



# Public Document Pack

James Ellis  
Head of Legal and Democratic Services

**MEETING** : AUDIT AND GOVERNANCE COMMITTEE  
**VENUE** : COUNCIL CHAMBER, WALLFIELDS, HERTFORD  
**DATE** : WEDNESDAY 25 SEPTEMBER 2024  
**TIME** : 7.00 PM

## PLEASE NOTE TIME AND VENUE

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<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

## Substitutes

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

*(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 - 29 May 2024 (Pages 6 - 27)

To approve as a correct record the minutes of the meeting held on 29 May 2024.

3. Chairman's Announcements

4. Declarations of Interest

To receive any declarations of interest.

5. Training Presentation - Cyber Security

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. Shared Internal Audit Service - Internal Audit Plan Progress Report (Pages 28 - 45)

7. Shared Anti-Fraud Service - Anti-Fraud Plan Progress Report (Pages 46 - 50)

8. Financial Management 2024/25 - Q1 Forecast to year end  
(Pages 51 - 62)
9. Local Government Association Finance Peer Challenge (Pages 63 - 120)
10. Audit and Governance Work Programme - 'To Follow'
11. 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  
29 MAY 2024, AT 7.00 PM

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PRESENT: Councillor M Adams (Chairman)  
Councillors B Deering, C Hart, S Nicholls,  
G Williamson, D Willcocks, D Woollcombe,  
Poppy and Sharman

ALSO PRESENT:

Councillors C Brittain, B Crystall and  
S Hopewell

OFFICERS IN ATTENDANCE:

Michele Aves	- Committee Support Officer
Steven Linnett	- Head of Strategic Finance and Property
Tyron Suddes	- Information Governance and Data Protection Manager

ALSO IN ATTENDANCE:

Darren Bowler	- Shared Anti-Fraud Service (SAFS)
Philip Juhasz	- Shared Anti-Fraud Service (SAFS)
Simon Martin	- Shared Internal Audit Service
Mark Poppy	- Independent Person
Neil Sharman	- Independent Person

20 APPOINTMENT OF VICE-CHAIRMAN FOR 2024/25

It was moved by Councillor Nicholls and seconded by Councillor Williamson, that Councillor Woolcombe be appointed Vice-Chair of the Audit and Governance Committee for the civic year 2024/25. After being put to the meeting and a vote taken, the motion was declared CARRIED.

**RESOLVED** – that Councillor Woolcombe be appointed as Vice-Chair of the Audit and Governance Committee for the civic year 2024/25.

21 APOLOGIES

There were no apologies for absence.

22 MINUTES - 30 JANUARY 2024

It was moved by Councillor Nicholls and seconded by Councillor Woolcombe, that the Minutes of the meeting of the Committee held on 30 January 2024 be confirmed as a correct record and signed by the Chairman. After being put to the meeting and a vote taken, this motion was declared CARRIED. Councillor Willcocks abstained from the vote.

**RESOLVED** – that the Minutes of the Committee meeting held on 30 January 2024 be confirmed as a correct record and signed by the Chairman.

23 CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed all to the meeting, and this welcome was also extended to Councillor Willcocks as a new Member of the Committee.

24 DECLARATIONS OF INTEREST

There were no declarations of interest.

25 TRAINING - SHARED ANTI-FRAUD SERVICE

The Shared Anti-Fraud Service (SAFS) Manager gave a training presentation to the Committee, this focused on a recent SAFS investigation which concluded at the end of the last financial year.

The SAFS Manager said that the case related to two planning applications for a property development in an exceptionally rural local area. He said that the first planning application established a development of six mixed use units – to be utilised by each unit occupant for seventy percent residential and thirty percent business use.

The SAFS Manager said that the second planning application was for a change of use for the units - from business to solely residential. This resulted in an East Herts Planning Officer visiting the site for inspection and finding that all of the units were already being used solely for residential purposes, although each were registered for business rates with the Council Tax Department.

The SAFS Manager said that the case was referred to them for further investigation on this basis, and it was found that the property developer had provided false documents in respect of tenancy agreements and business rates forms.

The SAFS Manager said that the case was sent to St Albans Crown Court where £44,000 was recovered. He said that the case had identified areas which could be exploited, and that subsequent mechanisms were in place to stop such reoccurrences. He said that SAFS was now



receiving referrals from Planning Teams, and that the successful prosecution sent a direct deterrent message.

The SAFS Senior Investigator continued the training presentation, focusing on the emerging risks and threats from Artificial Intelligence (AI). He said that it was imperative that SAFS got ahead of the curve using local and national intelligence to protect partners.

The SAFS Senior Investigator said that AI was growing rapidly and was here to stay. He said that the emergence of 'deep fake' technology meant that fraudsters only need capture three to five seconds of a person's voice to create a false identity.

The SAFS Senior Investigator said that historically deceptive emails and letters which were sent by fraudsters were easily identifiable with poor English and grammar. He said that AI however allowed for more professional formatting, meaning that red flags were not so visible, and therefore staff diligence imperative.

The SAFS Senior Investigator said that email compromises which encouraged users to use false links had been seen in schools and at one local authority. He said that such compromises allow the fraudster to read and divert a victim's emails without them knowing, also copying their tone and style.

The SAFS Senior Investigator said that these risks were real, and that increasing awareness of these methods raised the human firewall, ensuring policies and procedures were followed.

The Chair thanked the SAFS officers for their presentation.

Councillor Hart asked how the first defence of the human firewall would work if such fraudulent emails were so realistic.

The SAFS Senior Investigator said that in the first instance staff needed to be thoroughly trained and controls and mitigations needed to follow should this first line of defence fail, for example, the use of secondary authorisation.

Councillor Woollcombe observed that eighty-five of the one hundred and eleven cases within the report concerned Council Tax fraud. He asked if SAFS remit enabled them to deal with larger cases, such as utility company dishonesty.

The SAFS Manager said that their role was predominantly to protect the Council's interests, inclusive of Council Tax and social housing fraud. He said that unlike the Police, HMRC and the UK Border Agency SAFS were not warranted, although the SAFS financial investigator did possess wider powers.

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

26 SHARED ANTI-FRAUD SERVICE - ANTI-FRAUD REPORT 2023/24

The SAFS Manager introduced the report which provided details of the work undertaken by SAFS to protect the Council against the threat of fraud and deliver the Anti-Fraud Action Plan for 2023/24.

The SAFS Manager said the objective was set for SAFS to deliver two hundred and eight five days of work for the Council, and that two hundred and eleven days (which was seventy four percent of this number) had been recorded against this. He said that this target had not

been met due to a new case management system being unable to correctly record time during the first half of the year. He said that this functionality had since been corrected and the recording of time in the second half of the year was at the expected level.

The SAFS Manager said that SAFS were unable to report on Key Performance Indicator (KPI) three as the new case management system could not be configured as hoped. He reiterated that again this was not to say that the response was not being met, just that a complete data set could not be provided.

The SAFS Manager said that the number of cases being referred to SAFS had increased slightly over the last year, which followed a consistent increasing trend. He said that an explanation of 'failed referrals' was provided within the report, with it important to understand the reasons as to why these cases were not pursued further.

The SAFS Manager said that forty-eight low risk cases were identified last year, which had been dealt with by way of a compliance approach. This approach resulted in the identification of forty-two thousand pounds of Council Tax and Housing Benefit fraud. He said that were it not appropriate to bring a criminal prosecution, fifteen financial sanctions were issued, totalling one thousand and fifty pounds.

The SAFS Manager said that of the cases closed in the past financial year, sixty-one thousand pounds of recoverable losses and savings were identified. He said that closures in the year had reduced, which was in part due to the move to a compliance.

The SAFS Manager said that the National Fraud Initiative (NFI) and the Fraud Hub were both fraud and error detection opportunities as well as an opportunity to reduce ongoing losses. He said that the NFI was a

biannual process, due to commence again in the Autumn and that the Fraud Hub was a rolling three-month programme managed by SAFS to capture fraud earlier.

The SAFS Manager said that data matching was also used to analyse National Non-Domestic Rates (NNDR), which had seen additional and new revenue of sixty-three thousand pounds for East Herts Council in this area.

The Senior Fraud Investigator drew Members attention to page 26 of the report, which detailed fraud awareness and prevention. This detailed culture, controls and mitigations and fraud reporting methods. He confirmed that the Council's website had links for the public to report by email, telephone and by using the SAFS online reporting tool.

The Senior Fraud Investigator said that SAFS had met their target to deliver five training sessions during 2023/24 and that the Council's also had access to an e-training learning module.

The Senior Fraud Investigator said that SAFS had provided three Executive Reports to analyse specific fraud incidents, providing insight into how the fraud materialised and making specific recommendations to strengthen processes and controls to prevent reoccurrences. He said that SAFS also shared Fraud Risk Assessments and Fraud Alerts to partners to evaluate potential fraud risks and equip partners with intelligence to strengthen controls against emerging and current fraud threats and trends.

The Chair thanked officers for their reports.

Councillor Nicholls asked if SAFS could reassure residents that they offered a good value for money service.

The SAFS Manager said that the Council needed the service and that privately this would cost considerably more. He drew Members attention to the statistics within the report and SAFS proactive as opposed to reactive approach.

Councillor Hart asked for clarification of the processing time for investigations, and how fast fraudulent financial transactions were managed.

The SAFS Manager said that in real terms a response to a referral was frequently made the same day, although a request for information might cause delays. He said that should SAFS be able to stop financial transactions instantly they will, adding that transactions for other partners have previously been frozen.

Mr Sharman requested clarification on the number of days service which the Council was receiving from SAFS, and further information regarding the compliance approach.

The SAFS Manager said that the days which were being delivered were not recorded on the new case managements system for the first part of the year. He said that this should have been captured automatically when a member of SAFS staff was working on the case in the system. He said that this was purely a metric and that the service given to the Council and other partners was flexible to their needs.

The Head of Strategic Finance and Property clarified that the Council did not 'buy' days of service from SAFS. He said that the number of days arose as an average when the service was formed.

The SAFS Manager said that compliance was used as a review of a household's circumstances, which often resulted in a change. He said any change would then be

reported to and corrected by the Council Tax Team. He said that should there be no response to a compliance review, or the review yield a larger than expected result this would be elevated into a referral for a SAFS investigator.

The SAFS Manager said that more detail regarding the first quarter of 2024 would be available in the next SAFS report. He said that to date eleven referrals had been received, two of which had originated from East Herts staff, that the service had nineteen live referrals and thirteen live investigations - with an estimated value of three hundred and three thousand pounds. He said that two cases had been closed and that six Council Tax and Housing Benefit reviews had resulted in overpayments of one hundred and eighty-four thousand pounds and future savings of seventeen thousand pounds.

**RESOLVED** – that the activity undertaken by the Shared Anti-Fraud Service (SAFS) to deliver the 2023/2024 Anti-Fraud Plan for the Council, and all Anti-fraud activity undertaken by Officers and SAFS to protect the Council be noted.

27 SHARED INTERNAL AUDIT SERVICE - 2023/24 ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT ANNUAL REPORT

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The Shared Internal Audit Service (SIAS) Manager introduced the report, which was the annual report for 2023/24. He drew Members attention to page 51 which gave assurances for the year.

The SIAS Manager said that details of the audit outcomes could be seen on pages 52 and 56 of the report and noted the narrative throughout. He said that SIAS performance was tabled from page 53 of the report and that the Audit Charter for 2024/25 (which was approved

each year by the Committee) remained vastly unchanged at page 62.

Councillor Deering asked if the current position with external audit compromised the work of SIAS.

The SIAS Manager said that SIAS work was internal focused and was not duplicated by work carried out by the external auditor.

The Chair sought assurance from the Head of Strategic Finance and Property that the scope and resources for internal audit were not subject to inappropriate limitations in 2023/24.

The Head of Strategic Finance and Property gave this assurance to the Chair and the Committee.

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

**RESOLVED** – that (A) the Annual Assurance Statement and Internal Audit Annual Report be noted; and

(B) that the results of the self-assessment required by the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance and Improvement Programme (QAIP) be noted; and

(C) that the SIAS Audit Charter for 2024/25 be accepted; and

(D) that management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2023/24 be sought.

## 28 ANNUAL LEISURE CONTRACT PERFORMANCE REPORT

The Executive Member for Wellbeing introduced the report, which gave an annual review of East Herts Council's fifteen-year leisure contract with Everyone Active (EA). She drew Members attention to the recently opened soft play facility at Hartham Leisure Centre, which was attracting on average two thousand, five hundred visits per month and the weekly regular club and group bookings which were being made in first full operational year of the 3G pitch at Grange Paddocks Leisure Centre.

The Executive Member for Wellbeing said that work to attempt to reinstate the closed Ward Freeman swimming pool continued. She introduced the EA Contracts Manager who then delivered a slide presentation to the Committee, which gave a twelve-month review of the East Herts Leisure Contract.

The Chair thanked the Executive Member and the EA Contracts Manager for the report and presentation.

Councillor Williamson asked for clarity as to what the extra funding of seventeen thousand pounds (which was mentioned in the slide presentation) represented.

The EA Contracts Manager said that external funding was received from the Herts Sports Partnership which enabled the Grange Paddocks Leisure Centre to run Health Activity and Food Programmes – which were traditional school holiday camps for children from disadvantaged households.

Councillor Nicholls said that the loss of the Ward Freeman pool was a massive loss to the community, and she extended her thanks to those who had given help to the Pool Group. She asked if there were any penalties incurred for the early closure of the pool.



The EA Contracts Manager said that the Ward Freeman swimming pool closure was very sad, and a step which nobody wanted to take. He said that no penalties had been issued, as this did not benefit the community. He said that the closure of the pool had resulted in small redundancies and that there were minimal site costs for the closed building.

Councillor Nicholls asked if there was any data to show if those who were using the Ward Freeman swimming pool were now using the pool facilities in Ware and Hertford, and if the centres offered concessions.

The EA Contracts Manager said that this information could be obtained by proxy by looking at the Ware and Hertford pool data. He said that leisure centre users could choose to 'pay as you go' and that concessions were available.

Councillor Deering thanked the EA Contracts Manager for his excellent presentation and extended his appreciation to staff for the success of the facilities. He said that the investment driven success of the facilities could be attributed to the previous administration.

Councillor Hart said that health and safety was paramount, and asked why there were significantly more reported accidents at Grange Paddocks Leisure Centre.

The EA Contracts Manager said that there was a higher foot fall at Grange Paddocks Leisure Centre, and that the facilities available, such as the 3G pitch, gave an increase in the number of potential incidents from tackles and head clashes.

Mr Sharman asked if a significant increase in visitors influenced financial performance.

The EA Contracts Manager said that financially they were exceeding expectations. He was unable to give further details due to commercial sensitivity and the public forum of the meeting. He said that the key driver/measure was the impact that the facilities had on the community.

Mr Poppy asked how the figure of five and a half million pounds of social value for the East Herts sites was arrived at, and how the East Herts contract compared to those contracts held by EA outside of the district.

The EA Contracts Manager said that social value was used to demonstrate the impact which the industry made. He said that Sheffield Hallam University and Active Communities developed the social value calculator, which utilised data provided by contractors. He said that comparing the East Herts contract to others was difficult as the demographic profiles were so different.

The Head of Strategic Finance and Property said that the social value policy was agreed last year.

It was moved by Councillor Deering and seconded by Councillor Nicholls, 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 views of the Audit and Governance Committee be received and noted.

## 29 DATA PROTECTION UPDATE

The Information Governance and Data Protection Manager introduced the report, which detailed fourteen reported breaches from September 2023 to April 2024.

The Information Governance and Data Protection Manager said that one of these breaches was reported to the Information Commissioner's Office (ICO). This was

due to a cyber-attack on a sub-processor used by Gatherwell, who provide community lottery services. He said that given the actions taken by the supplier and the council's assurance of security arrangements, the ICO took no further action and were satisfied with the council's response.

The Information Governance and Data Protection Manager said that of the thirteen other reported breaches:

- Nine were due to correspondence being shared with an incorrect recipient.
- One was due to not correctly using the BCC function when sending an email.
- Two were due to a calendar invite being sent to multiple attendees, revealing their email addresses.
- One was due to data not being fully redacted before publication on the council's website.

The Information Governance and Data Protection Manager said that the following actions were taken in response to the above breaches:

- Where possible, email recalls were issued.
- The incorrect recipient was asked to destroy personal data and confirm this by email once completed.
- Where errors were due to software issues these were immediately rectified with the relevant supplier.
- Data published in error was immediately corrected or removed.

The Information Governance and Data Protection Manager said that the following actions were taken to prevent similar breaches from occurring in the future:

- Officers were advised to regularly clear their auto-complete cache to reduce the possibility of sending emails in error.
- Officers were reminded of the serious implications of a data breach and, where relevant, were advised of further actions or given training to reduce the likelihood of future breaches.
- A MailTip feature has been activated on outlook which will notify officers when they enter an external email address.
- Officers were reminded of the importance of liaising with the Information Governance and Data Protection Manager prior to engaging new suppliers, that will process council controlled personal data so that a supplier assurance assessment can be carried out.

The Information Governance and Data Protection Manager said that there had been no increase in the number of reported breaches. He said that had been five subject access requests from September 2023 to April 2024, with all requests processed and responded to within the statutory time limit.

The Chairman thanked the Information Governance and Data Protection Manager for his report.

Councillor Nicholls asked if any of the reported breaches were made by Members, or if they were all caused by officers.

Information Governance and Data Protection Manager said that all of the reported breaches in the report were attributed to officers.

Councillor Willcocks sought the definition of a subject access request.

The Information Governance and Data Protection Manager said that a subject access request was the right for an individual to access their own personal data, held by an organisation. He said that this type of request required the individual to provide proof of identification.

The Information Governance and Data Protection Manager said that a freedom of information request was more generalised, and covered recorded information held by authorities.

Councillor Willcocks asked if the breach which was reported to the ICO was the fault of the council.

The Information Governance and Data Protection Manager said that this breach was not the fault of the Council but caused by a cyber-attack on the sub-processor Gatherwell.

The Chair asked if breaches were punishable by the ICO.

The Information Governance and Data Protection Manager said that fines were imposed, these ranged from £200, up to £14 million for sensitive data breaches.

It was moved by Councillor Woollcombe 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 content of the report be noted, and any observations provided to the Information Governance and Data Protection Manager.

### 30 MONITORING OF 2023/24 QUARTER FOUR CORPORATE RISK REGISTER

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The Head of Strategic Finance and Property introduced the report, which was in a new succinct format, with work

underway to replace Pentana software with Microsoft Viva Goals.

The Head of Strategic Finance and Property said that the waste contractor's vehicle maintenance supplier recently went into administration, but due to the mitigations in place another supplier was quickly found, and that there was no impact upon the Council's services.

The Head of Strategic Finance and Property said that the Council was awaiting the Local Government Association report following a DMA review, and that this would be used to deal with staffing risks.

Councillor Williamson said that the report was now the best it had been, with the table and scores clear. He extended his compliments to officers regarding this.

Mr Sharman agreed with Councillor Williamson's positive comments regarding the format of the Risk Register, he noted however that the likelihood and impact number formatting appeared to be the wrong way around.

The Chair said that the register highlighted the high residual risks regarding technology and finances, and asked if the Council's IT Department could provide more information in relation to cyber security.

The Head of Strategic Finance and Property said that the Council's IT Service was outsourced from Stevenage Council, and that a presentation on cyber security could be arranged for the Committee.

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

**RESOLVED** – that (A) The 2023/24 quarter four corporate risk register be reviewed, and officers advised of any suggested improvements to the format of the risk register; and

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

### 31 AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

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The Head of Strategic Finance and Property introduced the report. He drew Members attention to the vacant training slots for the September 2024 and May 2025 meetings of the Committee and welcomed Members suggestions for topics for these slots.

Councillor Williamson observed that the Committee had four meetings scheduled for the 2024/25 civic year, which was a decrease from the six meetings held each year until 2022. He asked for clarification if this reduction was due to when the reports could be delivered, or if there was an opportunity to return to more meetings each year, to make each agenda more manageable. He said that the proposed agenda for the January 2025 meeting looked heavy and included budget scrutiny.

The Head of Strategic Finance and Property said that the meetings were programmed to fit with the accounts and audit regulations, and when the expected outcomes would be. He reminded Members that draft accounts were expected at the end of May, with audited accounts at the end of July, and that meetings had been timetabled around these dates.

The Head of Strategic Finance and Property said that the external audit market had since experienced well know

national issues with significant delays to audits. He said that the Council was now in a position where they were expecting to receive a disclaimer from their previous external auditor for 2022/23, and that their newly appointed auditors were attempting to get back to the audit timetable. He said that this is why the agenda for January 2025 meeting of the Committee looked heavy, but that the circumstances were beyond his control.

The Head of Strategic Finance and Property said that the option of convening a Sub-Committee had been removed as the Committee had previously decided that the accounts should be approved at a full meeting of the Committee.

Councillor Williamson said that he understood the problems which surrounded external audit and that officers would need to look at the programming of meetings. He said that he also understood that adding in an extra meeting may not work for the reasons explained by the Head of Strategic Finance and Property.

Councillor Deering endorsed the points raised by Councillor Williamson.

Councillor Woolcombe asked if BEAM (formally Hertford Theatre) would feature in the Committee Work Programme.

The Head of Strategic Finance and Property said that that Leadership Team were currently working with BEAM management, and that the intention was to bring a BEAM annual report to the Committee, which would be in the same format as the report heard tonight from EA. He said that this would be added to the May 2025 meeting agenda, but that as the venue was due to open in August 2024 the report would not cover a full year of operation.



Mr Sharman asked if a Data Protection Update was required for the September 2024 meeting.

Members debated this issue and agreed that the Data Protection Update should be received by the Committee twice per year.

Members debated and agreed that the Data Protection Update which was scheduled for the September 2024 meeting be replaced with a presentation from the Council's IT Department on cyber security.

The Chair suggested to the Committee that a presentation on the Council's Transformation Programme could be added to the vacant September 2024 training slot, as the programme was a risk to the Council's budget.

Members debated and agreed that a presentation on the Council's Transformation Programme should be given by the Deputy Chief Executive in the vacant September 2024 training slot.

Councillor Deering asked for clarification/resolution on the previous points raised regarding the number of meetings of the Committee.

The Chair asked for the implications of moving to six Committee meetings per year.

The Head of Strategic Finance and Property said that he would need to consult with the Monitoring Officer and The Democratic and Electoral Services Manager.

The Chair said that this consultation would take place by the September meeting of the Committee.

Councillor Deering asked if an extra Committee meeting could be arranged before September.

The Committee Support Officer said that this was unlikely due to several factors, and that she again would need to consult with the Head of Strategic Finance and Property, Monitoring Officer and the Democratic and Electoral Services Manager.

The Chair said that this was a fair point.

Councillor Williamson said the principal of an increase to six Committee meetings per civic year was to ease business, but that he understood that some reports were time barred, and that timetabling had been completed for the current civic year. He asked that if therefore a move to more meetings could not be facilitated for the current civic year if this could be a possibility for the next civic year.

Members agreed that the Chairman should explore the possibility of scheduling an extra meeting for the 2024/25 civic year with the Head of Strategic Finance and Property, the Monitoring Officer, the Democratic and Electoral Services Manager and the Committee Support Officer.

It was moved by Councillor Woolcombe and seconded by Councillor Hart, 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.

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URGENT ITEMS

There were no urgent items.

The meeting closed at 9.24 pm

Chairman .....

Date .....

# Agenda Item 6



## East Herts Council Audit & Governance Committee

25 September 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
- c) Note the Global Internal Audit Standards Briefing Paper

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- 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
  - 2.11 Global Internal Audit Standards

### 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
- E Global Internal Audit Standards Briefing Paper

# 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 6 September 2024.
  - The findings for the period 1 May 2024 to 6 September 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 6 September 2024.
  - A briefing paper on the revised Global Internal Audit Standards.

## 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 first 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 6 September 2024, 28% of the 2024/25 Internal Audit Plan days have been delivered (the calculation excludes contingency days that have not yet been allocated).
- 2.2 The following final reports have been issued since May 2024 (reports issued in April were included in the Internal Audit Annual Report, presented to the May committee meeting):

<b>Audit Title</b>	<b>Date of Issue</b>	<b>Assurance Level</b>	<b>Number of Recommendations</b>
Freedom of Information	Aug 2024	Substantial	Two Advisory
Travel & Expenses	Aug 2024	Reasonable	Two Medium
Follow Up of Limited Assurance Report(s) from 2023/24	Aug 2024	Not Assessed	None

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 6 September 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	3	13%
Draft Report Issued	1	4%
In Fieldwork/Quality Review	2	8%
In Planning/Terms of Reference Issued	6	25%
Allocated	12	50%
Not Yet Allocated	0	0%
Cancelled/Deferred	0	0%
<b>Total</b>	<b>24</b>	<b>100%</b>

#### Internal Audit Plan Changes

- 2.4 There has not been any Internal Audit Plan changes 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. No new High Priority recommendations have been added to the schedule since the last Progress Report.

#### 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 6 Sept 2024	Actual Performance 6 Sept 2024	Notes
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	30%	28%	70 days delivered out of the current 247 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%	17%	17%	4 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 2 issued)
<b>4. Number of High and Critical Priority Audit Recommendations agreed as a percentage</b>	95%	95%	Not Applicable	No High Priority recommendation made in the year to date

\* Based on Audit Plan 'deliverables' at draft and final stage, and items carried forward from 2023/24 that were not at draft report stage by 31 March 2024.

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.

Global Internal Audit Standards

- 2.11 A briefing paper on the revised Global Internal Audit Standards that are required to be implemented by SIAS by 1 April 2025 is attached at Appendix E. Members should note that the Standards guide the worldwide professional practice of internal auditing, are principle-based, and serve as a basis for evaluating and elevating the quality of the internal audit function. At the heart of the Standards are guiding principles that enable effective internal auditing, including the role and function of an audit committee.

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

### 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	1.5	Allocated
Council Tax (shared with SBC)							Yes		Allocated
Housing Benefits (shared with SBC)							Yes		In Planning
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	1	ToR Issued
Homelessness						10	Yes	0	Allocated
Licensing						12	Yes	11.5	Draft 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	0	Allocated
<b>Corporate Services/Themes – 74 days</b>									
Crisis Management						10	Yes	0.5	In Planning
Risk Management (risk & control mapping refresh)						2	Yes	0	Allocated
Corporate Governance (risk & control mapping refresh)						2	Yes	0	Allocated

**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				
Sickness Absence Management						10	Yes	0.5	In Planning
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	Not Yet Allocated
Corporate Health & Safety Management						10	Yes	5	In Fieldwork
Community Safety Partnership						12	Yes	2	In Fieldwork
<b>IT Audits – 12 days</b>									
Data Breach Incidents (shared with SBC)						6	Yes	0.5	In Planning
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 – 3 days</b>									
Contingency						3	N/A	0	Through Year
<b>Strategic Support – 55 days</b>									
Head of Internal Audit						3	Yes	3	Complete
Audit & Governance Committee & Recommendation Follow Up						10	Yes	2	Through Year
Client Engagement & Adhoc Advice						10	Yes	2.5	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	0.5	Through Year
Plan & Progress Monitoring						12	Yes	4.5	Through Year
<b>SBC TOTAL</b>		<b>0</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>250</b>		<b>70</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 (Sept 2024)
1.	<b>Software Licence Management (issued Nov 2023).</b>	<p><b>Recommendation:</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> <ul style="list-style-type: none"> <li>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).</li> <li>b) All contracts entered on to the system are supported by a copy of the software licence agreement and contract.</li> <li>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.</li> <li>d) Licences which are expired, due to expire or be renewed are reported to senior management to enhance oversight and decision making.</li> </ul> <p><b>Agreed Management Action(s):</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>September 2024.</b>            Verbal update to be provided.</p>	N/A.
2.	<b>Software Licence Management (issued Nov 2023).</b>	<p><b>Recommendation:</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> <ul style="list-style-type: none"> <li>a) Responsibilities for obtaining, approving, distributing, monitoring, and using software licences.</li> <li>b) Steps to take in the event of the installation of unauthorised or unlicensed software.</li> <li>c) Preferred licensing models.</li> </ul> <p><b>Agreed Management Action(s):</b>            The current IT Policies are to be reviewed and updated to ensure</p>	<p><b>Responsible Officer:</b>            Matt Canterford,            Assistant Director and CTO.</p> <p><b>Due Date:</b>            30 April 2024.</p>	<p><b>September 2024.</b>            Verbal update to be provided.</p>	N/A.

**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 (Sept 2024)
		that they outline responsibilities for obtaining, approving, distributing, monitoring, and using software licences.			

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

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

## 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.

## APPENDIX E - Global Internal Audit Standards – Briefing Paper

### The change from the International Professional Practices Framework to the Global Internal Audit Standards

1. Following consultation during 2023, the Global Institute of Internal Auditors (the GIIA) published a set of new Global Internal Audit Standards (GIAS) in January 2024. The GIAS are due to come into effect from January 2025, although this has been extended to April 2025 for the UK public sector to align with the new financial / municipal year and internal audit reporting requirements.
2. The previous International Professional Practices Framework (IPPF) was separated into categories for mandatory and recommended guidance. The new 2024 GIAS have incorporated the recommended guidance into the mandatory requirements to aid practitioners in accessing and understanding the information. This has also led to the previous Code of Ethics, Core Principles, and Implementation guidance under the umbrella of the new Standards. The image below (from the consultation papers) encapsulates this change.



3. New to the 2024 GIAS are the setting of Topical Requirements. They are intended to assist the internal audit function by providing structure and consistency in covering governance, risk, and control over specified areas. These requirements will be published during 2024 and will be mandatory when Internal Audit scope an audit in these topical areas.
4. Although mandatory, there is a comply or explain approach when auditing, or choosing not to audit, an area where topical requirements have been published. They are not a requirement to perform any engagement, nor are they a step-by-step approach to the execution of the Internal Audit engagement. The topical requirements include a tool to help internal audit document the rationale for including or excluding certain requirements.
5. To date, one Topical Requirement has been published on Cyber Security. Others being developed include:
  - a) Organisational Governance
  - b) Fraud Risk Management



## APPENDIX E - Global Internal Audit Standards – Briefing Paper

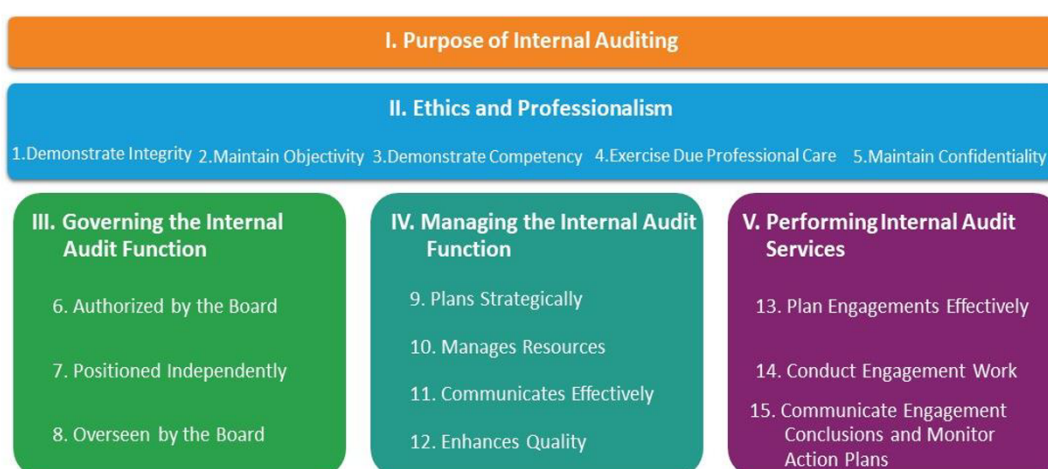
- c) Information Technology Governance
- d) Sustainability: Environment, Social and Governance
- e) Third-party Management
- f) Performance Audits (Public Sector specific)

### The Global Internal Audit Standards – Domains and Principles



## Global Internal Audit Standards

### Five Domains, 15 Principles



6. The GIAS are arranged into five Domains (sections), as also outlined in the image above:

- I. Purpose of Internal Auditing
- II. Ethics and Professionalism
- III. Governing the Internal Audit Function
- IV. Managing the Internal Audit Function
- V. Performing Internal Audit Services

7. There are five domains, with the first two being the foundations which apply across all other domains. Domain III is around governing internal audit, is therefore the most relevant to the Audit Committee and includes essential conditions that the Audit Committee needs to follow. Domain IV is around leading the internal audit function and therefore is the focus of the Chief Audit Executive (aka the Head of Internal Audit). Finally, Domain V is focused on performing internal audit engagements.
8. The 5 domains include 15 Principles (as also outlined in the image above) and 53 individual standards to support these. Each standard includes:
- a) Requirements – mandatory practices for internal audit

## APPENDIX E - Global Internal Audit Standards – Briefing Paper

- b) Considerations for implementation – common and preferred practices to consider when implementing the requirements.
- c) Examples of evidence of conformance – examples to demonstrate that the requirements have been implemented.
9. This new structure while meaning the document is now in the region of 100 pages long, is easy to dip in and out of and bring all relevant material to one place, rather than having to read across different documents.
10. The review has not just been structural. There are new requirements and clarifications. These are aimed to raise the bar for the profession across the globe in the private and public sector, however, in the UK and Ireland (and EU) the distance from current practice to the new GIAS is not as great as in other parts of the world. This is especially the case for public sector internal audit teams in the UK that ‘generally conformed’ with the Public Sector Internal Audit Standards (PSIAS) enshrined in the Accounts and Audit Regulations 2015. The PSIAS were themselves based on the IPPF.

### Key Changes

11. The table below illustrates some of the key changes in the GIAS:

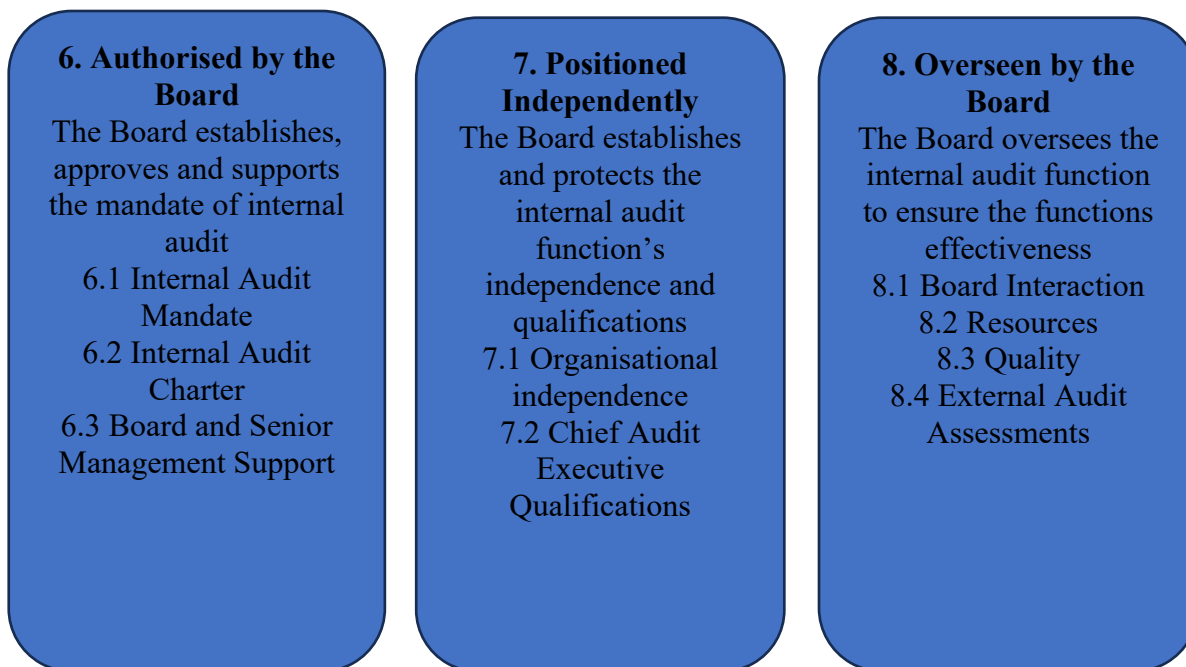
Area	Term	Definition / Change / Narrative
Glossary	Board	<p>Collective noun and is defined in the glossary as below:</p> <p><i>‘Highest-level body charged with governance, such as:</i></p> <ul style="list-style-type: none"> <li>• <i>A board of directors.</i></li> <li>• <i>An audit committee.</i></li> <li>• <i>A board of governors or trustees.</i></li> <li>• <i>A group of elected officials or political appointees.</i></li> <li>• <i>Another body that has authority over the relevant governance functions.</i></li> </ul> <p><i>In an organisation that has more than one governing body, “board” refers to the body or bodies authorised to provide the internal audit function with the appropriate authority, role, and responsibilities.’</i></p> <p>In the UK public sector, this is generally deemed to be the Audit Committee or equivalent.</p>
Glossary	Root Cause	<p>Core issue or underlying reason for the difference between the criteria and condition of an activity under review. See Domain V below.</p>
Domain I	Purpose of Internal Auditing	<p><i>‘Internal auditing strengthens the organization’s ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.’</i></p>

## APPENDIX E - Global Internal Audit Standards – Briefing Paper

		<p>Internal auditing enhances the organisation's:</p> <ul style="list-style-type: none"> <li>• Successful achievement of its objectives.</li> <li>• Governance, risk management, and control processes.</li> <li>• Decision-making and oversight.</li> <li>• Reputation and credibility with its stakeholders.</li> <li>• Ability to serve the public interest.</li> </ul>
<b>Domain II</b>	<b>Code of Ethics</b>	<p>Essentially the Code of Ethics with some further expansion pulling from Implementation Guidance. Introduction of the term 'Professional Courage' and ethics training as a consideration for implementation, but CIAs MUST complete 2 CPEs of ethics training every year. Also 'professional courage' as an appraisal objective.</p> <p>Professional courage is a new term. This is not about internal auditors seeking to speak directly with the board on areas they are worried about, but having professional discussion and using escalation protocols as appropriate to ensure that the message reaches the board as appropriate. Part of this is about ensuring that internal audit functions are aware of what ethical standards are expected, which is why ethical training is key part of this.</p>
<b>Domain III</b>	<b>Governing the Internal Audit Function</b>	<p>Domain III covers the governance of Internal Audit and represents a significant change. Although it covers areas that were in the previous IPPF, the new GIAS go further and explicitly lay out essential requirements, principles and standards with which Senior Management and the Board (Audit Committee) must conform. See separate section at paragraph 12 below.</p>
<b>Domain IV</b>	<b>Managing the Internal Audit Function</b>	<p>The Internal Audit Strategy principle sits in here, and the need to develop and implement an internal audit strategy.</p> <p>It should be noted that SIAS already has a Strategy approved by the SIAS Board. This is being revisited to ensure that it conforms with the GIAS.</p>
<b>Domain V</b>	<b>Performing the Internal Audit Services</b>	<p>This is largely the same as the previous IPPF / PSIAS. The term root cause in here has been an area of discussion amongst internal auditors.</p>

## **APPENDIX E - Global Internal Audit Standards – Briefing Paper**

12. The images below depict the three principles and nine standards of Domain III, being that most relevant to Audit Committees and senior management.



### **UK Public Sector Update**

13. The GIAS will form the basis for internal auditing for the UK public sector and the UK Public Sector Internal Auditing Standards Advisory Board (IASAB) are carrying out a review of the new standards with a view to identifying and producing any sector specific interpretations or other material needed to make them suitable for UK public sector use. This is especially relevant for Domain III. The consultation material is due for issue by September 2024 at the latest, with a consultation period of eight weeks.
14. Having regard to the points raised by respondents, the IASAB will prepare final material for application in the UK public sector together with guidance on transition. Subject to approval by the Relevant Internal Audit Standards Setters (including Treasury, CIPFA and others), these will be issued later in 2024 to allow sufficient time for preparation for implementation. The effective date of the new material developed by IASAB will be 1 April 2025, to align with requirements for annual opinions and other relevant aspects of UK public sector governance which line up with the financial year. Until then, the existing PSIAS based on the old International Professional Practices Framework and enshrined in the Audit and Account Regulations 2015 will continue to apply.
15. The PSIAS require an External Quality Assessment (EQA) to be completed every five years, and this continues to be a requirement of the GIAS. Those local authorities with an EQA due in 2024 must complete these prior to the GIAS implementation date of 9 January 2025 and can request an additional readiness assessment against the new GIAS. Those with an EQA date due in 2025 can opt to bring this forward for conduct under the existing PSIAS on the grounds

## **APPENDIX E - Global Internal Audit Standards – Briefing Paper**

outlined or keep to the planned date but must have completed sufficient engagements under the new standards prior to being assessed. The next SIAS EQA is due in July 2026, thereby providing sufficient time to embed and evidence compliance with the new standards.

### **Actions and Next Steps**

16. SIAS have, and will continue to, participate in consultation around the GIAS.
17. We have been attending professional body (Chartered IIA, CIPFA) and network (Chief Auditors Network, HCCIAG, LAG) webinars, training, and discussions to make sure we learn from colleagues and understand what is proposed, timeframes, the implications for SIAS and how we ensure we conform with the GIAS.
18. We have reviewed guidance and template documents available on the Chartered IIA member web pages and are working through the GIAS self-assessment tools available from the professional body to identify gaps, actions and exceptions.
19. As noted at paragraph 10, there are not a significant number of requirements for SIAS to implement from scratch and most of the work relates to revisiting and updating (where necessary) our documentation, processes, procedures, approaches, and methodologies to ensure that they conform with the GIAS. We have sought to link this as closely as possible to the normal delivery and reporting cycles to the SIAS Board and partner Audit Committees. To this end, partner Audit Committees have already received our updated and revised Internal Audit Mandate and Internal Audit Charter for approval in the May / June reporting cycle.
20. We will report on implementation and conformance with the GIAS, including areas of deliberate non-conformance, to the SIAS Board and our partner Audit Committees as part of our annual self-assessment accompanying the annual assurance opinion and our Internal Audit Charter. This forms part of the May / June Audit Committee cycle. We will inform the SIAS Board and partner Audit Committees should any material impediments to implementation arise ahead of the key UK public sector implementation date of 1 April 2025.

# Agenda Item 7



East Herts Council

Audit & Governance Committee

September 2024

## **Anti-Fraud Progress Report 2024/2025**

## Purpose

1. This early report provides details of the work undertaken by the Shared Anti-Fraud Service (SAFS) and Council Officers to protect the Council against the threat of fraud and the delivery of the Council's Anti-Fraud Action Plan for 2024/25.
2. Further reports will be provided to this Committee in 2024/25 with detailed progress with delivery of the agreed Plan and SAFS KPI performance.

## Recommendations

### 3. **Members are RECOMMENDED to:**

- a) **Note the progress by officers and the Shared Anti-Fraud Service (SAFS) to deliver the Anti-Fraud Plan for the Council.**

## Delivery of the Anti-Fraud Plan

4. The 2024/2025 Anti-Fraud Plan was approved by this Committee at its January 2024 meeting [Agenda for Audit and Governance Committee on Tuesday 30th January, 2024, 7.00 pm - East Herts District Council](#). This Plan covers all areas recommended by CIPFA and the *Fighting Fraud and Corruption Locally- A Strategy for the 2020s*. The Plan also provides assurance that the council continues to benefit from its investment in the SAFS Partnership.

## 2024/2025 Anti-Fraud Activity

5. The Council has in place Anti-Fraud, Bribery & Corruption Policies and these are kept under constant review to ensure compliance with current best practice and the impact of any changes required by legislation.
6. SAFS provided alerts on new and emerging fraud trends through its Board members and directly with officers working in our Partners. These alerts come from a variety of sources including the National Anti-Fraud Network (NAFN), Credit Industry Fraud Avoidance Service (CIFAS), National Fraud Intelligence Bureau (NFIB) at the City of London Police, and others.
7. Between April and August this year SFAS issued 20 Urgent Fraud Alerts including impersonation/ push payments/ payment diversion/ false identified used in various application frauds. SAFS also provide regular Fraud Threat Reports that summarise new and emerging risks and provide officers with the latest guidance to assist with identification and prevention. SAFS has issued three of these reports this year focused on Multiple Employment fraud, ID fraud, 'Overpayment' linked to money laundering, and MS account take-over.
8. Training plans to build on staff awareness about fraud risks affecting the Council, along with a publicity campaign to inform the public and encourage fraud reporting, are being developed with officers in HR and Comms teams. Service specific training has been delivered in four face-to-face sessions for the Parking Enforcement and Revenues & Benefits teams and sessions on ID fraud are planned for Housing Services, along with training to be delivered by the

Competitions and Markets Authority on bid-rigging later in the year for Council officers involved in contract management. SAFS have several sessions have been planned with a number of officers about the changes the National Fraud Initiative for 24/25.

9. Between April and end of July 2024, a further 34 allegations of fraud have been received by the Council/SAFS including Housing, Council Tax and Blue Badge abuse. SAFS currently have 33 cases under investigation, or at referral stage (17), with estimated losses of £364k. Three investigations have been closed and fraud losses/savings identified in two cases. From cases closed and those still under investigation £204k in fraud loss/prevention has been reported. SAFS have also conducted 18 reviews of low value alleged Council tax frauds, the outcomes of which are included in the values above.
10. Working with colleagues at the DWP SAFS officers are preparing a number of cases for prosecution that involve housing benefit and council tax fraud that was identified in 2023/24. These significant cases with high losses for the Council and will take some time to resolve through the court process.
11. SAFS and officers across the Council are preparing for the main National Fraud Initiative (NFI) exercise for 2024/25. The Cabinet Office are providing guidance on data specification and timescales for data uploads in October with the output from this expected in January 2025.
12. The Council is signed up the Herts Fraudhub for 24/25. The FraudHub works in a similar fashion to the main NFI exercise with data being submitted along with the other 7 SAFS partners to help identify fraud through data-analysis. In Q1 all agreed datasets were successfully uploaded and some data is already submitted for Q2. So far this has identified just under records for review, SAFS and Council officers are reviewing these at present, with a small number of frauds/discrepancies already identified. A further 1,809 matches were identified in the Council Tax date but these may be resolved through the council tax review process – see s.14 below.
13. SAFS continues to work with registered housing providers to investigate allegations of ‘tenancy-fraud’ committed against the social housing stock within the Councils boundaries. A number of these cases are being investigated by SAFS within East Herts at present and one property has been recovered and re-let to a family from the Councils Housing Register.
14. SAFS manages the ‘Council Tax Review’ framework for all borough/district councils enabling them to identify fraudulent applications for council tax discounts. The new contract has delivered by SAFS working with all district/boroughs and is now live, the Council Tax Manager is considering whether to make use of the framework in 2024 following its positive outcomes in 2023.
15. Another area of proactive work for the Council to detect fraud and error is the AnalyseLocal Project. This system, funded by the County Council, and provided by third party specialists identifies businesses claiming exemptions or discounts on their business rates they are not entitled to. Work on this project is still in development for 2024/25, but we anticipate that, as in 2023/24, this will deliver significant additional revenue for the Council.



16. In June this year SAFS collaborated with Councils across Hertfordshire, Buckinghamshire and Oxfordshire to provide a campaign with local civil enforcement teams to tackle the twin problem of Blue Badge theft and the misuse of borrowed or stolen badges in carparks owned by Councils. In Hertfordshire SAFS also engaged with Hertfordshire Constabulary and joint patrols, with SAFS Police and Council CEOs officers all involved, were conducted through June targeting known hotspots.
17. SAFS KPIs were agreed in the Anti-Fraud Pan and progress against them is reported in the table below.

### SAFS KPIs - 2024/ 2025- (EHC)

KPI	Measure	Objectives	Performance to August 2024
1	Return on investment from SAFS Partnership.	<p>A. Meetings to take place with the Councils <b>Head of Strategic Finance and Property</b> at least quarterly.</p> <p>B. <b>Head of Strategic Finance and Property</b> sits on the SAFS Board that meets quarterly.</p> <p>C. Regular meetings to take place with Service Leads to agree and update local work plans.</p>	<p>A. Meetings are scheduled to take place with the <b>Head of Strategic Finance and Property</b></p> <p>B. <b>Head of Strategic Finance and Property</b> is a SAFS Board Member and attends its quarterly meetings.</p> <p>C. SAFS meet with other service leads across the Council as and when required with a focus on the highest risk areas.</p>
2	Provide an investigation service.	<p>A. <b>Target to deliver 90%-110% of the funded 267 Days</b> of counter fraud activity including proactive and reactive investigation work, data-analytics, training and fraud risk management (Supported by SAFS Intel/Management).</p> <p>B. <b>3 Reports</b> to Audit &amp; Governance Committee.</p> <p>C. SAFS attendance at corporate governance, 'service champion' meetings, local management team meetings.</p>	<p>A. To the end of July 2024 SAFS had provided <b>101 days</b> (38%) of those planned for the year.</p> <p>B. SAFS will be delivering reports to the Councils Audit &amp; Governance Committee in the summer, autumn of 2024 and March 2025.</p> <p>C. SAFS has identified service champions in R&amp;B, HR and Housing.</p>
3	Action on reported fraud.	<p>A. All <b>urgent/ high risk</b> cases will be responded to within <b>24 hours</b>.</p> <p>B. All other cases <b>2 Days</b>, on Average.</p>	<p>A. We still unable to separate urgent cases from others in our CMS.</p> <p>B. All referrals (including urgent/high risk) were actioned within 24 hours on average for EHC.</p>
4	Added value of SAFS membership.	<p>A. Membership of NAFN &amp; PNLD</p> <p>B. Membership of CIPFA Counter Fraud Centre and access to CIFAS/NCSC/AF/FFCL alerts, trends, best practice</p> <p>C. NAFN Access/Training for relevant Council Staff</p> <p>D. <b>5 Training sessions</b> for staff/Members in year. (To be agreed with HR)</p>	<p>A. SAFS has membership of PNLD and NAFN via SAFS.</p> <p>B. SAFS (HCC) is a member of CIFAS.</p> <p>C. NAFN service awareness is part of the training plan for 24/25</p> <p>D. 4 Sessions delivered in Q1, 3 more planned for Q2.</p>
5	Allegations of fraud received. &	<p>A. All reported fraud (referrals) will be logged and reported to officers by type &amp; source.</p> <p>B. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each will be reported to officers.</p>	<p>A. Fraud reporting options available for staff and residents on the Council's webpage and intranet- This is linked to SAFS reporting tools.</p> <p>B. All cases with reports/values/outcomes recorded on SAFS CMS.</p>

	Success rates for cases investigated.	C. SAFS will work with social providers across the Borough.	C. SAFS is working with housing providers through separate contracts.
6	Making better use of data to prevent/identify fraud.	A. Support the output from <b>NFI 2024/25</b> Council services. B. Membership and VFM from the <b>Herts FraudHub</b> in 2024/25.	A. The NFI data-upload is planned for October with plans to review output from January 2025. B. The Council has a contract in place for the FHub and data is being uploaded, and output from this under review currently.

## Further Reading

18. List of Background Papers - Local Government Act 1972, Section 100D

- (a) **Councillors Workbook on Bribery & Fraud Prevention (LGA 2017)**
- (b) **Fighting Fraud and Corruption Locally- A Strategy for the 2020s (CIPFA/CIFAS/LGA 2020)**
- (c) **Tackling Fraud in the Public Sector (CIPFA 2020)**

## East Herts Council Report

### Audit and Governance Committee

**Date of meeting:** **Wednesday 25 September 2024**

**Report by:** Councillor Carl Brittain – Executive Member for Financial Sustainability

**Report title:** Financial Management 2024/25 - Q1 Forecast to year end

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

### Summary

- The net revenue budget for 2024/25 is £12.652m as set out in Table 1, this is funded by Council Tax. The forecast year end outturn as at 30 June 2024 predicts an overspend of £1.1m.
- The revised capital budget for 2024/25 is £19.017m, plus another £4.16m has been approved but not yet committed, as set out in Appendix C. The forecast outturn is £18.967m giving a variance of £50k.

### RECOMMENDATIONS FOR AUDIT & GOVERNANCE COMMITTEE

- (A) The reasons for the net revenue budget end of year projected overspend of £1.1m be considered;**
- (B) The capital programme forecast outturn of £50k be considered.**

#### 1.0 Proposal(s)

1.1 Not Applicable

#### 2.0 Background

2.1 The 2024/25 Medium Term Financial Plan (MTFP), revenue budget and capital programme were approved by Council on 28

February 2024. The 2024/25 net revenue budget is £12.652m, the table below shows the budget alongside the 2024/25 forecast outturn as at Quarter 1. A further breakdown of the revenue budget and forecast outturn can be found in **Appendix A**

<b>Table 1: Revenue Budget and End of Year Forecast Outturn</b>	2024/25 Budget	2024/25 Forecast Outturn	Variance
	£'000	£'000	£'000
Net Cost of Services (NCS)	21,678	22,807	1,129
Total corporate budgets	3,424	3,436	12
Total reserve movements	(2,348)	(2,348)	-
Total funding	(10,102)	(10,109)	(7)
Net revenue spend	12,652	13,786	1,134
Funded by Council Tax	(12,652)	(12,652)	-
Overspend/Underspend	-	1,134	1,134

2.2 The Net Cost of Services (NCS) budget of £21.678m includes the saving proposals of £1.186m that were approved as part of the MTFP. The table below shows the breakdown of the NCS forecast overspend between base operational budget and savings target, further details and commentary on the forecast overspend can be found in **Appendix B**.

<b>Table 2: Forecast Outturn on approved Savings</b>	2024/25 Budget	2024/25 Forecast Outturn	Variance
	£'000	£'000	£'000
Base NCS	22,864	23,811	947
Savings proposals	(1,186)	(1,004)	182
Total 2024/25 NCS	21,678	22,807	1,129

2.3 Details of the specific savings and the progress made against these are shown in **Appendix C**.

2.4 The revised capital budget for 2024/25 is £19.017m, plus £4.16m has been approved by Council not yet committed, is set out in **Appendix D**. The forecast outturn is £18.967m giving a variance of £50k underspend.

- 2.5 The outstanding debt as at Quarter 1 was £2.9m. Debt over 365 days totals £1.8m. Following the restructure of the Strategic Finance service, the Transactions Team is now fully staffed and work has commenced on improving the aged debt position. Officers are currently in negotiations regarding a trial to pursue some of the older collectable debts and will have an update on the progress made at Quarter 2. **Appendix E** provides the profile of the aged debt.

### **Mitigation of projected revenue overspend**

- 2.6 It is best practice, followed by the council each year, to base the forecast outturn at quarter 1 on prudent income and expenditure projections which do not include overly optimistic assumptions, particularly regarding anticipated income. Quarter by quarter, projections will be refined, particularly as more accurate forecasts based on actual income can be included.
- 2.7 Within this context, officers have identified a series of ways in which the forecast overspend at this stage can be mitigated. These include:
- Work underway to appeal the business rate revaluations which have led to higher increases in business rates than the council had anticipated and budgeted for
  - Continued vigilance on vacancy management including holding post vacant prior to recruitment without using agency staff and extending the assumed vacancy period in line with the difficulties we are experiencing in timely recruitment in the current jobs market.
  - Refocusing of efficiencies that can be achieved through the Transformation programme now that large projects, which have absorbed senior officers' time, have concluded or will do so soon, such as the opening of BEAM, negotiation of the waste management contract, establishment of the UK Shared Prosperity Fund Programmes
  - Accelerating work to review and uplift rents the council charges on its assets, such as shops and car parks leased to others
  - Introducing a new advertising and sponsorship policy and seeking to maximise income through these sources

- Alleviating the council's responsibility for business rates at Charringtons House if it is disposed of before the end of 2024/25. Consideration has been given to demolishing the building, however the cost of doing this is too high.

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

- 3.1 Section 28 of the Local Government Act 2003 requires the council to monitor the budget and monitor and assess the adequacy of reserves and balances during the year. East Herts council's financial management framework requires quarterly reports to Audit and Governance Committee and the Executive with forecasts to year end.
- 3.2 The Executive is required to consider the budget forecasts and ensure that action is taken in relation to any expenditure overspends or any underachievement of income so that the Council's financial resources are not exceeded.

### **4.0 Options**

- 4.1 Not applicable

### **5.0 Risks**

- 5.1 Higher inflation and rising interest rates will put pressure on the council's revenue and capital budgets. Officers are keeping the situation under review and will alert members in a timely way if interventions are required.

### **6.0 Implications/Consultations**

- 6.1 The Finance team have consulted with Heads of Service, service managers and budget holders in writing this report.

### **Community Safety**

None arising directly from this report.

### **Data Protection**

None arising directly from this report.

## **Equalities**

None arising directly from this report.

## **Environmental Sustainability**

None arising directly from this report.

## **Financial**

All financial implications are included in the report.

## **Health and Safety**

None arising directly from this report.

## **Human Resources**

None arising directly from this report.

## **Human Rights**

None arising directly from this report.

## **Legal**

Section 28 of the Local Government Act 2003 requires the Council to monitor the budget and monitor and assess the adequacy of reserves and balances during the year. East Herts Council's financial management framework requires quarterly reports to Audit and Governance Committee and the Executive with forecasts to year end.

## **Specific Wards**

No

## **7.0 Background papers, appendices and other relevant material**

7.1 Budget 2024/25 and Medium-Term Financial Plan – 28 February 2024 Council meeting

7.2

Appendices	
A	2024/25 Revenue Budget & forecast outturn
B	Significant variances
C	2024/25 Savings

D	2024/25 capital programme and forecast outturn
E	Quarter 1 debtors position

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2024/25 Revenue budget - Qtr 1 Forecast outturn position

		2024/25 budget	Forecast outturn	Variance
		£'000	£'000	£'000
Net Cost of Services	Chief Executive & Directors	362	353	(9)
	Communications, Strategy & Policy	1,981	2,162	181
	HR & Organisational Development	597	516	(81)
	Strategic Finance & Property	2,124	2,396	272
	Centrally Managed Costs	657	1,002	345
	Housing & Health	2,178	2,118	(60)
	Democratic and Legal	1,571	1,506	(65)
	Planning & Building Control	2,238	2,406	168
	Operations	1,722	2,085	363
	Shared Revenues & Benefits Service	1,721	1,705	(16)
	Revenues & benefits retained costs	(465)	- 450	15
	Housing Benefit Subsidy	(371)	- 356	15
	Shared Business & Technology Services	2,774	2,775	1
	Revenue Costs Capitalised	(150)	- 150	-
	CERA	4,739	4,739	-
<b>Total Net Cost of Services</b>		<b>21,678</b>	<b>22,807</b>	<b>1,129</b>
Corporate Budgets	Minimum Revenue Provision	1,032	1,032	-
	Interest Payments on loans	2,955	2,955	-
	Interest & Investment income	(1,200)	(1,188)	12
	Pension Fund Deficit contribution	637	637	-
	<b>Corporate Budgets Total:</b>	<b>3,424</b>	<b>3,436</b>	<b>12</b>
Use of Reserve	Contributions to Earmarked reserves	652	652	-
	Contributions from Earmarked reserves	(3,000)	(3,000)	-
	<b>Net Use of Reserves:</b>	<b>(2,347)</b>	<b>(2,348)</b>	<b>-</b>
<b>Net Cost of Services Total:</b>		<b>22,755</b>	<b>23,895</b>	<b>1,140</b>
Funding	Retained Business Rates - Business Rates	(2,933)	(2,933)	-
	Retained Business Rates - Section 31 Grants	(1,361)	(1,361)	-
	(Surplus)/Deficit on collection fund	(500)	(500)	-
	General Government Grants	(1,999)	(1,999)	-
	New Burdens Funding - food waste collection	(1,501)	(1,501)	-
	Revenue Support Grant	(111)	(118)	(7)
	New Homes Bonus Grant	(1,697)	(1,697)	-
<b>Non Departmental Budgets Total:</b>		<b>(10,102)</b>	<b>(10,109)</b>	<b>(7)</b>
<b>Total:</b>		<b>12,652</b>	<b>13,786</b>	<b>1,134</b>

## Summary of significant variances – Qtr 1 2024/25

Budget area	2024/25 budget £000	Forecast outturn £000	Variance  £000	Reason for variance
<b>VARIANCE AGAINST BASE OPERATIONAL BUDGETS</b>				
NNDR	1,588	1,861	273	National Non Domestic Rates bills for Multistorey car parks and Wallfields are significantly higher than budgeted due to the 2023 Business Rate Revaluation. The property team will engage agents to appeal the revaluation in an attempt to reduce the liability, however there is no guarantee of success.
Transformation, staff restructuring costs	0	133	133	Service restructuring under the Transformation programme has resulted in one-off costs of £133k.
Planning service – staffing costs & reduced planning income	2,238	2,406	168	<p>Planning is currently forecasting to be £168k overspent at year end. At present this is due to the following:</p> <ul style="list-style-type: none"> <li>- Decrease in planning applications as a result of rising construction costs and overall cost of living crisis which has the effect of reducing actual income against budget income.</li> <li>- Ongoing recruitment difficulties which have meant that the service continues to use consultants to assist with the workload and planning application backlog.</li> </ul>
BEAM	(548)	(367)	181	At BEAM, income projected to be lower than anticipated this year given the phased opening also a lack of a year zero budget which has resulted in higher expenditure.
Charringtons House	0	333	333	Charringtons House was closed to tenants on 31 March 2023, the council remains liable for costs in relation to business rates and utilities.
Buntingford Depot	210	333	123	A rent review has been undertaken in respect of Buntingford Depot which has resulted in additional costs of £123k.

Budget area	2024/25 budget £000	Forecast outturn £000	Variance £000	Reason for variance
<b>VARIANCE AGAINST BASE OPERATIONAL BUDGETS</b>				
Miscellaneous assets, rent	(329)	(414)	(85)	Rent reviews have been undertaken on council owned assets which has resulted in rental income overachieving the budget.
Legal & Democratic Services	513	464	(49)	Underspend forecast against salary budget of £49k following restructure of Democratic Services team.
Housing & Health, salaries	2,905	2,846	(59)	Underspend on salaries due to vacant posts
<b>VARIANCE AGAINST SAVINGS TARGETS</b>				
Senior Management Restructure	(250)	(239)	11	
Avoidable contacts	(24)	0	24	Savings to be realised following implementation of Corporate Support Hub
Wallfields – renting out part of building	(117)	(90)	27	Savings built in with assumption of rent received from part way through the year, due to ongoing negotiations this date hasn't been achievable therefore the saving won't be achieved in full in 2024/25
Xeroboxes	(20)	0	20	Removal of xeroboxes from Wallfields to be implemented following upgrade of wifi
Procurement Act 2023 changes	(50)	0	50	Discussions underway with Stevenage Borough Council
Intranet	(28)	0	28	Work on replacing the hosted intranet underway, saving to be realised in 2025/26
Advertising on Assets	(18)	0	18	
<b>Total</b>	<b>6,070</b>	<b>7,266</b>	<b>1,196</b>	
Other minor balances	15,608	15,541	(67)	
<b>Overall total</b>	<b>21,678</b>	<b>22,807</b>	<b>1,129</b>	

## Savings under officer delegation

Description	Details	LT lead	Saving on track to be achieved		Variance
			2024/25 proposal £	£	
Senior Management Restructure	External support will be procured to assist with the organisational design and will adhere to the principles of Transforming East Herts in that decision making and accountability will be devolved to the appropriate lowest part of the organization, nearest to the customer and that we avoid hierarchical decision making passing up and down chains of management.	Chief Executive	250,000.00	238,941.00	11,059.00
			2,500.00	2,500.00	-
			5,900.00	5,900.00	-
			47,700.00	47,700.00	-
Ban on overtime payments	Staff overtime payments to be stopped and time off in lieu only available for extra hours worked.	Head of HR & OD	-	20,500.00	-
			164,400.00	164,400.00	-
Shared Revenues and Benefits Service Review	An external consultant has been procured to review the Shared Service and report back on efficiencies that should be possible.	Deputy Chief Executive	200,000.00	200,000.00	-
Leisure Project Manager	Intention is to shift the current project manager onto Old River Lane and delete the existing post. In the meantime, officers are in discussion with North Herts regarding them paying for some of the existing project manager's time over 24/25 to assist with their projects (£30,000).	Head of Communications, Strategy & Policy	30,000.00	26,473.00	3,527.00
Legal Services charges	Maximising legal income from new lawyers in post from early 2024. We are already seeing £2,400 per month from 'selling' the time of the Litigation and Advisory Solicitor to a neighbouring council. We could try and match that income from the incoming Planning Solicitor and Contracts and Procurement Solicitor in due course.	Head of Legal & Democratic Services	28,000.00	28,000.00	-
Avoidable contacts	The Lean 6 Sigma group be asked to look at ways of closing feedback loops to customers so that they are kept up to date with progress of their request. The aim should be, as a minimum, to free up the equivalent time of 1.5 FTE across the council and a post can either remain vacant on when a vacancy arises that post can remain unfilled.	Head of Communications, Strategy & Policy	24,000.00	-	24,000.00
Wallfields	Rent out part of Wallfields to a commercial tenant and reduce the council's space requirement to c.110 desks to match the max office attendance under blended working.	Head of Legal & Democratic Services	117,000.00	90,000.00	27,000.00
Xeroboxes	The council currently has around 300 HP Xero boxes on desks at Wallfields that deliver the virtual desktop operating environment from application servers in the data centre. Each Xero box requires an annual licence. It is proposed that staff working in the office will need to bring their laptop to work and plug it into a docking station on the desk. The Xero boxes would then be decommissioned and would no longer require an annual licence.	Deputy Chief Executive	20,000.00	-	20,000.00
Maximise Housing Benefit in Hostels	The council has three hostels which provide temporary self contained accommodation for homeless persons to avoid the use of Bed and Breakfast hotels and also to provide targeted support services for client groups such as single homeless persons who have addiction issues, so that they can move into settled housing. Housing Benefit is payable on eligible support costs but the council has traditionally not maximised the amount of benefit that can be paid for eligible support services. The Housing Service has sought ways to maximise rent and service charges that can be met from Benefit and therefore increase the amount recoverable from benefit without making new charges on hostel residents.	Head of Housing & Health	100,000.00	100,000.00	-

Procurement Act 2023 changes	Procurement Act 2023 requires a 3 year procurement pipeline to identify upcoming procurements. We will also re-engineer our processes to require the Shared Procurement Team input before any procurement starts. We will also educate and promote Frameworks as a procurement solution.	Head of Strategic Finance & Property	50,000.00	-	50,000.00
AllPay contract	Currently we pay for a Girobank account and require cash payments to be made at Nat West bank and we have chaques being sent in the post which we wish to stop so we do not have to receipt and bank them. Using a Procurement Framework we will open an account with AllPay. This will allow payments by cash, cheque and card at any Post Office and by cash and card at any PayPoint outlet. Pushing transactions to these outlets increases the likelihood that they will remain open.	Head of Strategic Finance & Property	1,000.00	1,000.00	-
Payment card processing charges	Through a review of merchant acquiring charges a £25k reduction should be possible given the overall quantum of transactions and the number of Merchant IDs the council has.	Head of Strategic Finance & Property	6,700.00 300.00 18,000.00	6,700.00 300.00 18,000.00	- - -
Intranet	The current intranet is hosted by Invotra for which an annual hosting charge is paid. The proposal is to replace the hosted intranet with MS Teams and MS Sharepoint, the costs of which are included as part of our Microsoft licence.	Head of Communications, Strategy & Policy	28,000.00	-	28,000.00
Insource payment processing for Garden Waste	Currently payment processing for garden waste is undertaken by the refuse contractor as neither North Herts or East Herts has the payment infrastructure in place. CT are due to enable direct debits to be taken for sundty debtors and the new payments system Adelante has more functionality than the current ICON system and will be able to do paperless direct debit sign up and also send payment links via email. Once in place then the payments process can be insourced.	Head of Strategic Finance & Property	30,000.00	30,000.00	-
<b>Total savings under officer delegation</b>			<b>1,103,000.00</b>	<b>939,414.00</b>	<b>163,586.00</b>

**Savings requiring member decision**

Description	Details	LT lead	Saving on track to be achieved		Variance
			2024/25 proposal £	£	
HGGT Joint Committee	Harlow and Gilston was designated as a Garden Town by the Department for Homes, Communities and Local Government in January 2017 and will comprise new and existing communities in and around Harlow. To support delivery and joint working the programme is currently being overseen by the Garden Town Board which will be replaced by a Joint Committee and Delivery Team. The saving proposed is £15k representing a 10% reduction. This would mean the Council's contribution to the core funding of HGGT would be £135K for 2024/2025. This is considered to be an appropriate saving whilst still providing a meaningful contribution to the operation of HGGT.	Head of Planning & Building Control	15,000.00	15,000.00	-
Advertising on assets	Currently the council does not have advertising space on or in its physical assets, or on its websites. Income generation from sponsorship is extremely low, is done only by individual initiative within some services and there is no policy in place to provide a framework for officers to operate within. A draft advertising and sponsorship policy has been written and was taken, along with an asset listing, to the market to gauge potential income levels.	Head of Strategic Finance & Property	18,000.00	-	18,000.00
Grounds maintenance contract	Current Grounds Maintenance contract costs £1.3 million per annum. The contractor often struggles to recruit staff and meet the contract specification. In negotiation with the contractor, reduce the specification by £50k per annum.	Head of Operations	50,000.00	50,000.00	-
<b>Total savings requiring member decision</b>			<b>83,000.00</b>	<b>65,000.00</b>	<b>18,000.00</b>
<b>Total savings 2024/25</b>			<b>1,186,000.00</b>	<b>1,004,414.00</b>	<b>181,586.00</b>

### Capital Forecast Outturn Quarter 1 - June 2024

	Carry Forward from	Revised Budget	Forecast Outturn	Variance
	2023/24	2024/25	2024/25	2024/25
	£'000	£'000	£'000	£'000
<b>Land and Buildings</b>				
Investment in operational assets	238	589	589	0
Buntingford Depot	-	800	800	0
Hertford Theatre	749	4,815	4,815	0
Old River Lane and Arts Centre	0	552	552	0
URC Church Hall	0	170	170	0
Hostels	0	270	270	0
Pinehurst Community Hall	180	180	180	0
<b>Infrastructure</b>				
Bridges	262	262	262	0
<b>Vehicles and Equipment</b>				
Rolling programme to be utilised on ICT projects subject to ITSG review	0	450	450	0
Refuse & Recycling - cleansing vehicles	0	8,000	8,000	0
Refuse & recycling - containers	0	1,680	1,680	0
<b>Community Assets</b>				
Replacement play equipment across the district (in response to the Condition Audit to be reviewed in 2018/19)	0	50	50	0
Bishops Stortford Castle Park - HLF	633	633	633	0
Hertford Castle Grounds - Development Phase - HLF	0	363	363	0
Parks & Open Spaces	153	153	153	0
<b>Revenue Expenditure Funded as Capital Under Statute (REFCUS)</b>				
Community Capital Grants	0	50	0	(50)
<b>Current Capital Programme Budget Total</b>	<b>2,215</b>	<b>19,017</b>	<b>18,967</b>	<b>(50)</b>

<b>Approved But Not Yet Committed</b>
Transformation Programme
Home Improvement Loans
Historic Building Loans
Capital Contingency - Major Projects
<b>Current Capital Programme Budget Total</b>

<b>£'000</b>
2,500
140
20
1,500
<b>4,160</b>

## East Herts Council Report

### Audit and Governance Committee

**Date of meeting:** 25<sup>th</sup> September 2024

**Report by:** Councillor Carl Brittain Executive Member for  
Financial Sustainability

**Report title:** Local Government Association Finance Peer  
Challenge

**Ward(s) affected:** All

### Summary

- At the request of the Executive the Local Government Association (LGA) were invited to conduct a Finance Peer Challenge at East Hertfordshire District Council. The Peer Challenge comprised desktop review of budget papers and reports which took place in February 2024. The Peer Challenge was conducted by Andrew Hardingham, who is the former Director of Finance at Plymouth City Council. His report is attached at Appendix A and makes a number of recommendations. The report was followed up by a workshop between the Executive and Leadership Team. The Executive were assisted by an LGA Peer Member responsible for Finance from the LGA Green Party Group. The workshop considered how the budget process could be improved and the conclusions are reported at **Appendix B**. The action plan to implement the recommendations of the desktop review and the workshop is reported at **Appendix C**.

### RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE:

- (A) Endorse the action plan at **Appendix C** which implements the recommendations in the Local Government Association desktop review report and the conclusions of the workshop on the preparation of the budget; and

## 1.0 Proposal(s)

- 1.1 The response to the recommendations in the Local Government Association Finance Peer Challenge report and the conclusions of the workshop on improving the budget are included in the Action Plan at **Appendix C**.
- 1.2 One of the recommendations concerns the speed of reporting. Officers can only operate within the Committee timetable and following report writing and clearance procedure. On average, the time taken from writing the report to it being considered at a Member decision making meeting is 40 working days. This is illustrated below:

### Committee deadlines and speed of reporting



Reporting Timetable	Prov Outturn			Q1 Forecast		Q2 Forecast		Q3 Forecast	
			Budget		Budget	Budget	Budget		
<b>Executive</b>									
Report deadline for Leadership Team	02/05/2024	30/05/2024	25/07/2024	22/08/2024	17/10/2024	28/11/2024	09/01/2025	06/02/2025	
Leadership Team Meeting	07/05/2024	04/06/2024	30/07/2024	27/08/2024	22/10/2024	03/12/2024	14/01/2025	11/02/2025	
Report deadline for Exec pre-meet	15/05/2024	19/06/2024	14/08/2024	11/09/2024	30/10/2024	18/12/2024	22/01/2025	26/02/2025	
Executive Pre-meet	21/05/2024	25/06/2024	20/08/2024	17/09/2024	15/11/2024	17/12/2024	28/01/2025	04/03/2025	
Report deadline for final agenda reports	21/05/2024	25/06/2024	20/08/2024	17/09/2024	05/11/2024	24/12/2024	28/01/2025	04/03/2025	
Agenda Published	28/05/2024	02/07/2024	27/08/2024	24/09/2024	12/11/2024	31/12/2024	04/02/2025	11/03/2025	
Executive Meeting	04/06/2024	09/07/2024	03/09/2024	01/10/2024	19/11/2024	07/01/2025	11/02/2025	18/03/2025	
<b>Audit &amp; Governance Committee</b>									
Report deadline for Leadership Team	02/05/2024				31/10/2024		09/01/2024		
Leadership Team Meeting	07/05/2024				05/11/2024		14/01/2024		
Report deadline for final agenda reports	16/05/2024				14/11/2024		16/01/2024		
Agenda Published	22/05/2024				20/11/2024		22/01/2024		
A&G Committee Meeting	29/05/2024				27/11/2024		29/01/2024		

- 1.3 The timetable of meetings and the processes for report clearance will be the subject of discussion between the Chief Executive and senior members and any changes to the process incorporated in the next municipal year.
- 1.4 The summary changes to the budget process are shown overleaf:



# Steps to agreeing a budget



- 1.5 The process is designed to increase Member participation and ownership of the budget process and ensure that Members have sufficient time to consider budget options and to suggest their own budget solutions to officers. There is also the proposal to enhance education of residents on the council's financial position and to conduct Member led consultation on budget options.

## 2.0 Background

- 2.1 At the request of the Executive the Local Government Association (LGA) were invited to conduct a Finance Peer Challenge at East Hertfordshire District Council. The Peer Challenge comprised desktop review of budget papers and reports which took place in February 2024. The Peer Challenge was conducted by Andrew Hardingham, who is the former Director of Finance at Plymouth City Council. His report is attached at **Appendix A** and makes a number of recommendations.
- 2.2 The report was followed up by a workshop between the Executive and Leadership Team. The Executive were assisted by an LGA Peer Member responsible for Finance from the LGA Green Party Group. The workshop considered how the budget process could be improved and the conclusions are reported at **Appendix B**. The production of a financial dashboard was discussed, and this is being implemented using Microsoft Viva Goals alongside the Corporate Plan and the Transforming East Herts Programme and will be released to Executive Members at the end of September and roll out to all other Members in November.
- 2.3 The Financial Dashboard agreed with Executive Members covers the following:

Key Result	Objective
Council Tax: Council Tax collected as a percentage of annual debit	Collecting Local Taxes
Business Rates: Business Rates collected as a percentage of annual debit	Collecting Local Taxes
Treasury investment return	Treasury Management
External borrowing limit	Treasury Management
General Fund balance as a % of Net Revenue Expenditure	Financial Sustainability
Percentage variance to the revenue budget	Budget Management
Percentage variance to the capital budget	Budget Management
Percentage of sundry debt outstanding over 90 days	Transactional Services

Key Result	Objective
Percentage of supplier invoices paid within 30 days	Transactional Services
Percentage of Council Tax customers paying by direct debit	Transactional Services
Percentage of Business Rates customers paying by direct debit	Transactional Services
Percentage of Sundry Debtor customers paying by direct debit	Transactional Services

2.4 The action plan to implement the recommendations of the desktop review and the workshop is reported at **Appendix C**.

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

3.1 To respond to the LGA Finance Peer review formally and to seek Member endorsement of the action plan at **Appendix C**.

3.2 To ensure continuous improvement in the council's administration of its financial affairs.

### **4.0 Options**

4.1 **RECOMMENDED:** accept the recommendations of the LGA Finance Peer Challenge and implement the recommendations to improve financial management.

4.2 **NOT RECOMMENDED:** reject the LGA recommendations which will be noted by the LGA and Ministry of Housing, Communities and Local Government and which will give the impression the council is unwilling to learn and improve from support processes provided from within the local government family.

### **5.0 Risks**

5.1 Please refer to guidance on how to complete this section in annotated version of this template

5.2 The lack of long-term information, particularly the lack of three year finance settlements make it difficult to plan in the short and

medium term.

- 5.3 Continuing reductions in the council's local spending power is already causing some resilience issues and further reductions will leave the council extremely vulnerable to any financial shocks as there are very low levels of reserves to fall back on.

## **6.0 Implications/Consultations**

- 6.1 None arising directly from this report.

### **Community Safety**

No - None arising directly from this report.

### **Data Protection**

No - None arising directly from this report.

### **Equalities**

No - None arising directly from this report.

### **Environmental Sustainability**

No - None arising directly from this report.

### **Financial**

Yes – these are included in the Human Resources implications paragraph of this report.

### **Health and Safety**

No - None arising directly from this report.

### **Human Resources**

Yes – Strategic Finance and Property underwent a restructure in 2022/23 which resulted in a number of redundancies and a reduction in the net cost of the service of £500k per annum. As a result of holding posts vacant during the restructure staffing levels fell to around 50%. Recruitment and on-boarding of staff has only just concluded and the new recruits have been in an intensive period of training and now the Finance Service, with staff, is ready to move forward with the implementation of a new card payment and income management system in November 2024, which will enable a rapid expansion of on-line self -service capabilities.

## **Human Rights**

No - None arising directly from this report.

## **Legal**

No

## **Specific Wards**

No

### **7.0 Background papers, appendices and other relevant material**

**Appendix A:** LGA Finance Peer Challenge Desktop Review Report

**Appendix B:** Executive/LT LGA facilitated away day.

**Appendix C:** Action plan and response to recommendations.

## **Contact Member**

Councillor Carl Brittain, Executive Member for Financial Sustainability.  
[carl.brittain@eastherts.gov.uk](mailto:carl.brittain@eastherts.gov.uk)

## **Contact Officer**

Steven Linnett, Head of Strategic Finance and Property, Tel: 01279 502050. [steven.linnett@eastherts.gov.uk](mailto:steven.linnett@eastherts.gov.uk)



# Finance Peer Challenge


East Hertfordshire District Council

5 February 2024 – April/May 2024

Desktop assessment report

Andrew Hardingham, Finance Improvement & Sustainability Associates (FISA)





1. Background.....	3
2. Recommendations .....	4
3. Budget 2024/25 and MTFP 2024-34.....	5
4. Conclusions .....	9
5. Next steps .....	10

# 1. Background

This desktop review was completed by Andrew Hardingham and commissioned by the LGA and is the first part of an LGA Finance Peer Challenge. The review draws on reports issued to the council's Executive in relation to the 2024/25 budget, including the [Budget 2024/25 and Medium Term Financial Plan 2024-2034](#) report as published ahead of the Executive scheduled for meeting 13 February 2024.

East Hertfordshire District Council (EHDC) had an ambitious capital programme under the previous administration. Four major capital projects were undertaken: two swimming pools and leisure centres, the Old River Lane redevelopment, and the Hertford Theatre refurbishment. The two leisure centres used up a significant proportion of the council's capital reserves. The Hertford Theatre refurbishment has seen rising costs from circa £18 million to £30 million and the council must continue despite the mounting expenses due to the amount of money already committed. The Old River Lane project is a mixed development including an arts complex, and due to extended borrowing cannot now be delivered within the timeline of the Medium-Term Financial Plan.

The new administration has inherited this situation and there are some limited opportunities for asset sales to raise additional funds. The council is relying on prudential borrowing and asset sales and an independent external review could help validate if the council is making appropriate decisions regarding capital projects, reserves, and asset management. This would support the new administration in making informed decisions going forward.

The budget for 24/25 is predicted to balance, but the consequence of the budget means selling assets to reduce borrowing and reduce the debt.

Members within the administration feel that information delays have affected the new administration's ability to monitor financial performance and there is no monthly dashboard provided for finances. Without more effective budget monitoring, the council is seeking confidence that the decisions it is making are the most sensible going forward. Significant risk surrounds the ability to deliver the identified 24/25 savings and there are further major challenges to identify a further balanced budget for 25/26.



## 2. Recommendations

Following the desk research and to improve the information councillors receive the LGA recommend the following:

1. The difference between the savings figures quoted in the report and those on the schedule be explained.
2. That clarification be provided as to whether the savings are cumulative.
3. That a risk schedule be produced and included in the report covering the likelihood and impact of not delivering the savings
4. That a schedule of delegated savings together with a risk schedule be produced and included in the report
5. The business case to support the civil parking enforcement be included as an appendix to the report.
6. That the rational for increasing the council tax base by 500 is explained with the options considered and discounted
7. That a statement setting out the useable reserves position is published in the budget report
8. That quarterly monitoring is reported to elected members within two months of the period end and that the portfolio holder is briefed within 4 weeks of month end.
9. That a statement setting out the useable reserves position is published in quarterly budget monitoring report
10. Recommendations for dealing with forecast over spends are included in the report and not just for noting.
11. That the capital programme be reviewed with a view to rescheduling and deferring in order to reduce the reliance on borrowing
12. The full business case for the commercialisation of the Hertford Theatre be presented to members for examination and approval.
13. That advice be sought as to the capitalisation of maintenance costs re the URC church.

### 3. Budget 2024/25 and MTFP 2024-34

#### 3.1. Savings

The budget report for 2024/25 asks members to note that savings are required in 2025/26 (£1.441m), 2026/27 (£0m) and 2027/28 (£0.526m). The figures quoted in appendix C which is referred to in the budget differ from this in the report. This needs explaining. The table below is taken from Appendix C. I assume the figures in the table are not cumulative; in other words if for example, the full £1.750m of civil parking enforcement is achieved in 2025/26 the base budget for 2026/27 will be adjusted to reflect the savings. This needs clarification.

Savings requiring Member Decision	2024/25	2025/26	2026/27	2027/28
	£(000)	£(000)	£(000)	£(000)
<a href="#">Innovation Corridor</a>	0	(10)	(10)	(10)
<a href="#">Digital Innovation Zone</a>	0	(10)	(10)	(10)
<a href="#">Visit Herts</a>	0	(5)	(5)	(5)
<a href="#">HGGT Joint Committee</a>	(15)	(15)	(15)	(15)
<a href="#">Advertising</a>	(18)	(38)	(38)	(38)
<a href="#">Asset Disposals</a>		(528)	(528)	(528)
<a href="#">Invest to Save - Refuse Contract Vehicle Financing</a>	0	(200)	(200)	(200)
<a href="#">Civil Parking Enforcement</a>	0	(1,750)	(1,750)	(1,750)
<a href="#">Garden Waste Charges</a>	0	0	0	0
<a href="#">Reduce Grounds Maintenance specification</a>	(50)	(50)	(50)	(50)
	<b>(83)</b>	<b>(2,606)</b>	<b>(2,606)</b>	<b>(2,606)</b>

The budget includes a figure of £1.103m as “Savings implemented under existing delegations” and a further £0.083m subject to member decision required to balance the 2024/25 budget along with a contribution from reserves of £3m.

The budget report contains no narrative concerning the delegated savings. I would expect a statement concerning nature of these savings and the risks to delivery of these savings.

The savings requiring member decision are relatively small in 2024/25 but the target for 2025/26 represents just over 10% of net budget.

The major saving proposal concerns £1.750m of income to be generated from a new civil parking enforcement policy. The savings item refers to a cumulative deficit of £4m on the parking account. It is unclear whether the saving (if realised) is to be used to bring the account into balance over time or used as part of the savings required in 2025/26.

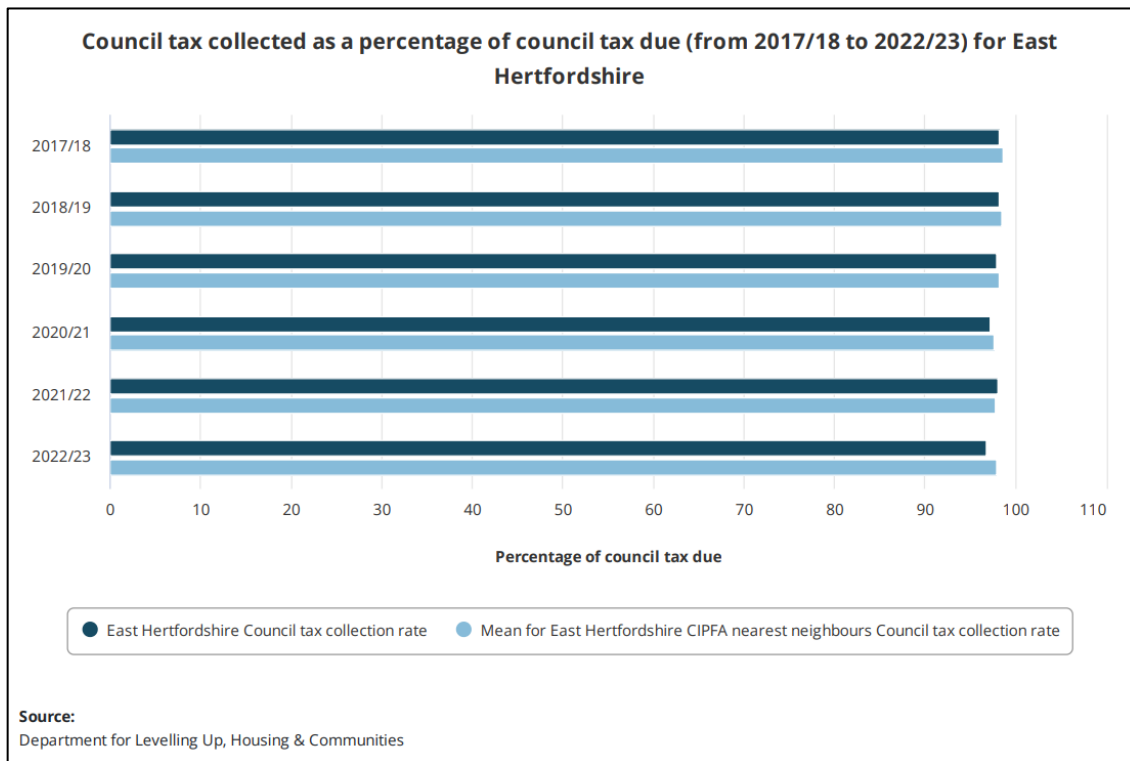
The savings include a revenue saving in relation to debt repayment. To achieve this the council have identified a schedule containing assets valued a £10.979m of which £6m will be used to repay debt. To mitigate the risk of a fire sale, the council is proposing to set a reserve price for those assets auctioned. This is the second highest value saving and could pose a risk to the overall budget if not achieved.

### **3.2. Council Tax Base and Collection Fund**

The budget includes an assumption the council tax base will increase by 500 new properties per year. I would expect to see a range of scenarios modelled based stated assumptions and a discussion of the risks associated. What is the evidence base for the estimate of 500 new properties?

The [Financial Management 2023/24 – Quarter 2 Forecast to Year End](#) report submitted to the Leadership Team on 16 January reported that “The strengthening of the team, alongside the decision for credit control to be managed centrally by the finance team will improve the aged debt position of the Council”. The collection fund is reported to be in deficit. Has the collection rate been modelled and what assumptions are made about bad debt and how have these been reflected in the Council tax base?

The chart below ([LGInform – Council tax collected as a percentage of council tax due in East Hertfordshire](#)) compares the East Hertfordshire District Council tax collection rate against the CIPFA nearest neighbours. EHDC is performing below the family average.



### 3.3. MRP

The Council's [Capital Strategy and Minimum Revenue Provision Policy 2024/25](#) incorporates the recommendations contained within the MHCLG Guidance issued in 2018.

### 3.4. Pension Fund deficit contribution (£0.637m)

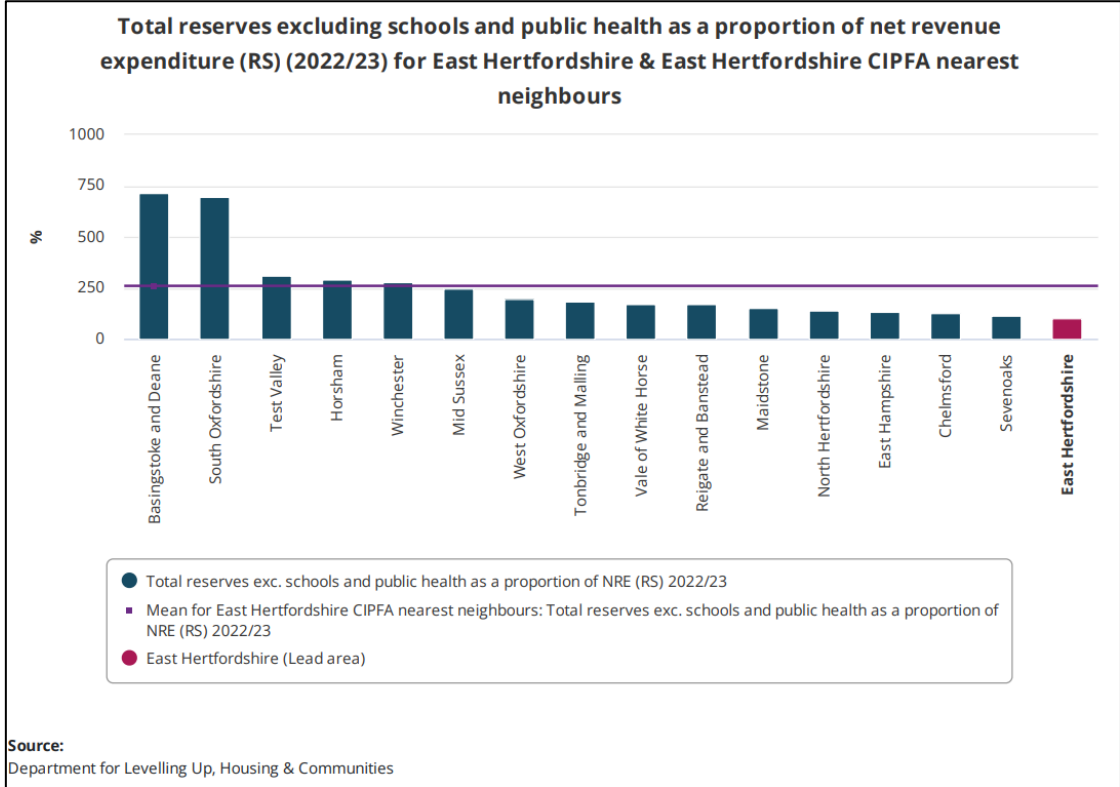
The council have prudently retained provision for a deficit payment fixed at the previous triennial valuation figure for the life of the MTFS. Whilst not affecting the 2024/45 budget, there may be scope to reduce this as pension funds are reporting improved positions.

### 3.5. Statement of Reserves

The last published accounts are for the period 2021/22. The useable reserves reported totalled £21.3m as at March 2022. This included a NHB reserve of £6.67m, Collection Fund Reserve of £1.96m, NNDR Section 31 Reserve of £7.07m and the Insurance Reserve of £0.91m. If these are discounted the real sum of useable

earmarked reserves is £4.7m. There is no update on the position of the usable earmarked reserves and no position statement regarding the General fund working balance. The net revenue budget for 2023/24 is £12.113m. The forecast outturn as at 30 September 2023 predicts an overspend of £0.491m with no statement as to the impact on balances.

The chart below ([LGInform – Council tax collected as a percentage of council tax due in East Hertfordshire](#)) compares EHDCs total reserves (excluding schools and public health) as a proportion of net revenue expenditure against the CIPFA nearest neighbours.



### 3.6. Capital

The 2023/24 Q2 capital monitoring report forecasts an outturn of £33.950m giving a variance of £4.398m above the revised capital budget for 2023/24 of £29.552m.

The most significant scheme, Hertford Theatre, is reporting an outturn of £22.995, an increase of £7.445m over the revised budget of £15.550m. Earmarked reserves of

£3m will be applied to meet this overspend with the remainder being financed from borrowing. A further £4m is included in the 2024/25 programme. The total cost of the scheme is now estimated to cost £30.9m. The net income stream from the Hertford Theatre is budgeted to increase from £0.5m in 2024/25 to £2.1m in 2027/28.

The biggest addition to the programme for 2024/25 is £8m for Refuse & Recycling and cleansing vehicles and £1.680m for Refuse & recycling containers. It is proposed to charge MRP over 8 years so that the loans on the vehicles are fully repaid at the break or renewal point of the new waste contract.

An additional £24.2m external borrowing is required to fund the programme in 2024/25. The £10.9m of capital receipts are planned to repay debt and not applied directly to fund the capital programme.

### **3.7. Treasury Management**

The Council has a detailed [Treasury Management Strategy](#), setting out the councils approach to borrowing and investment.

On 31st December 2023, the Authority held £31.522m of borrowing. It is forecast this will increase to £55.2 by the end of 2024/25 and to £62.8m by the end of 2025/26. The council has an increasing Capital financing requirement (CFR) due to the underlying need to borrow for capital programme. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. The approach to borrow short-term is considered prudent in the current economic circumstances. The benefits of short-term borrowing need to be monitored closely with a move to fixed long term considered if rates move.

## **4. Conclusions**

The budget report can at best be described as a summary. There is no detail and no disclosure or discussion of options. Risks associated with the impact of savings are included on the individual savings proposal (Appendix C) but there is no disclosure as to delivery risks.

The plan to dispose of in excess of £10m of assets is needed to reduce the cost of debt. Future years budgets are heavily reliant on the success of this strategy as debt

costs are forecast to drop from £4.7m to £0.550m per annum in 2026/27 and £0.650m thereafter.

There is no risk analysis concerning the commercialisation of the theatre, but future budgets rely on the income growth.

The Q2 monitoring report was considered by the Executive in January 2024, some four months after the end of the period. If corrective action was needed it is too late to undertake anything meaningful. The report lacked substance and just asked members to note the forecast outturn (approx. 4% on net expenditure). Budget variances were described in one of the appendices.

Without a statement of usable reserves, it is impossible to assess the impact of the budget overspend in 2023/24.

The Council is proposing to increase the council tax by the maximum possible.


I consider the approach to rescheduling the capital programme sensible along with the financing proposals. However, these are heavily predicated on the sale of the assets and realising the full value. The Council has invested heavily in the Hertford Theatre and must now ensure that the commercial approach achieves the income targets needed to meet the budget targets. Relying on income from such a cultural venture could be considered risky.

The rationale for providing up to £170k for essential maintenance works for the URC Church Hall in Bishop's Stortford is not clear. This is in the capital programme, but maintenance expenditure is not capital. This would need to be checked with the Council's auditors.

Overall, the budget approach is sensible in the current climate but the analysis to support what is a very scant report is missing. The Treasury Management approach is considered prudent but at some time the council will need to reconsider its approach to borrowing in the short term.

## 5. Next steps

The next phase of this peer challenge will be to organise a facilitation peer led workshop, with the administration. This is planned for March/April 2024.



Rachel Litherland, Principal Adviser for the East of England, is the main contact between your authority and the Local Government Association. Rachel is available to discuss any further support the council requires. [rachel.litherland@local.gov.uk](mailto:rachel.litherland@local.gov.uk), 07795 076834.





# Local Authority Budgets - process & ownership

Andrew Hardingham  
19 March 2024

Previous S151 experience – 2 Unitary councils  
other experience with:

- District councils and London boroughs
- CFO for local authority owned trading companies
- CFO for central government agencies and Shared Service Company
- CFO for multi Academy Trust and School Governor
- Non Executive Director of trading companies
- Trustee/Director not for profit sector
- Adviser to Audit Committee
- LGA Financial Improvement Associate

*Who Am I?*





# Objectives

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- Understand the budget process and timescales
- Understand roles and responsibilities
- Consider information needs
- Next steps



# The Budget

“It’s clearly a budget.  
It’s got a lot of numbers  
in it”

George W Bush

# Public Accounts Committee w/c 15 March 2021



“Being able to plan for the medium term is a very important part of being a local authority section 151 officer, so that’s the bit that is causing me the most concern”

Lorna Baxter (president of the Society of County Treasurers)

# Importance of the MTFFS

A good MTFFS should provide a clear and concise view of future sustainability and the decisions that need to be made in order to address any gaps in long-term financing. It forms the pivotal link to translate the organisation's ambitions and constraints into deliverable options for the future.



CIPFA: The Importance of a Medium Term Financial Strategy

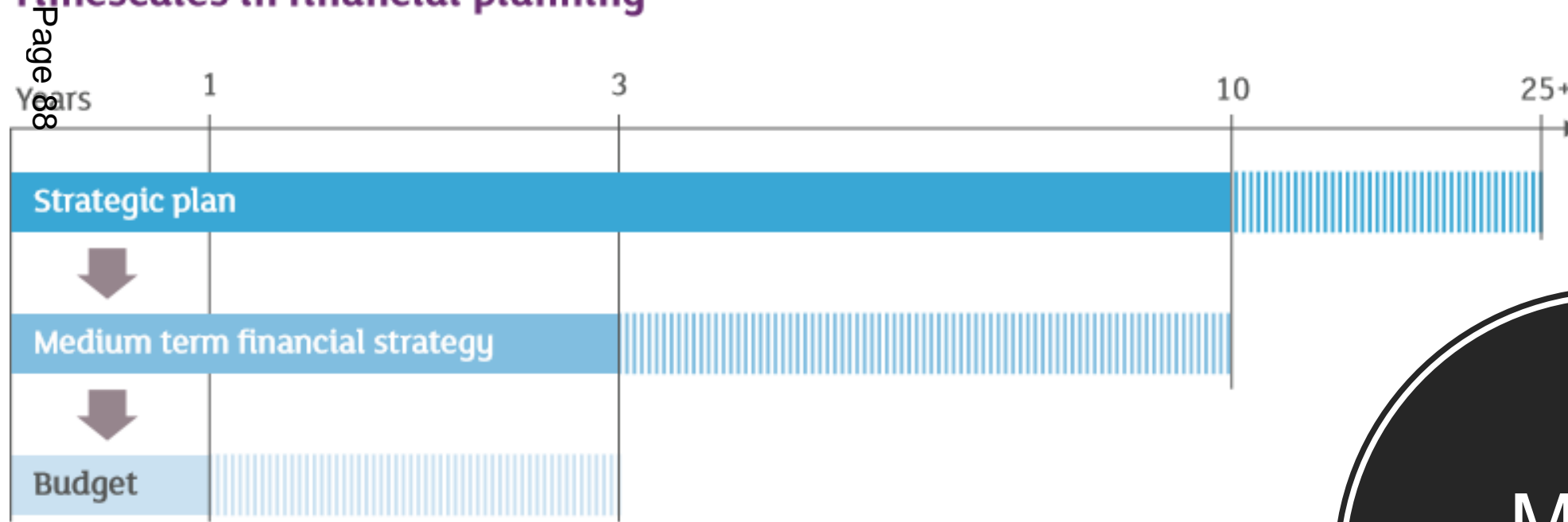


# Aim of the MTFFS



- The aim of a medium-term financial strategy (MTFS) is to pull together one place all known factors affecting the financial position and financial sustainability of an organisation over the medium term.
- The MTFFS should be a living document that forms the basis of fiscal strategy for public bodies.
- The process of producing and updating the medium-term financial strategy can be as important as the document itself, in giving a focus to the future implications of policy decisions and discussion of priorities and external influences.

## Timescales in financial planning



“Financial planning is one element of effective public financial management along with budget preparation, performance management”



# Budget process

The four main stages of the budgeting process that councillors should think about are:

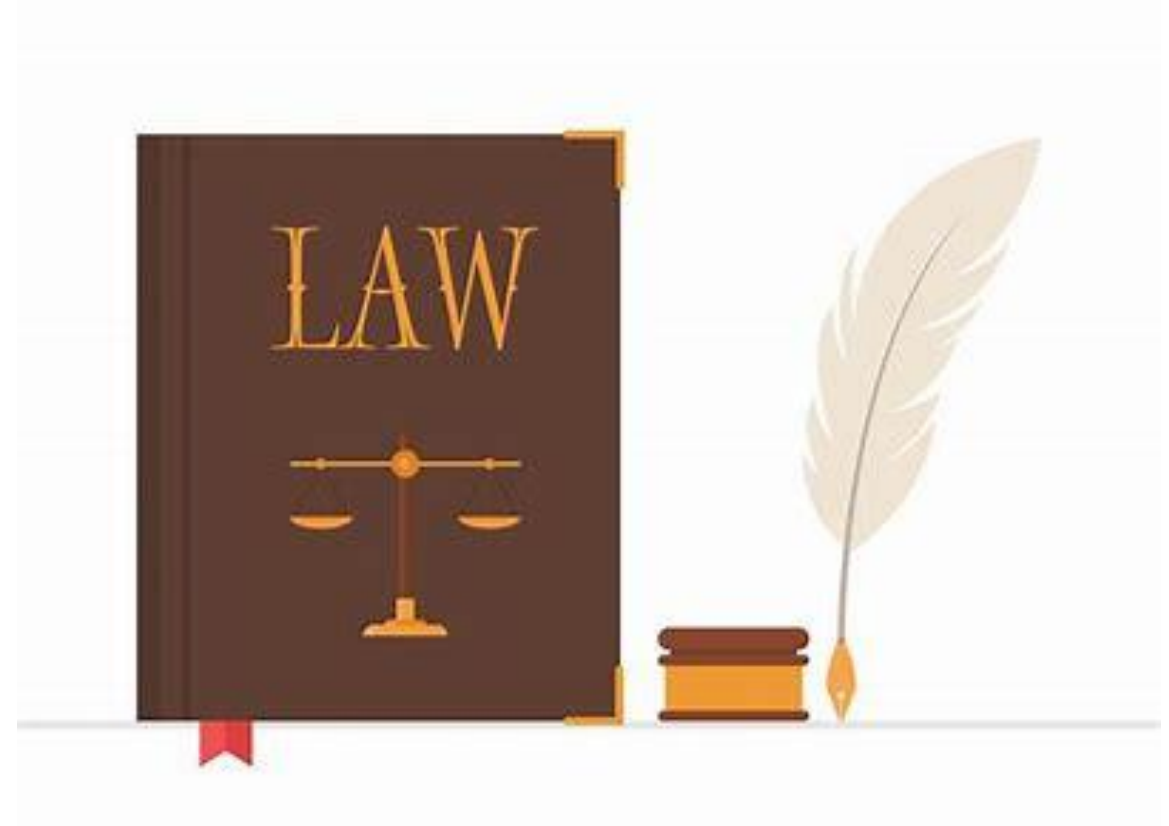
- 1. Planning and setting the budget: what does the council want to achieve?
- 2. Scrutinising the proposed budget: does it comply with the council's policies?
- 3. Monitoring the budget throughout the year: is there an over- or an under-spend?
- 4. Reviewing the budget: did the allocated budgets achieve the desired type and level of service?

# Budget setting requirements

- A robust “Medium Term Financial Strategy”
- The annual budget must be approved by full Council by the 11 March prior to the start of the financial year
- By law, the annual budget must be:
  - Balanced and robust
  - Leaving the council with adequate reserves
- Local Government Finance Act Section 114
- The annual budget also sets the Council Tax for the forthcoming year

# Section 25 Local Government Act 2003

- Minimum level of reserves
- Robustness of estimates



# Audit & Governance Committee

## Terms of Reference include:

*“The Council has also established an Audit and Governance Committee, which will have the specific role of monitoring the budget; approving the Council's Statement of Accounts and acting as the Council's Audit committee.*

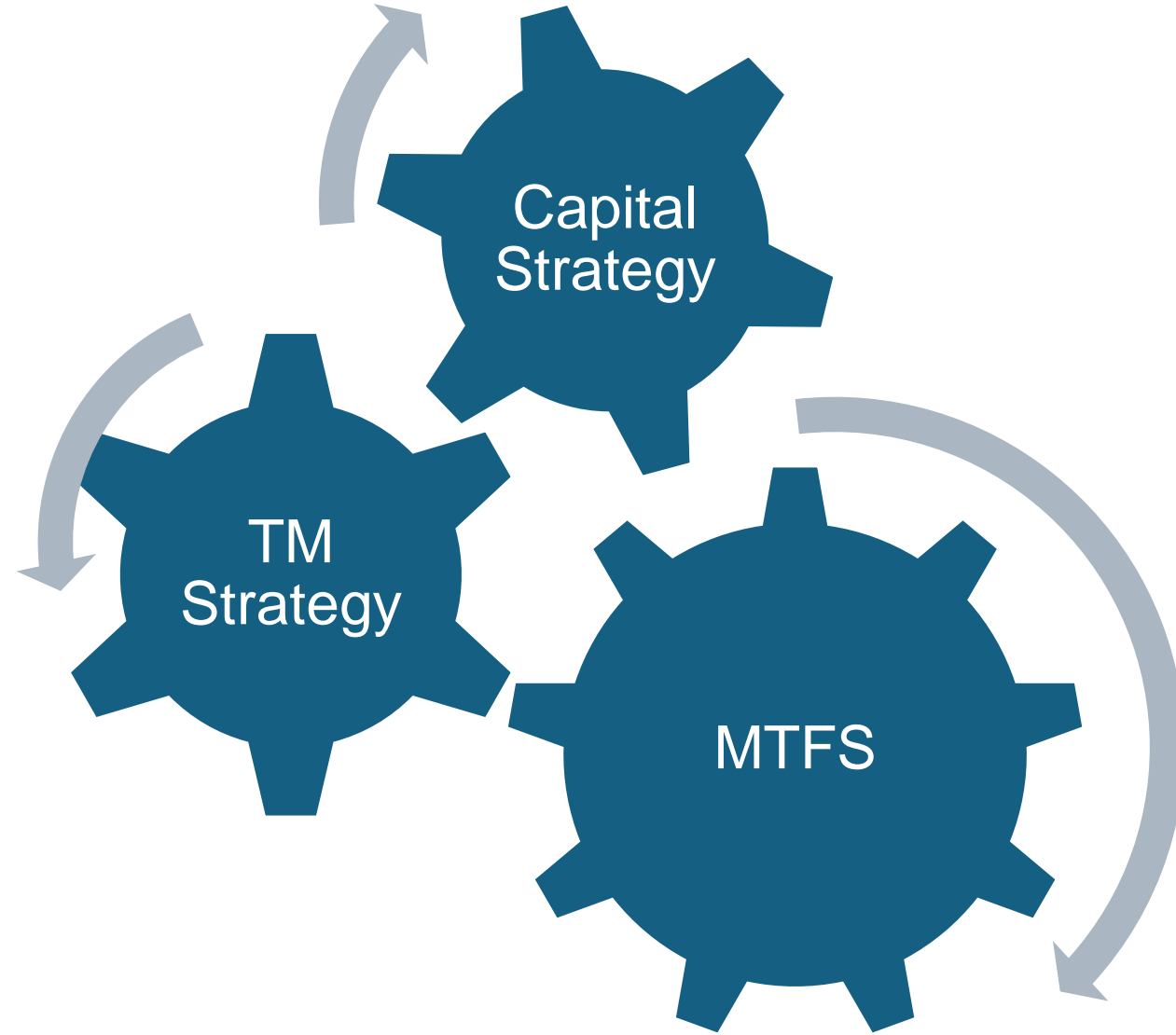
*The committee is also responsible for promoting and maintaining the Ethical Standards Framework.”*

Council constitution

[Other committees.pdf \(eastherts.gov.uk\)](#)



# Important documents



# Key documents

- MTFS
- Budget report
- Schedule of savings (delivery plans)
- Risk register
- Capital Strategy and programme
- Treasury Management Strategy
- Council tax base Report
- Schedule of fees and charges



# Objectives (examples)

- To ensure the Council has adequate funding to deliver the priorities as set out in the Corporate Plan
- Prioritise capital schemes based on deliverability of tangible outcomes whilst considering the context of the overall capital and revenue affordability.
- Council Tax is to remain in line with current government guidelines without triggering a referendum
- Maximise income opportunities primarily through structured growth of the council “place” and proactive partnership working

# Financial Principles (suggested)

- Managers must contain their expenditure within their approved budget. The Council will achieve a balanced budget year on year.
- Services will be charged for under the Council's agreed Fees and Charges Policy. Charges will be increased for inflation.
- Provision for pay inflation will be made centrally.
- Price and pay inflation policy including NLW.
- Service departments are expected to meet the capital financing costs of projects. (Invest to save)
- Corporate or cross cutting schemes may be funded centrally



# MTFS content

- Ensure the strategy links to the Corporate Plan
- Understand local and national factors. (e.g. Covid-19)
- Financing the council (Resources)
- Service spending plans
- Savings strategy
- Links to other plans (including the HR resource plan)
- Risk Register
- Metrics for success

MTFS

Stages to agreeing a budget

Capital Strategy

Treasury Management  
Strategy

# Budget Planning

# Capital Strategy

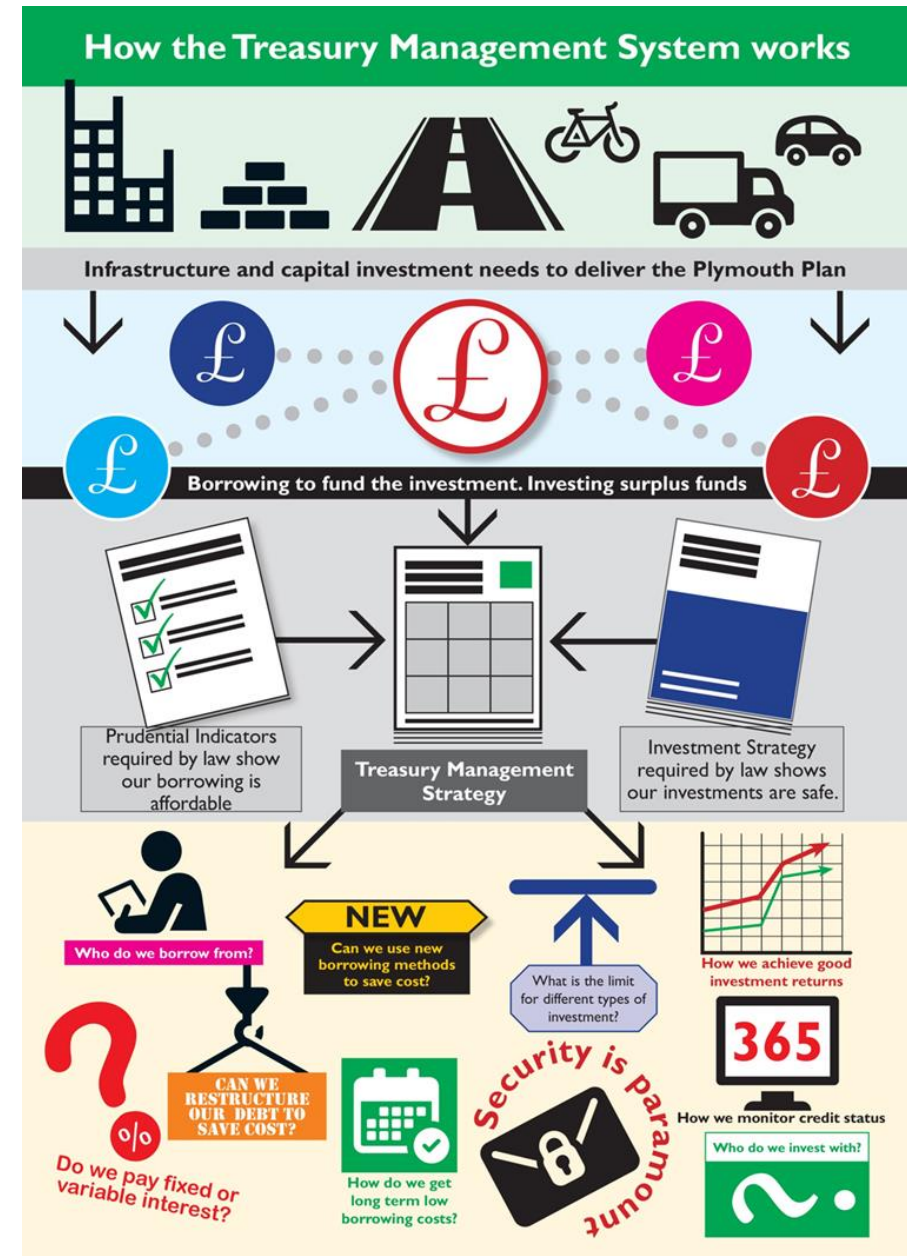
Taken from CIPFA  
Medium-term  
financial strategies  
in the UK public  
sector

## Stages in capital planning

Capital Strategy	<ul style="list-style-type: none"><li>■ Service needs over the longer term</li><li>■ Existing assets</li><li>■ Gap analysis</li><li>■ Affordability</li></ul>
Asset Management Plan	<ul style="list-style-type: none"><li>■ Current inventory</li><li>■ Ongoing maintenance and investment needs</li><li>■ Asset utilisation</li><li>■ Future investment</li></ul>
Capital Programme	<ul style="list-style-type: none"><li>■ Medium-term plan for investment</li><li>■ Project based</li><li>■ Capacity to deliver and programming</li></ul>

# TM & Capital Strategy

- Borrowing strategy
- Prudential indicators
- Investment strategy
- Non-Treasury Management Investment strategy
- Minimum Revenue Strategy



# Performance metrics



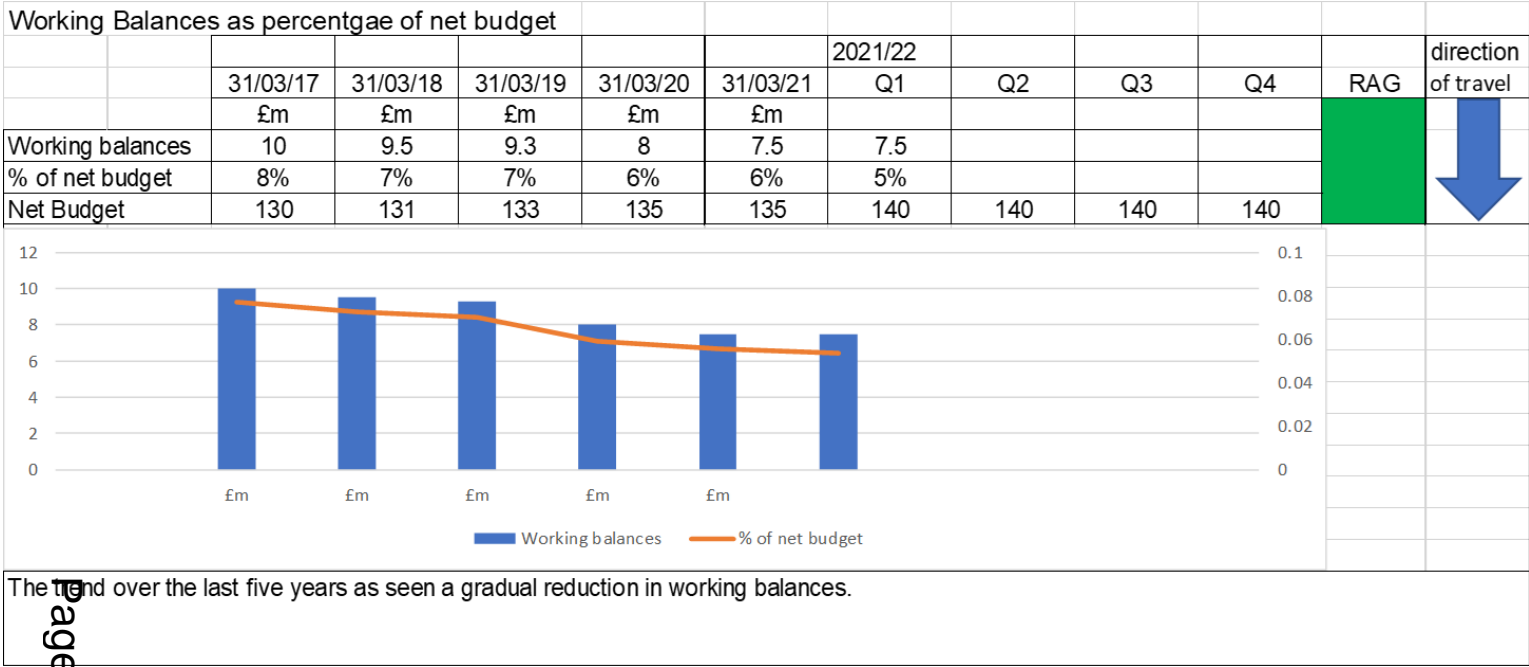
Performance metrics or KPIs are a set of quantifiable measurements that are used to track and evaluate progress toward achieving specific goals and to identify areas that require improvement. KPIs are typically tied to a specific timeframe and measure progress over time.

# Metrics for success - financial objectives

- Generate the maximum possible funding towards delivering the priorities as set out in the Corporate Plan.
- Prioritise capital schemes based on deliverability of tangible outcomes whilst considering the context of the overall capital and revenue affordability.
- Council Tax increases will be at the maximum permissible below the level to trigger a referendum.
- Maximise income opportunities primarily through structured growth of the district and proactive partnership working.
- Continue to maximise savings from transforming services and seek new opportunities where possible.
- Deliver x% “cashable efficiencies per annum during life of MTFS

# Metrics for success - financial objectives

- Achieve a return on TM investment of x%
- Maintain an average borrowing rate below X%
- Borrowing not to exceed £xxm in 2021/22.
- Retain a general fund revenue balance of at least x% of net expenditure
- To collect x% of council tax due in year
- To collect x% of business rates due in year
- HB indicators; processing time, change of circumstances time, recovery of HB overpayments



## Dashboard

**Business Plan goal:**

*To provide professional finance support to aid effective decision making and management. To provide effective value driven procurement and commercial services.*

Ref	Description	frequency	Target	14/15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16
<b>Transaction Centre</b>															
TC1	% of supplier payments in 30 w/days	monthly	95.0%	97.8%	99.3%	98.3%	97.9%	98.6%							
TC2	% of supplier pay'ts to SMEs in 15 days	monthly	75.0%	74.2%	64.9%	76.2%	77.3%	77.7							
TC3	% of NNDR collected	monthly	42.8%	97.5%	17.80%	25.9%	29.1%	42.8%							
TC4	% of sundry debt recovered against GF	monthly	95.0%	94.9%			88.7%	93.9%							
TC5	Reduce no. of suspense transactions	monthly (cumm)	10,664	32,000	2,982	5,824	8,864	12,100							
TC6	CFS days to process	quarterly	20	69			107								
TC7	% of CO's to PO's (number raised)	monthly	10.0%	18.7%	9.50%	10.8%	11.2%	9.3%							
TC8	Buyers savings v spend	monthly	7.5%	6.9%	11.4%	7.9%	13.7%	8.0%							
TC9	% of customers using Transaction Centre treated fairly or better	monthly	90.0%												
<b>Customer Services</b>															
	% of Council tax collected	monthly	38.3%		10.2%	19.3%	28.5%	37.6%							
	% of Council Tax a/cs paid by DD	monthly			63.8	64.4	64.9	65.3							
<b>Finance Operations</b>															
FO1	PCC budget variance (forecast outturn)	monthly	+/- 2%			£1.86m	£3.195m	£2.289m							





# Top Ten – Bet the business metrics/KPIs

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Examples:

- Actual to Budget
- Delivery of savings to target (RAG Time and value)
- Rate of return on investment – invest to save schemes
- % Council tax collected
- Aged debt analysis
- Cost per transaction – do you know how much it costs to provide a service?

# Why use metrics / KPIs?

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Know why you need the measures

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Know how to respond to the data

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What if performance is not on target?

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Do we have the capacity / capability to change?

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Are we better worse than comparators? Is that important? Do we know why?

# Who owns the budget?

- ? Head of Strategic Finance
- ? Chief Executive
- ? Leadership Team
- ? Leader of the Council
- ? Executive Member
- ? Executive
- ? Council



# Whose budget is it?

- **Value for money**

What is the councillor's role in all of this? Put simply, it is to consider the council's finance and funding as a central part of all decision making and to ensure that the council provides value for money, or best value, in all of its services.

- The Local Government Act 2000 states that it is the responsibility of the full council, on the recommendation of the executive (or the elected mayor) to approve the budget and related council tax demand.
- Failure to set a legal budget may lead to intervention from the Secretary of State under section 15 of the Local Government Act 1999.

# Whose budget is it?

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The Local Government Act 1992 requires that **billing authorities** complete and approve their budgets and set a council tax before 11 March immediately prior to the start of the financial year on 1 April. The deadline for **precepting authorities** is 1 March.

# Next steps



# Committee deadlines and speed of reporting

Reporting Timetable	Prov Outturn			Q1 Forecast	Q2 Forecast		Q3 Forecast	
			Budget		Budget	Budget	Budget	
<b>Executive</b>								
Report deadline for Leadership Team	02/05/2024	30/05/2024	25/07/2024	22/08/2024	17/10/2024	28/11/2024	09/01/2025	06/02/2025
Leadership Team Meeting	07/05/2024	04/06/2024	30/07/2024	27/08/2024	22/10/2024	03/12/2024	14/01/2025	11/02/2025
Report deadline for Exec pre-meet	15/05/2024	19/06/2024	14/08/2024	11/09/2024	30/10/2024	18/12/2024	22/01/2025	26/02/2025
Executive Pre-meet	21/05/2024	25/06/2024	20/08/2024	17/09/2024	15/11/2024	17/12/2024	28/01/2025	04/03/2025
Report deadline for final agenda reports	21/05/2024	25/06/2024	20/08/2024	17/09/2024	05/11/2024	24/12/2024	28/01/2025	04/03/2025
Agenda Published	28/05/2024	02/07/2024	27/08/2024	24/09/2024	12/11/2024	31/12/2024	04/02/2025	11/03/2025
Executive Meeting	04/06/2024	09/07/2024	03/09/2024	01/10/2024	19/11/2024	07/01/2025	11/02/2025	18/03/2025

<b>Audit &amp; Governance Committee</b>						
Report deadline for Leadership Team	02/05/2024	22/08/2024		31/10/2024		09/01/2024
Leadership Team Meeting	07/05/2024	27/08/2024		05/11/2024		14/01/2024
Report deadline for final agenda reports	16/05/2024	12/09/2024		14/11/2024		16/01/2024
Agenda Published	22/05/2024	18/09/2024		20/11/2024		22/01/2024
A&G Committee Meeting	29/05/2024	25/09/2024		27/11/2024		29/01/2024

# Steps to agreeing a budget





# Steps to agreeing a budget

April to June: Projections of income and expenditure

- **Officers:** Projections to be adjusted for agreed changes with Finance. Finance to provide cost benchmarks
- **Executive Members:** Heads of Service to ensure Exec Members understand the projections and reasons for change
- **Joint Administration Steering Group:** Service Cost benchmarking and reprioritisation of spend initial discussion. Confirm views of Groups on budget and any issues.
- **Residents:** educating residents on budget issues

July to Sept: Identify Budget Pressures

Exec Meeting 03/09/2024

- **Officers:** Finance and Budget Managers to identify pressures and major contract inflation indexation estimates to be submitted to Finance
- **Executive Members:** Heads of Service to ensure Exec Members understand major contract indexation and discussion on other pressures within their portfolios
- **Joint Administration Steering Group:** agree strategy to meet pressures including demand management, spend reprioritisation, fees and charges increases, Council Tax increase etc. Confirm views of Groups on budget and any issues.
- **Residents:** educating residents on budget issues

# Steps to agreeing a budget

Sept to Nov: Detailed Service Budgeting

Exec Meeting  
19/11/2024

- **Officers:** Budget Managers to complete detailed estimates on Collaborative Planning system
- **Executive Members:** Heads of Service to take Exec Member through detailed estimates and get sign off for budget submission. Exec Members to review and sign off fees and charges increases
- **Joint Administration Steering Group:** Exec Members to discuss their portfolio budgets in detail and present choices to balance the budget. Confirm views of Groups on budget and any issues.
- **Residents:** Exec Members to lead conversation/consultation with residents on choices to balance the budget

Dec to Feb: Budget reports  
Exec Meetings 07/01/2025  
11/02/2025

- **Officers:** Strategic Finance to produce Budget and MTFS, Capital Strategy, Treasury Management Strategy, Fees and Charges book
- **Executive Members:** support budget and MTFS by discussing pressures and solutions at budget debate at Exec and support budget scrutiny by Audit & Governance Committee
- **Joint Administration Steering Group:** Confirm views of Groups on budget and any issues. Reach out to opposition groups on issues if appropriate.

26/02/2025: Budget Council

- **Officers:** to brief opposition groups and facilitate any amendments/alternative budgets
- **Executive Members:** to contribute to budget debate by showing solutions to problems in their portfolio budget areas and results of conversations with residents
- **Joint Administration Steering Group:** agree who will speak at Council to support the budget. Ensure Groups will vote for the budget and prime key back benchers to speak

East Hertfordshire District Council Action Plan for LGA Finance Peer Challenge

No.	Recommendation	Agreed	Responsible	Timescale	Comments
1	The difference between the savings figures quoted in the report and those on the schedule be explained.	Yes	Head of Strategic Finance and Property	Completed	<p>We show savings across each subsequent year in the Medium Term Financial Plan (MTFP) as once a saving is achieved it will be saved going forward. We find this way makes it easier to understand savings in the budget paper as the alternative approach would be to reduce expenditure lines in future years and effectively hide the savings in future years. Savings are also not approved until Full Council vote on them at Budget Council. Our showing of savings as a line across the MTFP also facilitates budget amendments which are more likely as the council is no overall control. Once the budget is approved the next year's MTFP has the expenditure adjusted in the base budget. The savings are not a cumulative requirement as once saved it stays saved.</p> <p>The discrepancy is not a discrepancy but a misunderstanding of the structure of our budget papers. Appendix C refers only to savings requiring Member approval and the £1.411 million in 2025/26 was unidentified at the time of the budget setting and would not appear in Appendix C as there were no proposals for Members to approve.</p>
2	That clarification be provided as to whether the savings are cumulative.	Yes	Head of Strategic Finance and Property	Completed	<p>The savings are not cumulative. For example, a restructure of Strategic Finance and Property saved £350k in 2022/23 and we then show that saving in each subsequent year of the MTFP. Once Council has approved the budget the next MTFP iteration will show the expenditure budgets adjusted for the saving and new proposals will again show the affect of a saving over future years.</p>

## East Hertfordshire District Council Action Plan for LGA Finance Peer Challenge

No.	Recommendation	Agreed	Responsible	Timescale	Comments
3	That a risk schedule be produced and included in the report covering the likelihood and impact of not delivering the savings.	Yes	Head of Strategic Finance and Property	December 2024	Risks arounds savings delivery and cost pressures are included in the section 25 Report that is part of the budget paper for budget Council. A formal risk assessment will be included with the budget papers for the 2025/26 Budget to increase transparency.
4	That a schedule of delegated savings together with a risk schedule be produced and included in the report.	Yes	Head of Strategic Finance and Property	In future years	The Chief Executive gave an instruction not to include the schedule with the papers. The schedule was prepared and the Head of Strategic Finance and Property advised it should be published but was overruled.
5	The business case to support the civil parking enforcement be included as an appendix to the report.	Yes	Head of Operations	To support the Parking Strategy and 2025/26 budget	The 2024/25 budget included an estimate of potential additional revenue from a new parking strategy that took into account built up demand for Resident Parking Zones none of which were progressed due to the COVID pandemic. Changes in working patterns also means that off street car parks require changes to the balance of long stay v short stay spaces to maximise revenue and there is over supply of off street parking spaces in Bishop's Stortford in particular. Potential redevelopment or disposal for capital receipts also offer s further opportunities. The new Parking Strategy will set out the business case for changes and demonstrate how the additional income targets will be met. For many years parking operated at a loss and was subsidised by the council tax payer and East Herts is entitled to recover those losses first out of any surplus generated.
6	That the rational for increasing the council tax base by 500 is	Yes	Acting Head of Shared	December 2024	East Herts, under the current District Plan, has provided for substantial increases in housing number

East Hertfordshire District Council Action Plan for LGA Finance Peer Challenge

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	explained with the options considered and discounted		Revenues and Benefits Service		and the council tax base increases reflect the facts of continuing build out of permissions. Compared to the vast majority of councils the increase in the tax base is very high but is based on actual growth in housing numbers. For example, Bishop's Stortford North has been delivering around new houses a year and is expected to continue to do so for the next five years. The building of the Gilston Villages will increase housing numbers by 10,000 over a number of years and there are two major sites in the District Plan that have not yet submitted an application. The tax base is constructed after talking to site managers across the district so that growth estimates reflect their plans on the ground and we adjust against optimism bias by overlaying the average discounts and exemptions profile on all estimated growth. We are satisfied that growth figures are not optimistic and overstated – if they were Members would see a substantial Collection Fund deficit that would need to be recovered in the next financial year and there has been no such Collection Fund deficit arising in the last four years.
7	That a statement setting out the useable reserves position is published in the budget report.	Yes	Head of Strategic Finance and Property	Completed	The budget report to Council always includes an appendix showing the Earmarked Reserves – at the last budget council this was Appendix E of the budget report. We will include the Earmarked Reserves schedule in earlier reports to assist Members and to increase transparency.
8	That quarterly monitoring is reported to elected members within two months of the period end and	Yes, but subject to the report processes	Head of Strategic Finance and Property		As can be seen in the report, the current reporting system means reports take 40 working days to get from Leadership Team to Executive and longer to reach Audit and Governance Committee. This is not

## East Hertfordshire District Council Action Plan for LGA Finance Peer Challenge

No.	Recommendation	Agreed	Responsible	Timescale	Comments
	that the portfolio holder is briefed within 4 weeks of month end.	being changes	Chief Executive and Head of Legal and Democratic Services	There is currently no timescale available for when discussions may take place	<p>something that Strategic Finance has the ability to change and in order to implement this recommendation we would have to write reports and have them in the system before the financial period had ended.</p> <p>This is a matter for the Chief Executive, Head of Legal and Democratic Services and Senior Members to agree a way forward in relation to the timescales and until there is a change in the process Strategic Finance cannot get reports cleared and to Members in the timescales recommended. The Chief Executive had agreed to discuss this with senior Members and the Head of Legal and Democratic Services.</p>
9	That a statement setting out the useable reserves position is published in quarterly budget monitoring report	Yes	Service Manager: Strategic Finance	January 2025	We will produce this for the quarterly monitoring, but we do not believe it will provide a lot of value given the very low levels of reserves the council has. We do not generally fund revenue expenditure from reserves. We believe the crucial figure is the General Fund which is reported every quarter with the effect of the forecast surplus or deficit for the year.
10	Recommendations for dealing with forecast over spends are included in the report and not just for noting.	Yes	Leadership Team	November 2024	Whilst we will put recommendations in the report the fact that officers are required under Financial Procedure Rules to manage out overspends and officers have delegated in relation to income and expenditure. The Leadership Team may put in place financial restrictions if they think the budget situation

East Hertfordshire District Council Action Plan for LGA Finance Peer Challenge

No.	Recommendation	Agreed	Responsible	Timescale	Comments
					requires action, e.g. recruitment freezes or moratoria on non-essential expenditure and in those cases Members would be noting the actions taken rather than approving them beforehand.
11	That the capital programme be reviewed with a view to rescheduling and deferring in order to reduce the reliance on borrowing.	Yes	Head of Strategic Finance and Property	On going	This had been done over several years, with the capital programme shrinking dramatically. Once the civic square at Old River Lane is built then the capital programme reduces to ICT investment and essential only cyclical repairs to operational buildings. There is a commitment, once it becomes affordable, to build the Arts Centre at Old River Lane which will remain paused until borrowing has been reduced and new borrowing to finance the Arts Centre is affordable.
12	The full business case for the commercialisation of the Hertford Theatre be presented to members for examination and approval.	N/A	N/A	Completed	This was the subject of an extraordinary Council meeting in January 2024 which the LGA consultant was not aware of. In fact, this had already been done before the desktop review commenced.
13	That advice be sought as to the capitalisation of maintenance costs re the URC church.	No	Head of Strategic Finance and Property		This is not necessary. The budget provision for the URC Hall was put in place on the assumption that the URC Church Elders would end their lease in September 2024 and the council would need to incur capital costs in relation to parts of the building superstructure, substructure and services and, as these are major components of the asset, would clearly be within the definition of capital expenditure. A full structural survey of the building is to be

## East Hertfordshire District Council Action Plan for LGA Finance Peer Challenge

No.	Recommendation	Agreed	Responsible	Timescale	Comments
					undertaken shortly as there are potentially issues with the building. There are a number of cracks in external walls and officers understand there are significant issues with the drains. The structural survey will identify issues which may be as a result of poor construction methods or, potentially the issues are caused by it having been built on the old course of the River Stort, which may, due to the extreme rains as a result of climate change, be flowing below ground during some parts of the year.