

MINUTES OF A MEETING OF THE  
AUDIT AND GOVERNANCE COMMITTEE  
HELD IN THE COUNCIL CHAMBER,  
WALLFIELDS, HERTFORD ON  
WEDNESDAY 30 OCTOBER 2024, AT 7.00  
PM

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

ALSO PRESENT:

Councillors C Brittain, B Crystall and  
M Goldspink

OFFICERS IN ATTENDANCE:

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

ALSO IN ATTENDANCE:

Debbie Hanson	- Ernst Young LLP
Mark Poppy	- Independent Person
Nick Sharman	- Independent Person

209 APOLOGIES

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

## 210 MINUTES - 25 SEPTEMBER 2024

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

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

## 211 CHAIRMAN'S ANNOUNCEMENTS

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

## 212 DECLARATIONS OF INTEREST

There were no declarations of interest.

## 213 TRAINING PRESENTATION - TRANSFORMING EAST HERTS

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

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

The Interim Chief Executive said that there were three streams to the programme, Be Agile – which had seen the launch of a new staff intranet, giving savings of

£28,000. Be Commercial – which included reviewing the options for the future of the Wallfields building and Be Digital – which included Adelante Smart Pay going live in November 2024.

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

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

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

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

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

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

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

experience of letting out office space.

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

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

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

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

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

#### 214 ASSETS OF COMMUNITY VALUE 2024

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

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

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

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

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

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

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

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

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

Councillor Nicholls asked if council property could be nominated.

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

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

The Head of Communications, Strategy and Policy said that should a landlord be able to prove that being on the register had jeopardised a sale or had a financial impact

the Council could be liable for compensation via a First-Tier Tribunal. He said however, that he did not know of any cases where this had occurred.

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

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

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

**RESOLVED** – that the Asset Register be reviewed and any comments regarding Assets of Community Value be given.

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

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

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

The EY representative said that fairly significant issues had been raised within the report, which would impact the audit opinion. She said that it was quite a complex and unusual situation, explaining that the statutory backstop

dates had been brought in nationally by the Local Government Minister to clear the system wide audit backlog and reset the public audit system.

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

The EY representative said that VFM had three key areas;

- Financial Sustainability
- Governance
- Improving Economy

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

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

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

- Review its MRP policy and calculation to ensure it is necessarily prudent.
- Ensure robust savings plans are in place.
- Ensure that planned savings are produced in a timely manner.
- Mitigate the future use of reserves balances.

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

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

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

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

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

The Chair thanked the EY representative for her report.

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

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

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

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

The Chair asked if, due to the seriousness of the situation, the council would have an opportunity to

respond to EY prior to the statutory recommendation being issued.

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

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

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

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

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

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

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

could have brought something to the Committee earlier.

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

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

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

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

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

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

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

151 Officer and the Finance Officer.

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

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

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

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

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

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

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

repercussions.

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

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

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

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

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

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

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

216 ANNUAL TREASURY MANAGEMENT REVIEW 2023/24  
The Executive Member for Financial Sustainability introduced the report, which detailed the Annual Treasury Management Review and Prudential Indicators for 2023/24 at Appendix A.

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

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

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

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

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

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

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

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

217 MONITORING OF 2024/25 QUARTER ONE CORPORATE RISK REGISTER  
The Executive Member for Financial Sustainability

introduced the report, which reviewed the content of the corporate risk register.

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

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

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

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

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

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

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

The Executive Member for Financial Sustainability said that the 2024/25 savings had been reviewed, and could be seen in Appendix C of the report, with reserves

detailed in Appendix D. He said that lots of work was required, and that he was hopeful that the Government would give extra support.

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

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

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

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

The Executive Member for Financial Sustainability said that:

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

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

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

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

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

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

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

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

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

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

that overtime was a budgeting issue due to vacant posts.

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

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

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

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

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#### AUDIT AND GOVERNANCE WORK PROGRAMME

The Head of Strategic Finance and Property introduced the report and invited any questions or comments from Members.

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

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

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

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

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

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

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

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

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

**RESOLVED** – that A) the work programme as set out in the report be approved; and

(B) that any training requirements be specified.

## 220 URGENT ITEMS

There were no urgent items.

The meeting closed at 8.54 pm

Chairman .....

AG

AG

Date .....