

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

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

ALSO PRESENT:

Councillors C Brittain, B Crystall and C Horner

OFFICERS IN ATTENDANCE:

Steven Linnett	- Head of Strategic Finance and Property
Peter Mannings	- Democratic Services Officer

ALSO IN ATTENDANCE:

Martha Charima	- Azets
Paul Grady	- Azets
Mark Poppy	- Independent Person
Nick Sharman	- Independent Person

301 APOLOGIES

There were no apologies.

302 MINUTES - 29 NOVEMBER 2023

It was moved by Councillor Williamson and seconded by Councillor Nicholls that the minutes of the meeting of the Audit and Governance Committee held on 29 November 2023 be confirmed as a correct record and signed by the

Chairman.

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

**RESOLVED** – that the minutes of the meeting of the Audit and Governance Committee held on 29 November 2023 be confirmed as correct records and signed by the Chairman.

303 CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed all to the meeting and reminded Members to use the microphones.

304 DECLARATIONS OF INTEREST

There were no declarations of interest.

305 EXTERNAL AUDIT PLANNING REPORT 2023/24

The Council's external auditors introduced themselves and presented the 2023/24 External Audit Planning Report. The External Audit referred to the unusual situation in that the previous 2022/23 audit report was unfinished. He referred to the challenges faced by previous auditors in completing audits.

Members were advised that the External Auditor would do as much as they possibly could regarding the 2023/24 audit before the close of the financial year. Members were advised that the aim was to pick up any outstanding issues from the 2023/24 audit years to minimise the delays and then to complete future audits in a timely manner and within statutory deadlines.

The external auditors detailed the key aspects of the external audit plan and said that in the context of the accounts, the figure of £72,500 was the triviality

threshold below which errors or disagreements would not be reported.

The External Auditor referred to the challenge posed by the unknowns following the backlog. He referred to challenges in getting assurances regarding opening balances and the lack of previous assurances.

The External Audit referred to the significant risks of material misstatement and said that this was standard from council to council or auditor to auditor. He summarised these mandated risks and set out the work required to prove that these risks had not materialised.

Members were advised that gaps in assurance from prior years was a significant risk and there might be additional risks that would be reported to the Audit and Governance Committee.

The External Auditor referred to the inherent risks of East Herts changing its financial system and additional work would be undertaken to ensure that data was transferred accurately to the new system. He said that assurances would also be needed that new systems to close the accounts were materially accurate.

The External Auditor said that normal testing would be carried out in respect of income and expenditure and additional testing was not required as the risk of fraud in revenue recognition and expenditure could be rebutted as the risk was very low. Members were advised of risks faced by councils in terms of incorrect capitalisation of revenue and capital additions and the work that would be carried out to ensure that classification of those items of spend was materially correct.

Members were advised that the minimum revenue provision was another risk for councils facing medium- and long-term financial challenges. The External Auditor

said that this matter would be assessed along with the work in respect of the value for money arrangements.

Members were advised that detailed field work in respect of a number of non-significant risks would continue in the spring and this work would also cover the longer-term financial resilience, the commercial and other aspects of the council's capital schemes and the impact of current financial constraints.

The External Auditor explained that up to date value for money assessments would need to be produced by the previous auditor and these would need to be considered. He said that the overarching materiality threshold was £1.45m and any misstatements in the accounts below that figure would not materially impact the reader of the accounts.

Mr N Sharman asked what opinion the External Auditor would be able to give the council and what assurances could be given.

The External Auditor explained that, in terms of 2022/23 and possible 2021/22 as well, if there was a disclaimer from the previous auditors there would be no assurances over the opening balances. He said that the FRC consultation should enable the 2023/24 audit to move forward by issuing a rolled forward disclaimer regarding the opening balances for 2023/24. An opinion would be given on any closing balances and in respect of in year transactions.

Councillor Jacobs said that he would be more comfortable if the external audit plan reflected that there was a way of navigating the lack of a previous completed audit. The External Auditor said that audit from the previous year was technically completed in respect of the issuing of either a clean opinion or a disclaimed opinion. Members received the report.

**RESOLVED** – that the presentation and the External Audit Planning Report 2023/24, be noted.

306 BUDGET 2024/25 AND MEDIUM-TERM FINANCIAL PLAN 2024 – 2034

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The Executive Member for Financial Sustainability submitted a report that set out the revised Medium Term Financial Plan (MTFP). The report also included savings proposals to be put to Members of the Executive.

The Executive Member for Financial Sustainability said that Appendix A was the latest version of the MTFP and the figures were the best estimates when it was published. He said that the current format showed the net budget position for each year at the bottom of the report.

Members were advised that the net budget position for 2024/25 was zero meaning that the budget was balanced. The Executive Member said that there was an opportunity to consider other ways of allocating funds providing that the budget remained balanced. He drew the attention of Members to the figure of £4,739,000 under capital expenditure charged to a revenue account, and this figure included £3m for Hertford Theatre and included just over £1.5m from the new funding relating to the collection of food waste from 2025.

The Executive Member said that most of the service cost increases in 2024/25 reflected general inflation. He said that the effect of borrowing at the minimum revenue provision on corporate budgets as well as the interest payable on loans. He also mentioned that the cost of servicing had risen by almost £2.5m compared to the budget from 2022/23 and this was only marginally offset by the increase in investment income.

The Executive Member said that the effect of interest rate changes was not going to have a major influence on the council's financial position. He referred Members to the total savings of £1.2m that had been incorporated into the budget and these savings effects almost entirely cancelled the effects of inflation on the net costs of services.

The Executive Member said that the council had been fortunate to receive an overall increase in funding from government which included the £1.5m of new burdens funding for the food waste collection and the purchase of new containers.

The Executive Member said that the extra money from government for this year should be adequate to cover the increase in debt serving costs and had enabled the setting for balanced budget for 2024/25. He summarised the financial pressures the council would face beyond 2024/25. He referred in particular to the cost of servicing debt, the costs associated with the new refuse contract and the lower level of new homes bonus in 2024/25. He referred Members to the proposals set out in the appendices and said that it was recommended that council tax be increased by 2.99%, the maximum allowed without a referendum.

Councillor Williamson referred to the MTFP in appendix A and asked if there could be more of a breakdown of figures in respect of the net cost of services. He said that were some very significant movements in the figures.

Councillor Williamson asked if the Executive Member could come back to the matter of the transforming East Herts section as it was not clear how this was displayed in the MTFP. He said there were references in the paper in respect of 35% cuts in government funding and this was not reflected in funding and council tax section of MTFP.

The Executive Member said that a lot of the increases were inflationary pressures. He referred to the expansion of the budget in respect of the IT Shared Service. He talked about the transforming East Herts target for bringing the budget into balance and said that the net budget position in terms of savings for 2025/26 was cumulative into future years.

Councillor Nicholls referred to the table at page 37 and the 2025/26 budget and the total savings of £6.4m and what the extra £2.2m was to be spent on. The Executive Member said that an extra £4.7m was being spent on the minimum revenue provision and the interest payable on loans. He made comparisons to the figures in previous budgets and said that the actual cost of services was the same as it was five years ago.

Councillor Nicholls asked what the position of the council would be if there were to be another serious COVID outbreak or similar epidemic. The Executive Member said that the council had very little in the way of reserves and it would be reliant on either borrowing or the government for help.

Councillor Nicholls asked about the outcome for the council following the £600m announced by the government to help local authorities fund key services. The Executive Member said that the benefit for the council would be in the region of £200,000 per year.

Following several points made by Councillor Deering regarding this £200,000 benefit, the Executive Member said that an increase in the interest or gilts rate could increase borrowing costs very quickly. He said that the council had to be responsible in ensuring the savings target was met.

Councillor Deering said that pausing the ORL project essentially meant that there would be a site where its full

value was not being achieved and part of the approach was to fund £170,000 into supporting the URC Hall. The Executive Member said that the URC Hall needed to be brought up to standard and there were a lot of issues in terms of essential maintenance. He said that this would prevent degradation of the building and would allow the venue to continue to operate.

Councillor Jacobs referred to a list of land and building projects and the carried forward expenditure for the ORL Arts Centre Project. The Executive Member said that the project was paused but there will still costs associated with it such as ongoing project management and costs associated with the land.

N Sharman, Independent Person, made a number of observations in respect of uncertainties and options for savings into 2025/26. The Executive Member said that it was important to have a risk register for ongoing monitoring.

Councillor Hart referred to the staffing budget and the considerable amount put by for managing extra costs in the planning department. The Executive Member said that there was an ongoing shortage of planning officers, and the council was in competition with other local authorities and with the private sector, which was in a better financial position.

The Head of Strategic Finance and Property set out the steps being taken to improve recruitment in planning. The Executive Member and the Head of Strategic Finance and Property responded to questions from Councillor Williamson in respect of proposed savings from the disposal of assets and valuations in respect of the Southern Maltings.

Councillor Horner echoed the points that had been made in respect of transparency. He said that it might be useful



to have more information within the budget presentation in respect of transforming East Herts.

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

**RESOLVED** – that (A) Audit and Governance Committee scrutinise the Executive's proposed budget and make any comments back to the Executive to consider before making their budget recommendation to Full Council;

(B) Members note that the proposed budget makes use of the flexibility from Government to increase Council Tax by 2.99%, which will increase Council Tax revenue by £366k a year and will result in a Band D Council Tax increase of £5.65 to £195.52 per year;

(C) Members consider the savings proposals for Member approval and advise Executive of any significant issues you believe may arise;

(D) Members note that the proposed savings requirements, that will need to be delivered to balance the budget in the medium term, the delivery profile of which without any smoothing is, as follows:

2025/26 £2.243 million

2026/27 £NIL

2027/28 £0.607 million

2028/29 £0.515 million

(E) Members note the amended Capital Programme which pauses the Old River Lane Arts Centre so as to reduce revenue costs of Minimum

Revenue Provision and interest by £1,514k per annum on current interest rates, a total saving of £7.442 million of over the MTFP period and comment on the capital expenditure priorities:

- i. essential property maintenance to meet statutory requirements or to prevent loss or damage to neighbouring properties;
- ii. investment in ICT to continue but that the budget carry forward that has not been used for two years is deleted;
- iii. invest to save initiatives where the business case indicates that the cost of the investment will be recovered in under 10 years;
- iv. to allow pausing of construction of the Arts Centre at Old River Lane until such time as debt levels have fallen sufficiently to make the revenue impacts of new borrowing affordable while at the same time undertaking landscaping works on the arts centre site so that it is an attractive site rather than an undeveloped area blighting the retail and commercial units in the City Heart scheme;
- v. provide up to £170k for essential maintenance works for the URC Church Hall in Bishop's Stortford;
- vi. completion of Hertford Theatre, at as low a cost as possible, so that the entire venue is opened and run on a strictly commercial basis to maximise income; and
- vii. investment in depot works and waste containers for the new waste and recycling contract.

(F) Members note that the provisional Local Government Finance Settlement figures confirmed the assumptions made at the December Executive. Note the implication of the Autumn Statement that a further round of austerity is proposed by the Government and that the two major parties seem intent on keeping to the announced expenditure totals which will severely reduce government funding and inevitably require service cuts.

307 TREASURY MANAGEMENT REVIEW MID-YEAR REVIEW 2023/24

The Executive Member for Financial Sustainability submitted a report that contained the Council's Mid-Year Treasury Management Review for 2023/24.

Councillor Hart referred to the table on page 41, long term investments. She asked why the value of long terms investments had reduced from £19.5m to £18.9m over a 6- month period.

The Head of Strategic Finance and Property said that this related to long term property funds which were taken out 10 years ago and the value of property had fallen therefore the value of the units within the funds had fallen. He talked about the rules contained in the prudential code. Members received the report.

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

308 CAPITAL STRATEGY AND MINIMUM REVENUE PROVISION POLICY, TREASURY MANAGEMENT STRATEGY 2024/25

The Executive Member for Financial Sustainability submitted a report in respect of the Capital Strategy and Minimum Revenue Provision (MRP) policy and Treasury

Management Strategy for 2024/25.

The Executive Member said that due to the cost of servicing existing and planned debt, the authority was not able to afford any new capital projects. He said that capital assets were being reviewed and the council was exploring ways to sell assets that could be sold to reduce the overall level of debt.

Members were advised that a cross party asset Member reference group had been set up to consider these options. The Executive Member invited Members to endorse the Treasury Management Strategy for 2024/25 or suggest improvements. Members received the report.

**RESOLVED** – that the Capital Strategy and Minimum Revenue Provision Policy and the Treasury Management Strategy for 2024/25 be noted and observations be made to the Executive.

309 FINANCIAL MANAGEMENT 2023/24 – QUARTER 2 FORECAST TO YEAR END

The Executive Member for Financial Sustainability introduced the report which provided details of the forecast outturn position against budgets set in March 2023, including the quarter two forecast to year end.

The Executive Member explained that a forecast overspend of £491,000 was not uncommon at this stage in the financial year and this figure would be significantly lower by the end of the financial year. He said there were specific issues outlined in Appendix B that caused some of the overspends.

Members were advised that the most significant issue was the forecast overspend of £371,000 in Planning and Building Control. The Executive Member said that this was due to low numbers of planning applications and staffing

issues. The revised capital budget was set out in Appendix C and the age debt report was set out in Appendix D.

Councillor Deering said that this quarter 2 forecast report was very late to come through as a report. The Head of Strategic Finance and Property referred to the reporting cycle and said that the report had not been ready for the previous meeting. He said that the reports would come through more quickly going forward.

Councillor Nicholls asked if the level of debt at £1.69m reflected cost-of-living increases. The Executive Member said that a lot of this debt was quite old, and his understanding was that a lot was uncollectable.

N Sharman, Independent Person, asked if the irrecoverable debt impacted on the council's cash flow assumptions going forward into the MTFP. The Executive Member said the provision on the debt was already at £1.9m and a lot of that debt had already been written off and the council was not expecting to collect it.

N Sharman asked if the forecast deficit meant that the deficit had to come out of reserves. The Executive Member said that it would the position tighter in respect of reserves and would make the council less resilient in terms of external financial shocks. Members received the report.

**RESOLVED** – that (A) the net revenue budget forecast overspend of £491k be noted; and

B) the capital programme forecast outturn of £33.950m be noted.

## 310 SHARED INTERNAL AUDIT SERVICE - PROGRESS REPORT

The Chairman introduced the report which was the

second update for 2023/24. Members received the report.

**RESOLVED** – that the Internal Audit Progress Report and the Status of Critical and High Priority Recommendations, be noted.

311 SHARED INTERNAL AUDIT SERVICE - INTERNAL AUDIT PLAN 2024/25 - FULL REPORT

The Chairman introduced the report. N Sharman, Independent Person, said that he had noted that the numbers of days in the plan for strategic support had gone up. He said that he would have asked the SIAS Officers why it had gone up and whether this had impacted on less actual days of delivered audit work.

Councillor Woollcombe asked who Members should send their questions to. The Head of Strategic Finance and Property said that questions should be sent to the Democratic Services Officer, and he would co-ordinate them. Officers would then make sure that SIAS or SAFS answered them.

Councillor Nicholls proposed and Councillor Hart seconded, a motion that the proposed East Herts Council Internal Audit Plan for 2024/25, be approved.

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

**RESOLVED** – that the proposed East Herts Council Internal Audit Plan for 2024/25, be approved.

312 SHARED ANTI-FRAUD SERVICE ANTI-FRAUD PLAN PROGRESS REPORT

The Chairman introduced the report. There were no comments or questions and Members were referred to

the recommendation.

**RESOLVED** – that the work of the Council and the Shared Anti-Fraud Service (SAFS) be noted in respect of delivering the 2023/24 Anti-Fraud Plan.

313 ANTI-FRAUD PLAN FOR 2024/25

The Chairman introduced the report. There were no comments or questions and Members were referred to the recommendation.

Councillor Nicholls proposed and Councillor Hart seconded, a motion that the Anti-Fraud Plan for 2024/25 be approved. After being put to the meeting and a vote taken, the motion was declared CARRIED.

**RESOLVED** – that the 2024/25 Anti-Fraud Plan be approved.

314 AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME

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The Head of Strategic Finance and Property introduced the report. He said that the Shared Anti-Fraud Service (SAFS) would be giving a presentation on the Shared Anti-Fraud Service at the next meeting.

Members were advised that the leisure contractor would present the leisure annual report at the next meeting. This would include a report on further year at Grange Paddocks and on the opening of the Hartham Leisure Centre.

The Head of Strategic Finance and Property said that there would also be the annual assurance statement internal audit annual report and the strategic risk register provision outturn 2023/24. He referred to the data protection update and future training in respect of the

statement of accounts and treasury management.

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

**RESOLVED** – that the work programme as detailed in the report, be approved.

315 URGENT ITEMS

There was no urgent business.

The meeting closed at 8.41 pm

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