

MINUTES OF A MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE
HELD IN THE COUNCIL CHAMBER,
WALLFIELDS, HERTFORD ON TUESDAY
18 FEBRUARY 2025, AT 7.00 PM

PRESENT: Councillor M Adams (Chair)
Councillors B Deering, C Hart, S Nicholls,
D Willcocks and Mr N Sharman.

ALSO PRESENT:

Councillors C Brittain and B Crystall

OFFICERS IN ATTENDANCE:

Michele Aves	- Committee Support Officer
Mathew Crosby	- Interim Head of Strategic Finance

ALSO IN ATTENDANCE:

Nick Jennings	- Shared Anti-Fraud Service (SAFS)
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333 APOLOGIES

There were apologies for absence from Mr Poppy, Independent Person, and Councillor Williamson.

334 MINUTES - 27 NOVEMBER 2024

Mr Sharman noted that his and Mr Poppy's names were missing from the attendance list on the first page of the minutes. It was confirmed that they should be added as both were present at the meeting on 27 November.

It was moved by Councillor Willcocks and seconded by Councillor Deering, that the Minutes of the meeting of the

Committee held on 27 November 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. It was noted that Councillor Nicholls abstained from the vote.

RESOLVED – that the Minutes of the Committee meeting held on 27 November 2024 (as amended) be confirmed as a correct record and signed by the Chair.

335 CHAIR'S ANNOUNCEMENTS

The Chair thanked Members for attending the recent Joint Meeting of the Scrutiny Committees which was held on 29 January 2025. He said that this meeting was useful and that he hoped it would be repeated next year to scrutinise the budget.

336 DECLARATIONS OF INTEREST

There were no declarations of interest.

337 FINANCIAL MANAGEMENT 2024/25 - Q2 FORECAST TO YEAR END - 'TO FOLLOW'

This report was not included on the agenda, and so was not considered by the Committee. The Interim Head of Strategic Finance said that information pertaining to Quarter 2 of 2024/25 could be seen in Appendix A of Agenda Item 6.

338 FINANCIAL MANAGEMENT 2024/25 - Q3 FORECAST TO YEAR END

The Executive Member for Financial Sustainability introduced the report which gave an overview of the expected outturn at the year-end based on current expectations. He said that a revenue forecast at the end of Quarter 2 was provided in Appendix A, but had been superseded by the forecast at the end of Quarter 3, which

was in Appendix B.

The Executive Member for Financial Sustainability said that the overall overspend was now expected to be £955,000. He said that this was made up of an overspend on services of just over £2 million, plus savings in interest payments and investment income of £561,000, and a reduction in reserves contributions of £486,000 making up most of the balance.

The Executive Member for Financial Sustainability referred Members to Appendix C of the report which detailed a list of key variances in the cost of services. He said that BEAM made up almost 75% of the total differences.

The Executive Member for Financial Sustainability said that the change in accounting policy (to allow the capitalisation of interest during the build phase of major construction projects) had resulted in a reduction of interest payments in the expenditure account of £340,000. He said that updates to the capital spending programme were provided in Appendix D, with key changes being the reprofiling into 25/26 of the reduced budget for Refuse and Recycling vehicles and containers, which was now anticipated in Quarter 1 of 2025/26.

The Executive Member for Financial Sustainability referred to paragraph 2.7 of the report which outlined the work being done to tackle outstanding debt. He said that debt aged over 180 days stood at £2.27 million, with a few key accounts responsible for at least half of this.

The Executive Member for Financial Sustainability said that the mitigations being considered for the overspend were discussed at paragraphs 2.8 – 2.11 of the report.

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

Councillor Deering referred to the council's debt, saying

that this was significant and old, and asked what was being done to address this, and how procedures would be improved to avoid debt occurring in the first place.

The Executive Member for Financial Sustainability said that the detail of the debt was being looked at. He said that key accounts had been identified for around half of the total debt, but there were delicate issues surrounding some of these. He said that a dedicated team was now in place to deal with debt, but this was an ongoing project which would take time and would prioritise large debts first. He added that transformation, in the shape of automated payments, would help.

The Interim Head of Strategic Finance said that direct debit collection would be used for the garden waste charge, and that this could be extended to other services to enable payments upfront or when due, and flag problems more quickly.

Councillor Deering asked how long the debt team had been in place and when it was constituted.

The Executive Member for Financial Sustainability said that the team was put in place approximately 4/5 months ago under the previous Section 151 Officer. He said that training of the team was ongoing with the help of the Interim Head of Strategic Finance.

The Interim Head of Strategic Finance said that he had been working with the Debt Team Leader since November 2024, and that a forensic examination of the debt was being undertaken, with data collated. He said that there would be debt written off, but that he had seen improvements in the team, with old debt now being recovered due to new working methods.

Councillor Deering said that he accepted that new processes were now underway, but he was concerned at the delay between the election and the debt team being put together. He asked how much of the £2.8 million debt

would be classified as bad debt.

The Interim Head of Strategic Finance said that there was a £900,000 provision for bad debt in the accounts, but he expected more, He said that an exact figure could not yet be given as this was still being worked through.

Councillor Willcocks referred to the rise in the cost of BEAM's domestic rates and asked why this increase was sevenfold.

The Executive Member for Financial Sustainability said that the increase was due to the rates review, and that the figure was the best available estimate as no final settlement had been given. He said that there were some plans for authorities to appeal the rates.

The Interim Head of Strategic Finance said that the figure of £200,000 was the best guess post advice, with the earlier figure used underestimated.

Councillor Nicholls asked how much of the debt was estimated to be due to incorrect invoices etc.

The Interim Head of Strategic Finance said that this was trying to be established, and that there were no current figures. He said it was estimated that £200,000 of debt should possibly not have been raised.

Councillor Nicholls asked for further information as to how the net cost of services had increased, referring to the increase in centrally managed costs from £97,000 to £686,000, and the increase of £249,000 for Communication, Strategy and Policy.

The Interim Head of Strategic Finance said that he would obtain and provide this detail for Councillor Nicholls. The Executive Member for Financial Sustainability said that key variants could be found in Appendix C of the report.

Councillor Deering referred to Appendix C of the report

and asked why the council retained £300,000 of business rates and utilities liabilities for Charringtons House post its disposal.

The Executive Member for Financial Sustainability said that the council was advised that it would no longer be liable for business rates once the development agreement was signed. He said that this original information was not accurate, for which he apologised.

Councillor Willcocks asked for further clarity regarding the IT infrastructure at BEAM.

The Executive Member for Financial Sustainability said that once Wi-Fi was in place at BEAM there would no longer be the need for overnight security at the venue. He said that he would follow up on this issue.

Mr Sharman asked for implications of the savings proposals being less than anticipated, in particular the overspend of £1 million so close to year end. He also referred to the department forecasting changes from Quarter 2 to Quarter 3 and asked how good the council's forecasting skills were.

The Executive Member for Financial Sustainability said that while savings had not been achieved, many were still likely next year, therefore being delayed and not cancelled. He said that more focus was being placed on these savings, with Leadership Team meeting fortnightly to keep them on track. He said that the overspend would come from the council's reserves, and that forecasting was challenging.

The Interim Head of Strategic Finance said that mitigations, the accounting policies, and advice from Arlingclose would also help going forward. He said that he could see areas for improvements, but a good process was evolving. He added that as the year moved on information would become more accurate.

Mr Sharman said this was encouraging, especially as culture change in an organisation was difficult. He said that unforeseen things did happen and that there was no implication of mismanagement. He said that a contingency was needed for headroom when things went in the wrong direction.

Councillor Hart questioned how realistic the anticipated savings were, asking if these were always unachievable.

The Executive Member for Financial Sustainability said that this was a good point, but savings targets were agreed in advance with Heads of Service. He said the targets required close management to enable mitigation at the earliest opportunity.

The Interim Head of Strategic Finance said that some of last year's targets were too ambitious, but there were now new steps in place with Leadership Team for robust monitoring.

Councillor Deering said that the perception was that East Herts was adrift on its savings targets, which was concerning. He reiterated that Leadership Team needed to ensure delivery of the targets.

The Interim Head of Strategic Finance said that Leadership Team were taking ownership of the targets, taking robust steps to ensure that these were achievable.

The Chair asked if the council's debt had stopped it being able to do anything tangible.

The Executive Member for Financial Sustainability said that it had not. The Interim Head of Strategic Finance agreed, he said that it would be preferable for the council to not have debt, as this would mean less borrowing and less interest costs.

It was moved by Councillor Nicholls and seconded by Councillor Willcocks, that the recommendations, as

detailed, be approved. After being put to the meeting and a vote taken, this motion was declared CARRIED. It was noted that Councillor Deering abstained from the vote.

RESOLVED – that (A) the reasons for the net revenue budget end of year projected overspend of £955k be considered: and.

B) that the capital programme forecast outturn of £9.083m, carry forward of £7.835m be considered.

339 TREASURY MANAGEMENT MID-YEAR REVIEW 2024/25

The Interim Head of Strategic Finance introduced the report which was the mid-year treasury management review and prudential indicators for 2024/25. He highlighted the key issues of the report, noting that the council's total borrowing on 30 September 2024 was £46.5 million, with investments of £19 million, giving net borrowing of £27.5 million – almost all of which was now short term.

The Executive Member for Financial Sustainability said that the report also showed the reduction in property investments as the Loftbury fund was gradually being wound up, and the council's second fund, Hermes was likely to see changes in the next few months. The latter giving the possibility for the council to get the majority of its investment back.

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

Mr Sharman said that he found the report difficult to understand and suggested that the inclusion of an executive summary which gave key points at its outset would be helpful.

The Interim Head of Strategic Finance said that the inclusion of key points would be considered going forward.

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

RESOLVED – that (A) Members examine and comment on the Mid-Year Treasury Management Review and Prudential Indicators for 2024/25.

340 CORPORATE PROCUREMENT STRATEGY 2025-2030

The Executive Member for Financial Sustainability introduced the report which detailed the council's new procurement strategy. He said that East Herts previously followed the National Procurement Strategy for Local Government 2022, and that the new strategy was underpinned by the Procurement Act 2023, which came into force in February 2025.

The Executive Member for Financial Sustainability said that the new act reformed the existing procurement rules, focussing on cutting red tape, supporting innovation, and improving transparency, which meant that everyone would have access to public procurement data. He said that the new act also simplified the process of working with the public sector, supporting more small businesses to bid for contracts, and aligning with the council's LEAF priorities.

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

Councillor Nicholls said that it was really good to see the new policies alignment with the council's LEAF corporate strategy, especially with regards to transparency as this would help to dispel talk of 'brown envelopes'. She asked if the new policy would involve more checks and balances, thus creating a longer procurement process.

The Interim Head of Strategic Finance said that the new

process would be different, not longer, with the open market allowing smaller companies to bid.

Councillor Willcocks referred to residents' comments regarding the waste centre in Bishop's Stortford and said it would be good for the council to give a better explanation of how money was spent.

The Executive Member for Financial Sustainability said that better/more council communication could be considered, to include social media. He said that the ground markings at the Bishop's Stortford waste centre were however the responsibility of Hertfordshire County Council.

Councillor Nicholls asked for further clarity on the strategy's formula, and how it would offset each of the five principal elements.

The Interim Head of Strategic Finance said that different ratings would be applied, and so the lowest price did not have to be the only factor when bidding.

Councillor Deering asked if the primary reason for the new policy was the new act which came into force in 2025.

The Interim Head of Strategic Finance said this was the exact reason, and this was also good for the council's policy.

Mr Sharman said that cost versus other criteria was linked to good process, and the capability for officers to be able to assess and judge. He said that the contract process could be difficult, which made it unattractive to small companies.

The Interim Head of Strategic Finance said that the council had a good shared service procurement team, who were appropriately resourced and professional in their approach.

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

RESOLVED – that (A) the draft Corporate Procurement Strategy 2025-2030 and actions within it as set out in Appendix A be reviewed and the Executive advised of any significant issues.

341 2023/2024 ACCOUNTING POLICIES

The Executive Member for Financial Sustainability introduced the report which detailed a proposed change to the accounting policy, which would allow the capitalisation of interest during construction.

The Executive Member for Financial Sustainability referred to paragraph 2.4 of the report which detailed the amount of interest that could be capitalised from each of the councils' major construction projects, this totalled £1.358 million. He said of this, £340,000 could be applied to the current year, with a further £1.017 million being capitalised in 2023/24, which if appropriate could be moved into the Interest Equalisation Reserve.

The Executive Member for Financial Sustainability said that minimum revenue provision charges would increase slightly in future years to consider the increase in asset value.

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

Councillor Nicholls asked if there were any drawbacks to the policy change.

The Interim Head of Strategic Finance said that there were no drawbacks. He said that the minimum revenue provision would increase over the life of the asset.

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

RESOLVED – that (A) the Committee reviews the inclusion of a new Accounting Policy that allows the capitalisation of interest during construction: and

B) that the effect that this change in Accounting Policy will have on the associated values of relevant assets and the interest charged in 2023/24 to the CIES are noted.

342 SHARED ANTI-FRAUD SERVICE - PROGRESS REPORT 2024/2025

The Head of the Shared Anti-Fraud Service introduced the report which was an update to the Anti-Fraud Plan for the current year. He referred to page 2 of the report and said that in collaboration with the former Head of Strategic Finance and Property the planned review of policies had been pushed into next year. He also drew Members attention to several key points:

- 35 urgent fraud alerts had been issued for the period April 2024 – December 2024.
- 4 detailed reports had been issued for the above period, relating to multiple employment fraud, ID fraud, 'deliberate' overpayments – linked to money laundering, and MS account takeovers.
- Training had been planned and delivered (as detailed in the report).
- 77 referrals had been received for the above period, to include allegations of housing, Council Tax and Blue Badge fraud.
- 9 cases had been closed – from those closed and those still under investigation £317,000 in fraud loss was reported, with a further £89,000 of fraud loss

prevented. 2 of these cases pertained to long period Housing Benefit fraud and involved work with the Department for Work and Pensions (DWP).

Prosecutions for these cases was being considered.

- National Fraud Initiative (NFI) – data matched and under review.
- Fraud Hub – slower process due to limited resources, but urgent matters prioritised.
- Council Tax Review – fully funded by Hertfordshire County Council
- Empty Homes Review – enabling recovered properties to be re-let to those on the council's housing register.
- Key Performance Indicators (KPIs) – all 6 on target, except for 3A - due to a lack of reporting function on the SAFS case management system.

The Chair thanked the Head of the Shared Anti-Fraud Service for his report.

The Executive Member for Financial Sustainability asked what the recovery rate for fraud was.

The Head of the Shared Anti-Fraud Service said that in relation to Housing Benefit, 40% was clawed back immediately via subsidy. He said that unfortunately recovery would generally be from individuals who did not have much money. He added that East Herts' collection rate for Council Tax was excellent.

The Chair asked if the use of artificial intelligence (AI) in fraud was widespread.

The Head of the Shared Anti-Fraud Service said that this was seen in tenancy fraud, and although the council did not have its own housing stock, detection of this type of fraud did free up stock for its housing register. He said that AI was being developed with the Shared IT Service, to verify who a person was at the front end of services, which would cascade down and divert to SAFS if a possible fraud was detected.

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

343 SHARED ANTI-FRAUD SERVICE - ANTI-FRAUD PLAN
2025/2026

The Head of the Shared Anti-Fraud Service introduced the report which set out the Anti-Fraud Plan for 2025/26, establishing a plan for resources. He said that the risk of fraud was significant for local authorities, and it was important to be aware of how fraud was changing. He added that the plan was based on best practice, including guidance from the Local Government Association (LGA) and The Chartered Institute of Public Finance (CIPFA).

The Head of the Shared Anti-Fraud Service said that the plan had been developed over several years of working with East Herts, with an increase in fees of 4% agreed by the board on which the former Head of Strategic Finance and Property sat (and which the Interim Head of Strategic Finance would now attend). He said that the amount of service days would rise from 267 to 300 following several SAFS apprenticeships coming to end, which made the 4% fee increase good value for money.

The Head of the Shared Anti-Fraud Service said that as discussed in the previous agenda item, KPI 3A would be tweaked. He however gave assurance to Members that triage on reports of fraud ensured high profile management.

The Chair thanked the Head of the Shared Anti-Fraud Service for the report.

It was moved by Councillor Deering 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 Anti-Fraud Plan 2025/26 be reviewed and approved.

344 AUDIT AND GOVERNANCE WORK PROGRAMME

The Interim Head of Strategic Finance introduced the report, which updated the Committee's work programme for the coming year based on current known events.

The Interim Head of Strategic Finance said that the council's previous auditors (EY LLP) were expected at the next meeting of the Committee, with their reports covering both 2021/22 and 2022/23. He said that there was an assumption that the accounts would be available by the end of June 2025, with a normal cycle of reporting to then return going forward.

The Chair thanked the Interim Head of Strategic Finance for the report.

Councillor Deering questioned EY attending the next meeting of the Committee, as they had been unhelpful during their previous appearance.

The Interim Head of Strategic Finance said that it was hoped that EY would talk Members through their reports. He said that EY also intended on issuing the council with a statutory notice, for which they would give an explanation and answer Members questions.

Councillor Nicholls noted the gap between the meeting of the Committee in May 2025 and September 2025, and asked if this was too long, with the number of items on each meeting's agenda in mind.

The Interim Head of Strategic Finance said that this could be looked at, pending availability, but it was hoped that matters would become more manageable once the audit cycle had caught up.

Mr Sharman thanked the Interim Head of Strategic Finance for his work, and said that a catch up would be good, but was dependent on the auditor. He said that the work programme looked better for 2026.

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

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

(B) that any training requirements be specified.

345 URGENT ITEMS

There were no urgent items.

The meeting closed at 8.14 pm

Chairman

Date