

Confidential

North Hertfordshire District Council

Value for Money Interim Report

Year ended 31 March 2023 3

May 2024



3 May 2024

North Hertfordshire District Council
Council Offices
Gernon Road
Letchworth Garden City, SG6 3JF

Dear Finance, Audit and Risk Committee Members

2022/23 Interim Value for Money Report

We are pleased to attach our interim commentary on the Value for Money (VFM) arrangements for North Hertfordshire District Council. This commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit year 2022/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. The National Audit Office (NAO) issued a consultation on 8 February 2024 seeking views on changes to the Code of Audit Practice (the Code) to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements. The consultation proposed to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. At this stage, we are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code.

This report is intended solely for the information and use of the Finance, Audit & Risk Committee and management. It is not intended to be used and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Finance, Audit & Risk Committee meeting on 19 June 2024.

Yours faithfully

Debbie Hanson

Partner

For and on behalf of Ernst & Young LLP

Encl

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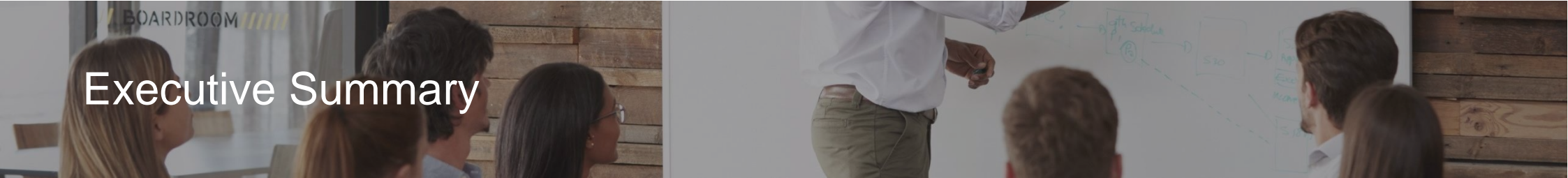
03 Appendices



Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/auditquality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Finance, Audit and Risk Committee and Management of the Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Finance, Audit and Risk Committee and Management of the Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Finance, Audit and Risk Committee and Management of the Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary



Executive Summary

Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditors provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

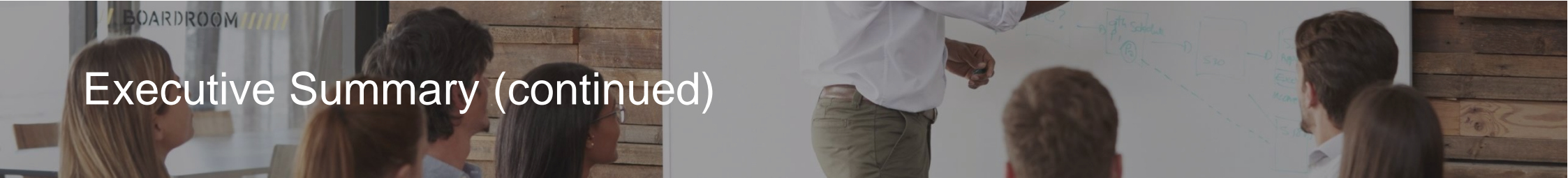
The purpose of this interim commentary is to explain the work we have undertaken and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit year 2022/23. The NAO has confirmed that where VFM reporting is outstanding for more than one year, the auditor can issue one report covering all years.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. As part of the NAO consultation issued on 8 February 2024, there is a proposal to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. However, the consultation states that where auditors have begun or already undertaken work that no longer falls under the reduced scope (if agreed once the consultation closes), they may still report on it in accordance with Schedule 4. We are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

The report sets out the following areas which have been assessed up to the point of issuing this interim report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings to date from our planned procedures; and
- Summary of arrangements over the period covered by this report (Appendix A).

We will summarise our final view of the value for money arrangements as part of the Auditor's Annual Report once the audit report has been issued for 2022/23.



Executive Summary (continued)

Risks of Significant Weakness

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of the Council committee reports;
- meetings with the Service Director: Resources;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with the Council management and the finance team.

We completed our risk assessment procedures and did not identify any significant weaknesses in the Council's VFM arrangements.

As a result, we have no matters to report by exception at this stage of the audit and we will update our interim reporting as part of issuing the final commentary in the Auditor's Annual Report later in the year.

Executive Summary (continued)

Reporting

Our interim commentary for 2022/23 is set out over pages 10 to 13. The interim commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2022/23. We include within the VFM commentary below the associated recommendation we have agreed with the Council.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2021/22 Auditor’s Annual Report and have been updated for 2022/23.

In accordance with the NAO’s 2020 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this interim report, we have concluded that there is a significant weakness in the body’s arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weakness identified
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weakness identified

Executive Summary (continued)

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

We highlight the following relationships that may be reasonably considered to bear upon our objectivity and independence. However we have adopted the safeguards noted below to mitigate these threats.

Description of relationship	Related independence threat	Safeguards adopted and reasons considered to be effective
We are engaged by the Council as a reporting accountant for the Housing Benefit Assurance Process (HBAP)	Interest	The service is permissible under the NAO’s Auditor Guidance Note 01. because this service is required by the awarding central government department
	Self-review	The results of the AUP testing is not reflected in the amounts included/disclosed in the financial statements. The external audit conclusion is not reliant upon the conclusion of our AUP engagement. No advice will be given in relation to accounting treatment.

Self-

EY Transparency Report 2023

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:

[EY UK 2023 Transparency Report | EY UK](#)



02 Value for Money Commentary

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

The Council has adhered to its governance processes for setting a balanced budget and regularly updating its Medium Term Financial Strategy (MTFS). The budget and MTFS are underpinned by assumptions that we deemed reasonable and are well supported.

The 2022/23 budget set in February 2022, included overall funding of £20.2 million, which was higher than the £19.6 million total received in 2021/22. The revenue budget for 2022/23 was £18.198 million. At year end, the working budget decreased to £16.738 million and the net outturn of £15.82 million against this represented an underspend of £918k, with £184k of unspent budget to fund specific projects carried forward to 2023/24. For the 2022/23 budget, the Council assumed that spend and income would be back to normal but made a central budget provision of £1.74 million for additional costs that may arise. A similar provision of £0.52 million was included for 2023/24.

The revenue budget for 2022/23 has been prepared in accordance with the Budget Strategy adopted by the Council which included the following key assumptions:

1. increase of 4% in pay award.
2. Inflation estimated of 2%
3. Increase of 2% in the adult social care precept.
4. Increase of 3% in council tax.
5. A vacancy factor of approximately 2.5% of salary budget to yield savings in the region of £300k in the base budget in each year.
6. 97% collection rate for business rates.
7. Investment income based on cashflow projections and a 1.79% return.

The 2023-28 MTFS set target savings for each of the next five years, with a cumulative £2.6 million savings needed to be delivered to ensure the Council can achieve a fully balanced budget by 2027/28. In the shorter-term (between 2023/24 and 2025/26) the MTFS assumed that the budget will be balanced through the use of reserves totalling £3 million. The phasing of the delivery of savings also ensures that the reserves are not reduced significantly, and general fund reserves remain above the minimum level recommended by the Section 151 Officer for 2022/23 of £3.05 million, with reserves for the period 2023/24 to 2025/26 being forecast to be £9.55 million.

The 2022/23 budget included efficiencies of £0.606 million. The 2022/23 revenue budget outturn report noted that savings of £1,164k were actually delivered. The purchase of the leasehold interest in Churchgate Shopping Centre during 2022/23 also resulted in an increase in rental income from this asset of £138k during the year.

The savings strategy developed by the Council has four strands:

1. deliver existing services at a lower cost through use of technology
2. generate additional income from services that the council can charge for, less any costs in providing that additional level of service
3. Be able to generate income from commercial activities in line with its priorities
4. Reduce the level of services the council provides or no longer provide services that the council is not required to provide.

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

For 2023/24, the Council approved a net revenue budget of £18.539 million in February 2023.

The 2024-29 MTFS, set target net savings for each of the next 5 years, with cumulative savings of £3.1 million to be delivered to ensure a fully balanced budget by 2028/29. In the shorter term, the budget will again be balanced through the use of reserves. The phasing of the delivery of savings also ensures that the reserves are not reduced and remain above the minimum recommended level recommended by the Section 151 Officer for 2023/24 of £2.5 million, with a zero net savings target for 2024/25. The projected level of general fund reserves at the end of 2024/25 are £12.649 million, with the level reducing slightly to £11.106 million at the end of 2028/29. These levels are increased from the levels forecast in the 2023-28 MTFS. Reserves are therefore sufficient to maintain financial stability if there are challenges achieving the savings targets, The Section 151 Officer has also made clear in his reports that reserves can only be used once and that the use of reserves in response to Covid-19 and the cost of living crisis is exceptional and must not form part of an ongoing sustainable strategy.

The revenue budget for 2023/24 was prepared in accordance with the Budget Strategy adopted by the Council, which included a set of key assumptions:

1. Increase in pay inflation of 4% for 2023/24 and 2% for each year from 2024/25 onwards
2. Increase of 3% in council tax.
3. A vacancy factor set at approximately 2.5% of salary budget to yield savings in the region of £400k in the base budget in each year.
4. 97% collection rate for business rates.

The Council needs to continue to ensure it mitigates further unplanned use of reserve balances to support the revenue budget, by taking steps to ensure that any in-year overspends are minimised and future budget gaps are identified early with savings/efficiency schemes put in place, without compromising front line service delivery.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

No significant weakness identified

The Council's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent and accountable to local people. Areas of potential change are identified, and the Constitution is amended accordingly. This has been evidenced by the recent updating of the constitution in April 2024.

The implementation of the Council Delivery Plan has resulted in a reorganization of roles among Committees. Notably, the Overview and Scrutiny Committee now monitors strategic risks, while the Finance Audit and Risk Committee has shifted its focus towards ensuring effective risk management processes. This realignment is expected to enhance efficiency and effectiveness in governance practices.

Learning and development for members of the Finance, Audit and Risk (FAR) Committee has improved following recommendations from Internal Audit and a Peer Review of the FAR Committee. The Peer Review was undertaken in 2022/23 and was undertaken to enhance the Council's effectiveness in governance and decision-making. The Peer Review noted areas for improvement including Members' lack of understanding of local government finance, IT issues during virtual meetings and transparency in risk review processes. The recommendations from the Internal Audit and Peer Review have been largely implemented, with the 2023/23 FAR Committee Annual Report, which will be presented in June 2024, providing an update on progress. As part of the response to the recommendations, the Committee has introduced training sessions focused on Finance, risk and fraud prevention as well as the role of Internal Audit. An independent member has also been appointed to the FAR Committee and there is appropriate reporting to the FAR Committee to provide the opportunity for independent consideration and challenge, including the Annual Governance Statement.

The Peer Review also considered the Overview and Scrutiny (O&S) Committee. The review identified areas for improvement including clearer integration with community engagement methods, better understanding of the benefits brought by external groups and panels, and greater interaction with Cabinet panels and made a number of recommendations. An action plan has been developed in response to the Peer review and the O&S Committee receives regular updates on progress.

The Shared Internal Audit Service's (SIAS) have given reasonable assurance for 2022/23 over the adequacy and effectiveness of the Council's framework of governance, risk management and control. Five audits received unqualified opinions and contributed to the overall assurance opinion. These consisted of three grants audits and two audits of charitable trust accounts run through the Council's bank accounts. There were also three audits with an opinion of 'not assessed' that provided consultancy advice on the planned control environment for which an assurance opinion is not provided. Internal Audit asserted that, based on the work completed during the year and observations through their attendance at a variety of management and governance meetings, in their opinion the governance frameworks in place across the Council are robust, fit for purpose and subject to regular review. Internal Audit also found that a robust control framework was operating, and no issues were identified surrounding governance.

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

No significant weakness identified

The Council published their draft 2022/23 financial statements for audit on the 28 July 2023, in line with the Audit and Accounts regulations, and advertised and held an inspection period for members of the public in line with these regulations. We confirmed that the 2022/23 draft financial statements were arithmetically correct, agreed to the data in the general ledger, and prepared in line with the content required by the CIPFA Code. The Council has carried out bank reconciliations during the year. Therefore, appropriate arrangements for financial reporting were in place during 2022/23.

We noted from review of the accounts and our review of minutes that the Council purchased the Churchgate shopping centre lease during 2022/23. Council reports related to the Churchgate Project and lease acquisition refer to plans to regenerate the shopping centre and the surrounding areas. The Council already held the freehold ownership of the centre and adjacent sites and is therefore well placed to control and bring forward deliverable regeneration proposals for the area. The asset has been included in the Council's unaudited accounts as an investment property with a value of £4.5 million. However, to be classified as an investment property to asset must be held solely for the purpose of income generation or capital appreciation. As the various reports make significant reference to regeneration the Council should consider whether this asset has been correctly classified and therefore valued on an appropriate basis.

The project is included in the Council's risk register as a top-rated risk, with the risks relating to the affordability of the regeneration, and the possibility of failing to meet the expectations of stakeholders. The risk register also includes controls to mitigate/manage the risk which include:

- a communications and consultation plan being in place, which is kept updated;
- decisions being explained, including that there will need to be compromises;
- financial and consultancy support (as needed) being in place; and
- cost effectiveness/value for money being a key part of developing options.

The Churchgate shopping centre was purchased at the start of the year, enabling the wider project to progress. As the project is still in planning phase the impact of future impact inflows and outflows are not currently incorporated in financial forecasts and future budgets. A detailed affordability plan will be prepared and approved in the coming months.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to make informed decisions and properly manage its risks.

Recommendation: The Council should review the classification of Churchgate as an investment property and consider whether this asset has been correctly classified and therefore valued on an appropriate basis.

Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified

The Council is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the Annual Governance Statement, rests with management. The Council's projects and performance are monitored by the Overview and Scrutiny (O&S) Committee. The O&S Committee receives quarterly update reports on projects and an end of year report in June.

The Council has a Delivery Plan Report which includes performance indicators that help to describe the outputs and outcomes achieved. The Council has noted in its 2022/23 Narrative Report that the current number of indicators is relatively low, as a lot of the indicators are at the implementation stage. Many of the previous indicators are still monitored, but as they are operational, they are not reported to O&S Committee on regular basis.

The Council's procurements are governed by the Council's Contract and Procurement Rules (part of the Council's Constitution). Compliance with these is monitored by Procurement/ Legal and the Contract Procurement Group. Section 20 of Constitution considers the Contract Procurement Rules. Each contract has a contract manager who is responsible for ensuring that the contracted service is delivered. Further, The Council also has a full-time Procurement Officer to provide specialist support.

As part of the Council's arrangements to ensure the efficient delivery of services, the Council works in partnership with other councils in delivering key services across Hertfordshire in areas such as waste, grounds maintenance and CCTV. The Council works to support local, county-wide and wider partnerships that seek to improve the well-being of its local community

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to enable it to use information about its costs and performance to improve the way it manages and delivers services.



03

Appendices

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

Reporting criteria considerations	Arrangements in place
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	<ul style="list-style-type: none">□ The Council has a robust set of procedures in place to identify all significant financial pressures relevant to its short- and medium-term plans. These are gathered from a variety of sources, including:<ul style="list-style-type: none">> quarterly budget monitoring, which includes reviewing the impact of current conditions> meetings between Service Managers and the Accounts team (as part of a Business Partnering role)> discussions at Leadership Team (Service Directors and Managing Director) and Political Liaison Board (Service Directors, Managing Director and Cabinet members) which highlight strategic issues□ The Medium-Term Financial Strategy (MTFS) is reviewed by Leadership Team whilst it is being prepared, to allow for feedback.
How the body plans to bridge its funding gaps and identifies achievable savings	<ul style="list-style-type: none">□ All savings proposals that are agreed are accompanied by a business case and form part of the Council's rigorous budget scrutiny process. Savings are monitored through budget monitoring lead by service managers. The budget report sets out the Council's approach to achieving a balanced budget whilst also balancing the needs of residents and business.□ The MTFS for 2024-2029 shows that the cumulative savings needed to achieve a balanced budget by 2028/29 is £3.1 million. The most significant sources of savings/efficiencies per the 2024-29 MTFS are:<ul style="list-style-type: none">> deliver existing services at a lower cost through use of technology> generate additional income from services that the council can charge for, less any costs in providing that additional level of service> Be able to generate income from commercial activities in line with its priorities> Reduce the level of services the council provides or no longer provide services that the council is not required to provide.□ The Council produces the MTFS and Council Plan at the same time and treats them as sister documents. The approach in preparing these documents is that most of the money that the Council spends is on delivering statutory services.
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<ul style="list-style-type: none">□ The Council always looks to deliver services in line with its priorities. As the central Government funding level has continued to reduce, the Council ensures that it maintains its ability to offer discretionary services that are linked to its priorities.

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

Reporting criteria considerations

Arrangements in place

<p>Cont.</p>	<ul style="list-style-type: none"> □ The Council carries out a budget challenge process which reviews the various services the Council delivers and how much they cost in relation to statutory services and non-statutory services the extent to which they deliver the priorities of the Council Plan. □ In response to forecast increased costs from the retendering of the waste contract (applicable from May 2025), the Council has created a parallel budget process which takes an early look at the potential decisions that will need to be made as part of the 2025/26 budget setting process.
<p>How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system</p>	<ul style="list-style-type: none"> □ The MTFs and Council Plans are treated as sister documents. The capital programme is included in the Investment Strategy with a 10-year time horizon. The forecast revenue impacts of capital investment are incorporated into budget planning. □ The Council's HR plan does not make any specific proposals around changes in remuneration or head-count. Any proposals for growth in headcount are considered through the budget process. The Service Director: Resources covers both HR and Finance.
<p>How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans</p>	<ul style="list-style-type: none"> □ All other significant service/ corporate plans have a contribution from finance to ensure that financial implications are □ Financial risk is primarily managed through the setting of the minimum General Fund balance. This makes an allowance for known financial risks (through discussions between the finance team and Service Managers), as well as a general allowance for unknown risks. □ The specific risks are monitored throughout the year in the quarterly budget monitoring report. That same report also considers overall variance forecasts and therefore also monitors those risk outcomes that were not foreseen at the start of the year. Earmarked reserves are also set aside to be used for specific purposes in response to financial risk. □ The MTFs also considers the various financial risks that the Council faces and how it will look to monitor/ address them.

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the year 2022/23

Reporting criteria considerations	Arrangements in place
How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	<ul style="list-style-type: none">□ Internal Audit undertake an annual programme of work to provide assurance over the operation of the Council's internal controls. Risks identified and recorded on the Council's risk registers are used to inform the annual internal audit plan.□ The Council also has a Performance and Risk Management Group which is made up of key Officers (including service representative, Risk Officer Champion, Risk Officers, Internal Audit, Emergency Planning, Health and Safety and Insurance), the Executive Member for Risk and the Finance, Audit and Risk Committee Chair.□ At this group, the outcomes of key risk reviews are considered in detail, including being able to ask questions and offer support to the risk manager. The relevant outputs from the group (including recommendations on changes to corporate risks) are considered by Finance, Audit and Risk Committee, prior to discussion and agreement by Cabinet.□ The Council is part of a shared Fraud service (known as the Shared Anti-Fraud Service (SAFS)). There are regular reports to the Finance, Audit and Risk Committee on SAFS, including plans for the forthcoming year and monitoring of performance.
How the body approaches and carries out its annual budget setting process	<ul style="list-style-type: none">□ The Council has integrated budget setting structure, plan and timetable in place. Although this process stays largely unchanged from year to year, the underlying strategic goals and challenges can change between years dependent on pressures and strains being faced by each department.□ Over the Summer, the responsible officers and executive members start work on the Council Plan and the MTFS for the forthcoming year. This sets the objectives of the Council (Council Plan) and the financial context to deliver them in (MTFS). The MTFS will usually set a net savings target.□ Officers and Executive Members then commence work on detailed proposals for the following year. This is collated by the finance team with a review against the MTFS targets. These proposals are then discussed at the Political Liaison Board (including the Managing Director, Service Directors and Cabinet) to determine any prioritisation.□ Proposals are then discussed with Political Groups in early November. Feedback from these discussions is presented to Cabinet in January as part of a draft budget report. This report also includes any relevant updates (e.g. inflation, the Local Government finance settlement). This report is also reviewed by the Finance, Audit and Risk Committee.□ The outcome of this Cabinet meeting helps to determine the content of the final budget report, which goes to Finance, Audit and Risk Committee and Cabinet in early February, and is referred on to Council in February each year.

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23.

Reporting criteria considerations	Arrangements in place
<p>How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed</p>	<ul style="list-style-type: none"> □ The Council generally carry out quarterly budget monitoring, which is reported through to Leadership Team, Finance, Audit and Risk Committee and Cabinet. This is generally proportionate to the level of risk in the Council's budgets. □ Council has revenue performance indicators which are monitored and reported on a monthly basis, and these cover the Council's key income streams and provide an indication of any areas of concern. □ Before reporting variances (to Cabinet etc.), Budget Managers are asked to consider ways to manage within their budget. Finance would support with ideas and options. This would not include significant changes in level of service, as that would be a Cabinet decision.
<p>How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee</p>	<ul style="list-style-type: none"> □ The Council has a long-established Constitution which together with a range of codes of conduct, policies and procedures support informed decision making. The Council's Constitution includes guidelines on how decisions need to be made and by whom. □ All reports require professional input including legal, financial, risk and HR implications and decisions are taken in accordance with the constitution. Cabinet decisions are subject to call-in by the Overview and Scrutiny Committee. □ All financial monitoring, budget and risk (among others) are reviewed by the Finance, Audit and Risk Committee prior to going to Cabinet. □ The Finance, Audit and Risk Committee has responsibility for overseeing risk management and financial control, receiving reports from, and providing challenge to, the Section 151 Officer, Internal Audit and External Audit. □ The Finance, Audit and Risk Committee provides specific challenge on effectiveness of the internal control environment.
<p>How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)</p>	<ul style="list-style-type: none"> □ Compliance with legislative and regulatory requirements are monitored through various mechanisms. □ The Monitoring Officer maintains a register of interests for Members which is published on the Council's website. For Officers, the Council has a policy in relation to gifts and hospitality. □ Council has a separate Declaration of Interests/ Conflicts of Interest policy.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23.

Reporting criteria considerations	Arrangements in place
How financial and performance information has been used to assess performance to identify areas for improvement	<ul style="list-style-type: none">Management carries out a budget challenge process and these sessions include involvement from the Chief Finance Officer, Managing Director, Leader, Deputy Leader, Finance Portfolio Holder and Deputy Finance Portfolio Holder.With support from Finance, each Service Director and Executive Member present their budgets of responsibility, detailing what they spent, the level of service provided, split between statutory and discretionary services and opportunities for savings. Other attendees also have the opportunity to support or challenge the initiatives raised.After the budget is approved, financial performance is monitored via the quarterly outturn reports and presented to the Finance, Audit and Risk Committee. Reporting includes comparison of performance to date (outturn) and budget (including any revisions to budget). The main reasons for over- or under-spend are explained in the outturn report along with mitigating actions.Finally, Overview and Scrutiny and Cabinet receives a quarterly report on the Council Delivery Plan. This covers key projects, performance indicators and key risks. This would inform areas that may need improvement in terms of service.
How the body evaluates the services it provides to assess performance and identify areas for improvement	<ul style="list-style-type: none">Where available, management compares its performance indicators to performance by others through benchmarking process (e.g. waste collection data).The use of spend comparative indicators is not considered, as most of the differences are created by different approaches to overhead costs. However, management considers use of various networks to generate ideas and learn from others. This includes (for example) the Hertfordshire Chief Finance Officers Group, the Hertfordshire Chief Executives Group, and Herts Waste Partnership.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23.

Reporting criteria considerations

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

Arrangements in place

- The Council appreciates the fact that Services are not always delivered by them alone, but in a partnership or through alternative delivery models. Key partners include those in partner authorities and other Councils across the county, Urbaser (waste contract), John O'Connor (grounds maintenance contract), Settle (previously North Herts Homes), Stevenage Leisure, Countryside Management Service and Groundwork.
- The Council works to support local, county wide and wider partnerships that seek to improve the wellbeing of its local community e.g. through the North Herts Health and Wellbeing Partnership and Hertfordshire Public Health Board.
- Other key partners in the operation of the Council include County Councillors, Parish Councillors, local Members of Parliament, the Ministry of Housing Communities and Local Government, the Local Government Association, the East of England Local Government Association, the Local Government Ombudsman, housing associations, North Herts Centre for Voluntary Service, Citizens Advice North Hertfordshire, North Herts Minority Ethnic Forum, Youth Connexion Herts, Business Improvement Districts, Letchworth Garden City Heritage Foundation, the Police, Herts Young Homeless and the Stevenage Haven.

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

- All procurements are governed by the Council's Contract and Procurement Rules (part of the Council's Constitution) and compliance with these is monitored by Procurement/ Legal and the Contract Procurement Group.
- Moreover, the Council has a full-time Procurement Officer to provide specialist support.
- Each contract has a contract manager who is responsible for ensuring that the contracted service is delivered.

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