



MEETING : AUDIT AND GOVERNANCE COMMITTEE
VENUE : COUNCIL CHAMBER, WALLFIELDS, HERTFORD
DATE : WEDNESDAY 30 OCTOBER 2024
TIME : 7.00 PM

PLEASE NOTE TIME AND VENUE

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

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

MEMBERS OF THE COMMITTEE

Councillor Martin Adams (Chair)

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

Substitutes

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

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

CONTACT OFFICER:

MICHELE AVES

01279 502177

michele.aves@eastherts.gov.uk

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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 - 25 September 2024 (Pages 6 - 19)

To approve as a correct record the minutes of the meeting held on 25 September 2024.

3. Chairman's Announcements

4. Declarations of Interest

To receive any declarations of interest.

5. Training Presentation - Transforming East Herts

6. Assets of Community Value 2024 (Pages 20 - 30)

7. External Audit - Value for Money Report 2021/22 and 2022/23 (Pages 31 - 57)

8. Annual Treasury Management Review 2023/24 (Pages 58 - 74)

9. Monitoring of 2024/25 Quarter One Corporate Risk Register (Pages 75 - 81)

10. Budget 2025-26 and Medium-Term Financial Plan (MTFP) 2025-2035 Preparation (Pages 82 - 97)

11. Audit and Governance Work Programme (Pages 98 - 116)

12. 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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AG

MINUTES OF A MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE
HELD IN THE COUNCIL CHAMBER,
WALLFIELDS, HERTFORD ON
WEDNESDAY 25 SEPTEMBER 2024, AT
7.00 PM

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

ALSO PRESENT:

Councillors C Brittain and B Crystall

OFFICERS IN ATTENDANCE:

Michele Aves	- Committee Support Officer
Matt Canterford	- Assistant Director (IT)
Steven Linnett	- Head of Strategic Finance and Property
Helen Standen	- Interim Chief Executive

ALSO IN ATTENDANCE:

Nick Jennings	- Shared Anti-Fraud Service (SAFS)
Simon Martin	- Shared Internal Audit Service
Mark Poppy	- Independent Person
Nick Sharman	- Independent Person

152 APOLOGIES
An apology for absence was received from Councillor Woolcombe.

153 MINUTES - 29 MAY 2024

It was moved by Councillor Nicholls and seconded by Councillor Deering, that the Minutes of the meeting of the Committee held on 29 May 2024 be confirmed as a correct record and signed by the Chair.

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

RESOLVED – that the Minutes of the Committee meeting held on 29 May 2024 be confirmed as a correct record and signed by the Chair.

154 CHAIRMAN'S ANNOUNCEMENTS

The Chair welcomed all to the meeting. He said that he had recently attended a webinar given by National Audit Office – Local Audit Reset and Recovery Implementation Guidance (LARRIG). He recommended the organisation to Members as the webinar offered guidance on audit delays.

155 DECLARATIONS OF INTEREST

There were no declarations of interest.

156 TRAINING PRESENTATION - CYBER SECURITY

The Assistant Director for Technology delivered a Cyber Security training presentation to the Committee.

As the presentation involved the disclosure of exempt information, it was moved by the Chair and seconded by Councillor Nicholls, 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 of business because it involved 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 was considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

After being put to the meeting and a vote taken, this

motion was declared CARRIED.

RESOLVED - 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 of business because it involved 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 was considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

The Chair thanked the Assistant Director for Technology for his presentation, and questions from Members were answered.

RESOLVED – that the Cyber Security training presentation be received.

157 SHARED INTERNAL AUDIT SERVICE - INTERNAL AUDIT PLAN PROGRESS REPORT

The Shared Internal Audit Service (SIAS) Manager introduced the report, which was the first periodic update in the delivery of the Council's Internal Audit Plan for 2024/25.

The SIAS Manager highlighted several sections of the report to Members. This included paragraph 2.2 which gave the outcome of three reports issued since May 2024, and paragraph 2.6 which confirmed that no new high priority recommendations had been added to the schedule since the Committee received its last progress report.

The SIAS Manager gave a verbal update regarding the recording, management, and monitoring of software - which was tested and working, and the ICT Department restructure - which was now complete and gave complete oversight. He added that work was in progress in relation

to new software licensing policies.

The SIAS Manager referred to paragraphs 2.7 – 2.9 of the report which noted key performance indicators and said that there was no risk to annual assurance. He drew Members attention to Appendix E of the report which gave detail on revised Global Internal Audit Standards (which were required to be implemented by SIAS by 1 April 2025) and said that he would report back to the Committee should these new standards have any impact.

The Chair thanked the SIAS Manager for his report.

Councillor Williamson referred to paragraph 2.2 of the report and sought clarification of the outcome of the audit from 2023/24.

The SIAS Manager said that the follow up work from a delivered audit did not give assurance, but that any recommendations were implemented.

Councillor Williamson asked if the SIAS Manager was satisfied that the recommendations from the audit in question were in place.

The SIAS Manager said that he was satisfied, and that this was normally reported to the Audit and Governance Committee.

RESOLVED – that (A) the Internal Audit progress be noted: and

B) that the status of Critical and High Priority Recommendations be noted: and

C) that the Global Internal Audit Standards Briefing Paper be noted.

The Shared Anti-Fraud Service (SAFS) Manager introduced the report, which detailed the work of SAFS up to August 2024. He said that he hoped that Members had found the recent SAFS training useful and explained how this dovetailed with the need to be cyber security aware.

The SAFS Manager said that there had been an uptrend in impersonation cases across all partners, with the 'hijacking' of Council Tax and housing stock accounts. He said that there had also been an increase in false information being given to obtain grants, Council Tax Support, and social housing.

The SAFS Manager said that a tri-county initiative was undertaken in June 2024 to give training and awareness to civil enforcement officers with regards to Blue Badge abuse, which had received good feedback.

The SAFS Manager said that 45 allegations of fraud had been received up until the end of August 2024, with 32 investigations currently 'live' - with an estimated value in excess of £400,000. He said that 4 closed fraud cases, totalling £184,000 related to historic Housing Benefit claims, adding that these cases would be jointly investigated with the Department of Works and Pensions who would lead on prosecutions.

The SAFS Manager said that East Herts were signed up to the Council Tax Framework, the National Fraud Initiative (NFI) and the Fraud Hub, and that Fraud Alerts and Executive Reports would continue to be produced when necessary. He added that no Executive Reports had been required for East Herts so far in the current year.

The SAFS Manager said that all key performance indicators were on target to be met, with time recording now operating and referrals (including urgent referrals) being actioned within 24 hours.

The Chair thanked the SAFS Manager for his report.

The Executive Member for Financial Sustainability asked if there was any research into the value of fraud which was not detected/found.

The SAFS Manager said that there was research into this subject, but 'you don't know, what you don't know', and therefore figures were not available. He said that SAFS would continue to carry out proactive exercises, train staff and ask for public input to increase both knowledge and awareness of fraud.

Mr Sharman asked if monies recovered from investigations helped with the Council's financial position.

The SAFS Manager said that recovery amounts were often estimates, with some losses errors and not fraud. He said that once these monies were gone, they were lost, but that it was easier to recover Council Tax.

RESOLVED – that (A) the progress by officers and the Shared Anti-Fraud Service (SAFS) to deliver the Anti-Fraud Plan for the Council be noted.

159 FINANCIAL MANAGEMENT 2024/25 - Q1 FORECAST TO YEAR END

The Executive Member for Financial Sustainability introduced the report, and drew Members attention to Appendices A and B, which detailed revenue budget, forecast outturn and significant variances. He said that although these were disappointing, they were prudent, with the forecast overspend showing 'one off items'.

The Executive Member for Financial Sustainability referred to Appendix C of the report which gave information about 2024/25 savings, and said that again these were disappointing, with some savings delayed.

The Executive Member for Financial Sustainability referred to Appendix D of the report, which gave details on the 2024/25 capital programme and forecast outturn,

and said that there were very few variants, with ongoing projects within budget and mitigations in progress.

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

Councillor Deering said that he had attended the recent Executive meeting where the report had originally been presented and referred to the last bullet point of paragraph 2.7. He asked for clarification regarding Charringtons House, and asked if it would be demolished or be part of the redevelopment of Old River Lane.

The Executive Member for Financial Sustainability said that Charringtons House was part of the Old River Lane scheme, and that it would be sold to the developer once an agreement was signed, thus alleviating the council's responsibility to pay business rates on the building. He said that due to the delay in signing the agreement consideration had been given to demolishing the building (again to negate the business rates responsibility), but this had proved too expensive.

Councillor Williams referred to Appendix D of the report and asked if the revised budget from the end of February was significant.

The Executive Member for Financial Sustainability said that the figures in the Appendix included carry forwards from previous years.

Councillor Williamson asked why Appendix E of the report did not appear to be included on the agenda.

The Head of Strategic Finance and Property said that Appendix E should have been included and would therefore be circulated to Members.

Councillor Nicholls referred to Appendix D and asked for more information about the sum of money allocated to the Pinehurst Community Hall.

The Head of Strategic Finance and Property said that these were Section 106 monies, for both work to the hall and an outside play area.

Mr Sharman asked if there would be any impact on the current £2.9m level of outstanding debt.

The Head of Strategic Finance and Property said that old debts would be worked on, and reviewed to see if they should be written off. He said that he was confident that with staff training recovery would be possible with regards to licensing debtors. He said that with effect from November a new payment system would be in place, allowing opportunities for more and enhanced card payments.

Mr Sharman said that this was good news, and asked how confident the Executive were that the level of underspend would not deteriorate in the coming months.

The Executive Member for Financial Sustainability said that the forecast was prudent, with scenarios worst case, allowing for gains on the big numbers.

Mr Sharman said that it was hard to judge this from the report narrative, and that it was therefore good to hear that the forecast was prudent. He asked where money would be found should the outturn overspend transpire.

The Executive Member for Financial Sustainability said that there were no great issues pertaining to the current year, with monies to go into the Council's reserve account. He said that future years would be dependent on external factors and any savings made.

Mr Poppy referred to the variants relating to Buntingford Depot in Appendix B of the report, and asked if these were a cost to the council or the contractor.

The Head of Strategic Finance and Property said that the

current contractor paid rent at the depot, but that the new incoming contractor would not. He said that it made no sense to charge such rent as the contractor only charged this back to the council. He added that a new depot site continued to be sought.

Mr Poppy asked if there were yet figures available for BEAM, which had been operating for approximately a month.

The Executive Member for Financial Sustainability said that it was too early to have any concrete numbers pertaining to BEAM. He said that however, early indications were that performance had not been as good as hoped.

Mr Poppy asked if the Planning Department would require less external staffing support if the number of planning applications went down.

The Executive Member for Financial Sustainability said that if there was a lag in planning applications the workload for the Planning Department would decrease.

Councillor Hart asked if the staffing underspend within departments as detailed within the report was sustainable.

The Interim Chief Executive said that considerable savings had been made as the Head of Revenues and Benefits had medically retired, and the Head of Human Resources and Organisational Development had left the council. She said that a Senior Management Review was being undertaken and that Members would be advised of any further restructure. She added that some vacant posts were being held to enable decisions to be made as to if recruitment was necessary.

Councillor Nicholls asked if the effect of the council's ban on overtime was known.

The Interim Chief Executive said that the overtime savings were not 'true' within the Revenues and Benefits Department as vacancy monies were being used to pay overtime and short-term agency staff. She said that this was necessary to improve performance, meet benefit targets and maintain staff wellbeing.

Councillor Deering asked for the direction of travel in respect of agency staff spending.

The Interim Chief Executive said that such spend had been static over the past 6 months, with the biggest expenditure at all grades within the Planning Department. She said that short term agency staff were used to fill critical posts, with any vacancies brought before Leadership Team before the recruitment process started.

The Chair asked if the overspend effected the decisions made by East Herts.

The Executive Member for Financial Sustainability said that the budget effected every decision, with thoughts already underway regarding next year.

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

RESOLVED – that (A) The reasons for the net revenue budget end of year projected overspend of £1.1m be considered; and

B) that the capital programme forecast outturn of £50k be considered.

160 LOCAL GOVERNMENT ASSOCIATION FINANCE PEER CHALLENGE

The Executive Member for Financial Sustainability introduced the report which detailed the findings of the Executive requested Local Government Association

Finance Peer Challenge. He drew Members attention to Appendix B of the report, which gave the conclusions of the follow up workshop, and Appendix C which gave the action plan for implementation of the report's recommendations.

Councillor Nicholls asked if the Peer Challenge had been a worthwhile exercise.

The Executive Member for Financial Sustainability said that it had been very useful to obtain an outsider's view and opinion, which gave confidence and ideas to the new administration.

Mr Poppy asked if a full corporate peer review was planned.

The Interim Chief Executive said that the last corporate peer challenge was undertaken in 2018. She said that discussions with the Leader hoped for a review in 2025.

Councillor Nicholls asked if more meetings of the Audit and Governance Committee would speed up the decision-making process and said that further budget scrutiny training would be beneficial for Members.

The Executive Member for Financial Sustainability said that anything which sped up the decision-making process was good and that the Local Government Association provided finance training courses which Members could sign up for.

Councillor Deering voiced his support for the Committee having extra meetings should this speed up the decision-making process and referred to page 73 of the report which concluded that Members required improved financial information.

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 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 be endorsed.

161 **AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME**

The Head of Strategic Finance and Property introduced the report. He said that following the backstop date of December, Members would note the extra meeting of the Committee which was scheduled for between March and May of 2025 – as this would enable receipt of the External Auditors report.

The Chair thanked the Head of Strategic Finance and Property for his report and asked for confirmation that officers would be able to produce reports for the extra meeting of the Committee which had been scheduled for 30 October 2024.

The Head of Strategic Finance and Property said that reports would be available for the October meeting. Councillor Deering asked if Members were now content that the Work Programme contained enough meetings.

The Chair said that there was now an extra meeting arranged for October 2024 and that another was scheduled for a date in-between March and May 2025. He said that the date for the latter could be arranged now, but that it might be better to confirm this once the External Auditor had given an indication on the expected delivery date of their report.

Councillor Deering said that he understood the need not to have meetings ‘for meetings sake’, but that structure was required.

The Committee Support Officer clarified that the next

meeting of the Committee was originally due to be in November 2024, but as per requests from Members an extra meeting had been arranged for 30 October 2024 (in part to ease the number of items on agendas). She said that it had not been possible to insert another meeting in-between the last meeting of the Committee in May 2024 and this evening's due to the two elections which had taken place over the spring/summer.

Mr Sharman said that he welcomed the extra detail on the Work Programme, and that the insertion of the extra October meeting was good for agenda volume. He said however that not having a meeting in-between January 2025 and May 2025 felt too long.

Councillor Deering said that he agreed with the comments of Mr Sharman, and that he would therefore be happy to propose that a meeting of the Committee be arranged for April 2025.

The Committee Support Officer said that the meeting in question was detailed in the Work Programme and would take place on a date in-between March and May 2025. She said that as per the discussion, a more specific date could not be given at this time due to the External Auditor's currently unknown timescales/availability for delivery of their report.

The Chair said that more would be known regarding the report timescales following the November 2024 meeting, and that a specific date for the meeting could then be set.

Councillor Deering said that the feeling amongst Members was that a specific date should be set, and that from a personal view he preferred dates to be in his diary. He said that he understood that should a date be arranged for April 2025, and then be unable to be met it could be revisited.

It was moved by Councillor Deering and seconded by Councillor Hart, that an additional recommendation, as

detailed, be added and approved. After being put to the meeting and a vote taken, this motion was declared CARRIED.

RESOLVED – that a meeting of the Audit and Governance Committee be scheduled for April 2025.

The Head of Strategic Finance and Property advised that the meeting in question would need to be scheduled before the 14 April 2025 due to the upcoming County elections.

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

C) that a meeting of the Audit and Governance Committee be scheduled for April 2025.

162 URGENT ITEMS
There were no urgent items.

The meeting closed at 8.52 pm

Chairman
Date

Agenda Item 6

East Herts Council Report

Audit and Governance Committee

Date of meeting: 30 October 2024

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

Report title: Assets of Community Value Report 2024

Ward(s) affected: All

Summary – this report updates Members on the current Community Asset Register.

RECOMMENDATIONS FOR COMMITTEE:

a) That Committee Members review the Asset Register

1.0 Proposal(s)

1.1 Committee Members are encouraged to review the register and comment on any issues regarding Assets of Community Value

2.0 Background

2.1 Committee Members from the previous administration asked for an annual update in regard to Assets of Community Value (ACV), the first of which was provided in September 2021.

What are Assets of Community Value?

- 2.2 The Localism Act (2011) was brought in by the Conservative/ Liberal Democrat Coalition government to increase community involvement and accountability in delivery of public services. Legislation pertaining to Assets of Community Value (ACV) was designed to provide an additional safeguard for community facilities such as pubs, village halls, shops and local sports grounds. Specifically, it creates an opportunity for local groups to take on ownership of such facilities that are threatened with closure.
- 2.3 The Regulations Section 88(2) of the Localism Act defines an asset / land of community value if:
- a) There is a time in the recent past (or current) when an actual use of the building or other land that was not an ancillary use furthered the social wellbeing or interests of the local community, and
 - b) It is realistic to think that there is a time in the next five years when there could be non-ancillary use of the building or other land that would further (whether or not in the same way as before) the social wellbeing or social interests of the local community
- 2.4 The thresholds for meeting these tests are quite low and largely in the gift of the local authority who maintain the register. For example, even if a building such as a village pub has been closed for several years and has no clear owner wishing to return it to use, it is still entirely feasible that this *could* happen and therefore the pub meets the criteria. Crucially, even a live planning application to convert the pub to residential use does not negate this.
- 2.5 Groups such as parish councils and constituted local voluntary and community organisations are able to nominate local land or buildings to be included in the list of community assets maintained by the relevant local authority. In two tier

areas, this is the District/ Borough Council. Details of the nomination process can be found on our website: [Assets of Community Value \(ACV\) | East Herts District Council](#)

What happens when a building or land is nominated?

- 2.6 Following receipt of a nomination form, the Council notifies the freeholder and, if relevant, leaseholder, with an invitation to submit information or evidence in regards to any objections to the nomination. The local ward Member is also informed. A panel date is set to consider all the information, usually with four-six weeks of the nomination being received. The panel is chaired by the Head of Communications, Strategy and Policy who is responsible for determining whether assets should be accepted or not. This is done in consultation with other panel members including the Council's Policy Officer (a one day per week role) and representatives from the legal department.
- 2.7 Once a decision is made, the owner is notified. In the case of it being added to the register the owner has 28 days to appeal this process. An appeal will be undertaken internally by another senior officer not hitherto involved in the nomination. If the appeal is not upheld, the asset is then added the register. If the owner is still unhappy with the appeal decision, their only option is to appeal to the first tier tribunal. To date, only two owners have pursued this option and in both cases the tribunal judge upheld the Council's decision to add them to the register (the Rose and Crown Pub, Aston, and the Cock Inn, Stocking Pelham).
- 2.8 As part of the registration process the Council updates the title via the Land Registry so that the ACV status will show on any future searches.

- 2.9 If an asset is placed on the register, the owner is obliged to notify the local authority when intending to dispose of it, which will trigger a moratorium period of six weeks. During this time, the community group can apply to be treated as potential bidders through by submitting an expression of interest. If the owner does not give notice to the local authority, any future disposal will be deemed unlawful.
- 2.10 The owner will be able to begin the sale process after an interim period of six weeks if no bidder has come forward. If a written intention to bid is received in that time, then a full six month moratorium period will take place which gives community groups time to prepare a bid. During that six months the owner is not able to dispose of it to any other buyer. In practice this means they are able to advertise but not agree a sale (up to the point of exchanging contracts).
- 2.11 The sale itself takes place under normal market conditions and whilst the community group will be given an opportunity to submit a bid the owner is not compelled to accept it.
- 2.12 Certain buildings and land are excluded, including residential property and land, hotels, land owned by the church of England (specifically places of worship) and land used by public utilities. A property will remain on the list for five years. It can be re-nominated after that point.

How well used is the legislation?

- 2.13 After an initial period of publicity and interest, the provisions of the Localism Act have received little attention or support from national government in recent years. However, at local level, communities have been continuing to make use of the tool albeit the number of assets purchased by local groups remains relatively low.

- 2.14 The Ministry of Housing, Communities and Local Government does not collect formal statistics on either the number of listed assets or the number bought by community groups. However they did provide a grant to the Plunkett Foundation in 2017 to maintain an overall list nationally which can be found here: [Keep it in the Community Homepage \(force.com\)](https://www.force.com)
- 2.15 ACV status is usually applied for in the case of village and town pubs in an attempt to prevent them being closed in anticipation for residential development. We have seen a similar pattern in East Herts also however a number of other types of assets have also been listed including woodland and shops.

Does an ACV registration make any difference?

- 2.16 This is an important question. There are very few examples nationally of where adding an asset to the register has resulted in a community group taking on ownership through the moratorium process. Where a local group has the necessary funds to make a realistic bid and the landlord is co-operative and engaged, the legislation probably isn't needed. Where an owner has no intention of disposing for anything less than market value, they will simply keep their asset advertised and wait for the six months to elapse before moving ahead with a sale.
- 2.17 Most of the assets listed in East Herts are relatively uncontroversial and go unchallenged. However some have become complicated and this is largely in the case of village pubs that have been closed and where the owner is attempting to convert the building to residential use. Local groups often apply for ACV status in this instance to provide some level of protection against this happening and often in the context of galvanising local support to keep them open.

This has been the case in the past regarding the former pubs mentioned above (the Rose and Crown, Aston, and the Cock Inn, Stocking Pelham) and has also been the case in regards to more recent additions including the Bell Inn, Benington and the White Horse, Wareside.

2.18 It should be noted that an ACV status is no guarantee of preventing conversion to residential development. Any planning application would be considered on its own merits. However in some cases the ACV status may be of relevance to planning determinations. Whilst falling short of a material consideration in East Herts it does provide a proxy for community interest and commitment to retain local facilities (noted in the rulings by the judges in the first tier tribunal cases referenced above).

2.19 It is worth noting that whether a local group has the necessary funds or capacity to take on ownership of a community asset is irrelevant to the nominating process. In some cases local groups simply wish to prevent the loss of a community facility and slowing it down by six months is all that can be realistically achieved.

What are the Labour Government's plans for ACVs?

2.20 In their manifesto and subsequent policy statements the new government have referenced an intention to strengthen legislation to support community ownership of assets. This may come through the forthcoming English Devolution Bill announced in the Kings Speech in July 2024. It is not clear what this means in practice however one expectation is that the moratorium process will be extended from 6 months to 12 months and there may be additional funding (eg. Through the community ownership fund) to enable community retention of key assets.

2.21 In East Herts the current list of assets can be found a Appendix A and also on our website: [Assets of Community Value Register | East Herts District Council](#)

2.22 Currently there are 31 assets listed and 4 others in the process of being considered following nomination (the George and Dragon, Budgens and The Bull at Watton-at-Stone and a footpath in Bengoe).

3.0 Reason(s)

3.1 The Community Asset register has to be kept up to date by East Herts Council, as outlined in the 2011 Localism Act.

4.0 Options

4.1 There are no options to not maintain the register as it is a statutory requirement

5.0 Risks

5.1 N/A

6.0 Implications/Consultations

6.1 Owners of any assets registered (including any leaseholders or tenants) are consulted with upon receiving a nomination

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

Financial

No

Health and Safety

No

Human Resources

No

Human Rights

No

Legal

No

Specific Wards

No

7.0 Background papers, appendices and other relevant material

- 7.1 Appendix A – Current Community Asset Register available on the website: [Assets of Community Value Register | East Herts District Council](#)

Contact Member

Councillor Carl Brittain, Executive Member for
Financial Sustainability

[*carl.brittain@eastherts.gov.uk*](mailto:carl.brittain@eastherts.gov.uk)

Contact Officer

Benjamin Wood, Head of Communications,
Strategy and Policy

benjamin.wodd@eastherts.gov.uk

07519 293722

Appendix A – Community Asset Register, East Herts as at 11/9/23

Asset & notes	Nominating Group	Date added	Expiry date
White Horse, Wareside. Community group notified of owner's intention to sell on 17 th April and they did not submit an expression of interest on the basis that the prospective buyer wanted to re-open the pub. However the sale appears to have fallen through.	Wareside Community Group	01/04/23	31/3/28
Wareside CofE School, Wareside	Wareside Parish Council	29/03/23	29/03/28
Water Lane Hall, Bishop's Stortford. Notice of a relevant disposal was immediately given to the nominating group, triggering the 6 month moratorium period. This expired 19 th March and the protected period will end 19 th March 2024	Bishop's Stortford Civic Federation	13/9/23	19/3/24
Feathers Inn, Wadesmill	Thundridge Parish Council	29/3/23	28/3/28
The Bell Inn, Benington. This was already on sale when the pub was nominated. The community group triggered the moratorium process on 10 th August and it expired February 2023 meaning the protected period lasts until 24 th February 2024	Friends of the Bell	01/8/22	24/2/24
The Bull Inn PH, Much Hadham	Save The Bull Action Group	12/08/22	12/08/27
The Farmers Boy Pub, Brickendon	Brickendon Liberty Parish Council	17/02/22	17/02/27
The Yew Tree PH, Walkern	Walkern Parish Council	08/04/2017	08/04/2027
The White Lion PH, Walkern	Walkern Parish Council	08/04/2022	05/04/2027
Walkern & Sandon United Reform Church, Walkern	Walkern Parish Council	08/04/2022	08/04/2027
Budgens, Walkern	Walkern Parish Council	08/04/2022	08/04/2027
The Boot Public House, Dane End,	The Book Pub Local Residents Group	08/11/21	08/11/26
ZisZis Food Store 155 London Road, Hertford Heath, SG13 7PN	Hertford Heath Parish Council	29/07/21	29/07/26
The Silver Fox 16-18 London Road, Hertford Heath, Sg13 7RH	Hertford Heath Parish Council	29/07/21	29/07/26

Coutryman Inn, Chipping. Notice to dispose was given 22/7/22 and the community group triggered a moratorium process which expired 16/12/22. The protected period will end 16/12/23	Buckland and Chipping Parish Council	01/7/21	16/12/23
Astonbury Woods Astonbury Lane, Hertfordshire	Aston Parish Council	17/05/21	17/05/26
Hertford Heath Village Hall, Hertford Heath,	Hertford Heath Parish Council	20/03/21	20/03/26
The Goat Public House, Hertford Heath	Hertford Heath Parish Council	20/11/2020	19/11/2025
The Village Hall, Hertford Heath	Hertford Heath Parish Council	20/11/2020	19/11/2025
Mission Room, Hertford Heath	Hertford Heath Parish Council	20/11/2020	19/11/2025
Holy Trinity Church, Hertford Heath	Hertford Heath Parish Council	20/11/2020	19/11/2025
Hertford Heath School, Cub and Beaver Hut, Hertford Heath	Hertford Heath Parish Council	20/11/2020	19/11/2025
Boxwood, Walkern, Hertfordshire.	Friends of Fairlands Farm CIC.	20/11/2020	19/11/2025
College Arms Pub, Hertford Heath	Hertford Heath Parish Council	11/09/2020	10/09/2025
Hertford Corn Exchange, Hertford,	Hertford Civic Society	03/03/2020	02/03/2025
The Crooked Billet, Ware	Community group	10/04/2019	09/04/2024



East Hertfordshire District Council

Value for Money Interim Report

Years ended 31 March 2022 and 31 March 2023

August 2024

213 August 2024

East Hertfordshire
District Council
Council offices,
1 The Causeway,
Bishop's Stortford
CM23 2EN

Dear Audit and Governance Committee Members

2021/22 and 2022/23 Value for Money Report

We are pleased to attach our interim commentary on the Value for Money (VFM) arrangements for East Hertfordshire District Council. This commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit years 2021/22 and 2022/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. The National Audit Office (NAO) issued a consultation on 8 February 2024 seeking views on changes to the Code of Audit Practice (the Code) to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements. The consultation proposes to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. At this stage, we are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code.

This report is intended solely for the information and use of the Audit and Governance Committee and management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit and Governance Committee meeting on 25 September 2024

Yours faithfully

Debbie Hanson

Partner

For and on behalf of Ernst & Young LLP

Encl

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01 Executive Summary



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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/auditquality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to Audit Committee and management of East Hertsfordshire District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee and management of East Hertsfordshire District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee and management of East Hertsfordshire District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



BOARDROOM



01 Executive Summary



Executive Summary

Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditors provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

The purpose of this interim commentary is to explain the work we have undertaken during the period 01 April 2021 to 31 March 2023 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit years 2021/22 and 2022/23. The NAO has confirmed that where VFM reporting is outstanding for more than one year, the auditor can issue one report covering all years.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. As part of the NAO consultation issued on 8 February 2024, there is a proposal to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. However, the consultation states that where auditors have begun or already undertaken work that no longer falls under the reduced scope (if agreed once the consultation closes), they may still report on it in accordance with Schedule 4. We are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

The report sets out the following areas which have been assessed up to the point of issuing this interim report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings to date from our planned procedures; and
- Summary of arrangements over the period covered by this report (Appendix A).

We will summarise our final view of the value for money arrangements as part of the Auditor's Annual Report once the audit reports have been issued for 2021/22 and 2022/23.

Executive Summary (continued)

Risks of Significant Weakness

In undertaking our procedures to understand the body’s arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with key officers;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

We completed our risk assessment procedures and did not identify any significant weaknesses in the Council's VFM arrangements.

We identified risks of significant weaknesses in related to governance and improving economy, efficiency and effectiveness arrangements as part of our risk assessment procedures. We set out our planned response to address these risks in the table below.

Description of risk identified	Years	Work planned to address the risk of significant weakness
Governance: Non preparation and publication of the financial statements for 2021/22 and 2022/23 and failure to publish the 2021/22 Annual Governance Statement	2021/22 2022/23	Discussions with management to identify the reasons for, and actions taken to address, the non-compliance
Improving economy, efficiency and effectiveness: Delays and/or significant cost over runs on major projects	2021/22 2022/23	Discussions with management in relation to Old River Lane redevelopment project Review of minutes of meetings of Old River Lane Delivery Board Review of project delivery models, budgets, business case, supplementary planning document, Section 123 report and Montagu Evans Viability Report Review of the Council’s MRP policy and calculation

Executive Summary (continued)

Reporting

Our interim commentary for 2021/22 and 2022/23 is set out over pages 10 to 17. The interim commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2021/22 and 2022/23. We include within the VFM commentary below the associated recommendations we have agreed with the Council.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Auditor's Annual Report and have been updated for 2021/22 and 2022/23.

In accordance with the NAO's 2020 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the Council's arrangements.

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	Non preparation and publication of the financial statements for 2021/22 and 2022/23 and the 2021/22 Annual Governance Statement	Yes, non-compliance with the Accounts and Audit Regulations 2015 in a number of areas.
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	Delays and/or significant cost over runs on major projects	We are still considering the impact of these findings on our value for money reporting and will provide an update to the Audit and Governance Committee once our procedures have been finalised. Based on the work completed to date we have not identified any significant weaknesses.

Executive Summary (continued)

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2023

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:

[EY UK 2023 Transparency Report | EY UK](#)



02

Value for Money Commentary

Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services for 2021/22 and 2022/23

No significant weakness identified

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements, and reporting on the design and operation of these arrangements via the Annual Governance Statement, rests with management. In accordance with the National Audit Office (NAO)'s Code the focus of our work should be on the arrangements that the Authority is expected to have in place during the years ended 31 March 2022 and 2023.

Our risk assessment did not identify any risk of significant weakness in arrangements to secure financial sustainability, but we did identify a number of areas for improvement which are noted in this report.

Budget setting and monitoring

The Council has adhered to its governance processes for setting a balanced budget and Medium Term Financial Plan (MTFP). The budget and MTFP are underpinned by assumptions that we deemed reasonable and supported. The Council's budget is monitored on a monthly basis by senior management and reported quarterly to the Executive. The Council's revenue budget was put under pressure in 2021/22 due to losses in income and increased costs.

The 2021/22 and 2022/23 revenue budgets were approved by Council in March 2021 and 2022 respectively, and a balanced budget was set each year. The outturn and pressures identified in the previous year are considered as part of the budget process to ensure that these are adequately addressed in the next years' budget.

The 2021/22 revenue budget and MTFP was based on the following assumptions;

- salary inflation of 2%
- 2.5% increase to fees and charges
- additional budget savings/efficiencies required over the next four years totalling £8.89 million to 2024/25, with use of reserves of £5.47 million over the period to bridge the budget gap.
- increase in the provision for bad debts by £1.034 million has been forecast as well as an increase in the appeals provision of £3.4 million.

The 2022/23 budget and Medium-Term Financial Plan (MTFP) was based on the following assumptions:

- contract inflation up to 4%.
- no inflation in other goods and services budgets.
- provision for the national pay award (up to 3%).

The 2021/22 budget and MTFP included a savings target of £2.39 million, to be achieved from new savings proposals, the transformation programme and infrastructure investment. For 2021/22, the Council reported an overall underspend position of £91k. In 2022/23, the final general fund revenue outturn reported in September 2023 was a £195k overspend, which was funded from the General Fund Reserve. This compared to the forecast outturn as of 30 June 2022 of an overspend of £229k.

Value for Money Commentary

Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services for 2021/22 and 2022/23

No significant weakness identified

Medium term financial plans and savings

The Council faces real-term reductions in government grants and increases in costs due to inflation and other pressures. These challenges created a budget shortfall of £1.179 million for 2022/23 and an additional £3.5 million for 2023/24.

For 2022/23, the following savings proposals were identified;

- Reduction in payment to the Hertfordshire Emergency Planning / Resilience Partnership from £26k per year to £16k to reflect the reduction in hours devoted by the Partnership to East Herts
- Removal of £21k from the 2022/23 budget relating to the community public transport schemes
- Increase the charge from single people in bed and breakfast from £110.40 per week to £129.33
- Reduction of 25% in the combined revenue and capital grants budget of £31k
- Introduce standard car park tariff charges on Sundays across Council managed car parks
- To reduce the number of audit days purchased from SIAS whilst still ensuring appropriate assurance is received
- Gilston Planning Costs Pressure reduction from £247,000 to £207,000

For 2023/24, the Council approved a net revenue budget of £12,113 million in March 2023 with a forecast net revenue overspend of £220k. Assumptions built into the 2023/24 revenue budget and MTFP were:

- a council tax increase of 2.99%
- pay inflation originally set at 2% for 2023/24 was increased to 4% in 2023/24 but remaining at 2% in future years.
- contract inflation was set at 4% in 2022/23 and 2.5% thereafter.
- net income stream for the theatre has been moved back to 2025/26 due to delays in Hertford Theatre
- the Elizabeth Road redevelopment will be progressed only as far as planning permission
- capital receipts will be used to replace borrowing thus reducing revenue costs

The 2023/24 MTFP projections were reported to Council in March 2023 and required the Council to make savings of at least £6.9 million in the next four years. Proposals to close the budget gap for 2023/24 amounted to £866k compared to a target of £822k.

The savings targets over the next four years are challenging and a recent Finance Peer Challenge report based on a desktop review undertaken in February to March 2024 noted a number of areas for improvement in relation to savings. These included, the need to incorporate comprehensive risk assessments related to the proposed savings measures, including detailing the likelihood and potential impact of not achieving the targeted savings. It also found that the budget report would benefit from clear explanations as to how the savings identified impact on future years and ensuring that all savings figures are fully reconciled.

Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services for 2021/22 and 2022/23

No significant weakness identified

The annual savings requirements to deliver a balanced budget in the March 2023 MTFP are set out below and the cumulative impact of these is a savings requirement of £7.49 million by 2027/28:

- 2023/24: £0,822 million
- 2024/25: £2.170 million
- 2025/26: £2.146million
- 2026/27: £1.758 million
- 2027/28: £0.594 million

Savings requirements as per the 2024/25 MTFP are:

- 2024/25: Gross savings requirement of £1.186 million
- 2025/26: Gross savings requirement of £5.606 million.
- 2026/27: Gross savings requirement of £5.606 million.
- 2027/28: Gross savings requirement of £6.132 million.

Levels of reserves

The Council has earmarked reserves which can be used to balance the budget in the medium term. Earmarked reserves at 31 March 2022 were £21.3 million and the general fund balance of £3.8 million was above the min recommended level of £2.2 million set by the Section 151 officer. The level of earmarked reserves had reduced to £18.7 million at 31 March 2023.

The Finance Peer Challenge report referred to above, also noted that the useable reserves were comparatively low, and recommended that the Council should consider financial risks in determining a minimum level of reserves to be maintained. Additionally, it recommends publishing an explicit statement on the Council's usable reserves position within the budget report. The most recent published accounts cover the period up to 2021/22 and show usable reserves of £21.3 million as of March 2022. However, after discounting specific reserves, the Peer Review noted that the sum of usable earmarked reserves is only £4.7 million. We also noted as part of our work that it was difficult to establish the projected level of useable reserves through review of the Council's various budgeting reports. We did however note that the Budget Report in October 2024, included projections of reserves to 2027/28, which reported a projected general fund balance of £3.8 million, a general reserve of £1 million and earmarked reserves of £14.7 million.

Value for Money Commentary

Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services for 2021/22 and 2022/23

No significant weakness identified

Minium Revenue Provision (MRP)

We note that the Council moved to a position of having a positive Capital Financing Requirement in 2020/21, having previously been debt free. The Council's reported MRP policy is to *'repay internal borrowing incurred on capital expenditure between 2011/12 and 2021/22 from the set aside balance in order that no MRP is required to be set aside. For external borrowing from 2021/22 and future years the Council will assess MRP in accordance with the main recommendations contained within the guidance issued by the Secretary of State'*. It is unclear from our reading of the Council's Policy whether the Council has fully considered the impact of not setting aside MRP in relation to capital spend between 2011/12 and 2021/22 in terms of any impact on its future financial resilience. As we are issuing disclaimer opinions on the 2021/22 and 2022/23 financial statements, we have not undertaken any audit work in relation to the MRP policy and calculation, but recommend that the Council undertakes a review of this area.

Overall conclusion

Despite the pressures noted we have not identified any significant weakness in the financial management arrangements for 2021/22 and 2022/23. The Council has mitigating actions in place which have enabled a balanced budget to be set in each year and for reserves to be maintained above the minimum recommended level. The scale of savings required to continue to set a balanced budget and maintain reserves at an appropriate level does however significantly increase in future years.

Our work and that of the Finance Peer Challenge has however noted a number of areas for improvement in financial management and reporting.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 and other relevant years to enable it to plan and manage its resources to ensure that it can continue to deliver its services

Recommendations:

1. Officers need to ensure robust savings plans are put in place and delivered to ensure spend is contained within budget and planned savings are delivered on a timely basis.
2. The Council should ensure that it mitigates the further use of reserve balances to support the revenue budget in the medium term, by taking steps to ensure that both in-year overspends are minimised and future savings gaps are identified early with schemes put in place, without compromising front line service delivery.
3. The Council should ensure it takes action to address the findings and recommendations from the Finance Peer Challenge as a matter of urgency.
4. The Council should undertake a review of its MRP policy and calculation to ensure it is fully compliant with the statutory requirements and guidance and that sufficient set asides are being made.

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

Significant weakness identified for 2021/22 and 2022/23

The Council is required to have arrangements in place to ensure proper risk management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the audited body is expected to have in place during the years ended 31st March 2022 and 2023.

Financial statements

Our risk assessment identified a risk of significant weakness in arrangements in governance in relation to the Council's non-compliance with the Audit and Accounts regulations in relation to the failure to prepare and publish draft and audited accounts on a timely basis along with appropriate inspection notices.

Under the Accounts and Audit Regulations 2015, the Council is required to publish a set of draft accounts for a public inspection period of 30 working days, during which time any interested person may inspect the accounts and ask questions to the external auditor. For 2021/22, this public inspection period should start no later than the first working day of August (per a 2021 amendment to the regulations) and the accounts should also include an Annual Governance Statement.

The Council published their draft 2021/22 financial statements for audit on the 11 December 2023 and advertised and held an inspection period for members of the public. For 2021/22, the Council have therefore not complied with the requirements of the Accounts and Audit Regulations, as the inspection period did not start until 12 December 2023. We also noted the following:

- the accounts published for inspection did not include an Annual Governance Statement (AGS).
- the Statement of Responsibilities for the Statement of Account included in the 2021/22 Accounts was from the 2020/21 accounts and was dated 26/10/2020.
- the auditor's report included in the 2021/22 Accounts was the audit report for the 2019/20 accounts.

For 2022/23, the Council have again not complied with the requirements of the Accounts and Audit Regulations as they;

- did not prepare and publish the set of draft accounts.
- did not publish a notice stating that the Council has not been able to publish the statement of accounts and its reasons for this.

We also note that for 2023/24 the Council has again failed to produce a set of accounts and has not included the required notices on its website.

We have therefore concluded that appropriate arrangements for financial reporting were not in place during 2021/22 and 2022/23. As the statement of accounts are an important document and provide members of the public and other stakeholders with information regarding the Council's financial position, we have concluded that the continued failure to prepare and publish accounts represents a significant weakness in governance arrangement and will be modifying our audit report, to refer to this. We are also considering issuing a statutory recommendation in this regard as part of our formal reporting.

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

Significant weakness identified for 2021/22 and 2022/23

Other arrangements

The Council has an established risk management process including a Risk Management Strategy that is reviewed quarterly by the audit and governance committee. The Council's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent and accountable to local people. Areas of potential change are identified, and the Constitution is amended accordingly, which has been evidenced by the recent updating of its constitution on in January 2024.

The Shared Internal Audit Service's (SIAS) have given reasonable assurance for 2021/22 and 2022/23 over the adequacy and effectiveness of the Council's framework of governance, risk management and control. In 2021/22, ten projects all received substantial assurance opinions and contributed to the overall assurance opinion. There were also three projects with an opinion of 'not assessed', two "not complete" and one "limited" For 2022/23, there were two incomplete projects, one unqualified and one not assessed.

The 2022/23 AGS includes all the areas required by the Cipfa Code, including information relating to review of effectiveness and reports on the key governance areas where Internal Audit work has identified further improvements needed. These are:

- The Communications Strategy requires revision to reflect changes in technology, social media and the further decline of printed media and to separate consultation from communication.
- The Council would benefit from a separate Consultation Strategy which sets out how and when the Council will consult. This accords with the priorities of the new Joint Administration.
- Member Officer Protocol for working in a no overall control council. At the elections in May 2023, the Council moved to being under no overall control by a single political party. There is a need to set out expectations concerning information, briefings and policy development that more appropriately meet the needs of the political groups in a no overall control council.
- Contract Procedure Rules are in need of review and updating, particularly as they reflect the transition under Brexit and not the final position under the Procurement Bill, which is in its final stage before anticipated Royal Assent and amendments introduced under the Public Procurement (International Trade Agreements) (Amendment) Regulations 2023. This will be undertaken alongside the development of the Procurement Strategy to ensure that they are properly aligned.

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

Significant weakness identified for 2021/22 and 2022/23

Conclusion: Based on the work performed, we have identified a significant weakness in the arrangements in relation to the production and publication of the accounts that we will be reporting by exception in relation to the non-compliance with Audit and Accounts regulations 2015. We are also considering issuing a statutory recommendation in this regard as part of our formal reporting.

Recommendations:

- 1. The Council should take immediate action to strengthen the arrangements for the preparation and publication of its accounts and relevant associated notices in line with the requirements of the Accounts and Audit Regulations.*
- 2. The Council should ensure actions are taken to address weaknesses identified by Internal Audit, as reported in the AGS, on a timely basis in order for the Council to be assured regarding the adequacy of its governance arrangements.*

Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified for 2021/22 and 2022/23 but work remains in progress

The Council is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the audited body is expected to have in place during the years ended 31st March 2022 and 2023.

Our risk assessment has identified a risk of significant weakness in arrangements in place to ensure economy, efficiency and effectiveness, as noted below. We are still concluding our work in relation to the reasons for the increased costs on the Hertford Theatre and the actions taken by the Council in response to this us to fully conclude in this area. At present, based on the work completed to date we have not identified a significant weakness in arrangements.

The five-year capital spending programme totals over £90 million. During 2021/22, the Council spent £31.5 million on capital projects, compared with a budget of £64.6 million. The underspend of £33 million was due to schemes not commencing or progressing in line with initial expectations and was carried forward into 2022/23. The capital programme was re-profiled as part of the budget report to Council in March 2022 and the majority of these underspends were captured in this re-profiling and a further £4.1 million was carried forward to the 2022/23 capital programme.

The capital programme included the regeneration of Old River Lane in Bishop's Stortford and the continued redevelopment of Hartham Leisure Centre. We have noted significant delays and/or cost overruns on these major projects which could indicate a weakness in procurement arrangements or contract management and could have a negative impact on the Council's financial position. In response to this risk, we have considered these projects in more detail as noted below.

1. Hertford Theatre Development:

The initial contract was awarded in March 2022 for £18.881 million. The project has encountered a series of budgetary challenges due to rising inflation and unprecedented increase in costs of labour and materials. This has resulted in an increased budget for the development, which stood at £24.105 million at March 2022. As of that date, the cost verification has indicated that the project is expected to cost £30.200 million to complete in its entirety and at the current date the forecast outturn is a projected overspend of £2.645 million, which officers are working to reduce. The Council has engaged external advisors to undertake an assessment of costs and advise the Council on an appropriate guaranteed maximum price to be agreed with the contractor following the continued increases.

2. Old River Lane Regeneration and Arts Centre:

The Council purchased the Old River Lane site in 2015, after a private sector scheme failed to be delivered. The site offers a prime development opportunity in the heart of Bishop's Stortford town centre. The Council selected Cityheart as their development partner via an OJEU compliant Competitive Dialogue process in 2018. The aims were to create an arts and entertainment centre, residential, retail and leisure uses to drive transformational change in Bishop's Stortford.

Since the project was initially started it has been revisited and updated. The project is currently postponed until the borrowing to construct the building becomes affordable. We note that the Development Agreement with CityHeart has not yet been signed as a result of additional details having to be worked through, including land assembly, the boundary of the development, existence of power sub-stations and culverts and restrictive covenants.

Value for Money Commentary (continued)

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Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified for 2021/22 and 2022/23

Spend to date on the Old River Lane project is £4 million. The 2023/24 budget outturn report includes a forecasted £500k further spend. From 2023/24 onwards, there is no forecasted budget spends due to:

- ▶ A £2.0 million saving which arose from delay to the likely commencement of the Arts Centre.
- ▶ A decision to pause the Old River Lane & Arts centre project and rephasing of IT capital spend.

Financing of the capital programme

The March 2023 MTFS notes that the capital programme will be largely funded by external borrowing going forward. The Council has previously been debt free, and this new borrowing will impact the revenue account through the requirement to pay interest and also from the requirement to set aside Minimum Revenue Provision (MRP) to meet the repayment of the principal amount of loans. We have already included comment in relation to the Council's MRP policy and calculation earlier in this report.

The latest MTFS, notes that priority has been given to the following and, as a result of the prioritisation exercise, £9.560 million of capital expenditure has been paused until such time as it is affordable for the Council to start a number of capital projects again:

- ▶ completing the major projects;
- ▶ essential maintenance only on operational assets;
- ▶ essential investment for the new waste contract;
- ▶ continuing to deliver means-tested statutory housing improvement loans

Other matters

The Council was not subject to any inspections. The Council partners with a range of external organisations to consult on and deliver services to the local area. These partnerships are managed using boards, committees and other forums either under statutory or locally determined arrangements to agree and monitor performance against targets.

Conclusion: Based on the work performed to date, we have not identified a significant weakness in the arrangements. Our work is however not yet fully complete in relation to the significant overspend on the Hertford Theatre project. We will provide an update to the Audit and Governance Committee once this information has been provided and our work can be concluded.



03

Appendices

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations	Arrangements in place
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	<ul style="list-style-type: none"> ▪ The Council undertakes an annual exercise to set its annual budget for the following financial year and to update its Medium Term Financial Plan (MTFP), which covers the following four years. Key inputs to this exercise include forecasts for pay and non-pay inflation, changes in the level of demand for the Council's services and changes in funding received from central government. ▪ The Council's finance team works with the heads of individual directorates to identify cost pressures, including due to changes in demand for services, and model the impacts of different scenarios on the Council's finances. Significant changes are discussed by the Leadership Management Team and Council Executive prior to being implemented in the MTFP. ▪ Performance against the current year's budget is monitored on a quarterly basis during the year and used to identify cost pressures which require reflecting in the next MTFP.
How the body plans to bridge its funding gaps and identifies achievable savings	<ul style="list-style-type: none"> ▪ As part of the annual budget setting exercise, the Council identifies the level of savings required to match the anticipated net cost of services to the levels of available funding. ▪ Individual directorates are required to identify potential savings within their service area, which may arise from reductions to expenditure or increases to income. ▪ Savings may also be identified through the Council's finance team, as they are not always directly related to service delivery. ▪ Where proposed savings may have a significant impact on service delivery, the Council holds a public consultation prior to incorporating the saving into financial plans.
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<ul style="list-style-type: none"> ▪ The impact of changes to the Council's financial plans are modelled through a minimum of 4 years as part of the MTFP and any resulting budget gap over that period quantified and incorporated into the following budgeting cycle. ▪ The Council aims to meet the costs of its day-to-day activities from available funding. The services continue to search for possible sources of savings and new revenue streams.

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations

Arrangements in place

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

- The Council develops its Capital Strategy and Investment Strategy alongside the MTFP and incorporates the revenue impact of planned capital expenditure and borrowing into the MTFP.
- The Council facilitates regular communication between finance staff and the Council's directorates to ensure that other plans being prepared by the Council are consistent with the Council's financial planning.
- The Council also requires that all decisions which are deemed significant enough to warrant approval by the senior management team or elected members are approved by the Council's Director of Finance to ensure that the financial implications of significant decisions are considered and reflected in the Council's financial planning.

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

- The Council maintains a number of earmarked reserves, which represent amounts set aside from the Council's General Fund to be used for specified purposes in the future. Management use earmarked reserves to allow for known or potential future cost pressures
- In addition, the Council sets a minimum level for its General Fund to ensure that the Council does not fully deplete its reserves through normal activities.

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations	Arrangements in place
How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	<ul style="list-style-type: none">Internal audit undertake an annual programme of work to provide assurance over the operation of the Council's internal controls. Risks identified and recorded on the Council's risk registers are used to inform the annual internal audit plan.The council also has an established risk management process including a Risk Management Strategy that is reviewed quarterly by the audit committee.
How the body approaches and carries out its annual budget setting process	<ul style="list-style-type: none">The Council continues to review how it can improve the budget setting process. The key being it shouldn't be an annual process, but a living document that is developed over the medium term and the work embedded through business as usual.In line with Financial Regulations, the Director Finance & Corporate Services is responsible for the budget setting processes and a planning cycle is put in place to ensure the Council meets its statutory duty of setting a balanced budget annually.As set out above the Medium Term Financial Plan is updated and reported to council throughout the year and they generally report in July of each year with initial options and updated scenarios, informed by outturn and then again from November onwards.All planning assumptions are considered by the Corporate Leadership Team and are informed through modelling, planning assumptions and intel from wider networks which Directors are part of.The Extended Leadership Team are included through the process as the responsible Deputy Directors and through this we ensure 'nothing is missed' and key risks and opportunities have been considered and savings assumptions are realistic and can be delivered.
How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed	<ul style="list-style-type: none">Financial performance is monitored via the quarterly outturn reports and presented to the audit and governance committee.Reporting includes comparison of performance to date (outturn) and budget (including any revisions to budget). The main reasons for over- or under-spend are explained in the outturn report.As reported on page 13, we have concluded there is a significant weakness in regard to statutory financial reporting due to the Council's continued failure to prepare and publish accounts in line with statutory requirements. We are also considering issuing a statutory recommendation in this regard as part of our formal reporting. We also note that the Council has not included an Annual Governance Statement within its 2021/22 statement of accounts and has yet to publish its 2022/23 and 2023/24 statements of accounts.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

Arrangements in place

- The corporate plan, risk registers, budgets, outturn, among other reports, are presented at the audit and governance committee for review and approval.
 - The internal audit head also reports to the audit and governance committee and provides regular progress reports as regards the internal audit plan. The papers are circulated at least 2 weeks before each meeting to give the audit and governance committee opportunity to review the papers and ask questions during the meeting.
 - The minutes of the meetings are also published in the council's website for the public's reference.
-
- The Council's Constitution includes Codes of Conduct for both elected members and employed officers which set out the expected behaviour of individuals, including the management of conflicts of interest. Failure to adhere to the Codes of Conduct may result in disciplinary processing under the Council's HR policies (for employees) or referral to the Council's Standards Committee (for members).
 - Elected members are required to complete annual declarations of any potential conflict of interest, which are maintained on a register by the Council and made available on the Council's website.
 - Interests giving rise to actual or perceived conflicts should also be declared at the start of any decision-making meetings.

Appendix A - Summary of arrangements

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Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations	Arrangements in place
How financial and performance information has been used to assess performance to identify areas for improvement	<ul style="list-style-type: none">Financial performance is monitored via the quarterly outturn reports and presented to the audit and governance committee. Reporting includes comparison of performance to date (outturn) and budget (including any revisions to budget).The main reasons for over- or under-spend are explained in the outturn report along with mitigating actions.
How the body evaluates the services it provides to assess performance and identify areas for improvement	<ul style="list-style-type: none">Data is collected across a range of locally developed indicators which are collected on a monthly, quarterly or annual basis. These form the basis of the council's performance monitoring process.Cabinet members receive information on all the measures through the Annual Report Indicators. This shows a monthly and quarterly trend of several indicators.
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	<ul style="list-style-type: none">The Council formed a partnership with Stevenage Borough Council to create economy of scale in providing finance, IT, procurement, HR and other services to partner councils.Through Partnership Boards performance is monitored and evaluated to ensure as a 'system' where the Council has direct, or indirect control and influence is supporting the wider outcomes for the council.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the years 2021/22 to 2022/23

Reporting criteria considerations

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

Arrangements in place

- Contract procedures rules are in place to ensure that the procuring of all goods, works and services in accordance with the relevant legislation, standard and internal policy. Services have the support of the Procurement Team for advice and support in undertaking procurement activities appropriately. Performance is monitored by the procuring service and as part of the regularly budget monitoring.
- Specific requirements for governance around different types of procurement are set out in the Council's Constitution covering topics such as approval requirements, number of tenders etc.

Appendix B – Summary of recommendations

Recommendations

The table below sets out the recommendations arising from the value for money work in the year(s) covered in this report, 2021/22 and 2022/23. All recommendations have been agreed by management.

Issue	Recommendation	Management response
Financial sustainability	<p>Officers need to ensure robust savings plans are put in place and delivered to ensure spend is contained within budget and planned savings are delivered on a timely basis.</p> <p>The Council should ensure that it mitigates the further use of reserve balances to support the revenue budget in the medium term, by taking steps to ensure that both in-year overspends are minimised and future savings gaps are identified early with schemes put in place, without compromising front line service delivery.</p>	
Governance: Non preparation and publication of the financial accounts for 2022/23 and 21/22 Annual governance statement	<p>The Council should take immediate action to strengthen the arrangements for the preparation and publication of its accounts and relevant associated notices in line with the requirements of the Accounts and Audit Regulations.</p> <p>The Council should ensure actions are taken to address weaknesses identified by Internal Audit, as reported in the AGS, on a timely basis in order for the Council to be assured regarding the adequacy of its governance arrangements.</p>	

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ED None

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Agenda Item 8

East Herts Council Report

Audit and Governance Committee

Date: 30 October 2024

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

Report title: Annual Treasury Management Review 2023/24

Ward(s) affected: None

Summary

The report contains the Council's Annual Treasury Management Review for 2023/24.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE That:

(A) Members examine and comment on the Annual Treasury Management Review and Prudential Indicators for 2023/24

1.0 Proposal(s)

1.1 That Members examine and comment on the Annual Treasury Management Review and Prudential Indicators for 2023/24 (Appendix A).

2.0 Background

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

2.2 This activity was supported by the council's appointed independent advisors – Arlingclose.

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

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

3.0 Reason

3.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2023/24.

4.0 Options

4.1 Members can suggest amendments or additions to the Annual Treasury Management Review 2023/24

5.0 Risks

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

6.0 Implications/Consultations

6.1 None.

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

Financial

Yes

The costs of treasury operations, debt management expenses and investment income are included in the 2023/24 Budget Outturn.

Health and Safety

No

Human Resources

No

Human Rights

Legal

The Local Government Act 2003 and supporting regulations requires the Council to 'have regard to' the CIPFA Prudential Code for Capital

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

Specific Wards

No

7.0 Background papers, appendices and other relevant material

7.1 Appendix A – Annual Treasury Management Review 2023-24

Contact Member

Councillor Carl Brittain, Executive Member for
Financial Sustainability

Carl.brittain@eastherts.gov.uk

Contact Officer

Steven Linnett, Head of Strategic Finance and
Property

Contact Tel No: 01279 502050

steven.linnett@eastherts.gov.uk

Report Author

Nicola Munro, Finance Business Partner

nicola.munro@eastherts.gov.uk

Treasury Management 2023-24 Annual Report

Treasury Management Outturn Report 2023/24

Introduction

The Authority has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Authority to approve, as a minimum, treasury management semi-annual and annual outturn reports.

This report includes the requirement in the 2021 Code, mandatory from 1st April 2023, of reporting of the treasury management prudential indicators. The non-treasury prudential indicators are incorporated in the Authority's normal revenue and capital monitoring report.

The Authority's treasury management strategy for 2023/24 was approved at a meeting on March 2023. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.

External Context

Economic background: UK inflation continued to decline from the 8.7% rate seen at the start of 2023/24. By the last quarter of the financial year headline consumer price inflation (CPI) had fallen to 3.4% in February, but was still above the Bank of England's 2% target at the end of the period. The core measure of CPI, i.e. excluding food and energy, also slowed in February to 4.5% from 5.1% in January, a rate that had stubbornly persisted for three consecutive months.

The UK economy entered a technical recession in the second half of 2023, as growth rates of -0.1% and -0.3% respectively were recorded for Q3 and Q4. Over the 2023 calendar year GDP growth only expanded by 0.1% compared to 2022. Of the recent monthly data, the Office for National Statistics reported a rebound in activity with economy expanding 0.2% in January 2024. While the economy may somewhat recover in Q1 2024, the data suggests that prior increases in interest rates and higher price levels are depressing growth, which will continue to bear down on inflation throughout 2024.

Labour market data provided a mixed message for policymakers. Employment and vacancies declined, and unemployment rose to 4.3% (3mth/year) in July 2023. The same month saw the highest annual growth rate of 8.5% for total pay (i.e. including bonuses) and 7.8% for regular pay growth (i.e. excluding bonuses). Thereafter, unemployment began to decline, falling to 3.9% (3mth/year) in January and pay growth also edged lower to 5.6% for total pay and 6.1% for regular pay, but remained above the Bank of England's forecast.

Having begun the financial year at 4.25%, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate to 5.25% in August 2023 with a 3-way split in the Committee's voting as the UK economy appeared resilient in the face of the dual headwinds of higher inflation and interest rates. Bank Rate was maintained at 5.25% through to March 2024. The vote at the March was 8-1 in favour of maintaining rates at this level, with the single dissenter preferring to cut rates immediately by 0.25%. Although financial markets shifted their interest rate expectations downwards with expectations of a cut in June, the MPC's focus remained on assessing how long interest rates would need to be restrictive in order to control inflation over the medium term.

In the Bank's quarterly Monetary Policy Report (MPR) released in August 2023 the near-term projection for services price inflation was revised upwards, goods price inflation widespread across products, indicating stronger domestic inflationary pressure with second-round effects in domestic prices and wages likely taking longer to unwind than they did to emerge. In the February 2024 MPR

the Bank's expectations for the UK economy were positive for the first half of 2024, with a recovery from the mild recession in calendar H2 2023 being gradual. Headline CPI was forecast to dip below the 2% target quicker than previously thought due to declining energy prices, these effects would hold inflation slightly above target for much of the forecast horizon.

Following this MPC meeting, Arlingclose, the authority's treasury adviser, maintained its central view that 5.25% remains the peak in Bank Rate and that interest rates will most likely start to be cut later in H2 2024. The risks in the short-term are deemed to be to the downside as a rate cut may come sooner than expected, but then more broadly balanced over the medium term.

The US Federal Reserve also pushed up rates over the period, reaching a peak range of between 5.25-5.50% in August 2023, where it has stayed since. US policymakers have maintained the relatively dovish stance from the December FOMC meeting and at the meeting in March, economic projections pointed to interest rates being cut by a total of 0.75% in 2024.

Following a similarly sharp upward trajectory, the European Central Bank hiked rates to historically high levels over period, pushing its main refinancing rate to 4.5% in September 2023, where it has remained. Economic growth in the region remains weak, with a potential recession on the cards, but inflation remains sticky and above the ECB's target, putting pressure on policymakers on how to balance these factors.

Financial markets: Sentiment in financial markets remained uncertain and bond yields continued to be volatile over the year. During the first half of the year, yields rose as interest rates continued to be pushed up in response to rising inflation. From October they started declining again before falling sharply in December as falling inflation and dovish central bank attitudes caused financial markets to expect cuts in interest rates in 2024. When it emerged in January that inflation was stickier than expected and the BoE and the Federal Reserve were data dependent and not inclined to cut rates soon, yields rose once again, ending the period some 50+ bps higher than when it started.

Over the financial year, the 10-year UK benchmark gilt yield rose from 3.44% to peak at 4.75% in August, before then dropping to 3.44% in late December 2023 and rising again to 3.92% (28th March 2024). The Sterling Overnight Rate (SONIA) averaged 4.96% over the period to 31st March.

Credit review: In response to an improving outlook for credit markets, in January 2024 Arlingclose moved away from its previous temporary stance of a 35-day maximum duration and increased its advised recommended maximum unsecured duration limit on all banks on its counterparty list to 100 days.

Earlier in the period, S&P revised the UK sovereign outlook to stable and upgraded Barclays Bank to A+. Moody's also revised the UK outlook to stable, Handelsbanken's outlook to negative, downgraded five local authorities, and affirmed HSBC's outlook at stable while upgrading its Baseline Credit Assessment. Fitch revised UOB's and BMO's outlooks to stable.

In the final quarter of the financial year, Fitch revised the outlook on the UK sovereign rating to stable from negative based on their assessment that the risks to the UK's public finances had decreased since its previous review in October 2022, the time of the mini- budget.

Moody's, meanwhile, upgraded the long-term ratings of German lenders Helaba, Bayern LB and LBBW on better solvency and capital positions, despite challenges from a slowing German economy and exposure to the commercial real estate sector. Moody's also upgraded or placed on review for an upgrade, Australian banks including ANZ, CBA NAB and Westpac on the back of the introduction of a new bank resolution regime.

Credit default swap prices began the financial year at elevated levels following the fallout from Silicon Valley Bank and collapse/takeover of other lenders. From then the general trend was one

of falling prices and UK lenders' CDS ended the period at similar levels to those seen in early 2023. Earlier in the year some Canadian lenders saw their CDS prices rise due to concerns over a slowing domestic economy and housing market, while some German lenders were impacted by similar economic concerns and exposure to commercial real estate towards the end of the period, with LBBW remaining the most elevated.

Heightened market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

Local Context

On 31st March 2024, the Authority had net investments of £10.7 arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.23 Actual £m	31.3.24 Actual £m
General Fund CFR	40.1	60.5
Less: *Other debt liabilities	-	-
External borrowing	31.5	50.0
Internal borrowing	8.6	10.5
Less: Balance sheet resources	(23.6)	(21.2)
Net Investments	15.0	10.7

* finance leases, PFI liabilities and transferred debt that form part of the Authority's total debt

The treasury management position at 31st March and the change during the year is shown in Table 2 below:

Table 2: Treasury Management Summary

	31.3.23 Balance £m	Movement £m	31.3.24 Balance £m	31.3.24 Rate %
Long-term borrowing				
- PWLB	(1.5)	-	(1.5)	8.875
- LOBOs	-	-	-	-
- Other	-	-	-	-
Short-term borrowing	(30.0)	(18.5)	(48.5)	4.35 - 6.9*
Total borrowing	(31.5)	(18.5)	(50.0)	
Long-term investments	19.5	(1.7)	17.8	3.20 - 3.61
Short-term investments	6.5	(6.5)	-	-
Cash and cash equivalents	8.9	3.7	12.6	5.14 - 5.20
Total investments	34.9	(4.5)	30.4	
Net investments / (borrowing)	3.4	(13.0)	(9.6)	

*Various short term loan rates, depending on loan start date.

Borrowing has increased due to major project spend. Short term investments have moved to call accounts, as interest returns are favourable and helps funds remain liquid.

Borrowing

CIPFA’s 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

The Authority has not invested in assets primarily for financial return or that are not primarily related to the functions of the Authority. It has no plans to do so in future.

Borrowing Strategy and Activity

As outlined in the treasury strategy, the Authority’s chief objective when borrowing has been to strike an appropriately low risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority’s long-term plans change being a secondary objective. The Authority’s borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

Interest rates have seen substantial rises over the last two years, although these rises have now begun to plateau. Gilt yields fell in late 2023, reaching April 2023 lows in December 2023 before rebounding to an extent in the first three months of 2024. Gilt yields have remained volatile, seeing upward pressure from perceived sticker inflation at times and downward pressure from falling inflation and a struggling economy at other times.

On 31st December, the PWLB certainty rates for maturity loans were 4.74% for 10-year loans, 5.18% for 20-year loans and 5.01% for 50-year loans. Their equivalents on 31st March 2023 were 4.33%, 4.70% and 4.41% respectively.

The cost of short term borrowing from other local authorities has generally risen with Base Rate over the year. Interest rates peaked at around 7% towards the later part of March 2024 as many authorities required cash at the same time. These rates are expected to fall back to more normal market levels in April 2024.

At 31st March 2024 the Authority held £40m of loans, an increase of £8.5m compared to 31st March 2023, as part of its strategy for funding previous and current years’ capital programmes. Outstanding loans on 31st March are summarised in Table 3A below.

Table 3: Borrowing Position

	31.3.23 Balance £m	Net Movement £m	31.3.24 Balance £m	31.3.24 Weighted Average Rate %	31.4.24 Weighted Average Maturity (years)
Public Works Loan Board (long-term)	1.5	-	1.5	8.875	32
Public Works Loan Board (short-term)	-	15.0	15.0	5.37	-
Local authorities (short-term)	30.0	(5.0)	25.0	4.92	-
Total borrowing	31.5	10.0	41.5		

The Authority's short-term borrowing cost has continued to increase with the rise in Bank Rate and short-dated market rates. The average rate on the Authority's short-term loans at 31st March 2024 of £40m was 5.59%, this compares with 2.26% on £30m loans 12 months ago.

The Authority's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short-term borrowing was maintained.

Treasury Investment Activity

The CIPFA Treasury Management Code now defines treasury management investments as those investments which arise from the Authority's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Authority's short term investment balances ranged between £11m and £20m due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.23 Balance £m	Net Movement £m	31.3.24 Balance £m	31.3.24 Income Return %	31.3.24 Weighted Average Maturity days
Banks & building societies	8	(1)	7	4.75	Call
Money Market Funds	3	3	6	5.24	Call
Other Pooled Funds:					
• Property funds	19.6	(1.9)	17.7		N/A
Total investments	30.3	0.1	30.7		

Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

As demonstrated by the liability benchmark in this report, the Authority expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day-to-day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different asset classes and boost investment income.

Bank Rate increased by 1% over the period, from 4.25% at the beginning of April 2023 to 5.25% by the end March 2024. Short term rates peaked at 5.7% for 3-month rates and 6.7% for 12-month rates during the period, although these rates subsequently began to decline towards the end of the period.

Externally Managed Pooled Funds: Property Funds

£20m of the Authority's investments is invested in property funds and has been for a number of years, producing a much higher than market rate return. Short-term security and liquidity are

lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These returns have reduced since COVID and redemptions have been frozen. These funds generated an average total loss of (£0.951m), comprising a £0.949m **actual** income return which is used to support services in year, and (£1.9m) of **unrealised** capital loss.

Capital gains or losses are not realised until the funds are redeemed. Due to the number of redemption requests one of the property funds (Lothbury) voted to terminate on 31st March 2024. The assets from the fund are being sold off and unit holders will receive the return of their funds throughout 2024-25, as and when sale receipts are received. There is a risk the funds returned maybe lower than the original principal investment, but any shortfall will be covered by our interest equalisation reserve.

The interest equalisation reserve was set up specifically, for this purpose, to mitigate any risk from property fund losses. Interest received in excess of budget since investing in these funds has been added to a reserve to offset any potential losses in principal in the future.

The second fund Hermes is still performing in way of investment returns and the unit price has started to increase in value again.

2023/24 was characterised by significant volatility in bond markets. Adjusting to central banks' intention of keeping policy rates unchanged amid persistently higher core inflation, tight labour markets and resilient growth, global bond yields rose (i.e. bond prices fell), the August-October 2023 period being a particularly weak one for bond markets with falling prices negatively impacting credit market sentiment and bond fund performance as well as weighing on multi-asset fund returns. November and December saw a turnaround with a significant fall in US and global bond yields (i.e. bond prices rising), the catalyst being a signal from the US Federal Reserve that it was prepared to cut rates in 2024. The 10-year UK gilt yield, which had increased nearly 1.25% since the beginning of the financial year fell back to 3.44% by the end of December, close to its 1st April level. Thereafter, the first quarter of 2024 proved more difficult for government bonds as stubborn inflation led fixed income markets to question if the expectation of the number of rate cuts over 2024 and the accompanying fall in yields had been overdone.

Strong demand for credit resulted in the tightening of credit spreads which was supportive of high yield corporate bonds and emerging market debt.

By contrast, shrugging off geopolitical concerns, global equities were buoyed by healthy corporate earnings, resilient economic data and moderating inflation and the view central banks had reached the peak of their rate tightening cycles. A number of indices, including the S&P 500 and Nasdaq, posted record highs driven by AI exuberance. The performance of the S&P 500 was primarily driven by its top seven tech-related mega-cap growth stocks (these securities do not heavily feature in equity income funds). After an initial period of caution due to the likelihood of recession, the UK economy fared better than anticipated with a shallow recession, falling inflation and improved consumer confidence providing support for UK equities, with stocks trading at attractive valuations relative to their global peers. The FTSE All-Share was one of the top performing stock markets in September and December 2023. The total return on the FTSE All Share index for the 12 months ending March 2024 was 8.2%, FTSE 100 was 8.1% and MSCI All World was 25.7%.

The market background for commercial property improved marginally in 2023 and was more stable, in contrast to the very challenging backdrop of 2022. Low transactional volumes were a constraint on valuations and made prospective sellers and buyers more cautious. Although many sectors lacked momentum, there was growing confidence in the longer-term outlook as occupier demand and rental markets held up. Industrial and retail warehousing sectors remained strong, but the retail and offices sectors remained weak, the latter continuing to be hindered by low occupancy from hybrid working practices.

Income returns from the property funds still exceeded the budget, averaging 3.20% and 3.61%. A reduction in income had been forecast due to the current economic climate, however returns were higher than expected. The Authority had budgeted £700k income from these investments in 2023/24. Income received up to 31st March was £720k, whilst a further £229k has been declared and was received in April and May 2024 .

Because these funds have no defined maturity date, but are available for withdrawal after an agreed redemption period, their performance and continued suitability in meeting the Authority's medium- to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years and with the expectation that over a three- to five-year period total returns should exceed cash interest rates.

Statutory override: In April 2023 the Department for Levelling Up, Housing and Communities (DLUHC) published the full outcome of the consultation on the extension of the statutory override on accounting for gains and losses on pooled investment funds. The override has been extended until 31st March 2025, but no other changes have been made; whether the override will be extended beyond this date is unknown but commentary to the consultation outcome suggests it will not. The Authority will discuss with Arlingclose the implications for the investment strategy and what action may need to be taken.

Non-Treasury Investments

The definition of investments in the Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) and Welsh Government also includes within the definition of investments all such assets held partially or wholly for financial return.

The Authority also held £4.9m of such investments in Millstream Property Investments Limited broken down as follows:

- shareholding in subsidiaries £1.6m
- loans to subsidiaries £3.3m

These investments generated £0.141m of investment income for the Authority, from the commercial loan, representing a rate of return of 4.73%.

Consultations

In December DLUHC published two consultations: a “final” consultation on proposed changes to regulations and statutory guidance on MRP closing on 16th February and a “call for views” on capital measures to improve sector stability and efficiency closing on 31st January.

Draft regulations and draft statutory guidance are included in the MRP consultation. The proposals remain broadly the same as those in June 2022 - to limit the scope for authorities to (a) make no MRP on parts of the capital financing requirement (CFR) and (b) to use capital receipts in lieu of a revenue charge for MRP.

In its call for views on capital measures, government wishes to engage with councils to identify and develop options for the use of capital resources and borrowing to support and encourage ‘invest-to-save’ activity and to manage budget pressures without seeking exceptional financial support.

Whilst Government has identified some options including allowing authorities to capitalise general cost pressures and meet these with capital receipts, there is no commitment to take any of the options forward.

Compliance

The Chief Finance Officer reports that all treasury management activities undertaken during the year complied fully with the principles in the Treasury Management Code and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 5 below.

Table 5: Investment Limits

	2023/24 Maximum £ limit	2023/24 Max Maturity	31.3.24 Actual £m	2023/24 Max % of Total Investments	Complied?
DMADF - UK Government	Unlimited	6 months (max. is set by the DMO*)	-	100%	Yes
UK Gilts	Unlimited	5 years	-	100%	Yes
UK Treasury Bills	Unlimited	364 days	-	100%	Yes
Bonds issued by multilateral development banks	£10m with any one banking group/institution	5 years	-	40%	Yes
Money Market Funds CNAV	£10m with any one fund	Liquid	-	100%	Yes
Money Market Funds LNAV	£10m with any one fund	Liquid	5.6	95%	Yes
Money Market Funds VNAV	£10m with any one fund	Liquid	-	95%	Yes
Ultra-Short Dated Bond Funds with a credit score of 1.25	£10m with any one banking group/institution	Liquid	-	100%	Yes
Ultra-Short Dated Bond Funds with a credit score of 1.5	£10m with any one banking group/institution	Liquid	-	100%	Yes
Local Authorities	Unlimited	5 Years	-	100%	Yes
Term Deposits with Banks and Building Societies	£10m with any one banking group/institution	100 days - 12 months depending on credit rating	7.0	100%	Yes
CDs or Corporate Bonds with Banks and Building Societies	£10m with any one banking group/institution	100 days - 12 months depending on credit rating	-	100%	Yes
Gilt Funds	£10m with any one banking group/institution	As per Credit Criteria	-	100%	Yes

Structured deposits	£10m with any one banking group/institution	As per Credit Criteria	-	100%	Yes
Certificates of deposit issued by banks and building societies	£10m with any one banking group/institution	As per Credit Criteria	-	100%	Yes
Corporate bonds	£10m with any one banking group/institution	5 Years	-	50%	Yes
Floating rate notes	£10m with any one banking group/institution	5 Years	-	50%	Yes
Property Funds	£10m at fund entry per fund	Term is not fixed	17.7	Maximum of 2 funds at any one time	Yes

*DMO - is the Debt Management Office of HM Treasury

Compliance with the Authorised Limit and Operational Boundary for external debt is demonstrated in table 8 below.

Table 8: Debt and the Authorised Limit and Operational Boundary

	2023/24 Maximum £m	31.3.24 Actual £m	2023/24 Operational Boundary £m	2023/24 Authorised Limit £m	Complied?
Borrowing	58.5	50.0	80.0	180.0	Yes
PFI and Finance Leases	-	-	10.0	10.0	Yes
Total debt	58.5	50.0	90.0	190.0	Yes

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. Total debt did not breach the operational boundary for the year 1st April 2023 to 31st March 2024.

Treasury Management Prudential Indicators

As required by the 2021 CIPFA Treasury Management Code, the Authority monitors and measures the following treasury management prudential indicators.

1. Liability Benchmark:

This new indicator compares the Authority's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. It represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level of £10m required to manage day-to-day cash flow.

	31.3.23 Actual	31.3.24 Actual
Loans CFR	40.1	60.5
Less: Balance sheet resources	(23.6)	(21.2)
Net loans requirement	16.5	39.3
Plus: Liquidity allowance	10.0	10.0
Liability benchmark	16.5	49.3
Existing borrowing	31.5	50.0

Whilst borrowing may be above the liability benchmark, strategies involving borrowing which is significantly above the liability benchmark carry higher risk.

The Authorities actual borrowing is above the liability benchmark due to our long-term investment in property funds not being liquid, so not immediately available to offset borrowing. The cost of this additional borrowing is partially offset by the investment return from these funds. One of these funds terminated in 2024/25, assets are currently being sold and funds being distributed back to unitholders, these distributions are being used to reduce short-term borrowing.

2. Maturity Structure of Borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	Upper Limit	Lower Limit	31.3.24 Actual	Complied?
Under 12 months	100%	0%	97.0%	Yes
12 months and within 24 months	100%	0%	0%	Yes
24 months and within 5 years	30%	0%	0%	Yes
5 years and within 10 years	30%	0%	0%	Yes
10 years and above	35%	0%	3.0%	Yes

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. The authority opted to remain with short term borrowing (below 12 months), for its new borrowing and refinancing. Although this does expose the authority to further interest rate increases, any increases are unlikely to be long term and it allows for the authority to lock in lower rates, on the longer term, when interest rates fall.

3. Long-term Treasury Management Investments: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are:

	2023/24	2024/25	2025/26
Limit on principal invested beyond year end	£30m	£30m	£30m
Actual principal invested beyond year end	£20m	-	-
Complied?	Yes	-	-

Long-term investments with no fixed maturity date include strategic pooled funds, real estate investment trusts and directly held equity but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

Additional indicators:

The changes in interest rates during the year were:

	<u>31/3/23</u>	<u>31/3/24</u>
Bank Rate	4.25%	5.25%
1-year PWLB certainty rate, maturity loans	4.78%	5.36%
5-year PWLB certainty rate, maturity loans	4.31%	4.68%
10-year PWLB certainty rate, maturity loans	4.33%	4.74%
20-year PWLB certainty rate, maturity loans	4.70%	5.18%
50-year PWLB certainty rate, maturity loans	4.41%	5.01%

East Herts Council Report

Audit and Governance Committee

Date of meeting: 30 October 2024

Report by: Executive Member for Financial Sustainability

Report title: Monitoring of 2024/25 quarter one corporate risk register

Ward(s) affected: All

Summary – This report provides the Committee with the corporate risk register which details how East Herts manages the key risks to the council.

RECOMMENDATIONS FOR Audit and Governance Committee:

A) The 2024/25 quarter one corporate risk register and actions being taken to control and mitigate risk be noted.

1.0 Background

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

1.2 The Corporate Risk Register is attached at Appendix A The format concentrates on key risks and is very focused on control and mitigation actions.

2.0 Risk register results for quarter four

2.1 Leadership Team has set a risk tolerance level. Risks above the tolerance levels are actively managed and regularly reviewed to ensure that contingency and mitigation action is being taken. Risks below the tolerance line are managed by Heads of Service but these are often delegated. (Heads of Service are responsible for keeping all

risks under review and taking action to reduce the impact of the risk on the council.)

	Likelihood			
	1	2	3	4
Impact	A			
	B			
	C			
	D			

2.3 Details of how we score the risk score can be found below. Please see appendix 1 for a comprehensive breakdown of each risk.

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

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

Table 2: Methodology of corporate risk scoring

2.4 The risk scores now reflect control and mitigation measures rather than the raw score shown previously so will appear lower because of control measures.

2.5 No risks have had a score increase or decrease since the last report to the Committee.

3.0 Implications

Community Safety

No

Data Protection

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

Equalities

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

Environmental Sustainability

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

Financial

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

Health and Safety

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

Human Resources

No

Human Rights

No

Legal

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

Specific Wards

No

Contact Member – Councillor Carl Brittain, Executive Member for Financial Sustainability

Carl.Brittain@eastherts.gov.uk

Contact Officer - Steven Linnett, Head of Strategic Finance and Property. Contact Tel. No. 01279 50 2050

steven.linnett@eastherts.gov.uk

Report Author - - Steven Linnett, Head of Strategic Finance and Property. Contact Tel. No. 01279 50 2050

steven.linnett@eastherts.gov.uk

Reference	Risk Title	Likelihood	Impact	Likelihood reduction	LR Target Date	Impact Mitigation	IM Target Date	Residual Likelihood	Residual Impact	Progress Update	Risk Owner
1 - Financial Resources	Expenditure is likely to exceed the resources available to the council triggering a report in the public interest by the s.151 officer under section 114 (3) of the Local Government Finance Act 1988.	A	4	Medium Term Financial Plan which plans for further reductions in net expenditure to reflect that both Labour and Conservative parties have committed to real terms reduction in council funding Annual savings plan Transforming East Herts Programme to deliver efficiencies and enable customers to access services 24/7 on the web site Reductions in non-essential capital expenditure and agreement to sell assets to realise £6 million capital receipt which will be applied to pay down debt. LGA Finance Peer Challenge has been accessed - awaiting desktop report being completed. Workshop with Executive and agreed Finance dashboard to be reported in Performance Management system		s.114 Report leading to appointment of Commissioners but also access to Government support Requesting CIPFA support prior to reaching s.114 threshold Requesting Government support although flexibility on capital receipts and further borrowing would be counter-productive		B	4	Finance dashboard for monthly reporting to Executive within Microsoft Goals, which is replacing Pentana for performance reporting. Will be available to all Members from Q3 after release to Executive in Q2. MTFP refresh is underway and has identified further pressures as well as a number of savings that are not on track to be delivered. New savings being identified but currently still a gap of £0.5million	Steven Linnett
2 - Climate Change	Lack of mitigation of and adaptation to climate changes adversely impacts of service delivery	B	4	Declaration of Climate Emergency by Council Reducing carbon emissions from council operations - Climate Change Action Plan Seeking to influence residents to reduce carbon footprint for the district		Adaption Plan Business Continuity Plan Severe Weather section Emergency Plan including specific response plans to flooding etc. Health and Safety Policy details severe weather response		B	3	Adaption risk assessment substantially complete. Producing offsetting strategy and business case for carbon credits. All vehicles in council fleet now BEVs and in waste contract all vehicles below 3.5 tonnes will be electric.	Jonathan Geall
3 - District Plan	District Plan not in place leading to a developer led system relying only on the National Planning Policy Framework. Potential loss of affordable housing, section 106 contributions, and potentially lower quality development	A	3	Broad timetable for Plan Review agreed at Executive Budget for evidence studies in place. Evidence based support for policies in line with National Planning Policy Framework, Duty to Co-operate and other national policies e.g. SSSI policies	March 2025	Evidence based decision making in line with National Planning Policy Framework Ensure Duty to Co-operate complied with Ensuring that all potential policies and legally compliant with the NPPF and other policies	March 2025	C	2	Strategic Visioning workshop held 26 June and the second workshop was held on 25 July 2024. Call for sites was launched on 5 July 2025. Following the General Election the Government has started to make changes to the National Planning Policy Framework and reintroduced centrally mandated housing targets. The Government has also indicated that they expect local authorities to have a valid District Plan within 2 years which will truncate the time available for the District Plan revision. A further impetus to revise the Plan is the finding that the Council does not have a 5 year land.	Sara Saunders
4 - Key Contractor	A key major contractor of the council fails meaning that services stop altogether e.g the refuse contractor fails and streets are not swept and bins are not emptied	C	4	Monitoring of major contractors for risks of business failure Parent Company Guarantee/Performance Bond Contract compliance procedure should note issues locally such as recruitment freeze or other issues that may indicate financial health issues with company		Local Authority Trading Company ready to activate to take over service provision Business Continuity Plans Performance Bonds or parent company guarantee		C	3	Continued monitoring of positions. Urbaser has sold its UK Waste business to another Spanish company FCC (formerly known as FOCSA). The new waste contract has been awarded to Veolia and mobilisation for the new contract is underway whilst closely managing the existing contract.	Jess Khanom-Metaman
5 - Governance	There is a governance failure caused by a lack of policies, procedures and internal controls leading to loss of legal cases on process and/or loss of assets	B	4	All Executive, Committee and Council reports require sign off by legal and finance to ensure Compliance with budget and policy framework and current legislation. List of policies maintained with review dates. Information Governance function strengthened to ensure compliance with data protection and Freedom of Information. Ensuring Equalities Impact Assessments are completed for all policies		In house legal staff in place with few vacancies therefore capacity available to address issues that arise unexpectedly. Internal audit provided by Shared Internal Audit Service using assurance mapping methodology which allows for all assurance levels to be seen and assessed. Monitoring Officer and s.151 officer work closely together and horizon scan for potential issues		D	2	Minor amendments to Constitution to reflect legislation changes made. HR policies have been amended for legislative change.	James Ellis
6 Ransomware attack deletes data	A ransomware attack succeeds and the council's IT systems are unusable for a prolonged period. The council will be unable to: collect revenues; calculate and pay benefits; pay staff; pay suppliers and take regulatory or enforcement action.	A	4	Cyber Security Treatment Plan in place. Operating systems and databases moved onto newest operating system releases. Network has had new firewalls and anti-virus software updates. All laptops protected with AV and firewall systems. All system access requires 2 factor authentication. Staff undertake compulsory data protection and cyber security training. New software implemented that requires staff to say if link is safe before network tests the link and either says yes of flags a security risk.	WiFi - October 2024 Income and Card Payments System - November 2024 General Ledger system - 2025	Back ups periodically are stored on physical media and placed into secure fire proof safe storage and are retained for 2 years to allow systems to be restored - ransomware can lie dormant on networks for several months before activation and will be present on backups hence longer retention periods	On-going	B	4	On going updates to systems. Business system migration to secure cloud starting with finance systems and file storage being moved to Microsoft Cloud to ensure greater protection and to reduce reliance on physical data centre. WiFi in the offices is to be upgraded to enhance signal coverage and security. The restructure within IT has resulted in dedicated posts working on cyber security. This will further enhance our protection, although a ransom attack will never be completely mitigated. So far this year 280 attacks have been detected and prevented.	Helen Standen
7 - Major Data Breach	A major data breach of sensitive personal data occurs causing reputational damage and the Information Commissioner to fine the Council	A	3	Mandatory staff training Laptop/mobile device security Confidential waste shredded		Mandatory staff training Data Protection and Privacy Statements Culture of reporting all breaches and learning from each breach		C	2		James Ellis

Reference	Risk Title	Likelihood	Impact	Likelihood reduction	LR Target Date	Impact Mitigation	IM Target Date	Residual Likelihood	Residual Impact	Progress Update	Risk Owner
8 - Staff and skills	The lack of the right staff to deliver services leads to service backlogs and failures. Staff are not skilled up to perform work in a digital environment and to work in an agile ways means that investment in systems and digital access channels is wasted	B	4	LGA have been commissioned to undertake a Decision Making Accountability Review to help inform the structure of the council. Commercial skills training requirements identified. Cultural change training requirements being worked on to cement Transforming East Herts investment as recognised in the July 2022 Business Case	LGA DMA report expected 24/05/2024 Culture Change training 31/03/2025	Introduction of new systems and moving transactions onto the web goes through a first stage of process review using Lean Six Sigma principles so wasteful processes are eliminated as well as maximising the technological capabilities. As far as possible human interventions in a process will be reduced or eliminated altogether. Training in skills is being worked up to deliver culture change to ensure investment is maximised. Managers have been trained as part of the Blueprint Programme and aspiring managers trained as part of the First Step Programme	Culture Change training 31/03/2025	C	3	Decision Making Accountability review is being reviewed by the new Chief Executive and the Leader of the Council.	Helen Standen

Agenda Item 10

East Herts Council Report

Audit & Governance Committee

Date of meeting: Wednesday 30 October 2024

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

Report title: Budget 2025-26 and Medium-Term Financial Plan (MTFP) 2025-2035 Preparation

Ward(s) affected: (All Wards);

Summary

- This report sets out the savings requirements for the MTFP for 2025-2035, assumptions included in the 2025/26 budget, the risks and uncertainties facing the council in setting the budget and the timetable for the budget setting process.

RECOMMENDATIONS FOR AUDIT & GOVERNANCE COMMITTEE

- (A) Note 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;**
- (B) Note the revised savings requirements of £2m in 2025/26, rising to £2.5m in 2027/28;**

1.0 Background

- 1.1** The Medium Term Financial Plan 2024-2034 approved at Council on 28 February 2024 included a gross savings requirement of £5.6m in 2025/26, of this savings plans of £4.195m had been agreed. Leaving a savings gap of £1.4m to be identified. Table 1

below shows the savings not yet identified for the next 4 years.

Table 1: Unidentified Savings	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m
Gross Savings requirement	5.6	5.6	6.4	6.8
Savings plans 2024/25	(4.2)	(4.4)	(4.4)	(4.4)
<i>Savings not yet identified:</i>				
<i>2025/26 savings to be identified</i>	<i>(1.4)</i>	<i>(1.4)</i>	<i>(1.4)</i>	<i>(1.4)</i>
<i>2027/28 savings to be identified</i>			<i>(0.5)</i>	<i>(0.5)</i>
<i>2028/29 savings to be identified</i>				<i>(0.5)</i>

1.2 The quarter one budget monitoring process has identified a number of pressures on the 2024/25 budget, currently forecasting a £1.1m overspend in 2024/25. A number of these pressures are one off that will only impact on 2024/25, pressures of £0.55m have been identified as having an ongoing impact.

Medium Term Financial Plan scenario modelling

1.3 Three scenarios have been modelled. All include the pressures mentioned above in paragraphs 1.1 and 1.2;

1.4 Base Case - In line with current Council Tax referendum limits a council tax increase of 2.98% is included, which gives a 2025/26 band D council tax of £201.04. A cash freeze on grants is assumed, giving a real term reduction in grant. Contract inflation of 2.5% on all major contracts and no inflation assumed for any other goods or services and a provision for national pay award of 3%. The base case MTFP is contained in **Appendix A**.

1.5 Optimistic case - Assumption of a band D council tax increase of 4.98%, this would give a 2025/26 band D council tax increase of £9.72. A cash freeze on grants is assumed, giving a real term reduction in grant. Contract inflation of 2.5% on all major contracts and no inflation assumed for any other goods or

services and a provision for national pay award of 3%. The optimistic base case is included in **Appendix B**.

1.6 Pessimistic Case - Officers have also modelled an MTFP with grant declining year on year by 2%, which based on inflation would be a decrease of 5%. The section 151 officer advises that this would leave the Council with insufficient resources to meet its financial commitments..

1.7 Members are asked to approve officers to continue to model using the base case, as per paragraph 1.4, based on this case the unidentified savings are £2m in 2025/26.

2.0 2025/26 Uncertainty and Pressures

2.1 Ongoing uncertainty around government funding makes forward planning and setting a balanced budget more complex. The new government has indicated plans to give local authorities multi-year settlements, however it is uncertain if this will be possible from 2025/26 and we therefore expect a single year settlement with three-year settlements thereafter.

The Autumn Budget is scheduled for 30 October 2024, this will set departmental spending totals for 2025/26.

2.2 The assumptions included in the current MTFP are a 2% increase from 2024/25 followed by for a cash freeze which represents a real terms reduction year on year of whatever inflation is. Based on the Bank of England inflation target this would be a 2.5% real terms reduction per year and a 12.5% reduction over five years.

2.3 The paragraphs that follow highlight some of the key areas of uncertainty that the council faces when balancing the 2025/26 budget and producing the Medium-Term Financial Plan:

2.3.1 Extended Producer responsibility

Indications from the previous government were that monetary payments in respect of the extended producer responsibility scheme, where councils would have been compensated for managing packaging waste collected from households, would

result in additional funding as the Settlement would not have been adjusted for the receipts. Under the new government there have been indications that any gains will be adjusted through the Settlement, resulting in a no new money for the Council.

2.3.2 New Burdens funding – food waste

To date capital funding to facilitate the requirement for local authorities to introduce weekly food waste collections by March 2026 has been announced, however there have been no assurances about ongoing revenue implications, and new burdens grant to fund these. It is unlikely that any funding will cover the additional costs as the funding is allocated on a formula basis rather than a submission based on actual costs.

2.3.3 Interest rates on borrowing

In recent years the council has moved to a position of borrowing following spending on large capital projects. Currently the council is utilising short term borrowing, to secure the lowest interest rates available. The MTFP makes assumptions about the interest rate that the council will be able to secure on long-term borrowing through the PWLB, variations from this will impact on the savings requirements.

2.3.4 Single Person Discount

There is uncertainty around whether the new Government plans to withdraw the single person council tax discount. Whilst removal of the discount would result in additional income collected from tax payers, there is potential for a pressure of c£660k This pressure is due to the formula in the funding calculation. The Relative Resource Block in the local government funding model takes into account what is raised locally and is calculated using Average National Council Tax, which is much higher than East Herts actual council tax.

2.3.5 Council Tax referendum limit

The MTFP includes a 2.98% increase in council tax for 2025/26 and all future years. There are calls for the council tax

referendum limit to be revised or abolished. A 1% increase in council tax would give c£127k additional income by year.

2.3.6 New Homes Bonus

The amounts that the council has received in New Homes Bonus, a government grant linked to the increase in properties in the tax base, has reduced significantly in recent years. £250k is assumed in 2025/26 with no further allocation assumed in subsequent years.

2.3.7 Revenue Support Grant, Service Grant & Funding Guarantee Grant

The MTFP is based on a cash freeze in government grants, which would produce a real terms reduction in each year.

2.4 2024/25 Savings included in MTFP

2.5 The 2024/25 saving's plans approved as part of the MTFP in February have been reviewed and stress tested by Leadership Team. **Appendix C** provides current risk register for the savings proposals.

2.6 The majority of savings items are shown as on track as these have already been delivered or will be delivered in line with the proposals by 31 March 2025.

2.7 The lines shown as 'at risk' or 'delayed' are being investigated by officers to ascertain the potential saving that can be achieved and to provide updated timescales for doing so.

2.8 Proposals to balance the 2025/26 budget

2.9 Leadership Team have commenced weekly meetings to work on setting a balanced budget for 2025/26. Initial actions are:

- Service managers have been requested to identify savings and unavoidable growth for 2025/26 and future years
- A review of the establishment, including vacant posts
- Transforming East Herts programme refresh

- Review of base budgets to remove inefficiency
- Review statutory and non-statutory service provision

2.10 Reserves

2.11 The Council's general fund reserves include the General Fund reserve and Earmarked reserves. The General Fund reserve is held without any specific purpose to minimise the impact of unexpected events. Earmarked reserves are held to fund specific expenditure in future years or are required to provide risk finance.

2.12 The recommended minimum General Fund balance is £3.02m as set by the section 151 officer, after considering the risks facing the Council. The current General Fund balance is £3.854m and above the recommended minimum balance.

2.13 Balance on all the reserves held by the Council can be found in **Appendix D**.

3.0 Reason(s)

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

4.0 Options

4.1 Given the financial outlook there are limited options available to ensure a balanced budget. Any growth will need to be balanced by reductions elsewhere.

4.2 Members may propose a lower rate of Council Tax but this will result in compound revenue foregone from Council Tax which will be lost in perpetuity.

5.0 Risks

5.1 Risk and known uncertainties are highlighted in the body of the report.

6.0 Implications/Consultations

6.1 The Finance team have consulted with Leadership Team in writing this report.

Community Safety

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

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

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

Appendix A – Base Case MTFP

Appendix B – Optimistic Case MTFP

Appendix C – Savings tracker

Appendix D - Reserves

Contact Member

Councillor Carl Brittain, Executive Member for Financial Sustainability

carl.brittain@eastherts.gov.uk

Contact Officer

Steven Linnett, Head of Strategic Finance and Property, Tel: 01279

502050. steven.linnett@eastherts.gov.uk



General Fund Revenue Budget and Medium Term Financial Plan 2024/25 to 2034/35

2024/25	Cost of Services	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
£000		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
362	Chief Executive's Office	373	385	397	399	401	403	405	407	409	411
1,626	Communications, Strategy & Policy	1,683	1,731	1,780	1,836	1,894	1,954	2,016	2,080	2,146	2,214
2,400	Housing and Health	2,511	2,604	2,702	2,804	2,910	3,020	3,134	3,252	3,374	3,501
2,718	Operations	4,435	4,612	4,796	4,987	5,186	5,393	5,608	5,832	6,065	6,307
(548)	Hertford Theatre	(1,807)	(1,912)	(1,986)	(2,106)	(2,236)	(2,280)	(2,326)	(2,372)	(2,420)	(2,469)
2,345	Planning & Building Control	2,429	2,504	2,581	2,634	2,688	2,743	2,799	2,856	2,914	2,973
995	Shared Revenues & Benefits Service	1,056	1,110	1,165	1,201	1,238	1,276	1,315	1,355	1,396	1,438
2,822	IT Shared Service	2,938	2,720	2,822	2,928	3,038	3,152	3,270	3,392	3,519	3,651
1,597	Legal & Democratic Services	1,651	1,700	1,750	1,786	1,823	1,861	1,900	1,940	1,981	2,023
595	Human Resources & Org Development	617	634	651	680	710	741	773	806	840	875
2,394	Strategic Finance & Property	2,517	2,618	2,713	2,835	2,962	3,095	3,234	3,379	3,531	3,690
1,019	Centrally Managed Costs	1,506	2,007	2,522	2,862	3,248	3,686	4,183	4,747	5,387	6,113
(150)	Revenue Costs Capitalised	(150)	(150)	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)
0	2024/25 pressures	550	550	550	550	550	550	550	550	550	550
4,739	Capital Expenditure Charged to a Revenue Account	550	550	650	650	650	650	650	650	650	650
22,914	Net Cost of Services	20,859	21,663	23,023	23,976	24,992	26,174	27,441	28,804	30,272	31,857

2023/24	Corporate Budgets	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
£000		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
(50)	Fees and Charges Annual Review	(100)	(150)	(200)	(250)	(300)	(350)	(400)	(450)	(500)	(550)
1,032	Minimum Revenue Provision	1,634	1,702	1,786	1,786	1,786	1,786	1,786	1,786	1,786	1,786
2,955	Interest Payable on Loans	3,269	2,612	2,514	2,463	2,351	2,239	2,127	2,015	1,903	1,903
(1,200)	Investment Income	(1,000)	(800)	(750)	(750)	(750)	(750)	(750)	(750)	(750)	(750)
637	Pension Fund Deficit Contribution	637	637	637	637	637	637	637	637	637	637
3,374	Total Corporate Budgets	4,440	4,001	3,987	3,886	3,724	3,562	3,400	3,238	3,076	3,026
(1,103)	Savings implemented under existing delegations	(1,589)	(1,818)	(1,818)	(1,818)	(1,818)	(1,818)	(1,818)	(1,818)	(1,818)	(1,818)
(83)	Executive Recommended savings proposals	(2,606)	(2,606)	(2,606)	(2,606)	(2,606)	(2,606)	(2,606)	(2,606)	(2,606)	(2,606)
25,102	Total Costs	21,104	21,240	22,586	23,438	24,292	25,312	26,417	27,618	28,924	30,459

2023/24	Government Funding & Council Tax	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
£000		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
(2,933)	Retained Business Rates - Business Rates	(2,933)	(2,933)	(2,933)	(2,933)	(2,933)	(2,933)	(2,933)	(2,933)	(2,933)	(2,933)
(1,361)	Retained Business Rates - Section 31 Grants	(1,361)	(1,361)	(1,361)	(1,361)	(1,361)	(1,361)	(1,361)	(1,361)	(1,361)	(1,361)
(1,697)	New Homes Bonus Grant	(250)									
(111)	Revenue Support Grant	(111)	(111)	(111)	(111)	(111)	(111)	(111)	(111)	(111)	(111)
(1,999)	General Government Grants	(1,608)	(1,716)	(1,716)	(1,716)	(1,716)	(1,716)	(1,716)	(1,716)	(1,716)	(1,716)
(1,501)	New Burdens Funding - food waste collection										
(12,652)	Council Tax Demand on the Collection Fund	(13,130)	(13,625)	(14,137)	(14,668)	(15,218)	(15,788)	(16,379)	(16,991)	(17,624)	(17,624)
(500)	Collection Fund (Surplus)/Deficit										
(22,754)	Total Government Funding & Council Tax	(19,393)	(19,746)	(20,258)	(20,789)	(21,339)	(21,909)	(22,500)	(23,112)	(23,745)	(23,745)
2,348	Net Budget before Reserves movements	1,711	1,494	2,328	2,649	2,953	3,403	3,917	4,506	5,179	6,714
2023/24	Contributions to/(from) Reserves	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
£000		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
652	Contributions to Earmarked Reserves	250	60	159	309	468	542	618	694	770	770
(3,000)	Contributions (from) Earmarked Reserves										
	Contributions to General Fund										
	Contributions (from) General Fund										
(2,348)	Total Contributions to/(from) Reserves	250	60	159	309	468	542	618	694	770	770
0	Net Budget Position	1,961	1,554	2,487	2,958	3,421	3,945	4,535	5,200	5,949	7,484

Savings Target

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
2024/25	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
2025/26	1,961	1,961	1,961	1,961	1,961	1,961	1,961	1,961	1,961	1,961
2026/27		0	0	0	0	0	0	0	0	0
2027/28			526	526	526	526	526	526	526	526
2028/29				471	471	471	471	471	471	471
2029/30					463	463	463	463	463	463
2030/31						524	524	524	524	524
2031/32							590	590	590	590
2032/33								665	665	665
2033/34									749	749
2034/35										1,535
	1,961	1,961	2,487	2,958	3,421	3,944	4,535	5,200	5,949	7,484



General Fund Revenue Budget and Medium Term Financial Plan 2024/25 to 2034/35

2024/25	Cost of Services	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
£000		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
362	Chief Executive's Office	373	385	397	399	401	403	405	407	409	411
1,626	Communications, Strategy & Policy	1,683	1,731	1,780	1,836	1,894	1,954	2,016	2,080	2,146	2,214
2,400	Housing and Health	2,511	2,604	2,702	2,804	2,910	3,020	3,134	3,252	3,374	3,501
2,718	Operations	4,435	4,612	4,796	4,987	5,186	5,393	5,608	5,832	6,065	6,307
(548)	Hertford Theatre	(1,807)	(1,912)	(1,986)	(2,106)	(2,236)	(2,280)	(2,326)	(2,372)	(2,420)	(2,469)
2,345	Planning & Building Control	2,429	2,504	2,581	2,634	2,688	2,743	2,799	2,856	2,914	2,973
995	Shared Revenues & Benefits Service	1,056	1,110	1,165	1,201	1,238	1,276	1,315	1,355	1,396	1,438
2,822	IT Shared Service	2,938	2,720	2,822	2,928	3,038	3,152	3,270	3,392	3,519	3,651
1,597	Legal & Democratic Services	1,651	1,700	1,750	1,786	1,823	1,861	1,900	1,940	1,981	2,023
595	Human Resources & Org Development	617	634	651	680	710	741	773	806	840	875
2,394	Strategic Finance & Property	2,517	2,618	2,713	2,835	2,962	3,095	3,234	3,379	3,531	3,690
1,019	Centrally Managed Costs	1,506	2,007	2,522	2,862	3,248	3,686	4,183	4,747	5,387	6,113
(150)	Revenue Costs Capitalised	(150)	(150)	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)
0	2024/25 pressures	550	550	550	550	550	550	550	550	550	550
4,739	Capital Expenditure Charged to a Revenue Account	550	550	650	650	650	650	650	650	650	650
22,914	Net Cost of Services	20,859	21,663	23,023	23,976	24,992	26,174	27,441	28,804	30,272	31,857

2023/24	Corporate Budgets	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
£000		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
(50)	Fees and Charges Annual Review	(100)	(150)	(200)	(250)	(300)	(350)	(400)	(450)	(500)	(550)
1,032	Minimum Revenue Provision	1,634	1,702	1,786	1,786	1,786	1,786	1,786	1,786	1,786	1,786
2,955	Interest Payable on Loans	3,269	2,612	2,514	2,463	2,351	2,239	2,127	2,015	1,903	1,903
(1,200)	Investment Income	(1,000)	(800)	(750)	(750)	(750)	(750)	(750)	(750)	(750)	(750)
637	Pension Fund Deficit Contribution	637	637	637	637	637	637	637	637	637	637
3,374	Total Corporate Budgets	4,440	4,001	3,987	3,886	3,724	3,562	3,400	3,238	3,076	3,026
(1,103)	Savings implemented under existing delegations	(1,589)	(1,818)	(1,818)	(1,818)	(1,818)	(1,818)	(1,818)	(1,818)	(1,818)	(1,818)
(83)	Executive Recommended savings proposals	(2,606)	(2,606)	(2,606)	(2,606)	(2,606)	(2,606)	(2,606)	(2,606)	(2,606)	(2,606)
25,102	Total Costs	21,104	21,240	22,586	23,438	24,292	25,312	26,417	27,618	28,924	30,459

2023/24	Government Funding & Council Tax	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
£000		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
(2,933)	Retained Business Rates - Business Rates	(2,933)	(2,933)	(2,933)	(2,933)	(2,933)	(2,933)	(2,933)	(2,933)	(2,933)	(2,933)
(1,361)	Retained Business Rates - Section 31 Grants	(1,361)	(1,361)	(1,361)	(1,361)	(1,361)	(1,361)	(1,361)	(1,361)	(1,361)	(1,361)
(1,697)	New Homes Bonus Grant	(250)									
(111)	Revenue Support Grant	(111)	(111)	(111)	(111)	(111)	(111)	(111)	(111)	(111)	(111)
(1,999)	General Government Grants	(1,608)	(1,716)	(1,716)	(1,716)	(1,716)	(1,716)	(1,716)	(1,716)	(1,716)	(1,716)
(1,501)	New Burdens Funding - food waste collection										
(12,652)	Council Tax Demand on the Collection Fund	(13,385)	(14,145)	(14,916)	(15,696)	(16,487)	(17,287)	(18,098)	(18,919)	(19,749)	(20,590)
(500)	Collection Fund (Surplus)/Deficit										
(22,754)	Total Government Funding & Council Tax	(19,648)	(20,266)	(21,037)	(21,817)	(22,608)	(23,408)	(24,219)	(25,040)	(25,870)	(26,711)
2,348	Net Budget before Reserves movements	1,456	974	1,549	1,621	1,684	1,904	2,198	2,578	3,054	3,748
2023/24	Contributions to/(from) Reserves	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
£000		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
652	Contributions to Earmarked Reserves	250	60	159	309	468	542	618	694	770	770
(3,000)	Contributions (from) Earmarked Reserves										
	Contributions to General Fund										
	Contributions (from) General Fund										
(2,348)	Total Contributions to/(from) Reserves	250	60	159	309	468	542	618	694	770	770
0	Net Budget Position	1,706	1,034	1,708	1,930	2,152	2,446	2,816	3,272	3,824	4,518

Savings Target

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
2024/25	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
2025/26	1,706	1,706	1,706	1,706	1,706	1,706	1,706	1,706	1,706	1,706
2026/27		0	0	0	0	0	0	0	0	0
2027/28			2	2	2	2	2	2	2	2
2028/29				222	222	222	222	222	222	222
2029/30					222	222	222	222	222	222
2030/31						294	294	294	294	294
2031/32							370	370	370	370
2032/33								456	456	456
2033/34									552	552
2034/35										694
	1,706	1,706	1,708	1,930	2,152	2,445	2,816	3,272	3,824	4,518

2024/25 Savings

Appendix C

Savings under officer delegation	Proposals included in MTFP				Savings achieved
	2024/25	2025/26	2026/27	2027/28	
	£'000	£'000	£'000	£'000	£'000
Senior Management Restructure	(250)	(500)	(500)	(500)	(250)
Ban on overtime payments	(200)	(200)	(200)	(200)	(35)
Shared Revenues and Benefits Service Review	(200)	(225)	(425)	(425)	(200)
Leisure Project Manager	(30)	(60)	(60)	(60)	(30)
Legal Services charges	(28)	(28)	(28)	(28)	(28)
Avoidable contacts	(24)	(48)	(48)	(48)	(24)
Wallfields	(117)	(274)	(303)	(303)	0
Xeroboxes	(20)	(20)	(20)	(20)	0
Maximise Housing Benefit in Hostels	(100)	(100)	(100)	(100)	(100)
Procurement Act 2023 changes	(50)	(50)	(50)	(50)	(50)
AllPay contract	(1)	(1)	(1)	(1)	(1)
Payment card processing charges	(25)	(25)	(25)	(25)	(25)
Intranet	(28)	(28)	(28)	(28)	(7)
Insource payment processing for Garden Waste	(30)	(30)	(30)	(30)	(30)
Total Savings under Officer delegation	(1,103)	(1,589)	(1,818)	(1,818)	(780)
Savings approved by members					
Innovation Corridor	0	(10)	(10)	(10)	0
Digital Innovation Zone	0	(10)	(10)	(10)	0
Visit Herts	0	(5)	(5)	(5)	0
HGGT Joint Committee	(15)	(15)	(15)	(15)	(15)
Advertising	(18)	(38)	(38)	(38)	0
Asset Disposals	0	(528)	(528)	(528)	0
Invest to Save - Refuse Contract Vehicle Financing	0	(200)	(200)	(200)	0
Civil Parking Enforcement	0	(1,750)	(1,750)	(1,750)	0
Garden Waste Charges	0	0	0	0	0
Reduce Grounds Maintenance specification	(50)	(50)	(50)	(50)	(50)
Total savings approved by members	(83)	(2,606)	(2,606)	(2,606)	(65)
Total 2024/25 approved savings	(1,186)	(4,195)	(4,424)	(4,424)	(845)

KEY
On track
At risk
Delayed

PROJECTED BALANCES ON RESERVES

	2022/23 Balance 31 Mar '23 £000	2023/24 Balance 31 Mar '24 £000	2024/25 Balance 31 Mar '25 £000	2025/26 Balance 31 Mar '26 £000	2026/27 Balance 31 Mar '27 £000	2027/28 Balance 31 Mar '28 £000
General Fund	3,854	3,854	3,854	3,854	3,854	3,854
General Reserve	1,065	1,065	1,065	1,065	1,065	1,065
Other Earmarked Reserves						
Risk Reserves						
Interest Equalisation Reserve	2,045	2,045	2,045	2,045	2,045	2,045
Insurance Fund	908	908	908	908	908	908
Emergency Planning Reserve	36	36	36	36	36	36
HB Subsidy Volatility	50	50	50	50	50	50
Waste recycling income volatility reserve	353	353	353	353	353	353
Sinking Fund - Leisure utilities / pension	228	228	228	228	228	228
Collection Fund Reserve	1,963	1,963	1,963	1,963	1,963	1,963
	5,583	5,583	5,583	5,583	5,583	5,583
Elections Reserves						
Provision for future whole Council elections	98	0	35	70	105	140
IER grant	106	106	106	106	106	106
	204	106	141	176	211	246
Service Reserves						
LDF - Public Exam / Green Belt Review	62	62	62	62	62	62
Housing Condition Survey	90	90	90	90	90	90
Performance reward grant	10	10	10	10	10	10
Footbridge over the River Stort	150	150	150	150	150	150
DCLG Preventing Repossessions	18	18	18	18	18	18
New Homes Bonus Priority Spend	8,206	8,361	5,816	6,271	6,571	6,871
NNDR Compensation grant	3,536	0	0	0	0	0
DEFRA Flood Support for Local Businesses Grant Reserve	4	4	4	4	4	4
Neighbourhood Planning Grant	64	64	64	64	64	64
MTFP Transition Funding Reserve	413	413	413	413	413	413
Flexible Homelessness Grant	602	602	602	602	602	602
Preventing Homelessness New Burdens	31	31	31	31	31	31
Healthy Lifestyle Promotions	33	33	33	33	33	33
Land Charges New Burdens	30	30	30	30	30	30
Parks & Open spaces	306	306	306	306	306	306
Revenues & Benefits New Burdens	250	250	250	250	250	250
	13,805	10,424	7,879	8,334	8,634	8,934
Total Earmarked Reserves	19,592	16,113	13,603	14,093	14,428	14,763
Total Reserves	24,511	21,032	18,522	19,012	19,347	19,682

Agenda Item 11

East Herts Council Report

Audit & Governance Committee

Date of meeting: 30 October 2024

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

Report title: Audit and Governance Committee Work Programme

Ward(s) affected: All

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

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE

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

1.0 Proposal(s)

- 1.1 Audit and Governance Committee's audit functions are:
 - 1.1.1 Approving the Council's statement of accounts.
 - 1.1.2 Consider the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
 - 1.1.3 Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
 - 1.1.4 Be satisfied that the Council's assurance statements, including reviewing the Annual Governance Statement against the good governance framework, properly reflect

- the risk environment and any actions required to improve it.
- 1.1.5 Approve internal audit's strategy, its plan and monitor its performance.
 - 1.1.6 Approve the shared anti-fraud service strategy, its plan and monitor its performance.
 - 1.1.7 Review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary.
 - 1.1.8 Receive the annual report of the head of internal audit.
 - 1.1.9 Receive and consider the reports of external audit (including the annual audit letter) and inspection agencies, and monitor management action in response to the issues raised.
 - 1.1.10 Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies and that the value of the audit process is actively promoted.
 - 1.1.11 Review the financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.
 - 1.1.12 Oversight of the Council's commercial projects.
- 1.2 Audit and Governance Committee's finance functions are:
- 1.2.1 Receive budget monitoring reports and risk management reports.
 - 1.2.2 Lead the cross-Member scrutiny and consideration of the Council's draft annual budget and medium term financial plan.
 - 1.2.3 Scrutinise the Council's Annual Investment Strategy, Annual Capital Strategy, Mid-Year Treasury Management Report and Annual Treasury Management Report and through review gain assurance that systems of governance and control for Treasury Management are effective.

- 1.2.4 Where appropriate, assisting the Council and the Executive in the development of its budget and policy framework by in-depth analysis of financial, procurement and governance related policy issues.
 - 1.2.5 Where relevant to the audit or finance functions of the Committee, overseeing and scrutinising all Internal, Corporate and Corporate Governance functions of the Council.
- 1.3 In order to fulfil these functions a series of reports will be brought to Members to provide:
- 1.3.1 Assurance that the council's financial affairs are being properly managed and that the council is making the best use of resources;
 - 1.3.2 An adequate and effective system of internal audit is operating and that its approved plan is being delivered;
 - 1.3.3 The Council's governance arrangements are adequate;
 - 1.3.4 That key business risks have been identified, evaluated and are being managed;
 - 1.3.5 That key systems and controls are operating effectively giving assurance that the Statement of Accounts is materially correct and can be approved;
 - 1.3.6 Receive and consider the external auditor's Audit Plan, Audit Results Report and Annual Audit Letter; and
- 2.0 Receive copies of Executive budget monitoring reports, for information, so that the final accounts outturn position can be compared to forecasts during the year.
- Training
- 2.1 Training for Members of the Committee will be delivered for the first 30 minutes of the Committee meeting and will be related to the business before the Committee.
 - 2.2 Members are recommended to review the proposed work programme and suggested training and identify any other training needs they require.

3.0 Work Programme

- 3.1 The Committee will note that the statement of accounts is shown as being approved by a sub-committee. Due to the problems in the local government external audit market, audit have been severely delayed due to the external auditor's lack of resources and therefore we cannot predict when audits will return to a firm timetable and the sub-committee is used to approve the statement of accounts as soon as practicable after the audit is completed.
- 3.2 The work programme for the Committee is proposed to be as follows:

Committee	Author	Report Title	Report Summary
Audit & Governance Committee November 2024	Michele Aves	<p>Motion to exclude the press and public:</p> <p>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.</p>	<p>Paragraph 3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information).</p> <p>Arlingclose Limited will not provide training and treasury updates unless the sessions are closed to the public. As the Committee does training during the meeting it will be necessary to exclude the press and public for the duration of the training session.</p>
	Arlingclose	Training: Treasury Management	Presentation to Members on Treasury Management and the Committee's role in overseeing treasury policies
	Jackie Bruce	Annual Infrastructure Funding Statement Report 2023/24	To present to Audit and Governance Committee an update on Section 106 contributions and the council's Annual Infrastructure Funding Statement Report 2020/21

Committee	Author	Report Title	Report Summary
	Paul Grady	External Audit Update 2023/24	To present to Audit and Governance Committee the external auditor's Audit Update Report. The Committee receives the report on behalf of the Council.
	Simon Martin	Shared Internal Audit Service Internal Audit Plan Progress Report	To present to Audit and Governance Committee the Shared Internal Audit Service's progress against the Internal Audit Plan.
	Nick Jennings	Shared Anti-fraud Service Anti-Fraud Plan progress report	To present to Audit and Governance Committee the Shared Anti-Fraud Service's progress against the Anti-Fraud Plan.
		Audit and Governance Committee Work Programme	To present to Audit and Governance Committee an update on the work programme for the year.
Audit & Governance Committee	Alison Street	Budget Scrutiny - Budget 2025/26 and Medium Term Financial Plan 2025-29	Executive Member for Financial Sustainability to present to Audit and Governance Committee the Executive's proposed General Fund Budget and Medium Term Financial Plan for scrutiny.
January 2025	Nicola Munro	Investment Strategy 2025/26 for scrutiny	Executive Member for Financial Sustainability to present to Audit and Governance Committee the Executive's proposed Investment Strategy for scrutiny.

Committee	Author	Report Title	Report Summary
	Nicola Munro	Capital Strategy and Minimum Revenue Provision Policy 2025/26 for scrutiny	Executive Member for Financial Sustainability to present to Audit and Governance Committee the Executive's proposed Capital Strategy and Minimum Revenue Provision Policy for scrutiny.
	Head of Strategic Finance and Property	Procurement Strategy 2024/5 – 2029/30 for scrutiny	Executive Member for Financial Sustainability to present to Audit and Governance Committee the Executive's proposed Procurement Strategy for scrutiny.
	Steven Linnett	Social Value Policy – Priority Themes, Outcomes and Measures	To present to Audit and Governance Committee an update to the Social Value Policy Themes, Outcomes and Measures
	Alison Street	Financial Management 2024/25 – Quarter 2 Forecast to Year End	To provide Audit and Governance Committee with a copy for information of the Executive Report with the forecast position on revenue spending and the capital programme as at the end of quarter 2.
	Nicola Munro	Treasury Management 2024/25 Mid-Year Review	To provide Audit and Governance Committee with a copy of the Treasury Management Mid-Year Review Report so that they can scrutinise the Report

Committee	Author	Report Title	Report Summary
	Nick Jenning	Shared Anti-Fraud Service Anti-Fraud Plan Progress Report	To present to Audit and Governance Committee the Shared Anti-Fraud Service's progress against the Anti-Fraud Plan.
	Nick Jennings	Anti-Fraud Plan	To present to Audit and Governance Committee the Shared Anti-Fraud Service Anti-Fraud Plan for the financial year.
	Simon Martin	Shared Internal Audit Service Internal Audit Plan Progress Report	To present to Audit and Governance Committee the Shared Internal Audit Service's progress against the Internal Audit Plan.
	Simon Martin	Internal Audit Plan	To present to Audit and Governance Committee the Shared Internal Audit Service Audit Plan for the financial year.
	Tyron Suddes	Data Protection Update	To present to Audit and Governance Committee the progress on data protection policies and practices.
Audit and Governance Committee		External Audit Planning Report 2024/25	To present to Audit and Governance Committee the external auditor's Audit Planning Report. The Committee receives the report on behalf of the Council.

Committee	Author	Report Title	Report Summary
April 2025		Provisional Outturn 2023/24	To present to Audit and Governance Committee the provisional General Fund Revenue and Capital Outturn. The figures remain provisional until the external auditor has completed the audit.
		Receipt of the Final External Auditor's Audit Results Report 2023/24	In accordance with the Code of Audit Practice (the Code), this report provides a summary of the work the external auditor has carried out during their audit of accounts, the conclusions they have reached and the recommendations they have made to discharge their statutory audit responsibilities to those charged with governance (in this case the Audit and Governance Committee) at the time they are considering the financial statements. In preparing their report, the Code requires them to comply with the requirements of International Standards on Auditing (United Kingdom & Ireland) – ISA (UK&I) - 260 'Communication of Audit Matters to Those Charged With Governance'.
		Approval of the Statement of Accounts 2023/24	Regulation 10 (1) of the Accounts and Audit Regulations 2015 requires the Statement of Accounts to be approved by a resolution of a committee of the Council, such approval to take

Committee	Author	Report Title	Report Summary
			place before 30 September immediately following the end of a year, or as soon as practicable after the conclusion of the audit.
		Approval of the Annual Governance Statement 2023/24	To present to Audit and Governance Committee for approval the Annual Governance Statement for incorporation in the Statement of Accounts. Regulation 6 of the Accounts and Audit Regulations 2015 requires the Council to conduct a review, at least once a year, of the effectiveness of its system of internal control and approve an annual governance statement to accompany the statement of accounts.
		Audit and Governance Committee Work Programme	To present to Audit and Governance Committee an update on the work programme for the year.
Audit & Governance Committee May 2025	Michele Aves Jess Khanom-Metaman	Appointment of Vice- Chairman for 2025/26	Members will vote to appoint the Vice Chairman of the Committee
		Training:	Members are invited to nominate a training topic
		Leisure Annual Report	To present to Audit & Governance Committee an annual report on leisure so that the Committee can assure Council that the investment in new

Committee	Author	Report Title	Report Summary
			leisure centres is performing as per the business case and making a return to the council after servicing debt.
	Simon Martin	Annual Assurance Statement and Internal Audit Annual Report	To present to Audit and Governance Committee the Annual Report on Internal Audit Activity for the preceding financial year and the level of assurance on the financial systems. Regulation 6 of The Accounts and Audit Regulations 2015 require the Council, at least once a year, to conduct a review of the effectiveness of its internal audit.
	Simon Martin	Shared Internal Audit Service Internal Audit Plan Progress Report	To present to Audit and Governance Committee the Shared Internal Audit Service's progress against the Internal Audit Plan.
	Nick Jenning	Anti-Fraud Report	To present to Audit and Governance Committee the Shared Anti-Fraud Service's annual anti-fraud report detailing work completed on the Anti-Fraud Plan and detailing detected fraud and any recovery of monies

Committee	Author	Report Title	Report Summary
	Nick Jennings	Shared Anti-Fraud Service Anti-Fraud Plan Progress Report	To present to Audit and Governance Committee the Shared Anti-Fraud Service's progress against the Anti-Fraud Plan.
	Jonathan Geall	Strategic Risk Register Monitoring Q4 2024/25 and Annual Review of Risk Management Strategy	To present to Audit and Governance Committee the Strategic Risk Register Monitoring at the end of quarter 4.
	Tyron Suddes	Data Protection Update	To present to Audit and Governance Committee an update on data protection
	Head of Strategic Finance and Property	Audit and Governance Committee Work Programme	To present to Audit and Governance Committee an update on the work programme for the year.
Audit and Governance Committee		Training	TBD
September 2025	Simon Martin	Shared Internal Audit Service Internal Audit Plan Progress Report (Shared Service reporting timescales need to be negotiated so cannot move to October)	To present to Audit and Governance Committee the Shared Internal Audit Service's progress against the Internal Audit Plan.

Committee	Author	Report Title	Report Summary
	Nick Jennings	Shared Anti-fraud Service Anti-Fraud Plan progress report	To present to Audit and Governance Committee the Shared Anti-Fraud Service's progress against the Anti-Fraud Plan.
	Jonathan Geall	Strategic Risk Register Monitoring Q1 2025/26	To present to Audit and Governance Committee the Strategic Risk Register Monitoring at the end of quarter 1.
	Alison Street	Financial Management 2025/26 – Quarter 1 Forecast to Year End	To provide Audit and Governance Committee with a copy for information of the Executive Report with the forecast position on revenue spending and the capital programme as at the end of quarter 1
	Alison Street	Budget 2026/27 and Medium Term Financial Plan 2026/27 – 2030/31	To provide Audit and Governance Committee with an update on the budget and MTFP including costs pressures, savings and efficiencies against the original proposals, and budget planning assumptions for scrutiny.
	Nicola Munro	Annual Treasury Report 2025/26	To provide Audit and Governance Committee with a copy of the Annual Treasury Report so that they can scrutinise the Report.

Committee	Author	Report Title	Report Summary
	Ben Wood	Assets of Community Value	To present to Audit & Governance Committee the Register of Assets of Community Value annual update report.
	Head of Strategic Finance and Property	Audit and Governance Committee Work Programme	To present to Audit and Governance Committee an update on the work programme for the year.
Audit & Governance Committee		Training	TBD
October 2025	Ben Wood	Assets of Community Value	To present to Audit & Governance Committee the Register of Assets of Community Value annual update report.
	Nicola Munro	Annual Treasury Report 2023/24	To provide Audit and Governance Committee with a copy of the Annual Treasury Report so that they can scrutinise the Report.
	Alison Street	Budget 2026/27 and Medium Term Financial Plan 2026/27 – 2030/31	To provide Audit and Governance Committee with an update on the budget and MTFP including costs pressures, savings and efficiencies against

Committee	Author	Report Title	Report Summary
			the original proposals, and budget planning assumptions for scrutiny.
Audit & Governance Committee November 2024	Michele Aves	Motion to exclude the press and public: 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.	Paragraph 3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information). Arlingclose Limited will not provide training and treasury updates unless the sessions are closed to the public. As the Committee does training during the meeting it will be necessary to exclude the press and public for the duration of the training session.
	Arlingclose	Training: Treasury Management	Presentation to Members on Treasury Management and the Committee's role in overseeing treasury policies

Committee	Author	Report Title	Report Summary
	Jackie Bruce	Annual Infrastructure Funding Statement Report 2023/24	To present to Audit and Governance Committee an update on Section 106 contributions and the council's Annual Infrastructure Funding Statement Report 2020/21
	Jess Khanom-Metaman	BEAM Annual Report	To present to Audit & Governance Committee an annual report on BEAM (theatre and cinema in Hertford) so that the Committee can assure Council that the investment in new leisure centres is performing as per the business case and making a return to the council after servicing debt.
	Paul Grady	External Audit Update 2023/24	To present to Audit and Governance Committee the external auditor's Audit Update Report. The Committee receives the report on behalf of the Council.
	Simon Martin	Shared Internal Audit Service Internal Audit Plan Progress Report	To present to Audit and Governance Committee the Shared Internal Audit Service's progress against the Internal Audit Plan.
	Nick Jennings	Shared Anti-fraud Service Anti-Fraud Plan progress report	To present to Audit and Governance Committee the Shared Anti-Fraud Service's progress against the Anti-Fraud Plan.

Committee	Author	Report Title	Report Summary
		Audit and Governance Committee Work Programme	To present to Audit and Governance Committee an update on the work programme for the year.

4.0 Reasons

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

5.0 Risks

5.1 Risk Management is reported to the Committee regularly.

6.0 Implications/Consultations

Community Safety

No

Data Protection

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

Equalities

No

Environmental Sustainability

No

Financial

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

Health and Safety

No

Human Resources

No

Human Rights

No

Legal

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

Specific Wards

No

7.0 Background papers, appendices and other relevant material

7.1 None

Contact Officer

Steven Linnett, Head of Strategic Finance & Property

Contact Tel. No. 01279 502050

steven.linnett@eastherts.gov.uk

Report Author

Steven Linnett, Head of Strategic Finance & Property

Contact Tel. No. 01279 502050

steven.linnett@eastherts.gov.uk