



**MEETING** : AUDIT AND GOVERNANCE COMMITTEE  
**VENUE** : COUNCIL CHAMBER, WALLFIELDS, HERTFORD  
**DATE** : WEDNESDAY 27 NOVEMBER 2024  
**TIME** : 7.00 PM

**PLEASE NOTE TIME AND VENUE**

This meeting will be live streamed on the Council's Youtube page:

<https://www.youtube.com/user/EastHertsDistrict>

**MEMBERS OF THE COMMITTEE**

Councillor Martin Adams (Chair)

Councillors B Deering, C Hart, S Nicholls, G Williamson, D Willcocks,  
D Woollcombe, Mr M Poppy and Mr N Sharman

**Substitutes**

Conservative Group: Councillor J Wyllie  
Green Group: Councillors M Connolly and N Cox  
Labour Group: Councillors D Jacobs  
Liberal Democrat Group: Councillors S Marlow and M Swainston

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

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- must not participate in any discussion of the matter at the meeting;
- must not participate in any vote taken on the matter at the meeting;
- must disclose the interest to the meeting, whether registered or not, subject to the provisions of section 32 of the Localism Act 2011;
- if the interest is not registered and is not the subject of a pending notification, must notify the Monitoring Officer of the interest within 28 days;
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## **AGENDA**

1. Apologies

To receive any apologies for absence

2. Minutes - 30 October 2024 (Pages 6 - 25)

To approve as a correct record the minutes of the meeting held on 30 October 2024.

3. Chairman's Announcements

4. Declarations of Interest

To receive any declarations of interest.

5. Training - Treasury Management

This item will be excluded from the press and public as it will involve the disclosure of information relating to the financial or business affairs of the authority.

The Committee will need to vote to agree that under Section 100 (A) (4) of the Local Government Act 1972 (as amended), the public and press be excluded from the meeting for the following item(s) of business because they involve the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended). It is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

6. Section 106 Update Report and 2023/24 Infrastructure Funding Statement (Pages 26 - 84)

7. External Audit - Interim Progress Report - 2023/24 (Pages 85 - 110)

8. Shared Internal Audit Service - Progress Report (Pages 111 - 121)

9. Audit and Governance Work Programme (Pages 122 - 137)

10. 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  
WEDNESDAY 30 OCTOBER 2024, AT 7.00  
PM

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PRESENT: Councillor M Adams (Chair)  
Councillors M Connolly, C Hart, S Nicholls,  
G Williamson and D Willcocks

ALSO PRESENT:

Councillors C Brittain, B Crystall and  
M Goldspink

OFFICERS IN ATTENDANCE:

Michele Aves	- Committee Support Officer
Steven Linnett	- Head of Strategic Finance and Property
Helen Standen	- Interim Chief Executive
Ben Wood	- Head of Communications, Strategy and Policy

ALSO IN ATTENDANCE:

Debbie Hanson - Ernst Young LLP

209 APOLOGIES  
There were apologies for absence from Councillor Deering and Councillor Woollcombe. It was noted that Councillor Connolly was substituting for Councillor Woollcombe.

210 MINUTES - 25 SEPTEMBER 2024

It was moved by Councillor Williamson and seconded by Councillor Nicholls, that the Minutes of the meeting of the Committee held on 25 September 2024 be confirmed as a correct record and signed by the Chair. After being put to the meeting and a vote taken, the motion was declared CARRIED.

**RESOLVED** – that the Minutes of the Committee meeting held on 25 September 2024 be confirmed as a correct record and signed by the Chair.

211 CHAIRMAN'S ANNOUNCEMENTS

The Chair welcomed all to the meeting. He said that it would be interesting to see how the Government's Autumn Budget would affect areas within the Council such as Planning.

212 DECLARATIONS OF INTEREST

There were no declarations of interest.

213 TRAINING PRESENTATION - TRANSFORMING EAST HERTS

The Interim Chief Executive delivered a presentation to the Committee which gave an update on the Transforming East Herts project, which projected savings for 2024/25 of £781,000. She said that these savings included those made by the creation of the new Corporate Support Hub, non-recruitment to vacant Senior Leadership Team posts and the implementation of the new Adelante Smart Pay system.

The Interim Chief Executive said that the remaining savings for the year would be achieved by changes within the Revenues and Benefits Service following a review by Liberata, and by maximising the use of the Capita system.

The Interim Chief Executive said that there were three streams to the programme, Be Agile – which had seen the launch of a new staff intranet, giving savings of £28,000. Be Commercial – which included reviewing the options for the future of the Wallfields building and Be

Digital – which included Adelante Smart Pay going live in November 2024.

The Head of Strategic Finance and Property gave assurance that cash or cheque payments would still be available at the post office and via PayPoint.

The Chair thanked the Interim Chief Executive for her presentation. Councillor Nicholls asked how cultural change would be achieved with staff and Members.

The Interim Chief Executive said that staff received regular staff briefings and that the East Herts Together Team also cascaded information down. She said that Members could be included in these activities, with Thursday evening briefings a possibility.

The Chair asked for clarification of the governance arrangements for the programme, and a timescale for the savings.

The Interim Chief Executive said that the well-versed Programme Manager met monthly with the three strand leaders at the programme's Governance Board. She said that consideration was being given to all of Leadership Team being on the Governance Board, to give complete oversight/ownership of the programme.

The Interim Chief Executive said that a totaliser had been introduced as a visual aid for the savings total. She said that annual timescales were seen as more robust than timescales against individual projects within the programme, and that this approach avoiding swamping the Transformation Team.

Mr Poppy said that it may be beneficial for officers to liaise with Welwyn Hatfield Council as they had a Go Ape activity centre within their district. He added that other Local Authorities may also be able to share their experience of letting out office space.



The Interim Chief Executive said that all decisions relating to the Wallfields building would need to be the right decision, made at the right time. She said that Members were keen to retain their own Council Chamber.

Councillor Brittain asked if the programme would be reviewed, and new items added.

The Interim Chief Executive said that the project would be forever ongoing, with officers trained in Lean Six Sigma giving input into finding items which require attention. She said it was important that each project within the programme was completed to avoid drift.

The Chair asked if the Interim Chief Executive could come back to the Committee with programme updates.

The Interim Chief Executive said that she was happy to come back and update Members.

#### 214 ASSETS OF COMMUNITY VALUE 2024

The Executive Member for Financial Sustainability introduced the report, directing the Committee to Appendix A which gave the current Community Asset Register. He explained how the legislation pertaining to the register was designed to provide additional safeguard for community facilities.

The Chair thanked the Executive Member for Financial Sustainability for his report.

Councillor Willcocks sought clarification as to why the Yew Tree Public House had a ten-year expiry date of 2027, and why the Crooked Billet remained on the register when it had an expiry date of 9 April 2024.

The Executive Member for Financial Sustainability said that the date of expiry for the Yew Tree Public House was an error, which would be corrected.

The Head of Communications, Strategy and Policy said that new guidance was to keep expired nominations on

the register.

Councillor Nicholls observed that a number of assets were due to expire next year, and asked if reapplication was possible. She also asked if the process worked well for communities.

The Head of Communications, Strategy and Policy said that officers advised Ward Members and community groups when an asset was due to expire, and that re nomination was a simple process. He said that a handful of assets did transfer to community groups, and that government funding for groups to assist with business cases and purchases would strengthen the scheme further.

Councillor Willcocks asked if assets would come off the register if they were sold and converted for residential use.

The Head of Communications, Strategy and Policy said that residential properties were exempt, and would not be eligible for renomination.

Councillor Nicholls asked if council property could be nominated.

The Head of Communications, Strategy and Policy said that it did not matter who the landlord was, if the property had community value it could be nominated. He added that there was a council owned property on the current register.

The Chair asked if there could be any financial implications for the council.

The Head of Communications, Strategy and Policy said that should a landlord be able to prove that being on the register had jeopardised a sale or had a financial impact the Council could be liable for compensation via a First-Tier Tribunal. He said however, that he did not know of

any cases where this had occurred.

The Chair asked if there were any nominations which were pending.

The Head of Communications, Strategy and Policy said that there were currently 31 properties listed on the register, with 4 nominations in progress (3 of which were in Watton-at-Stone, and one a footpath in Bengeo).

It was moved by Councillor Willcocks 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** – that the Asset Register be reviewed and any comments regarding Assets of Community Value be given.

215 EXTERNAL AUDIT - VALUE FOR MONEY REPORT 2021/22 AND 2022/23

The Ernst and Young LLP (EY) representative introduced the report which gave interim commentary on the Value for Money (VFM) arrangements for the Council.

The EY representative gave context to the interim report by explaining that work was not fully concluded in all areas – with information received from the council last week, which had prompted further queries. She said that EY were not in a position to give an audit opinion, adding that this needed to be completed by the backstop date of 30 December. The EY representative said that therefore, the VFM report would come back to Members as a composite report to include audit opinions.

The EY representative said that fairly significant issues had been raised within the report, which would impact the audit opinion. She said that it was quite a complex and unusual situation, explaining that the statutory backstop dates had been brought in nationally by the Local Government Minister to clear the system wide audit

backlog and reset the public audit system.

The EY representative said that the backstop date of 30 December had been given for the conclusion of all audits up to 31 March 2022, but to enable this a set of financial statements for that year needed to be produced/published, have undergone the thirty-day public inspection period, and subsequently been approved.

The EY representative said that VFM had three key areas;

- Financial Sustainability
- Governance
- Improving Economy

The EY representative referred to page 37 of the report which detailed two areas of significant weakness around governance and improving economy, efficiency, and effectiveness. The first related to the non-preparation and publication of the financial statements for 2021/22 and 2022/23, and the Annual Governance Statement for 2021/22. The second in respect of the delays and overspends on major projects – in the main Hertford Theatre.

The EY representative drew Members attention to the key findings around financial sustainability, which could be found at page 40 of the report. She said that there were no significant weaknesses identified, but as per the Finance Peer Challenge areas of improvement in financial management and reporting had been noted (which could be seen at page 43).

The EY representative referred to the council's Minimum Revenue Provision (MRP) and said that the organisation was previously debt free, but now borrowing - largely to support its capital programme. She said that EY was recommending that the council;

- Review its MRP policy and calculation to ensure it is

- necessarily prudent.
- Ensure robust savings plans are in place.
- Ensure that planned savings are produced in a timely manner.
- Mitigate the future use of reserves balances.

The EY representative referred back to the weaknesses identified in the council's governance arrangements and said that the accounts for 2021/22 were not published until December 2023 with the Annual Governance Statement not included and the Statement of Responsibilities out of date. She said that the 2022/23 accounts were again published late, and that a Statement of Responsibilities and a narrative statement were not included.

The EY representative said that as they viewed these governance weaknesses as significant, a statutory recommendation would be issued within their final reporting - which was not taken lightly. She said that the council would need follow certain processes following the statutory recommendation, which would include a public response.

The EY representative touched again on the council's economy, efficient and effectiveness and said that it had a significant capital programme (particularly for its size). She said that EY recognised that a number of these schemes were undertaken to make revenue savings and generate income, and that they had noted and understood the thinking relating to the changes to the Old River Lane development (which were as a result of the Pandemic).

The EY representative said that the context of increasing inflation and construction costs for Hertford Theatre was appreciated, but that EY were continuing their work to understand how these significant increases were processed and managed by the council.

The EY representative said that should they receive the

information required from the council it was their intention to bring a report for 2021/22 and 2022/23 to the next Committee on 27 November 2024. She said that the audit opinions will be 'disclaimed' due to the backstop position, which was a position which many local authorities found themselves in.

The Chair thanked the EY representative for her report.

Councillor Williamson said that as the previous Executive Member for Financial Sustainability he was struggling to recognise the issues highlighted, and asked if this could be drilled down into. He also asked for the implications on the council being issued with a statutory recommendation.

The EY representative said that she could give initial thoughts, but that Councillor Williamson's question should probably be directed to officers. She said that the 2021 audit took a lot longer to complete than it should have done, mainly due to delays in obtaining information from the council. She said that this would not however have precluded the council in publishing its accounts, as per many other local authorities.

The EY representative said that she was unable to say if the reason for the delays/ failure to publish was a capacity issue or a lack of focus, but she felt that EY had received a lack of engagement from the council. She said that legislation required the council to publicly publish the statutory recommendation and its response within a certain timeframe. She confirmed that there would be no financial penalty levied.

Councillor Williamson said that he was surprised by EY's findings, as he had worked with the Finance Team for a number of years. He said that it was very unfortunate.

The Chair asked if, due to the seriousness of the situation, the council would have an opportunity to respond to EY prior to the statutory recommendation being issued.

The EY representative said that a draft would be shared with the Chief Executive and the Finance Team. She said that the council's response would be their public response, but that there would be dialogue to ensure that both EY and the council were comfortable with the wording used.

Mr Sharman asked for clarification that the backstop date December 2024 related to audits for 2021/22 and 2022/23.

The EY representative said that this was correct and included all audits up to March 2022, she said that for East Herts this would mean audits for two years. The EY representative said that for 2023/24 the backstop date would be February 2025, which the council's new auditors would be considering.

Mr Sharman asked if EY's identification of there being no significant risks with regards to financial sustainability referred to the period up to March 2023.

The EY representative said that this was correct, and that EY would have looked at the setting for the 2023/24 budget, but the council's new auditors would be looking at the current position.

Mr Sharman asked why the Committee were not made aware of the circumstances surrounding the statutory recommendation (i.e., the non-preparation and the publishing of the accounts) earlier.

The EY representative said that the 2021 opinion was not signed until March 2023, and when the financial statements were checked it was realised that they had not been published. She said that the delays in receiving information from the council had impacted timeframes, but that on reflection and with hindsight EY and officers could have brought something to the Committee earlier.

Councillor Connolly said that she was a substitute on the Committee but was aware of the audit issues around the country. She asked if Members could expect an investigation into how the council's processes appear to have stopped.

The Executive Member for Financial Sustainability said that there would be discussions with officers going forward.

Councillor Nicholls observed that the Committee had not seen any representative from EY since the first meeting of the new administration, and asked if this was part of the issue.

The EY representative said that they attended meetings when they had reports to present. She said that there was a good relationship between EY and the Finance Team, with non-engagement a more recent issue. She said that EY recognised that the Finance Team was small, and they were sensitive with regards to capacity issues, but ultimately responsibility for producing financial statements sat with the council.

The Interim Chief Executive said that she became involved with EY in August 2024. She said that information requested by EY was given to them on 15 August 2024, and so to say that the council had not responded was untrue.

The EY representative said that this was correct, with the information which the Interim Chief Executive referred to in support of VFM work. She said that EY was still awaiting information to enable them to issue a disclaimed opinion, which was requested (with chasers) in September 2024.

The Interim Chief Executive requested that EY's requests for information be sent to herself, as well as the Section 151 Officer and the Finance Officer.



The Chair said that the issues raised occurred prior to his, and most of the Committee's election. He therefore asked how East Herts stood in relation to other local authorities.

The EY representative said that she had one other council (which she audited) which was in the same position as East Herts, and that there were a handful in EY's wider remit. She said that she had previously only issued one other statutory recommendation.

The EY representative said that she had wanted to discuss the issues with senior management, but had not received responses to meeting requests, leading her to reach out to the Chair and have subsequent conversations with the Interim Chief Executive.

The Chair said that as per Councillor Williamson's comments, it would be helpful and fair to clarify and discuss the issues with EY and officers before the next meeting of the Committee.

The EY representative said that this would be helpful, and that EY would be very happy to discuss the issues in an informal meeting.

The Chair said that he understood that during the period in question Covid was still running its course, therefore meaning that procedures may have been different. He asked if this had been factored into EY's findings, to include the government capital which had been given to the council.

The EY representative said that the Covid impact was considered as part of financial sustainability, with areas such as leisure and car parking closed/reduced during the pandemic, and the council receiving government funding. She said that East Herts did not have the social care obligations which severely impacted upper tier authorities, both during the pandemic and with its ongoing repercussions.

The EY representative said that she audited East Herts approximately ten years ago, when there were high levels of reserves. She said that it was recognised that these reserves had been used to support the capital programme, meaning that the council had moved from being debt free to borrowing. She said that it was understood that this had been done to try and reduce revenue loss from assets.

The EY representative said that with regards to capacity, all councils were impacted during 2020/21. With EY sensitive to the drain of processing and managing the funding which was being passported through the council (such as that relating to National Non-Domestic Rates (NNDR)).

The Executive Member for Financial Sustainability said that there was still work to be done with regards to the 2021/22 and 2022/23 accounts, and asked if the December 2024 deadline could be met.

The EY representative said that the information which EY had requested for 2021/22 was not complicated, and she was hopeful that the council would be able to provide this. She said that the challenge for 2022/23 was for the council to be able to meet the inspection period, for which advice should be sought from the Monitoring Officer.

Councillor Nicholls said that as a Committee Member she felt that she did not have the full picture of the situation, which was not a satisfactory position to be in.

The Chair agreed with Councillor Nicholls and reiterated that he would be in contact with EY and officers outside of the meeting.

**RESOLVED** – that the report be noted.

216 ANNUAL TREASURY MANAGEMENT REVIEW 2023/24  
The Executive Member for Financial Sustainability

introduced the report, which detailed the Annual Treasury Management Review and Prudential Indicators for 2023/24 at Appendix A.

The Executive Member for Financial Sustainability drew Members attention to the tables from page 66 of the report and said that these contained numerical errors which would be corrected and recirculated.

The Chair thanked the Executive Member for Financial Sustainability for his report.

Councillor Williamson asked if there were any main concerns within the report.

The Executive Member for Financial Sustainability said that the content of the report was always anticipated, with increased borrowing inevitable. He said that as this was planned it was no concern.

Mr Sharman said that it was important to keep an eye on the risks relating to a potential reduction in reserves.

The Executive Member for Financial Sustainability said that there was £2 million in the Council's reserves, but it was impossible to say at this time if this would be enough.

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

**RESOLVED** – that Members examine and comment on the Annual Treasury Management Review and Prudential Indicators for 2023/24.

217 MONITORING OF 2024/25 QUARTER ONE CORPORATE RISK REGISTER

The Executive Member for Financial Sustainability introduced the report, which reviewed the content of the corporate risk register.

The Chair thanked the Executive Member for Financial Sustainability for his report and asked if EY's findings (as presented to the Committee at the meeting) would be swept up and included.

The Executive Member for Financial Sustainability said that implications of EY's findings would be investigated.

**RESOLVED** – that the 2024/25 quarter one corporate risk register and actions being taken to control and mitigate risk be noted.

218 BUDGET 2025-26 AND MEDIUM-TERM FINANCIAL PLAN (MTFP) 2025-2035 PREPARATION

The Executive Member for Financial Sustainability introduced the report, which set out the savings requirements, the assumptions, risks, and uncertainties facing the council in setting and timetabling the budget.

The Executive Member for Financial Sustainability said that the Mid Term Financial Plan (MTFP) was approved by Council in February 2024, where a savings target of £4.2 million was agreed. He said that the budget monitoring process had identified a number of pressures on the 2024/25 budget, which currently forecast a £1.1 million overspend. He said that a number of these pressures were one offs, with £0.55 million having any ongoing impact.

The Executive Member for Financial Sustainability said that MTFP planning used three scenario models. He said that the Base Case, which was the most likely and therefore used in budget preparations could be found at Appendix A of the report.

The Executive Member for Financial Sustainability said that the 2024/25 savings had been reviewed, and could be seen in Appendix C of the report, with reserves detailed in Appendix D. He said that lots of work was required, and that he was hopeful that the Government

would give extra support.

The Chair thanked the Executive Member for Financial Sustainability for his report.

Councillor Williamson said that the report was the first in a cycle and set the scene. He said that it was helpful to have the scenario modelling included, and asked for clarification regarding the differing savings targets in Appendix A and B.

The Executive Member for Financial Sustainability said that the savings figure of £1.4 million related to a previous target, set earlier in the year. He said that the figure of £1.96 million was the new outcome figure.

Councillor Connolly said that she understood the three scenario cases but asked for clarification of how monthly Council Tax collections were modelled within the pessimistic case.

The Executive Member for Financial Sustainability said that:

- The Base Case – assumes that Council Tax increases in line with the current referendum limit of 2.96%
- The Optimistic Case - assumes that the current referendum limit may be relaxed to allow an increase in Council Tax of more than 2.96%.
- The Pessimistic Case – assumes that the Council Tax referendum limit of 2.96% remains and that grants from Government to Local Authorities are also reduced.

Councillor Hart asked if there was a contingency plan should the projected figures for BEAM (formally Hertford Theatre) not be met. She said that these figures had been optimistic, but that the arts were in decline nationally.

The Executive Member for Financial Sustainability said

the 2024/25 figures for BEAM had not been revised, adding that the venue was in its infancy, having been open for only two months. He said that a review by external consultants to identify challenging areas, learn processes to meet forecasts in the business plan would be undertaken.

The Executive Member for Financial Sustainability said that there was no contingency plan for BEAM in isolation, but that it did form part of the budget setting process, with the Council aware that BEAM costs could increase.

Councillor Willcocks referred to paragraph 2.3.4 of the report, and asked if the uncertainty surrounding the Government's possible removal of the Council Tax Single Person Discount could create a pressure for the council.

The Executive Member for Financial Sustainability that this had not been flagged as a big issue, but he would speak with officers and report back to the Committee.

Councillor Nicholls said that it was important that the outgoing Section 151 Officer be replaced.

The Executive Member for Financial Sustainability agreed with Councillor Nicholls and said that such officers were in short supply, with competition existing within Hertfordshire.

Mr Sharman referred to paragraph 2.6 of the report and asked for an understanding of the deliverability of the 'at risk' or 'delayed' 2024/25 savings.

The Executive Member for Financial Sustainability said that the largest of the asset disposals was Old River Lane, for which the development agreement was to be signed imminently. He said that there was no risk to the concept with civil parking enforcement, which should hopefully give savings in the forecasted ballpark. He said that overtime was a budgeting issue due to vacant posts.

The Chair asked if the figures within the report which pertained to BEAM's social media revenue were purely profit.

The Executive Member for Financial Sustainability said that the figures shown were before borrowing costs.

**RESOLVED** – that A) it be noted that the budget proposals should be based on the base case presented in paragraph 1.4; with a Council Tax increase of 2.98%, contract inflation of 2.5%, no inflation in any other goods and services budgets and that the provision for the national pay award will be 3%, as agreed by Executive on 1 October 2024; and

(B) that the revised savings requirements of £2m in 2025/26, rising to £2.5m in 2027/28 be noted.

219 **AUDIT AND GOVERNANCE WORK PROGRAMME**  
The Head of Strategic Finance and Property introduced the report and invited any questions or comments from Members.

Councillor Nicholls said that she welcomed the extra meetings which had been arranged for the current civic year and asked if having no meetings scheduled in between May and September 2025 was a good idea.

The Committee Support Officer said that the Committee Timetable was currently being put together by the Democratic and Electoral Services Manager. She said that the meetings of the Audit and Governance Committee would likely be a conversation for the new Section 151 Officer.

Mr Sharman asked if the Committee would receive an update from this evening's EY presentation at the next meeting.

The Chair said this would be a natural update at the next

meeting.

Councillor Williamson observed that the January meeting of the Committee had nine agenda items (to include the budget) and asked if any reports could be postponed – such as the Data Protection Update and/or the Anti-Fraud Progress Report.

The Chair said that he would discuss these issues with officers, and that scheduling could be revisited at the next meeting of the Committee in November 2024.

Councillor Williamson questioned if the Procurement Strategy should be on the Work Programme, and instead be for the attention of the Overview and Scrutiny Committee.

The Head of Strategic Finance and Property said that it was correct that the Procurement Strategy come to the Audit and Governance Committee.

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

220 URGENT ITEMS  
There were no urgent items.

The meeting closed at 8.54 pm

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





# Agenda Item 6

## **East Herts Council Report**

### **Audit and Governance Committee**

**Date of meeting: Wednesday 27 November 2024**

**Report by:** Councillor Vicky Glover-Ward – Executive Member for Planning and Growth

**Report title:** Section 106 Update Report and 2023/24 Infrastructure Funding Statement

**Ward(s) affected: (All Wards);**

**Summary** – This report provides an update on East Herts Section 106 contribution identification, collection and allocation, plus information and feedback from the 2023 Internal Audit of East Herts Section 106 and the additional work undertaken by the Section 106 Programme Manager, along with the '2023/24 Infrastructure Funding Statement' prior to its publication.

### **RECOMMENDATIONS FOR Audit & Governance Committee:**

- a) To note and comment on the contents of this report, the '2023/24 Infrastructure Funding Statement' (Appendix A) and the SIAS Internal Audit Report (Appendix B).

### **1.0 Proposal(s)**

- 1.1 As above.

### **2.0 Background**

- 2.1 Since September 2019, the Section 106 Programme Manager has compiled an annual update report to provide information on East Herts Council Section 106 financial contributions identification, collection and allocation, including any changes to legislative and reporting requirements, and the annual Infrastructure Funding Statement prior to its publication on the East Herts Council website. Copies of these previous reports can be found on the

council's website and are listed as background papers at the end of this report.

- 2.2 This report, which is presented annually to the Audit & Governance Committee in November, provides this year's update along with the '2023/24 Infrastructure Funding Statement' (attached as Appendix A) and feedback from the Internal Audit of East Herts Section 106 undertaken by SIAS in 2023 with a copy of the final report attached as Appendix B.

### **3.0 Reason(s)**

- 3.1 To ensure transparency, and compliance with current Legislation, details are provided below on the '2023/24 Infrastructure Funding Statement' prior to its publication on the council's website. Further information is also provided on the ongoing work of the Section 106 Programme Manager and an update on the report and recommendations from the Internal Audit of Section 106 undertaken in Summer 2023.

### **Information on Section 106 contribution identification, collection, and allocation:**

- 3.2 East Herts Council has a good track record of securing developer contributions to help mitigate the impacts of new development across the District. However, Members will be aware that Section 106 contributions cannot be an income source for the council as developer contributions can only be sought where they meet the legal tests and are appropriate, compliant, and sustainable, and have identified allocation uses.
- 3.3 Detailed information on Section 106 legislation and the legal tests was provided in previous reports – copies of these can be found on the council's website and are listed as background papers at the end of this report.
- 3.4 All Section 106 agreements and individual contribution obligations are identified and updated on the 'Master Section 106 Contributions Spreadsheet' monthly by the Section 106 Programme Manager. This ensures that a single central record is maintained

on past, current and future contributions due to East Herts Council. This information is updated on the Development Management module of the Uniform IDOX system and shared with the Group Accountant responsible for Section 106 to ensure financial oversight of income and allocations.

- 3.5 To ensure that the council secures financial contributions obligations from forthcoming major developments, the Section 106 Programme Manager continues to work pro-actively with Planning Officers and developers. This can involve significant negotiations and there may be instances in which proposed contributions do not meet the legal tests or where they are not allowed by Planning Inspectors or are amended through negotiations with developers due to the development being financially unviable. The Section 106 Programme Manager continues to support Planning Officers in Planning Inquiries where planning applications have been taken to Appeal by the developer and where the proposed Section 106 contributions have been challenged.
- 3.6 Further information on the planning obligations and financial contributions typically required from developments meeting the threshold can be found on the [Making a Planning Application](#) webpage, which also has a template Section 106 Agreement.
- 3.7 Potential changes to Planning Legislation - Members will be aware that the Government has recently proposed changes to Planning Legislation which are now subject to consultation before any legislative changes are enacted. Members will be updated on any new legislation or any changes affecting Section 106 as and when these are known. However, it should be noted that currently all East Herts contributions and obligations are sought and calculated in accordance with the current Legislation, Local Plan and specific Supplementary Planning Documents (SPD's) requirements. These, along with the associated calculation spreadsheets, can be found on the [Planning Policy Supplementary Planning Documents](#) webpages.
- 3.8 Identifying projects and uses for Section 106 contribution funding -

General information on Section 106 and how to apply or put forward a potential project for funding is available on a dedicated [Section 106 funding](#) webpage. The Section 106 Programme Manager continues to collate an internal list of potential projects which is updated with input from Officers, Members, Town and Parish Councils along with many other local groups and organisations along with information from the Expressions of Interest forms submitted via the Section 106 Funding webpage. This information is used to assist Planning Officers with their pre-app discussions and in the Section 106 agreement negotiations with developers.

- 3.9 This approach ensures that any projects / groups identified for funding and inclusion in new Section 106 agreements comply with the legislation requirements and will provide a sustainable use of the received contributions, and that all parties are happy with the outcome.
- 3.10 With regard to the use of Section 106 by the council, Members should note that the council has forward funded some major capital infrastructure projects on the understanding that the borrowing requirement is repaid from identified Section 106 contributions. For example, the Fitness Gyms, Studio Space and Swimming Pools contributions from major developments in Bishop's Stortford are being used to help repay the new Grange Paddocks Leisure Centre borrowing obligations. This approach has also been taken for the refurbishment of Hartham Leisure Centre and to assist with the match funding requirements of other major projects such as the Lottery funded Castle Park Project in Bishop's Stortford.
- 3.11 Members should also note that in line with the council's key priorities, work continues to be undertaken with fellow Officers and external organisations to promote sustainability and secure this approach in any new Section 106 contribution obligations or funding bids to assist with the council's aim of being carbon neutral by 2030. For example, the Section 106 funded installation

of solar panels and associated battery storage at Gilston Village Hall in December 2023 has now generated 5.63MWh of electricity with 1,093kg CO2 saved, the equivalent to planting 66 trees. This project was the latest of the Section 106 funded improvements suggested from the sustainability report generated by the coordinated work undertaken with the council's Climate Change and Sustainability Projects Officers and the village hall committee.

### **2023/24 Infrastructure Funding Statement – see Appendix A**

- 3.12 The fifth annual 'Infrastructure Funding Statement' for the financial year 2023/24 and the three associated CSV files have been compiled by the Section 106 Programme 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 2024. It should be noted that the three CSV files are not mandatory but will continue to be updated annually for information only.
- 3.13 The '2023/24 Infrastructure Funding Statement' 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 2023/24. In line with the Legislation, it also includes information on Section 106 financial contribution collection and allocation for previous financial years.
- 3.14 Members are invited to comment on the '2023/24 Infrastructure Funding Statement' attached as Appendix A.
- 3.15 Members should note that Hertfordshire County Council produce their own Annual infrastructure Funding Statement which provides information on the Section 106 contributions due directly to them - this is available on the [Hertfordshire County Council website](#).

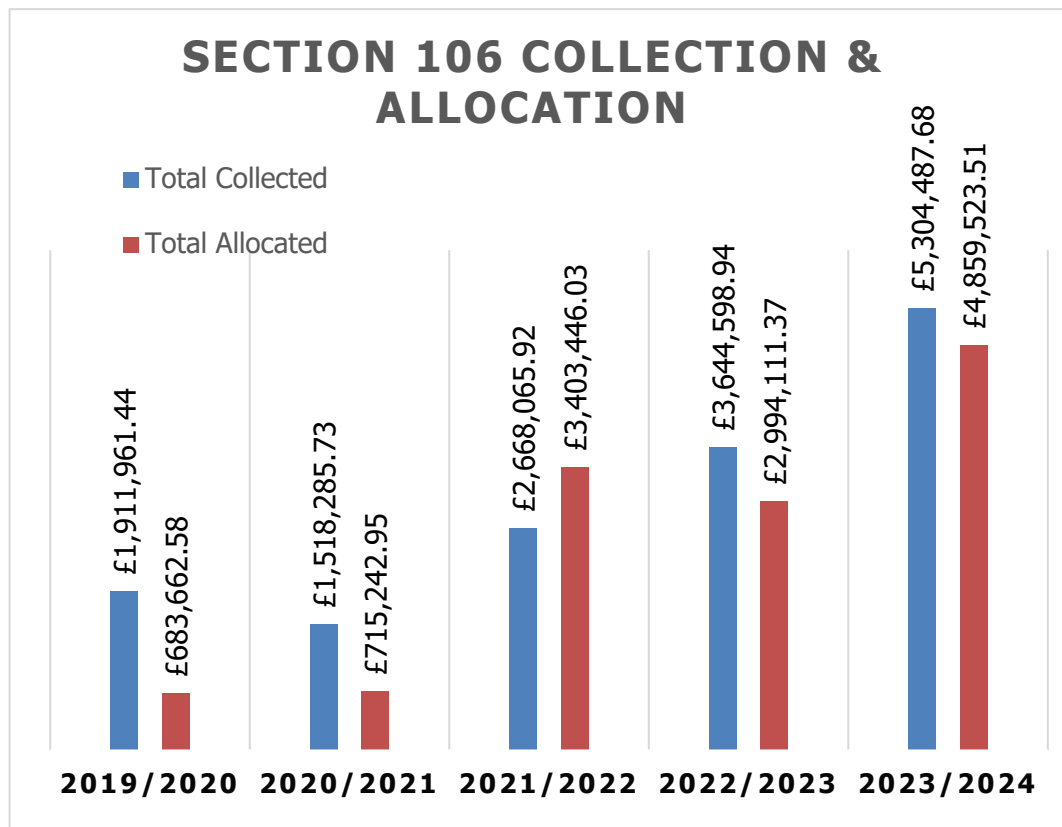
### **Update on Section 106 contributions in 2023/24**

- 3.16 A snapshot of the financial highlights from the '2023/24 Infrastructure Funding Statement' is provided below.

- 3.17 Total Section 106 income & expenditure – As previously noted, detailed information on the collection and allocation of East Herts Council Section 106 financial contributions has been collected since April 1996 in the Section 106 Master Spreadsheet – an internal document for Officer use only.
- 3.18 However, this spreadsheet is used to inform the annual Infrastructure Funding Statement and the ongoing work of the Section 106 Programme Manager in the collection and allocation of financial contributions.
- 3.19 Members should note the following information on the total Section 106 contribution receipt & expenditure from 01/04/1996 up to 31/03/2024 – see page 7 of the '2023/24 Infrastructure Funding Statement' for further details:
- Received contributions - £23,719,718.52
  - Spent contributions - £16,692,700.17
  - Unspent contributions - £7,027,018.35
    - Allocated contributions\* - £6,857,789.49
    - Unallocated contributions\*\*- £169,228.86
- 3.20 \*Allocated contributions include contributions identified for future allocation/transfer to Revenue Budgets for ongoing maintenance, Capital Budgets for major projects, specific named uses / projects and for transfer to external bodies (e.g., health contributions collected for the NHS Hertfordshire and West Essex Integrated Care Board).
- 3.21 \*\*Unallocated contributions are classed as unallocated because they do not have a specific project named in the contribution wording. Work is ongoing to identify projects to fit with these contributions and these are available for internal and external funding application bids with certain caveats. Further information on these unallocated contributions is available on page 8 of the '2023/24 Infrastructure Funding Statement'.
- 3.22 Members should 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. All funding payment transfers are subject to the signing of a Use Agreement form to allow the council to reclaim any unspent or miss-used contributions should this be necessary.

3.23 Section 106 contribution collection & allocation over the last five financial years - The graph below provides information on the total Section 106 contributions collected and allocated by East Herts Council over the last five financial years:



3.24 Members should note that the 2023/24 figures include:

- £5,304,487.68 collected from eighty-six contributions triggered from eleven individual Section 106 Agreements.
- £4,859,523.51 allocated to twenty-one individual projects or uses from seventy held contributions from twenty-nine



individual Section 106 Agreements.

- 3.25 Further detailed information on the breakdown of the 2023/24 contributions collected and the contributions allocated, along with details of the individual projects funded, is provided in the '2023/24 Infrastructure Funding Statement'.

### **Future Section 106 income and allocation**

- 3.26 Currently Section 106 contributions collected and allocated for spend / transfer in this financial year (01/04/2024 to end of September 2024) include:
- £2,124,089.18 collected from thirty-four contributions triggered from seven separate developments.
  - £524,205.96 has been identified to date for allocation / transfer in 2024/25\*.
- 3.27 \*This figure includes contributions identified for internal transfer to help fund council operations, approved funding of community projects and the transfer of contributions collected by the council on behalf of the NHS Hertfordshire & West Essex Integrated Care Board.
- 3.28 These are interim figures and detailed information on the individual Section 106 contributions collected and allocated will be provided in the '2024/25 Infrastructure Funding Statement' and the Section 106 Update Report presented to the Audit & Governance Committee in November 2025.
- 3.29 Members should note that work is also ongoing with community groups and organisations, as well as the Town and Parish Councils, to identify any current and future contributions available to them. Detailed information, including bespoke spreadsheets, is shared with potential recipients and collaboration continues to identify future funding requirements and help inform new Section 106 agreements.

### **Update on 2023 Internal Audit of Section 106**

- 3.30 In May 2023, Internal Audit (BDO LLP on behalf of SIAS),

undertook an audit of Section 106 at East Herts Council with the final report issued in December 2023 - a copy of this report is attached as Appendix B.

3.31 This audit provided an assurance opinion and assessment of the adequacy and effectiveness of the governance, risk management and internal control activities in the following areas:

- a) Governance Arrangements
- b) Policies and Procedure
- c) Collection of Section 106 funds
- d) Release of Section 106 funds
- e) Reporting and Monitoring

3.32 Based on the work performed during this audit the final report provided an overall **substantial assurance** that there are effective controls in operation for those elements of the risk management processes covered by the review.

3.33 The Audit Report concluded that there is a robust framework in place for the collection and allocation of S106 funds and the council has adequate policies and procedures in place to govern these processes and has developed template documentation to maintain consistency e.g., demand notices and application forms. It also confirmed that there are clear reporting lines in place to ensure that the Leadership Team and the Audit & Governance Committee are informed of Section 106 activity and to enable transparency of the work completed by the Section 106 Programme Manager and the Finance Team.

3.34 Only one minor recommendation was suggested – creating a checklist for the contribution collection and allocation process. This has been implemented and has proved to be particularly useful in providing an audit trail of contribution payment triggers, receipts and payment acknowledgements. In addition, information on the Section 106 funding applications received in this financial year has been collated in a single spreadsheet which provides an overview of the applicants, the allocated amount and

dates of the approvals sign offs, and greatly assists with the monitoring of the funding allocation process.

## **Section 106 income generation and information requests**

3.35 Monitoring Fee Income - following a change in the legislation in 2019, the inclusion of a Monitoring Fee contribution in new Section 106 Agreements has generated significant income totalling £42,674.96 to date. This is transferred internally at the end of each financial year into the planning budget to help fund the council's monitoring costs. This Monitoring Fee income is itemised per financial year below:

- 2019/20 - £3,100.00 (one contribution payment)
- 2020/21 - £9,336.99 (three contribution payments)
- 2021/22 - £14,513.82 (six contribution payments)
- 2022/23 - £0.00 (no contribution payments triggered)
- 2023/24 - £8,543.65 (four contribution payments)
- 2024/25 - £7,180.50 (two contributions triggered to date (as of 30/09/2024))

3.36 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 – £3,290.00
- 2023/24 – £1,786.00
- 2024/25 - £1,974.00 to date (30/09/2024)

3.37 Section 106 information requests - In the previous 12 months the Section 106 Programme Manager has responded to 16 Freedom of Information (FOI) requests and one Member inquiry (via

“Infreemation”) regarding Section 106 funding.

#### **4.0 Options**

- 4.1 Members are invited to note and comment on the contents of this report, the ‘2023/24 Infrastructure Funding Statement’ prior to its publication, the SIAS Internal Audit Report and ongoing work of the section 106 Programme Manager.

#### **5.0 Risks**

- 5.1 The ‘2023/24 Infrastructure Funding Statement’ must be published on the East Herts Council website before 31/12/2024. To not do so would be 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 ‘2023/24 Infrastructure Funding Statement’ 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 payable to the council are identified, collected, RAG rated and allocated to be used within the period stated within the individual Section 106 agreements. This is allocation period is usually 10 years from the date of actual receipt of the financial contribution, but some new agreements now stipulate five years from receipt.

#### **6.0 Implications/Consultations**

- 6.1 Feedback on this report and the ‘2023/24 Infrastructure Funding Statement’ was sought from Head of Planning & Building Control, Planning Policy Officers, Head of Communications, Strategy and Policy, Deputy Chief Executive and the Executive Member for Planning & Growth.

#### **Community Safety**

There are no community safety implications arising from this report.

### **Data Protection**

There are no data protection implications arising from this report.

### **Equalities**

There are no direct equality, diversity, or inclusion implications in this report. All funding allocations go through a fair and proper process and an Equalities Impact Assessment (EqIA) will be carried out in accordance with The Equality Act 2010 as required.

### **Environmental Sustainability**

All Section 106 funding allocations consider the environmental sustainability of the proposed contribution use to contribute to meeting the Council's key environmental and sustainability objectives.

### **Financial**

All Section 106 financial contributions collected by East Herts Council are allocated and used in accordance with the individual contribution wording requirements of the associated Legal Agreement.

All Section 106 contributions for East Herts Council's own use are allocated as per the associated contribution wording. These identified contributions support specific named projects and help repay the council's capital project borrowing costs. Revenue contributions are used to support existing maintenance budgets, refuse and recycling contributions contribute to the cost to the council for container provision in new developments and monitoring contributions are used to support Officer costs.

### **Health and Safety**

There are no health and safety implications arising from this report.

### **Human Resources**

There are no human resources implications arising from this report.

## Human Rights

There are no human rights implications arising from this report.

## Legal

All Section 106 contributions are identified, collected and allocated in accordance with Section 106 of the Town & Country Planning Act 1990 and Regulation 122 of the Community Infrastructure Levy Regulations 2010.

The Infrastructure Funding Statement is produced in accordance with the Community Infrastructure Levy (Amendment) (England) (No 2) Regulations 2019.

## 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 09/11/2021 – Audit & Governance Committee – [Section 106 Update Report](#)
- 7.4 15/11/2022 -Audit & Governance Committee – [Section 106 Update Report](#)
- 7.5 29/11/2023 – Audit & Governance Committee – [Section 106 Update Report](#)
- 7.6 **Appendix A** - Infrastructure Funding Statement 2023/24.
- 7.7 **Appendix B** - SIAS Final Internal Audit Report – East Herts Council S106 Agreements 2023/24 – December 2023

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# APPENDIX A

# Annual Infrastructure Funding Statement - 2023 – 2024

Reporting Period: From 01 April 2023 to 31 March 2024  
(Published December 2024)



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# Annual Infrastructure Funding Statement for 2023/24

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

This report is the fifth 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 2023/24.

Further detailed information on the individual new Section 106 Agreements signed and the contributions received, along with information on the allocation and expenditure of historic contributions in the financial year 2023/24 is also provided in this report.

However, the report does not include information on contributions and obligations listed within these new Section 106 Agreements that are payable directly to Hertfordshire County Council or on infrastructure that is delivered under Section 78 agreements or directly by developers.

Information on the previous East Herts Infrastructure Funding Statements, can be found on the dedicated [Infrastructure Funding Statements](#) webpage on the East Herts Council website, which also has further Developer contributions data in three (3) separate CSV files, created as per the [legislation](#).

All 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 required CVS files before 31/12/2024 in accordance with the CIL Legislation.

## Hertfordshire County Council Infrastructure Funding Statements:

Please note that Hertfordshire County Council (HCC) produce their own Annual infrastructure Funding Statement – further information and copies of the HCC Infrastructure Funding Statements are available on the [Hertfordshire County Council](#) website.

# Section 106 Agreements

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

These contribution 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.
- Refuse and recycling contributions.
- 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.

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.

## 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 (2023/24).

For the 2023/24 Infrastructure Funding Statement (this report), and in line with the requirements of the CIL Legislation, the council has provided an overview on Section 106 receipt and spend information for the last five financial years – details below:

- 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
- 2022/23      received - £3,644,598.94      spent - £2,994,111.37
- 2023/24      received - £5,304,487.68      spent - £4,859,523.51

## Total Section 106 contribution collection and allocation totals – 1996/97 to 2022/23

The CIL Legislation also requires the council to provide more details on Section 106 receipts and allocations for the previous financial year (2022/23) to this report (see page 6).

Historically from 01/04/1996 to 31/03/2023, a total of **£18,415,230.84** was received in Section 106 financial contributions by East Herts Council. Of this **£11,833,176.66** has been used / transferred, with **£6,582,054.18** identified as unspent. But of this unspent amount, **£6,360,828.52** was identified as allocated, leaving **£221,225.66** classed as unallocated.

Further information on the breakdown of the unallocated individual contributions making up the £221,225.66 was provided in the [2022/23 Infrastructure Funding Statement](#) See the council's website for copies of all the previous Infrastructure Funding Statements – [East Herts Annual Infrastructure Funding Statements | East Herts District Council](#)

See page 7 for an update on these historic totals up to the end of the 2023/24 financial year. A full breakdown of all the Section 106 contributions collected and allocated in the 2023/24 financial year can be found from page 9 onwards.

# Overview of Section 106 in 2023/24

This section provides information on the Section 106 Agreements signed in the financial year 2023/24, 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 2023/24, along with details on the allocation and spends of these and any historic contributions held up by East Herts Council up to 31/03/2024.

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

The Section 106 Programme Manager continues to work closely with developers, fellow Officers and local groups and organisations to ensure compliance with the requirements of the individual agreements regarding payment triggers, funding allocations to named recipients and to identify projects for future funding.

## New Section 106 Agreements signed in 2023/24

**11** new Section 106 Agreements were signed and sealed in 2023/24 – this includes any Supplemental Agreements, Deed of Variations and Unilateral Undertakings agreed and confirmed during this period.

These agreements have a total of **£1,171,356.48** in financial contributions payable to East Herts Council, either as the beneficiary of the contribution or as the collection authority - further information is provided later in this report on the breakdown of these financial contributions. These agreements also contain provision for the developers to **provide 23 affordable housing units** as part of the individual development planning permission.

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.

The table below lists all the Section 106 Agreements to which East Herts Council was a signatory in the financial year 2023/24. Information on and copies of the individual Section 106 agreements can be found on the public [planning website](#) by using the planning application reference for the development to search for the documents.

Planning application reference:	Location:	Date of Section 106:	Total funding for East Herts Council:
3/20/0502/OUT	Netherfield Lane, Stanstead Abbots	S106 - 28/04/2023	<b>£36,544.00</b> <i>£86,092.00 – only payable following a viability review</i>
S62A/2023/0018	Land at Pines Hill, Stansted Mountfitchet, Essex	S106 - 20/07/2023	No EHDC financial contributions – Monitoring Agreement
3/22/2346/FUL (Allowed on Appeal 18/08/2023)	Railway Street, Hertford, SG14 1BU	S106 - 04/08/2023	<b>£558,493.48</b>
3/22/2200/FUL	Hertford Industrial Estate, Caxton Hill, Hertford	S106 - 28/09/2023	No EHDC financial contributions – commercial development
3/22/2706/FUL	10 Benington Road, Aston, SG2 7DX	S106 - 03/10/2023	No EHDC financial contributions
3/22/2260/VAR	Unit 2, Madford Retail Park, Ware Road, Hertford	S106 - 21/11/2023	No EHDC financial contributions – retail development
3/21/2615/FUL	Land at 27-29 High Street, Ware	S106 - 24/11/2023	<b>£131,846.00</b>
3/21/1756/FUL	Land at 295-297 Stansted Road, B.S.	S106 - 07/12/2023	No EHDC financial contributions – retail development
3/21/2601/FUL	Land At Wickham Hall Estate, Hadham Road, Bishops Stortford	S106 - 07/12/2023	No EHDC financial contributions – solar farm development
3/13/0886/OP	St Michaels Hurst – Hazel End Road and Farnham Road, B.S.	S106 - 05/03/2024	Third Deed of Variation to Original S106 Agreement
3/22/1030/OUT	Land North-west of Buntingford (Off Neale Drive and Phillips Way)	S106 - 18/03/2024	<b>£358,381.00</b>
<b>Total financial contributions payable to East Herts Council</b>			<b>£1,171,356.48*</b>

\*Includes contributions only payable after a viability review and all stated figures quoted are subject to indexation when triggered for payment and will therefore increase in value.

## Affordable Housing

Only one of the new Section 106 Agreements signed in 2023/24 included a provision to provide affordable housing on site as part of the development planning consent, giving a total of 23 units – see table below for information:

Planning application reference:	Location of development:	Affordable Housing units:
3/22/1030/OUT	Land to the North-west of Buntingford (East of the A10), Located off Neale Drive and Phillips Way, Buntingford	23
<b>Total units of Affordable Housing listed within the above listed Section 106 Agreements:</b>		<b>23</b>

## Monitoring fees:

The Community Infrastructure Levy (Amendment) (England) (No 2) Regulations 2019 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 over the lifetime of the agreement, but they must be proportionate and reasonable and reflect the actual cost of monitoring.

Currently East Herts Council charges £300 per contribution to be collected by the council plus £300 – index linked when triggered for payment. Hertfordshire County Council charges and collects their own monitoring fees. The table below lists the East Herts Council Monitoring Fee contributions from agreements signed in 2023/24:

Planning application reference	Location of development:	Monitoring Fee Contribution payable:
3/20/0502/OUT	Netherfield Lane, Stanstead Abbots	£1,200.00
3/22/2346/FUL	Land At Railway Street, Hertford	£2,400.00
3/21/2615/FUL	Land at 27-29 High Street, Ware	£4,200.00
3/22/1030/OUT	Land North-west of Buntingford (Off Neale Drive and Phillips Way)	£3,900.00
<b>Total amount of Monitoring Fee Contributions listed within the above agreements –</b>		<b>£11,700.00</b>

## Total Section 106 income and expenditure up to 31/3/2024:

As previously explained East Herts Council has collected information on the receipt and allocation of Section 106 contributions payable directly to the council from the financial year 1996/97 to the present date (end of the financial year 2023/24).

The table below highlights the total amounts collected and spent between 01/04/1996 to 31/03/2024, along with information on the amounts currently held:

<b>Section 106 Contributions from 01/04/1996 to 31/03/2024:</b>	<b>Amount:</b>
Received contributions – total to 31/03/2024	£23,719,718.52
Spent contributions – total to 31/03/2024	£16,692,700.17
Unspent contributions – total to 31/03/2024	£7,027,018.35
<b>Unspent Section 106 Contributions:</b>	<b>Amount allocated:</b>
Allocated to Revenue Budget for maintenance – total to 31/03/2024	£195,677.64
Allocated for Affordable Housing (payment in lieu) – total to 31/03/2024	£1,490,922.13
Allocated to named uses – total to 31/03/2024	£3,831,791.06
Allocated to Health Services – total to 31/03/2024	£1,339,398.66
UNALLOCATED – total to 31/03/2024	£169,228.86

The unallocated balance of £169,228.86 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 on the £169,228.86 identified as 'unallocated' are provided below:**

**Highcross, Ware** - a total of £47,502.18 is available for identified uses in the vicinity of Highcross as detailed below. The Parish Council are aware and are working to identify projects for the following contributions:

- £10,523.28 - Children & Young People Contribution to be used towards the provision of facilities for children & young people.
- £11,252.15 - Parks & Gardens Contribution towards the improvement of parks & public gardens facilities.
- £25,726.75 - Outdoor Sports Facilities Contribution to be used towards the provision of outdoor sports.

**Standon** - a total of £83,716.89 has been identified for use within the Parish of Standon and is available for greenspace and outdoor sports improvement projects. The Parish Council are aware and are working to identify projects for the following contributions:

- £10,306.11 - Parks & Gardens Contribution towards the improvement of parks & public gardens facilities within the Parish of Standon – community garden proposed.
- £73,410.78 - Outdoor Sports Facilities Contribution to be used towards the provision of outdoor sport in the Parish of Standon –

**Terlings Park / Gilston** – a total of £29,363.83 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:

- £29,363.83 – Outdoor Sports Contribution (as amended) - Towards the cost of outdoor sports facilities including sports and community uses and facilities serving the development

**Ware** – a total of £8,645.96 is available from two Parks & Gardens Contributions identified for landscaping improvements works in Ware:

- £3,442.96 – Parks & Public Gardens Contribution - Towards the cost of parks and public gardens serving the development (Ware)
- £5,203.00 - Parks and Public Gardens Contribution - To be applied by the Council at its absolute discretion towards cost of additional parks and public gardens serving locality of development (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 2023/24:

In the financial year 2023/24 payment was triggered from eleven individual Section 106 Agreements, resulting in receipt of **£5,304,487.68** in financial contributions payable to the council. (This figure includes the indexation added on to the original individual contribution amounts when triggered for payment).

The following table gives a breakdown, by development, of the financial contributions received by East Herts Council in 2023/24. 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 payment trigger points:

Planning application reference:	Location of development:	Section 106 Contributions received:
3/18/1760/FUL	Land north of West Road, Sawbridgeworth - SAWB2	£183,909.12
3/20/0245/FUL	Manor Links, Dunmow Road, Bishop's Stortford - BISH9	£240,804.86
3/18/2253/OUT	St James Park - Land at Bishop's Stortford South off Whittington Way, Bishop's Stortford - BISH5	£237,283.18
3/14/2144/OP	Patmore Close - Application B - Land to The South of Hadham Road, Bishop's Stortford - BISH4	£3,491,840.03
3/14/0531/OP & 3/17/0414/REM & 3/18/0609/FUL	AREA 3 - Land South of Hare Street, Buntingford	£118,642.86
3/19/1024/FUL	Land West of Thieves Lane Hertford - HERT3	£218,374.72
3/20/1950/FUL	Land East of Aspenden Road, Buntingford - PHASE 2	£125,669.12
3/20/0897/FUL	Hertford Mill, Tamworth Road, Hertford - HERT2	£205,731.69

<b>Planning application reference:</b>	<b>Location of development:</b>	<b>Section 106 Contributions received:</b>
3/14/2145/OP	Patmore Close - Application C - Land to The South of Hadham Road, Bishop's Stortford – BISH4	£143,246.41
3/20/1563/FUL	Mangrove Road, Hertford – HERT5	£336,576.77
3/22/2346/FUL	Land At Railway Street, Hertford	£2,408.92
<b>Total contributions received in 2023/24</b>		<b>£5,304,487.68</b>

## Individual contribution use categories

The financial contributions received from the above developments have been broken down into thirteen 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.

<b>Section 106 Contribution use:</b>	<b>Amount received 2023/24</b>
Affordable housing - financial contribution received in lieu of on-site affordable housing provision	£0.00
Amenity greenspace contributions (including allotments contributions)	£71,930.10
Biodiversity net gain contributions (including Off-site Biodiversity Net Gain contribution)	£0.00
Children & young people contributions (including maintenance contributions)	£115,655.55
Community facilities contributions (including village halls)	£131,344.91

Section 106 Contribution use:	Amount received 2023/24
Health services contributions - collected on behalf of the Hertfordshire & West Essex Integrated Care Board*	£507,998.50
Hertfordshire County Council (HCC) Contributions – collected by EHDC & transferred to HCC**	£3,562,475.11
Monitoring contributions	£8,543.65
Outdoor sports contributions (including maintenance contributions)	£254,544.44
Parks & gardens contributions (including maintenance contributions)	£159,283.34
Recycling contributions for the provision of waste and recycling receptacles	£14,601.88
Sports facilities contributions (including contributions for indoor sports facilities)	£465,722.04
Transport - including contributions towards parking and community transport	£12,388.16
<b>TOTAL</b>	<b>£5,304,487.68</b>

\* East Herts Council is the collection authority for the NHS Hertfordshire and West Essex Integrated Care Board (ICB).

\*\* 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.

More information on the individual East Herts Council Section 106 contribution requirements is set out in the Local Plan and the specific Supplementary Planning Documents (SPD's), copies of which can be found on the [Planning Policy Supplementary Planning Documents](#) webpages.

In addition, the ['Making a Planning Application'](#) webpage has further information for developers on planning obligations and contribution requirements and has a template Section 106 Agreement.

## Section 106 expenditure in 2023/24:

East Herts Council is the body accountable for the spending and allocation of its 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 2023/24 a total of **£4,859,523.51** was allocated to **21** individual projects or identified uses from **70** individually held contributions from **29** Section 106 Agreements. Further details of the identified uses and projects funded are provided later in the report.

The table in Appendix 1 gives further information on these 70 individual funding contributions, identifying the source and amount, the allocation and remaining the balance, if any, of the specific contribution after the allocation.

## East Herts Council Section 106 Capital & Revenue Contributions use in 2023/24:

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, ongoing grounds maintenance, recycling and refuse containers, along with the monitoring of the developments with Section 106 Agreements.

Information is given below on the specific contribution uses and the projects funded from the **£4,859,523.51** total of allocated Section 106 funding in the financial year 2023/24:

**Bishops Park, Bishop's Stortford** - a total of **£58,610.34** was transferred internally to help fund the costs of the improvements to the play area and open space at Bishops Park in Bishop's Stortford, which included new play equipment.

**Buryfields Open Space, Ware** - a total of **£7,052.00** was transferred internally to help fund the costs of the improvements to the park in Ware, which included new benches and footpath works.



**Castle Park, Bishop's Stortford** - a total of **£135,507.53** was transferred internally to help fund the costs of the improvements to Castle Park in Bishop's Stortford as part of the Big Lottery funded project. These works included improvements to the footpaths within the park and the relocation of the tennis courts as shown in the picture.

**Grange Paddocks New Leisure Centre** – a total of **£254,729.39** transferred internally to support the development of the council's new Leisure Centre in Bishop's Stortford – these contributions were used to help repay the council's capital projects borrowing.

**Grange Paddocks New Play Area and 3G Pitch** – **£21,410.81** transferred internally to support the creation of the council's new play area and **£37,985.30** towards the new 3G pitch and grass pitch improvements at the Grange Paddocks Leisure Centre in Bishop's Stortford. The picture shows some of the play equipment being installed the play area is now open and very well used.



**Great Innings Play Area Improvements, Watton-at-Stone** – **£22,590.48** transferred internally to support the improvement works at the Gt Innings play area in Watton-at-Stone.

**Hartham Leisure Centre Refurbishment Project** – A total of **£153,092.37** was transferred internally to support the £9m refurbishment project at the council's Hartham Leisure Centre in Hertford– these contributions were used to help repay the council's capital projects borrowing.

**Hertford Bridge Project** – A total of **£73,200.16** was transferred internally to support the Hertford Bridge Project to help fund the installation of a new bridge over the River Lea - the installation will be completed in late 2024/25.



**Norwood Close Allotments Improvements** – A total of **£24,164.65** was used to fund the installation of the new water supply at the Norwood Close Allotments in Hertford. The funding also supported improvements to the entrance to the allotments site including a new signage board to advertise local events and new water troughs. The picture shows the new water supply and trough on the site.



**Grounds Maintenance Contributions** – a total of **£65,988.60** was transferred from the held Revenue Contributions for Open Space & Grounds Maintenance, as per the agreed programme of drawdowns over ten years from the date of receipt of the individual contributions, to cover the council's ongoing maintenance costs. These contributions help fund the ongoing maintenance of the open spaces previously adopted by the council as part of larger developments.

**Monitoring Contributions** – A total of **£8,543.65** was collected from three developments and transferred internally to the Planning Monitoring budget

**Recycling & Refuse Contributions** – A total of **£14,601.88** was collected from two developments and transferred to the Recycling & Refuse Budget to cover the costs of providing wheelie bins and recycling boxes to the new homes on these developments.

**Transfer of collected Health Contributions** - a total of **£354,711.63** was transferred to the NHS Hertfordshire & West Essex Integrated Care Board (ICB) to help fund the ICB work at Wallace House Surgery in Hertford and Central Surgery in Sawbridgeworth. These contributions are allocated as per the requirements of the individual contribution wording in the associated Section 106 Agreements.

**Transfer of collected Hertfordshire County Council S106 Contributions** – a total of **£3,496,504.03** was transferred to Hertfordshire County Council having been collected by the council from three developments in Bishop's Stortford. East Herts Council acts as the collection authority where Hertfordshire County Council is the landowner of the proposed development. Once these contributions are triggered and paid to the council by the developer, they are transferred to the county council to be allocated and used by them in accordance with the individual contribution wording.

Please note that Hertfordshire County Council (HCC) produce their own Annual Infrastructure Funding Statement which provides detailed information on the allocation and use of these contributions – further information and copies of the HCC Infrastructure Funding Statements are available on the [Hertfordshire County Council](#) website.

# Individual projects supported with Section 106 Funding in 2022/23:

The seven projects listed below highlight the Section 106 funding awarded or transferred to specific external organisations for identified projects in the financial year 2023/24:

**Aspenden Parish Council Tree Works on the Village Green** – a total of **£4,800.00** of Natural Green Space and Open Space Maintenance Contributions from the East of Aspenden Road development was transferred to Aspenden Parish Council as a named recipient to fund the identified tree works on the Village Green.

**Bullfields Centre New Heating Project** – a total of **£14,660.00** was awarded to Sawbridgeworth Young Peoples Recreational Centre Trust (Bullfields Centre) in Sawbridgeworth to fund the upgrading of their heating system with the installation of an energy efficient air source heat pump.

**Gilston Village Hall Solar Project** – a total of **£19,189.00** was awarded to Gilston Village Hall Management Committee to fund their project to install solar panels as shown and battery storage as part of their ongoing programme to make the hall as energy efficient and sustainable as possible.



**Standon & Puckeridge Community Centre Changing Rooms Showers Refurbishment Project** – a total of **£34,307.90** was awarded to Standon Parish Council to help fund the refurbishment of the changing rooms showers at the Standon & Puckeridge Community Centre to enable them to be brought back in to use.

**Standon & Puckeridge Community Centre Toilet Refurbishment Project** – a total of **£7,428.87** was transferred to Standon Parish Council to help fund the refurbishment of the toilets at the Standon & Puckeridge Community Centre.



**Standon Lawn Tennis Club** – £2,800.00 was awarded to Standon Lawn Tennis Club to help fund the replacement of the gate and fencing linking the club to the recreation ground adjacent to the Standon & Puckeridge Community Centre. The picture shows the new gate and fencing in situ.

**Sele Community Centre** – a total of £47,644.92 was awarded to Sele Community Centre to upgrade the heating to an air source heat pump heating system and install solar panels.



# 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. Since 2019 all Section 106 Agreement contributions are required to have a named recipient or project use for the specific funding to be allocated to. Therefore, all organisations and groups are encouraged to let the Section 106 Programme Manager know of their future project plans to potentially enable them to be included in any new agreements from developments in their area by completing and submitting the online "[Expressions of Interest form](#)".

The Section 106 Programme Manager uses the information provided by in the Expressions of Interest form to allocate held contributions and automatically contacts any organisation or group specifically named as a recipient of the Section 106 contributions when they are received by the council. All potential recipients are then asked to complete a Section 106 Funding Application form which, once received, will be checked against the identified Section 106 Agreement contribution wording to confirm the appropriate use of the funding. Having been reviewed, approved, and signed off by the Section 106 Programme Manager, Senior Officers and the Executive Member for Planning & Growth, the funds are transferred on receipt of a signed [Agreement for use of s106 monies](#) This Use Agreement Form confirms the use of the funding only as per the Section 106 contribution wording requirements and enables the council to reclaim the funding if it is unspent or miss-used enabling a full audit trail for the transfer of the held funds.

**Transfer of specific S106 contributions collected by the council** - Where a project or organisation is the named recipient of a specific Section 106 contribution collected on their behalf by the council, they will be contacted directly once the contribution has been triggered for payment. They will then be asked to complete the relevant paperwork to enable the council to transfer the funding directly to them.

## Potential projects for new Section 106 Contributions

All East Herts groups and organisations are encouraged to get in touch with the Section 106 Programme Manager to let the council know of any planned projects or future funding needs. The [Section 106 Agreements & Funding for Projects](#) webpage provides further information on Section 106 funding and how you can let the council know of your future projects and funding requirements by completing and submitting the online "[Expressions of Interest form](#)".

# Appendix 1 – Details of Individual Section 106 Contributions allocated in 2023/24:

Contribution obligation:	Financial year received	Section 106 Receipt	Previously allocated	Amount allocated 2023/24	Balance left	Allocation Details
Footbridge Contribution - TXU Site, Hertford - 3/05/0316/FP	2009/10	£35,000.00	£0.00	<b>£35,000.00</b>	£0.00	Allocated to the new bridge across the River Lea.
Pedestrian Bridge Contribution - Mill Road, Hertford - 3/04/2309/FP	2012/13	£50,000.00	£0.00	<b>£38,200.16</b>	£11,799.84	Allocated to the new bridge across the River Lea.
Open Space Contribution - Station Road, Watton-at-Stone - 3/11/0872/FP	2013/14	£171,302.00	£148,711.52	<b>£22,590.48</b>	£0.00	Allocated towards improvements at Gt Innings Play Area, Watton-at-Stone.
REV - Open Space Contribution Maintenance - Trinity Centre, Ware - 3/11/0384/FP	2013/14	£31,946.61	£25,560.00	<b>£3,195.00</b>	£3,195.00	Revenue contribution for open space & grounds maintenance
Open Space Contribution - Cintel Site, Ware - 03/10/0386/FP	2014/15	£75,064.12	£67,041.28	<b>£7,052.00</b>	£970.84	Allocated towards improvements at Buryfield Park, Ware.
REV - Off Site Improvements maintenance - Sacombe Road, Hertford - 3/10/1198/FP	2014/15	£53,772.00	£42,962.00	<b>£5,370.00</b>	£5,440.00	Revenue contribution for open space & grounds maintenance

Contribution obligation:	Financial year received	Section 106 Receipt	Previously allocated	Amount allocated 2023/24	Balance left	Allocation Details
Outdoor Sports Facilities Contribution (amended by Second DofV) - Terlings Park - 3/11/0554/OP	2014/15	£56,592.61	£46,304.10	<b>£10,288.51</b>	£0.00	Allocated towards the new heating system at the Bullfields Centre.
REV - Open Space maintenance contribution - Sanville Gardens, Stanstead Abbots - 3/04/18/92/FP	2015/16	£25,482.76	£17,837.40	<b>£2,548.20</b>	£5,097.16	Revenue contribution for open space & grounds maintenance
REV - Public Open Space maintenance - Herts & Essex Hospital, Bishop's Stortford - 3/02/1545/FP	2015/16	£195,707.08	£136,996.00	<b>£19,570.00</b>	£39,141.08	Revenue contribution for open space & grounds maintenance
Outdoor Sports Facilities Contribution (amended by Second DofV) - Terlings Park - 3/11/0554/OP	2016/17	£57,220.95	£24,945.00	<b>£4,371.49</b>	£27,904.46	Allocated to High Wych revamped play area project.
REV - Trinity Play Area adoption maintenance contribution - Lady Margaret Gardens, Ware - 3/11/0384/OP	2016/17	£307,043.64	£214,928.00	<b>£30,704.00</b>	£61,411.64	Revenue contribution for open space & grounds maintenance

Contribution obligation:	Financial year received	Section 106 Receipt	Previously allocated	Amount allocated 2023/24	Balance left	Allocation Details
REV - Open Space play area maintenance contribution - Ware Garage, Hertford - 3/15/1118/FUL	2017/18	£2,734.00	£546.80	<b>£273.40</b>	£1,913.80	Revenue contribution for open space & grounds maintenance
Healthcare Contribution - Sovereign House, Hertford - 3/16/0115/FUL	2018/19	£37,821.06	£0.00	<b>£37,821.06</b>	£0.00	Transferred to NHS Hertfordshire & West Essex Integrated Care Board as per the S106 Agreement.
Outdoor Sports Facilities Contribution (amended by Second DofV) - Terlings Park - 3/11/0554/OP	2018/19	£123,552.83	£0.00	<b>£19,189.00</b>	£104,363.83	Allocated to High Wych revamped play area project.
Children & Young People Contribution - Ashpoles, Bishop's Stortford - 3/15/1733/FUL	2018/19	£6,257.09	£0.00	<b>£6,257.09</b>	£0.00	Allocated towards play and outdoor sports improvements at Bishop's Park, B.S.
Outdoor Sports Contribution - Ashpoles, Bishop's Stortford - 3/15/1733/FUL	2018/19	£52,353.25	£0.00	<b>£52,353.25</b>	£0.00	Allocated to play and outdoor sports improvements at Bishop's Park, B.S.
Sworders Field & Riverside Path Contribution - St Michaels Hurst, Bishop's Stortford - 3/13/0886/OP	2019/20	£53,180.91	£0.00	<b>£53,180.91</b>	£0.00	Allocated to Castle Park Project - towards new paths in the open space

Contribution obligation:	Financial year received	Section 106 Receipt	Previously allocated	Amount allocated 2023/24	Balance left	Allocation Details
Children & Young People Contribution - The Chestnuts, Puckeridge - 3/16/1218/FUL	2019/20	£4,213.22	£0.00	<b>£4,213.22</b>	£0.00	Allocated to Standon & Puckeridge Community Centre (changing room and showers refurbishment)
Outdoor Sports Contribution - The Chestnuts, Puckeridge - 3/16/1218/FUL	2019/20	£28,528.05	£16,600.00	<b>£2,800.00</b> & <b>£9,128.05</b>	£0.00	Allocated to Standon Tennis Club (new gate £2,800) Standon & Puckeridge Community Centre (changing room showers refurbishment - £9,128.05)
Community Health Care Contribution - Well House & Dixon Yard, Puckeridge - 3/16/1218/FUL	2019/20	£3,474.56	£0.00	<b>£3,474.56</b>	£0.00	Transferred to NHS Hertfordshire & West Essex Integrated Care Board as per the S106 Agreement.
Sworders Field & Riverside Path Contribution - St Michaels Hurst, Bishop's Stortford - 3/13/0886/OP	2019/20	£73,272.37	£0.00	<b>£73,272.37</b>	£0.00	Allocated to Castle Park Project - towards new paths in the open space
Outdoor Sports Facilities Contribution - Café Field, Puckeridge - 3/17/1055/OUT	2019/20	£47,472.12	£0.00	<b>£20,966.63</b>	£26,505.49	Allocated to Standon & Puckeridge Community Centre (changing room and showers refurbishment)

Contribution obligation:	Financial year received	Section 106 Receipt	Previously allocated	Amount allocated 2023/24	Balance left	Allocation Details
Healthcare Contribution - 3-9 North Road, Hertford - 3/17/1222/VAR (replaces 3/14/1369/FP)	2019/20	£8,071.44	£0.00	<b>£8,071.44</b>	£0.00	Transferred to NHS Hertfordshire & West Essex Integrated Care Board as per the S106 Agreement.
Community Centre Contribution - Cambridge Road, Puckeridge - 3/14/1627/OP	2019/20	£7,428.87	£0.00	<b>£7,428.87</b>	£0.00	Allocated to Puckeridge Community Centre for toilet refurbishment project.
REV - Amenity Space Maintenance - 20 Amwell Road, Ware - 3/15/0561/FUL	2020/21	£3,159.98	£632.00	<b>£316.00</b>	£2,211.98	Revenue contribution for open space & grounds maintenance
REV - Children & Young Persons Maintenance - 20 Amwell Road, Ware - 3/15/0561/FUL	2020/21	£2,069.86	£414.00	<b>£207.00</b>	£1,448.86	Revenue contribution for open space & grounds maintenance
REV - Parks & Public Gardens Maintenance - 20 Amwell Road, Ware - 3/15/0561/FUL	2020/21	£5,820.19	£1,164.00	<b>£582.00</b>	£4,074.19	Revenue contribution for open space & grounds maintenance
REV - Children & Young People Maintenance - Walden Court, Bishop's Stortford - 3/17/0223/FL & 3/20/0573/VAR	2020/21	£3,269.13	£654.00	<b>£327.00</b>	£2,288.15	Revenue contribution for open space & grounds maintenance

Contribution obligation:	Financial year received	Section 106 Receipt	Previously allocated	Amount allocated 2023/24	Balance left	Allocation Details
REV - Outdoor Sports Facilities Maintenance - Walden Court, Bishop's Stortford - 3/17/0223/FL & 3/20/0573/VAR	2020/21	£28,959.37	£5,792.00	<b>£2,896.00</b>	£20,271.37	Revenue contribution for open space & grounds maintenance
Allotments Contribution (first 1/3rd) - Thieves Lane, Hertford - 3/19/1024/FUL (HERT3)	2020/21	£9,312.46	£0.00	<b>£9,312.46</b>	£0.00	Allocated to improvements and new water supply at Norwood Close Allotments
Community Hall Contribution (first 1/3rd) - Thieves Lane, Hertford - 3/19/1024/FUL (HERT3)	2020/21	£42,664.00	£32,524.19	<b>£10,139.81</b>	£0.00	Allocated to Sele Community Centre for Air Source Heating & Solar Panels Project
Allotments Contribution (second 1/3rd) - Thieves Lane, Hertford - 3/19/1024/FUL (HERT3)	2021/22	£9,862.49	£0.00	<b>£9,862.49</b>	£0.00	Allocated to improvements and new water supply at Norwood Close Allotments
Community Hall Contribution (second 1/3rd) - Thieves Lane, Hertford - 3/19/1024/FUL (HERT3)	2020/21	£42,664.00	£0.00	<b>£37,505.11</b>	£5,158.89	Allocated to Sele Community Centre for Air Source Heating & Solar Panels Project

Contribution obligation:	Financial year received	Section 106 Receipt	Previously allocated	Amount allocated 2023/24	Balance left	Allocation Details
Indoor Sports & Recreation (first 40%) - St James Park, Bishop's Stortford - 3/18/2253/OUT (BISH5)	2022/23	£373,813.53	£226,769.68	<b>£147,043.85</b>	£0.00	Transferred to HCC as per the Section 106 dated 19/12/2019 (Secondary School New Sports Hall).
NHS Contribution - West Road, Sawbridgeworth - 3/18/1760/FUL (SAWB2)	2022/23	£62,631.98	£0.00	<b>£62,631.98</b>	£0.00	Transferred to NHS Hertfordshire & West Essex Integrated Care Board as per the S106 Agreement.
GP Provision Contribution - Chalks Farm, Sawbridgeworth - 3/18/1523/FUL (SAWB3)	2022/23	£178,898.87	£0.00	<b>£178,898.87</b>	£0.00	Transferred to NHS Hertfordshire & West Essex Integrated Care Board as per the S106 Agreement.
Health and Fitness Contribution - West Road, Sawbridgeworth 3/18/1760/FUL (SAWB2)	2023/24	£16,182.04	£0.00	<b>£16,182.04</b>	£0.00	Allocated to Grange Paddocks Leisure Centre as a named recipient
NHS Contribution - West Road, Sawbridgeworth - 3/18/1760/FUL (SAWB2)	2023/24	£63,813.72	£0.00	<b>£63,813.72</b>	£0.00	Transferred to NHS Hertfordshire & West Essex Integrated Care Board as per the S106 Agreement.



Contribution obligation:	Financial year received	Section 106 Receipt	Previously allocated	Amount allocated 2023/24	Balance left	Allocation Details
Childrens Play Provision & Young Persons Contribution - Manor Links, Bishop's Stortford - 3/20/0245/FUL	2023/24	£21,410.81	£0.00	<b>£21,410.81</b>	£0.00	Allocated towards the creation of play facilities at Grange Paddocks in Bishop's Stortford.
Community Contribution - Manor Links, Bishop's Stortford - 3/20/0245/FUL	2023/24	£38,713.26	£0.00	<b>£38,713.26</b>	£0.00	Allocated to Grange Paddocks Leisure Centre as a named recipient
Indoor Sport Contribution (Swimming Pool) - Manor Links, Bishop's Stortford - 3/20/0245/FUL	2023/24	£32,705.64	£0.00	<b>£32,705.64</b>	£0.00	Allocated to Grange Paddocks Leisure Centre as a named recipient
Indoor Sport Contribution (Fitness Gym) - Manor Links, Bishop's Stortford - 3/20/0245/FUL	2023/24	£14,213.00	£0.00	<b>£14,213.00</b>	£0.00	Allocated to Grange Paddocks Leisure Centre as a named recipient
Indoor Sport Contribution - (Studio Space) - Manor Links, Bishop's Stortford - 3/20/0245/FUL	2023/24	£5,871.60	£0.00	<b>£5,871.60</b>	£0.00	Allocated to Grange Paddocks Leisure Centre as a named recipient

Contribution obligation:	Financial year received	Section 106 Receipt	Previously allocated	Amount allocated 2023/24	Balance left	Allocation Details
Outdoor Sports Contribution (Grange Paddocks 3G-AGP Pitch) - Manor Links, Bishop's Stortford - 3/20/0245/FUL	2023/24	£24,768.53	£0.00	<b>£24,768.53</b>	£0.00	Allocated to Grange Paddocks Leisure Centre as a named recipient
Outdoor Sports Contribution (Grange Paddocks grass pitch improvements) Manor Links, Bishop's Stortford - 3/20/0245/FUL	2023/24	£13,216.77	£0.00	<b>£13,216.77</b>	£0.00	Allocated to Grange Paddocks Leisure Centre as a named recipient
Outdoor Sports Contribution (Castle Park Tennis Court) - Manor Links, Bishop's Stortford - 3/20/0245/FUL	2023/24	£9,054.25	£0.00	<b>£9,054.25</b>	£0.00	Allocated to Castle Park Tennis Courts relocation project in Bishop's Stortford.
Hertfordshire County Council (HCC) Contributions - Patmore Close (Site B), Bishop's Stortford - 3/14/2144/OP	2023/24	£3,361.19	£0.00	<b>£3,361.19</b>	£0.00	County Council contributions collected by EHDC for transfer to HCC as per S106 Agreement dated 21/03/2016
Monitoring Contribution (final 1/3rd) - Thieves Lane, Hertford - 3/19/1024/FUL (HERT3)	2023/24	£1,543.09	£0.00	<b>£1,543.09</b>	£0.00	Transferred to East Herts Council Planning Monitoring budget

Contribution obligation:	Financial year received	Section 106 Receipt	Previously allocated	Amount allocated 2023/24	Balance left	Allocation Details
Allotments Contribution (final 1/3rd) - Thieves Lane, Hertford - 3/19/1024/FUL (HERT3)	2023/24	£11,828.66	£0.00	<b>£4,989.70</b>	£0.00	Allocated to improvements and new water supply at Norwood Close Allotments
Sports Facilities Contribution - (Swimming Pool) (final 1/3rd) - Thieves Lane, Hertford - 3/19/1024/FUL (HERT3)	2023/24	£45,114.03	£0.00	<b>£45,114.03</b>	£0.00	Allocated to Hartham Leisure Centre as the named recipient.
Sports Facilities Contribution - (Studio Space) (final 1/3rd) - Thieves Lane, Hertford - 3/19/1024/FUL (HERT3)	2023/24	£8,320.70	£0.00	<b>£8,320.70</b>	£0.00	Allocated to Hartham Leisure Centre as the named recipient.
Sports Facilities Contribution - (Fitness Gym) (final 1/3rd) - Thieves Lane, Hertford - 3/19/1024/FUL (HERT3)	2023/24	£20,142.50	£0.00	<b>£20,142.50</b>	£0.00	Allocated to Hartham Leisure Centre as the named recipient.
Recycling Contribution (final 1/3rd) - Thieves Lane, Hertford - 3/19/1024/FUL (HERT3)	2023/24	£7,838.91	£0.00	<b>£7,838.91</b>	£0.00	Transferred to East Herts Council recycling & refuse budget.

Contribution obligation:	Financial year received	Section 106 Receipt	Previously allocated	Amount allocated 2023/24	Balance left	Allocation Details
Natural Green Space Contribution (first 50%) - Aspenden Road Phase 2, Buntingford - 3/20/1950/FUL	2023/24	£2,163.78	£0.00	<b>£880.51</b>	£1,283.27	Allocated to Aspenden Parish Council for tree works on Aspenden Village Green
Open Space Maintenance Contribution (first 50%) - Aspenden Road Phase 2, Buntingford - 3/20/1950/FUL	2023/24	£1,951.66	£0.00	<b>£1,951.66</b>	£0.00	Allocated to Aspenden Parish Council for tree works on Aspenden Village Green
Recycling Contribution (first 50%) - Aspenden Road Phase 2, Buntingford - 3/20/1950/FUL	2023/24	£1,433.55	£0.00	<b>£1,433.55</b>	£0.00	Transferred to East Herts Council Recycling & Refuse budget.
Monitoring Contribution (first 50%) - Aspenden Road Phase 2, Buntingford - 3/20/1950/FUL	2023/24	£2,286.34	£0.00	<b>£2,286.34</b>	£0.00	Transferred to East Herts Council Planning Monitoring budget
Fitness Gym Contribution (final 50%) - Hertford Mill, Hertford - 3/20/0897/FUL	2023/24	£5,614.93	£0.00	<b>£5,614.93</b>	£0.00	Allocated to Hartham Leisure Centre as the named recipient.
Studio Space Contribution (final 50%) - Hertford Mill, Hertford - 3/20/0897/FUL	2023/24	£2,319.68	£0.00	<b>£2,319.68</b>	£0.00	Allocated to Hartham Leisure Centre as the named recipient.

Contribution obligation:	Financial year received	Section 106 Receipt	Previously allocated	Amount allocated 2023/24	Balance left	Allocation Details
Swimming Pool Contribution (final 50%) - Hertford Mill, Hertford - 3/20/0897/FUL	2023/24	£12,920.85	£0.00	<b>£12,920.85</b>	£0.00	Allocated to Hartham Leisure Centre as the named recipient.
Recycling Contribution (final 50%) - Hertford Mill, Hertford - 3/20/0897/FUL	2023/24	£3,884.00	£0.00	<b>£3,884.00</b>	£0.00	Transferred to East Herts Council Recycling & Refuse budget.
Hertfordshire County Council (HCC) Contributions - Patmore Close (Site B), Bishop's Stortford - 3/14/2144/OP	2023/24	£3,488,478.84	£0.00	<b>£3,488,478.84</b>	£0.00	Hertfordshire County Council contributions collected by EHDC for transfer to HCC as per S106 Agreement dated 21/03/2016.
Hertfordshire County Council (HCC) - Patmore Close (Site C), Bishop's Stortford) - 3/14/2145/OP	2023/24	£4,664.00	£0.00	<b>£4,664.00</b>	£0.00	Hertfordshire County Council contributions collected by EHDC for transfer to HCC as per S106 Agreement dated 27/06/2017
Open Space Maintenance Contribution (final 50%) Aspenden Road Phase 2, Buntingford - 3/20/1950/FUL	2023/24	£1,967.83	£0.00	<b>£1,967.83</b>	£0.00	Allocated to Aspenden Parish Council for tree works on Aspenden Village Green

Contribution obligation:	Financial year received	Section 106 Receipt	Previously allocated	Amount allocated 2023/24	Balance left	Allocation Details
Recycling Contribution (final 50%) Aspenden Road Phase 2, Buntingford - 3/20/1950/FUL	2023/24	£1,445.42	£0.00	<b>£1,445.42</b>	£0.00	Transferred to East Herts Council Recycling & Refuse budget.
Monitoring Contribution (final 50%) Aspenden Road Phase 2, Buntingford - 3/20/1950/FUL	2023/24	£2,305.30	£0.00	<b>£2,305.30</b>	£0.00	Transferred to East Herts Council Planning Monitoring budget
Fitness Gym Contribution - Mangrove Road, Hertford - 3/20/1563/FUL (HERT5)	2023/24	£15,794.15	£0.00	<b>£15,794.15</b>	£0.00	Allocated to Hartham Leisure Centre as the named recipient.
Studio Space Contribution - Mangrove Road, Hertford - 3/20/1563/FUL (HERT5)	2023/24	£6,524.30	£0.00	<b>£6,524.30</b>	£0.00	Allocated to Hartham Leisure Centre as the named recipient.
Swimming Pool Contribution - Mangrove Road, Hertford - 3/20/1563/FUL (HERT5)	2023/24	£36,341.23	£0.00	<b>£36,341.23</b>	£0.00	Allocated to Hartham Leisure Centre as the named recipient.
Monitoring Contribution - Railway Street, Hertford - 3/22/2346/FUL	2023/24	£2,408.92	£0.00	<b>£2,408.92</b>	£0.00	Transferred to East Herts Council Planning Monitoring budget
<b>Total amount allocated in financial year 2023/24</b>					<b>£4,859,523.51</b>	





## Final Internal Audit Report

# East Herts Council - S106 Agreements 2023/24

December 2023

<b>Issued to:</b>	Benjamin Wood - Head of Communications, Strategy & Policy Jackie Bruce - S106 Programme Manager
<b>Copied to:</b>	Steven Linnett – Head of Strategic Finance & Property Members of the Audit & Governance Committee Executive Member for Financial Sustainability
<b>Report Status:</b>	Final
<b>Reference:</b>	E195/23/001
<b>Overall Assurance:</b>	Substantial
<b>Recommendations:</b>	One Low Priority



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## 1. EXECUTIVE SUMMARY

### Introduction

- 1.1 Internal Audit provides East Herts Council (the Council) with an independent and objective opinion on the organisation's governance arrangements, encompassing internal control and risk management, by completing an annual risk-based internal audit plan. This audit formed part of the approved 2023/24 Internal Audit Plan.
- 1.2 A Section 106 (S106) is a legal agreement made under Section 106 of the Town and Country Planning Act 1990, signed by the Council and developers that sets out what financial contributions will be paid and what additional, non-financial obligations are required as part of planning consent for a development.
- 1.3 S106 payments are required to make a development acceptable in planning terms. Without these financial contributions and obligations to improve the immediate area, or offset and mitigate any impacts of the development, it would likely not be considered acceptable and not be given planning permission.
- 1.4 The Council is the accountable body for spending received S106 financial contributions and therefore must ensure that:
  - The S106 funding is spent on facilities / projects that can be demonstrated to be required because of the new development or need 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.
- 1.5 Financial contributions are used to support the provision of services and infrastructure, including highways, recreational facilities, education, health, and affordable housing. Non-financial obligations may include areas such as a sustainable travel plan for occupiers, making use of local businesses, provision of employment and training opportunities and the provision of affordable housing.
- 1.6 The Infrastructure Funding Statement (IFS) is published annually which provides a summary of all financial and non-financial developer contributions relating to S106 agreements within the area. Per the Council's IFS for the financial year 2021/22, the total money received from S106 agreements during the reported year was £2.668m and £3.403m was spent.
- 1.7 Following agreement with management, the purpose of this audit was to provide independent assurance that there are adequate and effective arrangements for the management and allocation of S106 funds, and that they are robust and transparent.

### Overall Audit Opinion

- 1.8 Based on the work performed during this audit, we can provide overall **substantial assurance** that there are effective controls in operation for those elements of the risk management processes covered by this review. These are detailed in the Assurance by Risk Area Table in section 2 below.

- 1.9 In arriving at our overall opinion, we concluded that there is a robust framework in place for the collection and allocation of S106 funds. The Council has adequate policies and procedures in place to govern these processes and has developed template documentation to maintain consistency e.g., demand notices and application forms. We confirmed that there are clear reporting lines in place to ensure that the Leadership Team and the Audit Committee are informed of S106 activity and to enable transparency of the work completed by the S106 Programme Manager and the Finance Team.
- 1.10 However, we reviewed a sample of five instances where S106 funds were collected by the Council and identified that in one case, the Satisfaction letter was not issued to the developer as confirmation of payment. We provide below a summary of our observations and findings from each of the assurance areas reviewed within this audit.
- 1.11 The Council has a set of policies and procedures in place governing the collection and allocation process of S106 funds, which was updated in July 2023 by the S106 Programme Manager. We reviewed the S106 Contribution Collection procedure document and confirmed that it is robust, clearly describing each stage of the process including the monitoring and maintenance of the S106 register.
- 1.12 We reviewed the S106 Fund Allocations procedure document and confirmed that the criteria for the assessment of proposed projects is outlined, to ensure that funds are allocated to projects with appropriate justification, which contribute to the developments and benefit the local community. We confirmed that the procedure document adequately describes the fund allocation process, including the procedure to allocate funds to external bodies, appraisal of internal S106 funding bids and the transfer of funds.
- 1.13 The Council is the collection authority for the NHS Hertfordshire and West Essex Integrated Care Board (ICB). We confirmed that the Council has a separate procedure document for NHS Contribution transfers, which adequately outlines the indexation, receipt, and payment authorisation process.
- 1.14 On an annual basis, the S106 Programme Manager produces an Infrastructure Funding Statement, which provides a summary of the income and expenditure of the financial contributions the Council has secured through Section 106 Agreements for the previous financial year. There are three separate files uploaded onto the Council's website to support the Infrastructure Funding Statement:
- Developer agreements - lists the S106 agreements entered into in each financial year.
  - Developer agreement contributions - lists the contributions in S106 agreements signed in each financial year and identifies their relevant primary purpose as per the legislation requirements.
  - Developer agreement transactions - lists the transaction status of the individual contributions of the S106 agreements signed in each financial year as per the legislation requirements.

- 1.15 The annual Infrastructure Statement for 2022/23 was in the process of being drafted during the audit fieldwork, which will be presented at the Audit and Governance Committee at the end of November 2023.
- 1.16 We reviewed the Council's Infrastructure Statement for 2021/22 and confirmed that the total contribution and allocation of S106 funds was reported for the past five years. In 2021/22, the Council received £2,668,065.92 and spent £3,403,446.03. We confirmed that the report outlined each of new S106 agreements signed in the year, including the application reference, location, date of S106 and total funding for the Council (which will increase depending on the indexation rate).
- 1.17 The report further outlined details of the amount of monitoring fees the Council had charged for S106 planning obligations (under the Community Infrastructure Levy Regulations 2019), which totalled £14,640 across the 17 agreements. We confirmed that the report provided an in-depth breakdown of where the S106 funds (revenue and capital) were allocated and how this has contributed to developments to benefit the local community. Furthermore, the report also outlined details of projects which have been triggered for payment and the amounts received. Therefore, we confirmed that the report enables transparency of the amount of S106 contributions received and to local developments.
- 1.18 Alongside the annual Infrastructure Statement, the S106 Programme Manager produced an in-year S106 Update report which was reviewed by the Leadership Team in October 2022 and reported to the Audit and Governance Committee in November 2022. We confirmed that an update to the S106 contributions between April 2022 and September 2022 was provided, outlining that £738,370.42 was collected triggered from three separate developments. Through a review of email correspondence, we confirmed that the report was reviewed by the Head of Communications, Strategy & Policy, Deputy Chief Executive, and the Executive Member for Planning & Growth, prior to its delivery at the Audit Committee meeting.
- 1.19 Overall, we confirmed that Council has clear reporting lines to ensure that the Leadership Team and the Audit and Governance Committee are kept up to date on S106 financial and non-financial contributions. A S106 application form is sent to the S106 Programme Manager by the Legal Team at the Council. Based on the payment terms outlined on the legal agreement, the S106 Programme Manager populates a template spreadsheet which details the financial contributions, indexation dates and triggers.
- 1.20 The master S106 register is updated to reflect the details of the development outlined in the legal agreement. When a payment is triggered, the Retail Price Index (RPI) charge is calculated based on the rates available on the Office for National Statistics website. A demand notice is issued to the developer which is signed by the S106 Programme Manager as a reminder of the payment.
- 1.21 Once the payment is received, a S106 Satisfaction letter is issued to the developer as an acknowledgement of the payment received, which is saved onto the local drive to maintain audit trail. The payment is allocated to a project led by the Council, outlined in the legal agreement e.g., children's park, development of a leisure centre.

- 1.22 We selected a sample of five S106 contributions collected by the Council and confirmed the following for all instances:
- The payments were collected per the details of the trigger and allocated to intended projects per the S106 legal agreement.
  - Where applicable, the Council notified its counterparts of the S106 application form.
  - The template spreadsheet was populated, which details the trigger description, trigger date, RPI and payment date. We re-performed the calculations for the RPI and verified the correctness of the computation.
  - A demand notice was sent to the developers in a timely manner, as a reminder of payment once the trigger for payment had occurred.
  - Payment remittance was retained to evidence the payment received, which matched the amounts outlined in the template spreadsheet of calculations.
- 1.23 However, in one instance we identified that the satisfaction letter was not issued to the developer as confirmation of payment received, so we have raised a recommendation.
- 1.24 S106 Funds can be allocated externally to projects led by other local authorities or to NHS organisations, where the Council is the collecting authority. For external allocations to local authorities, an application form is completed by the local authority which is checked against the S106 legal agreement to confirm project eligibility and alignment to legal requirements. Approval is sought from the Deputy Chief Executive and the Executive Member for Planning & Growth. If successful, the applicant is advised of the outcome and is requested to complete a Use Agreement Form with bank details for funding transfer. A Payment Authorisation Form is completed by the S106 Programme Manager and signed off by the Deputy Chief Executive.
- 1.25 The allocation process for NHS organisations involves the Council notifying the ICB of the contributions triggered for payment. The S106 Programme Manager calculates the RPI and issues the demand notice to the developer. Once the payment is received, an NHS Agreement form is issued to the ICB for sign-off and confirm bank details for the transfer. The Agreement form is countersigned by the Deputy Chief Executive and a Payment Authorisation form is completed by the S106 Programme Manager, which is sent to the Finance Team to finalise the payment process.
- 1.26 We selected a sample of five S106 contributions which were allocated to schemes by the Council in 2022/23 to confirm whether the Council's S106 funds allocation process was followed in line with agreed procedures. Our sample consisted of three payments made to NHS organisations and two payments to local authorities. For the samples tested, we confirmed the following:
- NHS Transfers (3)
- A notification email was sent to the ICB to inform on the S106 payment received from developer.
  - The NHS Agreement form was completed, and dual signatory was evidenced by the Deputy Chief Executive and the ICB.
  - A Payment Authorisation form was completed and signed by the Head of Service or Deputy Chief Executive.
  - The Finance Team were notified of the payment for the transfer process and the Master S106 schedule was updated to reflect the payment.

Local Authority (2)

- The application form was retained and signed by the responsible officer at the local authority and by the Deputy Chief Executive.
- Minimum of three quotes were provided to demonstrate an economic appraisal was completed by the local authority.
- Approval from the Executive Member for Planning & Growth was evidenced.
- The Use Agreement form was completed and signed by the Head of Service/Deputy Chief Executive.
- Payment Transfer form was completed and signed by Head of Service.

1.27 In all five instances above, we verified that the payments were made in line with the application form through a review of remittance statements.

1.28 Once funding gaps are identified by Officers or Councillors, a bid is put forward for the allocation of S106 funds to Council funded schemes. This is checked against the S106 legal agreement to ensure the project qualifies for the funding, which is reviewed and approved by the Deputy Chief Executive. We reviewed a sample of three internal allocations and verified that the amount requested was correctly allocated by the Finance Team on the Councils finance system, Advance and in line with the legal agreement. We also confirmed that correctness of the transfers through a review of the Capital Financing Summary, which detailed the three transfers.

1.29 We were advised that at the end of each financial year, the S106 Programme Manager and the Finance Business Partner conduct a reconciliation exercise to confirm that all allocations made by the S106 Programme Manager match the information held by the Finance Team. We reviewed the reconciliation file for 2022/23 S106 funds and confirmed that discrepancies were rectified, and the figures balanced.

1.30 The S106 Programme Manager reports to the Head of Communications, Strategy & Policy on a weekly basis to provide an update on S106 collected and allocated funds. A new Executive Member for Planning & Growth was elected in May 2023, who has oversight of the S106 activity alongside the Head of Communications, Strategy & Policy.

1.31 We were advised by the S106 Programme Manager that a Member Briefing session is to be held with the Executive Members of the Council on the S106 funds collection and allocation process, covering legislation and eligibility criteria for schemes in December 2023. The aim of this exercise is to enable the Members to inform on the development gaps in the local area, which may qualify for S106 allocations. We were informed by the S106 Programme Manager that the briefing is completed after each district elections to notify newly elected Member of the process.

1.32 For definitions of our assurance levels, please see Appendix B.

**Summary of Recommendations**

1.33 We have made one low priority recommendation to enhance the control environment.

1.34 Please see Management Action Plan at Appendix A for further detail.

**Annual Governance Statement**

1.35 This report provides reasonable levels of assurance to support the Annual Governance Statement.

## 2. ASSURANCE BY RISK AREA

2.1 Our specific objectives in undertaking this work, as per the Terms of Reference, were to provide the Council with assurance on the adequacy and effectiveness of internal controls, processes, and records in place to mitigate risks in the following areas:

Risk Area	No	Limited	Reasonable	Substantial
<b>Governance Arrangements</b> - an appropriate oversight, scrutiny and review structure is not in place to monitor the management of S106 agreements to ensure the process is transparent and follows a consistent procedure that delivers the required social and community benefits.				
<b>Policies &amp; Procedures</b> - The Council does not have policies and procedures in place for the management of S106 contributions. Procedure documents are not comprehensive and therefore contributions are collected and allocated incorrectly.				
<b>Collection of S106 Funds</b> – There is inadequate consideration and scrutiny for the collection of S106 funds. Projects are not regularly monitored to ensure that demand notices are issued at agreed intervals, whereby an indexation is added to the payment prior to collection. Therefore, payment is not collected, and the Council faces financial loss.				
<b>Release of S106 funds</b> – There is a robust framework in place for the allocation of funds to agreed projects following appropriate evidence of the completion of the terms of the agreement, leading to effective use of collective funds.				
<b>Reporting and Monitoring</b> – The Council has clear reporting lines to ensure that Management Committees are kept up to date on S106 financial and non-financial contributions which demonstrate effective monitoring and scrutiny.				



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<b>Overall</b>				
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

2.2 See definitions for the above assurance levels at Appendix B.

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No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
82.	<p><b>Lack of confirmation issued to the developer to evidence receipt of S106 payment</b></p> <p>Once a payment trigger has occurred per the legal agreement, the S106 Programme Manager issues a demand notice to the developer as a reminder. Payment is made to the Council via BACs transfer, which is detailed on the demand notice. A satisfaction letter is issued to developers as confirmation of payment.</p> <p>We selected a sample of five S106 contributions which were collected by the Council in 2022/23 to confirm whether the Council's S106 funds collection process was followed in line with agreed procedures.</p> <p>We identified that in one instance we identified that the satisfaction letter was not issued to the developer as confirmation of payment received. We were advised by the S106 Programme Manager that this was a one-off exception and was missed in error.</p>	Low	The S106 Programme Manager should put together a formal checklist of all the checks and required steps to be followed for the collection and allocation of S106 contributions. This will also be effective for training purposes and will ensure compliance to procedures.	<p><b>Management Comments:</b></p> <p>We will develop a formal checklist of all checks and required steps to be followed for the collection and allocation of S106 contributions.</p> <p><b>Responsible Officer:</b></p> <p>S106 Programme Manager</p>	30 <sup>th</sup> November 2023

No.	Finding / Associated Risk	Priority	Recommendation	Management Response	Target Date
	<p><u>Associated Risk</u>                      Where confirmation of payments are not issued to developers, there is a lack of official documentation that the developer has fulfilled their financial obligations. This can lead to legal issues faced by the Council in the event of a formally dispute.</p>				

Assurance Level	Definition
<b>Substantial</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable</b>	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.
<b>Limited</b>	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.
<b>No</b>	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.

Priority Level		Definition
Corporate	<b>Critical</b>	 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	<b>High</b>	 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.
	<b>Medium</b>	 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.
	<b>Low</b>	 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.



# East Hertfordshire District Council

## Audit findings interim progress report

Year ended 31 March 2024

November 2024

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# Introduction

## **Adding value through the audit**

*All our clients demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the Council through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the Council promote improved standards of governance, better management and decision making and more effective use of resources.*

## **Purpose**

This paper provides the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

This Audit Findings interim progress report highlights the progress of the audit to date for the benefit of those charged with governance, as required by International Standard on Auditing (UK) 260 and the National Audit Office Code of Practice 2020 (the 'Code') and associated Auditor Guidance Notes. The contents of this report relate only to those matters which have come to our attention during the conduct of our normal audit procedures to date and have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) (ISAs (UK)), which is directed towards forming and expressing an opinion on the financial statements that have been prepared on behalf of management with the oversight of those charged with governance. Under the Code we are also required to consider your arrangements for securing economy, efficiency and effectiveness in your use of resources and to report any significant weaknesses we identify. Where, as part of our testing, we identify control weaknesses, we will report these to you. However, our audit is not designed to test all internal controls or identify all areas of control weakness.

This report has been prepared for the sole use of those charged with governance, should not be quoted in whole or in part without our prior written consent, and should not be relied upon by third parties. No responsibility is assumed by Azets Audit Services to any third parties. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

As such, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We would like to take this opportunity to record our appreciation for the kind assistance provided by your team during our audit.

# Introduction

*Under International Standards on Auditing (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice 2020 ('the Code') we are required to report whether, in our opinion:*

- *The Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the period; and*
- *The Council's financial statements, have been properly prepared in accordance with the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the UK (the 'CIPFA Code') 2023/24 and the Local Audit and Accountability Act 2014.*

*We are also required to report on whether the other information included in the Statement of Accounts (including the Narrative Report and Annual Governance Statement) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.*

## Council responsibilities

The Council has responsibility for:

- Preparing financial statements which give a true and fair view, in accordance with the applicable financial reporting framework and relevant legislation;
- Preparing and publishing, along with the financial statements, an annual governance statement and narrative report;
- Maintaining proper accounting records and preparing working papers to an acceptable professional standard that support its financial statements and related reports disclosures; and
- Ensuring the proper financial stewardship of public funds, complying with relevant legislation and establishing effective arrangements for governance, propriety and regularity.

## Our expectations and requirements

In our audit plan, we set out the following requirements to enable us to deliver the audit in line with the agreed fee and timetable:

- Draft financial statements to be produced to a good quality by the deadlines you have agreed with us. These should be complete including all notes, the Narrative Statement, and the Annual Governance Statement;
- The provision of good quality working papers at the same time as the draft financial statements. These will be discussed with you in advance to ensure clarity over our expectations;
- The provision of agreed data reports at the start of the audit, fully reconciled to the values in the accounts, to facilitate our selection of samples for testing;
- Ensuring staff are available and on site (as agreed) during the period of the audit;
- Prompt and sufficient responses to audit queries within two working days (unless otherwise agreed) to minimise delays.



# Status of the audit

## Auditor reporting delays for previous periods and the impact on our audit

In our audit plan we reported that we will not be able to fully complete our audit, issue our auditor’s report and certify the closure of the audit until your predecessor auditor has completed their audit for the year ended 31 March 2023. Once the 2023 audit has been completed, we will need to review the predecessor auditor’s audit file and consider the impact on our audit of any modifications to their auditor’s report.

We also reported that, once the 2023 audit and earlier years has been completed, we will need to revisit our planning procedures and audit plan to assess whether any additional procedures are required over and above those we have previously identified in our audit plan. Should additional procedures or changes to the plan be required, we will report these to you. The cost of additional work to revisit planning upon completion of the prior year audits will also be reported to you.

Since issuing our audit plan, the Government has consulted on introducing a statutory “audit backstop” for public sector audits. The *Accounts and Audit (Amendment) Regulations 2024* came into effect on 30 September 2024. This legislation provides the following statutory backstop dates:

- 13 December 2024 Audits from 2015/16 to 2022/23
- 28 February 2025 2023/24 audit
- 28 February 2026 2024/25 audit
- 31 January 2027 2025/26 audit
- 30 November 2027 2026/27 audit
- 30 November 2028 2027/28 audit

Providing the Council has met the minimum requirements for producing the 2022/23 accounts (and earlier years), including the statutory inspection period, we anticipate the predecessor audit will have completed their audit by 13 December 2024.

There is therefore a risk that issues not yet identified in the open audit years could arise in the completion of those audits which might impact on our 2023/24 audit year. There is a further risk that, the implementation of the “audit backstop” may mean the prior period opinions might be qualified by a limitation of scope or disclaimed in full. In this eventuality there is likely to be:

- limited assurance available over opening balances
- significant transactions, accounting treatments and management judgements that have not been subject to audit for one or more years, or at all.

Based on discussions to date we are expecting the audit opinions for 2022/23 and earlier years to be disclaimed by the 13 December backstop date. We do not anticipate that we will be able to gain any assurance from the work of the predecessor auditor in respect of the prior year comparatives or the closing balances at 31 March 2023 and 31 March 2022.

**Due to the limited time between that backstop date and the 2023/24 backstop date of 28 February 2025, we are therefore unlikely to have time to gain sufficient assurance over opening balances, closing balances and in year transactions. We anticipate that this missing assurance will be pervasive such that we will need to give a disclaimed opinion for 2023/24.**

# The 2023/24 audit

## Auditor reporting delays for previous periods and the impact on our audit

We have considered the impact on our audit on the basis of a presumed disclaimer opinion for 2022/23 and 2021/22.

Our planning takes into account the guidance contained in the [Local Audit Reset and Recovery Implementation Guidance](#) (LARRIG), numbers 1 to 5. LARRIGs are prepared and published by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General (C&AG) who has power to issue guidance to auditors under Schedule 6 paragraph 9 of the *Local Audit and Accountability Act 2014* (the Act). LARRIGs are prepared and published with the endorsement of the Financial Reporting Council (FRC) and are intended to support the reset and recovery of local audit in England. The guidance in LARRIGs supports auditors in meeting their requirements under the Act and the [Code of Audit Practice](#) published by the NAO on behalf of the C&AG.

Our planning also takes into account the guidance contained in the FRC's document [Local Audit Backlog Rebuilding Assurance](#). Alongside the backlog measures, the Government has announced its intention to 'overhaul the local audit system', with a further update on these plans in Autumn 2024.

The FRC's guidance states: *"Recovery from the backlog is a shared endeavour between auditors and local bodies. Accounts preparers have a vital part to play, providing good quality draft financial statements supported by comprehensive working papers and supporting evidence to auditors. The success of these proposals relies on both auditors and accounts preparers working closely together to agree jointly-owned delivery plans for each year's audit. Chartered Institute of Public Finance and Accountancy (CIPFA) are responsible for the production of guidance to support accounts preparers. **Audit and Governance Committees should ensure that they are planning and able to play their full part in the process.**"*

The Council's financial statements include the following:

- The opening balances brought forward from the prior year, which include cash, general fund and ringfenced (e.g. Housing Revenue Account) reserves and the property valuation and pension liability / asset valuation at the start of the year;
- The closing balances, which include cash, general and ringfenced fund reserves and the property and pension valuations at the end of the year
- The in year expenditure, income, reserves and cash flow movements
- The comparative figures from the prior year; and
- Explanatory disclosure notes

The objective of the auditor is to obtain sufficient evidence to conclude that they have reasonable assurance that the financial statements as a whole are free from material misstatement. Where an auditor is unable to gain enough evidence or is unable to reach this conclusion based on the evidence gathered, they are required to issue a modified opinion. Auditors will disclaim their opinion where they lack the evidence to support an opinion.

	Material <u>but not</u> pervasive	Material <u>and</u> pervasive
Financial statements <u>are</u> materially misstated	Qualified	Adverse
Auditor is unable to obtain sufficient evidence to conclude on whether the financial statements are materially misstated	Qualified	Disclaimer

# The 2023/24 audit

In an audit following a disclaimer, the auditor will not have assurance over

- The opening balances brought forward from the prior year (the prior year's audited closing balance); and
- The comparative figures

It is also unlikely that the auditor will be able to obtain sufficient evidence to conclude they have reasonable assurance over the in-year income, expenditure, cash flow and reserves FRC | Local Audit Backlog: Rebuilding Assurance 4 movements without assurance over the opening balances. To use a very simple example: if a body has £100 at the end of the year but the auditor does not know whether the body had £50 or £10 at the start of the year, the auditor will not know whether the body has gained £50 or £90 during the year.

In normal circumstances, where a disclaimer is issued, an auditor would effectively have to perform work to assure all the opening balances and prior year comparatives in a single year.

The Recovery period has been designed to allow auditors to rebuild assurance for balances related to 2022/23 or earlier over multiple audit cycles, reducing the risk of the backlog recurring. Because auditors will need to make prioritisation decisions to issue audit opinions ahead of the backstop dates, they may not be able to obtain evidence to support all balances nor all in-year and comparative expenditure, income, cash flow and reserves movements.

The knock-on impact of the auditor not having assurance over in-year movements means they will also not have assurance over those figures when they are shown as comparatives in the following year.

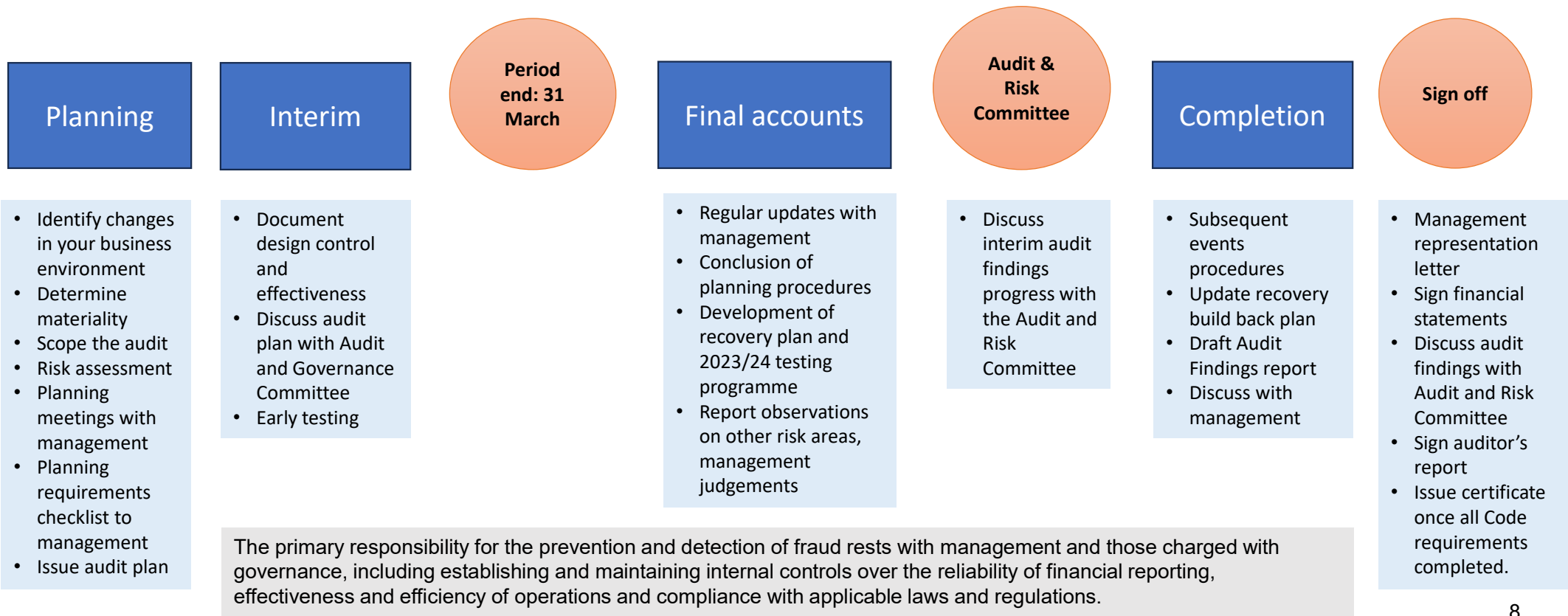
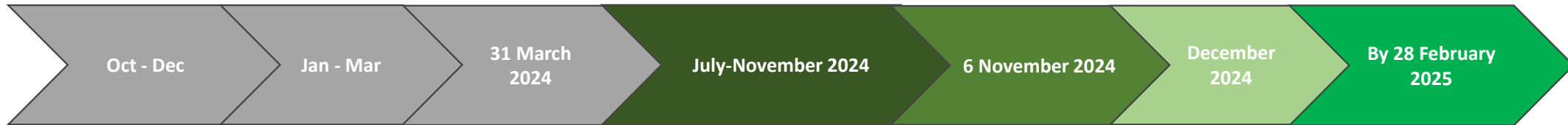
When designing approaches to rebuild assurance over multiple years, auditors will need to decide which balances to prioritise each year so as to deliver the optimal pathway to returning, as soon as possible, to a position where they are able to complete audits in full and the opinion is not influenced by backstop dates. One potential audit approach would be for an auditor to prioritise obtaining assurance over all year-end balances as quickly as possible.

For some balances, which are cumulative in nature, auditors may need assurance over the opening position to conclude on the closing position. An example is the usable reserves, where the closing position equals the opening balance plus the net movements in year. This means they may perform testing on income, expenditure, capital additions and other reserve movements (such as minimum revenue provision) from 2022/23 and other earlier years subject to a disclaimed audit opinion.

**We have considered our initial approach to the 2023/24 audit taking into account the statutory guidance and our knowledge of the Council, together with the 2023/24 work we have been able to complete to date. We have held meetings with the Chief Finance Officer and Chief Executive, as well as made enquiries of the Chair of the Audit and Governance Committee to inform our planning and fieldwork. We have held regular meetings with the finance team. We reported in our progress report, earlier in the year, the work we had been able to undertake during our planning and interim visits.**

**We set out over the next few pages the work we anticipate being able to undertake ahead of the 28 February 2025 backstop date. Due to the limited time between that backstop date and the 2023/24 backstop date of 28 February 2025, we are therefore unlikely to have time to gain sufficient assurance over opening balances, closing balances and in year transactions. We anticipate that this missing assurance will be pervasive such that we will need to give a disclaimed opinion for 2023/24.**

# Our financial statements audit explained



# The 2023/24 audit: planned procedures

Activity	Status / requirement	Planned work	Issues, impact and actions	Progress	Findings
<b>Receipt and review of updated financial statements 2023/24</b>	As at the date of writing, management has not produced the 2023/24 financial statements. The statutory inspection period – an elapsed time of 30 working days – has also not been set. Management's latest projection is that they will issue the draft financial statements by 17 November 2024.	We will review the draft financial statements once received.	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Review of predecessor audit file(s)</b>	Review of work undertaken in prior year file(s)	Once the predecessor auditor has issued their opinion for 2022/23 and 2021/22, we will request access to the prior year files	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Update of materiality for final accounts</b>	Auditor to consider the materiality applied at planning upon receipt of the draft financial statements and update accordingly	We will update our materiality considerations on receipt of the draft financial statements	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Update of scoping document for audit</b>	To be updated on receipt of the financial statements	We will consider this upon receipt of the draft financial statements and updated materiality considerations	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Post statements consistency review</b>	Upon receipt of the draft financial statements, we will review the internal consistency and casting of the statements and agreement to the prior year unaudited / disclaimed statements to confirm year-on-year consistency	We will review the draft financial statements once received	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>

# The 2023/24 audit: planned procedures

Activity	Requirement	Planned work	Issues, impact and actions	Progress	Findings
<b>Completion of planning procedures</b>	We are required to complete the planning procedures that it was not possible to complete in the earlier audit visits and reconfirm our planning risk assessment. As set out in our progress report dated May 2024, a number of planning procedures were not able to be completed during our earlier audit visits.	This will include consideration of updated responses to management enquiries, enquiries of those charged with governance, the monitoring officer and others. We also need responses from management to complete procedures relating to the following areas: bank confirmation authorisation, investment confirmation authorisation.	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Review of Annual Governance Statement and Narrative Report</b>	We are required to consider whether the information published in this other information is inconsistent with our audit and other knowledge of the Council	We will review the other information provided but are unlikely to be able to formally provide an opinion on this aspect due to the anticipated disclaimer for 2023/24	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Agreement of financial statements to the general ledger / trial balance</b>	We are required to ensure the accounts accurately reflect / can be reconciled to the general ledger and are fully mapped to the Trial Balance	Upon receipt of the final draft statements, we will confirm closing balances reconcile to the general ledger and are fully mapped to the TB.	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>IT General controls</b>	Under ISA315 we are required to consider the general controls in place regard IT	Work has been completed.	Recommendations to strengthen the arrangements in place are contained later in this report	<b>Green</b>	<b>Amber</b>

# The 2023/24 audit: planned procedures

Activity	Requirement	Planned work	Issues, impact and actions	Progress	Findings
<b>Agreement of opening balances to the prior year unaudited accounts</b>	We are required to confirm the Council's opening position agrees to the previously reported closing position	We will agree the opening ledger position to the prior year unaudited accounts. However, in the event of a disclaimed opinion for the prior year, this will not provide assurance over the opening figures but will only confirm there is continuity between the two sets of unaudited accounts.	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Group accounts</b> <i>Millstream Property Investments Ltd- the sub principal activity is acquiring, developing and refurbishing properties. The company's accounts are consolidated in the Council's accounts.</i>	We will be requesting from management a group accounts and consolidation working paper to enable us to review the group arrangements and finalise group materiality at final accounts.	We have requested and awaiting response from Management	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Cash and bank</b>	Audit of the cash and bank balances on the balance sheet	We aim to audit the closing and opening cash and bank position and agree these to external confirmations	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>

# The 2023/24 audit: planned procedures

Activity	Requirement	Planned work	Issues, impact and actions	Progress	Findings
<b>Investments</b>	Audit of the short and long-term investments held by the Council	We aim to audit the opening and closing investments and agree these to external confirmations	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Borrowing</b>	Audit of the short and long-term borrowing held by the Council	We aim to audit the opening and closing borrowing balances and agree these to external confirmations	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Journals: response to significant risk of management override of control</b>	Audit of the Council's journals throughout 2023/24	We aim to audit the journals processed by the Council during the year	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Management letter of representation</b>	We are required to obtain from management a signed letter of representation	We will request this from management near the conclusion of the audit	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>



# The 2023/24 audit: possible further procedures

The late production of the financial statements for 2023/24 and the limited time available between the date of writing and the statutory backstop date means there is unlikely to be sufficient time available to complete these procedures. Should there be sufficient time available during the limited audit window ahead of the statutory backstop, we will aim to undertake procedures in respect of the following.

Activity	Requirement	Planned work	Issues, impact and actions	Progress	Findings
<b>Property, Plant and Equipment - operational land and buildings: response to significant risk of valuation of other land and buildings</b>	Audit of the valuation of operational land and buildings in the financial statements.	Should time allow we will audit the valuation of these assets.	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Income</b>	Grant income, taxation income, fees and charges income, rental income	Audit of these in year areas	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Expenditure</b>	General expenditure and housing benefit expenditure	Audit of these in year areas	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Payroll</b>	Employee remuneration	Audit of in year payroll transactions	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Collection fund</b>	Collection fund account	Audit of the collection fund account	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>

# The 2023/24 audit: possible further procedures

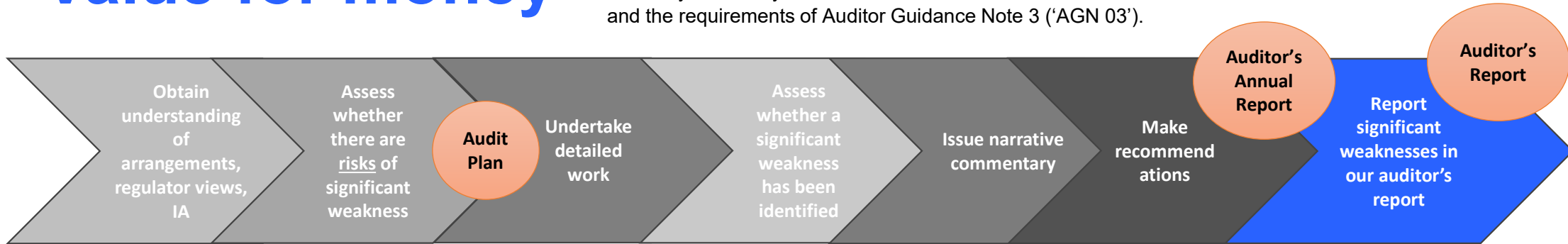
Activity	Requirement	Planned work	Issues, impact and actions	Progress	Findings
<b>Investment properties: response to significant risk of valuation of investment properties</b>	A full valuation of the investment property portfolio should have been obtained for 2023/24	Should time allow we will audit the valuation of these assets.	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
<b>Pension liability: response to significant risk in the valuation of pension liabilities</b>	We do not currently have assurance from the pension fund auditor. Our understanding is, should assurance be forthcoming, it will be limited as the current pension fund auditor was not the auditor at the previous triennial valuation. It is not clear whether the previous pension fund auditor is able to provide assurance dating back to the triennial valuation	We consider it unlikely we will be able to obtain assurance over this balance in 2023/24 and it is likely it will not be possible to audit this closing balance until the next triennial valuation in 2025/26.	We do not anticipate obtaining assurance over this balance in 2023/24	<b>N/A</b>	<b>Red</b>
<b>Payables and receivables</b>	Audit of the Council's debtors and creditors	Should time allow we will aim to audit these areas. This is contingent upon the Council being able to provide breakdowns of the closing balances	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>

# The 2023/24 audit: possible further procedures

Activity	Requirement	Planned work	Issues, impact and actions	Progress	Findings
<b>Cash flow statement and related notes</b>	Audit of the cash flow statement and related notes	As the cash flow statement is inherently tied to opening balances, over which we anticipate having no assurance, we do not consider it likely that we will be able to undertake this work in 2023/24	We do not anticipate obtaining assurance over this balance in 2023/24	<b>TBC</b>	<b>Red</b>
<b>Movement in Reserves statement</b>	Audit of the Movement in Reserves statement	As the Movement in Reserves statement is inherently tied to opening balances, over which we anticipate having no assurance, we do not consider it likely that we will be able to undertake this work in 2023/24	We do not anticipate obtaining assurance over this balance in 2023/24	<b>TBC</b>	<b>Red</b>
<b>Reserve movements and adjustment notes</b>	Audit of the reserve movements from the prior year, including Adjustment to funding basis	As these accounting entries are inherently tied to opening balances, over which we anticipate having no assurance, we do not consider it likely that we will be able to undertake this work in 2023/24	We do not anticipate obtaining assurance over this balance in 2023/24	<b>N/A</b>	<b>Red</b>

# Value for money

We are required to consider whether the Council has established proper arrangements to secure economy, efficiency and effectiveness in its use of resources, as set out in the NAO Code of Practice and the requirements of Auditor Guidance Note 3 ('AGN 03').



We will complete our work on the Council’s arrangements for securing value for money during the final accounts window. To date we have not identified any areas of significant weakness. The predecessor auditor has not yet issued the value for money reports for 2022/23 and we will need to update our planning assessment in light of the prior year findings once received. Our detailed narrative commentary will be contained in our Auditor’s Annual Report which will be issued following completion of the audit.

Reporting criteria	Planning – risk of significant weakness identified?	Final – significant weakness identified?	Key recommendations made?	Other recommendations made?
<b>Financial sustainability</b> How the body plans and manages its resources to ensure it can continue to deliver its services	No	TBC	TBC	TBC in AAR
<b>Governance</b> How the body ensures it makes informed decisions and properly manages risk	No	TBC	TBC	TBC in AAR
<b>Improving economy, efficiency and effectiveness</b> How the body uses information about its costs and performance to improve the way it manages and delivers its services	No	TBC	TBC	TBC in AAR

# Internal control recommendations

The matters reported here are limited to issues we have identified during the course of our audit which we feel are of sufficient importance to merit reporting to you under the auditing standards.

Assessment	Issue	Recommendation	Management response
Amber	East Hertfordshire District Council is subject to approaches led by Stevenage Borough Council. East Hertfordshire District Council maintains an up-to-date and approved risk management framework, and we viewed evidence that risks were reported against to the February 2024 SLT meeting. However, as neither a Strategic or Corporate Risk Register could be provided for review, it is unclear if there is a process in place to actively track and manage cyber risks.	The Council should ensure that they are capturing and monitoring cyber risks, assigning suitable owners and deadlines to help ensure that risk ratings, mitigations, residual risks and risk owners etc. are clear for each risk.	This issue has been addressed since the audit took place, and the cyber risks are now included in the risk registers
Amber	The council has an approach in place by which the results of scans are used to inform action planning. However, the planning does not include timescales that can be tracked and monitored, and an update has not been completed since the date when all actions were due to be completed	The Council should ensure that action planning is subject to ongoing monitoring to ensure that due dates can be met or mitigating controls and revised due dates put in place.	As of July 15th, we have appointed a Cyber Manager and an ICT Senior Cyber Technical Engineer. They will oversee the results of scans and implement mitigation controls based on the action plan derived from these scans.
Amber	The council has recently implemented a process by which suppliers and third-parties can be assessed with regards to their cyber security. The Council has not clearly defined how this assessment should be applied and responses assessed to identify the suitability of potential partners. There is, at present, no ongoing monitoring or re-review of existing partners in place.	The Council should enhance their existing processes by defining thresholds by which response documents can be reviewed and risks/threats to third-party provisions identified. For example, this risk assessment should be based on a pre-defined set of requirements set by the Council to form a baseline maturity which third-parties must meet. The frequency of re-assessments should be based on the criticality of the supplier.	As of July 15th, we have appointed a Cyber Manager and an ICT Senior Cyber Technical Engineer. We have assessed our third-party cloud providers against the NCSC's 14 Cloud Security Principles. Additionally, we are exploring the implementation of Risk Ledger to manage and enhance these processes.

Key **Significant deficiency** in internal control **Other deficiency** in internal control **Other observations**

# Internal control recommendations

The matters reported here are limited to issues we have identified during the course of our audit which we feel are of sufficient importance to merit reporting to you under the auditing standards.

Assessment	Issue	Recommendation	Management response
Amber	The Council has not formally documented the key roles and responsibilities for cyber security at either an operational or management level.	The council should ensure that key cyber security roles at all levels are documented within policy, alongside their associated responsibilities. This should include the responsibilities of all staff and executive management, as well as those in named cyber security roles (e.g., SIRO).	This issue is currently being addressed and is expected to be resolved by the end of the financial year.
Amber	East Hertfordshire Council does not have an Information Security Policy which sets out the high-level objectives and requirements of the organisation, including those requirements related to training or the roles and responsibilities of individuals. The existing Acceptable Use Policy is limited in its provision of responsibilities, although it is acknowledged that an updated version (which currently remains in draft) sets out more detailed guidance for staff. Mandatory cyber security training is carried out and completion rates can be monitored	The council should prioritise the approval and implementation of the new Acceptable Use Policy to ensure user responsibilities are set out in full. It may also be prudent to design, approve and implement an Information Security Policy which sets out the high-level objectives and requirements of the organisation, including key roles and responsibilities (e.g. of relevant governance groups and accountable individuals) and requirements for information security training.	This is now pending approval from the trade unions and will go live by the end of December 2024.
Amber	The Council does not have in place an Information Asset Register which records key information assets alongside details such as the relevant IAO, storage location, and retention period. There is no Asset Management Policy in place, and the Access Control Policy does not sufficiently set out approaches to and requirements for authentication, role-based access, or access rights review.	The Council should implement an Information Asset Register which records key aspects expected by the ICO (e.g., IAO, Location, Retention Period, Security Measures.) This should be supported by an Asset Management Policy which sets out the Council's approach to identifying, managing and protecting critical information assets.	We are currently creating an Information Asset Register along with an Information Asset Management Policy, aiming to roll this out by the end of the financial year

Key: **Significant deficiency** in internal control **Other deficiency** in internal control **Other observations**

# Internal control recommendations

The matters reported here are limited to issues we have identified during the course of our audit which we feel are of sufficient importance to merit reporting to you under the auditing standards.

Assessment	Issue	Recommendation	Management response
Amber	The Council conducts vulnerability scanning and receives alerts from the NCSC Early Warning Alerts. However, no evidence could be provided for alerts raised in response to suspicious activity such as firewall alerts, antivirus alerts or suspicious logins.	The Council should ensure that alerts are raised and can be investigated in response to suspicious activity. This should include event information from firewall tooling, antivirus tooling, and suspicious login information.	As of July 15th, we have appointed a Cyber Manager and an ICT Senior Cyber Technical Engineer who have addressed this issue
Amber	The Council has a response policy and procedure in place, although such documentation remains undated with a lack of clarity as to their validity and currency. A desktop exercise has been held and lessons learned from this are planned to be incorporated into response plans. However, for subsequent exercises (e.g., NCSC Exercise in a Box), we have not received evidence of lessons learned reporting being used to inform incident response approaches going forward.	The council should review and update their incident response policy and procedure. This will help to ensure that their approach to incident management and response is up-to-date and reviewed on a regular basis (e.g., annually and in response to any significant organisational or environmental changes).	This has been addressed and is reviewed on an annual basis.
Amber	East Hertfordshire District Council has a response policy and procedure in place, although such documentation remains undated with a lack of clarity as to their validity and currency. A desktop exercise has been held and lessons learned from this are planned to be incorporated into response plans. However, for subsequent exercises (e.g., NCSC Exercise in a Box), we have not received evidence of lessons learned reporting being used to inform incident response approaches going forward	The council should ensure that testing is fully documented, with lessons learned activities performed and used to inform planning going forward	This issue has been addressed, and annual testing now takes place

# Independence and ethics

The Ethical Standards and ISA (UK) 260 require us to give you full and fair disclosure of matters relating to our independence. In accordance with our profession's ethical requirements and further to our audit plan issued confirming audit arrangements we confirm that there are no further facts or matters that impact on our integrity, objectivity and independence as auditors that we are required or wish to draw to your attention. We consider an objective, reasonable and informed third party would take the same view.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements. In addition, we have complied with the National Audit Office's Auditor Guidance Note 01, which sets out supplementary guidance on ethical requirements for auditors of public sector bodies.

In particular:

- **Non-audit services:** We provide assurance services as set out below that the Housing Benefit claim does not provide a conflict
- **Contingent fees:** No contingent fee arrangements are in place for any services provided
- **Gifts and hospitality:** We have not identified any gifts or hospitality provided to, or received from, any member of the Council, senior management or staff
- **Relationships:** We have no other relationships with the Council, its directors, senior managers and affiliates, and we are not aware of any former partners or staff being employed, or holding discussions in anticipation of employment, as a director, or in a senior management role covering financial, accounting or control related areas.

## Assurance service fees

Service	Fee £	Threats identified	Safeguards
Housing Benefit HBAP	£28,000	Self-interest (recurring fee)	The level of this recurring fee in and of itself is not considered a significant threat to independence, given the low level of the fee compared to the total fee for the audit and in particular compared to Azets' UK turnover as a whole. The fee is fixed based on the volume of work required, with no contingent element. These factors, in our view, mitigate the perceived self-interest threat to an acceptable level.



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# Local Audit Backlog – Rebuilding Assurance during the Recovery Period

## Background

Local authorities and other local bodies, including police, fire, transport and waste authorities, as well as national parks, provide vital public services to local communities. Timely, high-quality financial reporting and audit is vital for supporting decision-making and accountability of those local public bodies. External assurance gives local taxpayers and elected representatives confidence in the financial management of their local public body.

On 31 July 2024 the Ministry of Housing, Communities and Local Government (MHCLG) issued a **Statement** that set out measures to be applied to clear the significant backlog of unsigned audit opinions of English local public bodies.

This announcement came after only 1% of local public bodies published audited accounts on time for 2022/23. Without decisive action, it was widely acknowledged that the backlog would continue to grow and undermine local accountability and governance.

In September 2024, the Financial Reporting Council (FRC) published a briefing: **Local Audit Backlog Rebuilding Assurance**. The briefing explains how the recovery period may operate in practice for local public bodies that receive disclaimed audit opinions primarily because of statutorily imposed backstop dates limiting the scope of the audit. It has been prepared so that finance teams, elected members and other interested parties can understand what the recovery period may look like in practice.

This paper summarises the main messages from the FRC's briefing.

***The overarching objective of the measures is to clear the backlog of outstanding audit opinions and reduce the likelihood of this position returning.***

## Measures to address the backlog

The Government's approach to clear the backlog of local audits and embed timely audit comprises two parts:

- **Reset measures** - clearing the backlog of historical audit opinions up to and including financial year 2022/23.
- **Recovery period** - a period that reduces the likelihood of the backlog re-emerging through the implementation of backstop dates.

The measures have been developed collaboratively by all organisations involved in regulation and oversight of local public body financial reporting and audit ('system partners') to clear the backlog of outstanding audit opinions.

On 30 September 2024 **The Accounts and Audit Regulations 2015** (which set out the approval and publication requirements for LG audits in England) were amended via **The Accounts and Audit (Amendment) Regulations 2024**, to introduce backstop dates by which point local public bodies must publish audited accounts.

### Exhibit 1: Backstop dates

- For years up to and including 2022/23 – 13 December 2024
- 2023/24 – 28 February 2025
- 2024/25 – 27 February 2026
- 2025/26 – 31 January 2027
- 2026/27 – 30 November 2027
- 2027/28 – 30 November 2028

A new draft **Code of Audit Practice** (the Code) has also been published<sup>1</sup> by the National Audit Office (NAO) that requires auditors to give their opinion in time to enable local public bodies to comply with the backstop date. The Code will apply to audits which have not been certified complete at the time it comes into effect, and to the audits of local public bodies from 2024/25, until it is replaced after five years. The Code also requires auditors to carry out full scope audit of Value for Money (VFM) arrangements for 2023/24 onwards.

*<sup>1</sup>The new draft Code of Audit Practice was laid in Parliament on 9 September 2024 and will take immediate effect once it has received Parliamentary approval.*

## Rebuilding assurance

***The backstop dates enable auditors to rebuild assurance over multiple years rather than performing all work in a single year. Auditors will make prioritisation decisions to issue audit opinions ahead of backstop dates and, as a result, they may not be able to obtain evidence over all balances. This means it could take several years for disclaimed opinions to be lifted.***

A local public body's financial statements include the following:

- Opening balances brought forward from the prior year, including, for example, cash, general fund and ringfenced reserves, property valuation and pension liability / asset valuations;
- Closing balances;
- In-year expenditure, income, reserves and cash-flow movements;
- Comparative figures from the prior year; and
- Explanatory notes to the financial statements.

The objective of the auditor is to obtain sufficient evidence to conclude that they have reasonable assurance that the financial statements, as a whole, are free from material misstatement.

Where an auditor is unable to gain enough evidence or is unable to reach this conclusion based on the evidence gathered, they will issue a modified opinion, or a disclaimed opinion where the issues are pervasive.

Where the opinion on the prior year audit has been disclaimed, the auditor will not have assurance over:

- Opening balances brought forward from the prior year (the prior year closing balance); and
- Comparative figures.

It is also unlikely that the auditor will be able to obtain sufficient evidence to conclude they have reasonable assurance over the in-year expenditure, income, reserves and cash flow movements without assurance over the opening balances, as illustrated in the example below:

*If a body has £100 at the end of the year but the auditor does not know whether the body had £50 or £10 at the start of the year, the auditor will not know whether the body has gained £50 or £90 during the year.*

This may also impact on subsequent years. Where the auditor does not have assurance over in-year movements, they will also not have assurance over those figures when they are shown as comparatives in the following year.

## Rebuilding assurance

In normal circumstances, in the year after a disclaimed opinion is issued, an auditor would perform work to assure all the opening balances and prior year comparatives in a single year.

The recovery period has been designed to allow auditors to recover from disclaimed opinions in a way that does not cause timeliness issues to recur. The backstop arrangements may create time constraints that impede the auditor from completing all the necessary audit procedures, in a single year, to support their opinion. There may also be several years prior to the current year for which the auditor has issued a disclaimed opinion. In these circumstances, significant challenges exist in both the preparation and auditing of opening balances.

When designing approaches to rebuild assurance over multiple years, auditors will need to decide which balances to prioritise each year to deliver the optimal pathway to returning, as soon as possible, to a position where they are able to complete audits in full and the opinion is not influenced by backstop dates. The testing may be different from normal as the auditors may need different evidence to conclude that they have reasonable assurance over the balances.

To help auditors meet their requirements under the Local Audit and Accountability Act 2014 and the Code of Audit Practice, the National Audit Office (NAO) has published a package of guidance: **Local Audit Reset and Recovery Implementation Guidance** (LARRIGs). LARRIGs are prepared and published with the endorsement of the Financial Reporting Council (FRC) and are intended to support the reset and recovery of local audit in England.

***Local public bodies should not be unfairly judged for modified or disclaimed opinions beyond their control.***

The measures have been designed to enable any limitation of scope of the audit to be a result of the system-imposed backstop and not any actions of management, as the latter may lead to significant consequences for a local public body. In circumstances where the local public body has significantly delayed the publication of their statement of accounts or withheld audit evidence, the auditor may use their judgement to determine that management's failure to meet the backstop date represents a management-imposed limitation of scope.

## Rebuilding assurance

***Key to success is effective communication between the auditor and the audited body, including those charged with governance.***

All audit engagements are different, and local circumstances will influence the scale of work needed for auditors to make a timely return to removing disclaimed opinions.

Proposals on the audit approach to be adopted and the timeline for returning to unmodified opinions will be presented to those charged with governance. The development of this audit approach is likely to be an iterative process and refined over successive audit cycles.

Recovery from the backlog is a shared endeavour between auditors and local public bodies. Accounts preparers have a vital part to play, providing good quality draft financial statements supported by comprehensive working papers and supporting evidence to auditors. The success of these proposals relies on both auditors and accounts preparers working closely together to agree jointly-owned delivery plans for each year's audit. Audit Committees should ensure that they are planning and able to play their full part in the process .





## East Herts Council Audit & Governance Committee

27 November 2024  
Shared Internal Audit Service –  
Progress Report

### Recommendations

Members are recommended to:

- a) Note the Internal Audit Progress Report
- b) 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 2024/25 Internal Audit Plan
- B Implementation Status of Critical and High Priority Recommendations
- C Internal Audit Plan Items (April 2024 to March 2025) - 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 2024/25 Internal Audit Plan to 8 November 2024.
  - The findings for the period 7 September to 8 November 2024.
  - 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 8 November 2024.

## Background

- 1.2 Internal Audit's Annual Plan for 2024/25 was approved by the Audit & Governance Committee at its meeting on 30 January 2024. The Audit & Governance Committee receive periodic updates against the Internal Audit Plan. This is the second update report for 2024/25.
- 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 details of 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 8 November 2024, 56% of the 2024/25 Internal Audit Plan days have been delivered.
- 2.2 The following final reports have been issued since September 2024:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Premises Licensing	Oct 2024	Limited	One High Priority
Data Breach Incidents & Response	Oct 2024	Substantial	Two Low Priority
Sickness Absence Management	Nov 2024	Substantial	One Low Priority
Housing Benefits	Nov 2024	Substantial	Two Low Priority

See definitions for the above assurance levels and recommendation priorities at Appendix D.

- 2.3 The table below summarises the position regarding delivery of the 2024/25 approved projects to 8 November 2024. Appendix A provides a status update on each individual project within the 2024/25 Internal Audit Plan.

Status	No. of Audits at this Stage	% of Total Audits
Final Report Issued	7	30%
Draft Report Issued	2	8%
In Fieldwork/Quality Review	5	21%
In Planning/Terms of Reference Issued	2	8%
Allocated	8	33%
Not Yet Allocated	0	0%
Cancelled/Deferred	0	0%
<b>Total</b>	<b>24</b>	<b>100%</b>

#### Internal Audit Plan Changes

- 2.4 No planned audits have been cancelled or deferred, and no new audits have been commissioned, during the year to date.

#### 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. One new High Priority recommendation has been added to the schedule since the last Progress Report. This relates to re-engineering business processes within the Licensing service.

#### Performance Management

- 2.7 The 2024/25 annual performance indicators were approved at the SIAS Board meeting in March 2024.
- 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	Performance Target for 31 March 2025	Profiled Performance 8 Nov 2024	Actual Performance 8 Nov 2024	Notes
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	58%	56%	141 days delivered out of the current 250 days planned
<b>2. Planned Projects</b> – percentage of actual completed projects to draft report stage against planned completed projects by 31 March 2025	90%	42%	38%	9 projects to draft or final report from the 24 planned
<b>3. Client Satisfaction</b> – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100%	Based on the results of the 1 completed questionnaire received (from the 7 issued)
<b>4. Number of High and Critical Priority Audit Recommendations agreed as a percentage</b>	95%	95%	100%	One High Priority recommendation made in the year to date

2.9 In addition, the performance targets listed below are annual in nature. Members will be updated on the performance against these targets within a separate Annual Report:

- **5. Annual Plan** – prepared in time to present to the March meeting of each Audit & Governance Committee. If there is no March meeting, then the Plan should be prepared for the first meeting of the financial year. This indicator was achieved for 2024/25 as the audit plan for the financial year 2024/25 was presented to the Committee in January 2024.
- **6. Planned Projects** - percentage of actual completed projects to final report stage against planned completed projects.
- **7. Chief Audit Executive's Annual Report** – presented at first 2024/25 meeting of the Audit Committee. This indicator was achieved for 2024/25 as the Client Audit Manager's Annual Report (for 2023/24) was presented to the May 2024 meeting of this committee.

2.10 Whilst Plan delivery is naturally subject to a continued stable establishment and availability of client officers to support audits, we currently report no risks to the delivery of a robust annual assurance opinion.

## APPENDIX A - PROGRESS AGAINST THE 2024/25 INTERNAL AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS *				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
<b>Key Financial Systems – 39 days</b>									
Business Rates (shared with SBC)						39	Yes	14	In Fieldwork
Council Tax (shared with SBC)							Yes		ToR Issued
Housing Benefits (shared with SBC)	Substantial	0	0	0	4		Yes		Final Report Issued
Treasury Management (risk & control mapping refresh)							Yes		Allocated
Debtors (risk & control mapping refresh)							Yes		Allocated
Creditors (risk & control mapping refresh)							Yes		Allocated
Payroll							Yes		In Planning
Accounting (risk & control mapping refresh)							Yes		Allocated
<b>Operational Services – 62 days</b>									
Freedom of Information	Substantial	0	0	0	2	10	Yes	10	Final Report Issued
Garden Waste Collection						10	Yes	0	Allocated
Rent & Lease Administration						10	Yes	9.5	Draft Report Issued
Homelessness						10	Yes	0	Allocated
Licensing	Limited	0	1	0	0	12	Yes	12	Final Report Issued
Follow Up of Limited Assurance Reports from 2023/24 (1)	Not Assessed	0	0	0	0	5	Yes	5	Final Report Issued
Follow Up of Limited Assurance Reports from 2023/24 (2)						5	Yes	2.5	In Fieldwork
<b>Corporate Services/Themes – 74 days</b>									
Crisis Management						10	Yes	6	In Fieldwork
Risk Management (risk & control mapping refresh)						2	Yes	1	In Fieldwork
Corporate Governance (risk & control mapping refresh)						2	Yes	0	Allocated
Sickness Absence Management	Substantial	0	0	0	2	10	Yes	10	Final Report Issued

**APPENDIX A - PROGRESS AGAINST THE 2024/25 INTERNAL AUDIT PLAN**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS *				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
On Demand Grant Audits						6	No	0	Not Yet Allocated
Travel & Expenses	Reasonable	0	0	2	0	10	Yes	10	Final Report Issued
Embedded Project Assurance						12	No	0.5	In Planning
Corporate Health & Safety Management						10	Yes	9.5	Draft Report Issued
Community Safety Partnership						12	Yes	8	In Fieldwork
<b>IT Audits – 15 days</b>									
Data Breach Incidents & Response	Substantial	0	0	0	2	9	Yes	9	Final Report Issued
IT Hardware Inventory (shared with SBC)						6	Yes	0	Allocated
<b>Completion of 2023/24 Projects – 5 days</b>									
Various						5	Yes	5	Complete
<b>Contingency – 0 days</b>									
Contingency						0	N/A	0	Through Year
<b>Strategic Support – 55 days</b>									
Head of Internal Audit Annual Opinion						3	Yes	3	Complete
Audit & Governance Committee & Recommendation Follow Up						10	Yes	6	Through Year
Client Engagement & Adhoc Advice						10	Yes	5	Through Year
2025/26 Audit Planning						5	Yes	0	Allocated
SIAS Service Development & Global Internal Audit Standards Implementation						5	Yes	5	Through Year
Assurance Mapping						10	Yes	3	In Fieldwork
Plan & Progress Monitoring						12	Yes	7	Through Year
<b>SBC TOTAL</b>		<b>0</b>	<b>1</b>	<b>2</b>	<b>10</b>	<b>250</b>		<b>141</b>	
* C = Critical Priority, H = High Priority, M = Medium Priority, LA = Low/Advisory Priority									

## APPENDIX B: IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

The following appendix provides Audit 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 (Nov 2024)
1.	<b>Software Licence Management (issued Nov 2023).</b>	<p><b><u>Recommendation:</u></b>  <u>Recording, Management and Monitoring of Software Licence Information.</u>            The exercise to populate Manage Engine with contract information should be prioritised and finalised, ensuring that:</p> <p>a) All known contracts are entered on to the system to ensure that the data is complete, up to date and reflects records held locally (e.g., on spreadsheets).            b) All contracts entered on to the system are supported by a copy of the software licence agreement and contract.            c) Notification rules are set to promote consistency of renewal processes. E.g., notifications for upcoming expiry of contracts are set as 100 days at a minimum.            d) Licences which are expired, due to expire or be renewed are reported to senior management to enhance oversight and decision making.</p> <p><b><u>Agreed Management Action(s):</u></b>            Since October 2023, we hired a business support officer to help us prioritise the data population of the Manage Engine for each contract and to ensure we have a copy of the software license agreement. Furthermore, we are setting up notification rules to alert us of any upcoming contract expires.</p>	<p><b>Responsible Officer:</b>            Matt Canterford, Assistant Director and CTO.</p> <p><b>Due Date:</b>            30 April 2024.</p>	<p><b>November 2024.</b>            We have started to populate ICT contracts in Manage Engine and notifications for upcoming expiry of contracts are set as 100 days.            This has been tested and is actively working.</p> <p>As part of the ICT restructure, we will be recruiting a supplier manager who will be progressing and maintaining the Contracts Register going forward</p>	Partially Implemented
2.	<b>Software Licence Management (issued Nov 2023).</b>	<p><b><u>Recommendation:</u></b>  <u>Software Licensing Policies.</u>            Policies should be reviewed and updated to ensure that they include specific, clear, and relevant policy statements in respect of software licensing management activities, e.g.:</p> <p>a) Responsibilities for obtaining, approving, distributing, monitoring, and using software licences.            b) Steps to take in the event of the installation of unauthorised or unlicensed software.            c) Preferred licensing models.</p> <p><b><u>Agreed Management Action(s):</u></b>            The current IT Policies are to be reviewed and updated to ensure that</p>	<p><b>Responsible Officer:</b>            Matt Canterford, Assistant Director and CTO.</p> <p><b>Due Date:</b>            30 April 2024.</p>	<p><b>November 2024.</b>            Currently in progress with an aim to complete by December 2024.</p>	Partially Implemented

**APPENDIX B: IMPLEMENTATION STATUS OF 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 (Nov 2024)
		they outline responsibilities for obtaining, approving, distributing, monitoring, and using software licences.			
3.	<b>Premises Licensing (issued Oct 2024).</b>	<p><b><u>Recommendation:</u></b>                      A full business process review is completed to allow the annual maintenance fee to be administered and fees collected in an efficient and effective manner. Any review should address weaknesses in:</p> <ul style="list-style-type: none"> <li>• Inter-departmental communication.</li> <li>• Aged debt monitoring and recovery.</li> <li>• Accuracy and completeness of records relating to premises licencing.</li> <li>• Arrangements for suspending licenses.</li> <li>• Defining the roles and responsibilities of the Licensing Officers.</li> <li>• Accuracy and completeness of procedure notes, including those relating to annual maintenance fees.</li> </ul> <p><b><u>Agreed Management Action(s):</u></b>                      A cross service working group will be formed, chaired by OR. Including licensing, finance, and the transformation team.                      Transformation will support the preprocess re-engineering. Group to be tasked with addressing all the issues in the audit by the end of September 2025.                      The group will initially draw up a timetabled action plan to be signed off by JG. Quarterly updates to JG. Any barriers to improvement or issues requiring corporate input will be escalated by JG to leadership team to ensure all the identified issues are addressed.</p>	<p><b>Responsible Officer:</b>                      Oliver Rawlings (OR) / Jonathan Geall (JG).</p> <p><b>Due Date:</b>                      September 2025.</p>	<p><b><u>November 2024.</u></b>                      New recommendation. The management response opposite is the latest comment.</p>	Not yet implemented.

**APPENDIX C: INTERNAL AUDIT PLAN 2024/25 – PLANNED AUDIT START DATES**

April	May	June	July	August	September
2023/24 Projects Requiring Completion - Complete	Freedom of Information - Final Report	Licensing - Final Report	Rent & Lease Administration - Draft Report	Data Breach Incidents & Response - Final Report	Community Safety Partnership - In Fieldwork
Travel & Expenses - Final Report		Court Cost Tracking Follow Up - Final Report		Corporate Health & Safety (c/f from May) - Draft Report	Sickness Absence Management (c/f from July) - Final Report
					Housing Benefits - Final Report (b/f from November)
October	November	December	January	February	March
Crisis Management - In Fieldwork	Council Tax - ToR Issued	IT Hardware - Allocated	Debtors - Allocated	Accounting - Allocated	
Business Rates - In Fieldwork	Payroll (c/f from September) - In Planning	Creditors - Allocated	Treasury Management - Allocated	Garden Waste Collection - Allocated	
Risk Management - In Fieldwork	Follow Up (2) - In Fieldwork (b/f from February)	Homelessness - Allocated	Corporate Governance - Allocated		



## APPENDIX D - ASSURANCE / RECOMMENDATION PRIORITY LEVELS

Audit Opinions		
Assurance Level	Definition	
Assurance Reviews		
<b>Substantial</b>	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.	
<b>Reasonable</b>	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.	
<b>Limited</b>	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.	
<b>No</b>	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.	
<b>Not Assessed</b>	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		
<b>Unqualified</b>	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.	
<b>Qualified</b>	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.	
<b>Disclaimer Opinion</b>	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.	
<b>Adverse Opinion</b>	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	<b>Critical</b>	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	<b>High</b>	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.
	<b>Medium</b>	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.
	<b>Low</b>	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 9

## **East Herts Council Report**

### **Audit & Governance Committee**

**Date of meeting: 27 November 2024**

**Report by: Steven Linnett, Head of Strategic Finance & Property (s.151 Officer)**

**Report title: Audit and Governance Committee Work Programme**

**Ward(s) affected: All**

**Summary** – To present to Audit and Governance 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 its 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, Audit Results Report and Annual Audit Letter; and
- 2.0 Receive copies of Executive budget monitoring reports, for information, so that the final accounts outturn position can be compared to forecasts during the year.
- 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 note that the statement of accounts is shown as being approved by a sub-committee. Due to the problems in the local government external audit market, audit have been severely delayed due to the external auditor's lack of resources and therefore we cannot predict when audits will return to a firm timetable and the sub-committee is used to approve the statement of accounts as soon as practicable after the audit is completed.
- 3.2 The work programme for the Committee is proposed to be as follows:

<b>Committee</b>	<b>Author</b>	<b>Report Title</b>	<b>Report Summary</b>
Audit & Governance Committee  January 2025	Alison Street	Budget Scrutiny - Budget 2025/26 and Medium Term Financial Plan 2025-29	Executive Member for Financial Sustainability to present to Audit and Governance Committee the Executive's proposed General Fund Budget and Medium Term Financial Plan for scrutiny.
	Nicola Munro	Investment Strategy 2025/26 for scrutiny	Executive Member for Financial Sustainability to present to Audit and Governance Committee the Executive's proposed Investment Strategy for scrutiny.
	Nicola Munro	Capital Strategy and Minimum Revenue Provision Policy 2025/26 for scrutiny	Executive Member for Financial Sustainability to present to Audit and Governance Committee the Executive's proposed Capital Strategy and Minimum Revenue Provision Policy for scrutiny.
	Head of Strategic Finance and Property	Procurement Strategy 2024/5 – 2029/30 for scrutiny	Executive Member for Financial Sustainability to present to Audit and Governance Committee the Executive's proposed Procurement Strategy for scrutiny.
	Steven Linnett	Social Value Policy – Priority Themes, Outcomes and Measures	To present to Audit and Governance Committee an update to the Social Value Policy Themes, Outcomes and Measures

<b>Committee</b>	<b>Author</b>	<b>Report Title</b>	<b>Report Summary</b>
	Alison Street	Financial Management 2024/25 – 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.
	Nicola Munro	Treasury Management 2024/25 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
Audit and Governance Committee		External Audit Planning Report 2024/25	To present to Audit and Governance Committee the external auditor's Audit Planning Report. The Committee receives the report on behalf of the Council.
March to May?		Provisional Outturn 2023/24	To present to Audit and Governance Committee the provisional General Fund Revenue and Capital Outturn. The figures remain provisional until the external auditor has completed the audit.
		Receipt of the Final External Auditor's Audit Results Report 2023/24	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

Committee	Author	Report Title	Report Summary
			reached and the recommendations they have made to discharge their statutory audit responsibilities to those charged with governance (in this case the Audit and Governance 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 2023/24	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 following the end of a year, or as soon as practicable after the conclusion of the audit.
		Approval of the Annual Governance Statement 2023/24	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



Committee	Author	Report Title	Report Summary
	Tyron Suddes		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.
		Data Protection Update	To present to Audit and Governance Committee the progress on data protection policies and practices.
	Nick Jennings	Anti-Fraud Plan	To present to Audit and Governance Committee the Shared Anti-Fraud Service Anti-Fraud Plan for the financial year.
	Simon Martin	Internal Audit Plan	To present to Audit and Governance Committee the Shared Internal Audit Service Audit Plan for the financial year.
		Audit and Governance Committee Work Programme	To present to Audit and Governance Committee an update on the work programme for the year.

Committee	Author	Report Title	Report Summary
Audit & Governance Committee  28 May 2025	Michele Aves	Appointment of Vice- Chairman for 2025/26	Members will vote to appoint the Vice Chairman of the Committee
		Training:	Members are invited to nominate a training topic
	Jess Khanom-Metaman	Leisure Annual Report	To present to Audit & Governance Committee an annual report on leisure so that the Committee can assure Council that the investment in new leisure centres is performing as per the business case and making a return to the council after servicing debt.
	Simon Martin	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.

<b>Committee</b>	<b>Author</b>	<b>Report Title</b>	<b>Report Summary</b>
	Simon Martin	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.
	Nick Jenning	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
	Nick Jennings	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.
	Head of Strategic Finance and Property	Strategic Risk Register Monitoring Q4 2024/25 and Annual Review of Risk Management Strategy	To present to Audit and Governance Committee the Strategic Risk Register Monitoring at the end of quarter 4.
	Tyron Suddes	Data Protection Update	To present to Audit and Governance Committee an update on data protection
	Head of Strategic Finance and Property	Audit and Governance Committee Work Programme	To present to Audit and Governance Committee an update on the work programme for the year.

<b>Committee</b>	<b>Author</b>	<b>Report Title</b>	<b>Report Summary</b>
Audit and Governance Committee		Training	Members are invited to nominate a training topic
30 September 2025	Simon Martin	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.
	Nick Jennings	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.
	Head of Strategic Finance and Property	Strategic Risk Register Monitoring Q1 2025/26	To present to Audit and Governance Committee the Strategic Risk Register Monitoring at the end of quarter 1.
	Alison Street	Financial Management 2025/26 – 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 spending and the capital programme as at the end of quarter 1
	Alison Street	Budget 2025/26 and Medium Term Financial Plan 2025/26 – 2029/30	To provide Audit and Governance Committee with an update on the budget and MTFP including costs pressures, savings and efficiencies against

<b>Committee</b>	<b>Author</b>	<b>Report Title</b>	<b>Report Summary</b>
			the original proposals, and budget planning assumptions for scrutiny.
	Nicola Munro	Annual Treasury Report 2024/25	To provide Audit and Governance Committee with a copy of the Annual Treasury Report so that they can scrutinise the Report.
	Ben Wood	Assets of Community Value	To present to Audit & Governance Committee the Register of Assets of Community Value annual update report.
	Head of Strategic Finance and Property	Audit and Governance Committee Work Programme	To present to Audit and Governance Committee an update on the work programme for the year.
Audit & Governance Committee November 2024		Training: TBD	Members are invited to nominate a training topic
	Jackie Bruce	Annual Infrastructure Funding Statement Report 2023/24	To present to Audit and Governance Committee an update on Section 106 contributions and the

Committee	Author	Report Title	Report Summary
			council's Annual Infrastructure Funding Statement Report 2020/21
	Jess Khanom-Metaman	BEAM Annual Report	To present to Audit & Governance Committee an annual report on BEAM (theatre and cinema in Hertford) so that the Committee can assure Council that the investment in new leisure centres is performing as per the business case and making a return to the council after servicing debt.
	Paul Grady	External Audit Update 2024/25	To present to Audit and Governance Committee the external auditor's Audit Update Report. The Committee receives the report on behalf of the Council.
	Simon Martin	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.
	Nick Jennings	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.

Committee	Author	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.

## **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

### **Contact Officer**

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