

## East Herts Council Report

### Audit and Governance Committee

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

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

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

**Ward(s) affected:** All

### Summary

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

### RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE:

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

## 1.0 Proposal(s)

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

### Committee deadlines and speed of reporting



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

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



# Steps to agreeing a budget

**April to June: Projections of income and expenditure**

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

**July to Sept: Identify Budget Pressures**  
**Exec Meeting September Cycle**

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



**Sept to Nov: Detailed Service Budgeting**  
**Exec Meeting November Cycle**

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

**Dec to Feb: Budget reports**  
**Exec Meetings December to February**

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

**Budget Council**  
**End of February/Start of March**

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

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

## 2.0 Background

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

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

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

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

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

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

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

### **4.0 Options**

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

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

### **5.0 Risks**

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

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

medium term.

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

## **6.0 Implications/Consultations**

- 6.1 None arising directly from this report.

### **Community Safety**

No - None arising directly from this report.

### **Data Protection**

No - None arising directly from this report.

### **Equalities**

No - None arising directly from this report.

### **Environmental Sustainability**

No - None arising directly from this report.

### **Financial**

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

### **Health and Safety**

No - None arising directly from this report.

### **Human Resources**

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

## **Human Rights**

No - None arising directly from this report.

## **Legal**

No

## **Specific Wards**

No

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

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

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

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

## **Contact Member**

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