

MINUTES OF A MEETING OF THE  
 AUDIT AND GOVERNANCE COMMITTEE  
 HELD IN THE COUNCIL CHAMBER,  
 WALLFIELDS, HERTFORD ON WEDNESDAY  
 29 NOVEMBER 2023, AT 7.00 PM

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PRESENT:

Councillors B Deering, C Hart, D Jacobs,  
 S Nicholls, G Williamson and  
 D Woollcombe

ALSO PRESENT:

Councillor C Brittain  
 Mark Poppy - Independent Person  
 Nick Sharman - Independent Person

OFFICERS IN ATTENDANCE:

Michele Aves - Democratic  
 Services Officer  
 Jackie Bruce - Infrastructure  
 Contributions and  
 Spend Manager  
 James Ellis - Head of Legal and  
 Democratic  
 Services and  
 Monitoring Officer  
 Steven Linnett - Head of Strategic  
 Finance and  
 Property

ALSO IN ATTENDANCE:

Simon Martin - Shared Internal Audit  
 Service

## Greg Readings - Arlingclose Ltd

224 APOLOGIES

There was an apology for absence from the Chairman, Councillor Adams. A subsequent apology was received from Councillor Swainston who was due to be substituting for Councillor Adams. It was noted that the Vice-Chairman, Councillor Woollcombe was acting as Chairman for the meeting.

225 MINUTES - 26 SEPTEMBER 2023

It was moved by Councillor Nicholls and seconded by Councillor Williamson that the minutes of the meeting of the Audit and Governance Committee held on 26 September 2023 be confirmed as correct records and signed by the Chairman. After being put to the meeting and a vote taken, the motion was declared CARRIED.

**RESOLVED** – that the minutes of the meeting of the Audit and Governance Committee held on 26 September 2023 be confirmed as correct records and signed by the Chairman.

226 DECLARATIONS OF INTEREST

There were no declarations of interest.

227 CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed all to the meeting and reminded the Members that the Budget would be on the agenda at the meeting of the Committee on 31 January 2024.

228 TRAINING - TREASURY MANAGEMENT

The Client Director from Arlingclose Ltd gave a treasury management training presentation to the Committee.

The Chairman advised the Committee that the training was commercially confidential, and that therefore the meeting was required to move to exclude the press and public on the grounds that it involved the likely disclosure of exempt information.

It was moved by the Chairman and seconded by Councillor Nicholls that under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information falling within paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended.

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

**RESOLVED** - that under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information falling within paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended.

Following the presentation Members were able to ask questions, which the Client Director from Arlingclose Ltd answered.

**RESOLVED** – that the training be received.

The Head of Strategic Finance and Property introduced the report and drew Members' attention to Appendix A, The Annual Treasury Management Review 2022-23. He referred to page 39 of the report which gave details of the Council's capital expenditure and borrowing for the year, and page 44 which gave the treasury position as of 31 March 2023.

The Head of Strategic Finance and Property referred to page 40 of the report which summarised the prudential indicators. He explained that 'unfinanced capital expenditure' was the term used to describe the Council's borrowing, which was below the operational boundary as recommended in 2022.

The Head of Strategic Finance and Property drew Members' attention to page 44 of the report which gave a summary of the Council's investment portfolio, including property funds. He referred to Section 4 of the report which gave background information on economics and said that all treasury indicators had been met.

Councillor Nicholls asked if the Council's annual investment returns exceeded the costs of its debts.

The Head of Strategic Finance and Property said that the Council currently had £3.2 million of debt, and 5.2 million in investments, and so there was a greater return on investments. He said that there was approximately £20 million invested in property funds which took longer to take back as they were long term commitments. He said that the Council was in the process of liquidising one of the property funds of approximately £10 million, and that investments were

being run down to fund capital expenditure as far as possible.

Mr Sharman referred to the table cited on page 39 of the report and asked for clarity regarding the figures which related to council borrowing.

The Executive Member for Financial Sustainability said that there had been a change in formula resulting in the figure of £8.906.

The Head of Strategic Finance and Property said that these figures would be corrected within the report, which would be presented to full Council.

The Chairman asked if there would be opportunity to discuss the authorised borrowing limit.

The Head of Strategic Finance and Property said that the authorised borrowing limit was agreed by Members each year at budget full council and was set with slight headroom linked to the Medium-Term Financial Plan. He said that the limit was set as a temporary measure to cover major emergency borrowing.

The Chairman said that this was very encouraging and thanked the Head of Strategic Finance and Property for his report.

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

**RESOLVED** – A) Members examine and comment on the Annual Treasury Management Review and Prudential Indicators for 2022/23 prior to its presentation to full Council for approval.

230 SHARED INTERNAL AUDIT SERVICE - PROGRESS REPORT

The Shared Internal Audit Service Manager introduced the report which was the second update for 2023/24. He referred to paragraph 2.3 of the report which gave a summary of all audits, 18 of which were complete, with the 8 which were outstanding assigned to staff.

The Shared Internal Audit Service Manager said that Members would be advised of any changes to the audit schedule and drew Members' attention to Appendix B of the report which detailed the high priority recommendations. He said that one new such recommendation had been added since the last meeting of the Committee.

The Shared Internal Audit Service Manager referred to the key performance indicators contained within paragraphs 2.7 – 2.9 of the report, alongside commentary which could be found at paragraphs 2.10 -2.11. He said that the vacancies within the service had now been successfully recruited to and drew Members' attention to Appendix C of the report which detailed the audit schedule.

The Chairman asked when the final report would be received.

The Shared Internal Audit Service Manager said that there were 4 reports each year, with the third coming

to the Committee in January 2024.

Mr Sharman asked for detail on the position for the Council to implement a legal case management system to track court costs.

The Shared Internal Audit Service Manager said that the Council currently effectively recorded court costs manually, but that should the volume or value of these costs increase there would be potential for a case management system.

The Chairman thanked the Shared Internal Audit Service Manager for his report.

**RESOLVED** – that the Internal Audit Progress Report and the Status of Critical and High Priority Recommendations be noted.

231 SHARED ANTI-FRAUD SERVICE - PROGRESS WITH THE DELIVERY OF THE 2023/24 ANTI-FRAUD PLAN

There was no representative from the Shared Anti-Fraud Service to introduce the report.

The Chairman asked Members if they had any questions, as these could be passed to Shared Anti-Fraud Service Officers outside of the meeting. There were no questions.

**RESOLVED** – that the work of the Council and the Shared Anti-Fraud Service in delivering the 2023/24 Anti-Fraud Plan be noted.

232 SECTION 106 UPDATE REPORT AND 2022/23 INFRASTRUCTURE FUNDING STATEMENT

The Executive Member for Financial Stability introduced the item which was the annual report to the Committee on Section 106 at East Herts Council, the Infrastructure Funding Statement and the work of the Section 106 Programme Manager.

The Executive Member for Financial Stability said that the report provided basic background information on Section 106 contribution identification, collection, and allocation at East Herts Council. He said that this included an overview of historic Section 106 contribution collection and allocations from 1<sup>st</sup> April 1996 to 31<sup>st</sup> March 2023, details of income and expenditure in the last five years, and an update on the Section 106 contributions collected and allocated in the current financial year (from 1<sup>st</sup> April 2023 to the end of September 2023).

The Executive Member for Financial Stability said that the report also included information on the audit of Section 106 which was currently being undertaken, for which draft feedback was very positive. He said that the final report would be shared with Members and reported on in detail in the next report to the Committee in November 2024.

The Executive Member for Financial Stability referred to Appendix A, the Annual Infrastructure Funding Statement for 2022 – 2023 which the Council was bound by Legislation to produce and publish. He said that this was the fourth Infrastructure Funding Statement produced by East Herts Council, which provided detailed information on Section 106 for the last financial year (2022/23).



The Executive Member for Financial Stability said that the Section 106 Programme Manager would be providing a Member Briefing on Section 106 on 7<sup>th</sup> December 2023, for which all Members would receive online meeting details.

Councillor Nicholls said that historically Section 106 funds were able to be reallocated internally to finance projects in different parts of the district, i.e., Hartham Swimming Pool. She asked if this had now changed.

The Section 106 Programme Manager said that legislation was changed in 2019 to include a named project use or recipient within the Section 106 contribution (with a degree flexibility for security and back up). She said that prior to this change agreements were generalised and enabled contributions to be received within the vicinity of the development. She said it was therefore vital that she was made aware by both Members and the community what was needed so this could be written into agreements.

The Section 106 Programme Manager said that Hartham received funding as it is one of the Council's flagship destinations, with the leisure facilities used by residents of new developments.

The Chairman said that it was good to note that the Section 106 Programme Manager was involved in Section 106 agreements from the beginning, and not just at the distribution of funds stage.

Councillor Jacobs asked if it was unusual to only have one provision to provide affordable housing included in a Section 106 agreement in a year (2022/23).

The Section 106 Programme Manager said that 2022/23 was a poor year for Section 106 agreements as there were few developments signed within the year. She said that a search of the Infrastructure Funding Statement would show several large developments with significant housing provision from previous years.

Councillor Hart said that a lack of affordable housing which met people's needs was a concern.

The Section 106 Programme Manager said that developments which come forward are bound by supplementary planning documents. She said that the Council negotiated with developers to obtain the maximum affordable housing possible, but that the outcome also depended on viability.

Councillor Hart asked if viability was placed above the needs of the local population. She said that there was a disconnect between the needs of the community and a demographic crisis being created, which encouraged younger people to live elsewhere.

The Section 106 Programme Manager said that such needs were taken into consideration, with a full report written by Officers. She said that there was also an independent viability review when viability was an issue with an application.

The Head of Strategic Finance and Property said that in line with the District Plan most of the major sites in the District have come forward for development and Section 106 agreements were signed. He said that the

provision to provide affordable housing occurred when a development application was for ten or more houses. He said that the Government had strict viability calculations, which the Council had to apply.

Councillor Nicholls asked for clarity on how the needs were defined for Section 106 NHS (National Health Service) Integrated Care Board (ICB) contributions.

The Section 106 Programme Manager said that she could not comment on needs, but that the ICB put forward their requirements as a statutory consultee when a planning application came forward.

Mr Poppy said that it was innovative for the Council to have a Section 106 Programme Manager in post and asked if Hertfordshire County Council (HCC) and the ICB contributed to the running of the service.

The Section 106 Programme Manager said that these bodies did not make such a contribution, but a monitoring fee was collected which went towards the funding of her role.

Mr Poppy asked if Section 106 contributions were taken back if they were not spent within the time specified in the agreement.

The Section 106 Programme Manager said that there had only been one instance where funds were taken back. She said that this was due to a change in circumstances, resulting in monies which could not be used for the set reason given within the agreement.

The Section 106 Programme Manager said that on

average a time limit of ten years was stipulated in agreements, but that many new agreements cited a five-year timeframe, which put pressure on both her and recipients. She added that HCC undertook its own collection and monitoring of Section 106.

Councillor Deering said that the NHS were not always good responders to Section 106 invites, with only a small improvement in engagement the last eighteen months.

Councillor Jacobs referred to the table on page 117 of the report and asked for clarification regarding the text found in place of several total funding amounts in column four.

The Section 106 Programme Manager said that the text was seen where there had been a deed of variation to a Section 106 agreement. She said that this was normally due to a legal change, such as a mortgagee, and so there would be no additional funds attached to the legal agreement.

The Chairman thanked the Section 106 Programme Manager and the Executive Member for Financial Sustainability for their report.

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

**RESOLVED** – that Members note and comment on the contents of the Section 106 Update Report and the 2022/23 Infrastructure Funding

Statement as attached at Appendix A.

233 MONITORING OF 2023/24 QUARTER TWO CORPORATE RISK REGISTER - NEW REPORTING FORMAT

The Head of Strategic Finance and Property introduced the report, which provided the new format for the Corporate Risk Register, covering Quarter 2 for 2023/24.

The Head of Strategic Finance and Property said that the new format had been reviewed by Leadership Team and now contained less risks and was more focused. He welcomed Members opinions and feedback.

Councillor Jacobs referred to Risk 4 – Key Contractor, and asked why this was scored relatively low despite the current risk of industrial action by the waste contractor.

The Head of Strategic Finance and Property said that the industrial dispute, as mentioned, had now been resolved.

Councillor Williamson said that the new format was a considerable improvement, being both clearer and easier to digest. He thanked Officers for their work.

Mr Sharman also welcomed the new more focused format. He said that it would be useful for each risk to include two categories, a distinction of the mitigations in place, and those being worked on. He said that an update from each risk owner, giving the current position and their concerns (if any) would also be of use.

The Chairman endorsed Members comments.

The Head of Strategic Finance and Property said that he would feedback Members comments and that the complete revised register would be seen at the next meeting of the Committee on 30 January 2023.

It was moved by Councillor Nicholls and seconded by Councillor Hart 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 2023/24 quarter two corporate risk register be reviewed, and officers advised of any suggested improvements to the format of the risk register.

(B) The 2023/24 quarter two corporate risk register be reviewed, and officers advised of any suggested improvements to the format of the risk register.

(C) The Committee notes the risk register and actions being taken to control and mitigate risk.

#### 234 AUDIT AND GOVERNANCE WORK PROGRAMME

The Head of Strategic Finance and Property introduced the report. He said that Members would see that there was no training planned for the next meeting of the Committee due to the number of reports planned for the agenda.

The Head of Strategic Finance and Property said that he was confident that the new external auditor, Azets,

would be present at the January 2024 meeting, but he had not had any recent contact from EY Ltd.

The Head of Strategic Finance and Property listed the reports scheduled for the next meeting of the Committee and said that as customary the Chairman and Vice Chairman of the Overview and Scrutiny Committee would be invited for budget scrutiny.

Councillor Williamson said that he was pleased to see that there would be no training on the next agenda, allowing Members to concentrate on the budget. He asked, as discussed at the last meeting of the Committee, if there were any opportunities for agenda items to be "carried over" to further enable the budget to be given priority.

The Head of Legal and Democratic Services said that items were placed on the agenda as they needed Members attention. He said that should items be just for noting they could be provided to Members outside of the meeting.

The Head of Strategic Finance and Property said that as previously discussed, "call over" could be operated. This would mean that the Chairman would decide which reports on the next agenda would be discussed, or "called over" and discussed and voted upon, and which reports would be just for noting and not debated.

Councillor Deering said that he would not have a problem with this approach. He referred to paragraph 3.1 of the report and asked why the receipt of the statement of accounts was delegated to a Sub-

Committee and not an additional meeting of the full Audit and Governance Committee.

The Head of Strategic Finance and Property said that due to the unpredictability of when the statement of accounts would be returned, a Sub-Committee had historically been used to approve them as soon as practicable. He said that the self-selecting Sub-Committee meeting was held during the day and was usually less than an hour long.

Councillor Deering said that he understood that this was good housekeeping, but that in principle the statement of accounts should go through the full Audit and Governance Committee.

The Chairman and Councillor Hart agreed with Councillor Deering's comments. Councillor Hart said that Members could attend an extra daytime meeting of the Audit and Governance Committee to approve the statement of accounts if required.

It was moved by Councillor Deering and seconded by Councillor Williamson that the recommendation, as detailed, be approved. After being put to the meeting and a vote taken, the motion was declared CARRIED.

**RESOLVED** – that the statement of accounts be submitted for approval to a full Audit and Governance Committee, to be arranged by Officers as soon as practicable after the audit is completed.

Councillor Williamson proposed an amendment to the Audit and Governance Committee Work Programme



recommendation A) to include the words "subject to the operation of "call over" at the January 2024 meeting of the Audit and Governance Committee".

It was moved by Councillor Williamson and seconded by Councillor Nicholls 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, subject to the operation of "call over" at the January 2024 meeting of the Audit and Governance Committee, as set out in the report be approved; and

B) that any training requirements be specified.

235 URGENT ITEMS

There were no urgent items.

The meeting closed at 8.43 pm

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