council has maintained gross borrowing within its authorised limit.

The operational boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

	2021/22 £m
Authorised limit	160.0
Maximum gross borrowing position during the year	21.5
Operational boundary	50.0
Financing costs as a proportion of net revenue stream	0.67%

3. Treasury Position as at 31st March 2022

The Council's treasury management debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the end of 2021/22 the Council's treasury, (excluding borrowing by PFI and finance leases), position was as follows:

DEBT PORTFOLIO	31.3.21 Principal £m	Rate/ Return	Average Life yrs	31.3.22 Principal £m		Rate/ Return	Average Life yrs
Fixed rate funding:							
-PWLB	1.5	8.875%		1.5		8.875%	
-Market	0.0			20.0		0.875%	
Variable rate funding:							
-PWLB	0.0			0.0			
-Market	0.0			0.0			
Total debt	1.5			21.5			
CFR	6.1			23.1			
Over / (under) borrowing	(4.6)			(1.6)			
Total investments	32.4			40.2			
Net debt	30.9			(18.7)			

The maturity structure of the debt portfolio was as follows:

	31.3.21 Actual £m		31.3.22 Actual £m
Under 12 months	0.0		20.0
12 months and within 10 years	0.0		0.0
Over 10 years	1.5		1.5

INVESTMENT PORTFOLIO	31.3.21 Actual £m	31.3.21 Actual %	31.3.22 Actual £m	31.3.22 Actual %
Treasury investments				
Banks	6.8	21.0%	12.6	31.0%
Building Societies - rated	-	-	5.5	13.5%
Building Societies – unrated	-	-	-	-
Local authorities	-	-	-	-
DMADF (H M Treasury)	-	-	-	-
Total managed in house	6.8	21.0%	18.1	44.5%
Bond funds				
Property funds	20.0	61.7%	20.0	49.1%
Cash fund managers	5.6	17.3%	2.6	6.4%
Total managed externally	25.6	79.0%	22.6	55.5%
TOTAL TREASURY INVESTMENTS	32.4	100%	40.7	100%

Non Treasury investments				
Third party loans	0.1	0.5%	0.1	0.7%
Subsidiaries				
Companies	4.9	35.0%	4.9	34.5%
Property	9.1	64.5%	9.2	64.8%
TOTAL NON TREASURY INVESTMENTS	14.1	100%	14.2	100%

Treasury investments	32.4	69.7%	40.7	74.1
Non Treasury investments	14.1	30.3%	14.2	25.9
TOTAL OF ALL INVESTMENTS	46.5	100%	54.9	100%

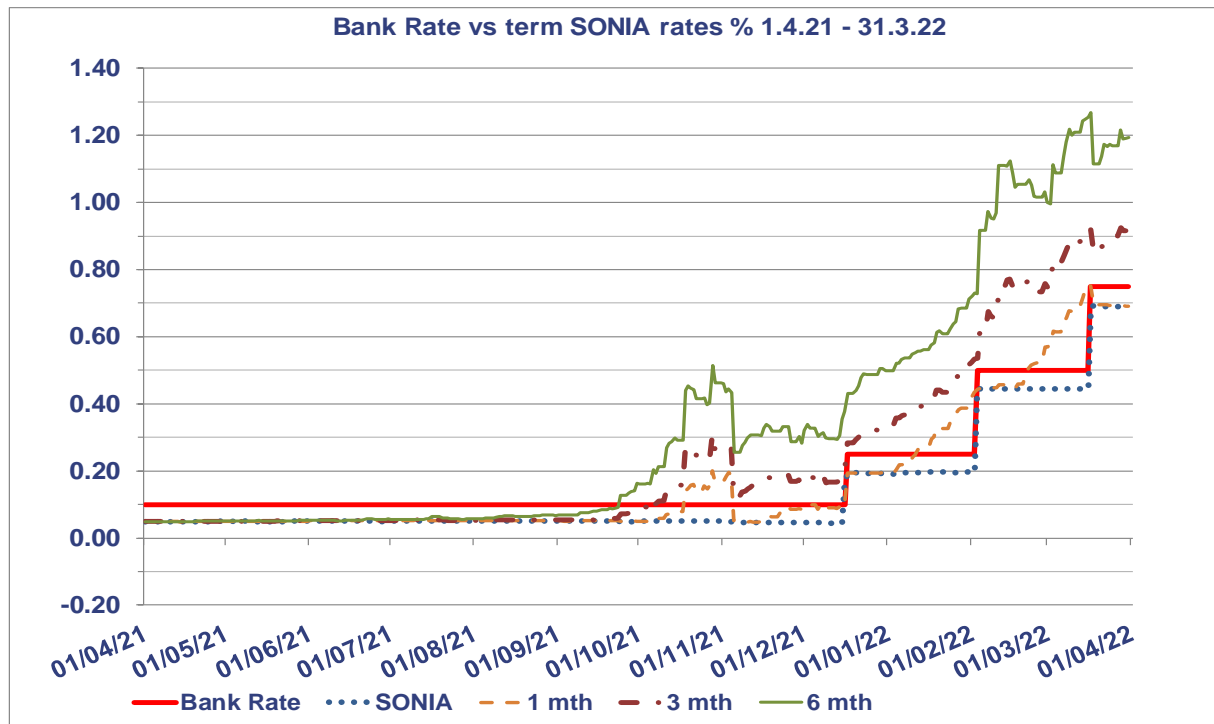
The maturity structure of the investment portfolio was as follows:

	31.3.21 Actual £m	31.3.22 Actual £m
Investments		
Longer than 1 year	20.0	20.0
Up to 1 year	<u>12.4</u>	<u>20.7</u>
Total	32.4	40.7

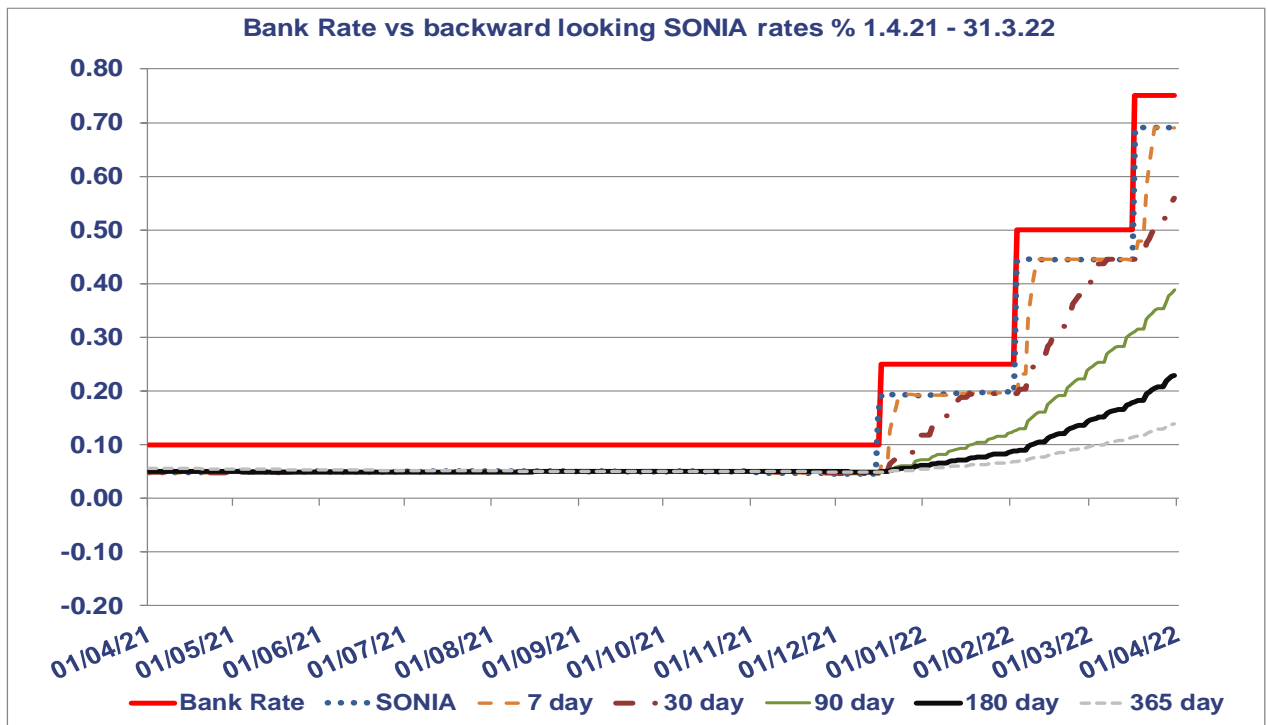
4. The Strategy for 2021/22

4.1 Investment strategy and control of interest rate risk

Investment Benchmarking Data – Sterling Overnight Index Average 2021/22



	Bank Rate	SONIA	1 mth	3 mth	6 mth
High	0.75	0.69	0.75	0.93	1.27
High Date	17/03/2022	18/03/2022	16/03/2022	28/03/2022	17/03/2022
Low	0.10	0.05	0.05	0.05	0.05
Low Date	01/04/2021	15/12/2021	10/11/2021	14/04/2021	09/04/2021
Average	0.19	0.14	0.17	0.24	0.34
Spread	0.65	0.65	0.71	0.88	1.22



	Bank Rate	SONIA	7 day	30 day	90 day	180 day	365 day
High	0.75	0.69	0.69	0.56	0.39	0.23	0.14
High Date	17/03/2022	18/03/2022	25/03/2022	31/03/2022	31/03/2022	31/03/2022	31/03/2022
Low	0.10	0.05	0.05	0.05	0.05	0.05	0.05
Low Date	01/04/2021	15/12/2021	16/12/2021	16/12/2021	16/12/2021	07/06/2021	13/12/2021
Average	0.19	0.14	0.13	0.12	0.09	0.07	0.06
Spread	0.65	0.65	0.65	0.51	0.34	0.18	0.09

Investment returns remained close to zero for much of 2021/22. Most local authority lending managed to avoid negative rates and one feature of the year was the continued growth of inter local authority lending. The expectation for interest rates within the treasury management strategy for 2021/22 was that Bank Rate would remain at 0.1% until it was clear to the Bank of England that the emergency level of rates introduced at the start of the Covid-19 pandemic were no longer necessitated.

The Bank of England and the Government also maintained various monetary and fiscal measures, supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the various lockdowns/negative impact on their cashflow. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates remained low until towards the turn of the year when inflation concerns indicated central banks, not just the Bank of England, would need to lift interest rates to combat the second-round effects of growing levels of inflation (CPI was 6.2% in February).

While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates as illustrated in the charts shown above and below. Such an approach has also provided benefits in terms of reducing counterparty risk exposure, by having fewer investments placed in the financial markets.

4.2 Borrowing strategy and control of interest rate risk

During 2021/22, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were very low and minimising counterparty risk on placing investments also needed to be considered.

A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns.

The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Head of Strategic Finance therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks:

- if it had been felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.
- if it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

Interest rate forecasts expected only gradual rises in medium and longer-term fixed borrowing rates during 2021/22 and the two subsequent financial years until the turn of the year, when inflation concerns increased significantly. Internal, variable, or short-term rates, were expected to be the cheaper form of borrowing until well in to the second half of 2021/22.

Forecasts at the time of approval of the treasury management strategy report for 2021/22 were as follows: -

Link Group Interest Rate 8.3.21												
	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	1.20	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.40	1.40	1.40	1.40
10 yr PWLB	1.60	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.90	1.90	1.90	1.90
25 yr PWLB	2.10	2.10	2.20	2.30	2.30	2.30	2.40	2.40	2.50	2.50	2.50	2.50
50 yr PWLB	1.90	1.90	2.00	2.10	2.10	2.10	2.20	2.20	2.30	2.30	2.30	2.30

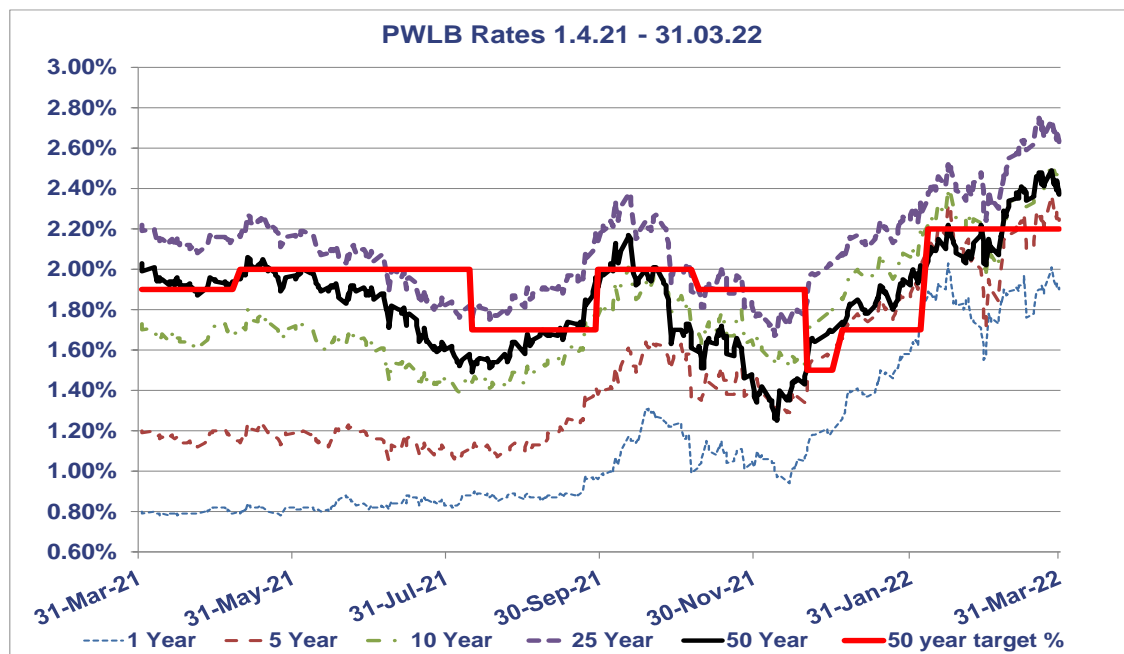
For information purposes, the tables below, show how interest rate forecasts changed during 2021/22: -

Link Group Interest Rate View 10.5.21											
	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.25	0.25	0.25
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.30	0.30	0.30
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.20	0.30	0.40	0.40	0.40
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.30	0.30	0.40	0.50	0.50	0.50
5 yr PWLB	1.20	1.30	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50
10 yr PWLB	1.70	1.70	1.80	1.80	1.90	1.90	1.90	2.00	2.00	2.00	2.00
25 yr PWLB	2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50	2.50	2.60
50 yr PWLB	2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.30	2.30	2.40

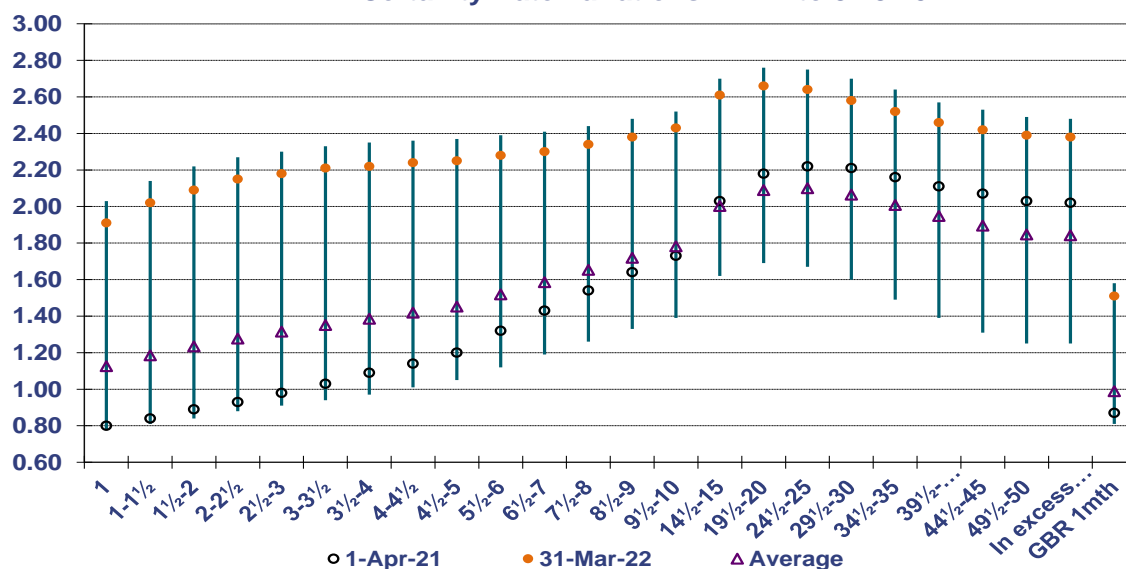
Link Group Interest Rate View 8.11.21														
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.10	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.50	0.60	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.50	1.50	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.80	1.90	1.90	2.00	2.00
10 yr PWLB	1.80	1.90	1.90	2.00	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.40
25 yr PWLB	2.10	2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70
50 yr PWLB	1.90	2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50

Link Group Interest Rate View 7.2.22													
	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
3 month av. earnings	0.80	1.00	1.00	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
6 month av. earnings	1.00	1.10	1.20	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30
12 month av. earnings	1.40	1.50	1.60	1.70	1.70	1.60	1.60	1.50	1.40	1.40	1.40	1.40	1.40
5 yr PWLB	2.20	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30
10 yr PWLB	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
25 yr PWLB	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60
50 yr PWLB	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40

PWLB RATES 2021/22



PWLB Certainty Rate Variations 1.4.21 to 31.3.2022

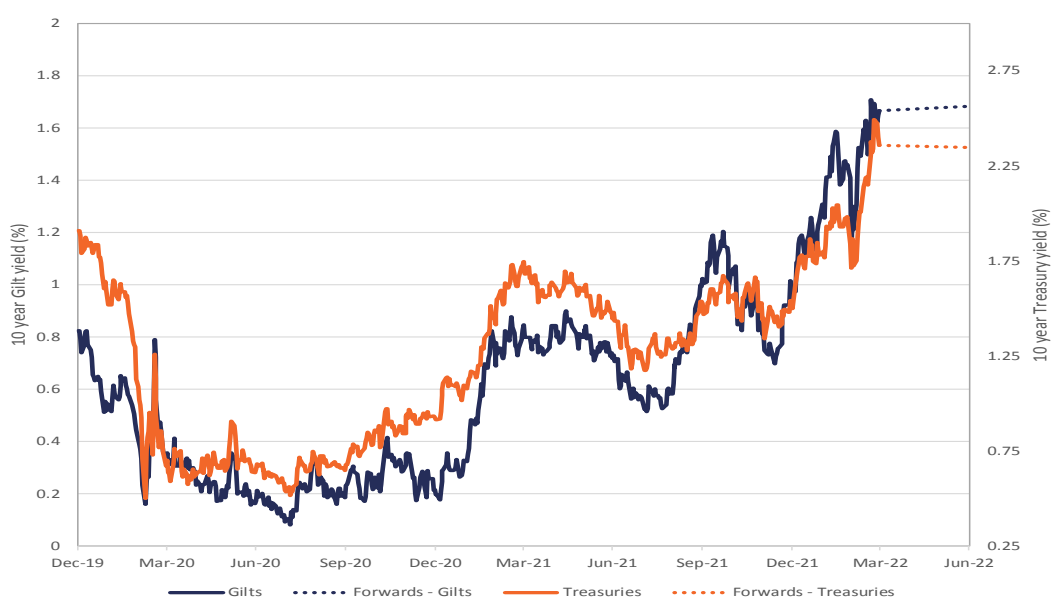


HIGH/LOW/AVERAGE PWLB RATES FOR 2021/22

	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2021	0.80%	1.20%	1.73%	2.22%	2.03%
31/03/2022	1.91%	2.25%	2.43%	2.64%	2.39%
Low	0.78%	1.05%	1.39%	1.67%	1.25%
Low date	08/04/2021	08/07/2021	05/08/2021	08/12/2021	09/12/2021
High	2.03%	2.37%	2.52%	2.75%	2.49%
High date	15/02/2022	28/03/2022	28/03/2022	23/03/2022	28/03/2022
Average	1.13%	1.45%	1.78%	2.10%	1.85%
Spread	1.25%	1.32%	1.13%	1.08%	1.24%

PWLB rates are based on gilt (UK Government bonds) yields through H.M.Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. We have seen, over the last two years, many bond yields up to 10 years in the Eurozone turn negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. Recently, yields have risen since the turn of the year on the back of global inflation concerns.

Graph of UK gilt yields v. US treasury yields



Gilt yields fell sharply from the spring of 2021 through to September and then spiked back up before falling again through December. However, by January sentiment had well and truly changed, as markets became focussed on the embedded nature of inflation, spurred on by a broader opening of economies post the pandemic, and rising commodity and food prices resulting from the Russian invasion of Ukraine.

At the close of the day on 31 March 2022, all gilt yields from 1 to 5 years were between 1.11% – 1.45% while the 10-year and 25-year yields were at 1.63% and 1.84%.

Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows: -

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

There is likely to be a further rise in short dated gilt yields and PWLB rates over the next three years as Bank Rate is forecast to rise from 0.75% in March 2022 to 1.25% later this year, with upside risk likely if the economy proves resilient in the light of the cost-of-living squeeze. Medium to long dated yields are driven primarily by inflation concerns but the Bank of England is also embarking on a process of Quantitative Tightening when Bank Rate hits 1%, whereby the Bank's £895bn stock of gilt and corporate bonds will be sold back into the market over several years. The impact this policy will have on the market pricing of gilts, while issuance is markedly increasing, is an unknown at the time of writing.

5. Borrowing Outturn

Loans were drawn to fund the net unfinanced capital expenditure and naturally maturing debt.

The loans drawn were:

Lender	Principal	Type	Interest Rate	Maturity
Market – Inter Local Authority	£5m	Fixed interest rate	0.80%	6 months
Market – Inter Local Authority	£5m	Fixed interest rate	0.85%	6 months
Market – Inter Local Authority	£5m	Fixed interest rate	0.85%	6 months
Market – Inter Local Authority	£5m	Fixed interest rate	1.00%	9 months

Borrowing in advance of need

The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

Rescheduling

No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

Repayments

No repayments were made during the year.

6. Investment Outturn

Investment Policy – the Council's investment policy is governed by DLUHC investment guidance, which has been implemented in the annual investment strategy approved by the Council on 2nd March 2021. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

Resources – the Council’s cash balances comprise revenue and capital resources and cash flow monies. The Council’s core cash resources comprised as follows:

Balance Sheet Resources (£m)	31.3.21	31.3.22
Balances	£9.2m	£18.2m
Earmarked reserves	£23.9m	£21.3m
Usable capital receipts	£0.2m	£0.2m
Total	£33.3m	£39.7m

Investments held by the Council

- The Council maintained an average balance of £14.8m of internally managed funds.
- The internally managed funds earned an average rate of return of 0.09%.
- The comparable performance indicator is 1 month LIBID uncompounded, which was 0.0796% or 1 month LIBID compounded monthly, which was 0.0457% .
- Total investment income was £798.6k.

Investments held by fund managers

The Council approved the use of property funds up to a value of £20m, at the time of investment. Working with our advisors Link Asset Services, two funds were chosen, Lothbury Property Trust and Hermes Property Unit Trust. Both funds had waiting lists to invest. The invitation to invest in the Lothbury fund arose in June 2015 and the Hermes fund in December 2015. The performances of these funds for 2021/22 are detailed below:

Fund Manager	Investments Held	Net Return
Lothbury Property Trust	£10.0m	17.5%
Hermes Property Unit Trust	£10.0m	21.1%
Total	£20.m	38.6%

7. The Economy and Interest Rates

UK. Economy. Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021, 0.50% at its meeting of 4th February 2022 and then to 0.75% in March 2022.

The UK economy has endured several false dawns through 2021/22, but with most of the economy now opened up and nearly back to business-as-usual, the GDP numbers have been robust (9% y/y Q1 2022) and sufficient for the MPC to focus on tackling the second-round effects of inflation, now that the CPI measure has already risen to 6.2% and is likely to exceed 8% in April.

Gilt yields fell towards the back end of 2021, but despite the war in Ukraine gilt yields have shot higher in early 2022. At 1.38%, 2-year yields remain close to their recent 11-year high and 10-year

yields of 1.65% are close to their recent six-year high. These rises have been part of a global trend as central banks have suggested they will continue to raise interest rates to contain inflation.

Historically, a further rise in US Treasury yields will probably drag UK gilt yields higher. There is a strong correlation between the two factors. However, the squeeze on real household disposable incomes arising from the 54% leap in April utilities prices as well as rises in council tax, water prices and many phone contract prices, are strong headwinds for any economy to deal with. In addition, from 1st April 2022, employees also pay 1.25% more in National Insurance tax. Consequently, inflation will be a bigger drag on real incomes in 2022 than in any year since records began in 1955.

Average inflation targeting. This was the major change in 2020/21 adopted by the Bank of England in terms of implementing its inflation target of 2%. The key addition to the Bank's forward guidance in August 2020 was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and *achieving the 2% target sustainably*". That mantra now seems very dated. Inflation is the "genie" that has escaped the bottle, and a perfect storm of supply side shortages, labour shortages, commodity price inflation, the impact of Russia's invasion of Ukraine and subsequent Western sanctions all point to inflation being at elevated levels until well into 2023.

USA. The flurry of comments from Fed officials following the mid-March FOMC meeting – including from Chair Jerome Powell himself – hammering home the hawkish message from the mid-March meeting, has had markets pricing in a further 225bps of interest rate increases in 2022 on top of the initial move to an interest rate range of 0.25% - 0.5%.

In addition, the Fed is expected to start to run down its balance sheet. Powell noted that the rundown could come as soon as the next meeting in May.

The upward pressure on inflation from higher oil prices and potential knock-on impacts on supply chains all argue for tighter policy (CPI is estimated at 7.8% across Q1), but the hit to real disposable incomes and the additional uncertainty points in the opposite direction.

More recently, the inversion of the 10y-2y Treasury yield spread at the end of March led to predictable speculation that the Fed's interest rate hikes would quickly push the US economy into recession. Q1 GDP growth is likely to be only between 1.0% and 1.5% annualised (down from 7% in Q4 2021). But, on a positive note, the economy created more than 550,000 jobs per month in Q1, a number unchanged from the post-pandemic 2021 average. Unemployment is only 3.8%.

EU. With euro-zone inflation having jumped to 7.5% in March it seems increasingly likely that the ECB will accelerate its plans to tighten monetary policy. It is likely to end net asset purchases in June – i.e., earlier than the Q3 date which the ECB targeted in March. And the market is now anticipating possibly three 25bp rate hikes later this year followed by more in 2023. Policymakers have also hinted strongly that they would re-start asset purchases if required. In a recent speech, Christine Lagarde said "we can design and deploy new instruments to secure monetary policy transmission as we move along the path of policy normalisation."

While inflation has hit the headlines recently, the risk of recession has also been rising. Among the bigger countries, Germany is most likely to experience a "technical" recession because its GDP contracted in Q4 2021, and its performance has been subdued in Q1 2022. However, overall, Q1 2022 growth for the Eurozone is expected to be 0.3% q/q with the y/y figure posting a healthy 5.2% gain. Finishing on a bright note, unemployment fell to only 6.8% in February.

China. After a concerted effort to get on top of the virus outbreak in Q1 of 2020, economic recovery was strong in the rest of the year; however, 2021 has seen the economy negatively

impacted by political policies that have focussed on constraining digital services, restricting individual freedoms, and re-establishing the power of the One-Party state. With the recent outbreak of Covid-19 in large cities, such as Shanghai, near-term economic performance is likely to be subdued. Official GDP numbers suggest growth of c4% y/y, but other data measures suggest this may be an overstatement.

Japan. The Japanese economic performance through 2021/22 is best described as tepid. With a succession of local lockdowns throughout the course of the year, GDP is expected to have risen only 0.5% y/y with Q4 seeing a minor contraction. The policy rate has remained at -0.1%, unemployment is currently only 2.7% and inflation is sub 1%, although cost pressures are mounting.

World growth. World growth is estimated to have expanded 8.9% in 2021/22 following a contraction of 6.6% in 2020/21.

Deglobalisation. Until recent years, world growth has been boosted by increasing globalisation i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last 30 years, which now accounts for 18% of total world GDP (the USA accounts for 24%), and Russia's recent invasion of Ukraine, has unbalanced the world economy. In addition, after the pandemic exposed how frail extended supply lines were around the world, both factors are now likely to lead to a sharp retrenchment of economies into two blocs of western democracies v. autocracies. It is, therefore, likely that we are heading into a period where there will be a reversal of world globalisation and a decoupling of western countries from dependence on China (and to a much lesser extent Russia) to supply products and vice versa. This is likely to reduce world growth rates.

Central banks' monetary policy. During the pandemic, the governments of western countries have provided massive fiscal support to their economies which has resulted in a big increase in total government debt in each country. It is therefore very important that bond yields stay low while debt to GDP ratios slowly subside under the impact of economic growth. This provides governments with a good reason to amend the mandates given to central banks to allow higher average levels of inflation than we have generally seen over the last couple of decades. Both the Fed and Bank of England have already changed their policy towards implementing their existing mandates on inflation, (and full employment), to hitting an average level of inflation. Greater emphasis could also be placed on hitting subsidiary targets e.g. full employment before raising rates. Higher average rates of inflation would also help to erode the real value of government debt more quickly.

Appendix 2: Graphs

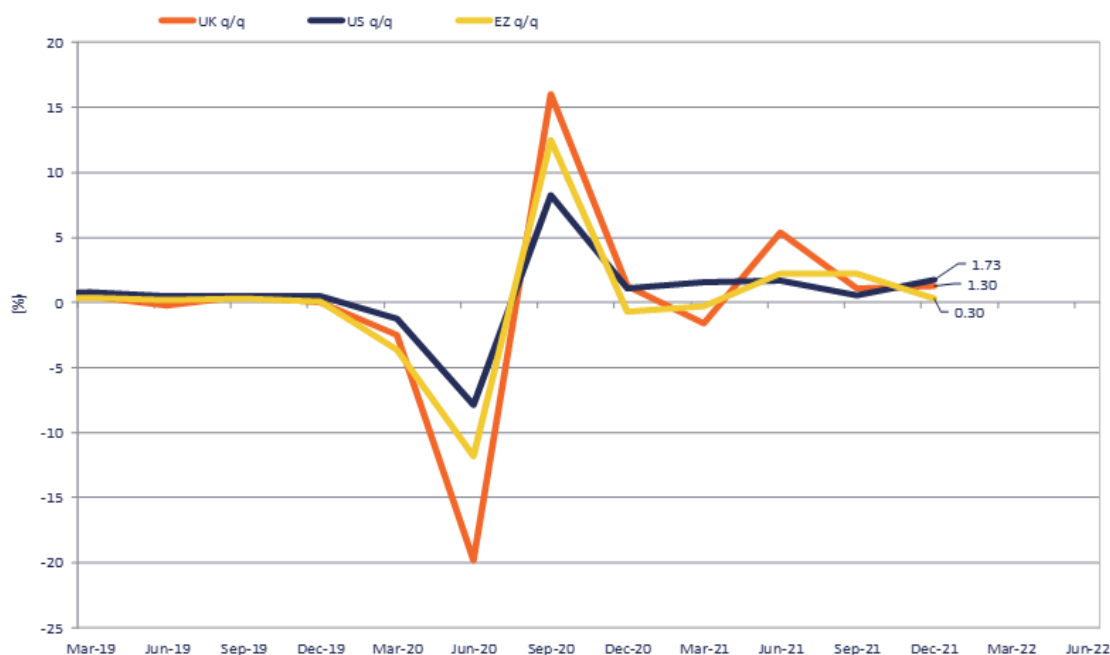
Please find below graphs which clients may wish to use.

Market Expectations for Future Increases in Bank Rate (6th April 2022)

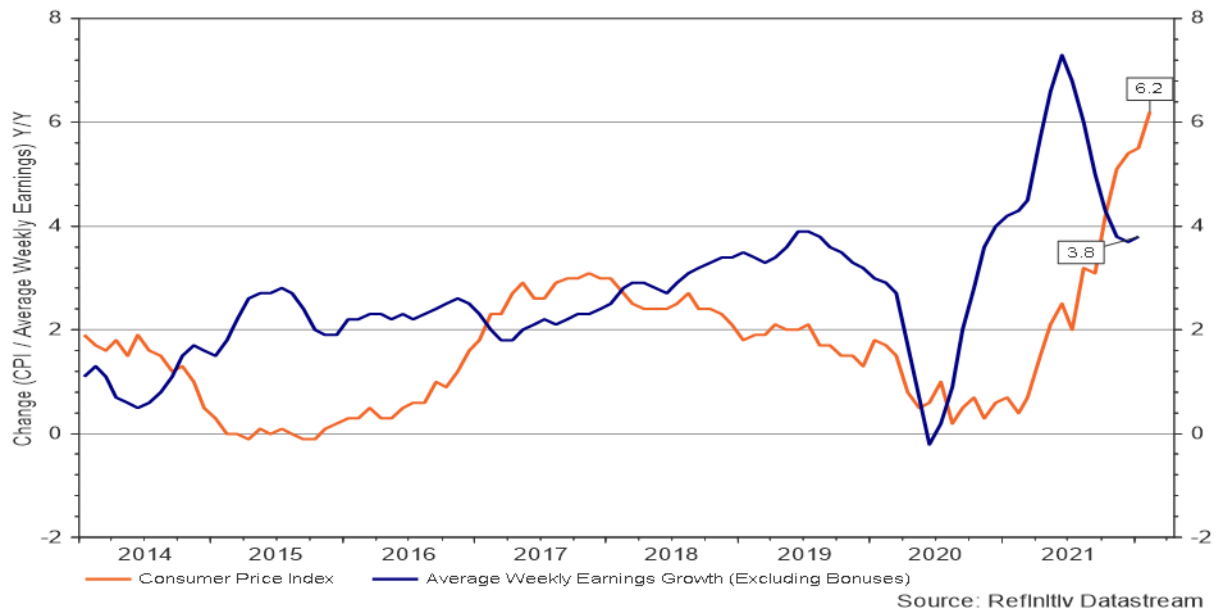


*MD0 = Change in Bank Rate expected at MPC meeting to be held May 2022, MD1 = Jun-22, MD2 = Aug-22, MD3 = Sep-22, MD4 = Nov-22, MD5 = Dec-22, MD6 = Feb-23

UK, US and EZ Quarterly GDP



CPI v Average Weekly Earnings Growth



Appendix 3: Approved countries for investments as at 31.3.22

AAA

- Australia
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Hong Kong
- Qatar
- **U.K.**

East Herts Council Report

Audit and Governance Committee

Date of meeting: 15 November 2022

Report by: Executive Member for Corporate Services

Report title: Monitoring of 2022/23 Quarter Two Corporate Risk Register

Appendixes:

Appendix 1 – Summary of corporate risks quarter two

Ward(s) affected: All

Summary – The report provides updates on our 13 corporate risks for quarter two and details of how East Herts will manage these risks moving forward.

RECOMMENDATIONS FOR Audit and Governance Committee:

- a) The 2022/23 quarter two corporate risk register be reviewed, and officers advised of any further action that could be taken to manage risk.**

The risks monitored at present are retained for the remainder of 2022/23 and that no new risks have currently been identified.

2.0 Background

2.1 Leadership Team reviews the content of the corporate risk register quarterly and provides updates that are relayed within this monitoring report to Audit and Governance Committee. In

preparation for the next financial year, a separate report is normally produced which recommends of any changes to the 13 corporate risks set and this is set out in quarter four reports.

2.2 Following a change in management of administering risk updates and writing reports, it was agreed that corporate risks are managed on our performance management system Pentana of which we already had the risk module for a number of years prior without utilizing.

2.3 This enables users to be able to see real time updates on each risk and contributes towards our digital by design aim by allowing members to self-serve. Members can log in at any point to [Pentana](#) to assess our risk register (please consult a member of Democratic Services for login details).

3.0 Risk register results for quarter two

3.1 Leadership Team has set a risk tolerance level. Risks above the tolerance levels are actively managed and regularly reviewed to ensure that contingency and mitigation action is being taken. Risks below the tolerance line are managed by Heads of Service but these are often delegated. (Heads of Service are responsible for keeping all risks under review and taking action to reduce the impact of the risk on the council.)

3.2 A summary of business risks and the risk score is shown in the table below. Risks in the red are those actively managed. Details of how we score the risk score can be found underneath this table

Risk	Title	Risk Score
1	Financial resources	A4
2	Corporate governance and external political environment	B3
3	Performance, resilience, and security of IT systems	A3
4	Staff capacity and skills to deliver services	B2
5	Poor performance or failure of key partner or contractor	C4
6	Judicial review and or major legal challenge	C3
7	District Plan	A2
8	Climate change	A4
9	Child / vulnerable adult protection	A1
10	Equalities	B2
11	Internal control	B2
12	Outbreak of disease in humans	A4
13	Business Continuity Plan / Emergency Plan	A1

Likelihood		Description	Likelihood of occurrence	Probability of occurrence	
	4	High	Monthly	The event is expected to occur or occurs regularly	
	3	Medium	Annually	The event will probably occur	
	2	Low	1 in 5 years	The event may occur	
	1	Very Low	Less frequently than 1 in 5 years	The event may occur in exceptional circumstances	
Impact		Description	Financial	Reputation	Service / operation
	A	Critical	> £1m p.a.	Serious negative media	Catastrophic fall in service quality or long-term disruption to services
	B	Significant	£400,000 to £1m p.a.	Adverse national media	Major fall in service quality or serious disruption to services
	C	Marginal	£100,000 to £400,000 p.a.	Adverse local media	Significant fall in service quality
	D	Minor	< £100,000	Public concerns restricted to local complaints	Little impact to service quality

3.3 Please see appendix 1 for a comprehensive breakdown of each risk. There is very little change to quarter one position. The following is a summary of updates; -

- Risk one (Financial resources) – There has been a further update on our latest MTFP projections
- Risk four (Staff capacity) – There has been an update of some of the roles within the organisation that are of national shortage and our plans to address this as well as acceptance of succession plans for key roles
- Risk seven (District plan) – The risk level has risen from A1 to A2. This is specifically around the timing of a new District Plan needing to succeed the 2018 District Plan and the time reducing before this needs to be published
- Risk eight (Climate change) – There has been an update on some of the pieces of work that are being done across the Council to ensure we work towards of goals on sustainability and decarbonisation
- Risk 12 (Outbreak of disease) – There is an updated acceptance that as we head into winter, new variants of COVID and flu are likely to affect workforce (links to Risk four), but our agile working policy means we are more prepared

Community Safety

No

Data Protection

None specific but the topic features within the corporate risk register.

Equalities

None specific but the topic features within the corporate risk register.

Environmental Sustainability

None specific but climate change features within the corporate risk register.

Financial

None specific but risk management can provide protection of budgets from unexpected losses. Better governance can be demonstrated and the annual audit plan is risk based.

Health and Safety

None specific but risk management processes can provide a safer environment across the District and all services for the benefit of the public, staff and our contractors.

Human Resources

No

Human Rights

No

Legal

None specific but legal matters feature within the corporate risk register.

Specific Wards

No

Contact Member

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Contact Officer

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Report Author

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01279 50 2146

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Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
A 4	<p>1- Financial Resources</p> <p>Risk Owner – Head of Strategic Finance & Property</p>	<ul style="list-style-type: none"> Reduction in government grant combined with higher demand for demand-led services such as homelessness, or failure to generate income. Failure to realize capital receipts from disposals to support capital expenditure. External auditor challenges MRP Policy and capital financing decisions Council Tax referendum levels set too low to generate sufficient tax revenue Sudden economic downturn results 	<ul style="list-style-type: none"> Reductions in services required Performance against community expectations and targets reduced Investment in improvement not possible or severely reduced Failure to meet statutory duties with potential for legal action or Local Government Ombudsman finds significant cases of maladministration Corporate Manslaughter charges if maintenance works not carried out, e.g. Legionella in air handling and cooling units Large numbers of staff redundancies Major media engagement Potential for MHCLG intervention 	<ul style="list-style-type: none"> Minimum Balances held on risk assessment basis to cushion impact over short term (max 2 years) Modelling of impact of grant settlement scenarios and function and funding changes Three year MTFP savings programme Transforming East Herts savings plan due to be reported at June Executive to deliver savings and efficiencies through an emphasis on: digital self-service; process automation; agile working leading to a much reduced accommodation requirement with target of £1 million cashable savings. Transforming East Herts Commercial Strategy will specify commercial skill sets and set out the council’s approach to risk appetite and give guidance on how income generating ideas should be taken forward. New capital programme items must make a return for the investment in cost reductions or income on top of covering the interest and MRP costs

Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
		<p>in negative Tax base figures because of increased local Council Tax support claims</p> <ul style="list-style-type: none"> Members do not agree significant savings budget setting leading to an unbalanced budget which leads to a s.114 report Delay and/or significant cost over runs on major projects 	<ul style="list-style-type: none"> Delay leads to cost increases beyond the ability of the council to finance the capital costs Delays and cost overruns lead to non-delivery of savings requiring service offer reductions to compensate Projected savings not achieved after project completion due to changes in market away from service offer Significant local media engagement Reputational damage. 	<ul style="list-style-type: none"> Charges will be required to be in conformity with proposed corporate policy on charging recovering total costs and concessions will need to be justified in policy terms and funded by higher charges for others. Business case reviews to ensure that projects make a return Cost and income estimates commissioned from industry expert consultants to feed into business case Project delivery by Major Projects Team with quarterly reports on progress to Leadership Team and Executive. Capital Programme is phased and financed across years and contingency built into budgets so can be re-phased if required.

Update on current position
<p>1- Financial Resources</p> <p>In developing our medium and longer term plans we will need to have regard to the broader context in which we will be working. This includes:</p>

Update on current position

- o The impact of operating in the current economic situation with significant inflation driven by global supply chain issues and the impact of the Russo-Ukrainian war and the “weaponisation” of energy supplies by the Russian government causing global price increase and supply shortages.
- o The shape of the new government’s economic and policy agenda, the impact of “going for growth” rather than fiscal constraints, with resulting increases in borrowing, will not result in additional funding for local government and when the borrowing needs to be paid for may well result in the return of austerity and cuts in future funding. There is also now uncertainty about the Government’s Levelling Up agenda and whether future funding streams will be honoured;
- o The cost of living crisis and the high likelihood of the UK falling into recession will cause spending pressures through potential increases in local council tax support, reductions in payments and higher levels of debt, increases in voluntary arrangements and bankruptcy increasing write offs;
- o Specific uncertainty over the future of local government funding, with key reforms due to be introduced from 2023/24 as indicated in the Levelling Up White Paper. The level of Government funding that the council will receive from 2022/23 onwards is not confirmed but the Comprehensive Spending Review levels indicate local government funding overall will be flat, i.e. no growth.; These are significant areas of change will have a potentially significant financial impact and absolutely key will be any floor protection mechanism as East Herts is judged to have too much government support at present;
- o The lasting impact the pandemic will have on young people in terms of education and employment opportunities;
- o The growing impact of climate change, the national and local commitments to achieve carbon neutrality and the introduction of a range of new measures through the Environment Bill;
- o The impact of Government reviews and reforms of public services and changes in policy– for example changes to infrastructure, transport and planning and potential local government structural changes;
- o The ongoing need to support post-Covid recovery and adjustment, both in our services and for society and the economy, against a backdrop of residual risk of further waves of infection and the potential need for an ongoing vaccination programme; and

Update on current position

o Reviewing the way that we work and accelerating our planned changes to move towards a more hybrid way of working, and evolving our working practices to ensure we have modern, flexible workspaces and workstyles as part of the Transforming East Herts Programme. In addition, as part of the MTFP process for 2023/24 Heads of Service have been asked to model a minimum savings target of 20% with the constraint concerning no significant change to the service offer being imposed

The latest MTFP Projections were reported to Executive on 25th October and require the Council to make savings of £2 million (total £4 million) in 2024/25 and 2025/26. Savings of this magnitude are beyond efficiencies and Members will need to make some challenging decisions which will inevitably lead to service reductions.

The Council’s business and financial planning is underpinned by the Corporate Plan and its four priorities, which provide a clear focus for decisions about spending and savings and direct activity across the Council. The four priorities are:

- o Sustainability at the heart of everything we do;
- o Enabling our communities;
- o Encouraging economic growth; and
- o Digital by default

We are now planning for Charringtons to be vacant by April 2023 and given the nature of the building and its services, which are all time life expired, it is not possible to let it to tenants before it is handed over to City Heart for regeneration. We will instead be offering the building to the emergency services for training purposes.

Savings plan for 2022/23 is on target

Fees and Charges policy approved at December 2021 Council which sets full recovery as the standard charging basis. There have been a number of below cost charges agreed with no clear policy or justification in the past that are having to be dealt with as part of aligning charges with North Herts for joint commercial waste services. New template developed for staff hourly charges for full cost recovery developed for income opportunities with other local authorities.

Grange Paddocks Leisure Centre construction completed October 2021 and 3G pitch construction completed. Northgate End construction work is substantially complete with multi-storey car park open in June 2022. Numerous snagging and design

Update on current position

issues have been identified since opening and are being addressed between property, parking and the contractor, Real. We anticipate practical completion of the commercial and residential block in November 2022 and this will be marketed for leasehold disposal.


Hartham contract awarded and works commenced late March 2021 with extension now underway.

Old River Lane /Arts Centre change in scope progressing and approved by Council in March 2021 alongside the business plan. Development Agreement and Development Management Agreement draft to be agreed with s.151 officer and monitoring officer input. Master Planning process is underway and approval of the Masterplan SPD by Executive in June 2022.

Hertford Theatre construction works commenced May 2022.

All major capital projects are at risk of price increases as a result of the combined impact of COVID / BREXIT related inflationary pressures. In addition to the increasing cost of materials, there is a significant shortage of labour supply for the construction and M&E industries, which is in turn pushing up the price of labour. This is a national issue as evidenced by the average 13% increase in the Office for National Statistics Construction Output Prices Index. The insurance market has also hardened significantly which will likely result in higher buildings insurance premiums and / or levels of excess or difficulties obtaining cover

The national shortage of HGV drivers and labour market shortages is driving up pay and this will lead to pressures on the cost of the waste contract as well as the cost and delivery of building materials.

Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
B 3	<p>2 - Corporate Governance and external political environment</p> <p>Risk Owner – Chief Executive / Head of Communications Strategy & Policy</p> 	<ul style="list-style-type: none"> • Brexit trade deal risks • Planning policy changes • Local government reorganisation / Devolution • Climate change / zero Carbon / Build Back Greener • Change to local taxation • Leadership /Management change • Recession leading to increase in unemployment, business failure; low business growth and commercial property values 	<ul style="list-style-type: none"> • Potential project delays due to labour shortages or materials imports, or increased project costs due to tariffs or supply chain difficulties. • Non-Tariff barriers leading to supply chain price increases and longer replenishment times. Some UK businesses may relocate to the EU making current domestic supplies into imports. • Government policy changes to introduce development zones, ends s.106 and CIL for government infrastructure levy change • Government impose unitary authorities and reduce exchequer grants by savings made • District required to be carbon neutral from 2030 and Government targets set with fines for non-achievement 	<ul style="list-style-type: none"> • Address issues of labour shortage with contractors at progress meetings. Raise skills shortages at the LEP to ensure we train young people. • Consider forward funding stockpile of materials subject to delays as part of contract mobilisation • Consider risks to supply chain as part of procurement exercises • Both officers and Members are engaged in networking and lobbying to seek to influence change and to gain early indications of new policies • Both officers and Members are engaged in Herts Growth Board (with consideration of the devolution framework in the Levelling Up White Paper which was published in February 2022) • Work underway to progress carbon reduction and also exploring potential investments that support this aim but would also produce

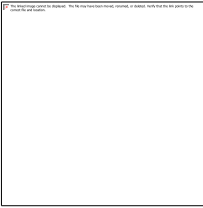
East Herts Council Corporate Risk Register – 2022/23 quarter two

Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
		decreasing significantly.	<ul style="list-style-type: none"> • Business Rates and or Council Tax replaced with Land Value Tax or Local Income Tax • Potential protests and non-payment campaigns • Measure may end land banking with developers commencing on multiple sites to build out permissions and avoid LVT • Uncertainty as to tax yields and redistribution mechanisms cause difficulties budgeting • Change in leadership politically sets radically different policy agenda and tone • Change in Leadership Team structure • Unemployment. • Empty properties / shops. • Lower rental income from council property portfolio. • Increased demand on council services. • Reduction in Council Tax Base due to LCTSS being a discount. 	<p>income for the council in the medium term.</p> <ul style="list-style-type: none"> • Both officers and Members are engaged in networking and lobbying to seek to influence change and to gain early indications of new policies. • LVT is in operation in Denmark, Estonia and Latvia and there are suggested routes to implementation already published. Local Income Tax would require key data from HMRC before implications could be understood. • Corporate Plan process • Member induction and training • Code of conduct • Monitoring Officer/ s.151 officer • HR policies • Estimates of workload v capacity • Corporate Plan process • European Regional Development Fund project to support businesses with advice and support on growing. Ware and Bishop’s Stortford Launchpad are both seeing strong demand.

Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
			<ul style="list-style-type: none"> Reduction in Business Rates income to the safety net level 	<ul style="list-style-type: none"> UK Shared Prosperity Fund investment plan submitted to DLUHC, focusing partially on business support and growth.

Update on current position
<p>2 - Corporate Governance and external political environment. No current update since beyond Q1 position. Q1 notes;</p> <ul style="list-style-type: none"> Officers are considering the lessons from how the Council has been able to operate during the pandemic within the Transforming East Herts Programme. It is evident that working from home is possible on a greater scale and this will have implications for our future accommodation needs and reduce travel leading to lower carbon emissions. Council is actively targeting food waste reduction. The Climate Change Committee say that for the UK's next carbon budget food waste must be reduced by 75% i.e. the vast majority of carbon emissions are from the production and transportation of food that is wasted. The UN report on food waste said that almost a billion tons of food was wasted and led to carbon emissions that if it were a country, would be third behind the USA and China. UK Shared Prosperity Fund investment plan for East Herts was submitted to DLUHC on 1 August. This will create 2 further grant schemes for businesses. One focused on incentivising businesses opening up new premises or expanding existing premises) and another focused on supporting existing businesses bring in new technology or enter new markets. Some of the funds will also be used to support countywide activity through the Herts LEP on business start up advice and support.

East Herts Council Corporate Risk Register – 2022/23 quarter two

Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
A 3	<p>3.Performance, resilience and security of IT systems</p> <p>Risk owner – Deputy Chief Executive</p> 	<ul style="list-style-type: none"> Data and/or information lost causing breach of Data Protection Act Cyber attack results in total loss of data and systems Investment in ICT does not result in savings 	<ul style="list-style-type: none"> Substantial fine from Information Commissioner Major media engagement Reputational damage Disruption to services potentially long-running Inability to carry out enforcement as no records to check against Resources devoted to recovery moved off to assist police investigation delaying recovery Major media engagement Reputational damage Council becomes financially unsustainable 	<ul style="list-style-type: none"> Network Virtual Desktop configuration prevents download of data to local storage devices Network firewall and security systems tested and monitored Staff training Confidential waste shredded Massive reductions in printing since pandemic Intuned laptops to be rolled out underway Projects to include estimated benefits and monitored through benefits realisation reports. The investment requirements are tried and tested systems that have resulted in savings elsewhere.

Update on current position

3.Performance, resilience and security of IT systems


No current update since beyond Q1 position. Q1 notes;

- The GDPR/Data Protection Officer is now fully effective and undertaking the full range of duties. Training has been delivered to staff and there are regular reminders regarding phishing and other potential fraudulent attacks.

Update on current position

- M365 has started to be rolled out across the organisation with priority to Elected Members. M365 and the new VDI roll out has started to staff with over 100 users now migrated. There has been a short pause – agreed by the Board, to ensure all UAT issues have been resolved. The rollout will resume in early August 2022.
- SOCITM continue to provide external support and guidance. The newly constituted ICT Joint Committee held it's first meeting to provide challenge and oversight. Recruitment has commenced for the roles identified within the SOCITM report and we have secured the cyber security funding to recruit to a dedicated post. We are working with external companies to complete the network upgrade, firewalls and other infrastructure requirements in a shorter timeframe, enhancing our security.
- The interim ICT Partnership Manager has been extended to enable recruitment to a permanent post and to enable a full handover / induction.
- Cyber insurance not procured within insurance tender. Review situation following improvements scheduled.
- Compulsory cybersecurity training undertaken by staff and Members. All staff completed the training. Some Members did not and had their access withdrawn. There are still some EHC members with restricted access. We continue to encourage those affected to complete the training.

East Herts Council Corporate Risk Register – 2022/23 quarter two

Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
B 2	<p>4. Staff capacity and skills to deliver services</p> <p>Risk Owner - Head of Human Resources and Org Development</p> 	<ul style="list-style-type: none"> • Loss of key staff • Staff capacity unable to deliver projects • Unable to recruit to key posts • Industrial action 	<ul style="list-style-type: none"> • Disruption to Council services • Poor customer service • Internal control or governance failure • Reputation damaged in the media • Staff cannot undertake level or volume of work to meet all priorities • Council does not deliver performance expectations • Opportunities lost to improve outcomes • Partners lose confidence in ability to deliver • Public lose confidence in ability to deliver • Disruption to Council services • Poor customer service • Internal control or governance failure • Reputation damaged in the media • Disruption to CoStaff uncil services • Poor customer service • Non-delivery of projects 	<ul style="list-style-type: none"> • Staff / manager development including the on-line learning pool and maximise the benefits of the apprenticeship levy. • Develop a future manager programme. • Succession planning for key staff within Services • Use of flexible retirement to ensure continuity of experienced staff whilst bringing on staff into roles • Prioritisation of work through the Corporate Plan and Executive Members • Major projects taken forward with corporate project management standards via the Major Projects Team • Market supplements where appropriate • Selective use of external resources and contingent labour through neutral vendor to drive down costs. • Internal communications emphasising welfare and mental health • Review the external trading model to ensure it 'washes its face' and does not impede on our ability to support HR / OD within the council. • Contingency planning


Update on current position

4. Staff capacity and skills to deliver services

- We still face challenges in recruiting to posts where there is both a local and national skills shortage, in some cases we are reliant on agency staff to cover vacant posts whilst we try to recruit. We are looking at our end-to-end recruitment process to ensure it is easy to use and offered the candidate a good experience, how we advertise, our learning and career development offer etc. As part of transformation, we are also challenging ourselves about the skills sets we need to deliver services moving forward and this does mean looking at all of the roles we have that are traditional in councils.
- We still have some one-off key roles that would leave us vulnerable if the postholder were to leave. We are looking at succession planning across the council to 'grow our own' across the council.

There have been warnings that this year's flu season will probably be worse than last year so we are heavily promoting free Flu vaccines for staff who do not qualify for vaccinations through their primary healthcare provider. These are funded through Public Health. The aim is to keep staff healthy and those residents they might come into contact with. We also have a proven process for dealing with another big outbreak of COVID that can be put into effect immediately if that were to happen.

East Herts Council Corporate Risk Register – 2022/23 quarter two

Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
C 4	<p>5. Poor performance or failure of key partner or contractor</p> <p>Risk owner - Head of Operations</p> 	<ul style="list-style-type: none"> Poor performance or failure of key partner or contractor Failure to mobilise major outsourced contracts properly and/or on time 	<ul style="list-style-type: none"> Disruption to all Council services Additional costs resulting from response Demand to partner organisations to provide mutual aid to support our response Cost and time involved in unplanned procurement exercises Major media engagement Reputational damage Damage to relations with outsourcing partner and potential damages claim 	<ul style="list-style-type: none"> Risk of contractor failure increased due to COVID. Regular discussions are continuing with contractors and key third sector partners to ensure minimal failures in delivery. Credit risk scores are obtained for major contractors during the operation of the contract and particular attention is paid to trade news concerning contractors' financial health. Offer of open book accounting to examine any potential cost increases as a result of changing circumstances. Waste-related business continuity plans are also regularly reviewed. Brexit restrictions and the closure of Asian export markets will impact on the sale of materials and income may cease and costs may increase. Talks are ongoing with other Hertfordshire authorities to determine alternative options. The council is investigating a circular economy option for the plastics waste stream in particular.

Update on current position


Poor performance or failure of key partner or contractor
 No current update since beyond Q1 position. Q1 notes;

Update on current position

- Risk of business failure remains the same due to COVID and Brexit i.e. staff shortages, there remains an increased use of agency staff (and risks associated with service delivery of no shows, not knowing the routes etc). Business continuity plans refreshed and regular dialogue maintained with contractors who have been informed the council would look sympathetically at cost increases provided the council was told in advance and the contractor undertook to use reasonable endeavours to resolve cost pressures themselves utilising furlough and other central government support.
- Customer confidence growing slowly within leisure centres, continued discussions with contractor to monitor impacts.
- Contingency plans to step in should contractors fail. Principal route will be to use a TEKAL company to provide the service pending retendering as the company vehicle preserves the private sector T&Cs of employment.
- Council has and is prepared to offer loans to help contractors with cash flow, subject to an assessment that they are a going concern.
- Requirement for higher recycled packaging content has caused some plastic materials prices to increase.
- Escalated performance management discussions have taken place with waste contractor, an action plan to manage recruitment and vehicle breakdown is now in place.
- Internal audit of the council’s risk analysis and preparedness for supply chain interruption planned to commence in quarter 2.

Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
C 3	6. Judicial Review and or	<ul style="list-style-type: none"> • Council loses case 	<ul style="list-style-type: none"> • Council policies may no longer be fit for purpose 	<ul style="list-style-type: none"> • All Executive, Committee and Council reports require sign off by

East Herts Council Corporate Risk Register – 2022/23 quarter two

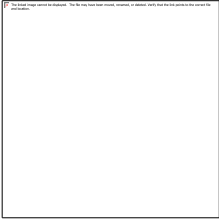
Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
	major legal challenge Risk owner - Head of Legal and Democratic Services 	<ul style="list-style-type: none"> • Not enough staff to deliver services internally • Inability to recruit to key posts 	<ul style="list-style-type: none"> • Unregulated activity until soundly based policy put in place • Large costs award against Council • Reputational damage • Major media engagement • Monitoring Officer and/or s.151 officer issues Report in the Public Interest • Department for Levelling Up, Housing and Communities intervention • Potential requirement to repeat procurement exercise and compensate unsuccessful bidders in first exercise • Additional and or abortive costs • Dip in quality of support being offered. • Delay in response time and consequential impact on deadlines. • Points not being picked up at an early enough stage. • Increased expenditure on obtaining external support. • Existing staff spread too thinly. 	legal and finance to ensure compliance with budget and policy framework and current legislation. <ul style="list-style-type: none"> • List of policies maintained with review dates. • Information Governance function strengthened to ensure compliance with data protection. • Policies should be backed by evidence and Leadership Team consideration involves constructive challenge as well as formal Monitoring Officer and s.151 officer. • Periodically going out to recruit to test the market at a given time. • Reviewing external advice to ensure it is to the required standard.

Page 213	Update on current position
	6. Judicial Review and or major legal challenge No new risk identified beyond Q1. Q1 Notes;

Update on current position

- Since the Council recruited to its four solicitor posts, two (Planning and Contracts) have since left. Despite going out to advert on multiple occasions, we have been unable to recruit to the Planning Solicitor role, meaning that cover is currently being provided by the Legal Services Manager as well as some external providers. We have had some more success in recruiting to the Contracts post, but they are not yet in post, meaning we're not in a position to count our chickens yet. Were the Contracts post not ultimately filled, this will have a significant impact on projects such as the waste contract procurement etc. The Council's Information Governance and Data Protection Manager who started at the beginning of 2021, has undertaken a great deal of work with regards data mapping and updating the Council's policies, providing the Council with greater resilience against data breaches.
- Work being outsourced has begun to increase, having once more or less ceased, meaning that, where legal advice is required, East Herts Legal Team are now less able to be consulted on matters and are instead having to seek external, often expensive, advice .
- Elections also finding it difficult to recruit staff that remain in post for a long enough period of time to be effective.

East Herts Council Corporate Risk Register – 2022/23 quarter two

Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
A 2	7. District Plan Risk owner - Head of Planning 	<ul style="list-style-type: none"> Failure to refresh District Plan to timescales and /or refreshed District Plan found to be unsound at examination 	<ul style="list-style-type: none"> Planning becomes developer led rather than planning policy led through 5 year land supply test Additional costs to redo work Additional costs of planning appeals and possible judicial reviews Reputational damage Loss of affordable housing and S.106 / community infrastructure levy benefits Failure to meet 5 year Housing Land Supply requirements Possible intervention by the Department for Levelling, Housing & Communities 	<ul style="list-style-type: none"> Evidence based planning policy decisions Strong focus on Member, Parish, partner and community buy-in

Update on current position

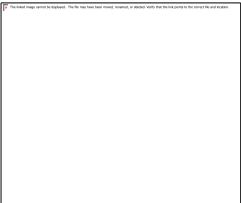
7. District Plan Q2 Update. Risk has Increased from Q1, from A1 to A2

- The reason this risk has gone up is due to the timing of the review of the District Plan.
- The District Plan was adopted in October 2018 following a successful examination in public.
- Planning in East Herts is therefore ‘plan-led’ rather than ‘developer-led’.
- The majority of strategic sites now have an agreed Masterplan.
- Following the Housing Delivery Test results in January, the Council has maintained the minimum 5% buffer and therefore can demonstrate a housing year land supply in excess of 5 years.
- The Council has also continued its trend of annual improvements on the Housing Delivery Test, this year being able to demonstrate a 130% delivery rate meaning that the Council is meeting its housing need and addressing the undersupply of previous years as well.

Update on current position

- A total of 808 dwellings were completed in 2020/21. Of these, 267 were affordable homes which represents 33% of all completed dwellings in the district.
- To be effective plans need to be kept up-to-date. The National Planning Policy Framework states policies in local plans, should be reviewed to assess whether they need updating at least once every 5 years, and should then be [updated as necessary](#). Officers are currently considering whether a review of the District Plan is required.

East Herts Council Corporate Risk Register – 2022/23 quarter two

Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
A 4	<p>8. Climate change</p> <p>Risk owner - Head of Housing & Health</p> 	<ul style="list-style-type: none"> • Severe weather causing major incident (includes flood, wind, snow, cold and heat) • Drought • Weather extremes require substantial retrofit costs for asset adaptations 	<ul style="list-style-type: none"> • Disruption to Council services as staff diverted to response • Additional costs of response • Service changes required if long recovery phase • Service change required to adapt e.g. heatwave early day starts • Major media engagement • Disruption to some services through water restrictions • Additional costs of support to vulnerable service users • Public health issues • Non-availability of capital resources may cause working conditions on some days to be unbearable. • Instances of abandoning assets where hold the line defences against floods no longer viable • Increasing attacks by non-native species causing biodiversity loss • Increased costs arising from new operating requirements, e.g. sustained +30 degree heat requires refuse freighter insides to be degreased and jetted out regularly to prevent oils and fats combusting 	<ul style="list-style-type: none"> • Business Continuity Plan Severe Weather section • Emergency Plan including specific response plans to flooding etc. • Health and Safety Policy details severe weather response • Council reducing carbon footprint for the district • Emergency Plan • Business continuity plan • Council reducing carbon footprint for the district • New modern workspace work stream of the Transformation Programme will address climate change issues in the design

Update on current position


8. Climate change. Updates from Q2

- Implement stricter emission requirements for all new vehicle application and renewals, 100% will be electric or euro 6 by April 2023
- seeking external funding to introduce e- vehicle chargers in rural locations of district and all of EHDC land holdings
- planting or provided over 7,700 trees in 22/23
- survey work to asses costs with a view for government funding for decarbonisation of heating and hot water at Wallfields

Q1 notes

- Climate change motion agreed July 2019.
- Multi-agency environmental and climate change forum continues.
- Energy efficiency modifications to key existing buildings and new electricity contract is from renewable sources.
- Review underway of motor fleet with extended use of e-vehicles.
- Carbon footprint reducing as a consequence of pandemic and homeworking. Future agile working will support.
- Food waste minimisation campaign to reduce carbon footprint by food being wasted as well as the disposal route.
- List of achievements posted on website at <https://www.eastherts.gov.uk/about-east-herts-0/environmental-sustainability/sustainability-get-involved>.
- Training commenced for officers & Clean Air Day campaign held.
- Engagement with insurers over design / materials for new buildings. Use of sustainable materials and modern methods of construction proving problematic. Insurers want more emphasis on property protection (in addition to life saving standards). Major developments are also situated in or adjacent to flood zones. Construction insurance for Hertford Theatre procured after significant difficulties due to the materials and methods of construction, plus the flood risk. Premium rates substantially higher than normal. Similar difficulties anticipated with buildings insurance upon completion.
- HCCSP strategic theme – adaptation.
- Climate Change Strategy 2022 – 2026 to be considered by Council in July 2022.


East Herts Council Corporate Risk Register – 2022/23 quarter two

Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
A 1	<p>9. Child / Vulnerable Adult Protection</p> <p>Risk owner - Head of Housing & Health</p> 	<ul style="list-style-type: none"> Child / vulnerable adult protection failure 	<ul style="list-style-type: none"> Possible legal action for damages Possible prosecution Major media engagement Reputational damage 	<ul style="list-style-type: none"> Safeguarding policy Annual training for staff and Members

Update on current position


9. Child / Vulnerable Adult Protection.
No further updates from Q1 position

- 90% of Members have received safeguarding training or briefings.
- Officer training on safeguarding annually. Targeted training took place for 10 officers in quarter one with 40 booked to future sessions. Further training being provided to Community Safety Partnership Board and Joint Advisory Group Partners.
- Quarterly safeguarding report submitted to Leadership Team.
- Hertfordshire Safeguarding Adults Board self-assessment complete. Favourable feedback received along with recommendations for further improvement.
- SIAS audit of safeguarding function reported in Feb 2022. 'Reasonable' assurance provided with one 'medium priority' recommendation made to instigate a process of further compliance checks among grant recipients, taxi licence holders and contracts. This work will be carried out by 31.03.23. Domestic Abuse Policy considered and approved by HR committee in November 2021.

Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
A 2	10. Equalities Risk owner - Head of Comms, Policy & Strategy 	<ul style="list-style-type: none"> Council found to have discriminated against individuals or communities with protected characteristics OR council has made a decision without considering equalities and diversity implications. 	<ul style="list-style-type: none"> Possible legal action for damages Possible enquiry and report by Equalities & Human Rights Commission Major media engagement Reputational damage 	<ul style="list-style-type: none"> New strategy being developed to address challenges and embed equalities and diversity in decision making.

Update on current position
10. Equalities No update from Q1 position <ul style="list-style-type: none"> New strategy was approved by Council on 28 July 2021. Since then significant work has been undertaken on training staff on the equalities impact assessment process and forming a staff equalities group Unfortunately shared service with HCC ended in April 2022 due to post holder leaving. We are currently reviewing options for provision within the limited resources we have for corporate equality support.

East Herts Council Corporate Risk Register – 2022/23 quarter two


Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
B 2	11. Internal control Risk owner - Head of Strategic Finance and Property 	<ul style="list-style-type: none"> • Failure of internal control or unethical behaviour 	<ul style="list-style-type: none"> • Qualified accounts • Possible Police involvement if fraud involved • Major media engagement • Reputational damage • Increased costs as a result of loss or fine or compensation payments 	<ul style="list-style-type: none"> • Key reconciliations carried out regularly. • Internal audit work planned and undertaken on key areas. • Assurance Mapping • Electronic workflow where controls much harder to circumvent • Separation of duties appropriate to the staffing numbers

Update on current position

11. Internal control.
No update from Q1 position

- Audits remain mostly on track and there is sufficient audit scope for an assurance opinion to be given
- Assurance Mapping approach to be introduced which will show visually where assurance is gained and also identifies duplications and unnecessary steps which will inform officers undertaking lean process reviews and help Audit & Governance Committee to see where there are risks and then internal audit resources can be directed there.
Full suite of updated anti-fraud and corruption policies approved by Audit and Governance Committee in November 2021. Intranet and website content to be updated. The new policies will be publicised to all employees.
- The Shared Anti-Fraud Service recommenced meetings with teams to provide training and increase awareness.

East Herts Council Corporate Risk Register - 2022/23 quarter two

Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
A 4	<p>12. Outbreak of disease in humans</p> <p>Risk owner - Head of Housing and Health</p> 	<ul style="list-style-type: none"> • Pandemic and/or Public Health Emergency Declared 	<ul style="list-style-type: none"> • Loss of staff and/or key skills due to illness and related absenteeism • Requirement to enable entire workforce to work from home • Requirement for Council and Committees to meet via video conference • Loss of income/additional costs • Loss of essential services /utilities/ suppliers • Demand from partner organisations to provide staff and other resources to support their response • Major media engagement • Disruption to all Council services • Increased risk of fraud from support programmes 	<ul style="list-style-type: none"> • Business Continuity Plan • Emergency Plan • Dynamic risk assessments and keeping office open and COVID secure in line with government guidance. • Agile working introduced and scaled up to ensure social distancing • Fraud alerts on pandemic circulated by SAFS

Update on current position

12. Outbreak of disease in humans


The threat of new variants and new waves of infection is real and constant but our agile working policy means the Council is much better positioned to adapt. Previous quarter notes as follows;

- Updates on financial compensation are included under Risk 1
- Updates on recovery work on supporting the local economy are detailed under Risk 2
- Alternative working methods instigated as a result of Covid 19 including home working and IT communications solutions (Zoom, Teams, WhatsApp and the like)
- Blended working arrangements commenced autumn 2021 with staff working 50% at the office and 50% from home.
- Detailed, up-to-date risk assessments in place including frequent Covid self-testing

Update on current position

- Live Well, Work Well programme amended to incorporate greater emphasis on staff mental health
- Joined up working with key partners, notably HCC and the police, to ensure coherent and planned use of financial and staff resources, for example Covid marshals and joint visits/advice/enforcement actions re: businesses. (Covid marshal scheme extended during quarter one.) Shop safe, shop local campaign held.
- Restart grants for businesses and community covid recovery grant schemes opened.
- Public facing recovery plan published in April.
- In-person Member meetings resumed.
- East Herts vaccination plan drawn up. Bidding for resources for vaccine tracing.
- The council continues to work with HCC Public Health as the national Covid measures and guidance recede.

East Herts Council Corporate Risk Register - 2022/23 quarter two

Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
A 1	<p>13. Business Continuity Plan / Emergency Plan</p> <p>Risk owner - Head of Housing & Health</p> 	<ul style="list-style-type: none"> Major Incident Occurs Plan fails 	<ul style="list-style-type: none"> Loss of essential services / utilities/ suppliers Demand from partner organisations to provide staff and other resources to support their response Major media engagement Disruption to all Council services Unable to support partner organisations to provide staff and other resources to support their response Possible legal action or public inquiry 	<ul style="list-style-type: none"> Emergency Plan Major Incident protocols Business Continuity Plan Keep plans under review every 6 month and keep evidence. Review of response after every incident Training for staff in EP roles Regular exercises once a quarter Emergency and Resilience work provided through Hertfordshire County Council

Update on current position

13. Business Continuity Plan / Emergency Plan. No further update from Q1 position. Q1 notes as follows

- Normal business continuity and emergency planning activities have continued during the pandemic.
- Mutual aid was provided to the NHS to support staff shortages as well as supporting testing and vaccination
- Desk top exercise accessing plans and refresh of contact lists undertaken
- Communications test undertaken from County to Districts to check notification cascade.
- Review of business continuity plan by Hertfordshire County Council Resilience Officer underway, particularly in light of the potential heightened risk of cyber attacks in the context of Russia's invasion of Ukraine. All staff mandated to complete cyber risk online training by 08.04.22.
- Proposed test of the emergency plan postponed during pandemic. The test will be the priority once the business continuity plan review is complete.

East Herts Council Corporate Risk Register – 2022/23 quarter two

Update on current position

- Review of IT Disaster Recovery Plan to take place.
- Internal audit of the council’s risk analysis and preparedness for supply chain interruption planned to commence in quarter 2.

Key to scoring

	Description	Likelihood of occurrence	Probability of occurrence
Likelihood	4 High	Monthly	The event is expected to occur or occurs regularly
	3 Medium	Annually	The event will probably occur
	2 Low	1 in 5 years	The event may occur
	1 Very Low	Less frequently than 1 in 5 years	The event may occur in exceptional circumstances

	Description	Financial	Reputation	Service / operation
Impact	A Critical	> £1m p.a.	Serious negative media	Catastrophic fall in service quality or long term disruption to services
	B Significant	£400,000 to £1m p.a.	Adverse national media	Major fall in service quality or serious disruption to services
	C Marginal	£100,000 to £400,000 p.a.	Adverse local media	Significant fall in service quality
	D Minor	< £100,000	Public concerns restricted to local complaints	Little impact to service quality

Agenda Item 12

East Herts Council Report

Audit & Governance Committee

Date of meeting: 15 November 2022

Report by: Head of Strategic Finance & Property

Report title: Audit and Governance Committee Work Programme

Ward(s) affected: All

Summary – To present to Audit and Finance Committee the work programme for the year of finance and audit business with a brief summary of each report so that Members can see the business that will come before the Committee at each meeting.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE

- a)** Approve the work programme as set out in the report; and
- b)** Specify any training requirements.

1.0 Proposal(s)

- 1.1 Audit and Governance Committee's audit functions are:
 - 1.1.1 Approving the Council's statement of accounts.
 - 1.1.2 Consider the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
 - 1.1.3 Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.

- 1.1.4 Be satisfied that the Council's assurance statements, including reviewing the Annual Governance Statement against the good governance framework, properly reflect the risk environment and any actions required to improve it.
 - 1.1.5 Approve internal audit's strategy, its plan and monitor its performance.
 - 1.1.6 Approve the shared anti-fraud service strategy, its plan and monitor its performance.
 - 1.1.7 Review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary.
 - 1.1.8 Receive the annual report of the head of internal audit.
 - 1.1.9 Receive and consider the reports of external audit (including the annual audit letter) and inspection agencies, and monitor management action in response to the issues raised.
 - 1.1.10 Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies and that the value of the audit process is actively promoted.
 - 1.1.11 Review the financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.
 - 1.1.12 Oversight of the Council's commercial projects.
- 1.2 Audit and Governance Committee's finance functions are:
- 1.2.1 Receive budget monitoring reports and risk management reports.

- 1.2.2 Lead the cross Member scrutiny and consideration of the Council's draft annual budget and medium term financial plan.
 - 1.2.3 Scrutinise the Council's Annual Investment Strategy, Annual Capital Strategy, Mid-Year Treasury Management Report and Annual Treasury Management Report and through review gain assurance that systems of governance and control for Treasury Management are effective.
 - 1.2.4 Where appropriate, assisting the Council and the Executive in the development of its budget and policy framework by in-depth analysis of financial, procurement and governance related policy issues.
 - 1.2.5 Where relevant to the audit or finance functions of the Committee, overseeing and scrutinising all Internal, Corporate and Corporate Governance functions of the Council.
- 1.3 In order to fulfil these functions a series of reports will be brought to Members to provide:
- 1.3.1 Assurance that the council's financial affairs are being properly managed and that the council is making the best use of resources;
 - 1.3.2 An adequate and effective system of internal audit is operating and that it's approved plan is being delivered;
 - 1.3.3 The Council's governance arrangements are adequate;
 - 1.3.4 That key business risks have been identified, evaluated and are being managed;

- 1.3.5 That key systems and controls are operating effectively giving assurance that the Statement of Accounts is materially correct and can be approved;
- 1.3.6 Receive and consider the external auditor's Audit Plan, report and Annual Audit Letter; and
- 1.3.7 Receive copies of Executive budget monitoring reports, for information, so that the final accounts outturn position can be compared to forecasts during the year.

2.0 Training

- 2.1 Training for Members of the Committee will be delivered for the first 30 minutes of the Committee meeting and will be related to the business before the Committee.
- 2.2 Members are recommended to review the proposed work programme and suggested training and identify any other training needs they require.

3.0 Work Programme

- 3.1 The Committee will recall that the external audit of the council's accounts was due to start in October 2021 and conclude in December 2021. EY delayed the start to the audit until 3 January 2022. The audit is still not concluded, and the external auditor ceased working on the council's audit in May and June to work on their NHS audits. The external auditor has given no estimated date for the completion of the audit.
- 3.2 The work programme for the Committee is proposed to be as follows:

Committee	Date	Report Title	Report Summary
Audit & Governance (Accounts Approval) Sub Committee	December 2022	Training: Statement of Accounts	Presentation to Members on the key elements of the Statement of Accounts and the inter-relationship of the core statements.
		Receipt of the Final External Auditor's Annual Governance Report	In accordance with the Code of Audit Practice (the Code), this report provides a summary of the work the external auditor has carried out during their audit of accounts, the conclusions they have reached and the recommendations they have made to discharge their statutory audit responsibilities to those charged with governance (in this case the Audit and Finance Committee) at the time they are considering the financial statements. In preparing their report, the Code requires them to comply with the requirements of International Standards on Auditing (United Kingdom & Ireland) – ISA (UK&I) - 260 'Communication of Audit Matters to Those Charged With Governance'.
		Approval of the Statement of Accounts	Regulation 10 (1) of the Accounts and Audit Regulations 2015 requires the Statement of Accounts to be approved by a resolution of a committee of the Council, such approval to take place before 30 September immediately

Committee	Date	Report Title	Report Summary
			following the end of a year, or as soon as practicable after the conclusion of the audit.
Audit & Governance	24 January 2023	Budget Scrutiny - Budget 2023/24 and Medium Term Financial Plan 2023-27	To present to Audit and Governance Committee the Executive's proposed General Fund Budget and Medium Term Financial Plan for scrutiny.
		Investment Strategy 2023/24 for scrutiny	To present to Audit and Governance Committee the Executive's proposed Investment Strategy for scrutiny.
		Capital Strategy and Minimum Revenue Provision Policy 2023/24 for scrutiny	To present to Audit and Governance Committee the Executive's proposed Capital Strategy and Minimum Revenue Provision Policy for scrutiny.
		Shared Anti-Fraud Service Anti-Fraud Plan Progress Report	To present to Audit and Governance Committee the Shared Anti-Fraud Service's progress against the Anti-Fraud Plan.
		Shared Internal Audit Service Internal Audit Plan Progress Report	To present to Audit and Governance Committee the Shared Internal Audit Service's progress against the Internal Audit Plan.
		Financial Management 2022/23 – Quarter 2 Forecast to Year End	To provide Audit and Governance Committee with a copy for information of the Executive Report with the forecast position on revenue spending and the capital programme as at the end of quarter 2.

Committee	Date	Report Title	Report Summary
		Audit and Governance Committee Work Programme	To present to Audit and Governance Committee an update on the work programme for the year.
Audit & Governance	28 March 2023	Training: Cyber Security	Presentation on risk management and its importance for the council
		Internal Audit Plan	To present to Audit and Governance Committee the Shared Internal Audit Service Audit Plan for the financial year.
		Anti-Fraud Plan	To present to Audit and Governance Committee the Shared Anti-Fraud Service Anti-Fraud Plan for the financial year.
		Data Protection Update	To present to Audit and Governance Committee the progress on data protection policies and practices.
		Strategic Risk Register Monitoring Q3 2022/23 and Annual Review of Risk Management Strategy	To present to Audit and Governance Committee the Strategic Risk Register Monitoring at the end of quarter 3 and the annual review of the council's risk management strategy.
		Financial Management Quarter 3 Forecast to Year End	To provide Audit and Finance Committee with a copy for information of the Executive Report with the forecast position on revenue spending and the capital programme as at the end of quarter 3.

Committee	Date	Report Title	Report Summary
		Audit and Governance Committee Work Programme	To present to Audit and Governance Committee an update on the work programme for the year.
Audit & Governance	31 May 2023	Training	The role of the Audit & Governance Committee
		External Audit Planning Report 2022/23	To present to Audit and Governance Committee the external auditor's Audit Planning Report. The Committee receives the report on behalf of the Council.
		Annual Assurance Statement and Internal Audit Annual Report	To present to Audit and Governance Committee the Annual Report on Internal Audit Activity for the preceding financial year and the level of assurance on the financial systems. Regulation 6 of The Accounts and Audit Regulations 2015 require the Council, at least once a year, to conduct a review of the effectiveness of its internal audit.
		Draft Annual Governance Statement	To present to Audit and Governance Committee for comment the Draft Annual Governance Statement for incorporation in the Statement of Accounts. Regulation 6 of the Accounts and Audit Regulations 2015 requires the Council to conduct a review, at least once a year, of the effectiveness of its system of internal control and approve an

Committee	Date	Report Title	Report Summary
			annual governance statement to accompany the statement of accounts.
		Shared Internal Audit Service Internal Audit Plan Progress Report	To present to Audit and Governance Committee the Shared Internal Audit Service's progress against the Internal Audit Plan.
		Anti-Fraud Report	To present to Audit and Governance Committee the Shared Anti-Fraud Service's annual anti-fraud report detailing work completed on the Anti-Fraud Plan and detailing detected fraud and any recovery of monies
		Shared Anti-Fraud Service Anti-Fraud Plan Progress Report	To present to Audit and Governance Committee the Shared Anti-Fraud Service's progress against the Anti-Fraud Plan.
		Strategic Risk Register Monitoring Q4 2022/23	To present to Audit and Governance Committee the Strategic Risk Register Monitoring at the end of quarter 4.
		Assets of Community Value	To present to Audit & Governance Committee the Register of Assets of Community Value annual update report.
		Audit and Governance Committee Work Programme	To present to Audit and Governance Committee an update on the work programme for the year.

Committee	Date	Report Title	Report Summary
Audit & Governance	26 September 2023	Training: Statement of Accounts	Presentation to Members on the key elements of the Statement of Accounts and the inter-relationship of the core statements.
		Receipt of the External Auditor's Annual Governance Report	In accordance with the Code of Audit Practice (the Code), this report provides a summary of the work the external auditor has carried out during their audit of accounts, the conclusions they have reached and the recommendations they have made to discharge their statutory audit responsibilities to those charged with governance (in this case the Audit and Finance Committee) at the time they are considering the financial statements. In preparing their report, the Code requires them to comply with the requirements of International Standards on Auditing (United Kingdom & Ireland) – ISA (UK&I) - 260 'Communication of Audit Matters to Those Charged With Governance'.
		Approval of the Statement of Accounts	Regulation 10 (1) of the Accounts and Audit Regulations 2015 requires the Statement of Accounts to be approved by a resolution of a committee of the Council, such approval to take place before 30 September immediately

Committee	Date	Report Title	Report Summary
			following the end of a year, or as soon as practicable after the conclusion of the audit.
		Approval of the Annual Governance Statement	To present to Audit and Governance Committee for approval the Annual Governance Statement for incorporation in the Statement of Accounts. Regulation 6 of the Accounts and Audit Regulations 2015 requires the Council to conduct a review, at least once a year, of the effectiveness of its system of internal control and approve an annual governance statement to accompany the statement of accounts.
		Shared Anti-fraud Service Anti-Fraud Plan progress report	To present to Audit and Governance Committee the Shared Anti-Fraud Service's progress against the Anti-Fraud Plan.
		2022/23 Provisional Outturn	To provide Audit and Governance Committee with a copy, for information, of the Executive Report with the provisional outturn position on revenue spending and the capital programme as at the end of the financial year.
		Financial Management 2023/24 – Quarter 1 Forecast to Year End	To provide Audit and Governance Committee with a copy for information of the Executive Report with the forecast position on revenue

Committee	Date	Report Title	Report Summary
			spending and the capital programme as at the end of quarter 1
		Strategic Risk Register Monitoring Q1 2023/24	To present to Audit and Governance Committee the Strategic Risk Register Monitoring at the end of quarter 1.
		Audit and Governance Committee Work Programme	To present to Audit and Governance Committee an update on the work programme for the year.
	29 November 2023	Training: Treasury Management	Presentation to Members on Treasury Management and the Committee's role in overseeing treasury policies
		Annual Infrastructure Funding Statement Report 2022/23	To present to Audit and Governance Committee an update on Section 106 contributions and the council's Annual Infrastructure Funding Statement Report 2020/21
		Budget 2024/25 and Medium Term Financial Plan 2024/25 – 2028/29	To provide Audit and Governance Committee with an update on the budget and MTFP including costs pressures, savings and efficiencies against the original proposals, and budget planning assumptions for scrutiny.
		Shared Internal Audit Service Internal Audit Plan Progress Report	To present to Audit and Governance Committee the Shared Internal Audit Service's progress against the Internal Audit Plan.

Committee	Date	Report Title	Report Summary
		Annual Treasury Report 2022/23	To provide Audit and Governance Committee with a copy of the Annual Treasury Report so that they can scrutinise the Report.
		Treasury Management 2023/24 Mid-Year Review	To provide Audit and Governance Committee with a copy of the Treasury Management Mid-Year Review Report so that they can scrutinise the Report
		Strategic Risk Register Monitoring Q2 2023/24	To present to Audit and Governance Committee the Strategic Risk Register Monitoring at the end of quarter 2.
		Audit and Governance Committee Work Programme	To present to Audit and Governance Committee an update on the work programme for the year

4.0 Reasons

4.1 To ensure that Audit and Finance Committee is aware of the work programme and ensure that Members have the opportunity to request any training or briefing around upcoming items.

5.0 Risks

5.1 Risk Management is reported to the Committee regularly.

6.0 Implications/Consultations

Community Safety

No

Data Protection

Data Protection reports and policies will be brought before the Committee as appropriate.

Equalities

No

Environmental Sustainability

No

Financial

The report details the Committee's responsibilities in relation to finance.

Health and Safety

No

Human Resources

No

Human Rights

No

Legal

Legal requirements are noted in the report summaries in the table in this report.

Specific Wards

No

7.0 Background papers, appendices and other relevant material

7.1 None

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