



NORTH HERTFORDSHIRE DISTRICT COUNCIL

23 August 2024

Our Ref Finance, Audit and Risk Committee 4
September 2024
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To: Members of the Committee Councillors: Sean Nolan (Chair), Vijaiya Poopalasingham (Vice-Chair), Tina Bhartwas, Ruth Brown, Dominic Griffiths, Steven Patmore, Paul Ward and Stewart Willoughby

Substitute Councillors: Cathy Brownjohn, Sam Collins, Nigel Mason, Caroline McDonnell, Ralph Muncer, Claire Strong, Claire Winchester and Daniel Wright-Mason

Independent Member: John Cannon *Non-voting advisory role*

NOTICE IS HEREBY GIVEN OF A

MEETING OF THE FINANCE, AUDIT AND RISK COMMITTEE

to be held in the

**COUNCIL CHAMBER, DISTRICT COUNCIL OFFICES,
LETCWORTH GARDEN CITY, SG6 3JF**

On

WEDNESDAY, 4TH SEPTEMBER, 2024 AT 7.30 PM

Yours sincerely,

Jeanette Thompson
Service Director – Legal and Community

****MEMBERS PLEASE ENSURE THAT YOU DOWNLOAD ALL AGENDAS AND REPORTS VIA THE MOD.GOV APPLICATION ON YOUR TABLET BEFORE ATTENDING THE MEETING****

Agenda Part I

Item		Page
1. APOLOGIES FOR ABSENCE	Members are required to notify any substitutions by midday on the day of the meeting. Late substitutions will not be accepted and Members attending as a substitute without having given the due notice will not be able to take part in the meeting.	
2. MINUTES - 19 JUNE 2024	To take as read and approve as a true record the minutes of the meeting of the Committee held on the 19 June 2024.	(Pages 5 - 20)
3. NOTIFICATION OF OTHER BUSINESS	Members should notify the Chair of other business which they wish to be discussed at the end of either Part I or Part II business set out in the agenda. They must state the circumstances which they consider justify the business being considered as a matter of urgency. The Chair will decide whether any item(s) raised will be considered.	
4. CHAIR'S ANNOUNCEMENTS	Members are reminded that any declarations of interest in respect of any business set out in the agenda, should be declared as either a Disclosable Pecuniary Interest or Declarable Interest and are required to notify the Chair of the nature of any interest declared at the commencement of the relevant item on the agenda. Members declaring a Disclosable Pecuniary Interest must withdraw from the meeting for the duration of the item. Members declaring a Declarable Interest, wishing to exercise a 'Councillor Speaking Right', must declare this at the same time as the interest, move to the public area before speaking to the item and then must leave the room before the debate and vote.	
5. PUBLIC PARTICIPATION	To receive petitions, comments and questions from the public.	
6. SAFS ANNUAL REPORT 2023-24	REPORT OF THE SHARED ANTI-FRAUD SERVICE (SAFS)	(Pages 21 - 36)
	A report providing details of the work undertaken by the Council and the Shared Anti-Fraud Service to protect the Council against the threat of fraud and the delivery of the Council's Anti-Fraud Action Plan for 2023-24.	

7. **SAFS ANTI-FRAUD PROGRESS REPORT 2024-25** (Pages
REPORT OF THE SHARED ANTI-FRAUD SERVICE (SAFS) 37 - 42)
- To review the progress and delivery of the Anti-Fraud plan 2024-25.
8. **SIAS ANNUAL REPORT 2023-24** (Pages
REPORT OF THE SHARED INTERNAL AUDIT SERVICE 43 - 56)
- To receive the SIAS Annual Report 2023- 2024.
9. **SIAS PROGRESS REPORT 2024-25** (Pages
REPORT OF THE SHARED INTERNAL AUDIT SERVICE 57 - 78)
- To receive the Internal Audit Service progress report 2024-25 of the SIAS.
10. **UPDATED CONTRACT PROCUREMENT RULES FOR 2024-25** (Pages
REPORT OF THE CONTROLS RISK & PERFORMANCE MANAGER 79 - 124)
- This report sets out the proposed changes to the Contract Procurement Rules for review.
11. **MEDIUM TERM FINANCIAL STRATEGY 2025-30** (Pages
REPORT OF THE SERVICE DIRECTOR – RESOURCES 125 -
142)
- To consider the Medium Term Financial Strategy.
12. **FIRST QUARTER REVENUE BUDGET MONITORING 2024/25** (Pages
REPORT OF THE SERVICE DIRECTOR RESOURCES 143 -
154)
- To consider the first quarter revenue budget monitoring 2024/25 report.
13. **FIRST QUARTER INVESTMENT STRATEGY (CAPITAL AND TREASURY)
REVIEW 2024/25** (Pages
REPORT OF THE SERVICE DIRECTOR – RESOURCES 155 -
180)
- To receive an update on progress with delivering the capital and treasury strategy for 2024/25, as at the end of June 2024.
14. **POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS**
The Chair to lead a discussion regarding possible agenda items for future meetings.

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Public Document Pack Agenda Item 2

NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE COUNCIL CHAMBER, DISTRICT COUNCIL OFFICES,
LETCWORTH GARDEN CITY, SG6 3JF
ON WEDNESDAY, 19TH JUNE, 2024 AT 7.30 PM

MINUTES

Present: *Councillors: Sean Nolan (Chair), Vijaiya Poopalasingham (Vice-Chair), Steven Patmore, Paul Ward, Stewart Willoughby and Daniel Wright-Mason.*

John Cannon (Independent Member) Non-voting advisory role.

In Attendance: *Georgina Chapman (Policy & Strategy Team Leader), Ian Couper (Service Director - Resources), Caroline Jenkins (Committee, Member and Scrutiny Officer), Sarah Kingsley (Service Director - Place) and Sjanet Wickenden (Committee, Member and Scrutiny Officer).*

Other Presenters: *Chris Wood (Head of Assurance Services (HCC) & Client Audit Manager (NHDC)), Debbie Hanson (Ernst and Young) and Jessica Hargreaves (KPMG).*

Also Present: *There were no members of the public present.*

1 APOLOGIES FOR ABSENCE

Audio recording – 2 minutes 10 seconds

Apologies for absences were received from Councillor Tina Bhartwas and Ruth Brown.

Having given due notice Councillor Daniel Wright-Mason substituted for Councillor Tina Bhartwas.

Councillor Dominic Griffiths was absent.

2 MINUTES - 13 MARCH 2024

Audio Recording – 2 minutes 35 seconds

Councillor Sean Nolan, as Chair, proposed and Councillor Vijaiya Poopalasingham seconded and, following a vote, it was:

RESOLVED: That the Minutes of the Meeting of the Committee held on 13 March 2024 be approved as a true record of the proceedings and be signed by the Chair.

3 NOTIFICATION OF OTHER BUSINESS

Audio recording – 4 minutes 7 seconds

There was no other business notified.

4 CHAIR'S ANNOUNCEMENTS

Audio recording – 4 minutes 15 seconds

- (1) The Chair advised that, in accordance with Council Policy, the meeting would be recorded.
- (2) The Chair drew attention to the item on the agenda front pages regarding Declarations of Interest and reminded Members that, in line with the Code of Conduct, any Declarations of Interest needed to be declared immediately prior to the item in question.
- (3) The Chair advised that section 4.8.23(a) of the Constitution did not apply to this meeting.
- (4) The Chair advised a change in the order of the agenda. Agenda item 12 Finance, Audit and Risk Committee Annual Report 2023-24 would be considered after Agenda item 5.

5 PUBLIC PARTICIPATION

Audio recording – 5 minutes 13 seconds

There was no public participation at this meeting.

6 FINANCE, AUDIT AND RISK COMMITTEE ANNUAL REPORT 2023-24

Audio recording – 5 minutes 40 seconds

The Service Director – Resources presented the report entitled 'Finance, Audit and Risk Committee Annual Report 2023-24' and highlighted that:

- The report provided Council with a performance overview of the Finance, Audit and Risk Committee (FAR) for the civic year 2023-24.
- The report described the role of the Committee, with the main achievements for 2023-24, being the approval of the accounts for 2021-22 and the report regarding the external audit backlog.
- There was a national backlog of external audits, partly due to the strengthening of the rules and regulations of the Financial Reporting Council after recent failures at both companies and public organisations and this had meant more detailed work was required.
- The audit sector had been experiencing resourcing issues both within their teams and at various Councils and this had impacted on the backlog. North Herts had a backlog of 1 year and a stable team available to assist with the accounts.
- In January 2024 there had been a proposal to resolve the backlog and introduce backstop dates for approval of accounts. It was proposed that for all years up 2022-23 that any remaining accounts would be approved at the end of September 2024, even if the audit work was not fully completed, with further backstop dates being put in place for future years.
- The approval of an uncompleted account would lead to extra work for the subsequent audit year and this would lead to an increase in auditor fees.
- This backstop date was now uncertain as the legislation was stalled following the dissolution of Parliament ahead of the General Election.
- The proposed reporting dates for 2024-25 were listed on page 184 of the report, however these were now likely to change due to the delays in passing the legislation.
- The Annual Governance Statement (AGS) was linked to the statement of accounts, and this was now likely to be presented at a later date.
- Amendments to the table on page 184 of the report would be made prior to this report being presented to the July Council meeting.
- Ernst and Young were auditors for the Council for Civic Year 2022-23.

- KPMG were now the auditors for the Financial year 2023-24 onwards.
- This Committee set the internal audit plan at the end of each financial year and monitored the progress of the plan throughout the year.
- The Shared Anti-Fraud Service (SAFS) were a shared service hosted by the County Council with the aim to investigate, prevent and detect fraud from staff and the public. SAFS used specialist staff, data bases and information to investigate fraud, SAFS also provided information regarding the prevention of fraud.
- Throughout the year key financial and risk reports were presented to FAR. The Committee were then able to question the Officer, focusing on financial elements and controls and comment on the report prior to the item being referred to Cabinet.
- The Committee received the draft budget setting report to its January meeting for the following Civic Year and looked at the Medium-term Financial Strategy at the November meeting.
- The table on page 182 of the report detailed the reports the Committee received in the Civic Year 2023-24.
- The peer support recommendations for the Committee were highlighted on pages 180 and 181 of the report with the appropriate action points.
- This report belonged to the Chair of the Committee.

The Chair, Councillor Sean Nolan, noted his thanks to the internal auditors, external auditors and Officers for their support over the year and to previous Committee Members for their input and service.

In response to a question from Councillor Paul Ward, the Service Director – Resources advised:

- There had been no impact on staffing levels in relation to the backstop audits, however the timings of the work had moved slightly.
- The backstop fees for the 2022-23 audit were as yet unknown, but as this was a limited scope audit with less work involved, it was anticipated that these would be less than previously forecasted. However the new auditors KPMG would be required to complete more work than previously expected due to this limited scope backstop audit.

Councillor Stewart Willoughby proposed and Councillor Paul Ward seconded and, following a vote, it was:

RESOLVED: That the Committee considered and commented on the Annual Report of the Finance, Audit and Risk Committee as attached at Appendix A and noted that there may be delays to some of the Planned Work for 2024-25, detailed on page 184, and this would be updated by the Service Director – Resources.

RECOMMENDED TO COUNCIL: The Annual Report of the Finance, Audit and Risk Committee (as amended) be noted.

REASON FOR RECOMMENDATION: To enable the Committee to consider the report before it is presented to Full Council. To provide Full Council with assurance as to the effectiveness of the Finance, Audit and Risk Committee.

7 VALUE FOR MONEY INTERIM REPORT 22/23 (ERNST AND YOUNG)

Audio recording – 19 minutes 2 seconds

Debbie Hanson, Ernst & Young, presented the report 'Value for Money Interim Report 2022-23' and highlighted that:

- This report was noted as interim and could not be concluded until an audit opinion could be issued on the financial statement for 2022-23.
- The financial statements for 2022-23 were likely to be a modified opinion with a disclaimer of opinion due to the statutory backstop.
- This would not be a reflection on the Councils arrangements as the disclaimer would be due to the statutory legislation to clear the audit backlogs.
- The Value for Money report commentary would form part of the Auditors Annual Report, and it was not expected to differ significantly from this interim report.
- The National Audit Office (NAO) code required three key areas to be considered for Value for Money arrangement namely, financial sustainability, Governance arrangements and the arrangements of the Council to make economic, efficient and effective use of resources.
- As part of the assessment process, Ernst and Young were required to identify any risks or weaknesses. None were identified and Ernst and Young were satisfied with the arrangements of the Council in the three key areas.
- There were significant challenges facing Local authorities and it was important that the Council focused on delivering savings, bridging any budget gaps, ensuring that there was an appropriate level of reserves, and that the Section 151 Officer reported any reliance on using the reserves.
- There had been an internal audit review and a peer review that had highlighted some area of improvement regarding the Committees of the Council. Training had been undertaken to strengthen these areas.
- The internal auditors had given a reasonable assurance opinion on the 2022-23 controls, and governance framework that were in place.
- Checks had been made regarding the disclosure requirements of the 2022-23 financial statement and included that cash and banking reconciliations were taking place. Ernst and Young were satisfied with the arrangements.
- There were queries regarding the accounting classification of the Churchgate centre, currently classed as an investment property, and work was ongoing within the Council to consider this matter. This was a technical accounting area and did not raise any concerns in relation to governance.
- Performance indicators were in place to report and monitor the economy, efficiency and effectiveness of the Council.
- The Council had procurement arrangements in place and had partnership working arrangement with other local authorities.

In response to a question from the Independent Member, the Service Director – Resources stated that a professional valuer would have been used for the Churchgate centre and the valuation was based on the income stream generated. If the project was reclassified it was not expected to have any significant impact on the valuation but a different valuation basis may be used. This work was ongoing and would be resolved shortly.

In response to a question from the Independent Member, Ms Hanson advised that the asset may have a different value depending on the classification applied to the property and therefore the resulting valuation approach, but this had not been confirmed.

Councillor Daniel Wright-Mason proposed and Councillor Stewart Willoughby seconded and, following a vote, it was:

RESOLVED: That the Value for Money Interim Report 22/23 from Ernst and Young was noted.

REASON FOR DECISION: To enable the Committee to be provided with information on the work undertaken by the Auditors Ernst and Young and to highlight any significant weaknesses identified along with recommendations for improvement.

8 EXTERNAL AUDIT PLAN & STRATEGY 23/24 (KPMG)

Audio recording – 28 minutes 38 seconds

Jessica Hargreaves KPMG, introduced the report titled 'External Audit Plan & Strategy 2023-24' and highlighted that:

- This was the first year that KPMG had audited the Council and the report contained the plan and strategy.
- Work was unable to commence on the financial statement 2023-24 until the audit for 2022-23 had been completed, however planning and risk assessment work had commenced. KPMG would be ready to commence the 2023-24 audit when Ernst and Young had completed the 2022-23 audit.
- Materiality levels would be set at an expected limit of 3% of the forecasted expenditure, namely £1.85M, and items above this limit would be required to be changed by Council following any discussion and debate.
- A triviality threshold had been set at £92,500, which was calculated as 5% of the materiality threshold, any differences identified above this limited would be highlighted in the year-end report to the Committee.
- The report identified four significant risks and these were detailed on page 43 of the report.
- The valuation of land and buildings was considered as a significant risk due to the estimation and assumptions of the valuation. Work was ongoing to understand the methodology underpinning the valuations and the supporting data.
- The valuation of investment properties was identified as a significant risk as there were a different set of assumptions used depending on the different classifications of each property.
- The management override of control was recognised as a significant risk on all KPMG audits, and focused on journal entries on the general ledger system and that these were relevant and appropriate.
- The valuation of the Pension Scheme was the last identified significant risk, due to the valuation and estimates applied.
- The consideration of fraudulent revenue risk was required by the Professional Standards but had been rebutted due to the nature of income of the Council.
- The approach for the Value for Money reporting was outlined on page 55 of the report and differed slightly from the approach of Ernst and Young.
- Key members of the audit team and an anticipated timetable to complete the audit was listed on page 57 and 58 of the report.
- A confirmation of independence was noted on page 61 of the report.
- KPMG had been asked to undertake a Housing Benefit Grant Certification, and discussions had commenced regarding this matter and the fees associated with the work.
- This was a draft plan and was awaiting confirmation after a consultation.

In response to a question from Councillor Sean Nolan, Ms Hargreaves advised that there was a benchmark range for the entity materiality measure and the 3% level was within this range.

Councillor Vijaiya Poopalasingham proposed and Councillor Paul Ward seconded and, following a vote, it was:

RESOLVED: That the draft Audit Plan for 23/24 was noted.

REASON FOR DECISION: To enable the Committee to be provided with the outlined approach by KPMG to the audit of the Council's financial statements for the year ending 31 March 2024.

9 **SIAS ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT ANNUAL REPORT 2023-24**

Audio recording – 38 minutes 32 seconds

The Head of Assurance presented the report entitled 'SIAS Annual Assurance Statement and Internal Audit Annual Report 2023-24' and highlighted that:

- An annual assurance opinion is issued every year based on the internal audit work plan, this was approved by the Committee each March and updates on the delivery of the internal audit plan were given to the Committee four times per year.
- Each individual audit in the internal audit plan receives an audit opinion, and the year-end report confirms the overall assurance opinion for the Council. This year the assurance opinion was reasonable overall assurance.
- There had been three limited assurance opinions this year and three high priority recommendation, however these did not affect the overall assurance opinion.
- The Council has a strong culture around implementing its high priority recommendations and these were highlighted on page 79 of the report.
- SIAS confirmed their independence as required by the Public Sector Internal Audit Standards and confirmed that the scope and resources for internal audit were not subject to inappropriate limitations in 2023/24.
- SIAS are required to complete a self-assessment review under the Public Sector Internal Audit Standards (PSIAS), the result was 'generally conforms' the highest possible rating. Every five year an external assessment was required by the PSIAS.
- SIAS were required by the PSIAS to report any non-conformances to the Committee. There were two non-conformances and these related to the shared service arrangements.
- The Committee were required to approve the audit charter in appendix D of the report. The audit charter was owned and approved by the Committee on behalf of the authority as part of their role to support good governance and the roles and responsibilities of internal audit.
- The audit charter was prepared adhering to the Global Internal Audit Standards.

The Service Director – Resources provided management assurances that the scope and resources for internal audit were not subject to inappropriate limitations in 2023/24. SIAS were encouraged to look at areas of concern to ensure the maximum value for the Council.

In response to a question from Councillor Paul Ward, the Head of Assurance advised that assurance on the implementation status and completion of reported high priority recommendations comes from responsible Officers accounting for this in a public report and Member forum. Periodic reviews were undertaken of the evidence and if required the auditors would revisit those areas, to confirm implementation.

Councillor Vijaiya Poopalasingham proposed and Councillor Daniel Wright-Mason seconded and, following a vote, it was:

RESOLVED: That the Finance, Audit and Risk Committee:

- (1) Noted the Annual Assurance Statement and Internal Audit Annual Report.
- (2) Noted the results of the self-assessment required by the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance and Improvement Programme (QAIP).
- (3) Approved the Shared Internal Audit Service Audit Charter for 2024/25.
- (4) Received management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2023/24.

REASON FOR DECISION: To enable the Committee to be provided with the ails the Shared Internal Audit Service's overall opinion on the adequacy and effectiveness of North Herts Council's framework of governance, risk management and control.

10 DRAFT ANNUAL GOVERNANCE STATEMENT 2023/24

Audio recording – 49 minutes 57 seconds

The Policy and Strategy Team Leader presented the report entitled 'Draft Annual Governance Statement 2023-24' and highlighted that:

- It was a requirement of the Committee to approve the Annual Governance Statement (AGS) for 2023-24 which included an action plan for the year 2024-25.
- The Committee were asked to consider this draft version of the AGS and to provide comments on the effectiveness of the statements, governance and internal controls.
- SIAS, Shared Anti-Fraud Services (SAFS) and KPMG would also review and comment on the draft version.
- The Leadership Team reviewed the scorings of the effectiveness, governance and the internal controls, based on the Local Code of Governance principles A to G, and based on the CIPFA/SOLACE Framework Delivering Good Governance in Local Government 2016 Edition principles.
- The final version of the AGS would be presented to the Committee after the statement of accounts for 2023-24 had been prepared as per CIPFA/SOLACE guidelines.
- Once approved the AGS self-assessment documents would be published on the Corporate Governance webpage.
- Work would commence on the action plan detailed on page 115 of the report.
- The Action plan would; monitor the success of the Members Induction Programme 2024, evaluate Officers uptake of essential training and provide updates when the completion rate was below 75%, improve the oversight of cyber security risks and develop controls or actions, provide residents with an opportunity to engage through the Budget Hub platform, develop an action plan for the recommendations of the Corporate Peer challenge, provide actions regarding the Social Value from the procurement process and the collecting of information around Social Value, develop reporting on Social Value and review the organisation structure of the Council plan under the new 4 year administration.
- The review found no significant governance issues and the leadership self-assessment document proposed an assurance level of 'substantial'.

The following Members asked questions:

- Councillor Sean Nolan
- Independent Member John Cannon

In response to questions the Policy and Strategy Team Leader advised that:

- Further details regarding the Information Commissioners Office (ICO) case would be sent outside of this meeting.
- The wording on Principle E on page 111 of the report can be reviewed.

Councillor Paul Ward proposed and Councillor Daniel Wright-Mason seconded and, following a vote, it was:

RESOLVED: That the Committee reviewed and commented on the draft Annual Governance Statement Action Plan that would be finalised for approval once the Council's External Audit had been completed.

REASON FOR DECISION: The Committee is the legal body with responsibility for approval of the Annual Governance Statement. Reporting the draft Annual Governance Statement and Action Plan at this stage provides an opportunity for the Committee to assess and comment on the draft, before it is finalised and brought back for approval.

11 REVENUE BUDGET OUTTURN 2023/24

Audio recording – 57 minutes 9 seconds

The Service Director – Resources presented the report entitled 'Revenue Budget Outturn 2023/24 and highlighted that:

- The report highlighted the year end 2023-24 position of the Revenue Budget however, the data was subject to audit and there may be some amendments as a result of the audit process.
- Table 4 of the report highlights the budget areas with significant variances to the forecasted position at year end, again these figures were subject to audit changes.
- The third item on table 3 related to the External Audit Fees, with a value for the additional audit fees and an estimated ongoing impact of these fees.
- The key sources of income were highlighted in table 5 of the report on page 129, these sources were monitored throughout the year and are linked to performance indicators and usage.
- Table 6 highlighted the areas that had not achieved the expected budget income.
- There was an assumption made at the beginning of 2023/24 that the interest rate would drop, as they rate remained stable at 5% there had been an increase in the General Fund balance as stated on page 131 of the report.
- The appendix on page 135 detailed the significant revenue budget variances.
- The report was to be referred to Cabinet and Council to agree the transfers to the General Fund and the earmarked reserves.
- There were reserves set aside to purchase new waste vehicles for the new waste contract in May 2025.
- The DLUHC Grant Reserves related to compensation received from policy decision on Business Rates and any surplus gains from pooling Business Rates. This helped to mitigate any timing impacts risks.
- Overtime any surplus reserve funds were released into the General Fund and this helped to balance the uncertainty of the Business rates income.

The following Members asked questions:

- Councillor Paul Ward
- Councillor Daniel Wright-Mason
- Councillor Sean Nolan

In response to questions, the Service Director – Resources stated that:

- The treasury management budget was included in Managing Director total.
- In April 2024 there was a new contract for the Leisure Management Centre fees, and this alleviated any concerns going into 2024-25.
- The budget going forward for Car parking fees had been lowered (for 24/25 onwards) after the impact of post Covid changes and therefore next year this area was expected to be met.
- Planning application fees varied according to the size of the development, it was not currently considered as a concerning item.
- There had been some changes to Commercial waste, bin numbers were stable and overall, this was a small variance to monitor compared with the budgeted income.

- The thresholds for material concerns in relation to income could be changed, if this was agreed by the Finance, Audit and Risk Committee and Cabinet.
- The Car Parking Fee were the only item to receive new baselining.

Councillor Paul Ward proposed and Councillor Daniel Wright-Mason seconded, and following a vote, it was:

RESOLVED: That the Finance, Audit and Risk Committee provided comments and recommended to Cabinet the Revenue Budget Outturn 2023/24.

RECOMMENDATIONS TO CABINET:

- (1) That Cabinet note this report.
- (2) That Cabinet approves a decrease of £194k in the 2023/24 net General Fund expenditure, as identified in section 8 of the report, to a total of £16.494million.
- (3) That Cabinet approves the adjustments to the 2024/25 General Fund budget, as identified in table 4 and paragraph 8.3 of the report, a total £634k increase in net expenditure.

That Cabinet recommends to Council.

- (4) That Council approves the net transfer to earmarked reserves, as identified in table 9 of the report, of £2.028million.

REASONS FOR RECOMMENDATIONS:

- (1) Members are able to monitor, make adjustments within the overall budgetary framework and request appropriate action of Services who do not meet the budget targets set as part of the Corporate Business Planning process.
- (2) Changes to the Council's balances are monitored and approved.

12 INVESTMENT STRATEGY (CAPITAL AND TREASURY) END OF YEAR REVIEW 2023/24

Audio recording – 1 hour 11 minutes 24 seconds

N.B Councillor Paul Ward declared an interest and did not take part in the debate or vote on this item.

The Service Director – Resources presented the report entitled 'Investment Strategy (Capital and Treasury) End of Year Review' and highlighted that:

- The report monitored the spend on the capital programme and the investment of surplus cash.
- The movement of the capital programme over the last quarter was highlighted in Table 2 of the report.
- There were items that had not been completed or started as expected in the capital programme 2023 -24 and the Council were seeking approval to move these items into the capital programme 2024-25. The reasons for the delays were stated on page 141 of the report.
- In the last quarter there had been more cash to invest due to the delayed capital programme funds.
- Changes to the costs of the capital programme 2023-24 were detailed in table 3 of the report.
- Paragraph 8.6 of the report detailed the capital schemes completed in 2023-24.

- The funding details of the capital programme were stated at 8.7 of the report and included Section 106 money, reserves and grant funding.
- The Capital Reserves were running low and can only be used once. There was some land that could be sold, but this would generate only a small amount of reserves relative to the overall capital programme.
- It was anticipated that the Council would need to borrow fund in the next civic year and this was detailed in 8.9 of the report.
- The average return on investment over the year was 5.57%, new investment deals were now being offered at 5.34%, and all investments complied with the investment strategy.
- Lloyds bank were offering a call account with a 5% interest rate and no fees, this was an improvement on the 2% currently received for amounts in the current account. The risks had been assessed with the view that this was a viable option.

In response to a question from Councillor Sean Nolan, the Service Director – Resources stated that the risks for the Lloyds Call account were the same as all of the institutions and these were highlighted on page 171 of the report.

RESOLVED: That the Finance, Audit and Risk Committee provided comments and recommended to Cabinet the Investment Strategy (Capital and Treasury) End of Year Review 2023-24.

RECOMMENDATIONS TO CABINET:

- (1) That Cabinet notes expenditure of £2.409million in 2023/24 on the capital programme, paragraph 8.3 refers.
- (2) That Cabinet approves the adjustments to the capital programme for 2024/25 as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend by £2.655million and £0.193million in 2025/26.
- (3) That Cabinet notes the position of the availability of capital resources, as detailed in table 4 paragraph 8.7 of the report and the requirement to keep the capital programme under review for affordability.
- (4) That Cabinet approves the application of £1.313million of capital receipts/set aside towards the 2023/24 capital programme, paragraph 8.7 refers.
- (5) Cabinet is asked to note the position of Treasury Management activity as at the end of March 2024.
- (6) Cabinet is asked to recommend this report to Council and ask Council to:
 - 1) Approve the actual 2023/24 prudential and treasury indicators.
 - 2) Note the annual Treasury Report for 2023/24.
 - 3) Approve a change to the Investment Strategy allowing investments to be placed on Lloyds Call Account so the combined total of Current Account and Call Account is up to £5M.

REASONS FOR RECOMMENDATIONS:

- (1) Cabinet is required to approve adjustments to the capital programme and ensure the capital programme is fully funded.
- (2) To ensure the Council's continued compliance with CIPFA's code of practice on Treasury Management and the Local Government Act 2003 and that the Council manages its exposure to interest and capital risk.

13 ANNUAL REPORT ON RISK MANAGEMENT GOVERNANCE

Audio recording – 1 hour 29 minutes 8 seconds

The Service Director – Resources presented the report entitled 'Annual Report on Risk Management' and highlighted that:

- The Committee received two reports on risk management, a mid-year and an end of year report.
- Risk was an important part of governance, the report aimed to give the Committee an oversight of how risk management was operating in the Council.
- There was a risk management framework, with the definitions of likelihood and impact and this was detailed at 8.2.4 of the report.
- The corporate risks matrix for the year-end 2023-24 Council Delivery Plan, was shown at 8.25 of the report.
- There were 3 overarching risks that had effect on the delivery of any project namely, the financial sustainability of the Council, resourcing and cyber security.
- The resourcing risk related to staff recruitment and retention, and work was ongoing to make roles more attractive.
- Cyber security related to cyber-attacks and the potential impact of a successful attack and the significant effect this would have on the operation of the Council.
- The details of the year-end services risks could be found at 8.2.6 of the report.
- The details relating to how risks were reviewed were stated in 8.3 of the report, all risks had mitigation in place and the scores were reviewed on a regular basis.
- A horizon scanning project had been undertaken to look at future risks as detailed at 8.5.3 of the report.
- There were details of the insurance arrangements of the Council in paragraph 9 of the report.
- The report discussed Business Continuity and the processes put in place.
- Health and safety was a known risk, keeping people safe reduced their risks and those of the Council and this improved the potential of the Council to achieve the required outcomes.
- The risk management action plan for 2023-24 was detailed in paragraph 12 of the report with proposed actions for 2024-25 highlighted in paragraph 13.

The following Members asked questions:

- Councillor Daniel Wright-Mason
- Councillor Vijaiya Poopalasingham
- Councillor Paul Ward

In response to questions, the Service Director – Resources stated that:

- There had been risks associated with the Baldock fire, the recovery work, time and cost to make the area safe and these had been included within the report. It was noted that there was still a risk of fires happening in the district but as this was a remote possibility, the risk was not included in the register.
- Horizon scanning and post Brexit legislation details would be provided outside of this meeting.
- The current risk scores and their mitigation were shown at 8.25 of the report, more in-depth information could be supplied to future meetings in an appendix.

RESOLVED: That the Finance, Audit and Risk Committee noted and provided comments to Cabinet on this report

RECOMMENDATION TO CABINET: That Cabinet notes and provides comments to Council on this report.

REASONS FOR RECOMMENDATION:

- (1) The responsibility for ensuring the management of risks is that of Cabinet.
- (2) This Committee has responsibility to monitor the effective development and operation of Risk Management

14 EXCLUSION OF PRESS AND PUBLIC

Audio recording – 1 hour 54 minutes 25 seconds

Councillor Sean Nolan, as Chair, proposed and Councillor Vijaiya Poopalasingham seconded and, following a vote, it was:

RESOLVED: That under Section 100A of the Local Government Act 1972, the Press and Public be excluded from the meeting on the grounds that the following report will involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the said Act (as amended).

15 LEISURE INVESTMENT OPTIONS - PART 2

N.B. This item was considered in restricted session and therefore no recording is available.

RESOLVED: That the Finance, Audit and Risk Committee provided comments and recommended to Cabinet the Leisure Investment Options – Part 2.

RECOMMENDATIONS TO CABINET: That the Part 2 report is considered when reaching the decisions detailed in Part 1.

REASON FOR RECOMMENDATION: As detailed in the Part 1 report.

16 LEISURE INVESTMENT OPTIONS - PART 1

Audio Recording – 2 hours 12 minutes and 26 seconds

The Executive Member for Finance and IT presented the report 'Leisure Investments and Decarbonisation Project Part 1' and advised that:

- Funding of £7.7M had been secured from the Public Sector Decarbonisation Scheme in February 2024 for the decarbonisation of our leisure centres.
- The Council had previously agreed £3.06M of match funding.
- There would be a reduction of over 60% on carbon dioxide emissions for the three leisure centres, assisting the Council in meeting its target of being carbon neutral by 2030.
- Willmott Dixon had been commissioned to carry out feasibility studies as detailed in paragraph 8.6 of the report.
- There was a termination fee for the Combined Heat and Power (CHP) units as highlighted in paragraph 8.10.

- Willmott Dixon also considered the feasibility of the Royston Gym extension and the Learner Pool, with both being built to net zero carbon standards, and this was detailed in paragraph 8.15 of the report.
- There was a positive business case for the Royston Gym extension.
- There were strict conditions attached to the decarbonisation funding, £6.165M had to be spent in the civic year 2024-25 and the remaining balance in 2025-26, there was no flexibility to change this.
- The funding was front loaded to enable the purchase of the heat pumps and PV panels
- A decision was required from Council on 11 July 2024 to enable a preconstruction service agreement with Willmott Dixon to commence.
- An external Quantity Surveyor was proposed to be appointed to oversee the project with the aim that they will drive down the project costs which would in turn cover the costs of employing a Quantity Surveyor.
- The Overview and Scrutiny Committee had amended recommendation 2.3 and added an additional recommendation during their meeting of the 18 June 2024.
- There were already lessons available at Royston Leisure Centre for children to learn to swim.
- Should the Learner Pool project be agreed then savings would need to be found in the future.

The following Members asked questions:

- Councillor Vijaiya Poopalasingham
- Councillor Paul Ward
- Independent Member John Cannon

In response to questions, the Service Director – Place stated that:

- Centrica defined end of life for the CHP's as units over 10 years old. The boilers in our leisure centres were currently all over this age and funding had been allocated in the capital programme to replace them.
- The grant funding had a requirement to spend the funds by March 2026, with the majority of the funding being used to purchase heat pumps and panels by March 2025.
- Under the terms and condition of Centrica their units would need to operate for 19 hours per day, so using for less than that time would be in breach of the funding agreement.
- There was a taper on the termination fees and the actual figure may be lower depending on the changeover timing.
- A 15 year contract with Centrica was a standard in these situations, and common practice in the public sector.
- When the climate emergency was called in 2020 the technology and cost of heat pumps was not as advanced as now.
- It was not possible under the current contract to create and export power from the CHP's.

In response to questions, the Executive Member for Finance and IT stated that:

- There was no guarantee of any grant funding being available should the Council wait another 12 months to reduce the termination fees.
- It was not viable to export any power back to the grid.

The following Members took part in debate:

- Councillor Paul Ward
- Councillor Sean Nolan
- Councillor Vijaiya Poopalasingham
- Councillor Daniel Wright-Mason
- Independent Member John Cannon

Points raised in debate include that:

- There were reservations regarding the termination costs.
- There would be higher costs to continue with Centrica.
- Could Centrica supply the heat pumps in exchange for a reduction in the termination fees.
- Would this type of funding be available at a later date.
- The termination fee was significant.
- The learner pool would benefit the residents.

In response to points raised in debate, the Service Director – Place stated that there had been some negotiations with Centrica regarding the supply of heat pumps in exchange for termination fees, however having sought advice from Willmott Dixon, a commercial decision was made that the heat pumps and panel could be purchased for a better price elsewhere. Attempts would continue to try and reduce the termination costs.

In response to points raised in debate, the Service Director – Resources stated in referring the report to Cabinet the concerns from the Finance, Audit and Risk Committee could be presented.

Councillor Stewart Willoughby proposed and Councillor Daniel Wright-Mason seconded and, following a vote, it was:

RESOLVED: That the Finance, Audit and Risk Committee provided comments and recommended to Cabinet the Leisure Investment Options – Part 1.

RECOMMENDATIONS TO CABINET:

That Cabinet takes into account the matters set out in the Part 2 report when reaching the following decisions:

- 2.1 That Cabinet agree in principle to terminate the Combined Heat and Power Centrica contracts at North Herts Leisure Centre (NHLIC) and Hitchin Swimming and Fitness Centre (HSFC) at the appropriate time during the PSDS project and recommend to Council as per 2.6 below regarding the termination fee.
- 2.2 That Cabinet expresses its profound disappointment at the position taken by Centrica over the cost of the CHP contract termination, given the company's stated position as "Energising a greener, fairer future" and requests that the Council continues to raise, and seek solutions to, the issue of long-term inflexible agreements for gas CHPs with Salix and Government, which will inevitably prevent many public sector organisations from achieving their net zero ambitions.
- 2.3 That Cabinet does not approve the business case for Royston Leisure Centre Learner Pool and the capital budget is removed from the capital programme, due to the matters identified in the Part 2 report.

That Cabinet recommends to Council:

- 2.4 An increase in capital expenditure of £2.4m into the capital programme for the decarbonisation work to the three leisure centres. The overall budget will be profiled across 2024/25 and 2025/26.
- 2.5 An increase in the capital budget of £250k for the Royston Leisure Centre (RLC) gym extension, to ensure the extension is built to net zero carbon standards.

2.6 Approval of revenue expenditure of up to £757k for termination and removal fees of the gas CHPs at North Herts Leisure Centre and Hitchin Fitness and Swimming Centre. This would be funded from General Fund reserves.

REASONS FOR RECOMMENDATIONS:

- (1) North Herts Council passed a climate emergency motion in May 2019. This declaration asserted the council's commitment toward climate action beyond current government targets and international agreements. This is currently pursued through the North Herts Climate Change Strategy 2022-2027 which sets out what the council will aim to do to reduce its own carbon emissions to achieve Carbon Neutrality for the Council's own operations by 2030 and a Net Zero Carbon district by 2040.
- (2) Gas use from our leisure centres is a significant contributor towards the Council's own emissions. In 2022-23, gas use across the three leisure centres accounted for 1,428 tonnes CO₂e. This equates to 45% of the Council's Scope 1-3 emissions. Taking action to replace gas heating for our leisure centres with low carbon alternatives is the single most effective action we can take towards meeting our target of being carbon neutral by 2030.
- (3) There is currently a capital allocation in the 2024/25 budget to build a gym extension and learner pool (subject to business case) at Royston Leisure Centre.
- (4) During the procurement for the leisure and active communities contract, the Council committed to deliver the gym extension project which is incorporated in to the contractual management fee. The initial tender stage returns showed that extension would generate additional income of at least £150k per year, and subject to inflationary increases. The latest estimate is that the capital costs will be £1.25m. This is an increase from the initial estimate of £1m and includes making the extension net-zero. The income generated will still exceed the revenue cost of capital (at around £90k per year), but in line with the financial regulation the increased capital spend needs to be approved by Cabinet.
- (5) The business case for the learner pool has not yet been agreed and is included in the Part 2 report.

17 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio Recording – 2 hours 48 minutes 16 seconds

The Chair led a discussion regarding possible agenda items for future meetings.

The Chair noted that the agenda was not normally this long, and should Members have a request on a particular risk or financial area then the relevant Service Directors could attend to provide further information.

Councillor Paul Ward stated that more information on inherited versus mitigated risks would be useful as well as more in-depth information regarding the risks around the fixed financial obligations of the Council.

The Service Director – Resources stated that a risk report was normally presented to the Committee at the December meeting, however if there was a short agenda for September this could be added sooner.

The Chair requested that, should any Members have any suggestions for agenda items for future meetings, they could advise himself, relevant officers or the Committee, Member and Scrutiny Team.

The meeting closed at 10.20 pm

Chair



North Hertfordshire District Council

Finance Audit and Risk Committee

September 2024

Anti-Fraud Report 2023/24

Purpose

1. Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs.
2. The Chartered Institute for Public Finance and Accountancy publicised its *Code of Practice on Managing the Risk of Fraud and Corruption* in 2014.
3. In March 2023, this committee approved the Anti-Fraud Plan for following 12 months which was developed with the Council's senior officers in partnership with SAFS. A copy of the Plan can be found here:

[\(Public Pack\)Agenda Document for Finance, Audit and Risk Committee, 08/03/2023 19:30 \(north-herts.gov.uk\)](#)

4. This report provides details of the work undertaken by the Council and the Shared Anti-Fraud Service to protect the Council against the threat of fraud and the delivery of the Council's Anti-Fraud Plan for 2023/2024.

Recommendations

5. **Members are RECOMMENDED to:**
 - a) **Note the activity undertaken by the Shared Anti-Fraud Service (SAFS) to deliver the 2023/2024 Anti-Fraud Plan for the Council.**
 - b) **Note all Anti-fraud activity undertaken by Council Officers and SAFS to protect the Council and the public funds it administers.**

Background

6. National reports and alerts continue to be used by the Shared Anti-Fraud Service (SAFS) to ensure that the Council is kept up to date of all new and emerging fraud threats. This helps to mitigate or manage the Council's fraud risks through a programme of work including the Anti-Fraud Plan. Details of these reports, along with other recommended reading for Members, can be found below and at **Section 61** of this report.

7. Some of the most significant recent reports include:

Fighting Fraud and Corruption Locally a Strategy for the 2020's. This 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.

UK Fraud Strategy 'Stopping Scams and Protecting the Public. The Government launched its latest anti-fraud strategy in 2023 aimed at bringing government, at all levels, and the private sector together to tackle fraud, pursuit and punishment of fraudsters, providing more recognition/awareness of fraud and how to avoid it.

Lost Homes, Lost Hope. This paper, published by the Fraud Advisory Panel & Tenancy Fraud Forum in April 2023 uses previous research and current data to estimate the volume and cost of fraud in the social housing sector and the impact of this on local government.

8. The Public Sector Fraud Authority (Cabinet Office) estimated, in its 2023 ***Cross Government Fraud Landscape Report***, that fraud and error cost the public purse at least £33bn each year. The last time that any effective national fraud measurement took place in local government was in 2017 and at the time fraud loss alone was estimated at 2.4bn annually.
9. The Public Sector Fraud Authority (Cabinet Office), Department for Levelling Up, Housing and Communities (DLUHC), National Audit Office, and CIPFA all continue to issue advice, and best practice to support local councils in the fight to combat fraud and prevent loss to the public purse.
10. It is essential that the Council has in place a framework that recognises its fraud risks and invests sufficient resources prevent and deter fraud, including effective strategies and policies, and a response to deal with alleged fraud when required.
11. North Herts Council is a founding partner of the Shared Anti-Fraud Service (SAFS). Members of this Committee and Senior Management Team have received reports about how this service works closely with the Shared Internal Audit Service and all services across the Council.

Report - Delivery of the 2023/2024 Anti-Fraud Plan

2023/2024 Plan

12. The Anti-Fraud Plan for 2023/24 was designed to meet the recommendations of the Fighting Fraud and Corruption Locally Strategy (FFCL), adopting the five 'pillars' of Protect, Govern, Acknowledge, Prevent and Pursue.
13. The Plan was developed to meet the Council needs based on known risks and a historic process in responding to these as well as any new and emerging risks. Resources and staffing were based on the Councils contribution to SAFS and an agreed work-plan of activity across the Council including both proactive and reactive projects.
14. The Plan included Key Performance Indicators (KPIs) for SAFS which were agreed with senior officers. KPI performance can be found in **Appendix 1**.
15. Members will note this Committees role in ensuring that the Council meets its objectives to deter, prevent and pursue fraud.

Staffing & SAFS Performance

16. The SAFS Team (in April 2023) was composed of 23 accredited and trained counter fraud staff and is based at the Council's offices in Hertford.
17. Each SAFS Partner receives dedicated support and access to SAFS and for 2023/24 this was achieved by allocating a set number of operational days that could be drawn on to deliver all parts of the Anti-Fraud Plan. This might include work on fraud-risk assessment, fraud awareness training, proactive work such as the use of data-analytics or reactive work as part of the Councils fraud response. Providing the service in this manner allows more flexibility and resilience for SAFS in how its officers deliver the different elements of the plan.
18. For 2023/24, SAFS planned to provide 285 operational days to deliver the Councils Anti-Fraud Plan and as well as the programme of work agreed this was supported the SAFS management team. We were only able to record 239 days due to issues with a new Case Management System (CMS) introduced in April 2023 and the need to re-train staff on time recording during Q1/Q2 due to those issues. By Q3 we were reporting the correct number of days and based on this we believe that the Council received its full allocation of days, however we are unable to use the CMS data to corroborate this,
19. All SAFS officers are all fully trained and accredited and members of the Government Counter Fraud Profession or working towards this. The Profession is made up of various streams including fraud awareness training, fraud risk assessment, investigations, intelligence, data-analytics, and investigation management.

Fraud Awareness and Prevention

20. A key objective for the Council is to develop its anti-fraud culture. The Council achieves this by ensuring senior managers and elected members consider the risk of fraud when developing policies or processes; helping to prevent fraud occurring by having effective controls in place; deterring potential fraud through external communication and highlighting the checks the Council will undertake (asking for proof of ID or other evidence to support applications/claims) or actions that it has taken (prosecutions or investigations); encouraging all officers to report fraud where it is suspected, all of the above provides a profile for the Council's stance on fraud.
21. The Councils published policy on fraud prevention can be found here <https://www.north-herts.gov.uk/fraud-prevention>
22. The council's website has links for the public to report fraud by email, telephone or using the SAFS online reporting tool. As well as encouraging the public to report any suspected fraud to the Council: <https://www.north-herts.gov.uk/report-fraud> or directly to SAFS www.hertfordshire.gov.uk/fraud.

23. Council staff can use the same methods to report fraud or they can report fraud directly to SAFS officers working on projects/cases for the Council or at workshops/ surgeries taking place at the Council offices.
24. SAFS delivered six training sessions via face-to-face and virtual means during 2023/2024 including general fraud awareness and ID Fraud. Training was also provided to members of the Finance Audit and Risk Committee on the risk and impact of fraud on local councils. Further training was provided on the services provided by National Anti-Fraud Service to Council officers.
25. The Council's e-training module for anti-fraud, anti- bribery, anti-money laundering is available for staff, SAFS promote this use of this as part of our fraud awareness sessions.
26. SAFS receives weekly/monthly/ad-hoc updates on new fraud threats or alerts from a variety of sources including National Anti-Fraud Network (NAFN), National Cyber Security Centre (NCSC), National Intelligence Service (NATIS), City of London Police & National Fraud Intelligence Bureau, Credit Industry Fraud Avoidance Service (CIFAS).

Executive Reports

27. Executive Reports (ER) analyse specific fraud incidents, providing an insight into how the fraud materialised, and making recommendations to strengthen processes and controls to prevent further fraud. These reports evaluate current controls and mitigation measures, pinpointing potential vulnerabilities and limitations that could lead to fraud. SAFS accompanies each ER with a management action plan detailing recommendations and/or best practice to be adopted.
28. SAFS provided two ER's for the Council in 2023, the first regarding the recruitment of temporary/agency staff and the second on the risks created around grant applications. Managers in the service areas affected accepted and implemented all recommendations in both ER's.
29. To address fraud threats that are prevalent across all Partners, SAFS produces generic ER's which serve the collective interest. Three generic Executive Reports were shared with the Council in 2023/24, addressing the fraud risks within payroll, multiple employment, and the issuing of mayoral certificates/ letters of thanks/ appreciation.


Fraud Risk Assessments

30. Fraud Risk Assessment (FRA) constitutes a systematic evaluation of potential fraud risks within a council, designated service area, or particular scheme or process. SAFS outlined an FRA programme for the 2023/2024. This programme included FRA's focused on internal fraud risks, fraud risks within the procurement process, and recruitment. In 2023, SAFS released a generic assessment of the risk posed of undisclosed multiple employments (polygamous working) by agency staff.

Fraud Alerts

31. In 2023 SAFS introduced fraud alerts for our partners. These bimonthly fraud alerts provide officers with national and local intelligence to strengthen controls, and consider emerging and current fraud trends and threats. SAFS published five alerts in 2023/24 covering polygamous working, payroll fraud, money laundering and the rapidly developing threat of artificial intelligence used by fraudsters.
32. Complementing the bimonthly alerts are SAFS 'real time' fraud risk reports. These reports are circulated as soon as a significant risk is identified. In 2023/24 SAFS circulated five real time threat alerts which included internal fraud, cheque fraud, email account compromise and mandate fraud.

Case Study 1: Typical Fraud Alert issued by SAFS



Fraud Alert

December 2023 – January 2024

This report provides SAFS partners with the latest local and national fraud threats that local authorities have experienced over the last quarter. The purpose of the report is to provide council employees with relevant intelligence to assist protect, prevent and mitigate against continued and persistent threats, as well as new and emerging ones.

NOT FOR WIDER CIRCULATION WITHOUT CONSENT


Microsoft User Credential Compromise

A finance officer received an email from a company they recognised, which contained a hyper link. The email appeared legitimate, but unknown to the council, the company had suffered an ICT breach..

The hyperlink redirected the officer to a fake Google page which requested their Microsoft credentials. This fake Google page captured their credentials and immediately used them to access the employees Microsoft account. This generated a multi factor authentication (MFA) prompt which the officer accepted believing it was a legitimate authentication.

The fraudster gained access the officers Office 365 account creating an email chain of communication with relevant officers within the authority, effectively approving a payment to a pension fund. The false email included a fake invoice and bank details for the transfer of 1.1 Million Euros, which was sent to the Treasury department from the compromised user.

Fortunately, the fraud was prevented when a very diligent officer in the Treasury Department identified that the bank details did not match previous transfers, and the request was queried.




Source: Powys County Council

SAFS Advice

- **ALWAYS** hover over an embedded hyperlink to reveal where it is redirecting you. If it does not appear correct do not click on it. Contact the sender immediately on a previously used and trusted email address.
- Check contracts to ensure third party companies are mandated to notify the LA of any ITC breaches experienced. Vary contracts if required.

Artificial Intelligence - Invoice Fraud

SAFS recognise that the threat posed by AI is evolving at a rapid pace. To ensure that our partners remain informed and prepared to address emerging threats, we are committed to regularly reporting on these developments. This will enable you to implement effective processes and controls to mitigate new and emerging fraud risks.



A cybercriminal group known as GXC Team specialises in crafting AI tools to create fraudulent invoices used in mandate/invoice fraud attacks. On December 30, they unveiled an updated version of their AI-powered tool, named "Business Invoice Swapper", which is available to purchase on the dark web. The tool works by using compromised email accounts, which are scanned to identify messages that either mention invoices or include attachments with payment details. Upon detection, the tool alters the banking information to that specified by the fraudster. The altered invoice is then either replaced in the original message or sent to a predetermined list of contacts.

The software's ability to modify invoices in real-time communication chains enhances the deception, which may cause officers to bypass procedures for verifying differences in bank account details, as the communication appears to be uninterrupted from the supplier.

It is important to note that the majority of the identified victim accounts were located in the United Kingdom and the European Union.


SAFS Advice

- **ALWAYS** follow process and procedure when managing requests for payment where bank details differ from those held.
- **REMEMBER, STOP, THINK, CHECK!**

Source: securityaffairs.com (<https://securityaffairs.com/156863/cyber-crime/artificial-intelligence-tool-for-invoice-fraud.html>)

Report Fraud

If you have a concern about fraud or wish to discuss these threats in more detail please contact us.



SAFS Hotline: 0300 123 4033

fraud.team@hertfordshire.gov.uk

www.hertfordshire.gov.uk/fraud

33. SAFS maintains a close working relationship with the Shared Internal Audit Service (SIAS) with both services exchanging knowledge and best practice. The excellent relationship with the Council's Legal Team has been maintained including work on criminal litigation and policy reviews.

Case Study 2: The Comet- 8th February 2022

The former manager of Letchworth BID has been jailed for 20 months after pocketing £60,000 worth of COVID-19 grants.

Christopher Andoh-Wilson, Luton, was sentenced at St Albans Crown Court today having pleaded guilty to five offences of fraud by false representation and one of acquiring criminal property.

He had been given a suspended sentence in December 2023, but it was later discovered that two references presented to the court were forgeries.

The 32-year-old had been working as Letchworth BID manager between April 2019 and July 2021, during which time he made three applications for COVID-19 grants, including one for Letchworth BID, totalling £60,000.

When he appeared at court for sentencing in December, he presented a forged character reference from a work colleague and a letter of appreciation of his work from a Mayor of Luton, but the judge did not know that the mayor was his mother and that he had altered the date on the letter from 2021 to 2023.

Sentencing Andoh-Wilson, Judge Bilal Siddique said: "When I first sentenced you, you indicated you were apologetic and I took account of all the references.

"You are a repeat offender where there has been a breach of trust. It is now accepted you forged a character reference and forged a date on a reference from the mayor, who is your mother."

This case was investigated by SAFS for the Council and the BID and the Councils legal team instructed Counsel via HCC Legal Services to represent them in court.

In May 2024 Mr Wilson attended a Proceeds of Crime hearing at St Albans Crown Court led by SAFS Financial Investigator where he was found liable to pay the Council £80,000, with an immediate order to pay £10,000 within 3 months or face an additional prison sentence of 28 weeks.

Reactive and Proactive Fraud Investigation

34. During 2023/2024 SAFS received 117 'referrals' (allegations) of fraud affecting council services, an increase from the 80 in the previous 12 months, but still within the broad range of historical referrals and comparable to similar SAFS Partners. Reporting of suspected fraud by staff remains high and indicates that officers are aware of potential fraud risks in their service areas and report fraud when suspected.

Table 1. Types of fraud being reported (in year):

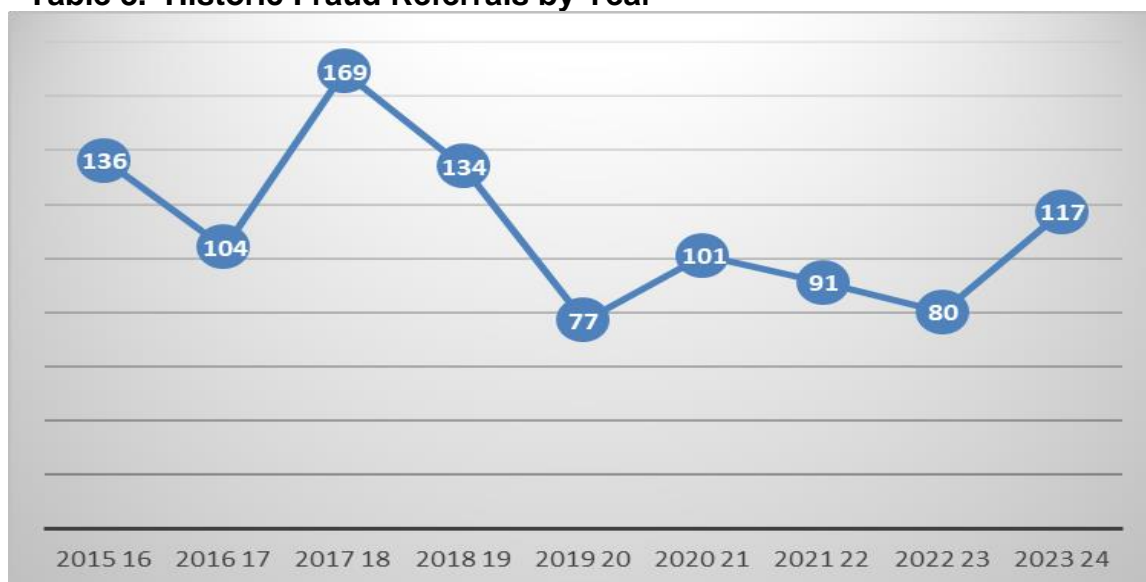
Blue Badge	Housing Benefit/CTax Fraud	Housing	Business Rates/ Grants	Procurement	Total
4	85	21	5	2	117

*Other includes Mandate & Payment/ Insurance/ Business Rates etc.

Table 2. Who is reporting fraud:

Staff	Public	Proactive	Other Agencies	Total
52	62	3	0	117

Table 3. Historic Fraud Referrals by Year



35. As table 3 shows, the volume of fraud referrals has remained broadly similar for several years with some peaks and troughs. Again these trends are very similar to other SAFS Partners.
36. It should be emphasised that not every referral will need to be investigated as some can be false, misleading, or incorrect. Every referral received is risk assessed and sifted by the SAFS Intelligence Team to determine next steps. In total, 64 allegations received in 2023/24 were not selected for investigation.

Table 4. 'Failed' Referrals

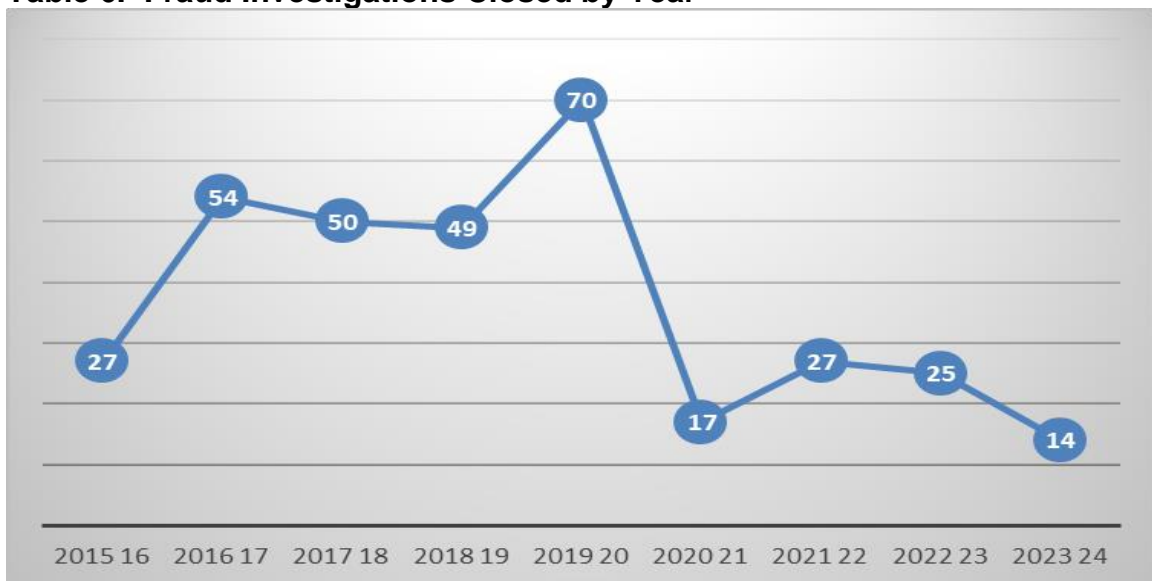
Failed Sift	No Action Required	Referred to 3 rd Party	SAFS Advice	Total
37	15	3	9	64

37. 'Failed Sift' is used where the allegation cannot be attributed to any service provided by the Council. 'No Action Required' are referrals where the subject can be identified but no error/fraud is apparent, or the Council is already aware of the facts reported in the allegation. Referrals that are passed to 3rd parties occurs where another agency, such as DWP or HMRC, is best placed to investigate the matter. 'SAFS Advice' is recorded when guidance/advice/support has been provided to Council officers, but a full investigation is not required to resolve the allegation.
38. In addition to the referrals that did not require an investigation 45 'low risk' cases, including some carried forward from 2022/23, were resolved through compliance

activity, warning letters or review. This approach identified/prevented around **£10k** in council tax and housing benefit fraud.

- 39. We continue to work with the Council’s communication team to issue publicity encouraging local residents and businesses to report fraud and help protect public funds. The Council took part in the International Fraud Awareness Week each November 2023.
- 40. At this time many cases raised for investigation last year are still live. However, of the 14 cases investigated and closed in the year, 11 identified fraud - with recoverable losses/savings combined of **£43k** reported. The volume of cases reduced from the previous year as has the value of fraud identified. Senior officers have been provided with a detailed breakdown of which services have been affected by fraud and the outcomes from individual investigations.
- 41. At year end of March 2024, 37 cases remained under investigation with an estimated fraud loss of £243k. These figures represent a slight increase in the number of live cases, with a significant increase in the value of estimated fraud under investigation (36 cases and an estimate of £145k loss in March 2023). SAFS monitor these figures to identify trends, such as changing working practices, the cost-of-living crisis and other factors.

Table 6. Fraud Investigations Closed by Year



- 42. Although we are seeing a decline in the number of fraud cases requiring full investigation the number of cases being resolved through ‘compliance’ (45 in 2023/24) or the use of warning letters is increasing across many SAFS Partners. Both methods are delivering increased assurance in the volumes of fraud occurring and providing these more speedily preventing high levels of ongoing fraud loss.
- 43. We work operationally with a number of partners locally and regionally to enhance our investigation capacity and outcomes. This includes joint working with the DWP on Housing Benefit and Council Tax linked cases where

Hertfordshire LA's are leading the way in their approach to this often complex area of collaboration.

44. As well as the financial values identified, SAFS works with the council's housing needs and nominations team where allegations of fraud impact on the Councils housing register or homelessness applications. These cases may not deliver an obvious financial value, but do assist in preventing fraudulent applications for housing.

Case Study 3: Housing Fraud.

A Hitchin resident made an application for housing at NHDC in 2020, the applicant declared they were living in one room at their parents' home with a dependant child. The applicant was contacted by the Councils Lettings Team asking if any changes in circumstances had occurred. A response was received declaring no changes.

During a routine check in 2023 information linked the applicant to an address in Luton.

An investigation was opened by SAFS as it was suspected the applicant may have provided false circumstances. Financial data showed bank account addresses had been changed to the Luton address during 2021, geographic spend, financial links to another person.

Other data obtained that assisted in supporting the applicant was resident at the Luton Property, and that the applicant appeared to be the tenant of that address.

During an interview with SAFS Officers the applicant stated that they were not aware they were still on the housing register, or think to notify that they had obtained a tenancy and a home in Luton. The applicant could not provide an explanation about why they had provided information they were still living in Hitchin to NHC when confronted with the evidence and admitted to obtaining a joint tenancy with her partner in Luton and that they had falsely represented their circumstances to NHC since 2020.

Due to the due diligence of the Council officer and the SAFS investigation the person was removed from the housing register and banned from re-applying for housing with NHC for 5 years.

45. In April 2023 the Fraud Advisory Panel (FAP) published a report 'Lost Homes-Lost Hope' following up from a paper published in 2021 by the Tenancy Fraud Forum 'Calculating Losses from Housing Tenancy Fraud', both papers were supported by CIPFA, CIFAS, the Cabinet Office and the Chartered Institute of Housing.
46. The 2021 report calculated the losses of an average housing fraud, per case, to the public purse to be in the region of £42k, of which £36k is attributable to the cost for local authorities through the provision of temporary accommodation as a result of the fraud.
47. North Herts Council does not hold stock itself relying on social housing providers within the Councils boundaries to supply properties for residents in need of housing. These providers have neither the legislative powers nor the skills to investigate housing fraud or illegal sub-letting.

Case Study 4: Social Housing Fraud		
Category	National Average cost	Explanation
<i>Add:</i> Annual average temporary accommodation cost per family for individual councils	£12,100	Individual councils can establish their own local cost for this element. This can vary considerably, exceeding £20,000 pa in some areas. (The national average figure was derived from the parliamentary briefing paper <i>Households in temporary accommodation</i> , as at 31 March 2020.)
<i>Deduct:</i> Individual councils (only) can remove the annual average housing benefit associated with their temporary accommodation costs	Does not apply to the national calculation	Local councils receive housing benefit payments from central government in relation to temporary accommodation costs. These could be deducted from the national figure to reach a net local cost. However, since these benefit payments are from central government they must be part of the calculation of the true cost of tenancy fraud to the national public purse.
Subtotal	£12,100	
Subtotal above multiplied by 3	£36,300	Analysis of tenancy frauds detected by housing providers reveals three years to be a prudent average duration for one of these frauds. (Typical range 3.2 to 3.5 years.)
<i>Add:</i> Average investigation costs	£1,300	Average cost derived from investigations by a housing provider; confirmed as prudent by a sample from other HA's and councils. Individual councils may choose to input their own data here.
<i>Add:</i> Average legal costs	£1,000	Average cost derived from investigations by a housing provider; confirmed as prudent by a sample of other HA's and councils. Individual councils may choose to input their own data here.
<i>Add:</i> Average void costs	£3,140	Average cost derived from investigations by a housing provider; confirmed as prudent by a sample of other HA's and councils. Individual councils may choose to input their own data.
Total costs	£41,740	The average cost of a detected tenancy fraud to the national public purse - approximated to £42,000.

48. SAFS work with a number of social housing providers, including Settle Housing, to help identify fraud such as illegal sub-letting, fraudulent right-to-buy applications and other misuse of the social housing stock. In 2023/24 SAFS investigated two cases of tenancy fraud where the properties were recovered and re-let to residents from the Councils housing register, this could have saved the Council upto **£72k**.
49. As well as bringing prosecutions for those committing fraud the Council can apply financial sanctions or penalties in cases of council tax fraud as an alternative to criminal prosecution. But, sanctions are not always appropriate.

Case Study 5: Council Tax Fraud.

In July 2022 the Councils Revenue Team referred a case of alleged Council Tax to SAFS. An allegation had been received that a Letchworth resident who was claiming variety of benefits and discounts had failed to declare that another person was living at their address.

SAFS investigation revealed through financial data and information from a social housing provider that another person had been living at the address between 2021 and 2022, but the resident had failed to declare this.

SAFS wrote to the resident asking them to confirm the details of the other occupant and, although they denied that anyone was resident initially, they subsequently made contact and admitted they had failed to declare the correct circumstances.

Claims for HB, CTRS were adjusted to take account of these new facts and the resident was found to have been overpaid more than £6,000 in benefits and discounts

As the resident had admitted the offending and the priority for the Council was to recover the sums overpaid a decision was made not to prosecute or add any financial penalties on this occasion.

Data Matching and Analytics

50. The Council is required to submit data every two years as part of the Cabinet Office mandated [National Fraud Initiative - GOV.UK \(www.gov.uk\)](https://www.gov.uk). For the Council datasets such as payroll, pensions, creditor/payments, housing benefit and council tax are provided in October. The data collected from Councils, NHS and others is then analysed to identify discrepancies and potential fraud. The exercise also uses data from sources such as Operation Amberhill, HMRC, DWP and GRO.
51. The output, or 'matches', from NFI is released to Councils between February and March following the October data upload. These matches are shared in various formats for Councils to action. For the Council, SAFS and Internal Audit administer access to and reporting for those service areas that are required to provide a response.
52. The Council received 667 matches for review in a number of reports from the 2022/2023 exercise. Many of these matches require administrative review only and will not identify fraud, error, or savings, but it is essential that all are actioned and reported to avoid any fraud being missed and ensure that the Councils data is amended/updated.
53. SAFS and Council officers have reviewed a number of the high priority matches and some of the lower priority matches – in total 546 reviews were conducted identifying 17 errors/frauds, with reported loss/savings combined of **£69k**. Five matches were still under review at year end.
54. Working with the Cabinet Office, SAFS manage the 'Hertfordshire FraudHub' for all SAFS Partners following a similar process to the two-yearly NFI exercise, but with data collected and matched more frequently throughout the year. In 2023/2024 SAFS identified around 3k potential matches for review and from these 114 high risk matches were fully reviewed with **£17k** in fraud prevention recorded. SAFS are working closely with service managers to ensure we can provide an improved response to matches from the FraudHub in 2024/25.
55. The Councils Revenue and Benefits Service joined the County Council funded AnalyseLocal system that helps to identify potential fraud in the small business reduction scheme. Previously funded by SAFS this system has identified significant error/fraud in the data held by the Council. The benefit for this work will be reported in 2024/25.
56. SAFS manages the Hertfordshire Council Tax Framework for all councils across the County. The framework is funded by the County Council and provides a fully managed service to review discounts claimed by residents. The Councils Revenues Team made use of the Framework in 2023/2024 to conduct a review of properties that were in receipt of a single person discount or which were recorded as being empty for at least 6 months.
After the review 616 discounts were removed (this is still subject to review at present) generating new council tax bills with a value of **£264k**. The Empty Homes Review identified, from 979 properties registered as empty, that 154 were

actually occupied generating potential income to the Council of **£318k** in *New Homes Bonus*.

Transparency Code – Fraud Data

57. The Former Department for Communities and Local Government, now Department for Levelling-up Housing and Communities (DLUHC), published a revised Transparency Code in February 2015, which specifies what open data local authorities must publish.
58. The Code also recommends that local authorities follow guidance provided in the following reports/documents:

The National Fraud Strategy: *Fighting Fraud Together*
(<https://www.gov.uk/government/publications/nfa-fighting-fraud-together>)

CIPFA– *Managing the Risk of Fraud – Actions to Counter Fraud and Corruption*
http://www.cipfa.org//media/files/topics/fraud/cipfa_corporate_antifraud_briefing.pdf

59. The Code requires that Local Authorities publish the following data in relation to Fraud. The response for North Herts Council for 2023/24 is in **bold**:

- Number of occasions they use powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers.

Nil. (North Herts Council is a Partner to the Hertfordshire Shared Anti-Fraud Service and makes use of the National Anti-Fraud Network (NAFN) to conduct such enquiries on their behalf).

- Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud.

1.5 FTE

- Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists.

1.5 FTE

- Total amount spent by the authority on the investigation and prosecution of fraud.

£89,180 (SAFS fee)

- Total number of fraud cases investigated.

14 Fraud cases investigated and closed in year

60. In addition, the Code recommends that local authorities publish the following (for *North Herts Council Fraud/Irregularity are recorded together and not separated*):

- Total number of cases of irregularity investigated-

See above

- Total number of occasions on which a) fraud and b) irregularity was identified.

11 Occasions where fraud identified

- Total monetary value of a) the fraud and b) the irregularity that was detected.

Reactive - £43k fraud loss/savings reported.

Housing related fraud- £72k based on FAP valuation

Proactive- £69k of fraud was identified through NFI.

Council Tax (SPD) Review - £264k

Council Tax (EH) Review - £318k

Total - £766k of fraud and irregularity identified.

- Total monetary value of a) the fraud and b) the irregularity that was recovered.

Not recorded separately

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

(b) Councillors Workbook on Bribery & Fraud Prevention (LGA 2017)

(c) Fighting Fraud and Corruption Locally - A Strategy for the 2020's (CIPFA/CIF9AS/LGA 2020)

(d) Tackling Fraud in the Public Sector (CIPFA 2020)

(e) Code of Practice - Managing the Risk of Fraud and Corruption (CIPFA 2014)

(f) Fighting Fraud - Breaking the Chain (Report of Session 2022-2023 House of Lords)

(g) HMG Fraud Strategy - Stopping Scams, Protecting the Public (May 2023)

(h) Lost Homes, Lost Hope (Fraud Advisory Panel 2023)

Appendices

Appendix 1. SAFS KPIs for 2023/2024 and Performance

KPI	Measure	Target 2023/24	Performance 2023/2024
1	Return on investment from SAFS Partnership.	<p>Demonstrate that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution.</p> <p>A. Meetings to take place with the Councils Service Director-Resources and Service Director-Customers.</p> <p>B. Service Director-Resources will sit 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>D. Reports on progress with any area of work covered by the SAFS Partnership Agreement will be provided on request.</p>	<p>A. Meetings are diarised with the Service Director-Resources and Service Director-Customers to review SAFS work and any issues arising.</p> <p>B. Service Director-Resources is on the invite/circulation list for the SAFS Board and is invited to attend quarterly meetings.</p> <p>C. SAFS Mgt meet with lead officers in Housing/Revs & Bens regularly and other services as required.</p> <p>D. Reports are provided to the Councils FAR Committee, senior officers, external auditors and service managers as required.</p>
2	Provide an investigation service.	<p>A. 285 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 Finance Audit and Risk Committee.</p> <p>C. SAFS attendance at corporate governance, 'service champion' meetings, local management team meetings.</p>	<p>A. 239 (84%) days delivered.</p> <p>B. Reports to AC in September and December 2023 and March 2024.</p> <p>C. SAFS Mgt attend the Councils Corporate Governance Group.</p> <p>D. SAFS meets with service managers on an ad-hoc basis based on need. SAFS are part of the Councils Corporate Enforcement Forum.</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. SAFS CMS still unable to report on these cases specifically.</p> <p>B. ALL referrals are cleared within 24 hours on average.</p>
4	Added value of SAFS membership.	<p>A. Membership of NAFN & PNLD</p> <p>B. Membership of CIPFA Counter Fraud Centre</p> <p>C. NAFN Access/Training for relevant Council Staff</p> <p>D. 5 Training events for staff/Members in year. (To be agreed with Service leads and HR)</p>	<p>A. SAFS funds the Councils licences with NAFN & PNLD.</p> <p>B. SAFS had access to CIPFA CF services in-year.</p> <p>C. NAFN access for all SAFS and Council staff.</p> <p>D. 5+ Training events delivered across a number of service areas and for members of the FARC.</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. This is happening daily as referrals received.</p> <p>B. All cases are logged, managed, and reported on SAFS case management system (CMS) and all reports use the data from the CMS.</p> <p>C. SAFS have contracts in place to provide TF investigation function for Settle and a number of other housing providers.</p>
6	Making better use of data to prevent/identify fraud.	<p>A. Support the output from NFI 2022/23 Council services.</p> <p>B. Membership and VFM from the Herts FraudHub in 2023/24.</p>	<p>A. Council officers ensured upload of data in line with Cabinet Office deadlines and both SAFS and Council officers worked on the output from NFI. See report for more detail.</p> <p>B. This includes work to review live NDR/SBRR data held by the Council and the Herts FraudHub both of which were effective in 2023/24. See report for more detail.</p>



North Herts Council

Finance Audit & Risk Committee

September 2024

Anti-Fraud Progress Report 2024/2025

Purpose

1. This early report provides details of the work undertaken by the Shared Anti-Fraud Service 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. Further reports will be provided to this Committee in 2024/25 with detailed progress with delivery of the agreed Plan and SAFS KPI performance.

Recommendations

3. **Members are RECOMMENDED to:**
 - a) **Note the progress by officers and the Shared Anti-Fraud Service 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 March 2024 meeting ([Public Pack](#))[Agenda Document for Finance, Audit and Risk Committee, 13/03/2024 19:30 \(north-herts.gov.uk\)](#). This Plan covers all areas recommended by CIPFA and the *Fighting Fraud and Corruption Locally Strategy for the 2020s*. The Plan also provides assurance that the council continues to benefit from a positive return on 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 or 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 August this year SFAS issued 20 Urgent Fraud Alerts including impersonation/ push payments/ payment diversion/ false ID used in various application frauds. SAFS also provide regular Fraud Threat Reports that summarise new and emerging risks and provide officers on guidance around the identification of these and prevention. SAFS issued three of these reports so far this year focused on Multiple Employment fraud, ID fraud, 'Overpayment' linked to money laundering, and MS account take-over.
8. A training plan to build on staff awareness and fraud reporting, along with a publicity campaign to inform the public and encourage fraud reporting, are being developed with officers in HR and Comms teams. Five specialised training events (including ID fraud, Benefits and Blue Badge abuse), and we have further sessions planned for September on contract/bid-rigging for Officers and fraud awareness for Members.
9. Between April and end of July 2024, a further 33 allegations of fraud have been received by the Council/SAFS including Housing, Council Tax and Blue Badge abuse. SAFS currently have 32 cases under investigation, or at referral stage (13), with estimated losses of £234k. These figure are positive when compared to other SAFS Partners in the level of reporting with the estimated loss being much lower, which is very positive.

Four investigations have been closed and fraud losses/savings identified in all but one case. SAFS have also conducted 15 reviews of low value council tax frauds identifying £10.5k of loss in council tax.

10. SAFS and Council officers across the Council are currently preparing to take part in the main National Fraud Initiative (NFI) exercise for 2024/25. The Cabinet Office are providing guidance on data specification and timescales for data uploads in October with the output from this expected in January 2025.
11. The Council is signed up to 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 other 7 partners in the SAFS Partnership for review to help identify fraud. In Q1 all agreed datasets were successfully uploaded and some data is already submitted for Q2. So far this has identified 1.5K records for review, SAFS and Council officers are reviewing these at present, with a small number of frauds/discrepancies already identified and prevented fraud recorded at £17k.
12. SAFS continues to work with registered housing providers, predominately settle for North Herts Council, to investigate allegations of 'tenancy-fraud' committed against the social housing stock within the Councils boundaries. Currently 7 such cases are being investigated by SAFS and one property has already been recovered with the Council having nomination rights to place a family from the Housing Register into that property.
13. SAFS manages the 'Council Tax Review' framework for all borough/district councils enabling them to identify fraudulent applications for council tax discounts. The new contract has been delivered by SAFS working with all district/boroughs and is now live and the Council's Revenues Manager is considering whether to make use of the framework in 2024 following its positive outcomes in 2023.
14. 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 they are not entitled to. The Councils Revenues Manager is considering the use of this service for 2024.
15. In June this year SAFS worked with Councils across Hertfordshire, Buckinghamshire and Oxfordshire to provide a campaign with local civil enforcement teams to tackle the twin problem of Blue Badge theft and the misuse of borrowed or stolen badges in carparks owned by Councils. In Hertfordshire, SAFS also engaged with the Hertfordshire Constabulary and joint patrols with SAFS, Police and Council Civil Enforcement Officers all taking part. These were conducted through June targeting known hotspots.

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

SAFS KPIs - 2024/ 2025- (NHC)

KPI	Measure	Objectives	Performance to August 2024
1	Return on investment from SAFS Partnership.	<p>A. Meetings to take place with the Councils Service Director-Resources and Service Director-Customers.</p> <p>B. Service Director-Resources will sit 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 with the Service Director-Resources and Service Director-Customers.</p> <p>B. Service Director-Resources is a SAFS Board Member and attends 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 Finance Audit and Risk Committee.</p> <p>C. SAFS attendance at corporate governance, 'service champion' meetings, local management team meetings.</p>	<p>A. To the end of July 2024 SAFS had provided 97 days (36%) of those planned for the year.</p> <p>B. SAFS will be delivering reports to the Councils FAR Committee in the summer, autumn of 2024 and Spring 2025.</p> <p>C. SAFS has identified service champions in R&B, HR and Housing. And, takes part in the Councils Corp Enforcement Forum.</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 are still unable to separate urgent cases from others in our Case Management System.</p> <p>B. All referrals (including urgent/high risk) were actioned within 24 hours on average.</p>
4	Added value of SAFS membership.	<p>A. Membership of NAFN & PNLD</p> <p>B. 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 Service leads and 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. 5 Sessions delivered in Q1/Q2, and we have 2 more planned for Q2.</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 is planned for October with plans to review output from January 2025.</p> <p>B. The Council has a contract in place for the FHub and data is being uploaded and output under review currently.</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 2020's (CIPFA/CIFAS/LGA 2020)***
- (c) ***Tackling Fraud in the Public Sector (CIPFA 2020)***

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Shared Internal Audit Service

Annual Report

2023/24

Annual Report Contents

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Introduction

Welcome to the Shared Internal Audit Service (SIAS) Annual Report for 2023/24.

Those familiar with my musings in the introduction to past editions of the annual report will know about my passion for walking, especially when the reward is personal contentment, good food and a refreshing drink at a pleasantly located country pub. While enjoying exactly this following a walk in the Test Valley in Hampshire during the May half-term, I had a copy of Country Walking magazine open in front of me and a quote from the editor leapt out – “Walking is good, and we should do more of it.” It has been said that walking can bring clarity and inspiration, and I got thinking about why internal audit is good, and why we should do more of it.

Internal auditors are qualified, skilled, and experienced professionals who exercise an unbiased and objective view. We are independent of the strategies, services, and operations we evaluate and report to officers at the highest levels in the partners and clients we support. We work in accordance with professional standards and a code of ethics, and exercise courage to express our opinion on often complex and strategic matters. We also love meeting the committed, inspiring, and astonishing people who serve our communities, and collaborating with them to seek improvement, undertake change and achieve success. In the spirit of celebration following a recent landmark birthday, I salute all internal auditors and those who resolutely champion and appreciate their work, especially in challenging times when the quality and extent of assurance, good governance, risk management and control face erosion and threat.

SIAS said a sad farewell to a team member departing during the year to a career opportunity elsewhere and bon voyage to another taking a career break to ‘Race across the world’. They are thanked for their achievements and contribution to the service and will be greatly missed (and welcomed back in one case). Departures offer the opportunity for new beginnings, and we welcome new team members, who have settled wonderfully well into the service. Congratulations are also extended to team members for their deserved promotions and exam successes.

Key developments in 2023/24 were the approval of the SIAS Business Plan for future income generation and the introduction of the Global Internal Audit Standards. These will form a significant part of service development activity in 2024/25.

For further highlights and reflections, I invite you to delve into the Annual Report itself. As ever, I enjoy the engagement, dialogue, and feedback the report fosters.

Chris Wood - Head of Assurance

June 2024



Levels of delivery

2023/24 continued to present pressures to SIAS in relation to recruitment and retention, these being pressures felt nationally within both local government and the private sector. The availability of experienced Internal auditors is recognised as a particularly challenging area given that it is a niche profession.

Despite the above challenges, SIAS managed to run several successful recruitment processes during 2023/24, cumulating in the recruitment of seven new members to the team during the year. This allowed SIAS to achieve 94% delivery of planned days and completion of 91% of planned projects to draft report stage, with targets of 95% and 90% respectively.

The slight underperformance in planned days related to SIAS deferring several audits for completion into April as the request of several Partners to manage officer resourcing pressures.

With our key objective being to complete enough work to allow an annual assurance opinion to be provided for each SIAS Partner, we are pleased to report that this was achieved.

Figure 1: Percentage of audits days delivered

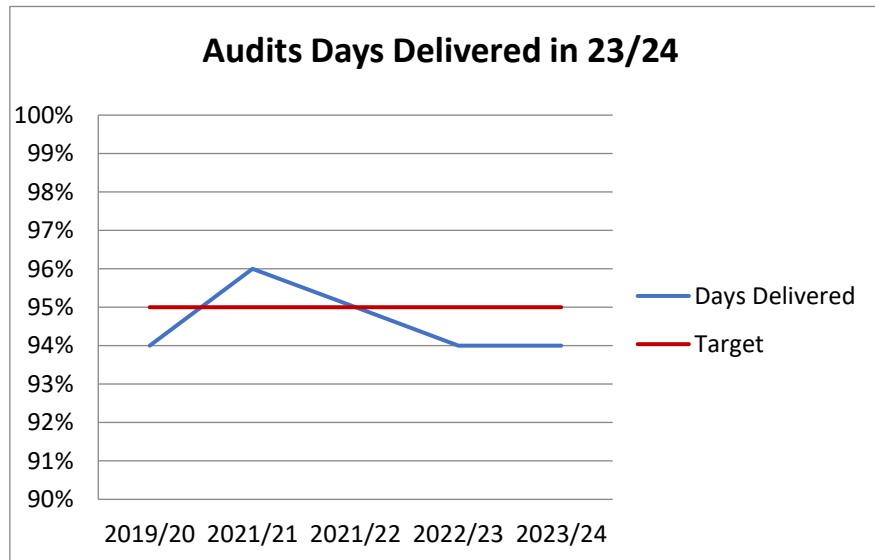
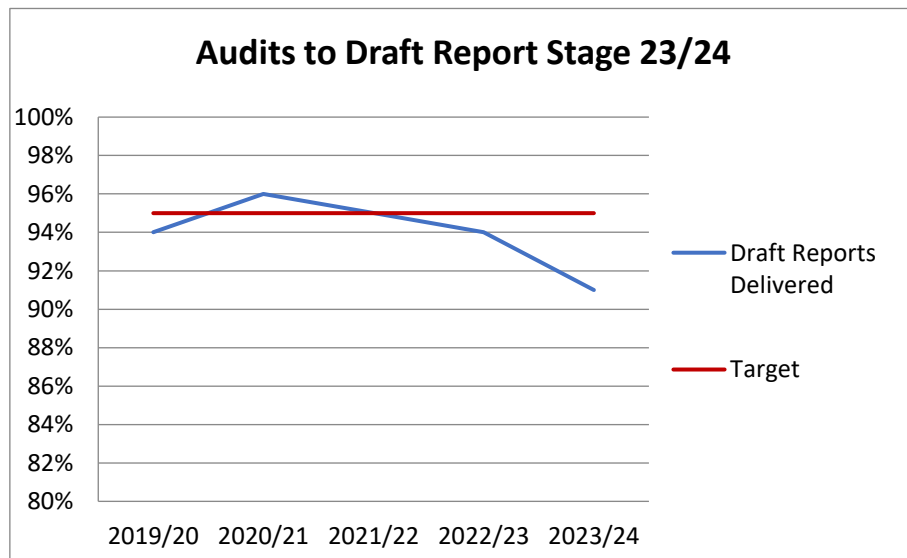
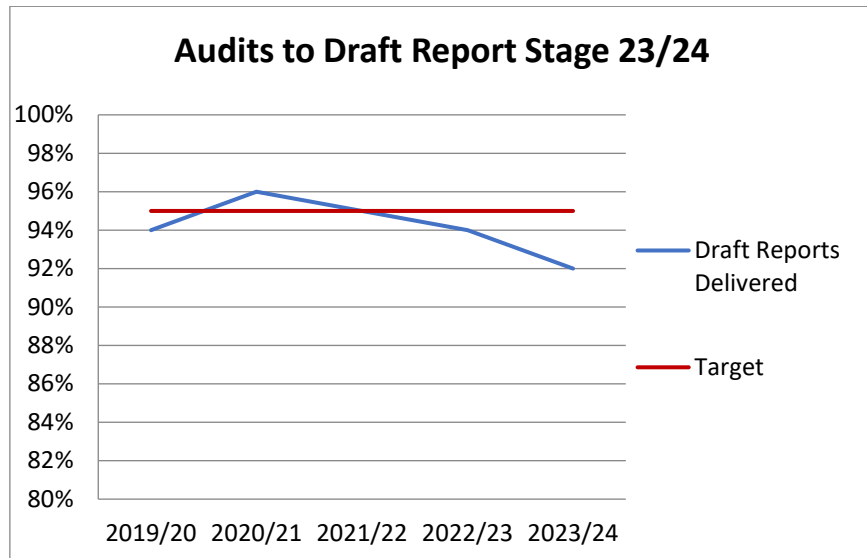


Figure 2: Percentage of audits to draft report stage



We delivered within 1% of our billable days target and achieved 1% over our 90% target of projects to draft report by 31 March 2024.



Shared learning - the power of partnership

A key founding principle of the Shared Internal Audit Service was the opportunity to embed a culture of shared learning within the partnership. A shared learning culture, both formal and informal, is embedded through our team, our sister services within Assurance and across our partners and opportunities abound to promote issues big and small.

We continued to use our networks with bodies such as the Chartered Institute of Internal Auditors (CIIA), local authority Chief Auditors Network (CAN) and Home Counties Chief Internal Auditors Group (HCCIAG) to ensure that we remained in touch with the challenges facing the audit profession and those being faced by the organisations that they provide assurance to.

The above networks provide particularly valuable during the consultation period for the Global Internal Audit Standards, which all Internal Audit providers are required to adhere to by 9 January 2025. Through the above networks we are already working jointly with other Heads of Audit to share good practice in how to demonstrate compliance with the revised standards.

Using the above forums, we have also discussed strategies for other key topics facing the profession such as recruitment and retention, assurance mapping, data analytics and the use of 'one page' audit reports. SIAS is also represented on the review group for the internal audit apprenticeship qualification, therefore having the opportunity to shape the course content and delivery methods. This is deemed as a critical opportunity given the service's move to a 'grow your own' strategy.

From a partner perspective, we continue to share good practice and emerging risks identified from our audit work during key Senior Management meetings, such as Corporate Governance Groups. This is deemed important to embrace a continuous learning culture within the partnership.

During 2023/24, our staff, partners and Audit Committee members have continued to support our cycle of continuous development with helpful challenges and comments, these being particularly critical as we look to continue to build a leading-edge internal audit service.

Effective shared learning is a fundamental part of a culture of ongoing continuous improvement, allowing learning to be transferred between organisations ...



Managing the challenges of auditing in a changing environment

We worked with partners to ensure our audit plans remained dynamic and could sufficiently respond to the changing risk environment.

The risk landscape of local government has and will continue to be subject to continued and fast paced change. All partners are currently managing multiple challenges including needing to identify savings to manage funding pressures, rising demand, unstable inflation, and global political unrest. In respect of fraud, business continuity and protection of data assets, cyber risk continues to be a key area of risk given the increasingly sophisticated methods of attack.

In addition, our partners continue to embrace new technologies such as Artificial Intelligence (AI), and progress significant transformation and development projects, both of which whilst providing significant opportunities also present material risks if not appropriately controlled.

SIAS continues to work with our partners to ensure that our planning approach seeks to understand how these risks have impacted each authority and subsequent assurance requirements. We also ensure that our plans are sufficiently flexible to accommodate emerging risks during the financial year.

As part of our audit planning for 2024/25, we have looked to embrace different methods of providing assurance to provide robust assurance, including assurance mapping, embedded (or real time) assurance, and data analytics. These allow us to use limited internal audit resources to best effect, as well as providing more insightful, real-time and robust assurance to our partners.

As a member of key audit networks, we can ensure that we have access to a wealth of intelligence on emerging risks and techniques for providing robust assurance. In addition, through our co-sourced audit arrangement we are also able to use the knowledge and skills of our external partner to have access to specialist skills, or their wider information pool to support other key opportunities such as benchmarking.

Overall, we believe that 2023/24 has provided an opportunity for SIAS to review how we can adapt our planning and delivery methodologies to provide an effective and value-added audit service, with this strengthening our assurance offering to our partners.

Developing our people and processes

SIAS is committed to providing an exemplar service to its partners and clients that successfully blends cost effectiveness, resilience, and quality.

We continue to embrace a 'grow your own' strategy, with a full review undertaken of our approach to training and development to ensure that this supports our aspirations of developing and progressing staff, as well as providing robust assurance.

In respect of the above, all our staff have the opportunity to progress their professional qualifications, with seven members of staff currently either following an apprenticeship or direct study route with the professional body. In addition, we now provide the team with fortnightly 'lite bite' training sessions, where we look to provide in-house training to support their professional studies.

We are pleased to report that three of our auditors have now completed their level 4 apprenticeship, which is testament to their dedication and hard work to progress their careers.

In addition to professional training, and to aid career progression, all our staff are provided with personal development plans that look to develop them in their existing role and build the skills required for the next step in the career.

As a service that promotes the benefits of shared learning, we equally look to embed this within the team, and we are proud to have developed a culture within the team of joint working and support amongst all grades of staff. During 2023/24, we have continued with our 'office Wednesday' day, this providing an opportunity for the team to network and ensures face to face time in what is now a more remote working environment.

Our 2023/24 Public Sector Internal Audit Standards self-assessment continues to demonstrate that we 'generally conform' with the standards, and we continue to use and disseminate learning from our quality review processes to support the development of our staff, seeking feedback from team members to support this process.

At the core of our service are our team members. We continue to invest in professional and internal training for our staff to ensure that they can reach their career aspirations....



First class customer service

To monitor our effectiveness and improve our service, at the end of each assignment we request the completion of a short satisfaction survey. We have been given and have acted upon invaluable improvement ideas, and we are proud of the fact that in 2023/24 we have received 95% satisfactory or higher feedback rating from our customers.

Some of the comments that accompany the formal scoring document are shown below:

- “The Auditors did a good job of turning around a very loose wide brief into a few practical considerations.”
- “Very good, explained purpose of audit well and good understanding of business rates.”
- “Excellent service. Given that it was a full audit this year the amount of my time taken up was a lot less than I was expecting. Queries were clear and concise and kept to a minimum. Very happy with the process and reassured by the results of the audit.”
- “A professional service with logical analysis, engagement and clarity in scope of audit and concise recommendations as reported to enhance service delivery.”
- “Thank you, Auditors. The outcome of the audit will support us to implement developments which will positively impact on the performance information we use to measure and improve our services.”
- “Really good service, the auditor was easy to work with and understood our processes.”
- “The service was very thorough and helpful. Auditors very understanding and patient with us providing evidence (due to IT and staffing issues). Thankyou.”
- “I thought the service was very good. Everything was explained clearly, and I understood the purpose of the audit and what I needed to do to help. The audit was completed in a timely manner and communication was prompt and effective.”
- “Very good. Auditors very approachable and helpful.”

“The auditor was very professional and a pleasure to work with. The auditor was aware of the workload’s council officers have and only requested sufficient and appropriate documents to complete the audit.”



Performance – outcomes

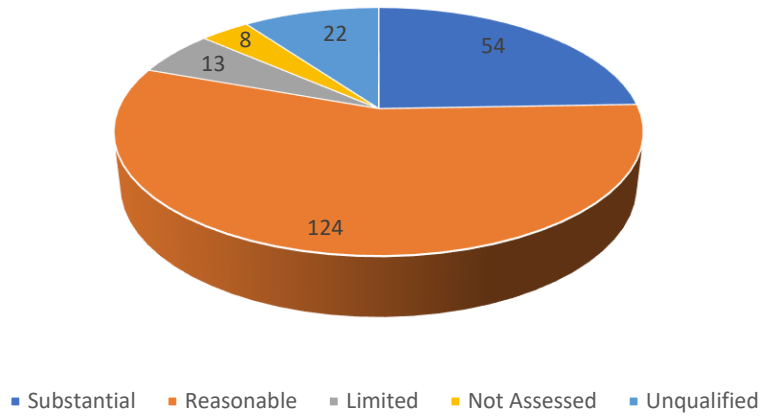
SIAS completed 226 assurance and other projects to draft or final report stage, giving the assurance opinions and recommendations detailed in the charts below.

For those pieces which resulted in a formal assurance opinion, the distribution of opinions is set out in figure 3 below:

Figure 3: Distribution of Audit Opinions 2023/24

226 assurance and other projects identifying 512 recommendations

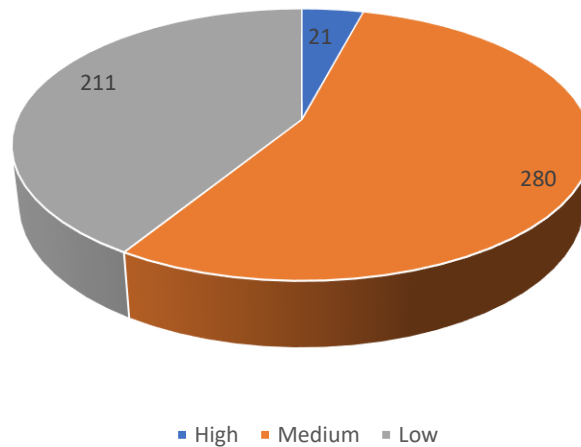
Distribution of Audit Opinions 2023/24



For those audits where recommendations were required and were graded, the priority ratings are set out in figure 4 below:

Figure 4: Prioritisation of Recommendations 2023/24

Prioritisation of Recommendations 2023/24



Performance indicators

The overall business performance of SIAS is monitored by the SIAS Board by means of a balanced scorecard which provides a range of measures by which progress can be evaluated.

The overall performance of SIAS against our key performance indicators is reported below.

Table 1: SIAS Business Performance

Indicator	Target	Actual as at 31 March 2023	Actual as at 31 March 2024
Progress against plan: actual days delivered as a percentage of planned days.	95%	94%	94%
Progress against plan: audits issued in draft by 31 March	90%*	90%	91%
Client satisfaction	100% client satisfaction questionnaires returned at 'satisfactory overall' level or above	95%	95%

* Target changed from 95% to 90% for 2023/24

Financial performance of SIAS

SIAS operates on a fully traded basis. Appendix A sets out the summary financial position at 31 March 2024.

Prudent financial management has allowed the service to build a reasonable reserve over the last few years, with the intention of smoothing the impact of any unforeseen events on trading performance in future years or investing in projects that support the delivery, growth, or development of the service.

Future developments



As part of the SIAS Medium Term Business Plan, approved in December 2023, we are commencing the expansion of our commercial offering. During 2024/25 our focus will be on developing the required internal infrastructure to support our progression into new markets and securing our first new customers.

Following the publication of the Global Internal Audit Standards in January 2024, we are currently reviewing our existing governance arrangements and audit manual to ensure that we can make any required adjustments to meet the implementation deadline of 9 January 2025.

For our team members and their future training and development, we will continue to support those members of our service that are striving to attain professional qualifications, with this continuing to be underpinned by personal development and progression plans.

As part of the continuous development of our audit approach and outputs, we are progressing the implementation of assurance mapping within our partner Council's to provide additional assurance over the management of key risks. We are also reviewing our current audit report format to ensure it provides a more concise and reader friendly document to assist management at all levels in understanding the outcomes of our work and key findings.

We will continue to work with our colleagues across audit networks to support the development of our knowledge and approach to making the most effective use of data analytics and assurance mapping within our assurance activities.

embed new ways of working... ensuring that we work with other audit teams to share and develop best practice...

Our board members

The SIAS Board provides strategic direction and oversight for the partnership, bringing a wealth of local government experience and insight to our operation.

In 2023/24, our Board members were as follows:

Name	Title	Partner
Clare Fletcher	Strategic Director (CFO)	Stevenage Borough Council
Matthew Bunyon	Head of Finance and Business Services	Hertsmere Borough Council
Steven Pilsworth	Director of Finance	Hertfordshire County Council
Ian Couper	Service Director (Resources)	North Herts Council
Richard Baker	Executive Director (Finance and Transformation)	Welwyn Hatfield Borough Council
Steven Linnett	Head of Strategic Finance and Property	East Herts Council
Alison Scott	Director of Finance	Three Rivers District Council
Hannah Doney	Chief Finance Officer and S151 Officer	Watford Borough Council
Chris Wood	Head of Assurance	SIAS
Darren Williams	Head of SIAS	SIAS

<u>SIAS Final Financial Position for 2023/24</u>		
	<u>Budget</u>	<u>Actual</u>
	<u>£</u>	<u>£</u>
Employee Costs	912,828	861,027
Partner / Consultancy Costs	172,000	306,900
Transport (Travel) & Supplies	34,183	20,369
Office Accommodation Cost	17,005	17,005
Total expenditure	1,136,016	1,205,300
Income	-1,165,494	-1,165,494
Net (surplus) / deficit	(29,478)	39,806

During 2023/24, SIAS operated at a net deficit position due to the increased use of the co-sourced audit partner to cover staff vacancies during the opening six months of the financial year and additional cost pressures from the outcomes of the Local Government Pay Settlement for 2023/24. The above deficit was funded through the SIAS Reserve which has a carry forward balance into 2024/25 of £140,784.

Appendix B: Definitions of Assurance Levels and Priority of Recommendations

2023/24 Definitions of Assurance and Recommendation Priority Levels

Audit Opinions	
Assurance Level	Definition
Assurance Reviews	
Substantial	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Not Assessed	This opinion is used in relation to consultancy or embedded assurance activities, where the nature of the work is to provide support and advice to management and is not of a sufficient depth to provide an opinion on the adequacy of governance or internal control arrangements. Recommendations will however be made where required to support system or process improvements.
Grant / Funding Certification Reviews	
Disqualified	No material matters have been identified in relation the eligibility, accounting and expenditure associated with the funding received that would cause SIAS to believe that the related funding conditions have not been met.
Qualified	Except for the matters identified within the audit report, the eligibility, accounting and expenditure associated with the funding received meets the requirements of the funding conditions.
Disclaimer Opinion	Based on the limitations indicated within the report, SIAS are unable to provide an opinion in relation to the Council's compliance with the eligibility, accounting and expenditure requirements contained within the funding conditions.
Adverse Opinion	Based on the significance of the matters included within the report, the Council have not complied with the funding conditions associated with the funding received.
Recommendation Priority Levels	
Priority Level	Definition
Corporate	Critical Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
Service	High Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	Medium Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.



INTERNAL AUDIT PROGRESS REPORT

NORTH HERTS COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

4 SEPTEMBER 2024

RECOMMENDATIONS

- Note the SIAS Progress Report for the period to 16 August 2024.
- Note the implementation status of the reported high priority recommendations.
- Note the plan amendments to the 2024/25 Annual Audit Plan.

Contents

- 1 Introduction and Background
 - 1.1 Purpose
 - 1.2 Background
- 2 Audit Plan Update
 - 2.1 Delivery of Audit Plan and Key Findings
 - 2.3 High Priority Recommendations
 - 2.5 Proposed Amendments
 - 2.6 Performance Management

Appendices

- A Progress against the 2024/25 Audit Plan
- B 2024/25 Audit Plan Start Dates Agreed with Management
- C Assurance and Finding Definitions 2024/25
- D Implementation Status of High Priority Recommendations
- E Global Internal Audit Standards Briefing Note

1. Introduction and Background

Purpose of Report

1.1 This report details:

- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Internal Audit Plan for 2023/24 as at 16 August 2024.
- b) In-Year Audit Plan review and proposed plan amendments.
- c) An update on performance indicators as at 16 August 2024.

Background

1.2 The 2024/25 Internal Audit Plan was approved by the Finance, Audit and Risk Committee (the FAR Committee) on 13 March 2024.

1.3 The Committee receives periodic updates of progress against the Annual Internal Audit Plan. This is the first report giving an update on the delivery of the 2024/25 Internal Audit Plan.

1.4 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

2.1 As at 16 August 2024, 27% of the 2024/25 Audit Plan days had been delivered.

2.2 There have been three final internal audit reports issued as part of the approved 2024/25 Internal Audit Plan since the papers were issued for the 19 June 2024 FAR Committee meeting:

Audit Title	Assurance Opinion	Recommendations
Estates	Limited	2 High and 1 Medium
Houses in Multiple Occupation	Limited	4 High, 4 Medium, 3 Low
Public Sector Decarbonisation Scheme (Salix Grant) (Interim Report)	N/A	1 Medium, 3 Low

High Priority Recommendations

- 2.3 Members will be aware that a Final Audit Report is issued when it has been agreed by management; this includes an agreement to implement the recommendations that have been made. It is SIAS's responsibility to bring to Members' attention the implementation status of high priority recommendations; it is the responsibility of officers to implement the recommendations by the agreed date.
- 2.4 The high priority recommendation arising from the Agency Staffing audit is reported as partially implemented, while three of the four high recommendations from the Houses in Multiple Occupation audit are reported as implemented and one as partially implemented (albeit the outstanding element has not yet passed its implementation date). Please see Appendix D for further detail.
- 2.5 An update on the two high priority findings from the Estates audit has not been provided as the implementation dates in September and December 2024 have not yet been reached.

Proposed Amendments

- 2.6 The Audit Plan approved by the FAR Committee in March 2024 contained an allocated number of plan days against audit areas such as General Audits, IT Audits and Consultancy and Advisory, but did not include an estimated number of plan days for completion of the planned individual internal audit projects. During the financial year, SIAS applies an estimated number of plan days against all individual internal audit projects as part of resource allocation and planning. These estimates are included in Appendix A – Progress against the 2024/25 Internal Audit Plan.
- 2.7 The Audit Plan is however designed to be dynamic and responsive to changed risk, circumstances and priorities, requests for new internal audit work, outcomes from scoping and planning of individual internal audit projects and amended resourcing requirements. Estimated plan days may need to be changed as a result, and these amendments are communicated to the FAR Committee.
- 2.8 There have been three audit plan amendments agreed with management within this reporting period.
- a) Five plan days have been taken from Contingency to accommodate a new Garden Waste Reconciliation project under Consultancy and Advisory.
 - b) Assurance Mapping has been reduced by eight plan days, with these plan days allocated to the Equality, Diversity and Inclusion Maturity Assessment. This is to accommodate a revised estimate of plan days following scoping and resourcing of the work during the audit planning phase.
 - c) Grant and Charity Audits have been reduced by three days, with these plan days allocated to completion of the Houses in Multiple Occupation audit.

Performance Management: Reporting of Audit Plan Delivery Progress

- 2.7 To help the Committee assess the current progress of the projects in the Audit Plan, we have provided an overall progress update of delivery against planned commencement dates at Appendix B. The table below shows that summary of performance based in the latest performance information reported at Appendix A.

Status	No of Audits at this Stage	% of Total Audits	Profile to 16 August 2024
Draft / Final Report Issued	4	18%	23% (5)
In Fieldwork / Quality Review	4	18%	23% (5)
Terms of Reference Issued / In Planning	4	18%	23% (5)
Not Yet Started	10	46%	31% (7)

- 2.8 Annual performance indicators and associated targets were approved by the SIAS Board in March 2024. At 16 August 2024, actual performance for North Herts Council against the targets that can be monitored in year was as shown in the table below:

Performance Indicator	Annual Target	Profiled Target to 16 August 2024	Actual to 16 August 2024
1. Annual Internal Audit Plan Delivery – the percentage of the Annual Internal Audit Plan delivered (measured in audit days)	95%	33% (85 / 260 days)	27% (71 / 260 days)
2. Project Delivery Percentage of audit plan projects delivered to draft report stage by 31 March 2025.	90%	23% (5 / 22 projects)	18% (4 / 22 projects)
Percentage of audit plan projects delivered to final report stage as reported within the CAE Annual Assurance and Opinion report.	100%	23% (5 / 22 projects)	18% (4 / 22 projects)
3. Client Satisfaction -Percentage of client satisfaction questionnaires returned at 'satisfactory overall' level (minimum of 39/65 overall)	100%	100%	100% for those returned. (1 returned from 13 issued since 1 April 2024)
4. Number of High Priority Audit Recommendations agreed % Percentage of critical and high priority recommendations accepted by management.	95%	100%	100%

- 2.9 In respect of delivery of Planned Days, performance is behind the profiled target. Based on the original profiling at the start of the financial year, it was anticipated that fieldwork would have been able to commence, be further advanced or complete on more of the internal audit projects scheduled for commencement in quarters one and two. The summer school holiday period has had an impact on officer capacity and availability both within SIAS and the Council, and an increased momentum in Audit Plan delivery is anticipated from September 2024. It should also be noted that the project / embedded assurance and through year work on the Churchgate, New Finance System, Public Sector Decarbonisation Scheme and Assurance Mapping internal audit work is dependent on the timing, pace and progress of the underlying Council project being supported.
- 2.10 In respect of Planned Projects, it was anticipated that a draft report would have been issued for the Garden Waste Reconciliation consultancy work based on original planning and commencement, however fieldwork is complete, and a draft report is in quality review prior to reporting.
- 2.11 SIAS have allocated resource to all remaining projects in the 2024/25 Internal Audit Plan and start dates have already been scheduled or in are in the process of being agreed with the relevant service areas. SIAS appreciate the co-operation and goodwill of Council staff and value the relationships it has fostered over an extended period. These are crucial in ensuring successful delivery of the Plan and delivering sufficient work to support the annual assurance opinion.
- 2.12 One new customer satisfaction survey has been received since the last SIAS Progress Update Report to FAR Committee in March 2024, with very positive feedback on the audit concerned. Any learning points arising from customer satisfaction surveys are shared with the relevant member of internal audit team through their regular appraisal process and personal and professional development plans.
- 2.13 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2024/25 Head of Assurance's Annual Report:
- **4. Public Sector Internal Audit Standards** – the service conforms with the standards.
 - **5. Internal Audit Annual Plan Report** – approved by the March Audit Committee or the first meeting of the financial year should a March committee not meet.
 - **6. Chief Audit Executive's Annual Assurance Opinion and Report** – presented at the first Audit Committee meeting of the financial year.

APPENDIX A – PROGRESS AGAINST THE 2024/25 AUDIT PLAN AS AT 16 AUGUST 2024

2024/25 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
General Audits (98 days)									
Churchgate - Project Assurance						12	SIAS	0.5	In Planning
New Finance System						10	SIAS	0.5	In Planning
Public Sector Decarbonisation Scheme (Salix Grant)	N/A	0	0	1	3	12	SIAS	4.5	In Fieldwork (1 st interim report issued)
Training, Awareness and Induction						10	SIAS	0.5	In Planning
Project Prioritisation						10	SIAS	0	Not yet started
UK Shared Prosperity Fund (UKSPF)						12	SIAS	0	Not yet started
Operational Building Compliance						10	SIAS	0	Not yet started
Local Authority Trading Companies						12	SIAS	0	Not yet started
Homelessness						10	SIAS	0	Not yet started
IT Audits (22 days)									
Cyber Security – Cyber Governance and Culture						11	BDO	0	Not yet started

APPENDIX A – PROGRESS AGAINST THE 2024/25 AUDIT PLAN AS AT 16 AUGUST 2024

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Cyber Security – Supply Chain Management						11	BDO	0	Not yet started
Consultancy and Advisory (64 days)									
Assurance Mapping						28	SIAS	7	In Fieldwork
FAR Committee Review						11	BDO	3	In Fieldwork
Equality / Equity, Diversity and Inclusion (EDI) Maturity Assessment						20	BDO	2.5	ToR Issued
Garden Waste Reconciliation						5	SIAS	4.5	Quality Review
Grant Claims / Charity Certification (5 days)									
King George V Playing Fields						1.5	SIAS	0	Not yet started
Workman’s Hall						1.5	SIAS	0	Not yet started
Miscellaneous Grants						2	SIAS	0	Not yet started
Contingency (0 days)									
Contingency						0		0	
Client Management - Strategic Support (38 days)									
CAE Annual Opinion report						3	SIAS	3	Complete
Audit Committee						8	SIAS	4	Through Year
Plan Monitoring						8	SIAS	3	Through Year
Client Liaison						6	SIAS	3	Through Year
Audit Planning 2025/26						8	SIAS	0	Quarter 3/4

APPENDIX A – PROGRESS AGAINST THE 2024/25 AUDIT PLAN AS AT 16 AUGUST 2024

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
SIAS Development						5	SIAS	2	Through Year
2023/24 Carry Forward (33 days)									
Completion of outstanding 2023/24 projects:						4	SIAS	4	Complete
Business Continuity and Emergency Planning	Reasonable	0	0	0	1	5	SIAS	5	Final Report Issued
Project Management	Not Assessed	0	0	2	0	8	SIAS	8	Final Report Issued
Houses in Multiple Occupation	Limited	0	4	4	3	8	SIAS	8	Final Report Issued
Estates	Limited	0	2	1	0	8	SIAS	8	Final Report Issued
Total - North Herts D.C.		0	6	8	7	260		71	

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Key / Notes

Not Assessed = No assurance opinion provide as the project was either consultancy based or validation for compliance
 C = Critical Priority, H = High Priority, M = Medium Priority, L = Low Priority
 BDO = SIAS Audit Partner
 N/a = Not Applicable
 Audit Plan Days are a guide only and are not formally allocated. This is as per the approved 2024/25 Internal Audit Plan.

APPENDIX B – 2024/25 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
General		Churchgate – Project Assurance (through year) (In Planning)	Churchgate – Project Assurance (through year) (In Planning)	Churchgate – Project Assurance (through year) (In Planning)
	Public Sector Decarbonisation Scheme (Salix Grant) (through year) (In Fieldwork)	Public Sector Decarbonisation Scheme (Salix Grant) (through year) (In Fieldwork)	Public Sector Decarbonisation Scheme (Salix Grant) (through year) (In Fieldwork)	Public Sector Decarbonisation Scheme (Salix Grant) (through year) (In Fieldwork)
		New Finance System (In Planning)		
		Local Authority Trading Companies (Not yet started)	UK Shared Prosperity Fund (UKSPF) (Not yet started)	
		Project Prioritisation (Not yet started)	Operational Building Compliance (Not yet started)	
		Training, Awareness and Induction (In Planning)		Homelessness (Not yet started)
IT			Cyber Security – Cyber Governance and Culture (Not yet started)	Cyber Security – Supply Chain Management (Not yet started)
C	FAR Committee Review (In Fieldwork)	Equality / Equity, Diversity and Inclusion (EDI) Maturity Assessment (ToR Issued)		
	Assurance Mapping (through year) (In Fieldwork)	Assurance Mapping (through year) (In Fieldwork)	Assurance Mapping (through year) (In Fieldwork)	Assurance Mapping (through year) (In Fieldwork)
	Garden Waste Reconciliation (Quality Review)			
G/C				Workman’s Hall (Not yet started)
				King George V Playing Fields (Not yet started)
C/F	2023/24 Carry Forward Audits (Complete)			

APPENDIX B – 2024/25 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

Business Continuity and Emergency Planning (Final Report Issued)			
Project Management (Final Report Issued)			
Houses in Multiple Occupation (Final Report Issued)			
Estates (Final Report Issued)			

Key:

General –Closely linked to the Council’s AGS, Delivery Plan and Risk Register

IT – IT Audits

C – Consultancy and Advisory: Assignments will be delivered as part of the audit plan

G/C – Grant or charity certification to be completed as part of the audit plan

C/F – Carry Forward Audits from 2023/24

APPENDIX C – ASSURANCE AND FINDINGS DEFINITIONS 2024/25

Audit Opinions		
	Assurance Level	Definition
Assurance Opinions	Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
	Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
	Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
	No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
	Not Assessed	This opinion is used in relation to consultancy or embedded assurance activities, where the nature of the work is to provide support and advice to management and is not of a sufficient depth to provide an opinion on the adequacy of governance or internal control arrangements. Recommendations will however be made where required to support system or process improvements.
Grant Certification	Unqualified	No material matters have been identified in relation the eligibility, accounting and expenditure associated with the funding received that would cause SIAS to believe that the related funding conditions have not been met.
	Qualified	Except for the matters identified within the audit report, the eligibility, accounting and expenditure associated with the funding received meets the requirements of the funding conditions.
	Disclaimer Opinion	Based on the limitations indicated within the report, SIAS are unable to provide an opinion in relation to the Council's compliance with the eligibility, accounting and expenditure requirements contained within the funding conditions.
	Adverse Opinion	Based on the significance of the matters included within the report, the Council have not complied with the funding conditions associated with the funding received.

Finding Priority Levels		
	Priority Level	Definition
Corporate	Critical	Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
Service	High	Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	Medium	Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low	Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
<p>Agency Staffing</p>	<p>Potential breach of employment legislation - agency workers' rights after 12 weeks</p> <p><u>SIAS Recommendation</u></p> <ol style="list-style-type: none"> We recommend that if an agency worker has a contract extended past the 12-week timeframe or in fact employed for longer than 12 weeks at the start of their employment the hiring manager must advise HR and Finance of this to ensure the agency workers' rights are respected. The hiring manager and / or HR should communicate with the agency staff employee to obtain confirmation or acknowledgment of their workers' rights and allow the option to opt out of the Council's corporate pension scheme. Relevant processes may need to be built around this especially where recruitment takes place outside of the ECC contract. There also needs to be an explicit clarification of responsibility between the hiring managers and HR, given the inconsistencies in understanding who is responsible for the different aspects of hiring temporary / agency staff. HR should be in a position to provide advice in any event, should it be required. <p><u>Management Response</u></p> <ol style="list-style-type: none"> Update temporary workers policy. Communicate change to managers through DMTs, HR managers update, SMG and the Hub. HR to arrange automated notification of agency worker start date through the new starter process and create process for line managers to ensure opt out is complete prior to 12 weeks. 	<p>31 July 2024</p>	<p>September FAR Committee Update</p> <p>Partially Implemented.</p> <p>Progress has been made towards implementing this recommendation, and the other recommendations from the audit with an original target date of 31 July 2024, and work on these actions is nearly complete. However, an issue has been identified that requires further investigation, which will impact the launch of updated policy and guidance documents. In view of this, and other diary commitments including annual leave, the actions to implement the recommendation will now be completed by 20 September 2024.</p>

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
	<p>3. NHC are aware of the residual risk around agency workers passing 12 weeks, risk register to be updated accordingly.</p> <p>4. Review of responsibilities to take place as part of policy update. CPD to continue within HR team. Reiterated at RPRs.</p>		
<p>Houses in Multiple Occupation</p>	<p>HMO Policies, Procedures, Guidance and Evidence Requirements</p> <p><u>SIAS Recommendation</u></p> <p>We recommend that:</p> <ul style="list-style-type: none"> • A list of evidence required for HMO licence applications is produced and once approved the prerequisite list on Tascomi (Licensing System) should be updated accordingly. • Evidence for HMO applications includes Energy Performance Certificates for HMOs in scope. • Work is completed by Licensing in conjunction with the MSU to finalise the review of operational procedures for HMOs to reflect current roles and responsibilities. • A review is conducted of the Council's Corporate Statement of Enforcement Policy to ensure that this reflects current requirements and respective roles and responsibilities for HMOs following the transfer to the Licensing Team. <p><u>Management Response</u></p> <p>Agreed.</p>	<p>31 July 2024</p> <p>31 July 2024</p> <p>14 August 2024</p> <p>31 July 2024</p>	<p>September FAR Committee Update</p> <p>Implemented.</p>

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
<p>Houses in Multiple Occupation</p>	<p>Consulting with the Fire Officer</p> <p><u>SIAS Recommendation</u></p> <p>We recommend that:</p> <ul style="list-style-type: none"> • Fire Officer Consultations are undertaken for all HMO applications and the role and responsibility for their undertaking is captured in operational procedures and checklist prerequisites on Tascomi. • An exercise is undertaken to check existing HMO licences and consultation made with the Fire Officer, where this has not taken place. <p><u>Management Response</u></p> <p>Agreed.</p>	<p>14 August 2024</p> <p>30 September 2024</p>	<p>September FAR Committee Update</p> <p>Partially Implemented</p> <p>In progress and expected to be completed by the target date. Consultation with the Fire Service has now been added to operational procedures and to Tascomi, and the exercise to check existing HMO licences and Fire Officer consultation is still ongoing.</p>
<p>Houses in Multiple Occupation</p>	<p>Consultation Period and Draft Notices of Intention to Issue HMO Licence</p> <p><u>SIAS Recommendation</u></p> <p>We recommend that notices of intention to issue an HMO licence, along with draft licences should be issued to all interested parties with a 14-day consultation period and due consideration is given to any objections received before the final licence is granted (in accordance with HMO policy).</p> <p><u>Management Response</u></p> <p>Agreed.</p>	<p>31 August 2024</p>	<p>September FAR Committee Update</p> <p>Implemented.</p>

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
<p>Houses in Multiple Occupation</p>	<p>Renewal of HMO Licences after Expiry</p> <p><u>SIAS Recommendation</u></p> <p>We recommend that:</p> <ul style="list-style-type: none"> • Where an HMO licence renewal request is received after the expiry date of the original licence, applicants should be required to complete a new application and pay the full fee (rather than the renewal fee). • Clear guidance is provided for MSU and Licensing Officers on when a renewal or new licence application is required. <p><u>Management Response</u></p> <p>Agreed.</p>	<p>31 July 2024</p> <p>14 August 2024</p>	<p>September FAR Committee Update</p> <p>Implemented.</p>

APPENDIX E – GLOBAL INTERNAL AUDIT STANDARDS BRIEFING NOTE

The change from the International Professional Practices Framework to the Global Internal Audit Standards

1. Following consultation during 2023, the Global Institute of Internal Auditors (the GIIA) published a set of new Global Internal Audit Standards (GIAS) in January 2024. The GIAS are due to come into effect from January 2025, although this has been extended to April 2025 for the UK public sector to align with the new financial / municipal year and internal audit reporting requirements.
2. The previous International Professional Practices Framework (IPPF) was separated into categories for mandatory and recommended guidance. The new 2024 GIAS have incorporated the recommended guidance into the mandatory requirements to aid practitioners in accessing and understanding the information. This has also led to the previous Code of Ethics, Core Principles, and Implementation guidance under the umbrella of the new Standards. The image below (from the consultation papers) encapsulates this change.



3. New to the 2024 GIAS are the setting of Topical Requirements. They are intended to assist the internal audit function by providing structure and consistency in covering governance, risk, and control over specified areas. These requirements will be published during 2024 and will be mandatory when Internal Audit scope an audit in these topical areas.
4. Although mandatory, there is a comply or explain approach when auditing, or choosing not to audit, an area where topical requirements have been published. They are not a requirement to perform any engagement, nor are they a step-by-step approach to the execution of the Internal Audit engagement. The topical requirements include a tool to help internal audit document the rationale for including or excluding certain requirements.
5. To date, one Topical Requirement has been published on Cyber Security. Others being developed include:
 - a) Organisational Governance
 - b) Fraud Risk Management
 - c) Information Technology Governance

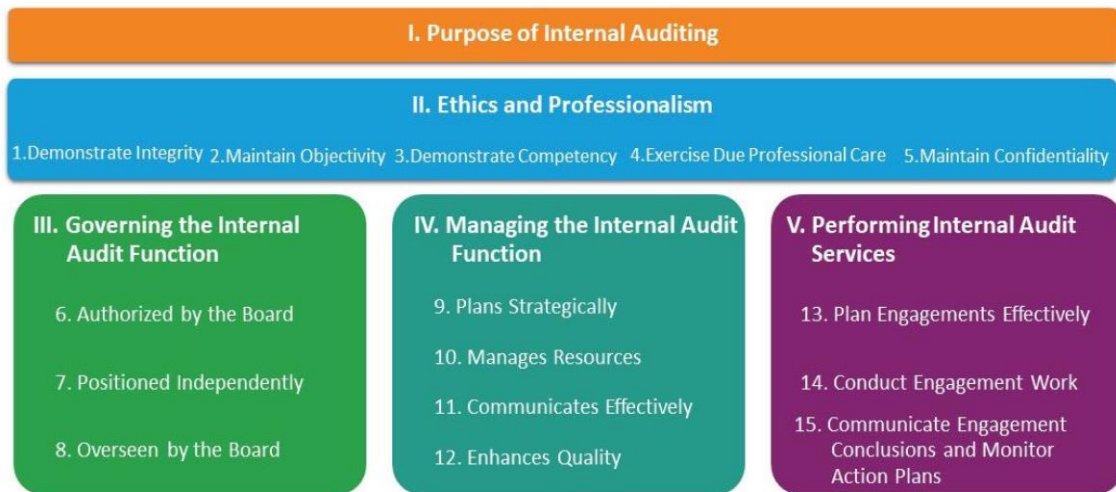
APPENDIX E – GLOBAL INTERNAL AUDIT STANDARDS BRIEFING NOTE

- d) Sustainability: Environment, Social and Governance
- e) Third-party Management
- f) Performance Audits (Public Sector specific)

The Global Internal Audit Standards – Domains and Principles



Global Internal Audit Standards Five Domains, 15 Principles



6. The GIAS are arranged into five Domains (sections), as also outlined in the image above:

- I. Purpose of Internal Auditing
- II. Ethics and Professionalism
- III. Governing the Internal Audit Function
- IV. Managing the Internal Audit Function
- V. Performing Internal Audit Services

7. There are five domains, with the first two being the foundations which apply across all other domains. Domain III is around governing internal audit, is therefore the most relevant to the Audit Committee and includes essential conditions that the Audit Committee needs to follow. Domain IV is around leading the internal audit function and therefore is the focus of the Chief Audit Executive (aka the Head of Internal Audit). Finally, Domain V is focused on performing internal audit engagements.

8. The 5 domains include 15 Principles (as also outlined in the image above) and 53 individual standards to support these. Each standard includes:

- a) Requirements – mandatory practices for internal audit

APPENDIX E – GLOBAL INTERNAL AUDIT STANDARDS BRIEFING NOTE

- b) Considerations for implementation – common and preferred practices to consider when implementing the requirements.
- c) Examples of evidence of conformance – examples to demonstrate that the requirements have been implemented.
9. This new structure while meaning the document is now in the region of 100 pages long, is easy to dip in and out of and bring all relevant material to one place, rather than having to read across different documents.
10. The review has not just been structural. There are new requirements and clarifications. These are aimed to raise the bar for the profession across the globe in the private and public sector, however, in the UK and Ireland (and EU) the distance from current practice to the new GIAS is not as great as in other parts of the world. This is especially the case for public sector internal audit teams in the UK that ‘generally conformed’ with the Public Sector Internal Audit Standards (PSIAS) enshrined in the Accounts and Audit Regulations 2015. The PSIAS were themselves based on the IPPF.

Key Changes

11. The table below illustrates some of the key changes in the GIAS:

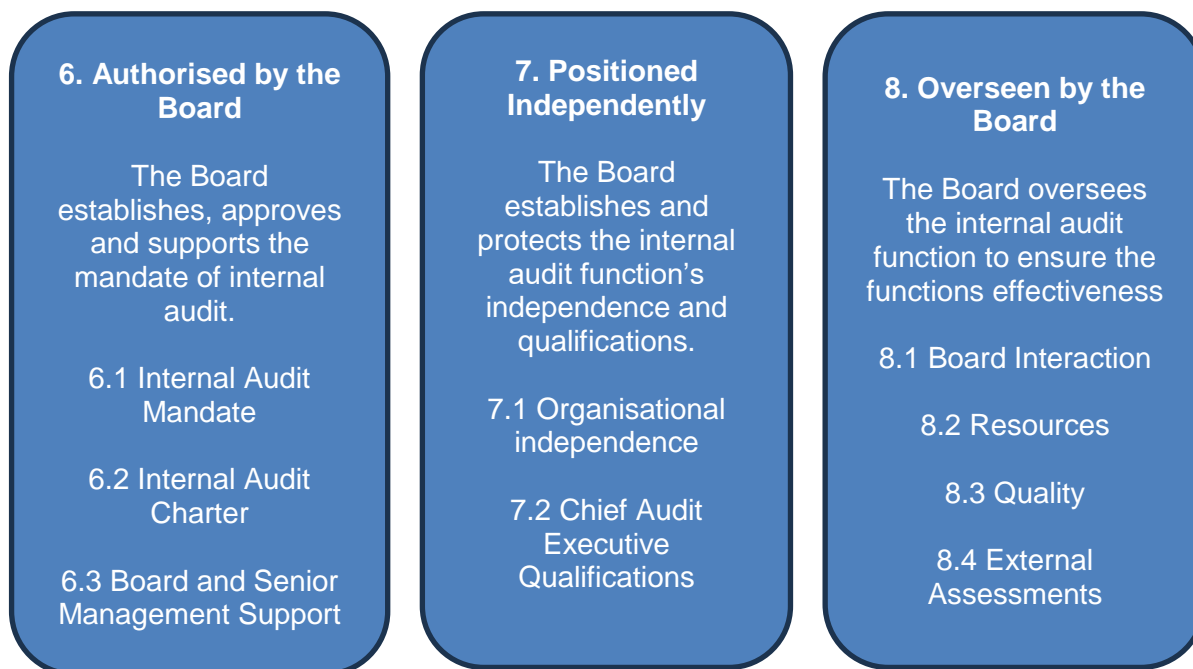
Area	Term	Definition / Change / Narrative
Glossary	Board	<p>Collective noun and is defined in the glossary as below:</p> <p><i>‘Highest-level body charged with governance, such as:</i></p> <ul style="list-style-type: none"> • <i>A board of directors.</i> • <i>An audit committee.</i> • <i>A board of governors or trustees.</i> • <i>A group of elected officials or political appointees.</i> • <i>Another body that has authority over the relevant governance functions.</i> <p><i>In an organisation that has more than one governing body, “board” refers to the body or bodies authorised to provide the internal audit function with the appropriate authority, role, and responsibilities.’</i></p> <p>In the UK public sector, this is generally deemed to be the Audit Committee or equivalent.</p>
Glossary	Root Cause	<p>Core issue or underlying reason for the difference between the criteria and condition of an activity under review. See Domain V below.</p>

APPENDIX E – GLOBAL INTERNAL AUDIT STANDARDS BRIEFING NOTE

Domain I	Purpose of Internal Auditing	<p><i>'Internal auditing strengthens the organization's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.'</i></p> <p>Internal auditing enhances the organisation's:</p> <ul style="list-style-type: none"> • Successful achievement of its objectives. • Governance, risk management, and control processes. • Decision-making and oversight. • Reputation and credibility with its stakeholders. • Ability to serve the public interest.
Domain II	Code of Ethics	<p>Essentially the Code of Ethics with some further expansion pulling from Implementation Guidance. Introduction of the term 'Professional Courage' and ethics training as a consideration for implementation, but CIAs MUST complete 2 CPEs of ethics training every year. Also 'professional courage' as an appraisal objective.</p> <p>Professional courage is a new term. This is not about internal auditors seeking to speak directly with the board on areas they are worried about, but having professional discussion and using escalation protocols as appropriate to ensure that the message reaches the board as appropriate. Part of this is about ensuring that internal audit functions are aware of what ethical standards are expected, which is why ethical training is key part of this.</p>
Domain III	Governing the Internal Audit Function	<p>Domain III covers the governance of Internal Audit and represents a significant change. Although it covers areas that were in the previous IPPF, the new GIAS go further and explicitly lay out essential requirements, principles and standards with which Senior Management and the Board (Audit Committee) must conform. See separate section at paragraph 12 below.</p>
Domain IV	Managing the Internal Audit Function	<p>The Internal Audit Strategy principle sits in here, and the need to develop and implement an internal audit strategy.</p> <p>It should be noted that SIAS already has a Strategy approved by the SIAS Board. This is being revisited to ensure that it conforms with the GIAS.</p>
Domain V	Performing the Internal Audit Services	<p>This is largely the same as the previous IPPF / PSIAS. The term root cause in here has been an area of discussion amongst internal auditors.</p>

APPENDIX E – GLOBAL INTERNAL AUDIT STANDARDS BRIEFING NOTE

12. The images below depict the three principles and nine standards of Domain III, being that most relevant to Audit Committees and senior management.



UK Public Sector Update

13. The GIAS will form the basis for internal auditing for the UK public sector and the UK Public Sector Internal Auditing Standards Advisory Board (IASAB) are carrying out a review of the new standards with a view to identifying and producing any sector specific interpretations or other material needed to make them suitable for UK public sector use. This is especially relevant for Domain III. The consultation material is due for issue by September 2024 at the latest, with a consultation period of eight weeks.
14. Having regard to the points raised by respondents, the IASAB will prepare final material for application in the UK public sector together with guidance on transition. Subject to approval by the Relevant Internal Audit Standards Setters (including Treasury, CIPFA and others), these will be issued later in 2024 to allow sufficient time for preparation for implementation. The effective date of the new material developed by IASAB will be 1 April 2025, to align with requirements for annual opinions and other relevant aspects of UK public sector governance which line up with the financial year. Until then, the existing PSIAS based on the old International Professional Practices Framework and enshrined in the Audit and Account Regulations 2015 will continue to apply.
15. The PSIAS require an External Quality Assessment (EQA) to be completed every five years, and this continues to be a requirement of the GIAS. Those local authorities with an EQA due in 2024 must complete these prior to the GIAS implementation date of 9 January 2025 and can request an additional readiness assessment against the new GIAS.

APPENDIX E – GLOBAL INTERNAL AUDIT STANDARDS BRIEFING NOTE

Those with an EQA date due in 2025 can opt to bring this forward for conduct under the existing PSIAS on the grounds outlined or keep to the planned date but must have completed sufficient engagements under the new standards prior to being assessed. The next SIAS EQA is due in July 2026, thereby providing sufficient time to embed and evidence compliance with the new standards.

Actions and Next Steps

16. SIAS have, and will continue to, participate in consultation around the GIAS.
17. We have been attending professional body (Chartered IIA, CIPFA) and network (Chief Auditors Network, HCCIAG, LAG) webinars, training, and discussions to make sure we learn from colleagues and understand what is proposed, timeframes, the implications for SIAS and how we ensure we conform with the GIAS.
18. We have reviewed guidance and template documents available on the Chartered IIA member web pages and are working through the GIAS self-assessment tools available from the professional body to identify gaps, actions and exceptions.
19. As noted at paragraph 10, there are not a significant number of requirements for SIAS to implement from scratch and most of the work relates to revisiting and updating (where necessary) our documentation, processes, procedures, approaches, and methodologies to ensure that they conform with the GIAS. We have sought to link this as closely as possible to the normal delivery and reporting cycles to the SIAS Board and partner Audit Committees. To this end, partner Audit Committees have already received our updated and revised Internal Audit Mandate and Internal Audit Charter for approval in the May / June reporting cycle.
20. We will report on implementation and conformance with the GIAS, including areas of deliberate non-conformance, to the SIAS Board and our partner Audit Committees as part of our annual self-assessment accompanying the annual assurance opinion and our Internal Audit Charter. This forms part of the May / June Audit Committee cycle. We will inform the SIAS Board and partner Audit Committees should any material impediments to implementation arise ahead of the key UK public sector implementation date of 1 April 2025.

FINANCE AUDIT & RISK COMMITTEE

4 September 2024

*PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: UPDATED CONTRACT PROCUREMENT RULES FOR 2024 - 2025

REPORT OF: THE CONTROLS RISK & PERFORMANCE MANAGER

EXECUTIVE MEMBER: FINANCE & IT

COUNCIL PRIORITY: SUSTAINABILITY r

p

1. EXECUTIVE SUMMARY

This report sets out the proposed changes to the Contract Procurement Rules for review and referral that, in summary, seeks to make the following changes.

- Rewrite the existing rules, to bring the Contract Procurement Rules in line with legislative changes to take place from 28 October 2024.
- Set out our commitment to ensure we deliver value for money, maximise public benefit, share information to help suppliers understand procurement policies, act with integrity and ensure transparency in our procurement processes.

2. RECOMMENDATIONS

2.1 That Committee considers the proposed changes and recommends their adoption to Full Council.

3. REASONS FOR RECOMMENDATIONS

- 3.1. The Contract Procurement Rules (CPRs) are part of the Council Constitution (under Section 20) and must be regularly reviewed and updated as part of the Council's governance and procurement review processes. This contributes to the Council's system of effective internal control.
- 3.2. The new CPRs reflect a significant update in line with the requirements of the Procurement Act 2023, incorporating detailed procedural guidance, and enhanced compliance and transparency measures. These changes aim to improve the efficiency, accountability, and effectiveness of the Council's procurement activities.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. No alternative options have been considered. Not updating the CPRs would greatly increase the risk of non-compliant Procurement at the Council, which could lead to procurement challenges and increased costs.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. This report and appendices are being presented to FAR Committee for consideration, prior to recommendation to Council. The proposed changes have been approved by the Council's Contract and Procurement Group, chaired by the Service Director, Resources, and attended by the Executive Member for Finance and IT, who has responsibility for Procurement.

6. FORWARD PLAN

- 6.1 This report does not contain a recommendation on a key Executive decision and has therefore not been referred to in the Forward Plan.

7. BACKGROUND

- 7.1. The Procurement Act 2023 received Royal Assent on 26 October 2023, and will come into force on 28 October 2024.
- 7.2. Once implemented, the Procurement Act 2023 will repeal the Public Contracts Regulations 2015, the Concessions Contracts Regulations 2016 and the Utilities Contracts Regulations 2016, to become the law that regulates procurement in the UK.
- 7.3. The CPRs have been completely rewritten, to align with the new Procurement Act, and to ensure that they continue to be relevant and appropriate for the Council's needs. The update has been undertaken by the Contract and Procurement Group, led by the Service Director – Resources, and the Controls, Risk and Performance Manager.
- 7.4. The current approved CPRs will remain in force until the new regulations take effect. Any procurements started before the 28 October 2024 will continue to be covered by the current approved CPRs. This means that for a period of time, we will need to apply dual regulations. Any extensions or variations to contracts already in place as 28 October 2024 will remain covered by the previous Regulations. Legal will work with Officers to ensure the appropriate regulations are applied, should any contract variations be required.

8. RELEVANT CONSIDERATIONS

- 8.1. Since the Procurement Act received Royal assent in October 2023, the Government has published clear guidance on what the new Procurement Act is expected to achieve.
- Cutting red tape and supporting innovation
 - Improving transparency by creating a fully open and transparent system, meaning everyone has access to public procurement data.
 - Faster competition processes for emergency buying, allowing buyers to meet urgent needs quickly and efficiently.
 - Simplifying the process of working with the Public Sector, supporting more SME's to bid for contracts.

- 8.2 There are a number of key changes to the procedures the Council will need to follow when the Procurement legislation comes into effect at the end of October. The main changes are outlined below.
- 8.3 **Pre Market Engagement (s.9).** The draft new CPRs strengthen the guidance on use of Pre-Market Engagement. This helps to ensure greater transparency and inclusivity in the procurements we undertake.
- 8.4 **Award and Evaluation Criteria (s.10)** This section includes guidance which reflects the move away from Most Economically Advantageous Tender (MEAT), and the move toward the more flexible award criteria of Most Advantageous Tender (MAT). This will allow the Council more flexibility in including Social Value and Environmental considerations when deciding on the outcome of a procurement.
- 8.5 **Transparency Requirements (s. 17) .** The Act introduces a higher level of transparency in procurement planning and notification to market. The Council will be required to publish a Procurement Pipeline, and an increased number of Transparency Notices to ensure that Suppliers are aware of any opportunities to contract with us at the earliest possible time. There will also be an obligation to publish contract payment notices and payment performance notices.
- 8.6 **Above Threshold Tendering Options (s. 22)** The current permitted tendering options of Competitive Procedure with Negotiation, Competitive Dialogue and Innovation Partnership will no longer exist under the new regulations. These have been replaced with a new Competitive Flexible Procedure. (s 2.2) This will allow the Council the flexibility to design a multi- stage procurement procedure, suited to the more complex procurements we undertake. However, as these procedures are more resource intensive than the traditional Open Tender, the CPRs will require Cabinet approval to be sought if more than the traditional 2 stages are proposed.
- 8.7 **Changes to Works Thresholds.** (s. 19) The tendering options for estimates, quotations, tenders and above threshold tenders have been changed in relation to works. The change is to reflect the increased cost of works and ensures that relatively low value works are able to be procured promptly, whilst still protecting the Council's interests. Estimate levels did not previously mention works, this has now been added with a proposed threshold of up to £100k. Quotation levels were previously set at between £50k - £250k. It is proposed to increase these to between £100k and £499,999. Tender levels were previously set as anything above £250k. It is proposed that this is increased to between £500k and £5,372,608 (or the current regulated level).
- 8.8 **Social Value and Environmental Considerations.** (S.19) – this has been incorporated into the Tendering Option requirements at each level of spend to ensure that officers consider for each procurement they undertake.
- 8.9 **Key Performance Indicators(S18-19)** – guidance has been added on the use of KPI's in contracts. The new regulations require that we will need to publish Supplier performance for contracts over £5m in value. Embedding the use of KPIs at the pre procurement stage will ensure that we are ready to meet that requirement.

9. LEGAL IMPLICATIONS

- 9.1. Under section 10.1.5 (g) of the Finance, Audit and Risk Committee's Terms of Reference it has remit "to maintain an overview of the council's constitution in respect of Contract Procurement Rules and Financial Regulations, consider any major changes and make recommendations to Council for approval". Full Council adopts and changes the Constitution and documents such as the Contract Procurement Rules that are part of the Constitution.
- 9.2. The overriding principles of transparency, non-discrimination, mutual recognition, and equal treatment applies to all procurements, irrespective of their value. Having a robust set of Contract Procurement Rules should ensure compliance with these obligations and reduce the risk of successful legal challenge to a procurement exercise.
- 9.3. Section 135 of the Local Government Act 1972 requires the Council to make standing orders with respect to the making of contracts for the supply of goods or services or for the execution of works. Section 37 of the Local Government Act 2000 confirms that a Council's Constitution must contain its Standing Orders.
- 9.4. It is anticipated that central government may issue additional guidance closer to the enforcement date of the Procurement Act 2023. The Council should be prepared to review their procurement guidance alongside the amended the Contract Procurement Rules to ensure full compliance with this forthcoming guidance. Officers should remain vigilant for any updates or clarifications that could affect the interpretation and application of the new rules.
- 9.5. During the transition to the new regulatory framework, there will be a period where dual regulations will apply. Procurements commenced prior to 28 October 2024 will continue to be governed by the existing regulations (Public Contracts Regulations 2015, etc.), whereas procurements initiated thereafter will be subject to the new Procurement Act 2023. Legal and Procurement teams will need to manage this transition carefully to avoid compliance risks and ensure that the correct legal framework is applied at all stages of the procurement process.

10. FINANCIAL IMPLICATIONS

- 10.1. These are procedural matters that have no direct financial impact upon the Council's revenue or capital budgets.

11. RISK IMPLICATIONS

- 11.1. Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.
- 11.2. The process of assessing the Council's governance arrangements enables any areas of weakness to be identified and improvement actions put in place, therefore reducing the risk to the Council.
- 11.3. The proposed draft CPRs have been updated in order to incorporate all of the new requirements under the regulations to take effect from 28 October. These have been

updated and reviewed by Procurement and Legal to ensure all areas are covered. Training for Officers on the changes to the rules will take place once the draft CPRs have been approved. This will help to ensure that the risk of non-compliance is reduced as far as possible.

12. EQUALITIES IMPLICATIONS

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2. The Contract Procurement Rules in themselves do not generate equalities implications, however, their application when considering specific procurements of goods and services, or works, must take full account of this legislation. Equal treatment of suppliers is embedded throughout the CPRs.

13. SOCIAL VALUE IMPLICATIONS

- 13.1. As the recommendations made in this report do not, in themselves, constitute a public service contract, the measurement of 'social value' as required by the Public Services (Social Value) Act 2012 need not be applied. However, the application of the Contract Procurement Rules must take full account of this requirement when procuring a public service contract within specified parameters as laid out in the Social Value Act. Social Value has been embedded throughout the Council's CPR's.

14. ENVIRONMENTAL IMPLICATIONS

- 14.1. There are no known Environmental impacts or requirements that apply to this report. The move from MEAT to MAT criteria will allow for the inclusion of environmental considerations in the procurement process.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 There are no HR implications relating to this report.

16. APPENDICES

- 16.1 Appendix A – Draft Section 20 – Contract Procurement Rules
Appendix B – Comparative Changes document

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

18.1 Constitution section 20: [CLICK HERE](#)]

PART B

SECTION 20

CONTRACT PROCUREMENT RULES

PART B: SECTION 20 CONTRACT PROCUREMENT RULES

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PART 1

1. Introduction

- 1.1. Procurement is the process for identifying and agreeing terms for the purchase of goods, services or works from an external source. It covers the whole process from identifying the need, conducting market engagement, tendering, awarding a contract, and managing a contract through to termination.

- 1.2. The Contract Procurement Rules provide a structure for the procurement of Goods, Services and Works and all Officers have a responsibility to read and familiarise themselves with these rules.
- 1.3. Adherence to these Rules is essential for achieving value for money, ensuring probity, proper management of public funds and compliance with legislation. Each part is mandatory for compliance by all Officers who are involved in any procurement activity. All values are exclusive of VAT unless expressly stated.
- 1.4. Non-adherence to these Rules may result in disciplinary action as outlined in the [Council's Managing Misconduct Policy](#). Officers are required to report any breaches immediately to the Service Director: Legal and Community who is also the Council's Monitoring Officer (monitoring.officer@north-herts.gov.uk) who will take necessary action.
- 1.5. The Contracts and Procurement Group is charged with the review and guidance on all procurement and contractual activities within the Council, and in conjunction with the Procurement Team will review these rules annually. Consultation on this review will take place with the Monitoring Officer. The Service Director: Resources can make minor changes to the rules. More significant changes will be approved by Full Council.

2. Scope

- 2.1. These Rules are applicable to all procurement actions undertaken by the Council for Goods, Services and Works, with specific exemptions noted in Rules 2.4 and 2.5.
- 2.2. When conducting procurements, the Council is committed to:
 - **Delivering Value for Money:** Ensuring that each procurement decision maximises the value received from public funds.
 - **Maximizing Public Benefit:** Aiming to achieve the greatest possible benefit for the community through our procurement activities.
 - **Transparency in Communication:** Providing clear and accessible information to suppliers about our procurement policies and decisions to foster understanding and fair competition.
 - **Integrity:** Maintaining the highest standards of integrity in all procurement actions and ensuring that our processes are transparent, promoting trust and accountability.
- 2.3. Contracts must only be initiated after securing all required approvals and ensuring compliance with these Rules. This includes the acceptance of tenders, quotations and purchase orders. Purchase orders contain standard terms and conditions which suppliers must formally accept unless superseded by a formal signed contract.
- 2.4. **Exemptions from these Procurement Rules:**
 - **Vertical Arrangements** refer to contracts where the Council, alone or with another controlling authority, contracts with an entity it controls (such as a Local Authority Trading Company). Control means:
 - **Parent Company Role:** The Council must be the main controlling body of the contracted entity.

- **Decisive Influence:** The Council must have a key role in decision-making processes, evident by representation on the board or equivalent.
- **Primary Activities:** The controlled entity must conduct over 80% of its operations for the Council or its controlling body. Additional details on how to measure this will be covered by upcoming secondary legislation.

If any private shareholders are involved in the controlled entity, the arrangement does not meet the control criteria.

- **Horizontal Arrangements:** agreements between the Council and other public authorities to collaborate on services that serve the public interest, aiming to achieve common objectives related to their public functions. At least 80% of the activities under these arrangements must directly relate to the public functions of the involved authorities.
 - **Land and Buildings:** Contracts related to buying or securing rights over land or buildings. See section 38 for more information.
 - **Financial Services:** Contracts involving financial transactions, like loans or investment services.
 - **Dispute Resolution Services:** Contracts for arbitration, mediation, and similar services aimed at resolving disputes.
 - **Legal Services:** Engagements for legal advice or representation in judicial or dispute resolution settings only.
 - **Employment Contracts:** Direct hiring contracts for Council employees or appointments to public office. Contracts via recruitment agencies and the appointment of consultants do come under these Procurement rules.
- 2.5. Exceptions from these Contract Procurement Rules may be required. Specific rules for Direct Awards (Single Tender) and Waivers are provided in sections 20 and 21 respectively.
- 2.6. These options are intended to allow necessary flexibility, ensuring all decisions remain transparent and comply with the Council's procedures. These exceptions are permitted only under well-defined circumstances.

3. Ethical Standards and Compliance

- 3.1. Conflicts of interest in public procurement refer to situations where the personal, professional, or financial interests of individuals involved in the procurement process could unduly influence their decisions, potentially leading to decisions that do not serve the best interest of the Council.

All Officers must ensure that they have complied with the Council's Conflicts of Interest policy before they undertake a procurement. This includes updating any disclosures in relation to the policy and taking appropriate action (if required).

Conflicts of Interest Policy

Personal Interests

- 3.2. Contracting Restrictions: No contract may be awarded to an Officer of the Council, or to any entity where they, or their family members hold significant control (e.g., a partnership or directorship), without proper disclosure and authorization via a conflict-of-interest form approved in accordance with the Conflicts of Interest policy.
- 3.3. Directorship Approval: Officers may not accept directorships without compliance with the Employee Conflicts of Interest Policy.
- 3.4. Community Right of Challenge: If two Officers express interest in providing a service under the Community Right of Challenge Act 2012, they are prohibited from participating in the tendering process for that service and must not take part in any Tender Evaluation.

Prevention of Corruption

- 3.5. Compliance with Anti-Bribery Laws: All contracts must include provisions obligating suppliers to comply with the Bribery Act 2010 and the Council's Anti-Bribery Policy.
- 3.6. Prohibition on Preferential Treatment: Officers are prohibited from receiving goods or services on preferential terms from a contractor if such terms are related to their professional dealings with the contractor.

Corruption Policy

Hospitality

- 3.7. Managing Offers of Hospitality: Officers must exercise discretion regarding hospitality offers from contractors to avoid conflicts of interest. All interactions must remain professional, aligning with the Council Employee Gifts and Hospitality Policy.

Gifts and Hospitality Policy

Whistleblowing

- 3.8. Policy on Reporting Misconduct: The Council's Whistleblowing Policy covers reports of unethical behaviour by Members, employees, or contractors. It applies to all personnel, including those working on Council premises or involved in Council contracts.

Whistleblowing Policy

PART 2: PRE-PROCUREMENT PLANNING

4. Nature of the Procurement

- 4.1. Officers must first identify the need and determine the nature of the procurement.
- 4.2. The nature of the procurement can be one or a combination of the following:
 - **Goods/Supplies:** Goods/Supplies are defined as any type of articles, products, or supplies that are purchased or leased. This typically includes commodities and tangible products that can be moved, stored, or delivered.

- **Services:** The provision of any type of service other than those which fall within the definition of a works contract or a social and other specific services contract. These may include professional tasks, advice, consultancy, maintenance, or other types of work done by individuals or firms that do not result in the delivery of goods.
- **Works:** is when a contract's primary purpose is to perform specific tasks that are either directly part of a project or are essential for completing it. These tasks could include construction work, installation of equipment, or professional services. Even if these tasks don't finish the entire project by themselves, they're crucial steps toward completing it.

5. Procurement Pipeline

- 5.1. The Council will provide the market with information about current and future public contract opportunities by publishing a forward-looking procurement pipeline covering a minimum period of 12 months.
- 5.2. The Council recognises the particular benefit to small and medium-sized enterprises (SMEs) and voluntary, community and social enterprises of the Pipeline as it provides them with time to plan for future work, ensuring a competitive and diverse market.
- 5.3. All relevant Officers must complete the Procurement Pipeline detailing anticipated needs, estimated costs, and timelines. Entries onto the Procurement Pipeline should align with the Council's Contract Register, approved budgets, and the strategic goals of the Council for the next 12 months.

6. Establishing the Contract Value

- 6.1. Prior to commencement of any procurement activity, Officers must estimate the maximum potential expenditure for any contract and consider all relevant information available at the time of the estimate.
- 6.2. Contract Value is the maximum amount that the Council could reasonably expect to pay under the contract.

The estimation of Contract Value must consider:

- VAT and be in Pounds Sterling.
- the value of any goods, services or works provided by the Council under the contract other than for payment e.g. furnished assets.
- amounts that would be payable if an option in the contract to supply additional goods, services or works were exercised.
- amounts that would be payable if an option in the contract to extend or renew the term of the contract were exercised.
- amounts representing premiums, fees, commissions or interest that could be payable under the contract.
- amounts representing prizes or payments that could be payable to participants in the procurement.
- account for any inflationary uplifts. If this is considered, please ask Finance for advice.

- 6.3. If an estimate of the contract value cannot be estimated, for example because the contract term is unknown or indefinite. Officers will presume it is 'above threshold' and the 'above threshold' tendering procedures will apply.
- 6.4. For Framework Agreements, the total value is the sum of all potential contracts under the framework. For open frameworks, this includes all subsequent frameworks that could be awarded.
- 6.5. All contract value estimations must be recorded and are subject to public inspection to ensure transparency and compliance with governance standards.
- 6.6. In all cases, a procedure applicable to a higher value contract may be used if it is considered to be in the Council's best interests to do so.

Regulated Thresholds

- 6.7. The UK Government sets Thresholds for the purposes of applying the Procurement Regulations. There are different Thresholds for Goods and Services and Works.

The current Thresholds for various procurement categories are set as follows:

- Goods and Services: £214,904
- Works: £5,372,609

- 6.8. **A Below Threshold Procurement (below threshold)** is where the estimated contract value is below the financial thresholds in Rule 6.6 for the relevant procurement category.
- 6.9. **Above Threshold Procurements (above threshold)** is where the estimated contract value is above or equal to the financial thresholds in this Rule 6.6 for the relevant procurement category.

7. Mixed Contracts

- 7.1. A mixed contract refers to a contract which has combinations of goods and/or services and/or works. If any part of a mixed contract exceeds its respective threshold, the entire contract must be treated as exceeding the threshold (*separability assessment*).
- 7.2. If estimating multiple contracts that could be combined, the aggregate value must be treated as if under a single contract unless justified otherwise.
- 7.3. If the treatment of a contract is unclear, Legal advice should be sought on the appropriate route to be followed.

8. Specification of Requirements

- 8.1. Specifications are critical components of procurement documents, defining the Council's detailed requirements for goods, services, or works. These specifications ensure that all procurements align with the Council's strategic objectives and operational needs, as set out in approved policies, service plans and budgets.

- 8.2. Specifications must provide a comprehensive description of what the Council requires. This includes outlining all aspects of the supply or service, ensuring that tender or quotation prices fully reflect the Council's needs.
- 8.3. Specifications must be drafted with clarity and precision, focusing on outcomes and performance criteria rather than prescriptive methods. This approach encourages innovation and allows for broader supplier participation. Whole life/ end-to-end considerations must be incorporated into specifications, considering all aspects associated with the lifecycle of a product or service, including disposal and environmental impact, ensuring that these factors do not stifle competition or innovation.
- 8.4. Specifications must incorporate flexibility by specifying functional requirements and allowing for equivalent standards as alternatives, thus avoiding unnecessary restrictions on competition.
- 8.5. Where practical to do so, specifications should reflect the Council's commitment to sustainability and economic responsibility. This includes considerations for environmental impacts, sourcing, and production methods that align with the Council's broader environmental policies.
- 8.6. Specifications must be regularly reviewed and updated to incorporate technological advancements and feedback from previous procurement cycles. This continuous improvement helps to ensure that specifications remain relevant and competitive.
- 8.7. Use of contract renewals as opportunities to refine specifications for better value and performance is mandatory. Officers will ensure that all changes undergo the appropriate approval process as required by Council policies and the Constitution.
- 8.8. Robust contract management must be developed to monitor compliance with specifications throughout the duration of the contract. This ensures that suppliers meet all stated requirements and performance standards.
- 8.9. Feedback from internal stakeholders and suppliers must be sought to enhance the clarity and effectiveness of future specifications. This feedback loop is essential for adapting to changes and improving the procurement process.

9. Preliminary Market Engagement

- 9.1. Preliminary Market Engagement (PME) is a strategic process undertaken before commencement of any procurement process. This engagement facilitates a deeper understanding of market capabilities and assists in refining procurement strategies. The permitted purposes are:
 - developing the authority's requirements and approach to the procurement.
 - designing a procedure, conditions of participation or award criteria.
 - preparing the tender notice and associated tender documents.
 - identifying suppliers that may be able to supply the goods, services or works required.
 - identifying likely contractual terms; and
 - building capacity among suppliers in relation to the contract being awarded.
- 9.2. PME may include meetings, workshops, or issue surveys to interact with potential suppliers and stakeholders. The scope of engagement can include discussing

potential challenges, innovations, and solutions relevant to the procurement objectives.

The scope and formality of the PME must be proportionate to the scale and complexity of the procurement. Engagements may range from informal discussions to formal consultations, depending on the procurement's requirements.

- 9.3. Where the contract value for goods and services exceeds £25,000 or £100,000 for works, Officers must, use the Council's E-Sourcing software when conducting formal PME, which will record all engagement undertaken with Suppliers.
- 9.4. Below £25,000 goods and services or £100,000 for works, Officers must maintain comprehensive records of any PME activities if undertaken. These records must detail the engagement process, participants involved, and insights gained, ensuring transparency and accountability in the procurement process.
- 9.5. Where the contract values are considered above threshold, formal PME using the Council's E-Sourcing is a recommended consideration. If Officers choose not to undertake PME for above threshold procurements because it is not deemed to be appropriate, they must record a formal justification for the decision.
- 9.6. Officers must implement measures to ensure that all suppliers participating in PME are not given undue advantage over others who did not participate and ensure that the PME does not compromise the fairness of the procurement process or distort competition.

If a supplier's participation in PME results in an unfair advantage that cannot be rectified, such supplier must be treated as an excluded supplier. An excluded supplier cannot be awarded a Council contract.

- 9.7. All PME must be documented and provided with the Procurement Documents in the tender process.
- 9.8. If PME is planned or has already been conducted for an above threshold procurement, Officers are required to publish a 'Preliminary Market Engagement Notice'.

This notice serves to inform potential suppliers and the public of the engagement activities related to the procurement process.

10. Award and Evaluation Criteria

- 10.1. Award criteria ensures that tenders offer the best value for money. These criteria must be clearly established at the outset of the procurement process to guide the evaluation of bids effectively and must:
 - be directly related to the subject matter of the contract, ensuring relevance and proportionality.
 - combine quality and cost-effectiveness to prioritize economic aspects.
 - be transparently communicated to all bidders through quotation/ tender documentation.

- 10.2. For above threshold requirements, Award Criteria may be continuously refined throughout the procurement process to remain aligned with evolving market conditions and organisational needs. This includes:
- regularly reviewing the criteria to ensure they are still appropriate for the market conditions and the procurement goals.
 - adjusting the criteria when necessary to respond to feedback from potential suppliers or changes in the strategic goals of the organisation.
 - documenting any changes to the criteria and communicating them transparently to all stakeholders to maintain fairness in the tender process.

For an open procedure (see Rule 22.1), changes must be made before the deadline for submitting tenders.

For a competitive flexible procedure (see Rule 22.2), changes must be made before the deadline to submit Conditions of Participation (see Rule 16), or, if no such request is required, before the deadline for submitting a first or only tender. Further changes may be permitted in a multistage process with agreement from the Procurement Officer.

- 10.3. Evaluation Criteria assess how well each quotation/tender meets the award criteria. These must:
- include methodologies for scoring and ranking bids, ensuring a fair and thorough review process.
 - reflect both qualitative and quantitative aspects of the tenders, addressing the complexity and specific needs of the contract.
 - adhere to principles of non-discrimination and equality, providing an equal footing for all bidders.

- 10.4. The Most Advantageous Tender (MAT) requires a comprehensive evaluation that:
- satisfies the Council's requirements, and
 - best satisfies the award criteria.

- 10.5. MAT may be on the basis of lowest price, where price is the sole criterion, or across a range of criteria including price, quality and Social Value.

- 10.6. Where price is the sole award criterion, the acceptance of a tender or quotation that is not the lowest priced tender or quotation shall only be accepted if:

- the Cabinet has considered a written report from the appropriate Service Director.
- or
- in cases of urgency, the Managing Director may use Urgency powers as set out in the Constitution. The appropriate Service Director shall report tenders or quotations accepted in this way to the next meeting of the Cabinet.

- 10.7. Price must always be included as an award criterion.

11. Consideration of Lots

- 11.1. Before initiating any quotation or tender process, Officers must always consider dividing the scope of goods, services, or works into multiple contracts (Lots).

- 11.2. If it is deemed reasonable and advantageous to split the procurement into lots, Officers must structure the procurement to facilitate lot-based contracting. If dividing into lots is not suitable, clear reasons must be documented to support this decision and ensure transparency.

12. Consideration of Small and Medium Sized Enterprises (SMEs)

- 12.1. Officers must consider the potential barriers faced by SMEs when competing for contracts. Before issuing quotations or tenders, Officers will proactively identify and, if possible, mitigate these barriers.
- 12.2. This may involve:
- adjusting procurement practices to be more accessible to SMEs.
 - dividing the procurement into multiple Lots
 - simplifying the tendering process.
 - Use the appropriate procurement documents for the level of procurement.
 - ensuring that financial status requirements are proportionate to the contract's scope and value.

13. Reserving Contracts to Supported Employment Providers

- 13.1. When using the Competitive Flexible Procedure (above threshold contracts only), Officers will determine whether a contract can be reserved for supported employment providers. This might include contracts where the social value of supporting disadvantaged groups aligns with the Council's objectives.
- 13.2. Officers must clearly specify in the tender documentation that the contract is reserved for supported employment providers.
- 13.3. A Supplier qualifies as a supported employment provider if it mainly aims to provide employment or employment-related support to individuals who are disabled or disadvantaged and where at least 30% of its workforce are disabled or disadvantaged individuals.
- 13.4. Officers must award the contract to the qualifying supported employment provider that submits the most advantageous tender according to the criteria set out in the tender documentation.
- 13.5. Officers must consult with Legal before deciding on this route.

14. Mandatory Use of Procurement Document Templates

- 14.1. All procurement activities, including quotations and tenders, must use the officially approved templates provided by Procurement or Legal.
- 14.2. The templates referred to above and throughout these Rules are accessible via the Procurement pages of the Council's SharePoint and must be used to ensure consistency and compliance with current regulations and policies.
- 14.3. Procurement templates for the selection, invitation, receipt, evaluation, award, and management of contracts are regularly reviewed and updated. This ensures alignment with evolving regulations and organisational policies.

14.4. Compliance with Procurement Checklists for any Contract Value is essential to ensure that all necessary documentation is completed.

15. Go Local Policy

15.1. The 'Go Local' policy requires that, wherever possible, local suppliers should be invited to participate in all procurements, to support local businesses and economic growth.

15.2. Officers must document the process of supplier selection under the Go Local policy, noting why local suppliers were either selected or unavailable based on the procurement requirements.

16. Supplier information System and Conditions of Participation

16.1. For above threshold requirements only, Officers will first verify the following information on the UK Government's Supplier information System (central digital platform):

- basic supplier information (e.g. name, address, contract details etc.)
- exclusion grounds
- some economic and financial standing
- information, such as audited accounts
- details of connected persons and beneficial ownership

16.2. Conditions of participation (COP) is information relating to a supplier's legal and financial capacity and technical ability, to perform the contract. This consideration is mandatory for all procurements £25,000+ if Goods and Services, and £100,000+ for Works.

Officers responsible for procurement must assess if further project-specific inquiries are necessary, focusing on economic, financial, professional, or technical aspects.

16.3. For Works contracts, including those mixed with Goods and/or Services that meet the regulated threshold for Goods and Services, it is the policy of the Council to require contractors to have the Common Assessment Standard (CAS) accreditation.

17. Transparency Requirements

17.1. Table 1 sets out the notice requirements for **below threshold** Goods and Services or Works (£25,000 – Regulated Thresholds) procurements that must be published on the Central Digital Platform.

Table 1- Below Threshold Notice Requirements

Requirement	Procurement Activity	Notice Publication	Frequency
Optional	Preliminary market engagement	Preliminary market engagement	Publish where pre-market engagement is planned or has taken place (or

Mandatory	Request for Quotation/ Invitation to tender over £25k	Tender notice	Once at the start of the procurement process
Mandatory	Following award of a contract over £25k	Contract details notice	Once the contract is entered into
Mandatory	Following award of a contract over £50k	Decision notice	Once the contract is entered into and sent to Legal
Mandatory	When a contract modification would take the value of the contract above the relevant threshold, known as “convertible contracts”	Contract change notice	Once when the below-threshold contract becomes a convertible contract and again if further permitted modifications are made

17.2. Tables 2 and 3 set out the notice requirements for **above threshold** Goods and Services or Works procurements that must be published on the Central Digital Platform.

Table 2- Above-Threshold Notice Requirements

Requirement	Notice / Information	Publication Trigger
Optional	Planned procurement notice	Publish a planned procurement notice at least 40 days but not more than 12 months before the day the Tender Notice is published to advise the market of an upcoming procurement- can also reduce tender timescales in certain prescribed circumstances
Mandatory (if conducted)	Preliminary market engagement notice	Publish where pre-market engagement is planned or has taken place (or explain why not, in tender notice)
Mandatory	Tender Notice	Publish a Tender Notice once at the start of the Procurement process inviting tenders or requests to participate when starting a competitive tendering procedure
Mandatory if applicable	Procurement termination notice	Publish if, following a tender or transparency notice, the procurement ends without a contract award – as soon as reasonably practicable after making the decision
Mandatory	Dynamic market notice	Publish to advertise, establish, modify or terminate a dynamic market
Mandatory	Transparency notice	Publish prior to award when undertaking a direct award
Mandatory	Contract award notice	Publish before entering into a public contract to communicate the outcome of the procurement and provide assessment Summary to contractors that submit a tender (commences eight working days standstill period prior to awarding a contract open or competitive flexible procedure)
Mandatory	Contract details notice	Publish details after entering into public contract, specifically within 30 days beginning with the day on which the contract is entered into (unless light

		touch) including the redacted contract, for public contracts £5m+ and KPI information)
Mandatory if applicable	Copy of awarded contract (and KPIs)	Publish for contracts over £5m total value within 90 days beginning on the day in which the contract is entered into (or 180 days light touch regime). KPIs (3 minimum) must be set (done at least once in every period of 12 months) and the contract (redacted as required) published
Mandatory	Contract performance notice	Publish to report: 1. annual KPI scores for public contracts valued £5m+ 2. poor supplier performance / breach of contract (within 30 days of event)
Mandatory	Contract change notice	Publish before making a contract modification setting out intention to modify (unless exemption applies e.g. Light Touch Contract. A copy of modified contract for public contracts over £5m)
Mandatory	Contract termination notice	Publish when a public contract expires, is terminated by a party or rescinded or set aside by a court order. 30 days beginning with the day contract is terminated

Table 3- Council wide Transparency Requirements

Requirement	Notice / Information	Publication Trigger
Mandatory (if applicable)	Pipeline notice	<i>Where organisational procurement spend is £100m+, publish 12-month forward of all £2m+ procurements</i>
Mandatory	Contract payments notice	<i>Publish details where one or more contract payment of £30k+ is made under a public contract (quarterly)</i>
Mandatory	Payments compliance notice	Publish details of Council's performance against 30- day payment terms (twice annually)

18. Key Performance Indicators

- 18.1. A "key performance indicator" is a factor or measure against which a supplier's performance of a contract can be assessed during the life cycle of the contract.
- 18.2. Where appropriate to the Procurement, Officers will incorporate KPIs and ensure these indicators are comprehensive, measurable, and aligned with the critical aspects of the contract's scope and objectives. Officers should seek guidance from Legal, as KPI's will need to be incorporated into the contract.

19. Tendering Options

- 19.1. The choice of tendering method is determined by the estimated contract value, in accordance with the specific requirements outlined in the following Tables.

19.2. **Estimates (below £25,000 Goods and Services and below £100,000 Works):** is the direct acquisition of quotes from suppliers against a specification. Officers must:

Mandatory	Procurement/ Legal Requirement	Minimum Requirement
√	Number of quotes required	2
√	Specification of Requirements	√
√	Comply with relevant procurement checklist	√
	Apply Go Local Policy	Always seek local quotes where available. Keep records of how decision was made locally.
√	Maintain records either in Intend or locally in line with retention periods	<ul style="list-style-type: none"> the number of estimates or offers invited. the method of inviting estimates or offers. the basis of selecting suppliers/contractors
√	Terms and Conditions	Official order must be raised through the Council's electronic ordering system in line with Financial Regulations

19.3. **Quotations: (£25,001 - £49,999 for Goods and Services and £100,000 - £499,999 for Works):** detailed quotes for clearly specified products or services. Officers must:

Task Description	Task
Preliminary Market Engagement (PME)	Publish a PME notice if conducted
Use the Council's E-Procurement System	Obtain a minimum of 3 quotes. All contact with bidders must be via the portal
Risk and Compliance Assessments	<ul style="list-style-type: none"> Procurement Initiation Document Procurement Risk Insurance Questionnaire Data Protection Impact Assessment Carry out Risk Assessment Works > £50,000- Modern Slavery Assessment
Social Value Objective	Go Local Policy
Environmental Considerations	Must consider how these can be incorporated in Award Criteria and performance of Contract.
Mandatory Procurement Documents	<ul style="list-style-type: none"> Request for Quotation- Short Form with Optional Conditions of Participation Specification of Requirements Optional Key Performance Indicators
Publish Tender Notices	Below Threshold Tender Notice
Issue Feedback	Use Council's standard letter templates with no Standstill period
Payment Terms	Enter into contract with 30 days terms
Post-Award Notices	<ul style="list-style-type: none"> Contract Details Notice Details for Contracts Register Works >£50,000 Publish a Decision Notice
Financial Diligence	Set up of Credit Safe with Accountancy if recommended
Documentation Management	Upload Contract and all documents to E-Procurement system
End of Contract	<ul style="list-style-type: none"> (Optional) Publish Termination Notice

19.4. **Quotations: (£50,001 - £99,999 for Goods and Services):** detailed quotes for clearly specified products or services. Officers must:

Task Description	Task
Preliminary Market Engagement (PME)	Publish a PME notice if conducted
Use the Council's E-Procurement System	Open Procedure All contact with bidders must be via the portal.
Risk and Compliance Assessments	<ul style="list-style-type: none"> ▪ Procurement Initiation Document ▪ Procurement Risk Insurance Questionnaire ▪ Data Protection Impact Assessment ▪ Modern Slavery Assessment ▪ Carry out Risk Assessment
Social Value Objective	Go Local Policy
Environmental Considerations	Must consider how these can be incorporated in Award Criteria and performance of Contract.
Mandatory Procurement Documents	<ul style="list-style-type: none"> ▪ Request for Quotation – Long form with standard Conditions of Participation ▪ Specification of Requirements ▪ Key Performance Indicators
Publish Decision Notice	Follow the Decision Notice requirements
Publish Tender Notices	Below Threshold Tender Notice
Issue Feedback	Use Council's standard letter templates with optional Standstill period
Payment Terms	Enter into contract with 30 days terms
Post-Award Notices	<ul style="list-style-type: none"> ▪ Contract Award Notice if incorporating Standstill Period ▪ Contract Details Notice ▪ Details for Contracts Register ▪ Publish a Decision Notice
Financial Diligence	Set up of Credit Safe with Accountancy if recommended
Documentation Management	Upload Contract and all documents to E-Procurement system
End of Contract	<ul style="list-style-type: none"> ▪ (Optional) Publish Termination Notice

- 19.5. **Invitation to Tender (ITT) (£100,000 - Regulated for Goods and Services and £500,000 - Regulated for Works):** Formal invitation process, detailing the scope, specifications, and criteria for the project. Officers must:

Task Description	Task
Preliminary Market Engagement (PME)	Recommended – if used, must publish PME notice
Use the Council's E-Procurement System	Open Procedure All contact with bidders must be via the portal
Risk and Compliance Assessments	<ul style="list-style-type: none"> ▪ Procurement Initiation Document ▪ Procurement Risk Insurance Questionnaire ▪ Data Protection Impact Assessment ▪ Modern Slavery Assessment ▪ Conflicts of Interest Assessment ▪ Carry out Risk Assessment
Social Value Objective	Must use Social Value Portal if appropriate. Must incorporate Social Value Question within tender documents if portal not used.
Environmental Considerations	Must consider how these can be incorporated in Award Criteria and performance of Contract.
Mandatory Procurement Documents	<ul style="list-style-type: none"> ▪ Invitation to Tender (ITT) with standard Conditions of Participation ▪ Specification of Requirements ▪ Key Performance Indicators
Decision Notice	Publish Decision Notice in line with requirements
Publish Tender Notices	Below Threshold Tender Notice
Issue Feedback	Use Council's standard letter templates. Mandatory Standstill period for Goods and Services,
Payment Terms	Enter into contract with 30 days terms
Post-Award Notices	<ul style="list-style-type: none"> ▪ Contract Award Notice if Standstill Period used. ▪ Contract Details Notice ▪ Details for Contracts Register ▪ Publish a Decision Notice
Financial Diligence	Set up of Credit Safe with Accountancy if recommended
Documentation Management	Upload Contract and all documents to E-Procurement system
End of Contract	<ul style="list-style-type: none"> ▪ (Optional) Publish Termination Notice

- 19.6. **Invitation to Tender (ITT) Above Threshold Goods/Services or Works:** Formal invitation process, detailing the scope, specifications, and criteria for the project. Officers must:

Invitation to Tender – Above Threshold	
Task Description	Task
Preliminary Market Engagement (PME)	Recommended – if used, must publish PME notice
Use the Council's E-Procurement System	Open Procedure (default) or Competitive Flexible Procedure Contact with bidders must be via the portal
Risk and Compliance Assessments	<ul style="list-style-type: none"> ▪ Procurement Initiation Document ▪ Procurement Risk Insurance Questionnaire ▪ Data Protection Impact Assessment ▪ Modern Slavery Assessment ▪ Conflicts of Interest Assessment ▪ Carry out Risk Assessment
Social Value Objective	Must use Social Value Portal where appropriate. Must incorporate Social Value Question within tender documents if portal not used.
Environmental Considerations	Must consider how these can be incorporated in Award Criteria and performance of Contract.
Mandatory Procurement Documents	<ul style="list-style-type: none"> ▪ Invitation to Tender (ITT) ▪ Specification of Requirements ▪ Key Performance Indicators (a minimum of 3)
Decision Notice	Publish Decision Notice in line with Requirements
Publish Tender Notices	Below Threshold Tender Notice
Issue Feedback	Use Council's standard letter templates with mandatory Standstill period
Payment Terms	Enter into contract with 30 days terms
Post-Award Notices	<ul style="list-style-type: none"> ▪ Contract Award Notice if Standstill Period used. ▪ Contract Details Notice ▪ Details for Contracts Register ▪ Publish a Decision Notice ▪ If contract value is >£5m, a copy of the Contract and 3 KPIs must be published
Financial Diligence	Set up of Credit Safe with Accountancy if recommended
Documentation Management	Upload Contract and all documents to E-Procurement system
End of Contract	<ul style="list-style-type: none"> ▪ (Optional) Publish Termination Notice

- 19.7. **Framework Agreement** an agreement with suppliers that sets out terms and conditions under which specific purchases (call-offs) can be made throughout the term of the agreement. An Open Framework Agreement is a Framework Agreement that rolls over successively, and new suppliers can join at intervals, and the framework can be renewed under substantially the same terms without substantial modifications.

Calling off involves initiating a procurement from a Framework Agreement approved by the Procurement Officer without using a Conditions of Participation requirement.

- **Direct Award:** Officers should only use this call off method if prices of suppliers on the framework agreement have been set.
- **Mini-competition:** Where multiple suppliers on the framework agreement can meet the requirement, a mini-competition should be conducted. This is the default call-off method for the Council.

Officers must:

Framework Agreements	
Task Description	Task
Preliminary Market Engagement (PME)	Recommended – if used must publish PME notice
Preliminary Approvals	<ul style="list-style-type: none"> ▪ Officers must seek Procurement Officer confirmation that the Framework Agreement can be used. ▪ Legal will review Call-Off Documents and Terms and Conditions and assist Officers in completion of Procurement
Use the Council's E-Procurement System	Where possible, the Council's e-procurement system must be used for mini competitions
Risk and Compliance Assessments	<ul style="list-style-type: none"> ▪ Procurement Initiation Document ▪ Procurement Risk Insurance Questionnaire ▪ Data Protection Impact Assessment ▪ Modern Slavery Assessment ▪ Conflicts of Interest Assessment ▪ Carry out Risk Assessment
Social Value Objective	Must use Social Value Portal where Contract Value is > £100,000 and appropriate for the procurement. Must incorporate Social Value Question within mini competition documents if portal not used.
Mandatory Procurement Documents	<ul style="list-style-type: none"> ▪ Framework Agreement Call-Off Contract (ITT) ▪ Specification of Requirements ▪ Key Performance Indicators
Decision Notice	Publish Decision Notice in line with requirements
Publish Tender Notices	Tender Notice correlating with the Contract Value
Issue Feedback	Use Council's standard letter templates with Standstill period for Mini Competitions
Payment Terms	Enter into contract with 30 days terms
Post-Award Notices	<ul style="list-style-type: none"> ▪ Contract Award Notice Standstill Period ▪ Contract Details Notice ▪ Details for Contracts Register ▪ Publish a Decision Notice if contract value >£50,000 ▪ If contract value is >£5m, a copy of the Contract and 3 KPIs must be published
Financial Diligence	Set up of Credit Safe with Accountancy if recommended
Documentation Management	Upload Contract and all documents to E-Procurement system

19.8. **Dynamic Markets (DMs):** A DM is a flexible arrangement that allows multiple suppliers to join or exit the market based on ongoing eligibility criteria. It is designed to facilitate the continuous and competitive procurement of goods, services, or works by allowing new suppliers to enter the market at any time, thus maintaining a fresh and competitive environment.

Officers will engage with the Procurement Officer to discuss the specific requirements of DMs.

20. Direct Awards (Single Tender)

- 20.1. **Single Tender:** Single Tender procurement is where a contract is awarded directly to a supplier without competitive tendering. This must be justified and documented, and approvals obtained.

For all Single Tenders £25,000+ Officers must publish a Transparency Notice stating the intention to direct award and observe a standstill period.

- 20.2. Officers must have prior written approval of the Service Director responsible, the Service Director: Legal and Community and the Service Director: Resources. Contact Procurement for advice on preparing your Single Tender Option report.
- 20.3. In the event that approval has not been obtained for a Single Tender in accordance with 20.2, and a contract has been awarded, the Service Director: Resources and the Service Director: Legal and Community may grant retrospective approval provided the following conditions are met:
- i. Contract award was compliant with the Procurement Act 2023 for above threshold Single Tenders (see Rule 20.5)
 - ii. Expenditure is within approved budgets or overspend has been reported.
 - iii. Contract award was approved under Section 14 of the Council's Constitution (Responsibility for Functions)
 - iv. The Service Director: Resources and the Service Director: Legal and Community are satisfied that an application for a single tender would have been approved under Rule 20.2.
 - v. The commissioning officer completes an application for retrospective approval to the Service Director: Resources and the Service Director: Legal and Community.

20.4. Below Threshold Single Tenders

A single tender may be obtained when:

- a) Prices are wholly controlled by trade organisations or government order and no reasonably satisfactory alternative is available.
- b) The works, goods, or services to be supplied consist of repairs to or the supply of parts or upgrading of existing proprietary machinery, equipment, software, hardware or plant and the repairs or the supply cannot be carried out practicably by alternative contractors.
- c) Specialist consultants, suppliers, agents or professional advisors are required and:
 - (i) Evidence that there is no satisfactory alternative.
 - (ii) evidence indicates that there is likely to be no genuine competition.
 - (iii) it is in the Council's best interest to engage a particular consultant, supplier, agent or advisor.

- d) Products are sold at a fixed price and market conditions make genuine competition impossible.

20.5. Above Threshold Single Tenders

A single tender may be obtained when:

- (i) Direct Award to Protect Life: certain contracts can be awarded directly if it's necessary to protect life, health, public order, or safety.
- (ii) Switching to Direct Award: directly award contracts if no suitable tenders or requests are received during a competitive process. Tenders were deemed unsuitable due to failure to meet criteria, evidence of corruption, or significant procedural breaches.
- (iii) Prototypes and Development: Contracts concerning novel goods or services aimed at testing suitability, researching scalability, or other research and development purposes.
- (iv) Single Suppliers: Involves unique artistic works or performances.
- (v) Cases where a supplier holds exclusive rights (intellectual property or other) necessary for the provision of specific goods, services, or works, and no reasonable alternatives are available.
- (vi) Situations where no competition exists for technical reasons, making only one supplier capable of fulfilling the requirement.
- (vii) Additional or Repeat Goods, Services, or Works:
 - a. Concerns extensions or replacements of existing goods, services, or works, where changing suppliers would cause significant compatibility issues or technical difficulties.
 - b. contracts with an existing supplier for similar goods, services, or works previously procured competitively, provided future intentions were clear in earlier procurement documentation.
- (viii) Commodities: Contracts for goods purchased on a commodity market.
- (ix) Advantageous Terms on Insolvency: Direct award to a supplier can secure particularly advantageous terms if the supplier or another is undergoing insolvency proceedings.
- (x) Urgency: Goods, services, or works are urgently needed for reasons of extreme and unavoidable urgency, making a competitive process impractical.
- (xi) User Choice Contracts: Covers services specified for individual needs, where the recipient or their carer prefers a particular service provider, or where only one provider can meet the unique service needs.

20.5.1. Officers must publish a 'Transparency Notice' for any above threshold Single Tender (see Rule 17.2).

21. Waivers

- 21.1. Waivers allow for variations to the Contract Procurement Rules. Always seek legal advice before proceeding with a waiver to ensure compliance and appropriateness.
- 21.2. **Approval Process for Above Threshold Procurements:** For procurements exceeding the defined threshold, waivers must receive approval from the Service Director: Legal and Community and the Service Director: Resources. These directors may escalate the decision to the Cabinet for further approval if necessary.
- 21.3. **Approval Process for Below Threshold Procurements:** For procurements below the threshold:
- Waivers require agreement from a Service Director, in consultation with the Service Director: Resources and the Service Director: Legal and Community. For procurements exceeding £100,000, consultation with the relevant Executive Member is also required, and the decision may be referred to the Cabinet.
 - In urgent scenarios, such as activating the Council's 'Major Incident Plan' or a business recovery plan, the Managing Director or a designated Service Director may approve waivers.
- 21.4. All waivers, except in cases of major incidents, must be preceded by a detailed written justification submitted by the authorised officer. This justification must demonstrate:
- A thorough market analysis confirming that deviation from standard rules is justified.
 - The necessity of the waiver due to unforeseen extreme urgency.
 - Compliance with legislative exemptions.
 - Alignment with the Council's broader interests.
 - Presence of other exceptional circumstances warranting deviation.
- 21.5. A detailed record of each waiver decision, along with the reasons, must be maintained by the Service Director: Resources.

22. Above Threshold Procedures

These procedures apply to above threshold/regulated procurements only. The chosen tendering procedure must be proportionate to the nature, complexity, and cost of the contract.

22.1. Open Procedure

This is a single stage tendering process open to any supplier without restrictions. Conditions of Participation are included in the standard procurement documents and are evaluated at the same time as the ITT (see Rule 16).

22.2. Competitive Flexible Procedure

This is an adaptable procedure that the Council can tailor to suit the specific needs of the contract being awarded. However, this process is far more resource intensive than the Open Procedure. You should always consult with Legal and Procurement to assess its suitability for your procurement as this is a resource intensive procedure.

If the design consists of more than two stages (Conditions of Participation stage and Tender Stage), the approval of Cabinet must be obtained in advance.

This procedure:

- allows for the design of a flexible proportionate Procurement.
- allows the Council to limit the number of suppliers who can participate by use of Conditions of Participation (see Rule 15).
- allows the refinement of award criteria as the procedure progresses (see Rule 10.2).
- restricts participation to suppliers who have either remained in the tendering process from the start or have not been previously excluded.

PART 3: Tendering Process

23. Clarifications

- 23.1. Clarifications questions and responses and communication must use the standard template, the Council's e-procurement System and be sent to all suppliers who have expressed an interest.
- 23.2. No clarifications (or any communication) may take place outside of the e-procurement system under any circumstances.

24. Bid Submission, Opening and Acceptance

- 24.1. The deadline for submission of bids will be set out in the procurement documents.
- 24.2. The E-Tendering System must be used as per the Tendering Option requirements (S19) and no bids will be opened until the submission deadline has passed.
- 24.3. Officers will not accept Tenders received after the tender deadline date and time indicated in the procurement documents and the tender notice.

25. RFQ and Tender Evaluations

- 25.1. Officers will ensure that all quotations and tenders are evaluated in accordance with the evaluation criteria specified in the Requests for Quotation or the Invitation to Tender documents.

Where there are minor errors or discrepancies in a Supplier bid, including arithmetic errors, the Officer will give the Supplier the opportunity to rectify these. However, under no circumstances, should this create an undue advantage to the Supplier. Communication should take place using the Council's e-sourcing system.

- 25.2. Where multiple officers are involved in evaluating bids, a procurement Moderation meeting must be held to determine the consensus score for all procurements £100,000+.
- 25.3. All evaluations and reports must be comprehensive, signed by the Officer and uploaded to the Council's e-procurement system before Contract Award.

PART 4 : Awarding the Contract

26. Mandatory Compliance with Council Rules

26.1. Contracts may only be awarded by the Council if there has been full compliance with these Contract Procurement Rules.

27. Rejection of Bids

27.1. Officers will first reject bids from Suppliers under the following conditions:

- i. Specific conditions of participation have not been met.
- ii. Specific exclusion or discretionary exclusion criteria apply to the Supplier unless evidence of self-cleaning exists (for above threshold procurements only).
- iii. Being a non-UK or non-treaty state suppliers or planning to subcontract the work to non-UK or non-treaty state suppliers.
- iv. abnormally low-price submission without satisfactory explanation.
- v. it is unsuitable within the meaning of Section 43 of the Procurement Act 2023 (seek Procurement advice).

28. Award process

28.1. Officers must provide an assessment summary to each supplier that submitted a RFQ or tender with a value in excess of £25,000 which was assessed. The summary must provide insights into how the Council assessed:

- The bid of the supplier.
- The bid that was selected as the most advantageous, if different from the supplier's bid.

28.2. The Mandatory Standstill Period applicable only to procurements of £100,000+ requires Officers to allow eight working days beginning on the day that the Contract Award Notice is sent to allow unsuccessful bidders to challenge the Council's award decision.

28.3. Officers will publish a Contract Award Notice for contract values of £25,000+ indicating the intent to sign a contract.

28.4. In the event that a challenge from an unsuccessful bidder is received, Officers will immediately notify Legal who will advise on the appropriate course of action.

28.5. If no challenge is received during the Mandatory Standstill Period, Officers will publish a Contract Details Notice within 30 days of contract signing for above threshold procurements only.

28.6. If the estimated Contract Value is £5m or more, Officers will also publish a copy of the Contract within 90 days. Officers should seek Legal advice on what should be published / redacted.

PART 5 : Contract Management

29. Payments

- 29.1. The Council will make all payments within 30 days of receipt of a valid invoice or from the invoice date whichever is later.
- 29.2. A valid invoice must either meet the electronic invoicing standards or include specified details like the supplier's name, a description of the goods or services, the amount due, and a unique identification number.
- 29.3. If an invoice is deemed invalid or disputed, Officers must notify the supplier without undue delay.
- 29.4. The Council will publish a payments compliance notice within 30 days after the end of each reporting period (ending on March 31 or September 30) detailing adherence to the 30-day payment term.
- 29.5. Details of any payments exceeding £30,000 will be published within 30 days of the quarter (ending on March 31, June 30, September 30, or December 31) in which the payment was made on the Council's Open Data webpage.

Payment of invoices to suppliers | North Herts Council (north-herts.gov.uk)

- 29.6. Contracts which involve the use of subcontractors shall contain a contract clause ensuring payment throughout the supply chain of 30 days payment terms.
- 29.7. Service Directors are responsible for ensuring compliance to this section.

30. Supplier Performance and Contract Management

- 30.1. Once a contract has been awarded it must be monitored with regular review meetings to raise concerns and issues from both parties.
- 30.2. Officers will use the Contract Management Module of the Council's Financial Management System to record the Contract and upload the Signed copy.
- 30.3. Officers will keep detailed records of all performance assessments, communications with suppliers, and corrective actions taken for procurement with a contract value of £100,000+.
- 30.4. Officers will assess supplier performance against any established KPIs at least annually and upon contract termination.
- 30.5. If performance issues are identified, Officers will provide the supplier with opportunities to rectify these. If issues persist or result in contract breaches, the Officer will notify Legal.
- 30.6. For Contracts procured after October 2024, valued at £5m or more, Officers will need to set and publish a minimum of 3 KPIs and will need to publish results of the supplier performance on an annual basis. In the event that 30.5 applies, Officers will ensure all required information, concerning breaches or performance failures, is published within a 30-day window.
- 30.7. Not less than once a year and on termination, officers must assess the contract against the KPIs and publish the required assessment.
- 30.8. Contracts identified as Core contracts must be set up with Creditsafe to monitor the financial status of the Company.

Officers must contact Accountancy to set up Credit safe alerts before the contract has been awarded and before the Contract is signed.

31. Record Keeping

- 31.1. Officers are required to maintain records sufficient to explain any material decision made in the awarding or entering into a public contract. This information must be included in the Decision Notice. Material decisions are those decisions requiring public notices or those fundamental to the procurement process.
- 31.2. Officers will keep detailed records of all communications with potential suppliers during the tendering and contract negotiation phases. This includes emails, meeting notes, calls, and any formal correspondence. The Council's e-procurement system will facilitate this.
- 31.3. Records will be kept until the day on which a decision not to award the contract is announced, or if a contract is awarded and entered into, records must be retained for three years from the date the contract is signed. If the contract is awarded but not entered into, records must be kept for three years from the award date.

PART 6 : Legal Matters

32. Contracts

- 32.1. All contracts must be in writing and follow the requirements of these Rules.
- 32.2. Contracts under £10,000 must, as a minimum, be in the form issued and approved by an authorised officer in accordance with the Council's Financial Regulations and Scheme of Delegations.
- 32.3. Contracts in excess of £10,000, or in any other case where the responsible Service Director decides it is necessary or desirable, must be drawn up in a form approved by the Service Director: Legal and Community.
- 32.4. For all works contracts over £50,000, documents must be completed and signed by both parties prior to any works commencing.
- 32.5. For goods and services contracts over £50,000, contracts should be executed before commencement where practical. As soon as you become aware that this is not feasible, notification should be provided to the Service Director: Legal and Community with the reasons why this shall not take place and likely timescale and plan for any delays in execution.
- 32.6. Where the contract value exceeds £100,000 you should consider whether the contract should be sealed as a deed. Sealing as a deed offers a number of technical advantages over contracts under hand (i.e. just signed by an authorised person). The main relevant advantage for the Council is that it is afforded greater protections under the contract for a period of 12 years (against the normal 6 years). This is most relevant for works or significant services contracts where latent defects or incorrect advice may only cause problems years later. Please contact Legal for advice if you are unsure.
- 32.7. A contract of any value may be sealed if requested by the responsible Service Director or the Service Director: Legal and Community. Please contact Legal for advice.

33 Contractual Terms

- 33.2 The Council has a number of different standard contractual terms and conditions depending on the nature of the goods, services or type of works you require. These may require additional elements depending on the complexity, risk and importance of the contract. You should ask Legal for advice on the appropriate terms and conditions as early as possible.
- 33.3 If your contractor requests or demands that the Council contracts on their standard terms and conditions, you should contact Legal who will advise you in relation to these terms. In many cases a Suppliers' terms can be acceptable but sometimes negotiation is required.
- 33.4 If your procurement is a Call-Off under a framework agreement there is usually no scope for negotiation on the terms and conditions of that contract. The terms were pre-agreed when the framework agreement was signed. Under a Call-Off contract the only terms that are negotiated are: when and where the work will start; how much will be paid; and when the work will be completed.

34 Contract Variations

You should seek advice from Legal before negotiating / agreeing any variation.

This Rule 34 may apply in addition to the Rule 20 Single Tender Option.

- 34.2 There are two variation procedures: where the contract has provision and procedures relating to variations; and where the contract has no provision for variation.
- 34.3 Any contract may be varied by a deed of variation. You should seek advice from Legal before agreeing any variation.
- 34.4 All variations must be in writing and conform to the appropriate Financial Regulations.
- 34.5 The Service Director: Resources and Service Director: Legal and Community must be informed in writing of any variation.
- 34.6 Any variation under this section does not require reassessment of the original procurement process as a result of a change in the overall value of the contract.

Contractual variation

- 34.7 A Service Director may authorise variations to a contract where the variation procedure and the resulting change in price is determined in accordance with the contract terms – this may be through the use of agreed formula or through serving and agreeing change notices.

Non-contractual variation

- 34.8 A Service Director may authorise variations to a contract where:

- 34.8.1.1 delay would incur substantial cost penalties to the Council; or
- 34.8.1.2 the proposed variations are unavoidable and/or essential for the project to proceed or continue; or

34.8.1.3 circumstances arise during the performance of the contract which make it necessary to amend the specification or method of carrying out the works or services or purchase of goods.

in each case provided that:

34.8.1.3.1 the cost to the Council of the variation is less than or equal to 20% of the value of the contract, for contracts up to £250,000 for works and £100,000 for services or goods.

34.8.1.3.2 the cost to the Council of the variation is less than or equal to 10% of the value of the contract, for contracts above £250,000 subject to a maximum value of £50,000k in respect of the variation.

34.8.1.3.3 in the case of urgency or unforeseen circumstances where works, services or goods are to be added to or deleted from the contract which are substantially different in scope. In this instance the Service Director must report this action to the Executive Member as soon as possible.

and, if relevant, that the variation is within the scope of the original contract notice or any applicable limits as set out in the Public Contracts Regulations 2015, or the overall value of the contract remains below the applicable WTO/GPA threshold.

34.9 Subject to the availability of budget funding, an Executive Member in consultation with the relevant Service Director may authorise variations to a contract which:

34.9.1.1 adds more than 20% to the value of the contract for contracts up to £250,000; or

34.9.1.2 adds more than 10% to the estimated value of the contract for contracts above £250,000 subject to a maximum value of £50,000 in respect of the variation: or

34.9.1.2.1 in the case of urgency or unforeseen circumstances where works, services or goods are to be added to or deleted from the contract which are substantially different in scope.

34.9.1.3 results in minor changes to the contract terms or specification.

in each case provided that any additional cost does not take the total costs of the contract over the limits permissible by the Public Contracts Regulations 2015 or, if relevant, that the variation is within the scope of the original contract notice.

34.10 Any other variation must be agreed by Cabinet or under delegated authority from Cabinet.

35 Extensions

You should seek advice from Legal before negotiating / agreeing any extension, including Framework Agreements.

35.2 All extensions must be in writing in a form approved by the Service Director: Legal and Community and conform to the appropriate Financial Regulations.

35.3 If the terms of a contract allow for an extension (or the law otherwise permits), then the relevant Service Director may, following consultation with the Service Director: Resources and the relevant Executive Member authorise an extension of a contract by up to twenty-four months, up to a value of £200,000.

35.4 The appropriate Executive Member may authorise an extension of more than twenty-four months OR in excess of £200,000 with the approval of the Service Director: Resources following consultation with the Finance & IT Executive Member.

- 35.5 In all cases, officers must demonstrate that any extension complies with all applicable laws and statutory guidance; that a detailed and robust cost/benefit analysis has been undertaken and that sufficient budget is available. The relevant Service Director must also consider whether any extension would have a detrimental impact on the Council's strategies and plans. Where applicable, evidence of the decision-making process must be formally recorded in a delegated decision which (in addition to the normal process) is filed on the relevant contract file and a copy sent to the Service Director: Legal and Community.
- 35.6 Any extension under this section does not require reassessment of the original procurement process so long as the value of the extended contract:
- does not exceed any applicable limits as set out in the Public Contracts Regulations 2015 (if applicable); or
 - does not exceed any applicable limits as set out in the Procurement Act 2023; or
 - is within the limits as set out in the original contract notice; or
 - is below the applicable WTO GPA threshold.

36 Consultants

Before the appointment of any Consultants, Officers must first contact Legal, who will provide advice and guidance on the process.

- 36.2 It is important that best value is obtained when employing consultants. Therefore, for all instances where the Contract Value of a consultancy appointment is over £10,000, the commissioning officer must provide a report to the Service Director responsible containing as a minimum the details listed in Rule 37 (Project Details).
- 36.3 This requirement at 36.1 applies to the appointment of management or other advisory consultancy work (to replace, advise or bolster in-house staff resources in "business as usual" activities) The process outlined in 36.1 does not apply to technical or specialist contracts for services (employed for specific projects and included in approved overall project budget) e.g. specialist engineers, architects, surveyors, barristers etc. However, proper procurement procedures must be followed when appointing in all circumstances and parties must enter into a written contract in the form approved by Legal.
- 36.4 All consultants (of any type) must provide evidence of adequate professional indemnity insurance as determined by the HCC Insurance Manager prior to their appointment. The requirement for insurance and the levels required should be advised in the specification of requirements. This insurance must be maintained for a minimum of 6 years after the contract ends.
- 36.5 It should be a condition of contract with any consultant, agent or professional advisor who is to be responsible to the Council for the award or supervision of a contract on its behalf, that in relation to that contract they shall:
- comply with these Procurement Rules as though they were an employee of the Council; and confirm their acknowledgement of this requirement, (this will be particularly relevant if a consultant sub-contracts on behalf of the Council).

- engage in skills transfer activities where required and appropriate.
- produce on request all the records maintained by them in relation to the contract and award of contract; and
- on completion of the contract, submit all records that they have produced or received that relate to the contract to the appropriate Service Director.
- Any contract must set out the consultants' legal obligations to the Council. Further guidance on the use of consultants can be found on the Legal procurement pages of SharePoint.

37 Project Details

37.2 For consultant appointments over £10,000, the Service Director shall be responsible for ensuring that the consultant's work is properly monitored on an ongoing basis. This includes:

- appointing a named project officer or group.
- specifying key tasks and dates for consultants.
- monitoring costs against budgets.
- arranging regular progress meetings with consultants.

37.3 The project officer shall report immediately to the Service Director any material technical or financial deviation by the consultant from the specified agreement.

37.4 The project officer shall provide a Projects Details report to the appropriate Service Director which:

- identifies the project objectives; and
- documents the reasons for the employment of consultants including the benefits of employing consultants against in-house staff or agency staff; and
- documents the residual in-house costs to support the consultant and ensure that sufficient budget is available to meet all identified costs; and

37.4.1 includes a project brief, detailing:

- background.
- objectives.
- timetable.
- costs.
- monitoring arrangements.
- documentation standards.
- contact names and numbers for enquiries.

37.5 For consultancy appointments over £10,000, at the end of the appointment, an assessment of the consultant's performance should be carried out. This assessment should be documented in the Consultant's Performance Appraisal form and Lessons Learnt Log. Copies of these completed forms should be sent to the relevant stakeholders, with copies to the Procurement Officer.

37.6 The Procurement Officer in conjunction with the Contract Procurement Group (CPG) will review the lessons learned and recommend if any should be entered into the Corporate Lessons Learnt Log. Further information can be found:

[Project Management \(sharepoint.com\)](#)

Templates for the Performance Appraisal form and Lessons Learnt Log can be found [here](#):

[Step 4 - Contract Management Guide.docx \(sharepoint.com\)](#)
[Corporate Lessons Learnt Log \(Draft 2023 Format\).xlsx \(sharepoint.com\)](#)

38 Land Transactions

- 38.2 These Rules shall apply to purchases and sales of property, land and to leases for a fixed term of more than seven years.
- 38.3 All valuations and negotiations in respect of transactions shall be carried out by or under the supervision of a properly qualified Member of the Royal Institution of Chartered Surveyors or equivalent. **In no circumstances shall Members of the Council conduct them.** Any disposal of Council assets must be in line with the requirements set out in the Council's Financial Regulations.
- 38.4 These Rules apply to all valuations of land carried out by a qualified and independent Chartered Surveyor appointed to act on behalf of, or to advise, the Council.
- 38.5 At least two officers of the Council or an officer of the Council and a duly appointed Chartered Surveyor or other agent shall be involved in all negotiations relating to land transactions which engage Section 14 of the Council Constitution (Scheme of Delegation) and any other applicable Section with Terms of Reference for a relevant Committee.
- 38.6 It shall be the duty of the Council's Chartered Surveyor whether employed or appointed to report on any transaction authorised by the Council to the relevant Committee or Group at appropriate times. Which Committee or Group depends on the particular transaction and the authorisation for that transaction. Please contact Legal for advice.
- 38.7 All valuations prepared for the purpose of a transaction or balance sheet estimate shall be supported by evidence of the values of comparable properties in the locality where information and relevant comparators are available.
- 38.8 No property or land owned or leased by the Council shall be disposed of to a third party until it has been established that no other directorates of the Council have a need for the property or land, and that the current service area confirms no other requirement for the site.
- 38.9 No property or land owned or leased by the Council, other than land held for investment purposes or previously declared surplus to requirements shall be disposed of until a report has been prepared by the Service Director: Resources and presented to Cabinet containing:
- a) a description of the property or land, its title, physical characteristics and development constraints.
 - b) any information from the Council's records or those of statutory undertakers which would affect the property or land's value or development potential.
 - c) an assessment of the development potential of the property or land.

- d) evidence that the property or land has been offered to all directorates and that the Council has no operational use for the property or land.
- e) recommendations on the following:
 - i. the title to be transferred.
 - ii. the method of disposal.
 - iii. whether negotiations must proceed with a special purchaser.
 - iv. the estimated price the Council may receive (in a Part 2 report)
- f) in arriving at the recommendation, other factors that officers need to take into consideration are:
 - i. issues that need to be resolved before marketing of the property or land can proceed.
 - ii. whether legal and other costs must be recovered from the prospective purchaser and if so an estimate of their amount.
 - iii. whether the appointment of external advisors or agents is required

38.10 All disposals of property or land owned or leased by the Council shall be by one of the following methods: Private Treaty, Public Auction, Formal Tender, Informal Tender, statutory offer back to the former owner, or long lease. Costs of marketing and disposal will be charged to the recipient of the land.

38.11 In the event that it is decided to dispose of property or land by way of a tender then so far as it is practicable the procedures laid down in the Rules shall apply, subject to a waiver under Rule 21 (**Error! Reference source not found.**) where it is not practicable to follow the procedures laid down in the Procurement Rules.

38.12 The authorisation required for a land transaction depends on its value and is set out within the Constitution. The following are able to authorise transactions, subject to the value set out in their terms of reference:-

- Service Director: Resources
- Cabinet
- Full Council.

39 Glossary

- **Award Criteria:** Standards set out in procurement documentation used to evaluate bids to identify the most economically advantageous tender.
- **Conditions of Participation:** Requirements that potential contractors must meet to be eligible to participate in the procurement process.
- **Contract Award Notice:** A notice published to inform the public about the outcome of the procurement process, detailing the contractor intended to be awarded the contract and initiating the Standstill Period.
- **E-Procurement System:** A web-based system used to facilitate the entire tendering process, covering advertising, issuing and receiving tender-related information, evaluation, and contract award.
- **Framework Agreement:** An agreement with one or more businesses that sets out terms and conditions under which specific purchases (call-offs) can be made throughout the term of the agreement.
- **Go Local Policy:** A policy aimed at prioritising local suppliers in procurements to stimulate the local economy, applicable under certain financial thresholds.
- **Goods:** The purchase, lease, rental, or hire purchase (with or without an option to buy) of goods or products, which may also include, as an incidental, the siting or installation of the product.
- **ITT (Invitation to Tender):** A formal document issued to potential suppliers inviting them to submit a bid to supply goods or services.
- **Mixed Contracts:** Contracts that include a combination of goods, services, and/or works, especially where different parts of the contract may have different threshold implications.
- **Preliminary Market Engagement:** Activities undertaken to engage the market before formally initiating the procurement process, aimed at informing and refining the procurement strategy.
- **Procurement:** The process of awarding, entering into, and managing a contract, including all steps taken for the purpose of awarding, entering into, or managing the contract, and the termination of the procurement before the award of the contract, regardless of whether the procurement is covered under the Regulations or not.
- **Procurement Pipeline:** A strategic planning tool that outlines upcoming procurement activities, providing visibility to potential suppliers and helping internal planning.
- **Request for Quotation:** The quote process using the relevant council RFQ templates.
- **Services:** The provision of any type of service other than those which fall within the definition of a works contract or a social and other specific services contract.

- **Social Value:** The additional benefit to the community from a procurement process beyond the scope of the actual purchase, which may include economic, social, and environmental aspects.
- **Standstill Period:** A mandatory waiting period of eight working days following the publication of the contract award notice during which the contract cannot be finalised, allowing unsuccessful bidders the opportunity to challenge the award decision.
- **Tender:** An invitation to bid for a contract or a supplier's response to that invitation.
- **Transparency Requirements:** Obligations to ensure visibility and openness in the procurement process, including the publication of notices and the disclosure of contract award decisions.
- **Waiver:** The procedure governing the exemption from the application of these Procedures.
- **Works:** The execution or design and execution of construction, civil engineering, demolition, building installation, and building completion works.
- **WTO GPA Threshold:** The financial threshold set by the World Trade Organization's Government Procurement Agreement, which, when exceeded, requires adherence to specific procurement procedures.

40 Key Contacts

Area	Contact	Contact No.
Procurement	Procurement Officer Controls Risk and Performance Manager	Ext 4392 Ext 4606
Legal	Service Director: Legal and Community Legal Commercial Team Manager	Ext 4370 Ext 4346
Shared Internal Audit Services	Audit Manager	01438 845508
Committee Services	Democratic Services Manager Committee, Member and Scrutiny Services Manager	Ext 4208 Ext 4305
Finance/Financial Appraisals	Service Director: Resources Accountancy Manager	Ext 4243 Ext 4470
Insurance	HCC Insurance Manager	01438 843565
Risk	Controls, Risk & Performance Manager	Ext 4606
Health & Safety	Health & Safety Officer	Ext 4600
Equalities/Environmental	Policy and Communities Manager	Ext 4212
Freedom of Information / Data Protection	Information & Records Manager	Ext 4563

Page	Area covered – Old Rules	Page	Area Covered – New Rules with any changes
257	Flowchart	269-274	Removed as now included under individual tendering options section.
258 - 262	Introduction and scope – personal interests, prevention of corruption, hospitality, record of interests, whistleblowing , contract values	257-260	S1 – introduction and scope – reworded, S3 -New section on ethical standards and compliance covers off all policies. S8 – environmental considerations covered off in specification. S6 – establishing contract value – now included in pre procurement planning section, added reference to new regulation requirement to use above threshold procedure if contract cannot be established. Adds in reference to calculating contract value for frameworks.
264-267	Table A – summarising requirements for each level of procurement	269-274	Summary table removed. Table added under each section of S19 Tendering options
268-270	Details requirements for estimates, quotations, tenders	269-274	Requirements detailed under each section of s19 Tendering options. No changes to number of quotes required, process to follow. Tabular form used. Updated for new notice requirements under the regulations. Goods and services thresholds unchanged. Works thresholds increased. Estimates – added threshold for works of £100k Quotations – previous range £50k -£200k, proposed range £100k - £499,999 Tenders – previous range £250k plus, proposed £500k plus
270-271	Tendering Options	269-278	Removed Competitive Procedure with Negotiation and Competitive Dialogue. Removed Innovation Partnership. Replaced with new procedure under regulations Competitive Flexible procedure. Added requirement that Cabinet approval must be obtained if more than 2 stages designed in a Competitive Flexible procedure.

Page	Area covered – Old Rules	Page	Area Covered – New Rules with any changes
272	Open Tenders	269-274	Now incorporated into s19 tendering options, invitation to tender 19.5 and 19.6. Added social value objectives, added environmental considerations, summarises procurement document requirements
272	Restricted Tender	277 / 267	Covered under new Competitive Flexible Procedure. Approval not required if 2 stages (selection stage and tender stage) used. Cabinet approval required for more than 2 stages. New regulations require use of a central digital platform for selection questions, no longer incorporated into our documents. S16 covers off new supplier selection requirements under the regulations.
273	ITT	266	S14 – mandatory use of procurement templates, s19 tendering options, tables include reference to procurement documents that must be used and all processes to be followed
274	Further competitions under Framework	273-274	19.7 Framework agreements, table added for all requirements for added clarity, no changes to requirements.
274-275	Dynamic Purchasing system, Competitive procedure with Negotiation, Innovation Partnership Procedure	274/277	References removed as no longer included in new regulations. Replaced with Competitive Flexible Procedure s22.2 and Dynamic Markets s19.8
275	Single Tenders	275-276	No change to below threshold requirements. Above threshold requirements updated with the new regulation wording on when a single tender is permitted
276	Receipt of Quotation/tenders	278	S24 – bid submission, opening and acceptance. No change to process
277	Opening and evaluation of quotes/tenders	278	S24-25 -no change to opening process, moderation meeting added to requirements for procurements where multiple officers are involved in evaluation. Added guidance on when bids should be rejected

Page	Area covered – Old Rules	Page	Area Covered – New Rules with any changes
277	Evaluation criteria	264	S10 – Award and Evaluation Criteria. Removed reference to most economically advantageous tender (MEAT) and replaced with Most advantageous tender (MAT) as per new regulations. Allows us to evaluate and give import to more social value and environmental considerations as well as price. Added ability to refine requirements throughout the procurement process for above threshold procurements (new regulations)
278-279	Contract Award	278-279	Updated requirements under the regulations. Change to standstill period from 10 calendar days to 8 working days as per new regulations.
279	Contracts	281	No changes
279	Joining a Framework Agreement	273-274	Added Table detailing requirements for framework agreements.
281	Waivers	277	Language changes only , approvals process unchanged, records retained by Service Director Resources, rather than legal
281	Arithmetic Errors	278	Covered under rfq and tender evaluation section.
282	Post Tender Negotiations		removed
283	Contractual terms	282	unchanged
283	Specification	262-263	Added further guidance on content of specifications
283	Payment	279	Added new transparency requirements on publication of payment performance and contract payments exceeding £30k
285	Contract Variations	282	unchanged
286	Extensions	283-284	unchanged
286	Contract Management	279-281	Added additional requirements for publication under the new regulations. Added reference to contract module in new Financial System.

Page	Area covered – Old Rules	Page	Area Covered – New Rules with any changes
			Added information on supplier performance and requirements under new regulations to publish performance for contracts over £5m
287	Appointment of Consultants	284-285	unchanged
287	Project Details	285-286	Unchanged – links updated
289-290	Land Transactions	286-287	unchanged
291-292	Glossary	288-289	Updated for terminology
293	Key Contacts	290	Updated for key contacts

**FINANCE, AUDIT AND RISK COMMITTEE
4 SEPTEMBER 2024**

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: MEDIUM TERM FINANCIAL STRATEGY

REPORT OF: *Service Director: Resources*

EXECUTIVE MEMBER: *Finance and IT*

COUNCIL PRIORITY: SUSTAINABILITY

1. EXECUTIVE SUMMARY

This report recommends the Medium Term Financial Strategy (MTFS) for 2025/26 to 2029/30 to guide and inform the Council's Business Planning Process. The focus is primarily on setting a budget for 2025/26, as well as determining the actions that will be necessary in setting a longer term budget following on from that. It reflects on the many uncertainties that the Council faces. Whilst it recommends a five year budget strategy, there will be a need to amend the strategy over time as further information becomes available.

The MTFS supports and is supported by the Council Plan. This reflects that the Council can only deliver priorities and projects that it can afford and should prioritise its spending around delivering its priorities.

2. RECOMMENDATIONS

- 2.1. That Finance, Audit and Risk Committee note and comment to Cabinet on the Medium Term Financial Strategy, as attached at Appendix A.

3. REASONS FOR RECOMMENDATIONS

- 3.1 Adoption of a MTFS and communication of its contents will assist in the process of forward planning the use of Council resources and in budget setting for 2025/2026 to 2029/2030, culminating in the setting of the Council Tax precept for 2025/26 in February 2025. Alongside the Council Plan, this will support the Council in setting a budget that is affordable and aligned to Council priorities.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The Council needs to have a strategy for setting its budget to ensure that it meets its statutory duty to set a balanced budget over the medium term, and ensure that spend is prioritised towards delivering statutory services and its strategic aims (as set out in the Council Plan).

- 4.2 In line with the Financial Management Code (published by the Chartered Institute of Public Finance and Accountancy), the Council aspires to set a longer-term financial strategy (e.g. 10 years) that considers the various risks and plans scenarios to deal with them. However, this MTFFS deliberately takes a shorter-term view, which reflects the significant uncertainty faced by the Council (and Councils in general) in relation to funding.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 The Executive Member for Finance and IT has been consulted in developing this Strategy. The core working group on the Council Plan have also been consulted on the contents of this Strategy.
- 5.2 No external consultation has been undertaken in the preparation of this report.
- 5.3 Consultation is an integral part of the Corporate Business Planning process, and consultation on the individual actions and projects planned to support the objectives will be carried out in accordance with the Corporate Business Planning Timetable and the Council's Consultation Strategy. The MTFFS sets out that there is likely to be a need for significant savings as part of setting the budget for 2026/27. As part of this it references the planned budget consultation to take place during summer 2025, and what is already available through our budget hub "prioritising our pounds" (which can be found at <https://northhertscouncil.civilspace.io/en/projects/north-herts-budget-hub>).
- 5.4 As in previous years, Member workshops are being held in November to discuss budget proposals in advance of them being considered by Cabinet.

6. FORWARD PLAN

- 6.1 This report does not contain a recommendation on a key Executive decision and has therefore not been referred to in the Forward Plan.

7. BACKGROUND

- 7.1 The Council is required to set a balanced budget each year. This can include using reserves if this is affordable over the medium term. The Council therefore sets a 5 year Medium Term Financial Strategy each year to help determine the approach that it will take to setting the detailed budget for the following year. This explains why the period of the MTFFS is different to the period covered by the Council Plan. However they strongly align in terms of the actions required to deliver a medium-term balanced budget.

8. RELEVANT CONSIDERATIONS

- 8.1 The Medium Term Financial Strategy (MTFS) is attached as Appendix A. It details the forecast impact of reducing resources and quantifies what the Council will need to do to balance its budget in the medium term. It also reflects the significant uncertainty over funding, expenditure and income and therefore highlights the need to be able to react to any changes.
- 8.2 Council will be asked to approve the wording of the MTFFS. The Communications Team will then work on improving the presentation prior to it being published on our website.

9. LEGAL IMPLICATIONS

- 9.1 Finance, Audit and Risk Committee's Terms of Reference include at 10.1.5 (b) "[t]o review and recommend the Medium Term Financial Strategy to Cabinet (including, although not limited to consideration of associated procedures, policies and process)".
- 9.2 Cabinet's terms of reference include at 5.7.38 the power, by recommendation "to advise the Council in the formulation of those policies within the Council's terms of reference". Council's terms of reference include at 4.4.1(b) "approving or adopting the budget". The MTFS is part of the budget setting process. Paragraph 2.7 of the Council's Financial Regulations (Section 19 of the Constitution) details that "[t]he Medium Term Financial Strategy ... require[s] approval by Full Council".
- 9.3 Councillors are reminded of the requirement, under section 30 of the Local Government Finance Act 1992, to set a balanced budget prior to the commencement of the financial year in question; and also that the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of estimates and the adequacy of reserves allowed for in the budget.

10. FINANCIAL IMPLICATIONS

- 10.1 Revenue financial implications are covered in Appendix A.
- 10.2 The main purpose of the Medium Term Financial Strategy is to consider the revenue funding, income and expenditure for the Council. This includes considering the revenue implications of capital expenditure.

11. RISK IMPLICATIONS

- 11.1 Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.
- 11.2 The key risks within the budget assumptions are referred to in Appendix A.
- 11.3 There are financial and reputational risks involved in arriving at a balanced budget against the uncertainty surrounding levels of government funding. We seek to mitigate the risks through the use of the established corporate business planning process and early involvement of members in the process.

12. EQUALITIES IMPLICATIONS

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

12.2 The MTFS attempts to align resources to the delivery of the Council Plan, which sets the corporate objectives. Through its corporate objectives the Council is seeking to address equality implications in the services it provides and through the remainder of the Corporate Business Planning Process will carry out Equalities Impact Assessments for relevant efficiency or investment options.

13. SOCIAL VALUE IMPLICATIONS

13.1. The Social Value Act and “go local” requirements do not apply to this report.

14. ENVIRONMENTAL IMPLICATIONS

14.1. There are no known Environmental impacts or requirements that directly apply to this report.

15. HUMAN RESOURCE IMPLICATIONS

15.1 The MTFS makes assumptions in relation to pay inflation. As the actual rate of inflation will be subject to national pay bargaining, the actual costs will depend on the results of those negotiations. The budget also makes assumptions around funding for increments. Whilst the MTFS states that we need to consider improving our employment offer to attract staff, the budget does not currently make any allowance for the costs of this (e.g. pay increases above inflation). This means that if a decision is taken to improve the employment offer then this would need be covered by savings elsewhere. We have already looked at low cost non-pay benefits that we can implement.

14.2 The delivery of projects to deliver council objectives depends on having adequate people resources with the requisite skills.

14.3 The development of budget proposals will take up staff time. As they are developed these budget proposals will identify the ongoing impact on staff.

16. APPENDICES

16.1 Appendix A- Medium Term Financial Strategy 2025-30

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

18.1 None

North Herts Council

Medium Term Financial Strategy
2025-30

Purpose of the Strategy

This strategy sits alongside the Council Plan. It sets out our financial forecasts over the next five years and how we will manage the funding that we think we will have available, to deliver as much as we can, in line with our priorities.

Our Council Plan covers the period until the next set of Council elections, so is from 2024-28. As detailed below it is good practice for a financial strategy to take a longer-term focus. So this document covers up until 2029/30. For the period of overlap with the Council Plan, we have kept the two documents aligned.

Delivering our Vision and Priorities

Our vision and priorities are set out in detail in our Council Plan.

Our vision is “working with you for a fairer, greener North Herts.

To support that our priorities are Thriving Communities, Accessible Services, Responsible Growth and Sustainability.

Most of the money that we spend is on delivering statutory services. We will always look to deliver these services in line with our priorities. Even as our funding has continued to reduce, we have tried to maintain our ability to offer discretionary services that are linked to our priorities. Our forecasts are that we will need to further reduce our costs in the future. This will mean that difficult decisions will need to be taken. We will make those decisions in line with our priorities.

Our Council Plan includes our aspirations for North Herts. Some of the ideas may be dependent on identifying funding or developing a sustainable business case.

Scope of this Strategy

Like many other Councils, we want certainty over our future funding. That would give us the ability to plan the services that we deliver to match the funding available.

We would like to use this document to provide a long-term (10 year) overview of our future funding, and risks and opportunities in relation to our spending and income. Unfortunately, we are faced with such significant uncertainty in the short to medium term in relation to our future funding, that our focus has to be on that. That means that this strategy is focused on the next five years, with a particular focus on the next two years.

Over the last few years, we have been able to increase the level of our general fund reserves. The plan is that we can use these to soften the impact of inflationary pressures and expected future funding reductions. However reserves can only be spent once, and it seems very likely that spend will need to be reduced in the medium term and balanced against the funding we receive. This will require some difficult decisions on which services meet our statutory obligations and best deliver against our priorities.

This strategy is based on significant uncertainty and as better information becomes available then this will be used. The budget that Full Council sets in February 2025 will be focused on 2025/26 but will also consider the medium term impact.

Revenue and Capital spend

Revenue is what we spend on day-to-day activities. It includes staffing and payments to suppliers to deliver services. It also includes income from fees and charges where the user pays for some or all of the cost of the service.

Capital is what we spend on the buying, creating and maintaining our assets. Assets are things that can be used for more than one year, and include land, buildings and vehicles.

Most of our funding is revenue and can be used for either revenue or capital spend.

Where we sell surplus assets we receive a capital receipt and that funding can only be used to fund new capital spend only. We also sometimes get capital grants, that can only be used for capital spend. We can borrow to fund capital spend, but we are then required to make a charge to our revenue budget that spreads the cost of that borrowing over the life of the asset.

Our revenue budget forecasts for 2024/25

As at the 1st April 2024 (subject to audit) we had a General Fund balance of £14.057 million.

The revenue budget that was set by Council in February 2024 was:

	£ 000
Net expenditure before inflation and carry-forwards	18,350
Pay inflation	700
Contract inflation	571
Income inflation	(314)
Carry-forwards	626
Total net expenditure	19,933
Funded by:	
Council Tax	13,123
Business Rates (including funding for Government policy decisions relating to Business Rates)	3,686
Other funding	1,397
Total in-year funding	18,206
Shortfall in funding	1,727
Agreed use of Business Rates reserve	(1,727)
Impact on General Fund	0

Since the budget was set, we have updated our forecasts for up to the end of Quarter 3 (23/24), end of year (23/24) and Quarter 1 (24/25). These have had the following impacts on 2024/25 forecasts:

- Q3 carry-forward requests of £343k and other ongoing impacts of a £68k increase in spend.
- End of year carry-forward requests of £487k and other ongoing impacts of a £147k increase in spend.
- Q1 decrease in spend of £858k, with an ongoing impact of £174k increase in spend.

Overall this means an estimated General Fund at the end of 2024/25 of £13.851 million. This is around £0.43 million higher than the balance that was forecast when the budget was set in February.

The next few paragraphs highlight the main things to consider in relation to our future revenue budgets.

Inflation and cost of living impacts

The UK (as well as many other countries) has seen a period of very high inflation. The Bank of England are forecasting that inflation (as measured by the Consumer Price Index) will return to around the 2% over the summer (2024) before a small increase later in the year. It then expects to be able to keep inflation at around the target level.

Overall there is evidence that inflation driven by wage growth is subsiding. But a series of below inflation pay increases for most Council staff does continue to affect what we should allow for pay inflation (see next section).

Pay inflation and pay competitiveness

The pay claim for 2024/25 has not yet been agreed. The NJC Trade Unions asked for a pay increase of the higher of £3,000 and 10 percent. In response, the National Employers have made a full and final offer of the higher of £1,290 and 2.5 percent. For 2024/25 we budgeted for an overall pay award equal to 4% of our pay budget. Whilst the employer offer is around that total, the NJC Trade Unions are indicating that they will reject the employer offer. There is a risk that the amount that is finally agreed will be higher than the amount allocated. That would then have an impact in 2024/25 and later years.

Our current estimate is that the pay increase for 2025/26 will be an average of 3%, and then in future years it will be 2%. This is against the assumption that inflation will be at 2%. The 3% increase in 2025/26 is higher than expected inflation due to:

- Forecasts are that the National Living Wage will increase by around 4% in April 2025. Whilst none of our staff are paid at the National living Wage level, increases at the lower end of the pay scales need to consider how close they are to the National Living Wage level.
- Local Government pay has seen a series of below inflation increases and there may need to be scope for some catching-up.

Many Councils are struggling to recruit and retain staff, and that includes us. Whilst we offer non-pay benefits and try and make the Council a good place to work (90% of our staff would recommend us a place to work), we know that our pay is not competitive. We also believe that we are not competitive compared to other Councils. We are going to use a Local Government Association tool to assess this, which will include understanding whether the non-competitiveness is uniform across all grades. Inflationary increases in pay will not help address this, even if they are slightly higher than any current inflation rate. We also know that the cost of addressing this is difficult to afford. Our pay bill is around £19 million, so every 1% increase is almost £190k. However, our staff are vital for the delivery of services.

It is recommended that we continue to assume an inflationary increase of 3% for 2025/26 and then 2% per year thereafter. However, alongside this, we should consider the impact of an exceptional increase in pay, and how that affects our overall budget position. We may also want to consider the impact of other significant non-pay benefits that would improve our ability to attract and retain staff.

Contracted services inflation

As we have recently retendered both our waste and leisure contract, we have talked to bidders about the most appropriate inflation measures to use. For our waste contract, inflation continues to be based on a basket of pay, fuel and general inflation. Our leisure contract is based on general inflation, but with the Council taking the risks and rewards of fluctuations in energy prices.

Our other contracts have inflation clauses that are linked to general inflation.

Energy prices have stabilised, although they are higher than they were previously. There is the potential that they could decrease from current levels, but there is still a significant risk of increases given that they can be impacted by geopolitical factors. As there is no current Government policy, we have not made any budget assumptions around the levying of a Carbon Tax.

A new Materials Recycling Facility (MRF) contract needs to be procured. As this is still at an early stage, there is a risk around the cost of this contract. As with the current contract, there will be a risk throughout the contract as materials costs/ income are affected by both the volumes that are collected and prices on the global markets.

Overall, the assumption should be that contract inflation will track general inflation (as even pay and fuel inflation should align with general inflation over time), so is assumed to be 2%.

Increases in fees and charges, and impact on demand/ ability to pay

It has previously been decided that parking charges should be modelled on assuming a 2% increase each year. That is not a target increase, and actual increases will need to consider managing demand, cost of provision, encouraging modal shift away from private car use and supporting the vitality of town centres. This assumption of a 2% increase will be retained.

We will look at our current parking charge regime. Changes could include rebalancing parking charges so that they better manage demand for parking across our town centres and introducing car parking charges on Sundays, Bank Holidays and in the evenings.

Any significant changes to the charge regime will follow consultation with residents, as well as Community Forum discussion, and will be subject to a Cabinet decision.

We have set out plans to bring forward the date of implementation of parking price increases in each year, to reverse the delays (during the year) that arose following the Covid-19 pandemic. The planned implementation dates have been difficult to achieve with the cycle of meetings. So it is proposed that the 2024/25 increase be combined with the increase for 2025/26, and this will be implemented from April 2025. Thereafter increases would be applied in April each year.

Due to the cost of living impacts on our residents, we made a decision to change the garden waste charge to £49 for an extended 18 month period (up to April 2025). This will revert to being an annual charge from April 2025 onwards and, for budgeting (as set out in last years MTFs) is assumed to be at £49 per year for 2025/26 and then to increase in line with inflation thereafter. As part of the waste contract mobilisation, we will further review the contract costs with East Herts to seek alignment on an appropriate charge for 2025/26. This will be subject to a Cabinet decision. We will continue with having a concessionary discount for those that are less able to pay.

We believe that trade waste and the trade recycling market can bear increases in costs, and that we should be pricing in line with the wider market. The starting assumption is that increases in charges should be in line with forecast contract collection cost increases and disposal cost increases. This will be reviewed prior to April each year, and actual increases may be higher or lower.

Where fees and charges are set by regulation (e.g. planning fees) then the Council will set charges in line with those regulations. The assumption is that any ancillary charges will be increased in line with increases in general fees and charges.

All other fees and charges provide a relatively low amount of income. The target is that these fees and charges should recover the full cost of provision. Costs of provision are generally likely to increase with pay inflation. Therefore, the assumption will be that prices should increase in line with pay inflation estimates.

Our current assumption is that increases at these levels would not affect demand. For most of our services we seek payment in advance of receiving the service, so we are also not expecting an increase in levels of overdue debt.

Eligibility for Council Tax Reduction Scheme

The Council Tax Reduction Scheme (CTRS) determines who is eligible for a discount on their Council Tax bill. For pensioners there is a mandatory scheme set by Government. For working age residents, we can determine how any discounts are determined.

We moved to a banded scheme for working-age CTRS eligibility in April 2023. During the first year (2023/24) this resulted in an increase in the total value of support that was being provided. This was seen in the tax base calculations (the weighted number of properties that pay Council Tax), which decreased by 0.34%. Our budget assumptions are based on a net 0.5% increase in the tax base to reflect property growth. We actually expect the increase in properties to be higher as some of the Council Tax from each additional property will be used to fund the direct costs (i.e. waste collection) that we will incur.

Current data shows that the need for CTRS support has stabilised and is showing signs of reducing. It is looking like the tax base will achieve the targeted 0.5% growth for setting the 2025/26 budget. It is less likely that the 0.34% decline will be reversed for the 2025/26 budget, but it is assumed that this reversal will take place over the next 2 years. Depending how any funding guarantees are calculated this may lead to some short-term reductions in funding compared to forecasts, as previous funding guarantees have been based on an assumed level of tax base growth. These assumptions will be kept under review as CTRS eligibility is very uncertain.

Interest Rate changes

Our Treasury advisors are predicting (as of May 2024) that interest rates will start to fall in September 2024 and reach 4% by March 2025. They will continue to fall to around 3% by March 2026.

The returns on investing our surplus cash have been broadly in line with the Bank of England base rate, and we will assume that this continues.

When we set the budget for investment returns for 2024/25 we assumed average investment balances of £25.6 million and a 4.5% return. Due to slippage on both revenue and capital spend, the average balance across the year will be higher and the reduction in investment returns will also be slower. That means that our expected investment returns will now be around £1.35 million higher (as detailed in the revenue forecast section above).

The rates for borrowing from the Public Works Loan Board (PWLB) are currently 5-6% across durations of up to 40 years. As the base rate comes down we would usually expect to see PWLB also drop, but this is not certain. We are not expecting to need to borrow externally in the short-term (for our existing capital spend) but if the need arises then we will assume interest costs of 5.5%.

Pension costs

The latest triennial valuation (for March 2022) was completed before the 2022/23 budget was set. That valuation set our pension contribution rates for the next three years up until 2025/26. Forecasts for 2026/27 onwards will be based on the current valuation.

Waste contract costs

We have recently completed the procurement of our waste and street cleansing contract. As part of the 2024/25 budget, we added in a prudent estimate of the cost of the vehicles, which in turn created an allocation in the revenue budget for Minimum Revenue Provision and the impact of lost investment returns. With that allocation, and the decisions made on service design, the contract price is expected to be in line with the revised budget (i.e., with the revenue effects of capital built in). There is still uncertainty in relation to:

- Costs are based on unit rates and volumes, so increases in volumes (e.g. number of properties, length of roads, number of fly-tips) will affect costs.
- Whether there be a need for, and the cost of, using survival bags for the collection of soft plastics.

Waste legislation changes

Government have previously consulted on a series of proposals in relation to waste collection. These include:

- Introducing consistent waste collection. This includes a requirement to collect separate food waste (which we already do) and soft plastics (which is built in to the specification for the new contract). There may be new burdens funding available for these changes, but we will only add that in to the budget when we have certainty over any amounts.
- Introduction of a Deposit Return Scheme (DRS), which could have an impact on what we collect at the kerbside. It is likely to mean that higher value recycling materials would be taken to deposit return locations, leaving us to collect the remainder. This would negatively affect the net costs of disposal for recycling materials. Due to the price risk that we already face for recycled materials, we have not built this into the budget projections.
- Extended Producer Responsibility (EPR), which places the financial burden for waste on those that are producing it at source. This could change the type and amount of waste that we need to collect as producers seek to reduce EPR liability, It may also produce additional income to fund new burdens. We do not expect it to generate additional net income for the Council. We expect that any additional EPR funding (that is not specifically linked to new burdens) will be off-set by reductions in general funding.

Housing growth, planning income and impact on tax base

The adoption of the Council's Local Plan means that there will be large new developments in the District. The precise timing of these developments is not known, and may be affected by the impacts of continuing high interest rates.

As these sites go through the planning process, they will generate significant planning income. Some of the capacity to deliver these has already been included in previous staffing growth bids. There will also be additional internal and external resource required. Where possible, the cost of short term external resources, and to a limited extent the internal resources, will be met through Planning Performance Agreements. However, these are voluntary agreements and cannot be required. The forecast cost of longer-term internal resources is forecast to be less than the additional income generated.

As part of the 2025/26 budget process we will develop a prudent estimate of additional planning income averaged over a number of years. Where there are over-achievements in early years, these will be put into a central reserve to enable the smoothing of any shortfalls in later years. When prudent, any balance in the reserve will be released back to the General Fund. The reserve will not be used to directly fund additional planning expenditure.

We have not fully assessed the impact on its costs of significant housing growth (beyond estimating additional waste collection costs). So, even though that housing growth will lead to a significant increase in the tax base, this is not assumed as additional Council Tax funding income. Instead (as detailed in the section on CTRS) average annual net 0.5% growth will be assumed.

Capacity to deliver our priorities

Our new Council Plan sets out our vision and priorities for 2025-30. The Council Plan will continue to be supported by our Council Delivery Plan.

As detailed in the previous section on pay inflation, the Council is facing issues with staff recruitment and retention. The projects in the Council Delivery Plan for 2024/25 have been subject to prioritisation, and there are fewer of them. However there are still risks around delivery, particularly in relation to finances and Officer capacity. This is part of the reason why the Council Delivery Plan is reviewed on a quarterly basis by Overview and Scrutiny and Cabinet.

The table below details those projects that are in the current Council Delivery Plan (as reported to Cabinet in March 2024) and any further projects specifically referenced in the Council Plan. The table shows the financial implications of those projects in 2025/26 onwards:

Project	Resources
Churchgate area regeneration	Overall expected that the scheme will be at least cost neutral in net revenue terms, including the revenue effects of any capital spend. The current spend to get to a viable scheme is being funded from the income generated by the current Churchgate leases. Project Management is from the Enterprise Team.
Waste and street cleansing contract	Following the award of the contract, the project will focus on the mobilisation of the new contract period in May 2025 and service changes from Summer 2025. There is likely to be additional budget required in 2025/26 for communications in relation to service changes, but this is not expected to be ongoing. Also need to procure a new MRF contract. Project Management is from the Waste Team.
Public Sector Decarbonisation Scheme- Leisure Centres	In July 2024, Council agreed the additional capital resource for this project. The revenue costs of capital are included as part of the forecasts for this Medium-Term Financial Strategy. Additional Project Management resource is in place.
Review of Local Plan	Assumed that this will be delivered from existing resources, including use of specific reserves. Project Management from the Strategic Planning Team.
Digital Transformation	Making use of specific reserves to fund some of the project management costs. The other implementation resource is coming from Customer Services and IT. Overall expecting that this will deliver net savings. As the amount is uncertain these are not budgeted for at this stage. Project Management from Customer Services and IT, with support from additional project resource.
Pay on exit parking	Capital resource has been allocated for new machines, which would have required replacement anyway. Assumed no impact on income generated, although there is a risk that it may change. Project Management from Strategic Planning Projects Team.
Engaging the community on our finances and how we spend our money	Expecting to deliver from existing staff resources and using existing Council communication tools. Being led by Communications and Finance teams.
King George V Skate Park	Expected to be completed by 2025/26.
Oughtonhead Weir	Expected to be completed by 2025/26.
Town Centre Strategies	Assumed that this will be delivered from existing resources, including use of specific reserves. Project Management from Strategic Planning Projects Team..
Residential/ Public EV charging	Expected to be completed by 2025/26.
Achieving net zero Carbon emissions	Our leisure centres make up around 45% of our scope 1-3 emissions. The Public Sector Decarbonisation Scheme therefore supports significant progress towards net zero. Within the new waste contract, all vehicles under 7.5 tonnes will be electric. We have a fixed-term Climate Change Project Manager and some funding in place. There are not currently any other specific capital budgets allocated for carbon improvements. The update to the Climate Change strategy will need to fully determine the measures required to achieve net zero and when they can be implemented in an affordable way.

Projects are generally managed by relevant Officers, in addition to their core role. This creates the potential for delays.

There is not currently any resource allocated for any new projects that are not listed above. Whilst these could be added as part of the budget setting process, the forecast section below determines that net savings need to be identified and delivered. Any discretionary cost increases will therefore increase the savings that have to be made in other areas.

Future funding from Government

Our funding is controlled by Government in the following ways:

- If we want to increase our Council Tax by more than a certain amount, then we must hold a referendum. Government set this limit each year and last year it was the greater of 2.99% or £5 on a band D property (with the other bands increased in proportion). In previous years it was 1.99% or £5.
- They set how much of the Business Rates that we collect that we can retain.
- They determine how funding from New Homes Bonus works. This is a reward to councils for encouraging the building of new homes.
- They can allocate other general funding and grants.

There was supposed to be a significant change to the way that we and other local authorities were funded. This would have included a new funding formula and a change to how much of the Business Rates that we collect we could retain. It is now expected that the earliest that this change will be introduced will be 2026/27, with consultation during 2025/26. This reflects the commitment from the new Labour Government that there is a need for longer term funding reform and certainty, but that it is not practical to achieve this any earlier than 2026/27.

We had been told that in 2019/20 our funding from Business Rates would be cut by over £1m. This had become known as negative RSG (Revenue Support Grant). This cut in funding has not yet taken place. When a new funding formula is introduced, we are working on the assumption that it will be broadly in line with the formula that determined we should have a negative RSG imposed upon us. Although the assumption is that the cut will be £1m, rather than being inflated from the 2019/20 total. Also, assuming that it would be phased in over two years, with half the impact (£0.5m) in the first year (2026/27). Whilst the new Labour Government have recognised the funding pressures on Councils, they have also tied any funding increases to economic growth, which would take time to deliver.

We currently provide our Parish, Town, and Community Councils with a total of £39k of funding, in addition to what they raise through their precepts. This was initially linked to the localisation of Council Tax support (CTRS). Our policy has been that this support should reduce in line with the funding that we receive from Government. The amount that each Council receives is very small and could be covered by a small increase in their precept.

The Government had consulted on changes to New Homes Bonus. There was not any indication of which option would be adopted. The assumption is that New Homes Bonus will continue for one more year. However, this is somewhat superseded by guarantees in relation to Core Spending Power.

The Councils 'Core Spending Power' (a measure of funding determined by Government) is made up of the following:

- Baseline retained Business Rates
- Council Tax
- New Homes Bonus
- Other general grants

For 2024/25 the Council's Core Spending Power is £18.4m. In 2024/25 there was a guarantee from Government that core spending power (before the impact of Council Tax rate increases, but after an assumption on growth in the base) would increase by at least 3%. Where this was not going to be achieved through other funding, Councils received additional grant funding. We received a grant for this of £1.2m.

To reflect the Government's intention to increase Council funding but acknowledging the need to link it to economic growth. For the next three years after this one (up to and including 2027/28) we will assume that Core Spending Power will increase by at least 1% each year, even where negative RSG is applied. From 2028/29 onwards we will assume that there is capacity for funding to track to track inflation (assumed to be 2% per year).

Council Tax

For the purposes of this medium-term forecast, we will assume that our Council Tax base for 2025/26 will be based on the current tax base data. This will be updated as part of the detailed budget setting for 2025/26. For subsequent years, we will assume that a net tax base growth of 0.5% per year. The actual growth is expected to be higher, but some of the additional income will be needed to provide services to the new properties (e.g. waste collection).

We are assuming that Government will allow Council Tax increases for 2025/26 (and all subsequent years) by up to 1.99% without the need for a local referendum. In calculating the funding that is available, Government assume that councils will increase their Council Tax by the maximum available. To do as much as we can to maintain our service provision, we will increase our Council Tax by the maximum possible, without the need for a referendum.

For each year it is likely that there will also be the provision for Council Tax increases of £5 for a band D property (other bands pro rata), even if this is more than the stipulated percentage. The Council's tax rate is now at a level where the percentage increases will be higher than the £5 increase.

Our reserves

We are required to make sure that we have a certain level of reserves when we set our budget. This is to provide protection against known and unknown risks. This includes us being able to react to changes in demand and any emergencies that may arise. Our allowance of known risks is based on estimating the monetary impact of an event happening and applying a percentage to this, based on the likelihood of it happening (high, medium or low). Our allowance for unknown risks is based on 5% of net expenditure and 3% of budgeted income (excluding Housing Benefit). For 2024/25 this gave a minimum balance of £2.46m. It is assumed that there will need to be some growth in this minimum level to reflect inflation, so a minimum of £3m will be assumed.

We will plan to use our reserves to smooth some of the impact of the savings that we are forecasting that we need to deliver. We will also plan to retain reserves to give us time to respond to the further uncertainties that are detailed in this strategy. In planning our future budgets, we need to make sure that we stay safely above the minimum General Fund level.

We have a Business Rates grant reserve. Government provide businesses with various Business Rate reliefs and provide us with funding to cover them. Due to the way that Business Rate income is dealt with, we often receive the funding earlier than the actual impact on our accounts. So, the funding is put into a reserve until it is needed. We also gain from our Business Rates being above a current baseline level and we get even higher gains when we are part of a Business Rates pool. These amounts are not certain enough to include in our ongoing budget estimates, so they are also put into the reserve. As of 1st April 2024 the balance on this reserve was £5.74 million. We are already planning to use £1.86 million during 2024/25 and 2025/26 to help balance the budget. The 2023/24 year-end revenue monitoring report identified that we need to fund a levy of just over £0.5m. It is also prudent to set aside £1m for fluctuations in Business Rates income. That leaves a further £2.3m that can be used to cover any funding shortfalls in the medium-term before there is a need to draw-down on General Fund balances.

Capital spend

The capital budget for 2024/25 that was set by Council in February was:

	£ 000
Total capital spend	22,633
Funded from capital receipts	(2,155)
Funded from grants	(8,106)
Funded from s106	(467)
Funded from other contributions	(48)
To be funded from borrowing	11,857

Since the budget was set we have updated our forecasts for up to the end of Quarter 3 (23/24), end of year (23/24), reports on leisure centre capital and Quarter 1 (24/25). Although there has been significant capital slippage this does not affect the overall medium-term position. The decision to progress with the substantial decarbonisation of our leisure centres using the Public Sector Decarbonisation Scheme (PSDS) and our resources has increased our capital spend. As well as the revenue implications of the capital spend (see below) we also need to allow for:

- The estimated termination costs for the Combined Heat and Power agreement
- Energy savings being less than expected. The 2024/25 budget assumed that the energy savings would be equal to the Council's revenue cost of capital for the element of the project that we would be funding (i.e. not using the PSDS grant). The revised estimate is that the savings will be around £32k in total.

As detailed below (under 'Addressing our funding gap') we need to make sure that we review our capital budgets as much as our revenue budgets.

Revenue impacts of capital spend

When we have capital reserves/ capital receipts to fund our capital spend then we spend the cash on the capital. We then lose the interest that we would have earned on having that cash.

When we run out of capital reserves then the following happens:

- We still have to spend cash to pay for it. That either comes from the cash that we already have and we lose the interest on investing that cash (known as 'Internal Borrowing'). Or we borrow externally and pay the lender interest. Eventually the vast majority of our borrowing would be external borrowing.
- We also need to make a charge to our revenue budget to reflect that we have an asset that is unfunded (i.e. we have not paid for it with past reserves or the current year's budget). This charge ensures that current taxpayers are paying towards the assets that are being used to provide services to them now, rather than creating an ever-increasing debt that falls on future taxpayers. This is called Minimum Revenue Provision. The annual charge is based on the cost of the asset and the useful life of the asset.

For forecasting purposes we are assuming that the interest element (either lost interest income or external borrowing costs) will be 5%. Minimum Revenue Provision will be based on the useful life of the relevant asset. For buildings (which would be assumed to have a useful life of around 40 years) that means a revenue cost of capital of 7.5% per year. For a waste collection vehicle (useful life of 8 years) it means a revenue cost of capital of 17.5% per year.

Our future forecasts and savings required

The table below summarises our estimates of our spend and funding over the next 5 years. Any ongoing gap between funding and net expenditure needs to be covered by savings (which includes efficiencies, income generation and service change). Short-term gaps can be met by use of reserves. Although it must be appreciated that reserves can only be spent once. The timing of the delivery of savings is based on:

- Trying to delay decisions until we have a better understanding of our future funding.
- Allowing time for consultation on where we should target any savings.
- Preserving our reserves as best we can to promote financial resilience.

Most of the assumptions in the previous sections are the same as previous estimates. Where specific changes have been referenced these are detailed in the table below.

£ 000	Current year 2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
General Fund balance at the start of the year	14,057	13,851	12,625	11,942	11,237	11,112
Less: How much we plan to spend during the year on existing services (before making savings)	(20,139)	(21,576)	(20,586)	(21,133)	(21,333)	(21,620)
Add: Revenue cost of capital for Leisure Centre PSDS	0	(450)	(450)	(450)	(450)	(450)
Add: Our expected funding during the year	18,206	18,370	18,553	18,738	19,158	19,535
Add: other reserves that we plan to use to fund our expenditure: Previously identified	1,727	130	0	0	0	0
Additional		2,300	0	0	0	0
Add: additional net savings that we need to deliver (cumulative)	0	0	1,800	2,500	2,500	2,500
Equals: General Fund balance at the end of the year	13,851	12,625	11,942	11,237	11,112	11,077

Addressing our funding gap

The table above shows the estimated savings that we need to deliver to achieve a balanced budget in the medium-term. The total of £2.4m is an estimate only and could be significantly be affected by a number of factors. The most relevant of these are:

- How soon our funding can go back to tracking inflation.
- The level of pay inflation required in 2024/25 and future years.
- Whether we need to further increase pay to attract and retain staff so that we can deliver our services and priorities.
- The costs of a new Material Recovery Facility contract.
- The extent to which grant funding supports us in delivering net-zero by 2030.
- The extent to which any other new priorities can be supported by grant funding or delivered with existing resources. Noting that the capacity to take on additional work would need to come from stopping doing something else and/or making it a lower priority.

Savings could mean any of the following:

- Being able to deliver our existing services at a lower cost. The use of technology and automation may enable to do this in some areas. But generally, the savings that we have delivered across a number of years have been through efficiencies, meaning that there are fewer opportunities left.
- Being able to generate additional income from services that we are able to charge for, less any costs in providing that additional level of service.
- Being able to generate income from commercial activities. The opportunities to do this are limited by economic conditions and government policy. We also need to make sure that these activities are in line with our priorities.
- As capital expenditure comes with a revenue cost, reviewing our capital programme to ensure it reflects priorities and is deliverable.
- Reducing the level of services that we provide, or no longer providing services that we are not required to provide. Whilst we would always want to avoid this, we have to consider the overall sustainability of our Council.

Timing of savings and budget consultation

The level of our reserves gives us some time to identify and deliver savings. Ideally we would like to have greater certainty over our future funding and then consult with our residents before implementing any savings proposals. Our intention had been to do this over the summer, but we couldn't do it over the general election. Our revised plan is that we will do it in early summer 2025 and use our business rates and general reserves to help balance the budget in the interim period. If we identify any further budget pressures (i.e. areas where costs need to increase on an ongoing basis) then we will need to identify savings to off-set these.

CABINET
10 September 2024

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: FIRST QUARTER REVENUE BUDGET MONITORING 2024/25

REPORT OF: THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: EXECUTIVE MEMBER FOR FINANCE AND IT

COUNCIL PRIORITY: SUSTAINABILITY

1. EXECUTIVE SUMMARY

1.1. The purpose of this report is to inform Cabinet of the summary position on revenue income and expenditure forecasts for the financial year 2024/25, as at the end of the first quarter. The forecast variance is a £858k decrease in the net working budget of £20.997million, mainly due to a significant increase (£1.35million) in anticipated interest returns from treasury investments this year, with an ongoing impact in future years of a £174k increase. There is also a request to carry forward £70k of unspent budget to fund a specific project in the next financial year. Explanations for all the significant variances are provided in table 3.

2. RECOMMENDATIONS That the Finance, Audit and Risk Committee comment on and recommend to Cabinet.

2.1. That Cabinet note this report.

2.2. That Cabinet approves the changes to the 2024/25 General Fund budget, as identified in table 3 and paragraph 8.2, a £858k decrease in net expenditure.

2.3. That Cabinet notes the changes to the 2025/26 General Fund budget, as identified in table 3 and paragraph 8.2, a total £244k increase in net expenditure. These will be incorporated in the draft revenue budget for 2025/26.

2.4. That Cabinet delegates to the Service Director: Resources (in consultation with the Executive Member for Finance and IT) authority to enter in to a Business Rate Pooling arrangement (if available) if it is estimated that it will be in the financial interests of the Council.

3. REASONS FOR RECOMMENDATIONS

3.1. Members are able to monitor, make adjustments within the overall budgetary framework and request appropriate action of Services who do not meet the budget targets set as part of the Corporate Business Planning process.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1. Budget holders have considered the options to manage within the existing budget but consider the variances reported here necessary and appropriate.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. Consultation on the budget monitoring report is not required. Members will be aware that there is wider consultation on budget estimates during the corporate business planning process each year.

6. FORWARD PLAN

- 6.1. The report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 19 July 2024.

7. BACKGROUND

- 7.1. Council approved the revenue budget for 2024/25 of £19.933million in February 2023. As at the end of Quarter One, the working budget has increased to £20.997million. Table 1 below details the approved changes to this budget to get to the current working budget:

Table 1 - Current Working Budget

	£k
Original Revenue Budget for 2024/25 approved by Full Council	19,933
Quarter 3 2023/24 Revenue Budget Monitoring report – 2024/25 budget changes approved by Cabinet (March 2024)	410
2023/24 Revenue Budget Outturn Report – 2024/25 budget changes approved by Cabinet (June 2024)	634
Community Governance Review Terms of Reference report - additional budget required for the use of the Association of Electoral Administrators consultancy service to assist with delivering the Community Governance Review – approved by Council (July 2024)	20
Current Working Budget	20,997

- 7.2. The Council is managed under Service Directorates. Table 2 below confirms the current net direct resource allocation of each Service Directorate and how this has changed from the original budget allocations approved by Council in February 2024. In July 2024, the decision was made under delegated authority by the Managing Director to temporarily (until 13 February 2025) transfer the reporting line of Licensing and Community Safety teams from the Service Director Legal and Community to the Service Director Housing and Environmental Health. This change is reflected in the other budget changes column in table 2.

Table 2 – Service Directorate Budget Allocations

Service Directorate	Original Budget 2024/25	Changes approved at Q3 2023/24	Changes approved at Outturn 2023/24	Other Budget Changes / Transfers	Current Net Direct Working Budget
	£k	£k	£k	£k	£k
Managing Director	658	107	207	0	972
Customers	4,309	39	120	0	4,468
Enterprise	9	0	0	0	9
Housing & Environmental Health	1,788	78	105	115	2,086
Legal & Community	2,671	20	17	(95)	2,613
Place	6,651	68	44	0	6,763
Regulatory Services	736	108	167	0	1,011
Resources	3,111	(10)	(26)	0	3,075
TOTAL	19,933	410	634	20	20,997

8. RELEVANT CONSIDERATIONS

- 8.1. Service Managers are responsible for monitoring their expenditure and income against their working budget. Table 3 below highlights those areas where there are forecast to be differences. An explanation is provided for each of the most significant variances, which are generally more than £25k. The final columns detail if there is expected to be an impact on next year's (2025/26) budget:

Table 3 - Summary of significant variances

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2025/26 £k
Managing Director Treasury Investments Interest Income	(1,150)	(2,500)	(1,350)	Increase in estimated interest income receivable is a combination of the Bank of England base rate remaining unchanged for the first half of the calendar year, when the budget expectation was for rates to reduce, and much higher cash balances available for investment than anticipated when the income budget estimate was prepared at the start of the calendar year, which is due to the subsequent reprofiling of planned capital investments. Estimates for future years will be updated when the Investment Strategy for 2025 – 2035 is finalised in January 2025.	0	0
Customers Waste Services Contact Centre	0	52	+52	With the new waste contract due to commence in May 2025, staff that were previously employed by Urbaser will transfer (TUPE) across to the NHC Customer Service Centre from December 2024. The additional cost estimated in 2024/25 is offset by forecast salary underspend, resulting mainly from vacant posts within the Customer Service Centre. The cost in future years will be subject to a later review as part of the consideration of overall waste service costs following the award of the new waste contract.	0	0
Other Customers Directorate Staffing Costs	537	485	(52)		0	0
Total	537	537	0		0	0
Enterprise Thomas Bellamy House rental income	(37)	0	+37	Updated costings have been prepared to undertake refurbishment of the property to a basic lettable condition. An options appraisal is to be completed to review all letting options as well as the alternative of a potential disposal. It is therefore requested to revise the budget estimates to remove the existing income expectation through to the middle of financial year 2025/26, pending the outcome of the options appraisal.	0	19

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2025/26 £k
Enterprise Museum Artefacts transport & temporary storage	70	0	(70)	Council approved a £70k revenue investment proposal for the removal and temporary storage costs of artefacts in Burymead whilst a longer-term storage solution is developed. As further investigation is currently being conducted on the long-term solution, with the start of any works not expected in this year, it is requested that the unspent budget is carried forward.	70	0
Housing & Environmental Health Taxi Licensing Income	(147)	(107)	+40	A combination of a reduction in the number of taxis following the pandemic, plus administrative efficiencies, has resulted in the projected income for taxis reducing significantly. Under licensing law, Councils can only charge their reasonable costs and the Licensing team have been working with the trade and introducing new ways of working that have reduced the time and resource involved in the taxi licence process, thus reducing the fee amounts charged. This has however facilitated a greater focus elsewhere within the licensing regime, for example more proactive enforcement and inspections of high-risk premises such as late-night venues, houses in multiple occupation (HMOs) and animal establishments.	0	40
Legal & Community Elections Consultant	40	0	(40)	Unspent budget relates to the approved revenue investment proposal for the temporary appointment of an experienced elections expert to support the Returning Officer. The additional resource was requested for resilience reasons and to ensure business continuity if faced with any unforeseen issues. In the event, an independent review commissioned by the Returning Officer and undertaken by the Association of Electoral Administrators found that the service was well managed and well prepared for the challenges presented by the anticipated electoral events in 2024. In addition, given the General Election was called only 3 weeks after the Council's first ever whole Council elections, there was ultimately too little time to arrange and utilise such a service.	0	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2025/26 £k
Place Leisure Centre Management Contract Fee Income	(1,130)	(778)	+352	The forecast variance follows the rebasing of Leisure Centre staffing costs, in advance of the new Leisure contract commencing in April 2024, to capture the actual increase of 9.8% in the National Living Wage from April 2024. The resulting additional cost [reduction to management fee income] of £355k is slightly offset by the forecast overachievement by £3k of the anticipated £430k saving from the rebasing of energy costs from the estimated unit rates included at the tender stage. The energy savings were only budgeted for in the current year. It is currently assumed that the staffing costs and energy savings will off-set each other in future years.	0	0
Place Charging for replacement bins	(48)	0	+48	Fully integrated online forms are required to introduce charging for replacement bins to prevent adverse impacts, and additional costs, for Customer Services. A new customer relationship management system is however still being developed. Given the proximity to the new collection contract and the ongoing development of new online forms for all services, the work to develop this project is now part of the wider development of the online offer for waste services. Implementation has therefore been postponed to the next financial year.	0	0
Place Commercial Waste and Recycling						
Income from residual refuse collections	(1,136)	(1,090)	+46	Forecast income from Commercial customers is slightly lower than the level of income recorded for the last financial year, during which a shortfall against the budget was reported to Cabinet at Quarter Two. Service income has reduced as customers have rationalised their collection requirements, which may be due to a tougher economic climate or firms seeking to reduce the environmental impact of their operations. In some areas this has directly linked to increases in the uptake of Commercial Recycling services. Lower than budgeted trade waste income was identified as a financial risk when the budget was approved in February 2024.	0	46
Income from recycling collections	(146)	(152)	(6)		0	(6)
Total	(1,282)	(1,242)	+40		0	40

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2025/26 £k
Regulatory Planning Support SLA with Herts County Council	36	105	+69	The SLA with HCC is being renewed at an increased cost for the provision of the LEADS service, which is the provision of Landscape, Architectural, Ecological advice, appraisal of biodiversity net gain proposals, Archaeological advice, Arboriculture advice, Design Review Panel and Strategic Sustainability and planning advice. HCC have reviewed the service and the anticipated need for North Herts for the year, which includes increased ecology advice following the introduction of the Bio-Diversity Net Gain regulations and additional archaeology advice around strategic sites. Officers are considering whether employing our own officer may be a better value option to consider going forward, while alternative funding, such as through Planning Performance Agreements with planning applicants, will also be explored.	0	69
Total of explained variances	(3,111)	(3,985)	(874)		70	168
Other minor balances	24,108	24,124	+16		0	6
Overall Total	20,997	20,139	(858)		70	174

8.2. Cabinet are asked to approve the differences highlighted in the table above (a £858k decrease in spend), as an adjustment to the working budget (recommendation 2.2). Cabinet are also asked to note the estimated impact on the 2025/26 budget, a £244k increase in budget that includes the request to carry forward £70k of unspent budget for a specific project next year, which will be incorporated in to the 2025/26 budget setting process (recommendation 2.3).

8.3. The original approved budget for 2024/25 (and therefore working budget) included efficiencies totalling £699k, which were agreed by Council in February 2024. Any under or over delivery of efficiencies will be picked up by any budget variances (table 3 above). However, there can be off-setting variances which mean that it is unclear whether the efficiency has been delivered. Where this is the case, this will be highlighted. The current forecast at the end of Quarter One is a net underachievement of £64k. This comprises:

- Additional rent income associated with the refurbishment of Thomas Bellamy house, as highlighted in table three above. £19k underachievement.
- Additional Leisure Centre management fee income from lower Leisure Centre energy costs, as noted in table three above. £3k overachievement.
- Income from charging for replacement waste bins, as highlighted and explained in table 3 above. £48k underachievement.






- 8.4. The working budget for 2024/25 includes budgets totalling £1.456million that were carried forward from the previous year. These are generally carried forward so that they can be spent for a particular purpose that had been due to happen in 2023/24 but was delayed into 2024/25. At Quarter One, it is forecast that £70k of the budget carried forward will not be spent in this year. This relates to the budget carried forward for the transport and temporary storage of museum artefacts currently held at the Bury Mead Resource Centre, as explained in table 3.
- 8.5. Six corporate 'financial health' indicators have been identified in relation to key sources of income for the Council in 2024/25. Table 4 below shows the performance for the year. A comparison is made to the original budget to give the complete picture for the year. Each indicator is given a status of red, amber, or green. A green indicator means that they are forecast to match or exceed the budgeted level of income. An amber indicator means that there is a risk that they will not meet the budgeted level of income. A red indicator means that they will not meet the budgeted level of income.
- 8.6. At the end of Quarter One, four of the indicators are green and two of the indicators are red. Explanations for the red indicators in respect of Leisure and the Commercial waste and recycling service are included in table 3 above. The high actual to date totals relative to annual budget for Planning Fees and Garden Waste income are due to the reversal in the current year of the accounting adjustments posted at the end of the prior financial year to ensure the income totals recorded for 2023/24 only related to activity in 2023/24, (i.e. planning applications resolved / garden waste collections undertaken between 1st April 2023 and 31st March 2024), and therefore are not necessarily indicative of the achievement of surplus income in this financial year.

Table 4 - Corporate financial health indicators

Indicator	Status	Original Budget £k	Actual to Date £k	Projected Outturn £k	Variance £k
Leisure Centres Management Fee Income	Red	(1,130)	(195)	(778)	+352
Garden Waste Collection Service Subscriptions	Green	(1,029)	(1,005)	(1,029)	0
Commercial Refuse & Recycling Service Income	Red	(1,282)	(424)	(1,242)	+40
Planning Application Fees (including fees for pre-application advice)	Green	(1,186)	(760)	(1,186)	0
Car Parking Fees	Green	(1,948)	(491)	(1,948)	0
Parking Penalty Charge Notices (PCNs)	Green	(573)	(156)	(573)	0

- 8.7. Table 5 below indicates current activity levels, where these drive financial performance, and how these compare to the prior year to indicate the direction of current trends. As performance against the planning applications fee income budget is generally determined by the number of large applications resolved in the year (rather than the total number of applications received), and this distinction is not captured in the data available, this indicator is omitted from table 5.

Table 5 - Corporate financial health indicators – activity drivers

Indicator	Activity Measure	Performance Q1 2024/25	Performance Q1 2023/24	Percentage Movement	Direction of Trend
Leisure Centres Management Fee	Number of Leisure Centre visits in quarter	389,228	391,666	-0.6%	
Garden Waste Collection Service	Number of bin subscriptions at end of quarter	32,866	31,892	+3.1%	
Commercial Refuse & Recycling Service	Number of customers at end of quarter	963	966	-0.3%	
Car Parking Fees	Car park tickets sold / average ticket price sold during quarter	281,349 / £1.77	278,064 / £1.66	+1.2% / +6.6%	
Parking Penalty Charge Notices	Number of PCNs issued during quarter	3,894	3,789	+2.8%	

FUNDING, RISK AND GENERAL FUND BALANCE

- 8.8. The Council's revenue budget is funded primarily from Council Tax and Retained Business Rates income. The Council was notified by Central Government in February 2024 of the amount of New Homes Bonus, Services Grant and Funding Guarantee Grant it could expect to receive in 2024/25 and planned accordingly.
- 8.9. Council Tax and Business Rates are accounted for in the Collection Fund rather than directly in our accounts, as we also collect them on behalf of other bodies. Each organisation has a share of the balance on the Collection Fund account. The Council must repay in this year its share of the Council Tax deficit for the prior year and will receive in this year its share of the Business Rates Collection Fund surplus for the prior year, as estimated in January 2024. As reported previously, this means a contribution from the General Fund of £24k to the Council Tax Collection Fund and a contribution to the General Fund of £416k from the Business Rates Collection Fund. While the repayment of the Council Tax deficit amount of £24k is included in the funding total in table 7, the business rates surplus will be transferred to reserve and used to mitigate the impact of deficits recorded, and/or changes to the rates retention scheme, in future years. It is also reviewed as part of the Medium-Term Financial Strategy and budget process to assess whether it can be used to support the General Fund budget. The final totals recorded at the end of the last financial year was a deficit of £12k in respect of Council Tax and a business rates surplus of £51k. The difference between the January estimates and the final position will affect the calculation of the surplus / deficit for 2024/25 and hence funding available in 2025/26.

- 8.10. The Council is also subject to a business rates levy from Central Government as it collects more in business rates than the baseline need determined by Central Government. In 2024/25 the Council is a member of the Hertfordshire Business Rates Pool with Hertfordshire County Council and two other Hertfordshire Local Authorities. The Pool was formed with the expectation that this should reduce the business rates levy amount otherwise payable at the end of the year. Based on projected net Business Rates income in 2024/25, as declared to government in January 2024, the Council is estimated to gain by around £0.7million from being part of the pool. The gain to the Council is however not guaranteed and the exact value will depend on the actual level of rates collected by both North Herts Council as well as the two other collection authorities in the Pool. The contribution to the pool required for 2024/25 will therefore not be known until all the pool authorities have declared their business rates income amounts to government following the end of this financial year. In any case, the Council's contribution to the pool will be funded from grant held in reserve and as such will have a net zero impact on the General Fund balance at the end of the year.
- 8.11. In previous years, Department for Levelling Up, Housing and Communities (now Ministry for Housing, Communities and Local Government) has written to Local Authority Chief Finance Officers to invite applications to be part of a Business Rates Pool. This letter has usually been received in early September. Except for 2023/24, it has been determined to be in our interests to be part of a Pool each year and the outturn position has also been positive. If the option is available, the County Council would engage specialist consultants to determine the optimum pool membership and it is possible that we would form part of such an optimum Pool for Hertfordshire. An optimum pool would be comprised of the County Council and up to 5 District / Borough Councils. Recommendation 2.4 therefore seeks that the final decision is delegated to the Service Director: Resources in consultation with the Executive Member for Finance and IT.
- 8.12. The Council receives compensation in the form of a grant from Central Government for business rate reliefs introduced, which goes into our funds rather than the Collection Fund. The final amount of grant the Council can retain depends on the actual level of reliefs applied during the year. The Council currently expects to receive a total grant allocation of £5.282m for reliefs in 2024/25, which includes an amount of £589k received as compensation for the Government's previous decisions to cap the increases in the business rates multiplier. The multiplier compensation is included in the funding total in table 7 below. The rest of the grant received is held in reserve. Some of the amount held in reserve will be used to fund the business rates levy payable for this year, while a further £2.7 million will be used to top up the business rates income charged to the General Fund in 2024/25 to the baseline funding amount anticipated when the budget was set. In addition, as shown in table 7 below, there will be the planned release of £1.727million from the reserve to the General Fund in 2024/25 to bridge the funding gap anticipated when the budget was set.

8.13. Table 7 below summarises the impact on the General Fund balance of the position at Quarter One detailed in this report.

Table 7 – General Fund impact

	Working Budget	Projected Outturn	Difference
	£k	£k	£k
Brought Forward balance (1st April 2024)	(14,057)	(14,057)	-
Net Expenditure	20,997	20,139	(858)
Funding (Council Tax, Business Rates, NHB, Services Grant, Funding Guarantee)	(18,206)	(18,206)	0
Funding from Reserves (including Business Rate Relief Grant)	(1,727)	(1,727)	0
Carried Forward balance (31st March 2025)	(12,993)	(13,851)	(858)

8.14. The minimum level of General Fund balance is determined based on known and unknown risks. Known risks are those things that we think could happen and we can forecast both a potential cost if they happen, and percentage likelihood. The notional amount is based on multiplying the cost by the potential likelihood. The notional amount for unknown risks is based on 5% of net expenditure. There is not an actual budget set aside for either of these risk types so, when they occur, they are reflected as budget variances (see table 3). We monitor the level of known risks that actually happen, as it highlights whether there might be further variances. This would be likely if a number of risks come to fruition during the early part of the year. We also use this monitoring to inform the assessment of risks in future years. The notional amount calculated at the start of the year for known risks was £1,060k, and at the end of the first quarter a total of £50k has come to fruition. The identified risks realised in the first quarter relate to:

- Income from the trade refuse service, as highlighted in table 3 above - £40k.
- New duties and obligations associated with government policy. The responsibility falling to Local Authorities to deal with cases of stray dangerous dogs, previously handled by the Police, has increased the cost of the contract (included within other minor variances in table 3) - £10k

Table 8 – Known financial risks

	£'000
Original allowance for known financial risks	1,060
Known financial risks realised in Quarter 1	(50)
Remaining allowance for known financial risks	1,010

9. LEGAL IMPLICATIONS

9.1. The Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. Specifically, 5.7.8 of Cabinet's terms of reference state that it has remit "*to monitor quarterly revenue expenditure and agree adjustments within the overall budgetary framework*". By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council. The Council is under a duty to maintain a balanced budget and to maintain a prudent balance of reserves.

- 9.2. The recommendations contained within this report are to comply with the council's financial regulations with attention drawn to significant budget variances as part of good financial planning to ensure the council remains financially viable over the current fiscal year and into the future. Local authorities are required by law to set a balanced budget for each financial year. During the year, there is an ongoing responsibility to monitor spending and ensure the finances continue to be sound. This means there must be frequent reviews of spending and obligation trends so that timely intervention can be made ensuring the annual budgeting targets are met

10. FINANCIAL IMPLICATIONS

- 10.1. Members have been advised of any variations from the budgets in the body of this report and of any action taken by officers.

11. RISK IMPLICATIONS

- 11.1. Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.
- 11.2. As outlined in the body of the report. The process of quarterly monitoring to Cabinet is a control mechanism to help to mitigate the risk of unplanned overspending of the overall Council budget.

12. EQUALITIES IMPLICATIONS

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2. For any individual new revenue investment proposal of £50k or more, or affecting more than two wards, a brief equality analysis is required to be carried out to demonstrate that the authority has taken full account of any negative, or positive, equalities implications; this will take place following agreement of the investment.

13. SOCIAL VALUE IMPLICATIONS

- 13.1. The Social Value Act and "go local" policy do not apply to this report.

14. ENVIRONMENTAL IMPLICATIONS

- 14.1. There are no known Environmental impacts or requirements that apply to this report.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1. Although there are no direct human resource implications at this stage, care is taken to ensure that where efficiency proposals or service reviews may affect staff, appropriate communication and consultation is provided in line with HR policy.

16. APPENDICES

- 16.1. None.

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

- 18.1. None.

CABINET
10 September 2024

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: FIRST QUARTER INVESTMENT STRATEGY (CAPITAL AND TREASURY) REVIEW 2024/25

REPORT OF: SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: FINANCE AND I.T.

COUNCIL PRIORITY: SUSTAINABILTY

1 EXECUTIVE SUMMARY

- 1.1 To update Cabinet on progress with delivering the capital and treasury strategy for 2024/25, as at the end of June 2024. Cabinet should note that the current capital programme will be subject to a detailed review in September as part of the budget setting process for 2025/26 onwards. Therefore this update is light touch, and the in-year impacts of the review will be reflected in the Quarter 2 update.
- 1.2 To update Cabinet on the impact upon the approved capital programme for 2024/25 – 2033/34. The current estimate is that there is no change in spend in 2024/25 on existing projects. However, there is a request for Cabinet to recommend to Council the approval of two new capital schemes, (1) requiring an investment of £0.080M, to replace the chiller at the Museum, and (2) an allocation for round 3 of the Local Authority Housing Fund.
- 1.3 To inform Cabinet of the Treasury Management activities in the first three months of 2024/25. The current forecast is that the amount of investment interest expected to be generated during the year is £2.50M. This is an increase of £1.35M on the original estimate.

2 RECOMMENDATIONS – That the Finance, Audit and Risk Committee comments on and recommends:

- 2.1 That Cabinet notes the forecast expenditure of £30.415M in 2024/25 on the capital programme, paragraph 8.3 refers.
- 2.2 That Cabinet notes the position of the availability of capital resources, as detailed in table 2 paragraph 8.10 and the requirement to keep the capital programme under review for affordability.
- 2.3 Cabinet is asked to note the position of Treasury Management activity as at the end of June 2024.

- 2.4 Cabinet is asked to approve that we should proceed with the Local Authority Housing Fund round 3 and submit the Memorandum of Understanding so that we can receive the initial allocation of funds.

That Cabinet recommends to Council

- 2.5 That Council approves a capital budget of £0.080M to fund the purchase and installation of a new chiller at the museum, paragraph 8.4 refers.
- 2.6 That Council approves a capital budget of £1.920M (£0.96M in 24/25 and £0.96M in 25/26) for round 3 of the Local Authority Housing Fund. This will be fully funded from Government grants and housing provider contributions, paragraph 8.5 refers.
- 2.7 That Council approves bringing forward £0.008M of the backup and business continuity hardware capital budget (from 2025/26 to 2024/25) and reducing the 2025/26 budget to £0.057M.

3. REASONS FOR RECOMMENDATIONS

- 3.1 Cabinet is required to approve adjustments to the capital programme and ensure the capital programme is fully funded.
- 3.2 To ensure the Council's continued compliance with CIPFA's code of practice on Treasury Management and the Local Government Act 2003 and that the Council manages its exposure to interest and capital risk.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Options for capital investment are considered as part of the Corporate Business Planning process.
- 4.2 The primary principles governing the Council's investment criteria are the security of its investments (ensuring that it gets the capital invested back) and liquidity of investments (being able to get the funds back when needed). After this the return (or yield) is then considered, which provides an income source for the Council. In relation to this the Council could take a different view on its appetite for risk, which would be reflected in the Investment Strategy. In general, greater returns can be achieved by taking on greater risk. Once the Strategy has been set for the year, there is limited scope for alternative options as Officers will seek the best return that is in accordance with the Investment Strategy.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 Consultation on the capital expenditure report is not required. Members will be aware that consultation is incorporated into project plans of individual capital schemes as they are progressed.
- 5.2 There are regular updates and meetings with Treasury advisors (Link).

6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key Executive decision that was first notified to the public in the Forward Plan on the 28 May 2024.

7. BACKGROUND

- 7.1 In February 2024, Council approved the Integrated Capital and Treasury Strategy for 2024/25 to 2033/34. To be consistent with the strategy, the monitoring reports for Capital and Treasury are also integrated.

- 7.2 Link Asset Services Ltd are contracted to provide Treasury advice. The service includes:

- Regular updates on economic and political changes which may impact on the Council's borrowing and investment strategies
- Information on investment counterparty creditworthiness
- Technical updates
- Access to a Technical Advisory Group.

8. RELEVANT CONSIDERATIONS

- 8.1 The Council has £122.0M of capital assets that it currently owns. The Investment Strategy set out the reasons for owning assets that are not for service delivery, including an assessment of Security, Liquidity, Yield and Fair Value. There have been no significant changes in relation to these since the Strategy was set. An amendment was approved by Council on 11th July to change the Investment Strategy allowing investments to be placed on Lloyds Call Account so the combined total of Current Account and Call Account is up to £5M.

Capital Programme 2024/25

- 8.2 The full capital programme is detailed in Appendix A and shows the revised costs to date, together with the expected spend from 2024/25 to 2033/34 and the funding source for each capital scheme.

- 8.3 Capital expenditure for 2024/25 is estimated to be **£30.415M**. This is an increase of **£7.792M** on the forecast in the Investment Strategy 2024/25 report (reported to Council 29th February 2024). Table 1 below details changes to capital programme.

Table 1- Current Capital Estimates

	2024/25 £M	2025/26 £M	2026/27 to 2033/34 £M
Original Estimates approved by Full Council February 2024	22.623	15.110	12.039
Changes approved by Cabinet in 3rd Qrt 2024/25	0.960	0	0
Changes approved by Cabinet in 2023/24 Capital Outturn report	2.654	0.193	0
Revised Capital estimates at start of 2022/23	26.237	15.303	12.039
Changes approved by Cabinet in March 2024:			
Redistribution of Shared Prosperity Fund	-0.083		
Solar Together	0.563		
Changes approved by Full Council July 2024			
Public Sector Decarbonisation Fund	2.400		
Royston Leisure Centre Gym Extension	0.250		
Changes recommended at Q1 (including additional expenditure subject to Council approval)	1.048	0.948	
Current Capital Estimates	30.415	16.251	12.039

New chiller at North Hertfordshire Museum

- 8.4 Museums require a stable environment to best preserve and maintain artefacts. At North Herts Museum an issue has developed within the Chiller, which is an integral part of the air handling system that maintains the stable environment within the galleries. Whilst the Chiller has to date been patch repaired, it has become clear from professional advice received that the repair is temporary and the equipment will ultimately fail beyond repair. At this point, the museum will be left with an unstable environment for its artefacts. The North Herts Museum was also designed with Government Indemnity standards in mind, which has allowed it to attract travelling exhibitions of national and international significance in recent years (Rembrandt, Diane Arbus). Owners of such collections demand that environmental conditions are monitored closely and the data from galleries, collected over many months prior to the travelling exhibition arriving, are provided as proof of environmental stability. Waiting for this equipment to fail suddenly could therefore not only damage our own collection but could also result in scheduling issues with our exhibition programme and damage our reputation and trust within the museum sector. As a result, Officers propose a planned transition to a new chiller, programmed sensitively within our exhibitions calendar to ensure that the museum can continue to welcome nationally and internationally significant exhibitions in the years ahead. The new chiller will require a crane to lift it into position whilst the current chiller will also need to be decommissioned and removed from the roof of the museum.

The inclusive cost of the chiller and the installation costs is estimated to be £80k. Cabinet is asked at recommendation 2.5 to recommend to Council that the £80k capital expenditure is added to the Capital Programme for 2024/25.

Local Authority Housing Fund

- 8.5 Settle have supported us in the delivery of 7 properties under rounds 1 and 2 of the Local Authority Housing Fund (LAHF). We were not initially given a specific allocation for round 3, but have now been notified that we can have up to £1.920M of capital funding to deliver 10 properties. The delivery of properties should be 8 for the Afghan Citizens Resettlement Scheme and 2 temporary accommodation properties for general use. Of the 10 properties, 5 should be completely new properties that increase overall housing supply. The properties should be delivered equally across 24/25 and 25/26, so the capital allocation is split equally across the two years. We will also receive revenue funding of just under £0.014M to support the delivery of the scheme.
- 8.6 We will talk to Registered Providers who are interested in owning and developing properties in North Herts about their capacity to deliver the 10 properties. We will provide the appropriate amount of grant for the type of property and how they will deliver it, and they will cover the remaining cost. Some properties may be delivered as capital refurbishment of existing properties (e.g. bringing unlettable properties back in to use). We will provide less funding for these, and the Ministry for Housing, Communities and Local Government expect us to deliver more properties for the same overall funding. We will choose how we allocate the overall funding based on capacity to deliver, ability to meet the terms of the grant and delivery of best value to the Council.
- 8.7 Cabinet (recommendation 2.5) are asked to approve that we sign a Memorandum of Understanding with MHCLG. This will enable them to pay us the initial allocation of funds. Subsequent funding will be released as costs are incurred and properties are delivered. The capital spend will need to be added to the capital programme, so Council (recommendation 2.7) are asked to approve this.
- 8.8 We have asked MHCLG if we can deliver more temporary accommodation properties rather than resettlement properties, as they would provide a more immediate local benefit. However, the MHCLG have said that there is a national need for resettlement accommodation so need us to deliver our allocation. As well as supporting the important scheme to resettle those affected by events in Afghanistan, the resettlement accommodation will also increase the long term housing supply in the District.

IT Capital savings

- 8.9 The capital programme for 2025/26 includes an allocation of £69k for backup and business continuity hardware. It has been identified that by bringing forward spend of up to £8k in to 2024/25, that the total spend can be reduced by at least £4k (and could be up to £7k). Recommendation 2.8 therefore proposes a change to the profile to the capital spend, to achieve the overall saving. The revised profile would be £8k in 2024/25 and £57k in 2025/26 (total of £65k).

8.10 Table 2 below shows how the Council will fund the 2024/25 capital programme.

Table 2: Funding the Capital Programme:

	2024/25 Balance at start of year £M	2024/25 Forecast Additions £M	2024/25 Forecast Funding Used £M	2024/25 Balance at end of year £M
Useable Capital Receipts and Set-aside Receipts	4.914	0.0	(4.905)	0.009
S106 receipts			(0.542)	
Other third party grants and contributions			(9.974)	
Revenue Contribution			(0.030)	
Borrowing			(14.964)	
Total			(30.415)	

8.11 The availability of third-party contributions and grants to fund capital investment is continuously sought in order to reduce pressure on the Council’s available capital receipts and allow for further investment. Additional capital receipts are dependent on selling surplus land and buildings. Ensuring that the Council gets best value from the disposal of land and buildings can take a long time and therefore the amounts that might be received could be subject to change.

8.12 The Council’s Capital Financing Requirement (CFR) at 31st March 2024 was negative £2.58M. Based on current forecasts it will become positive during 2024/25 as the Council does not have sufficient funding (eg Capital Receipts) to finance the Capital programme. This means the Council will have to borrow to fund the programme and also charge the General Fund MRP (Minimum Revenue Provision) in 2025/26.

Treasury Management 2024/25

8.13 The Council invests its surplus cash in accordance with the Investment Strategy (see paragraph 4.2). This surplus cash is made up of capital funding balances, revenue general fund balance, revenue reserve and provision balances and variations in cash due to the timing of receipts and payments. During the first three months of 2024/25, the Council had an average investment balance of £51.3M and invested this in accordance with the treasury and prudential indicators as set out in the Integrated Capital and Treasury Management Strategy and in compliance with the Treasury Management Practices.

8.14 The Council will generate £1.8M of interest in 2024/25 from investments made during the first quarter. The average interest rate on all outstanding investments at the 30th June was 5.42%. (31st March it was 5.57.%). Based on current investments and forecasts of interest rates and cash balances for the remainder of the year, it is forecast that the Council will generate £2.5M of interest over the whole of 2024/25.

8.15 As at 30 June 2024, the split of investments was as shown in the table below.

Banks	15%
Building Societies	0%
Government	8%
Local Authorities	77%

8.16 The level of risk of any investment will be affected by the riskiness of the institution where it is invested and the period that it is invested for. Where an institution has a credit rating this can be used to measure its riskiness. This can be combined with the period remaining on the investment to give a historic risk of default percentage measure. The table below shows the Historic Risk of Default for outstanding investments at 30th June 2024. The most risky investment has a historic risk of default of 0.018%. It should also be noted that in general the interest rate received is correlated to the risk, so the interest income received would be less if the Council took on less risk.

Borrower	Principal Invested £M	Interest Rate %	Credit Rating	Days to Maturity at 30 Sept	Historic Risk of Default %
Lloyds Call Account	2.0	5.14	A+	1	0.000
Australia & New Zealand Bank	1.0	5.51	AA-	1	0.000
Nat West	1.0	5.26	A+	1	0.000
Dorset Council	2.0	5.51	AA-	7	0.000
DMO	2.0	5.205	AA-	18	0.001
Lloyds Bank	1.0	5.28	A+	18	0.002
DMO	2.0	5.2	AA-	21	0.001
Liverpool City Council	2.0	5.55	AA-	29	0.002
Blackpool Council	1.0	5.9	AA-	52	0.003
Highland Council	1.0	5.35	AA-	52	0.003
Luton Borough Council	2.0	5.3	AA-	60	0.004
North Lanarkshire Council	2.0	5.8	AA-	78	0.005
Blackpool Council	3.0	5.3	AA-	85	0.005
Northumberland County Council	2.0	5.55	AA-	91	0.006
Australia & New Zealand Bank	2.0	5.34	AA-	108	0.007
Cheshire East Council	2.0	5.3	AA-	113	0.007
Uttlesford District Council	2.0	5.25	AA-	113	0.007
City of Bradford MDC	2.0	5.38	AA-	126	0.008
Lancashire County Council	1.0	5.37	AA-	129	0.008
Great Yarmouth Borough Council	1.0	5.6	AA-	135	0.008
London Borough of Haringey	2.0	5.2	AA-	151	0.009
West Dunbartonshire Council	2.0	5.7	AA-	168	0.010
Great Yarmouth Borough Council	2.0	5.2	AA-	176	0.011
Stoke on Trent City Council	1.0	5.75	AA-	211	0.013
Liverpool City Council	2.0	5.25	AA-	262	0.016
Gravesham Borough Council	1.0	5.2	AA-	298	0.018
Lancashire County Council	3.0	5.2	AA-	303	0.018
	47.0	5.42			0.007

DMO credit rating is the UK credit rating.

9. LEGAL IMPLICATIONS

- 9.1 Cabinet's terms of reference under 5.6.7 specifically includes "to monitor expenditure on the capital programme and agree adjustments within the overall budgetary framework". The Cabinet also has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council. The Council is under a duty to maintain a balanced budget.
- 9.2 Section 151 of the Local Government Act 1972 states that:
"every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs."
- 9.3 Asset disposals must be handled in accordance with the Council's Contract Procurement Rules.
- 9.4 The Prudential Indicators comply with the Local Government Act 2003.

10. FINANCIAL IMPLICATIONS

- 10.1 The main financial implications are covered in section 8 of the report.
- 10.2 The Council operates a tolerance limit on capital projects that depends on the value of the scheme and on this basis over the next ten-year programme it should be anticipated that the total spend over the period could be around £5.0M higher than the budgeted £58.725M.
- 10.3 The capital programme will need to remain under close review due to the limited availability of capital resources and the affordability in the general fund of the cost of using the Council's capital receipts. When capital receipts are used and not replaced the availability of cash for investment reduces. Consequently interest income from investments reduces. £1.0M currently earns the Authority approximately £54k per year in interest. The general fund estimates are routinely updated to reflect changes in income from investments. When the Capital Financing Requirement (CFR) reaches zero the Council will need to start charging a minimum revenue provision to the general fund for the cost of capital and will need to consider external borrowing for further capital spend. The CFR at the 31 March 2024 was negative £2.58M.
- 10.4 The Council also aims to ensure that the level of planned capital spending in any one year matches the capacity of the organisation to deliver the schemes to ensure that the impact on the revenue budget of loss of cash-flow investment income is minimised.

11. RISK IMPLICATIONS

- 11.1 Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.

- 11.2 The inherent risks in undertaking a capital project are managed by the project manager of each individual scheme. These are recorded on a project risk log which will be considered by the Project Oversight Group (if applicable). The key risks arising from the project may be recorded on IdeaGen (the Council's Performance & Risk management software).
- 11.3 Risks associated with treasury management and procedures to minimise risk are outlined in the Treasury Management Practices document, TMP1, which was adopted by Cabinet in July 2003 and is revisited annually as part of the Treasury Strategy review. The risk on the General Fund of a fall of investment interest below the budgeted level is dependent on banks and building societies need for borrowing.
- 11.4 Should Cabinet approve the LAHF3 proposal, the delivery of the units is wholly reliant on registered providers for delivery and there is a risk there is no appetite for the scheme. In that scenario we would need to return the funds to Government and there should not be any other consequences, other than not achieving the property increases.

12. EQUALITIES IMPLICATIONS

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 There are no direct equalities implications directly arising from the adoption of the Capital Programme for 2024/25 onwards. For any individual new capital investment proposal of £50k or more, or affecting more than two wards, an equality analysis is required to be carried out. This will take place following agreement of the investment proposal.

13. SOCIAL VALUE IMPLICATIONS

- 13.1. The Social Value Act and "go local" requirements do not apply to this report.

14. ENVIRONMENTAL IMPLICATIONS

- 14.1. There are no known Environmental impacts or requirements that apply to recommendations of this report. The projects at section 8.4 may have impacts that contribute to an adverse impact. As these projects go forward, an assessment will be made where necessary.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 There are no direct human resource implications.

16. APPENDICES

- 16.1 Appendix A, Capital Programme Detail including Funding 2024/25 onwards.
- 16.2 Appendix B, Treasury Management Update.

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

18.1 Investment Strategy (Integrated Capital and Treasury Strategy)

<https://srvmodgov01.north-herts.gov.uk/documents/s24164/INVESTMENT%20STRATEGY%20INTEGRATED%20CAPITAL%20AND%20TREASURY.pdf>
<https://srvmodgov01.north-herts.gov.uk/documents/s24165/FAR%20Appendix%20A-%20Integrated%20Capital%20and%20Treasury%20Strategy.docx.pdf>

Project	Service Directorate							Funding				
		2024/25 Funding £	2025/26 Funding £	2026/27 Funding £	2027/28 Funding £	2028/29 Funding £	2029/30 - 2033/34 Funding £	Funded from Other Grants	Funded from Government Grant	Funded from s106 contributions	Funded from Revenue / IT Reserve	Balance funded from Capital Receipts/ Set-aside receipts/ Borrowing
40 KVA UPS Device or Battery Replacement	Customers	12,000	14,000	0	0	16,000	0	0	0	0	0	42,000
Air Handling Humidification	Enterprise	15,000	0	0	0	0	0	0	0	0	0	15,000
Alternative to safeword tokens for staff/members working remotely	Customers	9,900	0	3,000	0	19,000	0	0	0	0	0	31,900
Audio Improvements to Mountford Hall	Enterprise	15,000	0	0	0	0	0	0	0	0	0	15,000
Avenue Park Splash Park	Place	70,000	0	0	0	0	0	0	0	0	0	70,000
Baldock Road Recreation Ground Letchworth	Place	30,000	0	0	0	0	0	0	0	0	0	30,000
Bancroft & Priory Splash Pads	Place	35,000	0	0	0	0	0	0	0	0	0	35,000
Bancroft Lighting	Place	45,000	0	0	0	0	0	0	0	0	0	45,000
Burials Database System	Place	55,000	0	0	0	0	0	0	0	0	0	55,000
Burymead Road Transfer Facility	Place	30,000	0	0	0	0	0	0	0	0	30,000	0
Cadcorp Local Knowledge & Notice Board Software	Customers	5,400	0	0	0	0	0	0	0	0	200	5,200
CCTV at DCO & Hitchin Town Hall	Customers	14,900	0	0	0	0	0	0	0	0	0	14,900
CCTV Replacement	Customers	131,900	0	0	0	0	0	0	0	0	0	131,900
Charnwood House	Enterprise	390,600	0	0	0	0	0	0	0	0	0	390,600
Community Centres Flat Roof Safety Barriers	Resources	43,000	0	0	0	0	0	0	0	0	0	43,000
Conference Calling Solutions in Large Meeting Rooms - District Council Offices	Customers	13,000	0	0	0	0	0	0	0	0	0	13,000
Council property improvements following condition survey	Resources	165,200	100,000	100,000	85,000	0	0	0	0	0	0	450,200
Cyberattacks - Events Monitoring Software Solution	Customers	2,000	0	0	0	0	0	0	0	0	0	2,000
Cycle Safety implementation (GAF)	Regulatory	278,000	0	0	0	0	0	0	278,000	0	0	0
DR Hardware Refresh Inc UPS Battery Pk (unit 3)	Customers	8,000	43,000	0	0	0	0	0	0	0	0	51,000
Email Encryption Software Solution	Customers	17,700	0	0	0	0	0	0	0	0	0	17,700
Environmental Improvements	Place	78,300	0	0	0	0	0	0	0	0	0	78,300
Fibre Waste Bins	Place	0	1,170,000	0	0	0	0	0	0	0	0	1,170,000
Former Public Convenience Portmill Lane	Enterprise	25,000	0	0	0	0	0	0	0	0	0	25,000
Green Infrastructure implementation (GAF)	Regulatory	185,000	0	0	0	0	0	0	185,000	0	0	0
Grounds Maintenance Vehicles & Machinery	Resources	315,000	0	0	0	0	0	0	0	0	0	315,000
Hitchin Lairage car park - cosmetic coating to four stairwells and replacement windows and doors	Resources	75,000	0	0	0	0	0	0	0	0	0	75,000
Hitchin Swim Centre Café	Place	19,000	0	0	0	0	0	0	0	0	0	19,000
Hitchin Swim Centre Pool View	Place	70,000	0	0	0	0	0	0	0	0	0	70,000
Hitchin Swim Centre Reception Toilet Refurbishment	Place	40,000	0	0	0	0	0	0	0	0	0	40,000
Hitchin Swim Centre: Archers Member Change and Relaxation Area Refurbishment	Place	0	300,000	0	0	0	0	0	0	0	0	300,000
Hitchin Swim Centre: Changing Village Refurbishment	Place	0	0	225,000	0	0	0	0	0	0	0	225,000
Hitchin Swim Centre: Fitness Equipment Replacement	Place	0	371,700	0	0	0	0	0	0	0	0	371,700
Hitchin Town Hall Kitchen Enhancement	Enterprise	0	0	25,000	0	0	0	0	0	0	0	25,000
Howard Park Kiosk Refurbishment	Enterprise	14,600	0	0	0	0	0	0	0	0	0	14,600
Howard Park Letchworth Path Resurfacing	Place	20,000	0	10,000	10,000	0	0	0	0	0	0	40,000
Infrastructure Hardware	Customers	375,000	0	18,000	18,000	190,000	0	0	0	0	0	601,000
Installation of trial on-street charging (GAF)	Regulatory	50,000	0	0	0	0	0	0	50,000	0	0	0

Project	Service Directorate							Funding				Balance funded from Capital Receipts/ Set-aside receipts/ Borrowing
		2024/25 Funding £	2025/26 Funding £	2026/27 Funding £	2027/28 Funding £	2028/29 Funding £	2029/30 - 2033/34 Funding £	Funded from Other Grants	Funded from Government Grant	Funded from s106 contributions	Funded from Revenue / IT Reserve	
Ivel Springs Footpaths	Place	10,000	0	0	0	0	0	0	0	0	0	10,000
King George V Muga Hitchin	Place	55,000	0	0	0	0	0	0	0	0	0	55,000
John Barker Place, Hitchin	Environmental Health and Housing	1,096,000	0	0	0	0	0	0	0	270,400	0	825,600
Lairage Multi-Storey Car Par - Structural wall repairs	Resources	111,100	0	0	0	0	0	0	0	0	0	111,100
Laptops - Refresh Programme	Customers	40,000	319,000	49,000	35,000	40,000	443,000	0	0	0	0	926,000
Leased Cars	Resources	141,000	0	0	0	0	0	0	0	0	0	141,000
Letchworth Multi-storey Car Park - parapet walls, soffit & decoration	Resources	129,000	0	0	0	0	0	0	0	0	0	129,000
Letchworth OD Pool Café	Place	53,000	0	0	0	0	0	0	0	0	0	53,000
Local Authority Housing Fund Pt 2	Environmental Health and Housing	107,000	0	0	0	0	0	0	107,000	0	0	0
Local Authority Housing Fund Pt 3	Environmental Health and Housing	960,000	960,000	0	0	0	0	0	1,920,000	0	0	0
Match funding for Electric Vehicle charging	Regulatory	100,000	0	0	0	0	0	0	0	0	0	100,000
Members Laptops Refresh Programme	Customers	0	0	30,000	0	0	60,000	0	0	0	0	90,000
Microsoft Enterprise Software Assurance	Customers	0	679,000	0	0	747,000	747,000	0	0	0	0	2,173,000
Museum Storage Facility	Enterprise	2,000,000	2,000,000	0	0	0	0	0	0	0	0	4,000,000
Newmarket Road Royston Skatepark & Access	Place	75,600	0	0	0	0	0	0	0	75,600	0	0
NH Museum & Community Facility	Enterprise	48,300	0	0	0	0	0	48,300	0	0	0	0
NH Museum Chiller	Enterprise	80,000	0	0	0	0	0	0	0	0	0	80,000
NHLC Air Handling Units	Place	250,000	0	0	0	0	0	0	0	0	0	250,000
NHLC Café	Place	20,000	0	0	0	0	0	0	0	0	0	20,000
NHLC Gym Platform Lift Replacement	Place	15,700	0	0	0	0	0	0	0	0	0	15,700
NHLC Gym Equipment	Place	434,000	0	0	0	0	0	0	0	0	0	434,000
NHLC Gym Refurbishment	Place	292,000	0	0	0	0	0	0	0	0	0	292,000
NHLC Interactive Water Feature	Place	0	0	0	120,000	0	0	0	0	0	0	120,000
NHLC Lift Replacement	Place	90,000	0	0	0	0	0	0	0	0	0	90,000
NHLC Male, Female and Accessible Wet Change Refurbishment	Place	0	0	250,000	0	0	0	0	0	0	0	250,000
NHLC Pool Flume Replacement	Place	0	0	0	0	150,000	0	0	0	0	0	150,000
NHLC Pool View	Place	110,000	0	0	0	0	0	0	0	0	0	110,000
Northern Transfer Station	Place	0	0	3,000,000	3,000,000	0	0	0	0	0	0	6,000,000
Norton Common Bowls Pavilion	Place	55,000	0	0	0	0	0	0	0	28,000	0	27,000
Norton Common Footpaths	Place	10,000	0	0	0	0	0	0	0	0	0	10,000
Norton Common Letchworth Tennis Courts	Place	25,000	0	0	0	0	0	0	0	0	0	25,000
Off Street Car Parks resurfacing and enhancement	Resources	100,000	50,000	59,400	0	0	0	0	0	0	0	209,400
Old Hale Way Allotments Hitchin	Place	20,000	0	0	0	0	0	0	0	0	0	20,000
Oughtonhead Common Footpaths	Place	20,000	0	0	0	0	0	0	0	0	0	20,000
Oughtonhead Common Hitchin Weir	Place	363,600	0	0	0	0	0	0	0	0	0	363,600
Oughtonhead Common Signage and Interpretation	Place	10,000	0	0	0	0	0	0	0	0	0	10,000
Parking Charging, Payments & Management	Regulatory	235,000	0	0	0	0	0	0	0	0	0	235,000
Parking Machines Replacement	Regulatory	291,200	0	0	0	0	0	0	0	0	0	291,200
Parking Machines Upgrade - Contactless Payment Facility Installation	Regulatory	56,000	0	0	0	0	0	0	42,000	0	0	14,000
PC's - Refresh Programme	Customers	26,600	7,000	8,000	5,000	8,000	13,000	0	0	0	0	67,600
Playground Renovation District Wide	Place	331,700	180,000	180,000	180,000	180,000	900,000	0	0	0	0	1,951,700

Project	Service Directorate							Funding				Balance funded from Capital Receipts/ Set-aside receipts/ Borrowing
		2024/25 Funding £	2025/26 Funding £	2026/27 Funding £	2027/28 Funding £	2028/29 Funding £	2029/30 - 2033/34 Funding £	Funded from Other Grants	Funded from Government Grant	Funded from s106 contributions	Funded from Revenue / IT Reserve	
Priory Memorial Gardens MUGA Royston	Place	55,000	0	0	0	0	0	0	0	0	0	55,000
Private Sector Grants	Environmental Health and Housing	204,700	60,000	60,000	60,000	60,000	300,000	0	0	0	0	744,700
Provide housing at market rents.	Enterprise	22,100	0	0	0	0	0	0	0	0	0	22,100
Public Sector Decarbonisation Fund	Place	13,190,100	0	0	0	0	0	0	7,730,100	0	0	5,460,000
Ransoms Rec Footpaths, Gates and Railing	Place	20,000	0	0	0	0	0	0	0	0	0	20,000
Refurbishment and improvement of community facilities	Legal and Community	47,800	0	0	0	0	0	0	0	0	0	47,800
Refuse and Recycling Bins	Place	90,000	90,000	90,000	90,000	90,000	270,000	0	0	0	0	720,000
Remote testing equipment - Emergency Lights and Water Temperature Monitoring	Resources	0	13,000	0	0	0	0	0	0	0	0	13,000
Renovate skate park at KGV Hitchin	Place	248,700	0	0	0	0	0	0	0	0	0	248,700
Replacement of Newark Close, Royston	Enterprise	65,000	0	0	0	0	0	0	0	0	0	65,000
Replacement of the timber access bridge at Norton Common	Place	75,000	0	0	0	0	0	0	0	0	0	75,000
Resurface Lairage Car Park	Resources	346,300	0	0	0	0	0	0	0	0	0	346,300
Riverside walkway, Biggin Lane	Place	53,000	0	0	0	0	0	0	0	0	0	53,000
RLC change village refurbishment – replacement of cubicles, lockers, vanity area and group change.	Place	150,000	0	0	0	0	0	0	0	0	0	150,000
RLC Cafe	Place	0	20,000	0	0	0	0	0	0	0	0	20,000
Royston Leisure Centre Dry Side Toilet Refurbishment	Place	0	30,000	0	0	0	0	0	0	0	0	30,000
Royston Leisure Centre extension	Place	1,250,000	0	0	0	0	0	0	0	168,000	0	1,082,000
RLC Pool View	Place	70,000	0	0	0	0	0	0	0	0	0	70,000
RLC Gym Equipment	Place	0	349,800	0	0	0	0	0	0	0	0	349,800
RLC Gym Refurbishment	Place	0	452,000	0	0	0	0	0	0	0	0	452,000
RLC Learner Pool	Place	2,500,000	0	0	0	0	0	0	0	0	0	2,500,000
Royston Leisure Centre Members Changing Refurbishment	Place	200,000	0	0	0	0	0	0	0	0	0	200,000
S106 Projects	Various	0	0	0	0	0	0	0	0	0	0	0
S016 Funding for additional social housing	Environmental Health and Housing	0	192,500	0	0	0	0	0	0	192,500	0	0
Security - Firewalls	Customers	23,600	0	18,000	0	18,000	0	0	0	0	0	59,600
Shared Prosperity Fund Community and Place Intervention: Community Engagement Schemes	Enterprise	130,000	0	0	0	0	0	0	130,000	0	0	0
Shared Prosperity Fund Community and Place Intervention: Creation of and improvements to local green spaces	Enterprise	50,000	0	0	0	0	0	0	50,000	0	0	0
Shared Prosperity Fund Community and Place Intervention: Local sports facilities, tournaments, teams and leagues	Resources	100,000	0	0	0	0	0	0	100,000	0	0	0
Solar Together	Place	563,000	0	0	0	0	0	0	44,000	0	0	519,000
St Johns Cemetery Footpath	Place	40,000	0	0	0	0	0	0	0	0	0	40,000
Swinburne Recreation Ground Hitchin	Place	30,000	0	0	0	0	0	0	0	0	0	30,000
Tablets - Android Devices	Customers	13,900	10,000	10,000	4,000	4,000	12,000	0	0	0	0	53,900
Technology One Financial System	Resources	155,800	0	0	0	0	0	0	0	0	0	155,800
Thomas Bellamy House, Hitchin	Enterprise	6,000	0	0	0	0	0	0	0	0	0	6,000
Transport Plans implementation (GAF)	Regulatory	250,000	0	0	0	0	0	0	250,000	0	0	0

Project	Service Directorate							Funding				Balance funded from Capital Receipts/ Set-aside receipts/ Borrowing
		2024/25 Funding £	2025/26 Funding £	2026/27 Funding £	2027/28 Funding £	2028/29 Funding £	2029/30 - 2033/34 Funding £	Funded from Other Grants	Funded from Government Grant	Funded from s106 contributions	Funded from Revenue / IT Reserve	
Walsworth Common Pavilion - contribution to scheme	Place	0	300,000	0	0	0	0	250,000	0	37,000	0	13,000
Waste and Street Cleansing Vehicles	Place	0	8,500,000	0	0	0	0	0	0	0	3,200,000	5,300,000
Weston Hills Baldock	Place	20,000	0	0	0	0	0	0	0	0	0	20,000
Weston Hills LNR Footpath Renovation	Place	20,000	0	0	0	0	0	0	0	0	0	20,000
WiFi Upgrade	Customers	0	40,000	0	0	0	0	0	0	0	0	40,000
Wilbury Hills Cemetery Footpaths	Place	10,000	0	30,000	0	0	0	0	0	0	0	40,000
		30,415,300	16,251,000	4,165,400	3,607,000	1,522,000	2,745,000	298,300	10,886,100	771,500	3,230,200	43,519,600

Treasury Management Update

Quarterly report
30th June 2024

This report is intended for the use and assistance of customers of Link Group. It should not be regarded as a substitute for the exercise by the recipient of its own judgement. Link Group exists to provide its clients with advice primarily on borrowing and investment. We are not legal experts and we have not obtained legal advice in giving our opinions and interpretations in this paper. Clients are advised to seek expert legal advice before taking action as a result of any advice given in this paper. Whilst Link Group makes every effort to ensure that all information provided by it is accurate and complete, it does not guarantee the correctness or the due receipt of such information and will not be held responsible for any errors therein or omissions arising there from. Furthermore, Link Group shall not be held liable in contract, tort or otherwise for any loss or damage (whether direct, or indirect or consequential) resulting from negligence, delay or failure on the part of Link Group or its officers, employees or agents in procuring, presenting, communicating or otherwise providing information or advice whether sustained by Link Group customer or any third party directly or indirectly making use of such information or advice, including but not limited to any loss or damage resulting as a consequence of inaccuracy or errors in such information or advice. All information supplied by Link Group should only be used as a factor to assist in the making of a business decision and should not be used as a sole basis for any decision.

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Treasury Management Update

Quarter Ended 30th June 2024

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 recommends that members be updated on treasury management activities at least quarterly. This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

1. Economics update

- The first quarter of 2024/25 saw:
 - GDP growth flatlining in April following positive Q4 2023/24 growth figures of 0.7% q/q.
 - A stalling in the downward trend in wage growth, with the headline 3myy rate staying at 5.9% in April.
 - CPI inflation falling from 2.3% in April to 2.0% in May.
 - Core CPI inflation decreasing from 3.9% in April to 3.5% in May.
 - The Bank of England holding rates at 5.25% in May and June.
 - 10-year gilt yields climbing to 4.35% in April, before closing out at 4.32% in May.
- The news that the economy grew by 0.7% q/q in Q4 2023/24 confirmed that it moved out of its very mild technical recession that prevailed at the back end of 2023. However, data released for April and May so far shows a slight stalling in the recovery, with GDP data for April coming out at 0.0% m/m, as inclement weather weighed on activity. Moreover, the fall in the composite Purchasing Manager Index output balance from 53.0 in May to 51.7 in June confirms tepid growth.
- On a more positive note, the 2.9% m/m increase in retail sales volumes in May more than reversed the 1.8% m/m drop in April as rainfall returned to seasonal norms. The strength was broad-based across the retail sector, including online, (+5.9% m/m) suggesting an underlying strengthening in sales beyond weather effects. With inflation falling back to target, Bank Rate likely to be reduced soon and with consumer confidence improving, retail sales may well continue to strengthen.
- Stronger consumer spending, as low inflation allows households' real incomes to strengthen and the drag from higher interest costs fades, suggests that real consumption will strengthen substantially over the next two years. However, investment will only make a modest contribution to GDP growth. With the industrial sector still 12% smaller than in 2019, excess capacity will continue to cap the need for industrial firms to invest. But improving business sentiment should raise investment by services' firms. Further, a fall in mortgage rates should trigger a recovery in residential investment. Overall, strong consumer spending is likely to be the backbone of GDP growth, along with government consumption. Our colleagues at Capital Economics forecast that following GDP growth of 1.0% in 2024, activity will continue to surprise to the upside with GDP growth of 1.5% for both 2025 and 2026 (consensus forecasts are 1.2% and 1.4% respectively).
- Nonetheless, the on-going stickiness of wage growth in April will be a lingering concern for the Bank of England. The 3myy rate of average earnings growth stayed at 5.9% in April (consensus 5.7%), whilst the more timely 3m annualised rate rebounded from 5.9% to 9.3%. This stickiness partly reflected April's 9.8% increase in the minimum wage. This leaves the Bank of England's forecast for a fall back in regular private sector pay growth from 5.8% in April to 5.1% in June looking a challenge.
- Despite the stickiness of wage growth in April, sharp falls in employment and a move up in unemployment suggests that wage growth will soon be back on a downward path. The 139,000 fall in employment in the three months to April was accompanied by a rise in the unemployment rate from 4.3% to 4.4%. This was the fourth increase in a row and took it to its highest level since September 2021. The rise would have been larger were it not for the 132,000 increase in inactivity in the three months to April as the UK's disappointing labour market participation performance since the pandemic continued. The vacancies data also paint a picture of a slowly cooling labour market. The number of job vacancies fell from an upwardly revised 908,000 to 904,000, leaving vacancies 31% below the peak in May 2022, but 11% above the pre-pandemic level.

- The fall in CPI inflation in May back to the Bank's 2% target for the first time since July 2021 will have come as welcome news to the Bank. Furthermore, with CPI inflation of 3.3% in the US and 2.6% in the Euro-zone in May, the UK appears to have won the race to get CPI inflation back to 2.0%. A further easing in food inflation from 2.8% in April to 1.6% in May played a part in the fall in overall CPI inflation and with food producer price inflation at just 0.2% in May, food price inflation will probably soon fall to zero.
- The core rate also fell back from 3.9% to 3.5%. Within that, core goods CPI inflation slipped below zero for the first time since October 2016. As expected, clothing/footwear, recreation/culture and restaurants/hotels categories inflation declined, reflecting base effects from big increases last May. While services inflation fell from 5.9% to 5.7%, this decline was smaller than the Bank of England expected (forecast 5.3%). And the timelier three-month annualised rate of services prices has rebounded from 8.5% to 9.2%. This suggests that the persistence in domestic inflation that the Bank is worried about is fading more slowly than it thought. Even so, there is scope for inflation to fall further.
- There was little chance that the Bank would cut rates at its June meeting, given upside surprises on services CPI inflation and wage growth. But several developments implied a rate cut is getting closer (August?). First, two members of the MPC, Ramsden and Dhingra voted again to reduce rates immediately to 5.00%. Second, despite the recent run of stronger inflation and activity, the minutes noted "indicators of inflation persistence had continued to moderate" and that a range of indicators suggest pay growth had continued to ease. And there was new wording that members of the MPC will consider all the information available and how this affects the assessment that the risks from inflation persistence are receding "as part of the August forecast round".
- Throughout the quarter there was a degree of volatility in the gilt market and, by way of example, the 10-year gilt yield rose from 4.05% on 2nd April to finish at 4.15% on 28th June but it has exceeded 4.30% on several occasions. Overall, investors judged that interest rates will need to remain high for longer to keep inflation around the 2.0% target.
- Meanwhile, the FTSE 100 broke through the 8,000 mark in April for the first time since its brief three-day flutter in February last year and reached a record closing high of 8,446 on 15th May. However, by the end of the quarter, despite AI-fuelled rises in the US S&P500, it finished rather tamely and had fallen back to 8,164. Arguably, significant interest rate cuts and an on-going UK economic recovery will be required for a further resurgence to take hold.

MPC meetings 9th May and 20th June 2024

- On 9th May, the Bank of England's Monetary Policy Committee (MPC) voted 7-2 to keep Bank Rate at 5.25%. This outcome was repeated on 20th June.
- Nonetheless, with UK CPI inflation now back at 2% and set to fall further over the coming months, Ramsden and Dhingra – who voted again to reduce rates immediately to 5.00% in June – may shortly be joined by some members in the no-change camp, for whom the June decision was "finely balanced" as the upside news on services price inflation was more likely to be a reflection of one-off effects and volatile components rather than factors that would push up "medium-term inflation".

2. Interest rate forecasts

The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012. For Housing Revenue Account authorities, the lower Housing Revenue Account (HRA) PWLB rate has also been available since 15 June 2023 (standard rate minus 60 bps) but is available for HRA borrowing only.

The latest forecast, updated on 28th May, sets out a view that both short and long-dated interest rates will start to fall once it is evident that the Bank of England has been successful in squeezing excess inflation out of the economy, despite a backdrop of a stubbornly robust economy and a tight labour market.

Moreover, whatever the shape of domestic data, recent gilt market movements have been heavily influenced by the sentiment pertaining to US monetary policy. Again, inflation and labour data has proven sticky and the market's expectation for rate cuts has gradually reduced throughout the course of the year, so that possibly rates may not be cut more than once, or possibly twice, before the end of 2024. In any event, even if the Bank of England starts to cut rates first, it may mean that the medium and longer parts of the curve take longer to fully reflect any such action until the US yield curve shifts lower too.

Given the potential inflationary upside risk to US treasuries if Trump wins the presidential election in November (increased tariffs on imports from China for example), therein lies a further risk to yields remaining elevated for longer.

Closer to home, the General Election is not expected to have a significant impact on UK monetary policy. There is minimal leeway for further tax cuts or added spending without negatively impacting market sentiment. It may even be the case that the Bank of England will steer clear of an August rate cut – should that be supported by the inflation data – in favour of weighing up fiscal policy implications and market sentiment in the aftermath of the election.

Accordingly, Link’s central case is still for a rate cut before the end of September, but we are not committed to whether it will be in August or September. Thereafter, the path and speed of rate cuts is similar to that which we previously forecast, with Bank Rate eventually falling to a low of 3% by H2 2026.

However, given the increased uncertainty surrounding Link’s central gilt market forecasts, and the significant issuance that will be on-going from several of the major central banks, it has marginally increased its PWLB forecasts by c20 to 30 basis points across the whole curve since the previous quarter.

In summary, regarding PWLB rates, movement in the short-end of the curve is expected to reflect Link’s Bank Rate expectations to a large degree, whilst medium to longer-dated PWLB rates will remain influenced not only by the outlook for inflation, domestically and globally, but also by the market’s appetite for significant gilt issuance (£200bn+ for each of the next few years). As noted at the Link March Strategic Issues webinars, there is upside risk to that part of our forecast despite the Debt Management Office skewing its issuance to the shorter part of the curve.

Link Group Interest Rate View	28.05.24											
	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.00	4.50	4.00	3.50	3.25	3.25	3.25	3.25	3.00	3.00	3.00
3 month ave earnings	5.30	5.00	4.50	4.00	3.50	3.30	3.30	3.30	3.30	3.00	3.00	3.00
6 month ave earnings	5.30	4.90	4.40	3.90	3.50	3.30	3.30	3.30	3.30	3.10	3.10	3.20
12 month ave earnings	5.10	4.80	4.30	3.80	3.50	3.40	3.40	3.40	3.40	3.20	3.30	3.40
5 yr PWLB	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.90	3.90	3.90	3.80
10 yr PWLB	5.00	4.80	4.60	4.40	4.30	4.10	4.10	4.10	4.00	4.00	4.00	3.90
25 yr PWLB	5.30	5.20	5.00	4.80	4.70	4.50	4.50	4.40	4.40	4.40	4.30	4.30
50 yr PWLB	5.10	5.00	4.80	4.60	4.50	4.30	4.30	4.20	4.20	4.20	4.10	4.10

- Money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.
- The Link forecast for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short-term cash at any one point in time.

3. Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2024/25, which includes the Annual Investment Strategy, was approved by the Council on 29/02/24. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity, aligned with the Council's risk appetite. In the current economic climate, over and above keeping investments short-term to cover cash flow needs, there is a benefit to seeking out value available in periods up to 24 months.

As shown by the interest rate forecasts in section 2, investment rates have remained elevated during the first quarter of 2024/25 but are expected to fall back through the second half of 2024 as inflation reduces and the MPC starts to loosen monetary policy.

Creditworthiness.

There have been few changes to credit ratings over the quarter under review. However, officers continue to closely monitor these, and other measures of creditworthiness to ensure that only appropriate counterparties are considered for investment purposes.

Investment counterparty criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function. Council approved a slight change to the Investment Strategy 11/07/24 allowing investments to be placed on Lloyds Call Account so the combined total of Current Account and Call Account is up to £5M.

CDS prices

For UK banks, these have remained low, and prices are not misaligned with other creditworthiness indicators, such as credit ratings. **Nevertheless, it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.**

Investment balances

The average level of funds available for investment purposes during the quarter was **£51.3m**. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme. The Council holds **£20m** core cash balances for investment purposes (i.e., funds available for more than one year).

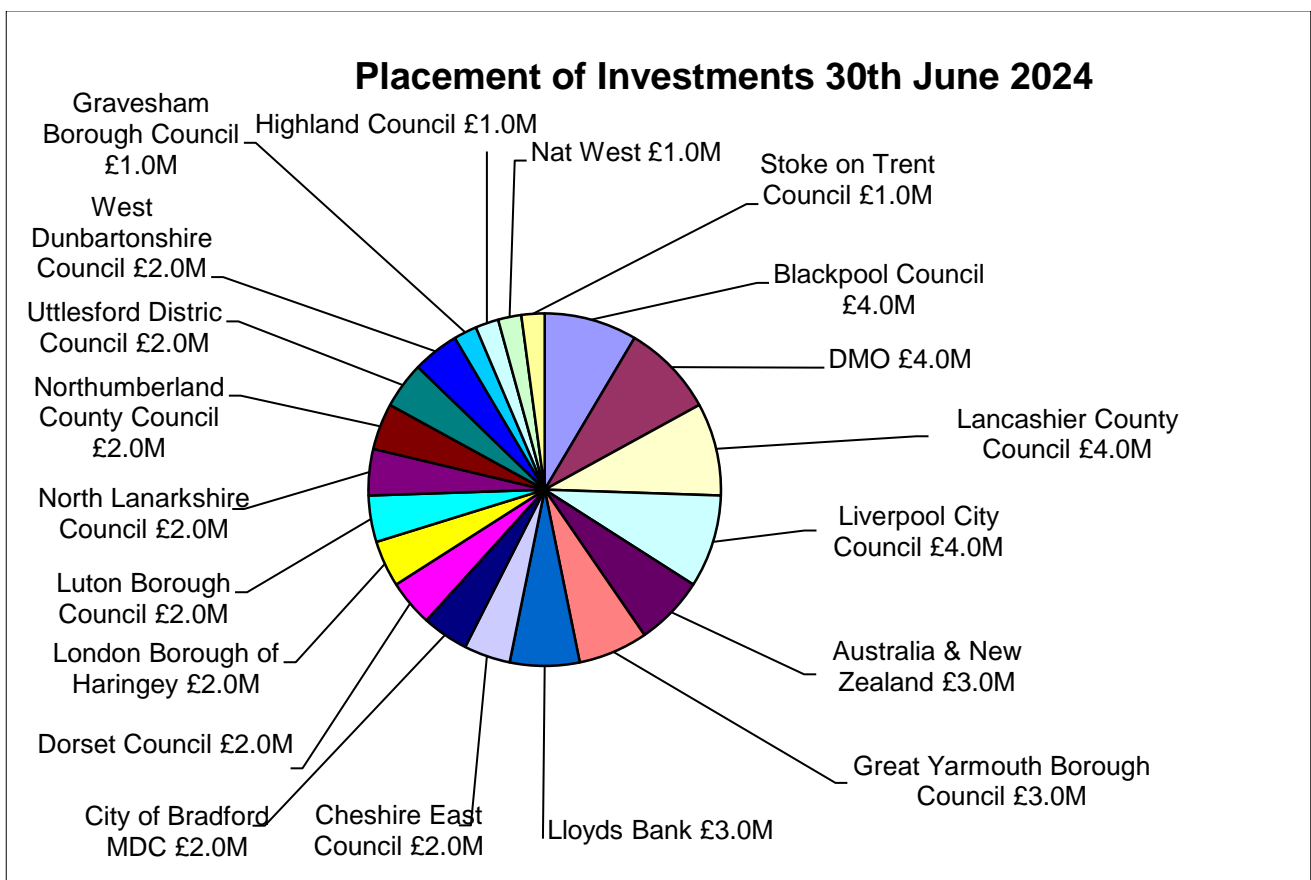
	Amount	Average
	£	Interest Rate %
Managed By NHC		
Banks	7,000,000	5.36
Building Societies	0	0
Local Authorities	36,000,000	5.43
Government	4,000,000	5.21
Total	47,000,000	5.42

In percentage terms, this equates to:

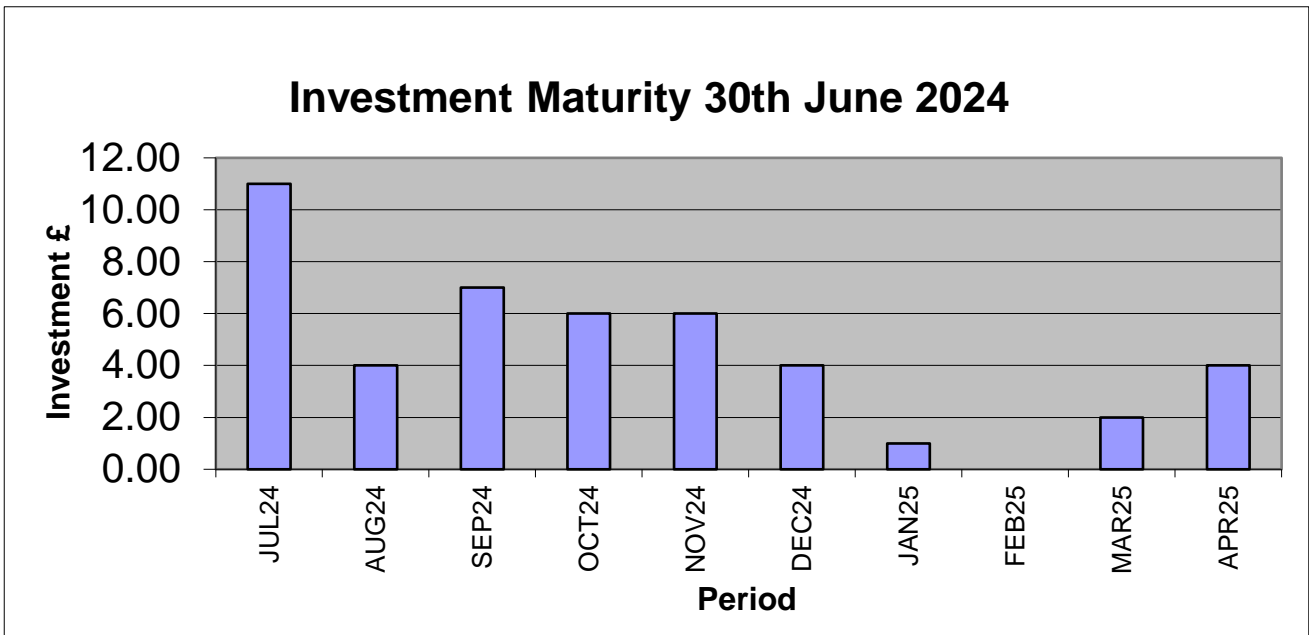
	Percentage
Government	8
Banks	15
Local Authorities	77
Building Societies	0

The approved 24/25 strategy is that no more than 60% of investments should be placed with Building Societies and Property Funds with a maximum value of £15M. The value at 30 June was zero.

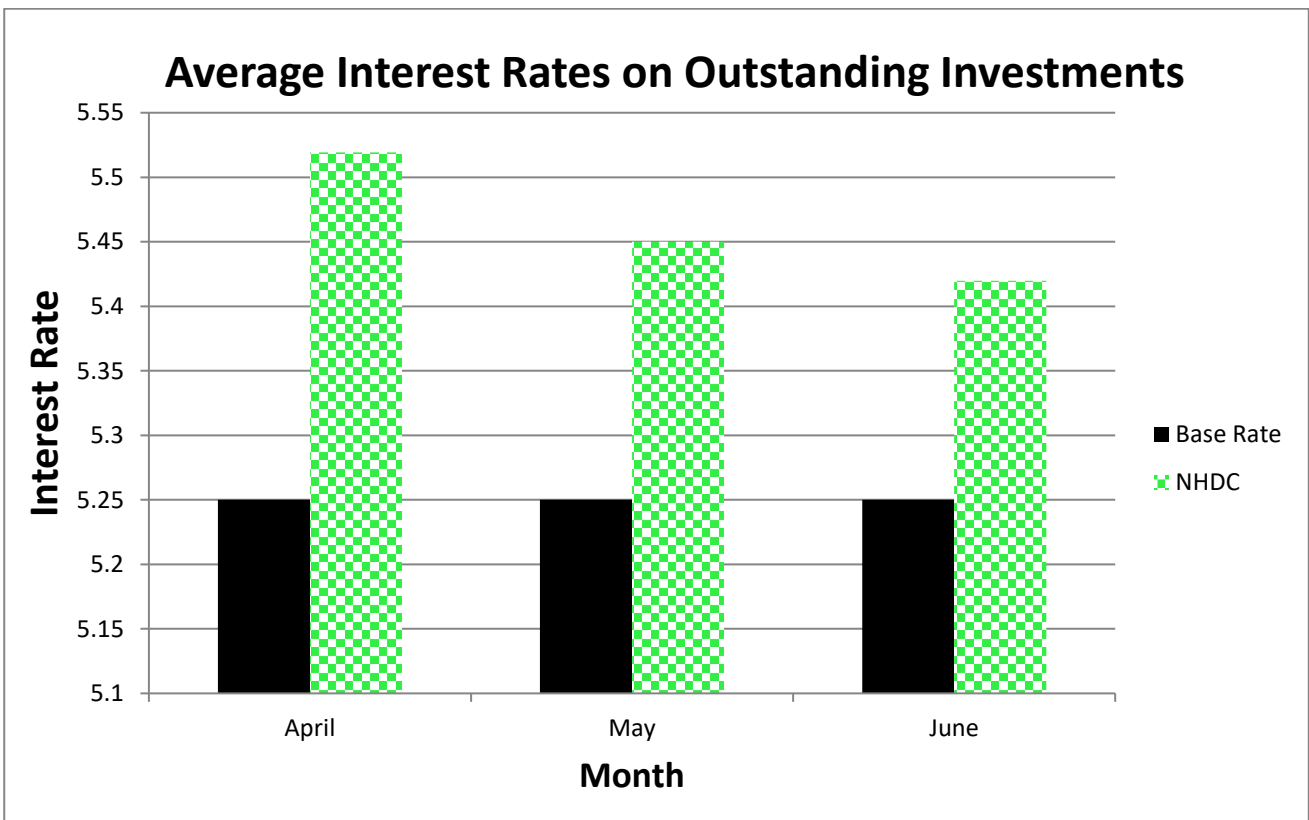
The pie chart below shows the spread of investment balances as at 30 June 2024. This is a snapshot in time that demonstrates the diversification of investments.



The chart below shows the Council's investment maturity profile.



The graph below shows the average rate of interest on outstanding investments at 30 June.



Approved limits

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30th June 2024.

4. Borrowing

No borrowing was undertaken during the quarter ended 30th June 2024.

It is anticipated that new borrowing will be undertaken during this financial year but this is dependant on the spend in the Capital Programme and incoming Capital receipts.

Loans Outstanding at 30 June 2024:

	Amount	Average Interest Rate
	£	%
Public Works Loans Board	£347k	10.48

Estimated outstanding debt:

Year	Forecast Borrowing £m	Forecast other long-term liabilities £m *	Less: Internal Borrowing £m	Forecast Total External Debt £m	Operational Boundary £m	Authorised Limit £m
31 st March 2025 (Forecast)	15.303	0.106	14.978	0.431	2.0	7.0
31 st March 2026 (Forecast)	19.306	8.600	19.001	8.905	10.0	15.0
31 st March 2026 (Forecast)	22.857	8.092	22.567	8.382	10.0	15.0
31 st March 2028 (Forecast)	26.449	7.582	26.174	7.857	9.0	14.0
31 st March 2029 (Forecast)	27.961	7.072	27.696	7.337	9.0	14.0

* Comprises the finance lease relating to Letchworth Multi-storey car park and impact of the finance lease for waste vehicles.

The external borrowing forecast can be used to give an indication of the borrowing that may be required, which is combined with outstanding existing borrowing. The Council will also borrow for short-term cash-flow needs if required. The actual borrowing that is taken out will depend on the latest forecasts and the offers that are available at the time that it is required. There will also be a consideration of when any other borrowing becomes due, with the aim of achieving a spread of these dates. This is to try and avoid refinancing risk. The Council is required to set indicators for the maturity structure of its borrowing. Given the low level of borrowing that the Council currently has and is forecast to have, it is considered appropriate to maintain full flexibility as to the exact duration of any borrowing undertaken.

To manage refinancing risk, the Council sets limits on the maturity structure of its borrowing. However, these indicators are set relatively high to provide sufficient flexibility to respond to opportunities to repay or take out new debt (if it was required), while remaining within the parameters set by the indicators.

Maturity Period	Lower %	Upper %
Under 12 months	0	100
12 months to 2 years	0	100
2 years to 5 years	0	100
5 years to 10 years	0	100
10 years to 20 years	0	100
20 years and above	0	100

The Prudential Indicator below considers the cost of borrowing as a % of the net revenue budget of the Council.

Year	Estimated cost of borrowing £m	Forecast net revenue budget £m	Estimated cost of borrowing as a % of net revenue budget
2024/25	0.036	20.139	0.179
2025/26	0.708	19.864	3.564
2026/27	0.888	19.170	4.632
2027/28	1.047	19.262	5.436
2028/29	1.209	19.010	6.360

The Council is required to set a prudential indicator that estimates financing costs (cost of borrowing less income from investments) as a percentage of its net revenue budget.

Year	Estimated cost of borrowing £m	Less: Forecast of interest earned £m	Net Financing Costs £m	Forecast net revenue budget £m	Estimated cost of borrowing as a % of net revenue budget
2024/25	0.036	2.500	-2.464	20.139	-12.235
2025/26	0.708	0.608	0.100	19.864	0.503
2026/27	0.888	0.466	0.422	19.170	2.201
2027/28	1.047	0.267	0.780	19.262	4.049
2028/29	1.209	0.190	1.019	19.010	5.360

5. Debt rescheduling

No debt rescheduling was undertaken during the quarter.

6. Compliance with Treasury and Prudential Limits

The prudential and treasury Indicators are shown in Appendix 1.

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the quarter ended 30th June 2024, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2024/25. The Director of Finance reports that no difficulties are envisaged for the current or future years in complying with these indicators.

All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

APPENDIX 1: Prudential and Treasury Indicators for 2024-25 as of 30th June 2024

Treasury Indicators	2024/25 Budget £'000	31.03.24 Actual £'000
Authorised limit for external debt	7,000	347
Operational boundary for external debt	2,000	347
Gross external debt	347	347
Investments	25,564 Average for year	47,000
Net borrowing	-25,217	-46,653

Maturity structure of fixed rate borrowing - upper and lower limits		
Under 12 months	21	21
12 months to 2 years	21	21
2 years to 5 years	40	40
5 years to 10 years	15	15
Over 10 years	250	250
Upper limit for principal sums invested over 365 days	7,000	0

Prudential Indicators	2024/25 Budget £'000	31.03.24 Actual £'000
Capital expenditure *	26,237	342
Capital Financing Requirement (CFR) *	11,856	-2,463
In year borrowing requirement	14,012	0
Ratio of financing costs to net revenue stream *	-2.92%	-1.84%