



MEETING : AUDIT AND GOVERNANCE COMMITTEE
VENUE : COUNCIL CHAMBER, WALLFIELDS, HERTFORD
DATE : TUESDAY 18 FEBRUARY 2025
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 Woolcombe, 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)

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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 - 27 November 2024 (Pages 6 - 18)

To approve as a correct record the minutes of the meeting held on 27 November 2024.

3. Chair's Announcements

4. Declarations of Interest

To receive any declarations of interest.

5. Financial Management 2024/25 - Q2 Forecast to year end - 'to follow'

Report to follow

6. Financial Management 2024/25 - Q3 Forecast to year end - 'to follow'

Report to follow

7. Treasury Management Mid-Year Review 2024/25 (Pages 19 - 36)

8. Corporate Procurement Strategy 2025-2030 (Pages 37 - 67)

9. 2023/2024 Accounting Policies - 'to follow'

Report to follow

10. Shared Anti-Fraud Service - Progress Report 2024/2025 (Pages 68 - 72)

11. Shared Anti-Fraud Service - Anti-Fraud Plan 2025/2026 (Pages 73 - 85)

12. Audit and Governance Work Programme - 'to follow'

Report to follow

13. 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 27 NOVEMBER 2024, AT
7.00 PM

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

ALSO PRESENT:

Councillors C Brittain and B Crystall

OFFICERS IN ATTENDANCE:

Michele Aves	- Committee Support Officer
Jackie Bruce	- Section 106 Programme Manager
Steven Linnett	- Head of Strategic Finance and Property

ALSO IN ATTENDANCE:

Martha Charima	- Azets
Paul Grady	- Azets
Simon Martin	- Shared Internal Audit Service
Greg Readings	- Arlingclose

247 APOLOGIES
There were apologies for absence from Councillors Nicholls and Willcocks.

248 MINUTES - 30 OCTOBER 2024
Mr Sharman observed an error at Minute 215 - page 15, paragraph 3, and said that 'March 2022' should be

replaced with 'March 2023'.

It was moved by Councillor Williamson and seconded by Councillor Deering, that the Minutes of the meeting of the Committee held on 30 October 2024 (as amended) be confirmed as a correct record and signed by the Chair. After being put to the meeting and a vote taken, the motion was declared CARRIED.

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

249 CHAIRMAN'S ANNOUNCEMENTS

The Chair welcomed all to the meeting, and said that it was the Head of Strategic Finance and Property's final meeting as he was retiring. He thanked him on behalf of himself and the Vice-Chair for his support and sage advice, including the coaching which he had given to bring the new administration up to speed.

Councillor Williamson also extended his personal gratitude to the Head of Strategic Finance and Property for his support during his time as the former Executive Member for Financial Sustainability. He said that he would be missed.

Councillor Deering gave his appreciation to Executive Member for Financial Sustainability on behalf of the previous administration.

Councillor Brittain echoed the comments made by the Chair and other Members and thanked the Head of Strategic Finance and Property for his help as the new administration's Executive Member for Financial Sustainability.

250 DECLARATIONS OF INTEREST

There were no declarations of interest.

- 251 TRAINING - TREASURY MANAGEMENT
The Arlingclose Client Director gave a training presentation to the Committee.

As the presentation contained the likely disclosure of information relating to the financial or business affairs of the authority, it was moved by the Chair and seconded by Councillor Woollcombe 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 Arlingclose Client Director for his presentation, and questions from Members were answered.

RESOLVED – that the Treasury Management training presentation be received.

- 252 SECTION 106 UPDATE REPORT AND 2023/24
INFRASTRUCTURE FUNDING STATEMENT

The Executive Member for Financial Sustainability introduced the report, which was the annual report to the Committee on Section 106 at East Herts Council.

The Executive Member for Financial Sustainability said that report itself provided an update on East Herts Section 106 financial contribution identification, collection and allocation plus information on the 2023/24 Infrastructure Funding Statement (which was included as Appendix A) and feedback from the Internal Audit undertaken last year (which was included as Appendix B), as well as information on other Section 106 related income generation from monitoring fees and S106 information requests.

The Executive Member for Financial Sustainability drew Members attention to paragraph 3.19 of the report, which gave an overview of historic Section 106 contribution collection and allocations from 1st April 1996 to 31st March 2024 – with details of the total amounts of contributions received, spent, allocated and unallocated, and paragraph 3.23 which provided more detailed information on the total amounts collected and allocated over the last five years, and an update on the contributions collected and allocated in the current financial year (from 1st April 2024 to the end of September 2024). He said that figures could be seen at paragraph 3.26.

The Executive Member for Financial Sustainability said that Members would be aware that East Herts Council was bound by Legislation to produce and publish an annual summary of income and expenditure of the financial Section 106 contributions collected by the Council as the annual Infrastructure Funding Statement (IFS), which was required to be published on the council's website before 31 December each year.

The Executive Member for Financial Sustainability said that the IFS attached at Appendix A was the 5th to be produced by East Herts and highlighted the following to Members:

- New Section 106 Agreements - There were eleven new Section 106 Agreements signed in 2023/24 providing £1,171,381.00 in identified East Herts council financial contributions including £11,700 monitoring contributions and 23 new affordable housing units.
- Historic Contribution information – page 7 of the IFS provided further details on total income, expenditure, and allocated / unallocated contributions from 1st April 10996 up to 31st March 2023.
- 2023/24 contributions collected - a total of £5,304,487.68 was received from 86 contributions triggered for payment from 11 individual Section 106 Agreements.
- 2023/24 contributions allocated - a total of £4,859,523.51 was allocated and spent on 21 individual projects or identified uses from 70 individual contributions from 29 Section 106 Agreements.
- In addition, the IFS gave details of the various council projects and services funded with capital and revenue contributions, and the seven external projects across the district supported with Section 106 in the financial year 2023/24.

The Executive Member for Financial Sustainability said that the Internal Audit final report (which was attached at Appendix B) was very positive, with ‘substantial assurance’ that there was effective controls and a robust framework in place for the collection and allocation of Section 106 contributions. He said that this was the highest grading and that only one ‘low priority’ recommendation was noted – a checklist for the Section 106 Programme Manager to use, and that this had been implemented.

The Chair thanked the Executive Member for Financial

Sustainability and the Section 106 Programme Manager for the report.

Councillor Deering asked for clarification of a how relatively low number of contributions were 'unallocated'.

The Section 106 Programme Manager said that contributions were technically 'unallocated' if they did not have a specific project named within the agreement's wording. She referred to page 8 of the IFS which gave a breakdown of each individual 'unallocated' allocation and gave detail on how work was being undertaken with colleagues and Parish Councils to identify projects for these contributions.

Councillor Deering asked if Town and Parish Councils could apply to East Herts for Section 106 monies.

The Section 106 Programme Manager said that normally they could not as Section 106 contributions were tied to major developments in an area. She said that work was undertaken with both the Planning Department and Town and Parish Councils to establish what facilities local communities wanted.

The Section 106 Programme Manager said that she was keen however to hear from Town and Parish Councils, to understand what was occurring in their areas and to enable a list of potential projects to be made.

Mr Poppy asked if there was a time limit for contributions to be spent.

The Section 106 Programme Manager said that there was a time limit, which was normally ten years, but some agreements had a five-year limit written in. She said that she had an ongoing monitoring programme, and that to date no contributions had been given back.

Mr Sharman said that he thought the report was excellent and provided clarity. He asked if the monitoring fees

covered the costs of the council's administration.

The Section 106 Programme Manager said that the fees (£300) were set several years ago and were not sufficient to fund the work done. She said that benchmarking against other local authorities was being undertaken, with the potential for fees to be increased or percentage charged being considered.

The Chair asked if it was just East Herts Council who were involved with the allocation of contributions.

The Section 106 Programme Manager said that technically no, as draft agreements and projects were worked on collaboratively with Town and Parish Councils and community groups (for example, sports organisations) to identify their wants and needs.

Mr Poppy asked if there were ever instances of failure to collect contributions.

The Section 106 Programme Manager said that to date, failure to collect contributions had never occurred. She said that such failure came close with one insolvent developer but work with the council's legal department ensured that contributions were paid.

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

RESOLVED –that the '2023/24 Infrastructure Funding Statement' (Appendix A) and the SIAS Internal Audit Report (Appendix B) be noted, and any comments given to the Section 106 Programme Manager.

- 253 EXTERNAL AUDIT - INTERIM PROGRESS REPORT - 2023/24
The Azets Partner introduced the item, which comprised

of a progress report -giving interim findings and what was likely by the next audit backstop date of 28 February 2025, and a briefing note – which summarised guidance for the government’s local audit backlog recovery period.

The Azets Partner said that the assumption was that the council would miss the audit backstop date of 13 December 2024, as the public inspection period for its 2022/23 accounts (which were being audited by the council’s previous auditors, EY LLP) would run until 18 December 2024.

The Azets Partner said that work had been undertaken earlier in the year in anticipation that the backstop date of 13 December 2024 would be met. He said that as this was now not the case, and as there would be too much work to complete (for a council with two years of unassured accounts) to meet the 28 February 2025 backstop date, the probability was that a disclaimer would also be issued for the 2023/24 accounts.

The Azets Partner said that EY LLP’s Value for Money (VFM) work would be considered when they undertook their own VFM work for 2023/24. He said that he saw little benefit to causing further delays with this, and so as soon as EY LLP had concluded their VFM work, they would also issue theirs in line with the backstop dates.

The Azets Partner said that the report set out the areas which were planned to be undertaken (if possible). He said for those areas where work was not possible, the report illustrated the build back position for a number of years to come.

The Azets Partner said that the guidance aimed to build back evidence for clean opinions, but that in the interim disclaimers were likely. He said that the audit years before Azets’ appointment would need to be revisited, and that some work undertaken to maintain a full trail for assurance, a plan for which and updates would be shared with the Committee. He said the biggest risk for this was

the council's general fund.

The Azets Manager drew Members attention to key paragraphs within the report, which included the planned procedures for the 2023/24 audit, and detail on possible further procedures from page 93. She referred to page 99 which showed areas in red and amber which were anticipated not to obtain assurance, and page 100 which showed VFM work, with no significant risks identified.

The Chair thanked the Azets Partner and Manager for the report.

Councillor Deering asked if the Azets Partner could give assurance to residents that the audit backlog/issues were not of the council's making.

The Azets Partner said that it was not surprising that delays had occurred, as a perfect storm had occurred with a change in regulations, leaner finance teams and more complex work placing a greater challenges on authorities. He said that he could not comment on the council's relationship with EY, and that the situation was a multi-faceted piece.

The Head of Strategic Finance and Property said that The Society of District Council Treasurers have asked the Chartered Institute of Public Finance and Accountancy (CIPFA) and the government to consider reducing the audit workload on local authorities. He gave examples of processes which could be streamlined, noting that council accounts used to be approximately 25 pages in length, and now comprised of over 200 pages.

Mr Sharman asked for a timeline of when the 2023/24 accounts would be produced.

The Head of Strategic Finance and Property said the target for production of the accounts was Christmas 2024, with the public inspection period to begin in January 2025. He said that due to staff sickness this timeline could now

not be guaranteed.

Mr Sharman asked for the impact of this potential delay on Azets audit work.

The Azets Partner said that if the timeframe as stated (by the Head of Strategic Finance and Property) was met then the 30-day inspection period would end in late February 2025, and therefore the backstop date of 28 February 2025 could still be met. He said that any delay would impact Azets recovery work for future years.

The Chair asked the Azets Partner if he was receiving engagement form the council.

The Azets Partner said that they were receiving engagement from the council, but that not all of the work had been completed by the interim stage as wished. He said that an unplanned additional visit was carried out, and that the desired position had now been mostly achieved.

The Azets Partner said that they were conscious that the Finance Team was small, and that they were also dealing with EY LLP, but Azets work was dependent of the production of the financial statements. He said that it was intended that the next report would come to the January 2025 meeting of the Committee.

RESOLVED – that the External Audit Interim Progress Report 2023/24 be noted.

254 SHARED INTERNAL AUDIT SERVICE - PROGRESS REPORT

The Shared Internal Audit Service (SIAS) Manager introduced the report, which was the second of its kind for the current financial year. He drew Members attention to paragraph 2.2 of which gave detail on the four audit reports finalised since September 2024, and paragraph 2.3 which summarised the audit plan for the year.

The SIAS Manager referred to paragraph 2.6 of the report which directed Members to Appendix B of the report for detail on the one new high priority recommendation relating to engineering business processes within the Licensing Department.

The SIAS Manager said that key performance indicators could be seen at paragraphs 2.7 – 2.9 of the report, adding that three further audit reports had been issued since publication. He said that currently there was no risk to a robust annual assurance.

The Chair thanked the SIAS Manager for his report, there were no questions from Members.

RESOLVED – that A) the Internal Audit Progress Report be noted; and

(B) the Status of Critical and High Priority Recommendations be noted.

255 **AUDIT AND GOVERNANCE WORK PROGRAMME**
The Head of Strategic Finance and Property introduced the report, inviting Members to nominate future training subjects. He said that the work programme would need to be fluid due to the uncertainty around the timing of reports, with the potential for meeting dates to be changed and/or extra meetings added.

The Chair thanked the Head of Strategic Finance and Property for his report.

Mr Poppy asked if procurement training should be added to the work programme.

The Head of Strategic Finance and Property said that the Procurement Strategy would be brought to the Committee for scrutiny in January 2025, and that Social Value Strategy updates would be also be included.

Mr Sharman asked for clarification on when audit disclaimers may come.

The Head of Strategic Finance and Property said that he did not know, and that he was bewildered with some of the comments made by EY LLP at the previous meeting of the Committee. He said that consequently he had reopened the 2021/22 accounts for public inspection, and then re-certified and re-advertised the 2021/22 and 2022/23 accounts.

Councillor Woollcombe asked if the Head of Strategic Finance and Property could draft a timetable for the next financial year to indicate when reports should be expected.

The Chair said that as the Head of Strategic Finance and Property was due to leave the council the next day this was not possible. He said that it was anticipated that the landscape would be clearer by the next meeting in January 2025, and so matters could be picked up then.

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

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

(B) that any training requirements be specified.

256 URGENT ITEMS
There were no urgent items.

The meeting closed at 9.01 pm

Chairman

Date

East Herts Council Report

Leadership Team Meeting

Date of meeting: Tuesday 11 February 2025

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

Report title: Treasury Management Mid-Year Review 2024/25

Ward(s) affected: None

Summary – The report contains the Council’s Mid-Year Treasury Management Review for 2024/25.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE

COMMITTEE That:

- a) Members examine and comment on the Mid-Year Treasury Management review and Prudential Indicators for 2024/25

1.0 Proposal(s)

- 1.1 That Members examine and comment on the Mid-Year Treasury Management Review and Prudential Indicators for 2024/25 (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 2021).
- 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(s)

- 3.1 This Council is required by regulations issued under the Local Government Act 2003 to produce a mid-year treasury management review of activities and the actual prudential and treasury indicators for 2024/25.

4.0 Options

- 4.1 Members can suggest amendments or additions to the Mid-Year Treasury Management Review 2024/25

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

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 2024/25 Medium Term Financial Plan.

Health and Safety

No

Human Resources

No

Human Rights

No

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 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 effective for financial periods commencing on or after 1st April 2018, and to CIPFA's Treasury Management in the Public Services: Code of Practice and Guidance Notes for Local Authorities.

7.0 Background papers, appendices and other relevant material

- 7.1 Appendix A – Mid-Year Treasury Management Review 2024-25

Contact Member

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Financial Sustainability

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Treasury Management Mid-Year Review 2024/25

Introduction

In March 2021 the Authority 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.

The Authority's treasury management strategy for 2024/25 was approved at a meeting on 28th February 2024. 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 headline consumer price inflation remained around the Bank of England (BoE) target later in the period, falling from an annual rate of 3.2% in March to 2.0% in May and then rebounding marginally to June to 2.2% in July and August, as was expected, due to base effects from energy prices. Core and services price inflation remained higher at 3.6% and 5.6% respectively in August.

The UK economy continued to expand over the period, albeit slowing from the 0.7% gain in the first calendar quarter to 0.5% (downwardly revised from 0.6%) in the second. Of the monthly figures, the economy was estimated to have registered no growth in July.

Labour market data was slightly better from a policymaker perspective, showing an easing in the tightness of the job market, with inactivity rates and vacancies declining. However, a degree of uncertainty remains given ongoing issues around the data collected for the labour force survey by the Office for National Statistics. Figures for the three months to July showed the unemployment rate fell to 4.1% (3mth/year) from 4.4% in the previous three-month period while the employment rate rose to 74.8% from 74.3%.

Over the same period average regular earnings (excluding bonuses) was 5.1%, down from 5.4% in the earlier period, and total earnings (including bonuses) was 4.0% (this figure was impacted by one-off payments made to NHS staff and civil servants in June and July 2023). Adjusting for inflation, real regular pay rose by 2.2% in May to July and total pay by 1.1%.

With headline inflation lower, the BoE cut Bank Rate from 5.25% to 5.00% at the August Monetary Policy Committee (MPC) meeting. The decision was finely balanced, voted by a 5-4 majority with four members preferring to hold at 5.25%. At the September MPC meeting, committee members voted 8-1 for no change at 5.00%, with the lone dissenter preferring Bank Rate to be cut again to 4.75%. The meeting minutes and vote suggested a reasonably hawkish tilt to rates, with sticky inflation remaining a concern among policymakers.

The latest BoE Monetary Policy Report, published in August, showed policymakers expected GDP growth to continue expanding during 2024 before falling back and moderating from 2025 to 2027. Unemployment was forecast to stay around 4.5% while inflation was shown picking up in the latter part of 2024 as the previous years' energy price declines fell out of the figures before slipping below the 2% target in 2025 and remaining there until early 2027.

Arlingclose, the authority's treasury adviser, maintained its central view that Bank Rate would steadily fall from the 5.25% peak, with the first cut in August being followed by a series of further

cuts, with November 2024 the likely next one, taking Bank Rate down to around 3% by the end of 2025.

The US Federal Reserve (the Fed) also cut interest rates during the period, reducing the Federal Funds Rate by 0.50% to a range of 4.75%-5.00% at its policy meeting in September. The forecasts released at the same time by the central bank suggested a further 1.00% of easing is expected by the end of the calendar year, followed by the same amount in 2025 and then a final 0.50% of cuts during 2026.

Having first reduced interest rates in June, the European Central Bank (ECB) held steady in July before cutting again in September, reducing its main refinancing rate to 3.65% and its deposit rate to 3.50%. Unlike the Fed, the ECB has not outlined a likely future path of rates, but inflation projections remain in line with the central bank's previous forecasts where it will remain above its 2% target until 2026 on an annual basis.

Financial markets: Sentiment in financial markets continued to mostly improve over the period, but the ongoing trend of bond yield volatility remained. The general upward trend in yields in the early part of the period was reversed in the later part, and yields ended the half-year not too far from where they started. However, the volatility in response to economic, financial and geopolitical issues meant it was a bumpy ride for bond investors during that time.

Over the period, the 10-year UK benchmark gilt yield started at 3.94% and ended at 4.00% but hit a high of 4.41% in May and a low of 3.76% in mid-September. While the 20-year gilt started at 4.40% and ended at 4.51% but hit a high of 4.82% in May and a low of 4.27% in mid-September. The Sterling Overnight Rate (SONIA) averaged 5.12% over the period to 30th September.

Credit review: Arlingclose maintained its advised recommended maximum unsecured duration limit on all banks on its counterparty list at 100 days.

Having had its outlook increased by Fitch and ratings by S&P earlier in the period, Moody's upgraded Transport for London's rating to A2 from A3 in July.

Moody's also placed National Bank of Canada on Rating Watch for a possible upgrade, revising the outlook on Standard Chartered to Positive, the outlook to Negative on Toronto Dominion Bank, and downgrading the rating on Close Brothers to A1 from Aa3.

S&P upgraded the rating on National Bank of Canada to A+ from A, and together with Fitch, the two rating agencies assigned Lancashire County Council with a rating of AA- and A+ respectively.

Credit default swap prices were generally lower at the end of the period compared to the beginning for the vast majority of the names on UK and non-UK lists. Price volatility over the period was also generally more muted compared to previous periods.

Financial 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 borrowing of £16.1m 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

	31.3.24 Actual £'000	31.3.25 Forecast £'000
General Fund CFR	60,522	62,899
Less: *Other debt liabilities	-	-
External borrowing**	46,500	60,500
Internal borrowing	14,022	2,399
Less: Balance sheet resources	(21,144)	(18,204)
Net investments	7,122	15,805

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

** shows only loans to which the Authority is committed and excludes optional refinancing

The treasury management position at 30th September and the change over the six months' is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.24 Balance £'000	Movement £'000	30.9.24 Balance £'000	30.9.24 Average Rate %
Long-term borrowing				
- PWLB	(1,500)	-	(1,500)	8.875
- LOBOs	-	-	-	-
- Other	-	-	-	-
Short-term borrowing				
- PWLB	(15,000)	-	(15,000)	5.37
- Other	(30,000)	-	(30,000)	5.00
Total borrowing	(46,500)	-	(46,500)	-
Long-term investments	17,840	(5,570)	12,270	4.89
Short-term investments	-	-	-	-
Cash and cash equivalents	12,575	(5,885)	6,690	4.91
Total investments	30,415	(11,455)	18,960	-
Net borrowing	(16,085)	(11,455)	(27,540)	-

Borrowing Strategy and Activity

As outlined in the treasury strategy, the Authority's chief objective when borrowing has been to strike an appropriately 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. At the present time short term interest rates are higher than long term interest rates.

After substantial rises in interest rates since 2021 many central banks have now begun to reduce rates, albeit slowly. Gilt yields were volatile over the 6-month period and have reduced slightly between April and September 2024. Much of the downward pressure from lower inflation figures was counteracted by upward pressure from positive economic data. Data from the US continues to impact global bond markets including UK gilt yields.

The PWLB certainty rate for 10-year maturity loans was 4.80% at the beginning of the half year and 4.79% at the end. The lowest available 10-year maturity rate was 4.52% and the highest was 5.18%. Rates for 20-year maturity loans ranged from 5.01% to 5.57% during the half year, and 50-year maturity loans from 4.88% to 5.40%.

Whilst the cost of short-term borrowing from other local authorities spiked to around 7% in late March 2024, primarily due a dearth of LA-LA lending/borrowing activity during the month, as expected shorter-term rates reverted to a more normal range and were generally around 5.00% - 5.25%.

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 reviewed its capital programme in light of the Prudential Code 2021 requirements and PWLB lending arrangements to ensure that borrowing to invest primarily for commercial return is no longer undertaken.

The Authority currently holds £4.9m in Millstream Property Investments Ltd, a wholly owned company, formed in February 2018, by the council and £7.8m in investment property, primarily for financial return. These investments were made prior to the change in the CIPFA Prudential Code. Before undertaking further additional borrowing the Authority will review the options for exiting these investments.

At 30th September 2024 the Authority held £46.5m of loans, with no change compared to 31st March 2024. Even though capital spend has continued, no additional borrowing was required in that period due to an increased use of investments, (including the property fund draw down) and a reduction in the minimum cash and investment balance requirement, for cashflow / liquidity purposes from £10m to £5m. This is achievable now that major capital project spend has reduced. However, borrowing is still expected to increase by year end. Outstanding loans on 30th September are summarised in Table 3 below.

Table 3: Borrowing Position

	31.3.24 Balance £'000	Net Movement £'000	30.9.24 Balance £'000	30.9.24 Weighted Average Rate %	30.9.24 Weighted Average Maturity (years)
Public Works Loan Board (long-term)	1,500	-	1,500	8.875	30
Public Works Loan Board (short-term)	15,000	-	15,000	5.37	<1
Banks (LOBO)	-	-	-	-	-
Banks (fixed-term)	-	-	-	-	-
Local authorities (long-term)	-	-	-	-	-
Local authorities (short-term)	30,000	-	30,000	5.00	<1
Total borrowing	46,500	-	46,500	-	-

The Authority's short-term borrowing cost has remained high with the current high Base Rate and short-dated market rates. The average rate on the Authority's short-term loans (excluding PWLB) at 30th September 2024 of 30.0m was 5.00%, this compares with 5.41% on £30.0m loans 6 months ago.

The Authority's borrowing decisions are not predicated on any one outcome for interest rates, a portfolio of short-term borrowing is being maintained, alongside the one historic long term loan until long term rates start to fall.

Forward starting loans: To enable certainty of cost to be achieved without suffering a cost of carry in the intervening period, the Authority arranged many of the above Local authority (short-term) loans as forward starting loans with fixed interest rates. This resulted in interest rate savings.

There remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields + 0.80%. The Authority will evaluate and pursue these lower cost solutions and opportunities with its advisor Arlingclose.

Debt Rescheduling: No long-term debt rescheduling has been undertaken to date in the current financial year.

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 half year, the Authority's short term investment balances ranged between £6m and £18 million due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.24 Balance £'000	Net Movement £'000	30.9.24 Balance £'000	30.9.24 Income Return %
Banks & building societies	7,000	(2,330)	4,670	4.88
Covered bonds (secured)	-	-	-	-
Government	-	-	-	-
Local authorities and other govt entities	-	-	-	-
Corporate bonds and loans	-	-	-	-
Money Market Funds	5,600	(3,580)	2,020	4.94
Property Funds	17,840	(5,570)	12,270	4.89
Total investments	30,440	(11,480)	18,960	-

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 reduced from 5.25% to 5.00% in August 2024 with short term interest rates largely being around these levels. The rates on DMADF deposits ranged between 4.94% and 5.20% and money market rates between [5.03% and 5.33%]

£17.8m longer-term investments, invested in property funds, have produced significantly higher returns than other investments in previous years, however these returns and fund value have dipped due to the current climate. We are currently in the process of drawing down on of these funds.

The first six months of 2024/25 were marked by ongoing market volatility, with global bond yields remaining elevated, although trending downward as policymakers kept rates at a restrictive level in light of persistent core inflation until nearly the end of the period, when the MPC, Federal Reserve, and ECB began to deliver rate cuts and signal a shift towards loosening monetary policy.

Stock markets across the UK, Europe, and US were buoyed by hopes of rate cuts over the first half of the period. UK equities saw growth in small and mid-sized companies while the US continued to be supported by its strong IT sector, especially growth in AI companies which continued to outperform. IT names performed well in the Eurozone as well while consumer discretionary stocks declined. Towards the end of the period, market volatility spiked after worries about a US recession coincided with Japan's central bank cutting interest rates, leading to the unwinding of the popular Yen 'carry trade'. This saw a huge selloff in equities globally, but markets quickly recovered without lasting impact. Slowdown in the Chinese economy and ongoing geopolitical tension in the Middle East and Europe continue to weigh on investor sentiment but are somewhat offset by the loosening of monetary policy and prospect of further rate cuts. The FTSE All Share index was marginally lower

at the end of the 6-month period at 4529 on 30/9/24 v 4338 on 31/3/24. The MSCI All Countries World Index was higher at 3,723 on 30/9/24 v 3438 on 31/3/24.

After a sustained period of high interest rates, central banks began to reverse course towards second half of the year. The European Central Bank began to cut rates in June, the Bank of England delivered its first rate cut in August, and the Federal Reserve surprised markets with an outsized rate cut of 50bps in September. The stabilisation in interest rates and well telegraphed move towards rate cuts, albeit at a much more conservative pace than previously expected, has allowed fund managers to position for a falling rate environment.

UK commercial property values started to stabilise, then improve slightly towards the end of the period, with interest rates being cut from their peak and investor attention turning to the timing of further interest rate cuts. Transaction activity remains somewhat subdued but signs of recovery in the occupier and rental markets as well as moderate economic growth and further falling interest rates are hoped to be favourable for an improving property sector outlook over the medium term. Capital growth is expected to be gradual while income levels remain strong for many sub-sectors.

The change in the Authority's funds' capital values and income return over the 6-month period is shown in Table 4.

Income returns have averaged at 4.9%. The Authority has budgeted £1,200,000 gross income from these investments in 2024/25. Gross income received up to 30th September was £871,080, however, interest income receivable in the remaining six months will be less, due to the draw downs on the long term investments (property funds) and a reduced short-term investment balance.

Because these funds have no defined maturity date, but are available for withdrawal after a notice 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; but with the confidence that over a three- to five-year minimum period total returns will exceed cash interest rates.

Lothbury Property Fund, one out of the two funds held, is currently in the process of being wound down. This is a long process, which involves selling off the assets belonging to the fund and then distributing the cash, net of expenses, to the unit holders, in line with their percentage holding. As at 30th September 2024, 59.1% of the funds final NAV value had been distributed.

Hermes Property Fund, is still held in full, with distributions as normal and the unit price still fluctuating according the NAV value. However, the fund is currently frozen in way of withdrawals and further investments, as a potential merger is being proposed for part of the fund, but this will only include pension fund investments. Details are currently being worked on and an update will be provided in the outturn report.

Statutory override: In April 2023 the Department for Levelling Up, Housing and Communities 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 for two years until 31st March 2025 but no other changes have been made; whether the override will be extended beyond the new date is unknown but commentary to the consultation outcome suggests 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 £12.8m of such investments in

- directly owned property £7.8m
- shareholding in subsidiaries £4.9m
- loans to subsidiaries £0.1m

These investments are estimated to generate £405.8k of investment income for the Authority after taking account of direct costs, representing a rate of return of 5.20%. This is lower than expected due to vacancies.

MRP Regulations

On 10th April 2024 amended legislation and revised statutory guidance were published on Minimum Revenue Provision (MRP). The majority of the changes take effect from the 2025/26 financial year, although there is a requirement that for capital loans given on or after 7th May 2024 sufficient MRP must be charged so that the outstanding CFR in respect of the loan is no higher than the principal outstanding less the Expected Credit Loss (ECL) charge for that loan.

The regulations also require that local authorities cannot exclude any amount of their CFR from their MRP calculation unless by an exception set out in law. Capital receipts cannot be used to directly replace, in whole or part, the prudent charge to revenue for MRP (there are specific exceptions for capital loans and leased assets).

Compliance

The Head of Strategic Finance and property reports that all treasury management activities undertaken during the half year complied fully with the principles in the Treasury Management Code and the Authority's approved Treasury Management Strategy.

Table 5: Investment Limits

	2024/25 Maximum £'000	30.9.24 Actual £'000	2024/25 Limit	Complied? Yes/No
The UK Government	12,900	0	Unlimited	Yes
Local authorities & other government entities	0	0	£20m	Yes
Secured investments *	0	0	£20m	Yes
Banks (unsecured) *	10,000	7,000	£20m	Yes
Building societies (unsecured) *	6,300	0	£20m	Yes

Registered providers (unsecured) *	0	0	£5m	Yes
Money market funds *	9,570	5,600	£20m	Yes
Strategic pooled funds	0	0	£20m	Yes
Real estate investment trusts	17,840	12,270	n/a	Yes
Other investments *	0	0	£1m	Yes

*This table must read in conjunction with the notes below.

Minimum credit rating: Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) to a maximum of £500,000 per counterparty as part of a diversified pool e.g. via a peer-to-peer platform.

Government: Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

Secured investments: Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

Banks and building societies (unsecured): Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Registered providers (unsecured): Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Money market funds: Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Authority will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

Strategic pooled funds: Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Other investments: This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Authority's investment at risk.

Operational bank accounts: The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £1 million per bank except the council's banker, Nat West, where the balance will be kept below £50 million. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- a. no new investments will be made,
- b. any existing investments that can be recalled or sold at no cost will be, and
- c. full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments: The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

Reputational aspects: The Authority is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be taken into account when making investment decisions.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority’s cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

Investment limits: The Authority’s revenue reserves available to cover investment losses are forecast to be £18 million on 31st March 2025. In order that no more than 60% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £10 million. A group of entities under the same ownership will be treated as a single organisation for limit purposes.

Credit risk exposures arising from non-treasury investments, financial derivatives and balances greater than £20 in operational bank accounts count against the relevant investment limits.

Limits are also placed on fund managers, investments in brokers’ nominee accounts and foreign countries as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 6: Additional investment limits

	Cash limit
Any group of pooled funds under the same management	£20m per manager
Negotiable instruments held in a broker’s nominee account	£20m per broker
Foreign countries	£5 m per country

Compliance with the Authorised Limit and Operational Boundary for external debt is demonstrated in table 7 below.

Table 7: Debt and the Authorised Limit and Operational Boundary

	30.9.24 Actual £’000	2024/25 Operational Boundary £’000	2024/25 Authorised Limit £’000	Complied? Yes/No
Borrowing	46,500	75,000	150,000	Yes
PFI and Finance Leases	-	10,000	10,000	Yes
Total debt	46,500	85,000	160,000	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.

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 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 £5m required to manage day-to-day cash flow.

	31.3.24 Actual £'000	31.3.25 Forecast £'000	31.3.26 Forecast £'000	31.3.27 Forecast £'000
Loans CFR	60,522	62,899	69,163	63,231
Less: Balance sheet resources	(21,144)	(18,204)	(18,968)	(9,231)
Net loans requirement	39,378	44,695	50,195	54,000
Plus: Liquidity allowance	10,000	5,000	5,000	5,000
Liability benchmark	49,378	49,695	55,195	59,000
Existing borrowing	46,500	60,500	66,000	60,000

Following on from the medium-term forecast above, the long-term liability benchmark assumes capital expenditure funded by borrowing of a maximum £66m, minimum revenue provision on new capital expenditure based the Useful Economic Lives of the individual assets ranging from 3 years to 50 years with income, expenditure reserves all increasing by inflation of 2.5% a year.

Borrowing is expected to be above the liability benchmark for the next couple of years, mainly due to the lead time on drawing down on the long-term investments / property funds. Borrowing will start to be brought back in line with the liability benchmark from 2027.

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	30.9.24 Actual	Complied?
Under 12 months	100%	0%	96.77%	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%	3.23%	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.

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:

	2024/25	2025/26	2026/27
Limit on principal invested beyond year end	£30m	£30m	£30]m
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 information:

The changes in interest rates during the half year were:

	<u>31/3/24</u>	<u>30/9/24</u>
Bank Rate	5.25%	5.00%
1-year PWLB certainty rate, maturity loans	5.36%	4.95%
5-year PWLB certainty rate, maturity loans	4.68%	4.55%
10-year PWLB certainty rate, maturity loans	4.74%	4.79%
20-year PWLB certainty rate, maturity loans	5.18%	5.27%
50-year PWLB certainty rate, maturity loans	5.01%	5.13%

East Herts Council Report

Audit & Governance

Date of meeting: Tuesday 18 February 2025

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

Report title: Corporate Procurement Strategy 2025-2030

Ward(s) affected: (All Wards);

Summary

Previously East Herts Council has followed the National Procurement Strategy for Local Government 2022. The new Corporate Procurement Strategy 2025-2030 will align the direction of procurement at East Herts with the LEAF priorities and bring key considerations from the National Strategy to the forefront.

RECOMMENDATIONS FOR AUDIT & GOVERNANCE COMMITTEE:

- a) to review the draft Corporate Procurement Strategy 2025-2030 and actions within it as set out in Appendix A and advise Executive of any significant issues.

1.0 Proposal(s)

1.1 The new Procurement Strategy will be underpinned by the Procurement Act 2023 which comes into force in February 2025. The new act reforms the existing procurement rules focussing on cutting red tape and supporting innovation, improving transparency meaning everyone has access to public procurement data, it simplifies the process of working with the public sector, supporting more SMEs to bid for contracts.

2.0 Background

2.1 Best practice dictates that organisations should have an overarching Procurement Strategy in place to offer clear guidance for

officers when procuring goods, works and services, whilst at the same time supporting the Council's priorities and strategic plan.

2.3 The procurement function plays an important role in achieving value for money, helping to support the economy, driving sustainability, social value and transparency, and mitigating the risk of legal challenge and fraud.

2.3 The Corporate Procurement Strategy 2025-2030 is included as Appendix A.

3.0 Reason(s)

3.1 The Council could just adopt the National Procurement Strategy 2022 as it has in previous years; it would offer procurement direction but not direct alignment with the Council's Vision and Corporate Priorities and focus specifically on the themes that are important to East Herts Council. For this reason, it is therefore recommended that the Council adopts its own Corporate Procurement Strategy to support the strategic direction of the Council.

3.2 The Corporate Procurement Strategy has been written around the principle of five 'Foundations'. Each 'Foundation' is a building block of the considerations that need to underpin the procurement process and will be embedded into the way the Council procures goods, works and service contracts to support the Council's Vision and Corporate Priorities.

- Transparency – The Council require all procuring departments to open procurements to competition by increasing awareness of contracting opportunities.
- Focus on the Environment – Tackling climate change and improving sustainability must be a key foundation for all procurement activity. By harnessing purchasing power the Council will help combat climate change and reduce carbon

emissions; reduce waste; save resources; improve air quality; and enhance green space and promote biodiversity.

- Social Value and Ethical Procurement - Social Value involves looking beyond prices of each individual contract and looking at what the collective benefit to a community is, when a public body chooses to award a contract. Social Value asks the question 'If £1 is spent on the delivery of services, can that same £1 be used to also produce a wider benefit to the community?
 - Value for Money – Procurement of services, supplies and works will be founded upon value for money for the residents of East Herts, having due regard to propriety and the Council's legal obligations.
 - Pro-active Procurement - The Council's Corporate Procurement team provide support that delivers better procurements to develop knowledge and intelligence, supporting the delivery of the Council's ambitions. The procurement process spans from the pre-market engagement, preparation, the tender and award and through to the final stage of contract management. The Council expects to form a pro-active approach at all stages in the procurement cycle taking stock and considering options to best meet the needs of the district.
- 3.3 There are delivery outcomes with dates for each of the five foundations set within the Strategy advising of commencement and completion. The strategy will be reviewed on an annual basis by the Corporate Procurement team to update on the progress of the delivery targets and to ensure that it continues to reflect the Council's Vision and Corporate Priorities.

4.0 Options

4.1 For the Council to continue following the National Procurement Strategy 2022 as in recent years.

4.2 For the Council to adopt the new Corporate Procurement Strategy 2025-2030 which will align directly with the Council's Corporate Vision and Priorities.

5.0 Risks

5.1 If a Corporate Procurement Strategy is not in place, then there is a risk that procurements undertaken do not comply with statutory requirements and the Council's own constitutional requirements.

5.2 If the Corporate Procurement Strategy is not adopted then it will increase the risk of procurements not supporting the Council's Vision and Corporate Priorities and/or leaving themselves open to challenge to non-compliant procurements.

6.0 Implications/Consultations

6.1

Community Safety

No implications as a result of this report

Data Protection

No implications as a result of this report

Equalities

The Council has committed itself to providing high quality services that are relevant to the needs and responsive to the views of all sections of the local community, irrespective of their race, gender, disability, culture, religion, age, sexual orientation or marital status. The General Equality Duty (Section 149 of the Equality Act 2010) requires the Council to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations in the exercise of its functions. These considerations are the duty of decision makers.

Environmental Sustainability

No implications as a result of this report

Financial

It is anticipated that following best practice through the new Procurement Strategy will improve the Council's financial standing by adopting value for money procurement, efficiency gains and the mitigation of risk.

Health and Safety

No implications as a result of this report

Human Resources

It is anticipated that the outcomes and deliverables of this Strategy will be absorbed in the current workload of both the Corporate Procurement team and Procuring Officers across the Council. As procurement occasionally involves outsourcing of services, workforce matters involving the transfer of staff in line with the Transfer of Undertakings (Protection of Employment) Regulations 2006 is an area that procuring officers may need to consider.

Human Rights

The Council require all contractors to comply fully with the Modern Slavery Act 2015, wherever it applies, with contract termination as a potential sanction for non-compliance.

Legal

The Strategy has due regard to the new Procurement Act 2023 and other relevant legislation to be applied within the procurement process. The Corporate Procurement Strategy 2025-2030 will be reviewed in light of changes that may arise as a result of updated procurement legislation passed during the term of this Strategy.

Specific Wards

No

7.0 Background papers, appendices and other relevant material

7.1 Appendix A – Draft Procurement Strategy 2025-2030

Contact Member

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Report Author

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East Hertfordshire District Council

Corporate Procurement Strategy 2025-2030



Foreword

We have a new Corporate Procurement Strategy for 2025 to 2030 outlining our priorities and how procurement will contribute to our L.E.A.F Vision and Corporate Priorities.

East Herts Council spent around £50 million on goods, works and services in 2023/2024. We have a duty to provide value for money for our residents and customers through effective and efficient procurement policies and practices.

It's an exciting time to be launching our strategy as the new Procurement Act 2023 comes into force in February 2025. The new act reforms the existing procurement rules focussing on cutting red tape and supporting innovation, improving transparency meaning everyone has access to public procurement data, it also simplifies the process of working with the public sector, supporting more SMEs to bid for contracts.

This procurement strategy aligns with the Local Government Association's (LGA's) National Procurement Strategy that the Council has been following in recent years and brings the key considerations from this strategy to the forefront. There are links to the Council's wider objectives which are highlighted in the five principle foundations of our new strategy. Naturally as our landscape continually changes, the strategy will be updated periodically to reflect today's evolving environment.

East Herts Council made a Climate Change Declaration in July 2019 and then further strengthened its position when all Members unanimously declared a Climate Emergency in July 2023 which amplifies and accelerates efforts to tackle climate change by reducing greenhouse gas emissions, restoring natural environments and planning for the local impacts of climate change. Many sustainable and carbon reduction benefits can be achieved through supplier engagement before the procurement process begins. The Council will work with the market to understand the benefits and opportunities not only for East Herts Council but to society, the local economy and minimising damage to the environment.

We recognise that procurement has a pivotal role to play in supporting much of what the Council is looking to do. As an organisation we have a significant level of change during the lifetime of this strategy, and as Executive Member for Financial Sustainability I view

this as a real opportunity to bring the procurement service and procuring departments along that journey and add value to the Council and the communities it supports.



Councillor Carl Brittain
Executive Member for Financial Sustainability

L.E.A.F

Our values, perspectives, and the needs of our community is reflected in our promises and will be central to every procurement exercise. It is also important for the Council to ensure that the organisations and individuals it does business with have culture and values that align with the Council's.

Procurement is a function which works alongside many other areas of the Council. There is a requirement for awareness and adherence to UK Law and other Council policies and strategies. For example, Health and Safety Acts and regulations, Safeguarding, Equality and Diversity, Transfer of Undertakings (Protection of Employment) Regulations 2006, Confidentiality and Publicity, Data Protection, Freedom of Information, the Modern Slavery Act, Anti-terrorism, Anti-Fraud and Corruption, the Social Value Policy, the Cultural Strategy and the Climate Change Strategy.

East Herts Council will promote effective procurement across the district with a long-term focus on its Vision and Corporate Priorities based around the four themes below.



Listening open and transparent	Environmentally focused	Acting with the community	Fair and inclusive
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Five Principle Foundations of East Herts Council Procurement

The Procurement Strategy for 2025-2030 is made up of five principle foundations.

Each foundation is a building block of the considerations that need to underpin the procurement process and will be embedded in the way we procure our goods, works and services contracts to support the Council's Vision and Corporate Priorities.



1. Transparency

At East Herts Council, we are committed to being open and transparent with the spending on our contracts for supplies, service and works.

The Government has set out the need for greater transparency across all public bodies to enable the public to hold public bodies and politicians to account. The Local Government Transparency Code 2015 requires us as a Council to publish procurement information. This includes commitments relating to expenditure and is intended to help achieve better value for money.

The principle of transparency can be defined as ‘the access to clear, precise and accurate information that is understandable to all’. Within the public sector, transparency is vital to ensure the spending of taxpayers’ money can be properly scrutinised. Transparency needs to be hardwired into procurement as a lack of it can result in diminished due diligence, rushed solutions and poor-quality tenders, and may lead to several problems downstream in implementation. If carried out effectively, transparency enables processes and decisions to be monitored and reviewed, to help ensure that decision-makers can be held accountable.

East Herts Council require all procuring departments to open procurements to competition by increasing awareness of contracting opportunities. Suppliers will be given the same access to information and will be judged on the same criteria. This will make it easier for would-be suppliers to access all relevant information and reduce the time and cost required to tender.

We will ensure that the procurement package for prospective bidders is clear and to the point, including the timeline, setting out the end-to-end tender process in detail. We will include clear specifications containing realistic asks, key performance indicators (KPIs), and service levels, provided in formats that are accessible for all parties. For qualitative elements, the package will explicitly say the capabilities required and how they are to be evidenced in the assessment process, including the relative weight attributed to each section or question so bidders understand this when producing their response. We will consider how easy it will be for SMEs to respond to ensure a breadth of inclusive competition for all.

Transparency is a fundamental, broad-reaching aspect of the Procurement Act 2023. The need to share information, enable others to understand the decision-making process, and act with integrity are all set out in the procurement objectives. Transparency is embedded into every part of the procurement lifecycle – from planning to procurement, contract management and termination – by

sharing information through the publication of notices. Robust transparency provisions are essential for providing the openness, accountability and oversight to balance with the new flexibilities set out elsewhere in the Procurement Act 2023. The legal provisions for transparency are set out in the Procurement Act 2023 and in the Regulations.



2. Focus on the Environment

East Herts Council made a Climate Change Declaration in July 2019 in recognition of the climate emergency we are all facing. This declaration committed the Council to take action to address the causes and impacts of climate change across the district with a target to be carbon neutral by 2030. This position was further strengthened in July 2023 when all Councillors unanimously declared a Climate Emergency. Tackling climate change and focusing on the environment to improve sustainability must be a key foundation for all procurement activity. By harnessing our purchasing power, we will: help combat climate change and reduce carbon emissions; reduce waste; save resources; improve air quality; and enhance green space and promote biodiversity. It would clearly be naïve to think East Herts Council can tackle climate change alone. There is much for the national government to do, both unilaterally and through international cooperation. Furthermore, we operate within a three-tier model of local government comprised of Hertfordshire County Council (HCC), East Herts Council and town and parish councils throughout the district. All have a role to play. It is possible to empower everyone to reduce their carbon emissions, including the supply chain.

We will drive sustainability into our procurement process in the following ways:

- As a minimum comply with all relevant environmental, social and procurement legislation.
- Support our goal of net-zero emissions by 2030 and reduce carbon dioxide emissions from contracted services.
- Wherever possible, the Council will specify products which are made from recycled products, can be recycled or re-used, can be operated in an energy efficient manner and cause minimal damage to the environment in their production, distribution, use and disposal; so long as the requirements for value for money and quality are met.
- Lessen environmental impacts across design, construction and operation, as well as services and goods provision.
- Ensure that waste is reduced, reused, and recycled wherever possible.
- Reduce all plastic waste.

- Integrate environmental considerations throughout the procurement process, from options appraisal to contract completion, applying appropriate significance.
- Reduce energy consumption and maximise the use of green energy sources.
- Reduce the energy consumption and subsequent contribution to the Council's carbon footprint from ICT equipment and electrical appliances.
- Support services that help generate improved air pollution within the district.
- Reduce transport impacts through smarter delivery options and encourage greener vehicles to be used both within the Council's fleet and for contracted services.
- Avoid the unnecessary use of chemicals and prevent the use of hazardous chemicals wherever possible on our estate and within our contracted services.
- Support options that encourage green infrastructure and biodiversity.



3. Social Value and Ethical Procurement

'Social Value' is a way of thinking about how scarce resources are allocated and used. It involves looking beyond the price of each individual contract and looking at what the collective benefit to a community is, when a public body chooses to award a contract. Social value asks the question 'If £1 is spent on the delivery of services, can that same £1 be used to also produce a wider benefit to the community?' The Public Services (Social Value) Act came into force on 31 January 2013. It requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits. Before they start the procurement process, commissioners should think about whether the services they are going to buy, or the way they are going to buy them, could secure these benefits for their area or stakeholders.

East Herts Council has a Social Value Policy which sits alongside the Procurement Strategy. The Council has chosen to use the Social Value Portal to manage social value within covered contracts – <https://socialvalueportal.com/> evaluating social value comprises of themes, opportunities and measures. The themes which are being used in procurement at East Herts Council are:

- Work: Providing opportunities.
- Economy: Driving inclusive growth.
- Community: Empowering communities.
- Planet: Environmental stewardship.

We will support the development of a framework and criteria for social value, giving substance to the concept and to ensure better local social and economic outcomes. Where contracts are for short term works and under threshold supplies and services we will evaluate Social Value in-house.

Social Value can help support revival of local economies, renew trust in local services and deliver a renaissance of local government; by giving businesses and communities a bigger stake in the local economy.

The council is committed to ensuring a high standard of ethical trade practices, across its commissioning and procurement activities. The council expects its suppliers, service providers and contractors to act with integrity and transparency in their dealings and

practices, adhering to the laws of the countries where they operate, most are governed by legal requirements which if breached would be grounds for excluding the supplier from further contracts for non-compliance.

We require all of our contractors to comply fully with the Modern Slavery Act 2015, wherever it applies, with contract termination as a potential sanction for non-compliance.

Procurement can be the target of anti-competitive, fraudulent and corrupt activities. The Council will take steps to minimise the opportunity for these and use clear policy statements and codes of conduct which are easily accessible by members, staff and the public.



4. Value for Money

East Hertfordshire District Council recognises that it is operating in a rapidly changing environment, with increasing financial challenges which are expected to become even more demanding in future years.

Procurement of services, supplies and works will be founded upon value for money for the residents of East Herts, having due regard to propriety and the Council's legal obligations. Value for money as a contract criterion will be defined as the optimum combination of whole life cycle cost and quality (or fitness for purpose) to meet the customer's requirement. It is essential to adopt processes to secure best value, the Council is therefore:

- driven by optimising output and results
- driving down the costs of goods works and services procured
- challenging the status quo in order to continually improve the way in which we procure and commission goods, works and services
- balancing quality and cost
- using competition to obtain best value
- valuing innovation and creativity
- being transparent and accountable
- working with other organisations and/or partners in order to achieve value for money and maximise economies of scale for routine supplies
- recognising the benefits of social and community value

5. Pro-active Procurement

High quality, professional procurement support is essential to deliver better procurements and also for developing a knowledge and intelligence base to support the delivery of the Council's Vision and Corporate Priorities. The procurement process spans from the pre-market engagement, preparation, the tender and award and through to the final stage of contract management. We expect to form a pro-active approach at all stages in the procurement cycle taking stock and considering our options to best meet the needs of our residents.

Pro-active Communication

- Generating opportunities to engage with our stakeholders, developing a knowledge base of an up-and-coming pipeline of procurements and understanding how they translate into the Council's Vision and Corporate Priorities.
- Reaching out to establish opportunities to engage with the community, local businesses, the voluntary sector through meet the buyer events and by utilising technology to offer webinars on how to do business with the Council.
- Through this process, building a repository of intelligence and using it to enable us to be best placed to provide appropriate guidance, developing a consultative pro-active approach across the Council to all our procurements.

Pro-active Learning

- From the procurements we have undertaken, wherever possible we will follow up with a review of lessons learnt to ensure that we are making the most effective use of public money and looking for opportunities to develop our local supply base.
- The Corporate Procurement team will ensure that they are appropriately trained and guided, with suitable tools and data to pro-actively move the procurement strategy forward.
- Providing opportunities to develop skills and knowledge, as well as creating career pathways that will enable the Council to attract and retain the best talent.

- The Council will continually review how its procurement teams are resourced to pro-actively support and deliver the challenges of the Procurement Strategy.
- The Corporate Procurement team will deliver training to procuring staff across the Council to promote the five principle foundations of the Procurement Strategy.

Pro-active Analysis

- Data integrity and intelligence is beneficial to good pro-active procurement. We will use the Council's financial data to assist with our planning and decision making.
- Have the ability to generate reports that provide a complete understanding of our contractual spend and supplier make up.

Pro-active Contract Management

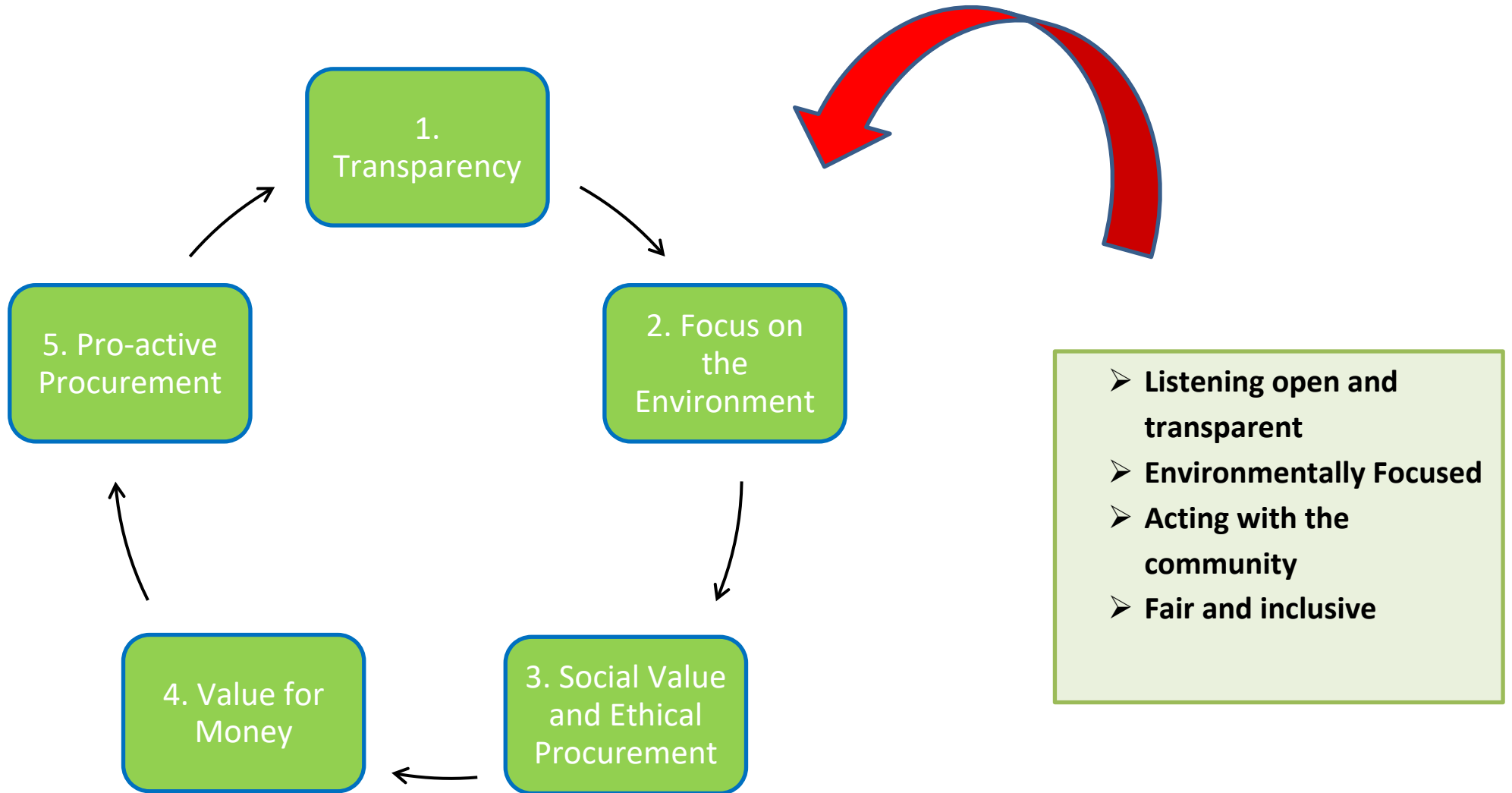
- Meeting the requirements of the Local Government Transparency Code 2015 by capturing all contracts over £5,000 on the Council's central contracts register to support effective contract management and publishing all notice requirements following the introduction of the Procurement Act 2023.
- Procuring Officers will confirm procurements for major and operational contracts have appropriate KPI's and outcome measures included.
- Learning from suppliers and stakeholders to understand how performance and outcomes have been delivered and can be improved, keeping records of decisions along with lessons learnt to build into future procurements.
- Undertaking benchmarking exercises of pre-agreed services and continually reviewing the contracts to ensure maximum value is being achieved.
- Where contracts are modified during their term, records are maintained, and notices published if required.
- Regular checks are carried out on suppliers to determine eligibility to perform public contracts.
- Delivering training on a regular basis to support officers that are pro-actively managing contracts.

Pro-actively Moving Forward

- Reviewing progress across the five principle foundations of the Procurement Strategy.
- Taking on board feedback from all stakeholders (internal and external) and constantly striving through our procurements to deliver maximum social, environmental and economic benefits for our local communities.
- Providing guidance through spend and contract information on where our focus should be in supporting the Council's Vision and Corporate Priorities while balancing the need to make efficiencies.



Moving Forward – The Five Principle Foundations



Transparency

Transparency in public procurement means that information on the public procurement process must be available to everyone: contractors, suppliers, service providers and the public at large, unless there are valid and legal reasons to keep certain information confidential.

Outcome Delivery – Increase the number of local, small, and voluntary suppliers used within East Hertfordshire

Indicators ➤ Number of contracts awarded to local, small, and voluntary suppliers

1.	Understand opportunities for local, small, and voluntary suppliers	Target: to commence February 2025
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- Through supplier events and by improving our online offer specific to local, small and voluntary suppliers, enabling them to learn more about the support available, future opportunities and how to register on the procurement portal – www.supplyhertfordshire.uk and the Central Digital Platform.
- Maintaining and ensuring the contracts register is up to date and published on the Council’s website on a quarterly basis.

2.	Conducting preliminary market engagement	Target: to commence February 2025
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- Procuring departments will undertake preliminary market engagement to shape their requirements before opening the market to competition. The Council can engage with everyone who expresses an interest in a preliminary market engagement.

3.	Consideration to the size of a procurement	Target: to commence February 2025
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- Where a procurement is of high value and complex consideration to using lots might encourage small and medium-sized enterprises (SMEs) to bid; for example, they may find it easier to tender for or deliver smaller contracts, or smaller parts of larger contracts. This can support innovation, value for money, economic growth and potential expansion of the supplier base for that market. This will be delivered through officer training and updated procurement guidance notes.

4.	Providing a clear procurement package for prospective bidders	Target: to commence February 2025
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- Procuring Officers must ensure that any procurement documentation includes a timeline, end to end process details, clear specifications, key performance indicators, service levels and are accessible for all parties. The documentation must advise on the capabilities required and the quality assessment including the relative weight attributed to each section or question.

Focus on the Environment

The Council’s commitment to achieving net zero emissions by 2030 will be supported through the procurement process.

Outcome Delivery – Reduce waste through smarter procurement
Indicators
<ul style="list-style-type: none"> ➤ How many of our suppliers have strategies in place to reduce carbon in the supply chain. This will be tested through the evaluation of the procurement process and contract management.

1.	Create a Procurement Sustainability check list for use on all future procurements	Target: by September 2025
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- Using the Council’s Climate Change Strategy develop a sustainability check list to be used as part of the procurement process.
- Corporate Procurement to work with departments to ensure that the check list captures all sustainable aspects in procurements that will be undertaken.

2.	Reduce East Herts Council’s own impact on air quality	Target: to commence February 2025
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- We will continue to take steps towards greening the fleets of our contractors, notably our waste management and ground maintenance contractors.

3.	Contract Management	Target: to commence February 2025
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- Outsourced contracts both existing and new will be contract managed by procuring officers and contract managers to drive through improvements in carbon reduction across the district.

Social Value and Ethical Procurement

East Herts Council is firmly committed to social value and ethical procurement and will be embedding social value into long term tendered procurements in line with the Social Value Policy.

Outcome Delivery – Measure the delivery of social value
Indicators
➤ The individual TOM's (Themes, Opportunities and Measures) will be reported on from the Social Value Portal.

1.	To update the Council's Social Value Policy	Target: by May 2025
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- The Social Value Policy will be updated to include new TOM's which align with the Council's Vision and Corporate Priorities.

2.	To report on the TOM's data for East Herts Council	Target: to commence February 2025
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- Use the available data to report on the Social Value being created by the supply chain across East Herts Council.

3.	Modern Slavery Statement	Target: to commence April 2025
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- To review and update the Council's Modern Slavery Statement on an annual basis.

Value for Money

The Council recognises the duty of best value and responsibility to achieve value for money in service delivery. East Herts Council will seek to incorporate value for money principles in delivering services by taking account of costs, quality of services and the local context.

Outcome Delivery – Measure the delivery of contract savings

Indicators

- Savings realised through the procurement process
- Savings realised through contract management

1.	Achieving Value for Money in the Procurement Process	Target: to commence February 2025
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- Monitoring Council expenditure for any off contract spend
- Looking to collaborate on procurement exercises internally and with other public bodies
- Considering the use of framework contracts
- Ensuring that the procurement specification in the procurement process is as required

2.	Achieving Value for Money in the Contract Management Process	Target: to commence February 2025
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- Procuring Officers and Contract Managers to work with suppliers to achieve continuous improvement in quality and cost throughout the duration of a contract. Savings to be recorded as part of contract management meetings and reviews.
- Recording the outcomes of key performance indicators within contracts
- Benchmark contracts with the marketplace

Pro-active Procurement

Outcome Delivery – Provide commercial intelligence to ensure we are achieving value for money

Indicators

- Maintain the contracts register and identify opportunities to collaborate
- Work with internal departments to understand opportunities and risks of up and coming projects and contract management
- Developing supplier relationships
- Savings/cost avoidance

1.	Pro-active Communication	Target: to commence April 2025
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- Pro-actively manage up and coming opportunities and publish a pipeline of up-and-coming procurements on the Council’s website
- Support local, small and voluntary businesses by offering webinars and participating at meet the buyer events
- Update and build a repository of new guidance and web links relevant to procuring officers as and when required on the internal intranet

2.	Pro-active Learning	Target: to commence February 2025
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- Set up a process to enable a debrief and lessons learned plan after all tendered procurements.
- Continually review how the Council’s procurement function is resourced in order to ensure it is equipped to support and deliver the challenges of the Corporate Procurement Strategy.

- To deliver training to procuring staff across the Council to promote the five principle foundations of the Corporate Procurement Strategy.

3.	Pro-active Analysis	Target: to commence February 2025
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- Working with departments to ensure there is a full awareness of data requirements and how this feeds into supporting the Council's Vision and Corporate Priorities.
- Create reports to provide an understanding of our contractual spend including spend on SME's, local and voluntary suppliers.

4.	Pro-active Contract Management	Target: to commence February 2025
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- All contracts over £5,000 are to be recorded on the central contacts register and published online.
- Procuring Officers to ensure all contracts have appropriate KPI's and outcome measures included.
- Work with departments and offer guidance and training to ensure contract management and performance is achieving contractual commitments.
- Undertake benchmarking exercises of pre-agreed services and continually review the contracts to ensure maximum value is being achieved.

5.	Pro-actively Moving Forward	Target: to commence February 2025
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- Building in the milestones set out across all of the five principle foundations in the Corporate Procurement Strategy and reviewing regularly to make sure we are on track.

Agenda Item 10



East Herts Council

Audit & Governance Committee

February 2025

Anti-Fraud Progress Report 2024/2025

Purpose

1. This early report provides details of the work undertaken by the Shared Anti-Fraud Service (SAFS) and Council Officers to protect the Council against the threat of fraud and the delivery of the Council's Anti-Fraud Action Plan for 2024/25.
2. A final report covering the whole year will be provided to this Committee in the summer with detailed activity against the Anti-Fraud Plan, outcomes, all savings and fraud identified.

Recommendations

3. Members are RECOMMENDED to:

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

Delivery of the Anti-Fraud Plan

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

2024/2025 Anti-Fraud Activity

5. The Council has in place Anti-Fraud, Bribery & Corruption Policies and these are kept under constant review to ensure compliance with current best practice and the impact of any changes required by legislation.
6. SAFS provided alerts on new and emerging fraud trends through its Board members and directly with officers working in our Partners. These alerts come from a variety of sources including the National Anti-Fraud Network (NAFN), Credit Industry Fraud Avoidance Service (CIFAS), National Fraud Intelligence Bureau (NFIB) at the City of London Police, and others.
7. Between April and December this year SAFS issued 35 Urgent Fraud Alerts including impersonation/ push payments/ payment diversion/ false identified used in various application frauds. SAFS also provide regular Fraud Threat Reports that summarise new and emerging risks and provide officers with the latest guidance to assist with identification and prevention. SAFS has issued four of these reports this year focused on Multiple Employment fraud, ID fraud, 'Overpayment' linked to money laundering, and MS account take-over.
8. Training plans to build on staff awareness about fraud risks affecting the Council, along with a publicity campaign to inform the public and encourage fraud reporting, are being developed with officers in HR and Comms teams. Service specific training has been delivered in seven face-to-face sessions for the Parking Enforcement and Revenues & Benefits teams and sessions on ID fraud were

provided to Housing Services. SAFS hosted training delivered by the Competitions and Markets Authority on bid-rigging in October for Council officers involved in contract management. SAFS delivered a short session on Fraud Threats for Local Councils to Members in May 2024.

9. Between April and end of December 2024 77 allegations of fraud have been received by the Council/SAFS including Housing, Council Tax and Blue Badge abuse. SAFS currently have 26 cases under investigation, or at referral stage (12), with estimated losses of £334k. Nine fraud investigations have been closed and fraud losses/savings identified in six cases. From cases closed and those still under investigation £317k in fraud loss has been reported and further £89k of fraud prevented. These figures are much higher than normally identified at the Council and this is due in part to two cases involving housing benefit fraud that occurred over an extended period of time. We are working with the DWP to consider criminal proceedings against the individuals involved in these cases.
10. SAFS have also conducted 37 reviews of lower value Council tax fraud and error matters. This work has so far identified a further £87k of fraud loss for recovery, again this includes an element of housing benefit as well as council tax. The Council issued 5 civil penalties to council tax-payers where their failure led to the debts arising.
11. SAFS and Council officers ensured that all data required for submission as part of the Cabinet Office 'National Fraud Initiative' (NFI) was uploaded on time and meeting the correct specification. The output from this two-yearly national exercise produced 222 Matches for East Herts Council and officers from SAFS and the Council are reviewing these at present with the intention to clear this work by the end of Q4.
12. The Council is signed up the Herts Fraudhub for 24/25. The FraudHub works in a similar fashion to the main NFI exercise with data being submitted along with the SAFS partners to help identify fraud through data-analysis. In Q1- Q3 all agreed datasets were successfully uploaded for the Council, with more than 2,200 matches identified for some intervention. However, due to resource limitations across service areas only the most urgent matters were prioritised for review.
13. SAFS continues to work with registered housing providers to investigate allegations of 'tenancy-fraud' committed against the social housing stock within the Councils boundaries. A number of these cases are being investigated by SAFS within East Herts at present and as previously reported one property has been recovered and re-let to a family from the Councils Housing Register.
14. SAFS manages the 'Council Tax Review' Framework for all borough/district councils across Hertfordshire enabling those councils to identify fraudulent applications for council tax discounts. This work is provided by third party specialists, and funded in full by the County Council.
15. Another area of proactive work for the Council to detect fraud and error is the AnalyseLocal Project. This system, funded by the County Council, and provided by third party specialists identifies businesses claiming exemptions or discounts on their business rates they are not entitled to.

16. SAFS KPIs were agreed in the Anti-Fraud Plan and progress against them is reported in the table below.

SAFS KPIs - 2024/ 2025- (EHC)

KPI	Measure	Objectives	Performance to December 2024
1	Return on investment from SAFS Partnership.	<p>A. Meetings to take place with the Councils Head of Strategic Finance and Property at least quarterly.</p> <p>B. Head of Strategic Finance and Property sits on the SAFS Board that meets quarterly.</p> <p>C. Regular meetings to take place with Service Leads to agree and update local work plans.</p>	<p>A. Meetings are scheduled to take place with the Head of Strategic Finance and Property</p> <p>B. Head of Strategic Finance and Property is a SAFS Board Member and attends its quarterly meetings.</p> <p>C. SAFS meet with other service leads across the Council as and when required with a focus on the highest risk areas.</p>
2	Provide an investigation service.	<p>A. Target to deliver 90%-110% of the funded 267 Days of counter fraud activity including proactive and reactive investigation work, data-analytics, training and fraud risk management (Supported by SAFS Intel/Management).</p> <p>B. 3 Reports to Audit & Governance Committee.</p> <p>C. SAFS attendance at corporate governance, 'service champion' meetings, local management team meetings.</p>	<p>A. To the end of December 2024 SAFS had provided 212 days (79%) of those planned for the year.</p> <p>B. SAFS will be delivering reports to the Councils Audit & Governance Committee in the summer, autumn of 2024 and March 2025.</p> <p>C. SAFS has identified service champions in R&B, HR and Housing.</p>
3	Action on reported fraud.	<p>A. All urgent/ high risk cases will be responded to within 24 hours.</p> <p>B. All other cases 2 Days, on Average.</p>	<p>A. We still unable to separate urgent cases from others in our CMS.</p> <p>B. All referrals (including urgent/high risk) were actioned within 24 hours on average for EHC.</p>
4	Added value of SAFS membership.	<p>A. Membership of NAFN & PNLD</p> <p>B. Membership of CIPFA Counter Fraud Centre and access to CIFAS/NCSC/AF/FFCL alerts, trends, best practice</p> <p>C. NAFN Access/Training for relevant Council Staff</p> <p>D. 5 Training sessions for staff/Members in year. (To be agreed with HR)</p>	<p>A. SAFS has membership of PNLD and NAFN via SAFS.</p> <p>B. SAFS (HCC) is a member of CIFAS.</p> <p>C. NAFN service awareness is part of the training plan for 24/25</p> <p>D. 7 Sessions delivered in Q1- Q3 more planned for Q4.</p>
5	Allegations of fraud received. & Success rates for cases investigated.	<p>A. All reported fraud (referrals) will be logged and reported to officers by type & source.</p> <p>B. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each will be reported to officers.</p> <p>C. SAFS will work with social providers across the Borough.</p>	<p>A. Fraud reporting options available for staff and residents on the Council's webpage and intranet- This is linked to SAFS reporting tools.</p> <p>B. All cases with reports/values/outcomes recorded on SAFS CMS.</p> <p>C. SAFS is working with housing providers through separate contracts.</p>
6	Making better use of data to prevent/identify fraud.	<p>A. Support the output from NFI 2024/25 Council services.</p> <p>B. Membership and VFM from the Herts FraudHub in 2024/25.</p>	<p>A. The NFI data-upload took place as planned in October and the review output is under review in Q4.</p> <p>B. The Council has a contract in place for the FHub and data is being uploaded</p>

Further Reading

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

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



East Herts Council

Audit & Governance Committee Report

Anti-Fraud Plan 2025/26

Purpose

- 1 This report provides members with an introduction to the Councils Anti-Fraud Plan for 2025/25.

Recommendations

- 2 **The Committee is RECOMMENDED to:**
 - I. **Review and approve the Anti-Fraud Plan 2025/26.**

Background

- 3 Recent reports are used by SAFS and Council officers to ensure that the Council is aware of its fraud risks and finds ways to mitigate or manage these effectively wherever possible. These reports include:

Fighting Fraud and Corruption Locally a Strategy for the 2020's. The strategy focuses on the governance and 'ownership' of anti-fraud and corruption arrangements. The Strategy also identifies areas of best practice and includes a 'Checklist' to compare against actions taken by the Council to deter/prevent/investigate fraud. The checklist is maintained and reviewed by SAFS and officers.

The impact of Fraud and Error on Public Funds 2023-24 (National Audit Office). "Fraud and error cost the taxpayer billions of pounds each year – but most of the potential loss goes undetected. Based on the Public Sector Fraud Authority's (PSFA) methodology, we estimate that fraud and error cost the taxpayer £55 billion to £81 billion in 2023-24. Only a fraction of this is detected and known about".

The ***Annual Fraud Indicator 2023***, published in 2024 by Crowe, Peters and Peters and Portsmouth University states that fraud in local government exceeded £8.8bn in 2021/22 and that excluded front line service areas such as housing benefit, council tax, care services and education.

CIFAS Annual Fraudscape Report 2024 . "The impact of fraud on individuals, businesses, and the public sector has hit unprecedented levels. This is paired with a growing concern over AI generated fraud, which enables complex phishing scams and synthetic identities".

Cross Government Counter Fraud Functional Strategy 2024-2027 states that "Prevention is the most effective way to address fraud and corruption - preventing fraud through effective counter fraud practices reduces loss and reputational damage".

4. The Cabinet Office, Department for Levelling Up Housing and Communities (DLUHC), NAO, and CIPFA have issued advice, and best practice guidance, to support local councils in the fight to reduce the risk of fraud and prevent loss to the public purse. This advice includes the need for vigilance in recognising fraud risks and the investment of sufficient resources in counter fraud activities.
5. It is essential that the Council has in place a robust framework to prevent and deter fraud, including effective strategies and policies, as well as plans to deal with the investigation and prosecution of identified fraud.
6. Members of this committee have received reports about how this service works closely with the Shared Internal Audit Service (SIAS) dealing with all aspects of fraud from prevention and deterrence to investigation and prosecution, working with services and Council staff at all levels.

Report

Anti-Fraud Plan 2024/25

7. The reports and papers mentioned at section 3 above and guidance from the NAO, CIPFA, MHCLG and the Local Government Association (LGA) recommend that organisations have effective and robust counter fraud and corruption measures. These measures require the acknowledgement of fraud as a tangible risk, policies, and procedures to deter and prevent fraud occurring and the provision of sufficient resources to investigate and recover losses caused by fraud. Above all an organisation should have a plan to protect itself against fraud.
8. Council officers and SAFS management develop and agree an **Anti-Fraud Plan** each year and the proposed plan for 2025/26 is presented at **Appendix A**

The Plan and Fighting Fraud and Corruption Locally

9. The Anti-Fraud Plan has been developed over several years to meet the recommendations of the [Fighting Fraud Corruption Locally Strategy 2020s | Cifas](#) (FFCL) by adopting the 'pillars' of Protect, Govern, Acknowledge, Prevent and Pursue.
10. The Plan identifies officers/members who will have a role in delivering it, and SAFS will work with all concerned to ensure they understand their role both in delivering the Plan and supporting the FFCL strategy.
11. Members will note that this Committee has a role in ensuring key elements in the Plan are implemented and in monitoring the Councils anti-fraud work.

Counter Fraud Funding and Resources 2025/26

12. The proposed Anti-Fraud Plan can be found at **Appendix A**.
13. The Plan includes reference to the SAFS KPIs and Standards of Service. All SAFS staff are appropriately trained and accredited and the service has access to the resources of the Public Sector Fraud Authority and Government Counter Fraud Profession.

- 14 SAFS will maintain its relationship with specialist third party providers and national networks to keep the Council informed of new and emerging fraud threats or changes to best practice that assist in deterring/preventing fraud and corruption.
- 15 SAFS will continue to work closely with Council officers working in those services mentioned in the Plan.
- 16 Regular reports will be provided to senior management and this Committee on progress delivering the Plan for 2025/26.

Appendices

Appendix A - East Herts Council - Anti-Fraud Plan 2025/26.

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

- (a) ***Councillors Workbook on Bribery & Fraud Prevention*** (LGA 2017)
- (b) ***Fighting Fraud and Corruption Locally- A Strategy for the 2020's*** (CIPFA/CIFAS/LGA 2020)
- (c) ***Tackling Fraud in the Public Sector*** (CIPFA 2020)
- (d) ***Code of Practice - Managing the Risk of Fraud and Corruption*** (CIPFA 2014)
- (e) ***Lost Homes, Lost Hope.*** (Fraud Advisory Panel 2023)

**East Herts Council
Anti-Fraud Plan 2025-2026**

In partnership with

The Hertfordshire Shared Anti-Fraud Service



SAFS
Shared Anti-Fraud Service
Fighting Fraud in Partnership

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Introduction

This plan supports the Councils [Anti-Fraud Corruption Strategy 2021 - accessible.pdf](#) by ensuring that East Herts Council, working in partnership with the Hertfordshire Shared Anti-Fraud Service and others, has in place effective resources and controls to prevent and deter fraud as well as detect and investigate fraud that occurs.

The Council's **policy statement on fraud and corruption states it aims are:**

- **Be clear that the council will not tolerate fraudulent or corrupt acts and will take firm action against those who defraud the authority, who are corrupt or engage in financial malpractice.**
- **Provide a consistent framework for managers and Members, which enables effective deterrence, prevention, detection and investigation of fraud and corruption.**
- **Detail the responsibilities of employees, management and Members with regards to fraud and corruption.**
- **Assist the Head of Strategic Finance and Property in the fulfilment of the role as the council's Section 151 Officer and the Head of Legal and Democratic Services in the role as the council's Monitoring officer.**
- **Explain the role of council officers in relation to the prevention of fraud and actively promote a culture of openness and honesty in all dealings. (The council has Codes of Conduct for Members and officers.)**

This plan includes objectives and key performance indicators that support the Councils Policy and follows the latest best practice/guidance/directives from the Ministry for Housing and Local Government (MHCLG), National Audit Office (NAO), Public Sector Fraud Authority (PSFA) and the Chartered Institute for Public Finance and Accountancy (CIPFA).

National Context.

In 2013 the National Fraud Authority stated that the scale of fraud against local government “is large, but difficult to quantify with precision”. Since 2013 a number of reports have been published including by CIPFA, NAO and Fraud Advisory Panel indicating that the threat of fraud against local government is both real, causing substantial impact (including reputational, service as well as financial) and should be prevented wherever possible.

In November 2024, the National Audit Office (NAO) published its report to the new Government **The impact of fraud and error on public funds 2023-24**. The report states “Fraud and error cost the taxpayer billions of pounds each year – but most of the potential loss goes undetected. Based on the Public Sector Fraud Authority’s (PSFA) methodology, we estimate that fraud and error cost the taxpayer £55 billion to £81 billion in 2023-24. Only a fraction of this is detected and known about”. There are no accurate statistics for fraud loss/prevention in local government since CIPFA ceased its Counter Fraud Tracker in 2019/20, but it safe to say that fraud is still there and based on our own experience the risk is significant

The *Fighting Fraud and Corruption Locally, A Strategy for the 2020’s*, published in March 2020 and supported by CIPFA, the LGA, SOLCACE and External Auditors provides a framework for the Council to adopt in developing its counter fraud activity and this Anti-Fraud Plan follows the guidance and recommendations of the *Strategy*. A copy of the *Strategy* can be found at <https://www.cipfa.org/services/cipfa-solutions/fraud-and-corruption/fighting-fraud-and-corruption-locally>

The *Strategy* compliments work undertaken in 2019 by CIPFA, NAO and Cabinet Office as well as the *Code of practice on managing the risk of fraud and corruption* CIPFA 2015 including the four ‘Pillars’ of **Govern, Acknowledge, Prevent, Pursue** with an overarching aim of **Protect**:

For the Council this includes protecting public funds it administers and protecting the Council and its residents against fraud and cybercrime.



Anti-Fraud Plan 2025-2026

The Councils Anti-Fraud Plan will be managed by the Hertfordshire Shared Anti-Fraud Service (SAFS), but officers at all levels across the Council will have responsibility for ensuring that the plan is delivered and the Council protected against acts of fraud and corruption.

The Anti-Fraud Plan highlights specific areas of work to protect the Council against fraud and corruption. The Council also has a duty to protect the public and it does this through its work across all services and in particular by sharing information and knowledge. The Council has frameworks and procedures in place to prevent fraud and encourage staff and the public to report suspicions of fraud.

The Anti-Fraud Plan for 2025-2026 follows the guidelines and checklists contained in the *Fighting Fraud and Corruption Locally Strategy* and progress against this will be reported to senior management and the Councils Audit and Governance Committee. A break-down of work included in the Plan can be found at **Appendix A** along with the officers with responsibility for ensuring the plan is delivered.

SAFS Resources 2025-2026

Anti-Fraud Arrangements

East Herts Council is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS) and this service has provided the majority of the anti-fraud arrangements for the Council since April 2015. The SAFS Partnership, as well as East Herts Council, includes Stevenage Borough Council, Broxbourne Borough Council, Hertfordshire County Council, Luton Borough Council, North Herts Council, Hertsmeare Borough Council and Welwyn and Hatfield Council. The SAFS Team also provides similar services to other public sector bodies across Hertfordshire.

The SAFS Core Service is made up of 22.5 FTE staff for 2025/26. All staff are trained and accredited, specialising in fraud prevention, fraud investigation, fraud awareness, fraud risk assessment as well as proceeds of crime, anti-bribery and anti-money laundering. All staff are required to members of the Government Counter Fraud Profession (GCFP)- or working toward this via professional qualification or apprenticeships.

The SAFS Team has been nominated for and/or won awards for the services it provides including the ***Tackling Economic Crime Awards*** (TECAS), the ***Institute of Revenue Rating and Valuation Awards*** (IRRV), the ***Public Finance Awards*** (PFA), and ***Public Sector Counter Fraud Awards***.

In 2023/2024 SAFS underwent an external Peer Review with a final report provided to the Board in March 2024. This report highly commended the service provided to the SAFS Partners and the work of the SAFS Team. A number of recommendations included in the final report, to further enhance the service offering, were adopted by SAFS Management and implemented in 2024/25.

SAFS is a Partnership with each organisation paying an annual fee to Hertfordshire County Council for a contracted service for all Partners. SAFS, as a service, has a number of key objectives developed by its Management Board (the Board) and every Partner has a seat on that Board. For the East Herts Council the **Head of Strategic Finance and Property** is the Board representative.

Although SAFS will provide much of the Councils operational counter fraud work Council officers are responsible for ensuring the policies, procedures, training and appropriate resources are in place to protect the Council from fraud, corruption and bribery.

Budget

In October 2024 the SAFS Board agreed fees for all Partners from April 2025. The Board also received assurance from financial modelling that the service would be sustainable, in its current form, for the next three years.

Fees for East Herts Council for 2025-2026 have been agreed at £98,311+ VAT- this is an increase of 4% from 2024-2025.

Staffing

The full complement for SAFS in 2025-2026 will be 22.5 FTE for its Core Service.

SAFS will provide 298 days (an increase from the 267 days in 24/25) of counter fraud work, access to intelligence functions, all data-matching services being offered through the SAFS Data-Hub and Herts *FraudHub* (hosted by Cabinet Office) and can call on SAFS management for liaison meetings, management meetings and three reports per annum to the Audit and Standards Committee. An Accredited Financial Investigator is available to assist in money laundering or proceeds of crime investigations.

SAFS has access to specialist IT forensics, covert surveillance and national counter fraud intelligence services provided via third parties and criminal litigation services to support the Councils legal team.

SAFS will provide fraud alerts/updates (local and national) to Council officers and senior management of all new and emerging fraud risks through its membership of anti-fraud forums and specialist providers including the Fighting Fraud and Corruption Locally Board (FFCLB) the Credit Industry Fraud Avoidance Service (CIFAS), Certified Institute of Public Finance and Accountancy (CIPFA) Finance, National Fraud Intelligence Bureau (NFIB), Fraud Advisory Panel (FAP), National Anti-Fraud Network (NAFN) and the Public Sector Fraud Authority (PSFA).

Workplans & Projects 2025-2026

As well as an agreed programme of work (see **Appendix A**) SAFS will work in the following areas delivering specific activity agreed with service managers. Progress with this work will be reported to the relevant head of service/managers on a quarterly basis.

Service Area	Agreed Projects
<p>Cross-Cutting Corporate Initiatives</p>	<p>General Support. Three Reports to Audit & Governance Committee. SAFS management meetings with Senior Managers. Assisting with the review of the Councils existing anti-fraud policies- This review will include the ECCTA 2023 requirements. Money Laundering Reporting Officer (MLRO) role. Assist with NFI 2025 Output and the Herts FraudHub. Include the management of matches across the Council and use of the CTax Framework for SPD matches. Assisting with Payroll fraud matters including disciplinary investigations. Identify new fraud risks and fraud alerts across all Council services and providing a resource to support any investigation, reporting or risk assessment required from any emerging fraud or corruption. Provide the published Fraud Data required by the Transparency Act. Support both Internal and External Audit with any enquiries relating to the Council counter fraud function. Review the impact of the ECCT Act 2023 on the Council.</p> <p>Training. Five fraud training/awareness events for staff/members in year delivered face to face/virtually/hybrid. This will include workshops on fraud/cyber-crime with the Councils SLT and Portfolio Holders provided by the Police Tri-Force in collaboration with SAFS and the Council IT/Cyber teams. Review the Councils use of mandatory I-Learn training package on fraud/bribery/money laundering – accessible via the Councils intranet and reporting on completion rates. Provide guidance and access to NAFN training and registration for appropriate services/officers.</p> <p>Procurement. Work with the Shared Procurement Service developing a bespoke risk assessment for fraud in procurement/contracts.(continued from 2024/25 plan)</p>
<p>Revenues and Benefits</p>	<p>This work will be arranged with the Shared Revenue and Benefit Service hosted by the Council. Proactive training and awareness for management and front-line staff. Reactive investigations for council tax support/discount and business rate fraud. Support for single person discount review utilising 3rd party framework- incl NFI matches. Identify systems/processes/new developments to assist in recovery of debt created by fraud. Use of data-analytics to identify fraud/evasion of business rate liability and collection. Joint working with DWP where council tax support and other 'national' benefits are in payment- where this benefits the Council.</p>
<p>Housing Services</p>	<p>This work will be arranged with the Councils housing services and in partnership with Clarion Housing Group, the Peabody, B3Living and other housing providers with stock within the Councils area. Proactive training and awareness for management and front-line staff. Reactive investigations for Housing Application or fraud linked to Homelessness/Temporary Accommodation.</p>

SAFS Key Performance Indicators (KPI) & Standards of Service.

SAFS will work to a set of KPIs agreed with senior officers and these targets will assist in delivering the Councils Anti-Fraud Plan. The KPI's can be found at **Appendix B** and will be reported to senior officers and Audit and Standards Committee throughout the year.

SAFS - Standards of Service.

SAFS will provide the Council with the following anti-fraud services.

1. 24/7 Access to a fraud hotline, email and online solution for public reporting.
2. Process for Council staff to report suspected fraud to SAFS via email/phone/weblinks.
3. Training in: Fraud Awareness (management/staff/members), Fraud Prevention and Money Laundering.
4. A Money Laundering Reporting Officer service as laid out in the relevant Council policies.
5. Assistance in the review of Council policies, processes, and documents to deter/prevent fraud.
6. SAFS will review all anti-fraud strategies and related policies or templates used by the Council.
7. SAFS will continue to develop a data-matching solution (Herts *FraudHub*) to assist in the early identification of fraud.
 - The FraudHub will be funded by the Council.
 - The FraudHub will be secure and accessible only by nominated SAFS and Council Staff.
 - Data will be collected and loaded in a secure manner.
 - SAFS will maintain a data-sharing protocol for all SAFS Partners to review and agree annually.
 - SAFS will work with Council officers to identify datasets (and frequency) of the upload of these.
8. All SAFS Staff will be qualified, trained and/or accredited to undertake their duties lawfully.
9. All SAFS investigations will comply with legislation including DPA, GDPR, PACE, CPIA, HRA, RIPA* and relevant Council policies.
10. Reactive fraud investigations.
 - Any high profile, high value, high risk cases or matters reported by senior managers will receive a response from SAFS Mgt and be added to the Management Tracker so they are prioritised appropriately.
 - All cases reported to SAFS will be reviewed within 2 days of receipt and decision made on immediate action including selection of cases for further review, no action, investigation, or referral to 3rd parties including police, DWP, Action Fraud.
 - The Council will be informed of all reported fraud affecting its services.
 - SAFS will allocate an officer to each case.
 - SAFS officers will liaise with nominated officers at the Council to access data/systems to undertake investigations.
 - SAFS officers will provide updates on cases and a summary of facts and supporting evidence on conclusion of the investigation for Council officers to review and make any decisions.
 - Where criminal offences are identified SAFS will draft a report for Council officers to decide on any further sanctions/prosecutions.
11. Where sanctions, penalties or prosecutions are sought SAFS will work with the Council to determine the appropriate disposal in line with the Council's policies.
12. Where any investigation or review identifies any system/process weakness SAFS will provide a confidential report to the relevant head of service of director with recommendations on management/mitigation.
13. SAFS will provide Alerts to the Council, of suspected fraud trends or reports/guidance from government and public organisations that are relevant to fraud
14. SAFS will provide reports to senior management on the progress with delivery of this Plan and any other relevant activity planned or otherwise.
15. SAFS will provide reports through the SAFS Board and to the Council's Audit Committee as agreed in the SAFS Partnership Contract.

**Data Protection Act , General Data Protection Regulation, Police and Criminal Evidence Act, Criminal Procedures and Investigations Act, Human Rights Act, Regulation of Investigatory Powers Act, Investigatory Powers Act.*

Appendix A.

EHC / SAFS Action Plan 2025/2026			
FFCL Pillars	Objectives	Activities	Responsible Officer
Governance	Having robust arrangements and executive support to ensure anti fraud, bribery and corruption measures are embedded throughout the organisation.	Ensure the Councils Anti-Fraud and Corruption Strategy & Fraud Response Plan and associated policies to deter, prevent, investigate and punish acts of fraud or corruption are reviewed against latest best practice.	Chief Executive / Monitoring Officer / S.151 Officer
		The Councils Audit & Governance Committee will receive reports during the year about the arrangements in place to protect the Council against fraud and the effectiveness of these.	Head of Internal Audit /Head of SAFS
		The Audit & Governance Committee and its Chairman, along with the senior management team, will ensure compliance with the latest best practice in the Councils anti-fraud arrangements including that published by CIPFA, NAO and LGA.	A&G Committee Chairman/ S.151 Officer / Monitoring Officer
		System/process weaknesses or risks revealed by instances of actual fraud will be fed back to departments/services with recommendations to manage/mitigate these risks. Reports will be shared with senior managers and the Shared Internal Audit Service (SIAS).	Head of Internal Audit / Head of SAFS
		SAFS will assist the Council in providing its Fraud Data for the Transparency Code annually	Head of SAFS
		The Council will make it clear through its policies and codes of conduct for staff and Members that fraud and corruption will not be tolerated.	Monitoring Officer / Head of Human Resources
ACKNOWLEDGE	Accessing and understanding fraud risks. Committing the right support and tackling fraud and corruption. Demonstrating that it has a robust anti-fraud response.	Inclusion of Fraud Risks and actions to manage/mitigate/reduce this in its Annual Governance Statement.	Head of SIAS/ S.151 Officer
		The Councils Communication Team will publicise anti-fraud campaigns and provide internal communications to staff on fraud awareness	Head of SAFS/ Communications Mgr
		The Council and SAFS will provide fraud awareness & specific anti-fraud training across all Council services and monitor mandatory E-Learning modules available for staff.	Head of HR / Head of SAFS
		The Council is a member of the Hertfordshire Shared Anti-Fraud Service (SAFS). Council Officers will ensure that the contract with the Cabinet Office is in place for 2024/25 and the data required uploaded to the FraudHub at least once each quarter.	S.151 Officer
		SIAS will take account known or emerging fraud risks provided by SAFS or others when audit panning takes place. The SIAS will share the details of all suspected fraud to senior management and SAFS to review.	Head of SIAS / SIAS Manager
		All SAFS staff will be fully trained and accredited. SAFS will continue to work with the Cabinet Office to support the Government Counter-Fraud Profession.	Head of SAFS
PREVENT	Making the best use of information and technology. Enhancing fraud controls and processes. Developing a more effective anti-fraud culture. Communicating its' activity and successes.	SAFS will provide alerts of new and emerging fraud threats to be disseminated to appropriate officers/staff/services.	Head of SAFS
		SAFS will work with all Council services to make best use of 3rd party providers such as NAFN, PNLD, CIPFA, CIFAS.	Head of SAFS
		Develop the Councils use of the Herts <i>FraudHub</i> and support Council officers with the output from NFI 2024/2025 Exercise	Head of SAFS/ S.151 Officer
		The Council and SAFS will work with other organisations, including private sector, to improve access to data and data-services that will assist in the detection or prevention of fraud.	Head of SAFS/ S.151 Officer
		The SAFS Mgt will provide reports to the SAFS Board quarterly on anti-fraud activity across the Partnership and any learning to be shared with all Partners	Head of SAFS
		The Council will review data sharing agreements/protocols to ensure compliance with DPA & GDPR(UK) to maximise the use of sharing data with others to help prevent/identify fraud.	Monitoring Officer
PURSUE	Prioritising fraud recovery and use of civil sanctions. Developing capability and capacity to punish offenders. Collaborating across geographical and sectoral boundaries.	All fraud reported to the Council will be captured by SAFS fraud reporting tools (web/phone/email) for staff, public and elected Members. SAFS will work with officers to promote the reporting of suspected fraud by officers and the public.	Head of SAFS
		All investigations will comply with relevant legislation and Council Policies. Investigations may include civil, criminal and disciplinary disposals dependent on their nature.	Head of SAFS
		SAFS will use its case management system to record and report on all fraud referred, investigated and identified.	Head of SAFS
		Legal Service and debt recovery teams will seek to 'prosecute' offenders, apply sanctions and recover financial losses- supported by relevant policies.	Monitoring Officer/ S.151 Officer
		SAFS and the Councils Shared R&B Service will work with DWP to deliver joint investigations where fraud affects both council tax and housing benefit or other 'national' 'benefits'	Head of SAFS/ Head of R&B Service
		SAFS will use its in-house expertise as well as external partners when considering the use of POCA, NAFN services, Surveillance or IT Forensics.	Head of SAFS
PROTECT	Recognising the harm that fraud can cause in the community. Protecting itself and its' residents from fraud.	SAFS will provide reports and data to 'Fraud Champions' on all anti-fraud activity as required by Council officers.	Head of SAFS
		Reports for Audit Committee on all Counter Fraud activity at the Council 3 times in 2025-2026 (Annual Report/ Update/ Plan 26/27)	Head of SAFS / S.151 Officer
		The Council has in place measures to protect itself against cyber crime, malware and other potential attacks aimed at its IT infrastructure, with training for staff and elected members	S.151 Officer/ Head of IT
		SAFS will work with bodies including MHCLG/LGA/CIPFA/FFLB/PSFA/FAP to develop anti-fraud strategies at a national level that support fraud prevention in local government	Head of SAFS

Appendix B.

SAFS KPIs - 2025/ 2026- EHC

KPI	Measure	Objectives	Reason for KPI
1	Return on investment from SAFS Partnership.	Demonstrate that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution. A. Regular meetings to take place with the Councils Head of Strategic Finance and Property , quarterly. B. Head of Strategic Finance and Property will sit on the SAFS Board that meets quarterly.	Transparent evidence to Senior Management that the Council is receiving a service matching its contribution.
2	Provide an investigation service.	A. Target to deliver at least 95% of the funded 298 Days of counter fraud activity including proactive and reactive investigations, data-analytics, staff training and fraud risk management. (Supported by SAFS Intel/Management). B. 3 Reports to Audit & Governance Committee.	Ensure ongoing effectiveness and resilience of the Councils anti-fraud arrangements.
3	Action on reported fraud.	A. All cases to be reviewed withing 2 Days of receipt, on Average.	Ensure that all cases of reported fraud are triaged within agreed timescales.
4	Allegations of fraud received. & Success rates for cases investigated.	A. All reported fraud (referrals) will be logged by type & source. B. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each will be reported to officers.	This target will measure the effectiveness of the service in promoting the reporting of fraud & measure the effectiveness in identifying cases worthy of investigation.
5	Making better use of data to prevent/identify fraud.	A. Ensure output from NFI 2024/25 is resolved as required by legislation. B. Ensure membership of the Herts FraudHub in 2025/26.	Build a data hub that will allow the Council to access and share data to assist in the prevention/detection of fraud.
6	Added value of SAFS membership.	A. Membership of NAFN & PNLD for 2025/26 B. 5 fraud awareness/prevention sessions for staff/Members in year. (To be agreed with Service leads and HR)	Deliver additional services that will assist in the Council in preventing fraud across all services and in the recovery of fraud losses.