

NORTH HERTFORDSHIRE DISTRICT COUNCIL



5 September 2023

Our Ref Finance, Audit and Risk Committee 13
September 2023
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To: Members of the Committee: Sean Nolan, Terry Tyler, Terry Hone, Chris Lucas, Tom Plater,
Mandi Tandi, Tamsin Thomas and Cannon

Substitutes: Councillors Matt Barnes, Clare Billing, Sam Collins, Adam Compton, Juan Cowell
and Daniel Marsh

NOTICE IS HEREBY GIVEN OF A

MEETING OF THE FINANCE, AUDIT AND RISK COMMITTEE

to be held in the

**COUNCIL CHAMBER, DISTRICT COUNCIL OFFICES, GERNON
ROAD, LETCHWORTH, HERTS**

On

WEDNESDAY, 13TH SEPTEMBER, 2023 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 - 21 JUNE 2023	To take as read and approve as a true record the minutes of the meeting of the Committee held on the 21 June 2023	(Pages 5 - 16)
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. FINAL AUDIT RESULTS REPORT 2021-22 REPORT OF ERNST AND YOUNG	Final Audit Result Report in relation to the audit of North Hertfordshire District Council 2021-22.	(Pages 17 - 68)
7. STATEMENT OF ACCOUNTS 2021-22 REPORT OF THE SERVICE DIRECTOR – RESOURCES		(Pages 69 - 182)

To approve the audited Statement of Accounts for 2021/22. The Statement of Accounts has been subject to external audit and a draft is enclosed with the report as Appendix A.

- 8. ANNUAL AUDIT REPORT FOR 2021-22**
REPORT OF ERNST AND YOUNG

North Hertfordshire District Council, Auditor's Annual Report for Year ended 31 March 2022.

(Pages
183 -
204)
- 9. SAFS ANTI-FRAUD REPORT 2022-23**
REPORT OF THE SHARED ANTI-FRAUD SERVICE (SAFS)

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 2022-2023.

(Pages
205 -
234)
- 10. SAFS ANTI-FRAUD PROGRESS REPORT 2023-24**
REPORT OF THE SHARED ANTI-FRAUD SERVICE (SAFS)

To review the progress and delivery of the Anti-Fraud plan 2023-24.

(Pages
235 -
248)
- 11. SIAS SERVICE REPORT UPDATE 2023-24**
REPORT OF THE SHARED INTERNAL AUDIT SERVICE

To receive the Internal Audit Service progress report 2023-24 of the SIAS.

(Pages
249 -
266)
- 12. ANNUAL GOVERNANCE STATEMENT 2022-23**
REPORT OF THE POLICY AND COMMUNITY MANAGER.

For the Committee to approve the Annual Governance Statement (AGS) for the year 2022-23 and Action Plan.

(Pages
267 -
284)
- 13. FIRST QUARTER REVENUE BUDGET MONITORING 2023-24**
REPORT OF THE SERVICE DIRECTOR - RESOURCES

To inform Cabinet of the summary position on revenue income and expenditure forecasts for the financial year 2023-24, as at the end of the first quarter.

(Pages
285 -
296)
- 14. FIRST QUARTER INVESTMENT STRATEGY (CAPITAL AND TREASURY) REVIEW 2023-24**
REPORT OF THE SERVICE DIRECTOR – RESOURCES

To receive an update on progress with delivering the capital and treasury strategy for 2023-24, as at the end of June 2023.

(Pages
297 -
328)
- 15. 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, GERON ROAD, LETCHWORTH GARDEN CITY, SG6 3JF
ON WEDNESDAY, 21ST JUNE, 2023 AT 7.30 PM

MINUTES

Present: *Councillors: Sean Nolan (Chair) Tasmin Thomas, Tom Plater, Mandi Tandi and Terry Hone.*

Independent Person – John Cannon.

In Attendance:

Ian Couper (Service Director - Resources), James Lovegrove (Committee, Member and Scrutiny Manager), Sjanel Wickenden (Committee, Member and Scrutiny Officer), Georgina Chapman (Policy & Strategy Team Leader) and Chris Wood (Head of Shared Internal Audit Service).

Also Present:

At the commencement of the meeting no members of the public were present.

94 APOLOGIES FOR ABSENCE

Audio recording – 1 minute 22 seconds

There were no apologies for absence received.

Councillors Terry Tyler and Chris Lucas were absent.

95 MINUTES - 8 MARCH 2023

Audio Recording – 1 minute 40 seconds

Councillor Terry Hone noted that there was an error regarding the name of the Independent Member on the attendees list.

Councillor Sean Nolan, as Chair, proposed and Councillor Tom Plater seconded and, following a vote, it was:

RESOLVED: That the Minutes of the Meeting of the Committee held on 8 March 2023 be approved as a true record of the proceedings and be signed by the Chair.

96 NOTIFICATION OF OTHER BUSINESS

Audio recording – 4 minutes 11 seconds

There was no other business notified.

97 CHAIR'S ANNOUNCEMENTS

Audio recording – 4 minutes 20 seconds

- (1) The Chair advised that, in accordance with Council Policy, the meeting would be audio 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 applied to this meeting.

98 PUBLIC PARTICIPATION

Audio recording – 5 minutes 12 seconds

There was no public participation at this meeting.

99 ANNUAL GOVERNANCE STATEMENT 2022/23

Audio recording 5 minutes 17 seconds

The Policy and Strategy Team Leader presented the report entitled 'Annual Governance Statement 2022/23' and drew attention to the following, that:

- This was the Draft Annual Report for 2022/23 which included an action plan for 2023/24.
- It was recommended that the Committee reviewed and reported on the report so that it could be finalised for approval in September after being reviewed by the external auditors.
- The Annual Governance Statement (AGS) was undertaken under the CIPFA Delivering Good Governance in Local Government Framework 2016 Edition, which incorporated 7 principles of Governance. The AGS was prepared after a review from the leadership team who also provided an assurance statement that there was no sign of governance issues having occurred in 2022-23.
- There were 6 items on the action plan which included: attending Anti Bribery training, Members training post Mat 2024 Elections, Inclusion Group procedures, greater scrutiny of the Gender Pay Gap action plan, trends of the Local Ombudsman complaints and Implement the Action Plan after review from Committees.

The following Members asked questions:

- Councillor Terry Hone
- Councillor Tom Plater
- Independent Person John Cannon

In response to question the Policy and Strategy Team Leader stated that:

- Items in relation to Internal Audit 2021/22 can be updated when the report is refreshed.
- The items included on the Action Plan were on page 29 of the report.
- Regular updates on the action plan would be provided.

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

- Explained the expected timetable for approval of the 2021/22 and 2022/23 accounts.
- This Annual Governance Statement related to the 2022/23 accounts, and there is a requirement that it is approved in advance of the accounts that it will be published alongside

- It is also good practice to agree the Annual Governance Statement as soon as practical, so the intention is to approve it at the September meeting. This would meet the requirement to approve in advance.
- A change to the wording of the recommendation was suggested to make the timing clearer
- The outstanding 2021/22 audit issues in relation to the pension balances would not impact the 2021/22 general fund balance however it was required for proper accounting purposes.
- Reviews of the Action plan occurred half yearly, usually in September and March.

In response to questions the Head of the Shared Internal Audit Service stated that:

- The next agenda item explored the Annual Governance Opinion contained in the Annual Governance Statement (AGS) in more detail.
- It was good to see an Action Plan attached to the AGS as transparency was an important factor in producing the AGS.
- Other authorities usually have an update of their Action Plan in December.

Councillor Terry Hone proposed, and Councillor Tasmin Thomas seconded and, following a vote, it was:

RESOLVED: That the Committee reviewed and commented on the draft AGS Action Plan for it to be finalised for approval in September.

REASON FOR DECISION: The Committee is the legal body with responsibility for approval of the AGS. Reporting the draft AGS 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.

100 **SIAS ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT ANNUAL REPORT 2022/23**

Audio recording 23 minutes 29 seconds

The Head of Shared Internal Audit Service presented the report entitled 'SIAS Annual Assurance statement and Internal Audit Annual Report 2022/23' and drew attention to the following, that:

- An annual Audit Plan was set in March 2022, and this set out the work for the year 2022/23.
- Throughout the year, progress reports of the Audit Plan were produced along with copies of the audits coming out of the plan issued to FAR Committee Members, and at the end of the year the Public Sector Internal Audit Standards required an assurance opinion based on the work in the plan.
- Appendix B showed the 'Definitions of Assurance and Recommendation Priority Levels', however there were some definitions missing as the Appendix from the previous year had been used, rather than an updated version.
- North Herts Council had received a 'Reasonable' overall assurance, with very few Councils likely to achieve the top assurance category of Substantial.
- NHC had no Section 114 Notices and stator recommendations, for example and was thus unlikely to have a 'Limited' overall assurance opinion.
- It was a standard requirement that we noted the outcome of our self-assessment against the Public Sector Internal Audit Standards. The 2022/23 year was assessed as generally conforms, which was the highest category.
- The Public Sector Internal Audit Standards requires that internal audit has an external quality assessment every 5 years, this was completed in 2021 and concluded the Council generally conformed.

- The Standard assured to the Committee that they had an internal audit service that met standards and delivered.
- The Committee was requested to approve the SIAS Internal Audit Charter, effectively a constitution for internal audit, which set out the audit's rights and responsibilities and approval was important for the Committee and internal audit's role in the broader governance structure.
- There was confirmation that no limitations or restriction on the scope of SIAS work had occurred and that SIAS remained independent and requested that the Service Director – Resources confirmed that matter.

The Service Director – Resources confirmed that no limitations or restriction had been placed on SIAS and that SIAS remained independent.

The following Members asked questions:

- Councillor Tom Plater
- Councillor Terry Hone

In response to questions the Head of Shared Internal Audit Service stated that:

- The individual audit for the Parking Strategy was not an area of particular risk and would have been replaced by a higher risk project.
- The reference to personal gain would also include political gain and can be amended to reflect this.
- Members can view implementation of internal audit recommendations at the Council using Pentana.

In response to questions the Service Director- Resources stated that:

- The Parking Strategy was likely to happen next year, although had been planned.
- The Climate Emergency, listed under the Critical and High Priority Recommendations related to an additional resource.
- A written response on the progress of the Critical and High Priority Recommendations would be sent.

Councillor Tom Plater proposed, and Councillor Terry Hone seconded and, following a vote, it was:

RESOLVED: That the 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 SIAS Audit Charter for 2023/24.
- (4) Received management assurances that the scope and resources for internal audit were not subject to inappropriate limitations in 2022/23.

REASON FOR DECISIONS: To update the Committee on the Annual Assurance Statement and Internal Audit Annual Report 2022/23.

101 REVENUE BUDGET OUTTURN 2022/23

Audio recording – 39 minutes 31 seconds

The Service Director – Resources presented the report entitled 'Revenue Budget Outturn 2022/23', as published as a supplementary document, and highlighted:

- The supplementary agenda pack contained 1 minor difference to the original published report.
- The report related to the revenue for the year 1 April 2022 to 31 March 2023.
- Paragraph 8.16 and Table 7 highlighted the General Fund Impact, with our main reserves increase which meant greater stability for the future.
- The Q4 spending was lower than forecasted in the Q3 forecast.
- Table 4 summarised significant variances at Outturn and detailed the reasons for differences, with an overall £920K balance. £184K of this related to projects carried over to the 2023/24 budget.
- A reduction of £250K in the amount that was expected to be needed as a contribution to Housing Benefit bad debts was the most significant ongoing change, this was highlighted in the addendum.
- Paragraph 8.3 of the report highlighted the impact of the carried forward budget from the previous year.
- Paragraph 8.4 of the report showed the planned efficiencies for the year, what was forecasted and budgeted, and will assist our forecasting for future years.
- Paragraphs 8.6 to 8.8 showed the key sources of incomes for the Council, with supporting data included in table 6.
- Paragraph 8.18 highlighted the final position of other reserves available to the Council for future spend. This is a combination of funding that the Council has chosen to set aside for specific purposes and funding that can only be spent on specific projects, e.g. based on funding criteria.

The following Members asked questions:

- Councillor Terry Hone
- Councillor Tom Plater
- Independent Person John Cannon

In response to questions the Service Director – Resources stated:

- That parking penalties notices payments had a higher than usual element of Bad Debt provision, and comparisons with previous years would be provided separately to the Committee.
- Parking penalties notices are not issued frivolously and had been chased prior to their write off, any upheld disputes would be credited rather than written off.
- There was a lot of uncertainty regarding Council funding in future years, with retained business rates, core funding and the influence of inflation.
- Council Tax receipts are based on numbers of households and increases allowed by Government, so this revenue is more certain.
- The Leisure Centre Management fee was a reflection of the recovery from the impact of Covid and was expected to stabilise.
- In 2022/23 there was a budget set aside for Covid recovery, and that was not all needed.

Councillor Tom Plater proposed, and Councillor Tasmin Thomas seconded and, following a vote, it was:

RECOMMEND TO CABINET:

- (1) That Cabinet note this report.

- (2) That Cabinet approves a decrease of £920k in the 2022/23 net General Fund expenditure, as identified in table 4 and paragraph 8.1, to a total of £15.818million.
- (3) That Cabinet approves the changes to the 2023/24 General Fund budget, as identified in table 3 and paragraph 8.3, a total £47k decrease in net expenditure.

That Cabinet recommends to Council.

- (4) That Council approves the net transfer from earmarked reserves, as identified in table 9, of £5.274million

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.

102 INVESTMENT STRATEGY (CAPITAL AND TREASURY) END OF YEAR REVIEW 2022/23

Audio recording – 57 minutes 37 seconds

The Service Director – Resources presented the report entitled 'Investment Strategy (Capital and Treasury) End of Year Review 2022/23', and highlighted

- The report covered the Council's capital expenditure for the year 2022-23.
- The Capital related to the acquisition and improvements to buildings and property and Treasury is the investing of surplus cash.
- The Treasury Strategy of February 2022 set the parameters for investing.
- Table 2 of the report showed the Scheme Timetable Revision of projects that now happen in 2023/24. The Capital slippage is higher than hoped and the reasons for difference can be found in Column 5.
- The Council had 3 items on the report Changes to Capital Schemes Commencing in 2022/23 in Table 3, all of these schemes showed underspends and column 5 details the underspend reasons
- Paragraph 8.6 of the report highlighted schemes that have been completed in the year 2022/23.
- Paragraph 8.7 and Table 4 of the report showed how these schemes were funded, including the use of capital receipts.
- The Council have been investing surplus funds, in line with the Treasury Management Strategy Statement and shown in Appendix B. Due to the rise in interest rates, over £1m in additional interest had been generated.

The following Member asked questions:

- Councillor Terry Hone
- Councillor Sean Nolan
- Independent Person John Cannon.

In response to questions the Service Director – Resources stated:

- In February 22 the Council forecasted what it thought interest rates would do, that interest rates would peak and then start to drop down towards 2.5%. At the moment the interest being earned by the Council is above 4% and may not have reached its peak. Currently, the Council is in a strong position, with high investment balances and low borrowing, but the

longer-term forecast assumes that the interest rate will come back down. The Council run out of capital receipts to fund its capital programme.

- A budget has been made for Street Cleaning Vehicles in 2025/26, and the Council are preparing for both funding options within the new contract, either Council or provider funding. A requirement under the accounting rules means that the Council must capitalise purchases for vehicles we gain from the use of, whatever the legal structure of funding or ownership.
- Finances and resources always have a limit our property improvements and The Council are focusing on ensuring that works the Council are prioritised based on risk and, where relevant, are commenced in the right seasonal months.

Councillor Tasmin Thomas proposed, and Councillor Tom Plater seconded, and following a vote, it was:

RECOMMENDATIONS TO CABINET:

- (1) That Cabinet notes expenditure of £6.923million in 2022/23 on the capital programme, paragraph 8.3 refers.
- (2) That Cabinet approves the adjustments to the capital programme for 2023/24 as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend in by £1.222million.
- (3) That Cabinet notes the position of the availability of capital resources, as detailed in table 4 paragraph 8.7 and the requirement to keep the capital programme under review for affordability. Page 75 Agenda Item 9
- (4) That Cabinet approves the application of £6.300million of capital receipts/set aside towards the 2022/23 capital programme, paragraph 8.7 refers.
- (5) Cabinet is asked to note the position of Treasury Management activity as at the end of March 2023.
- (6) Cabinet is asked to recommend this report to Council and ask Council to:
 - 1) Approve the actual 2022/23 prudential and treasury indicators.
 - 2) Note the annual Treasury Report for 2022/23.

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.

103 LGA REVIEW ACTION PLAN

Audio recording – 1 hour 17 minutes 40 seconds

The Service Director – Resources presented the report entitled 'LGA Review Action Plan' and highlighted:

- This was a follow up review from the Peer Review and focused on the effectiveness of the O&S and FAR Committees.

- Paragraph 8.1 of the report highlighted the Action Plan to be considered by Cabinet, including target completion dates and current progress.
- The recommendation for the Service Director – Resources to draft wording for the Chair to read at each meeting has not happened for this meeting and would commence in September.
- The training stated in the Action Plan is for Members and to promote the role of the Committee.
- The recommendation to transfer the finance elements of FAR over to O&S was not being taken forward. This was because O&S was developing and FAR was benefitting from the expertise and knowledge of the current Committee and Independent Person. However, it could be revisited in the next civic year.
- The Service Director - Resources would contact Committee Services to confirm that every Member of the Committee can easily access information about the Committee meeting.

In response to a point of clarification from Councillor Tasmin Thomas, the Committee, Member and Scrutiny Manager stated that the information as to how the LGA Peer Review was shared with Councillors would be sent at a later date.

Councillor Terry Hone proposed, and Councillor Mandi Tandi seconded, and following a vote, it was:

RECOMMENDATIONS TO CABINET: That Finance, Audit and Risk Committee recommend to Cabinet that they note the comments of FAR and approve the draft Action Plan.

REASONS FOR RECOMMENDATIONS: To ensure that the Council responds to the matters identified within the peer support report, ensuring that the benefits of that process are realised.

104 FINANCE, AUDIT AND RISK COMMITTEE ANNUAL REPORT 2022/23

Audio recording – 1 hour 26 minutes 54 seconds

The Service Director – Resources presented the report entitled 'Finance Audit and Risk Committee Annual report' and highlighted that:

- The report reviewed the last year of the Committee and highlighted what was scheduled for the current year.
- This included a review of the SIAS report on the effectiveness of the Committee from 2021 and the progress of their Action Plan.
- A similar SIAS review had not taken place for the last two years, as this report had essentially been covered by the Peer Review.
- This report also highlighted the cycle of reports, main achievements of the Committee and highlighted the appointment of the Independent Member in September 2022.
- The planned work highlighted in the report should be dated as 2023-24 and this outlined the expected reports and reviews for the coming year and noted that the reports from External Auditors would be delayed relating to the Pension Fund review and general audit resourcing.
- The Draft Accounts were required to be published and made available for inspection by the public by the end of May. This has not happened as there are outstanding actions with the 2021/22 accounts, that affect the 2022/23 accounts.

The following Members asked questions:

- Councillor Tom Plater
- Councillor Terry Hone
- Independent Person John Cannon

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

- The delay in publishing the accounts was related to a technical reason and would not have a financial impact on the Council.
- The aim now is to publish the accounts in September for the year 2021/22, so the accounts would be approved at the September Committee meeting.
- Former Chair, Councillor Tyler had been provided a copy of the report so that any comments could be provided.
- The audit for 2022/23 should commence in November 2023 and it is hoped it would be completed by March 2024.
- The Independent Person first attended meeting from September 2022, not June as listed in the report. This would be updated before presenting to Full Council.

Councillor Sean Nolan as Chair, proposed, and Councillor Terry Hone 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,

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

REASONS FOR REFERRAL: 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

105 YEAR END REPORT ON RISK MANAGEMENT GOVERNANCE

Audio recording – 1 hour 40 minutes 19 seconds

The Service Director – Resources presented the report entitled 'Year End Report on Risk Management Governance' and highlighted:

- Paragraph 7.1 of the report outlined the background to the how the risks impacting on the delivery of the Council Plan were reported and the change to the current Council Delivery Plan as reviewed by the Overview and Scrutiny Committee, and for this Committee to review how risk is monitored.
- Paragraph 7.3 explained the role of the Council Risk and Performance Management Group (RPMG). The RPMG had regular daytime meetings that Members of FAR and O&S were welcome to attend where they have in-depth discussion around Risk and produced a formal report.
- The Year End Council Delivery Plan risks are highlighted in the Corporate Risk Matrix shown at paragraph 8.2.5.
- The items with high impact and high likelihood are the Response to Government Resources and Waste Strategy item, which was still to be published, and Churchgate
- A General Resourcing risk had been added to the list, currently shown with a rating of 8 on the matrix.
- Table 1 presented the risk categorisations and changes. It is important that risks have mitigation actions, and risk score changes are a sign that those actions are being implemented.
- Members can request more details of specific projects and are able to log in to and view projects on Pentana.
- Paragraph 8.7 discussed the approach of the Council to emerging risks and the Risk Appetite at North Herts and how the Council approach risks based on outcomes.
- As highlighted in paragraph 8.7.3, and following a suggestion from a risk audit, the Council now identifies and considers risks that are emerging and have a procedure on how to

identify and consider these. This included situations such as the war in Ukraine, in the Taiwan-China conflict and inflation. These are going to be considered by the Council's Senior Management Group, and when required would be added as more defined risks.

- The report includes detailed explanations on Insurance, Business continuity, Health and Safety and how these input into risk.
- Paragraph 13.1 related to target actions of the Council, which are risk training, the risk framework and insurance tenders.

The following Members asked questions

- Councillor Sean Nolan
- Independent person John Cannon

In response to questions the Service Director – Resources stated:

- The Shared Internal Audit Service shared information on issues and awareness of Risk from other Districts in the County. The Shared Anti-Fraud Service also shared information from other Councils and National bodies.
- It would be worth considering how we can learn from the risks that Central Government face and their learning.
- Paragraph 10.3 focused on the key dependencies and what the response would be if they were not available and how it would affect business continuity and what resources are available should something happen.

RESOLVED:

- (1) That Finance, Audit and Risk Committee noted and provided comments to Cabinet on the Annual Risk Management update, for referral on to Full Council.
- (2) That Finance, Audit and Risk Committee provided comments to Cabinet on the review of the Risk Management Framework.
- (3) That Finance, Audit and Risk Committee commented on the type of Risk Management Training they would like to see going forward.

RECOMMENDATIONS TO CABINET:

- (1) That Cabinet note the comments provided by FAR on the Annual Risk Management update and refer this onto Full Council.
- (2) That Cabinet note the comments provided by FAR on the review of the Risk Management Framework.

REASONS FOR RECOMMENDATIONS:

- (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.

106 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio recording – 1 hour 54 minute 8 seconds

The Chair led a discussion on future agenda items and the following Members took part:

- Councillor Tasmin Thomas

- Councillor Terry Hone

Points raised in the discussion included:

- More training and information regarding financial risks.
- A focus on the Councils high risk projects.
- Being mindful of the work of the Overview and Scrutiny Committee.

In response to points raised the Service Director – Resources advised that, they would investigate how further information on high risk items could be reported to the Committee without duplicating the O&S work on the Council Plan.

The meeting closed at 9.29 pm

Chair

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North Hertfordshire District Council Final Audit Results Report

Year ended 31 March 2022

29 August 2023

Page 17



Building a better
working world

Agenda Item 6



Private and Confidential

29 August 2023

Finance, Audit and Risk Committee Members
North Hertfordshire District Council
Council Offices
Gernon Road
Letchworth Garden City, SG6 3JF

Dear Finance, Audit and Risk Committee Members

We are pleased to attach our Final Audit Results Report in relation to the audit of North Hertfordshire District Council for 2021/22. This report provides an update to our Provisional Audit Results Report presented to the Finance, Audit and Risk Committee meeting on 8 March 2023.

The audit is designed to express an opinion on the 31st March 2022 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on North Hertfordshire's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

We would like to take this opportunity to thank the Council and finance team for their co-operation in challenging circumstances and highlight the positive working relationships that have been developed.

This report is intended solely for the information and use of the Finance, Audit and Risk Committee, other members of the Council and senior management. It is not intended to be 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 and Risk Committee meeting on 13 September 2023.

Yours faithfully

Debbie Hanson

Partner, For and on behalf of Ernst & Young LLP

Encl

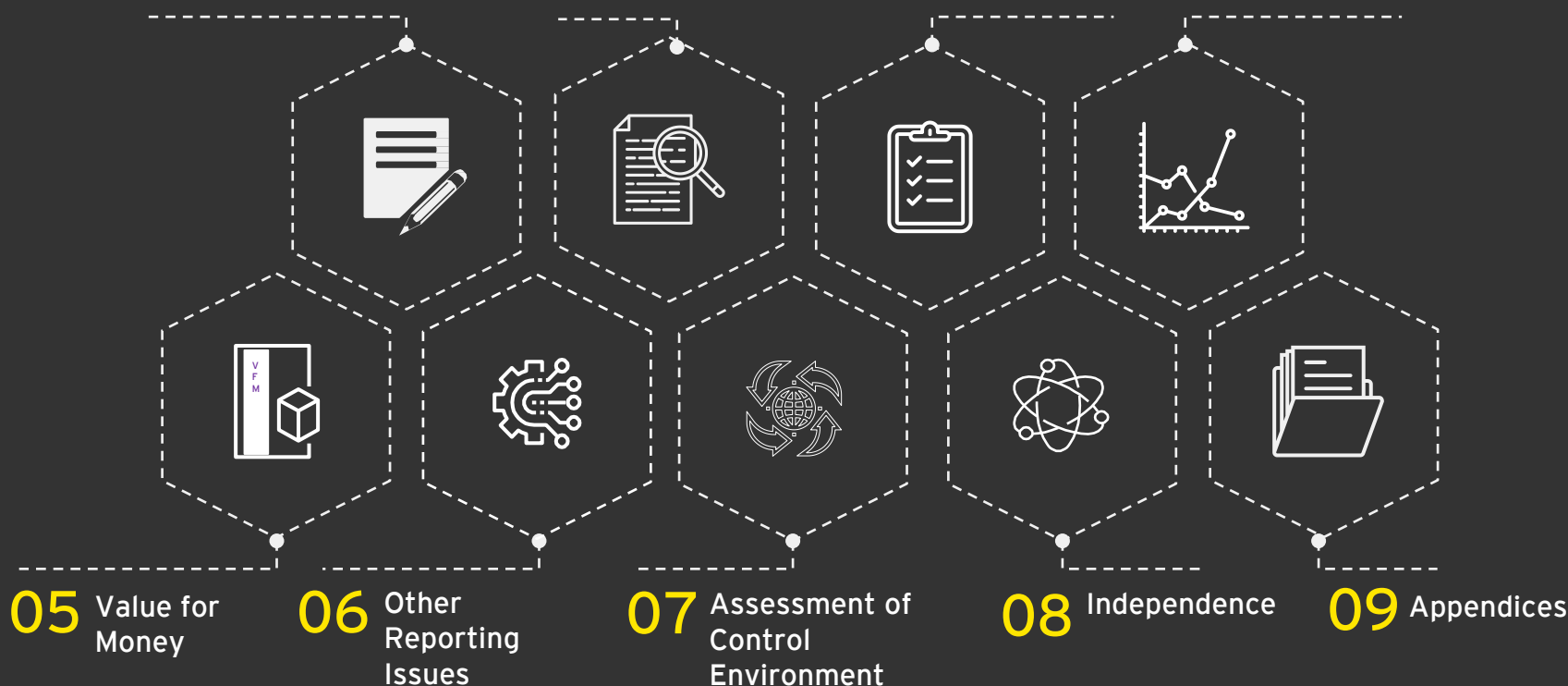
Contents

01 Executive Summary

02 Areas of Audit Focus

03 Audit Report

04 Audit Differences



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.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>). 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 (<https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment-and-further-guidance-1-july-2021/>) 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 Finance, Audit and Risk Committee and management of North Hertfordshire District 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 North Hertfordshire District 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 North Hertfordshire District 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

Scope Update

In our Audit Planning Report presented to the 7th of December Finance, Audit and Risk Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this Plan.

Materiality Update

In the Audit Plan, we reported that our materiality has been set at £1.4 million, which represents 2% of gross revenue expenditure of the Council, and performance materiality set at £1.05 million. We have revisited these figures during the completion of our audit and are satisfied that they remain appropriate.

Status of the audit

This report provides an update on the Provisional Audit Results Report dated 24 February 2023 and presented to the Finance, Audit and Risk Committee on the 8 March 2023, and the position following the conclusion of the outstanding audit procedures stated within that report. This report also includes an update on the areas of focus in our Audit Plan as well as on the final audit differences identified as well as our independence. The main reasons for the delay in completion of the audit following the Committee meeting in March were the need to consider the impact of the 2022 triennial pension valuation which was finalised in March 2023 as well as the need for further changes to be made to the accounts in relation to audit differences identified. Further detail on these issues is included in this report.

Our audit work in respect of the Council opinion is substantially complete. Procedures required to complete before we can issue our opinion are listed below.

- Response to a query raised to the pension fund auditor and actuary regarding net pension liability

Closing Procedures

- Agreement of the final set of financial statements
- Subsequent events review to the date of our audit report
- Receipt of signed management representation letter and financial statements

Subject to satisfactory completion of the outstanding matters set out below we expect to issue an unqualified opinion in the form presented in section 03 of our Provisional Audit Results Report dated 2 March 2022.

We expect to issue the audit certificate after we issue the audit opinion, once the requirements of the Whole of Government Accounts (WGA) submission have been confirmed and completed as necessary.



Executive Summary

Auditor responsibilities under the new Code of Audit Practice 2020

Under the Code of Audit Practice 2020, we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability
How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance
How the Council ensures that it makes informed decisions and properly manages its risks; and
- 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.

Status of the audit - Value for Money

In the Audit Plan dated 7 December 2022, we reported that our area of focus will be on the arrangements that the Council has in place in relation to financial sustainability.

We have completed our planned VFM procedures and have no matters to report 'by exception' in our auditor's report.

We will formally issue our VFM commentary within our Auditor's Annual Report, which we plan to issue by September 2023.



Executive Summary

Audit differences

We have identified a number of audit differences throughout our audit work and details of these adjustments can be found in Section 04 of this report, including the following misstatements which Management agreed to correct. We have noted below where these are new differences identified subsequent to the issue of our Provisional Audit Results Report in March 2023:

- ▶ Overstatement of property, plant and equipment (PPE) due to duplicate recording of Hitchin Town Centre and a small number of other assets. The impact on the PPE balance was a £6.9 million overstatement for 2021/22, £6.7 million overstatement for 2020/21 and £6.0 million overstatement for 2019/20. There is also an impact on depreciation (£0.2 million overstatement for 2021/22 and 2020/21) and revaluation gain (£0.440 million overstatement for 2021/22 and £0.918 million overstatement for 2020/21). Note our Provisional Audit Results Report referred to the error on Hitching Town Centre. Further duplicate assets were subsequently identified by the Council on further review of the fixed asset records.
- ▶ Understatement of operating expenditure and the revaluation reserve by £1.1 million due to an error in recording the downward movement in value of assets held for sale in the revaluation reserve instead of operating expenditure.
- ▶ £2.6 million unspent balance of Covid-19 Additional Relief Fund was incorrectly recorded as short term creditors instead of grants received in advance.
- ▶ Overstatement of revaluation reserve by £0.178 million due to incorrect recording of upward movement in property, plant and equipment in revaluation reserves instead of a reversal of impairment loss previously charged to surplus/deficit on provision of services.

In preparing the cash flow statement, management includes the purchase and sale of short term liquid investments (presented as cash equivalents) as part of investing activities, which is not in line with the CIPFA Code. This resulted in an overstatement in the figures for purchase of short-term and long-term investments by £696.4 million, and proceeds from short-term and long-term investments by £708.4 million for 2021/22. The error in the comparative figures for 2020/21 is an overstatement for purchase of short-term and long-term investments by £545.5 million and proceeds from short-term and long-term investments by £542.4 million.

The following additional differences were identified subsequent to the issue of our Provisional Audit Results Report in March:

- ▶ £1.5 million assets were incorrectly classified as other land and buildings instead of community assets, infrastructure assets and plant and equipment.
- ▶ Net pension liability increased by £9.4 million as a result of the actuary's issuance of the revised IAS 19 report.

We have consulted internally on the two errors noted above which also have an impact on the prior year and therefore resulted in an adjustment to the prior year comparatives.

We have identified a small number of disclosure differences in notes to the financial statements. These include changes which flow from the audit adjustments affecting the primary statements above, as well as casting, referencing and classification which management have agreed to amend in the final set of accounts.

We have identified a small number of unadjusted differences above our reporting level of £0.071 million that management have chosen not to adjust. Further details are in Section 04.



Executive Summary

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We plan to complete the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts after issuing our audit opinion. Although the Council is below the threshold set by the NAO for the completion of detailed procedures, the NAO has not yet confirmed which Councils it plans to identify as additional sampled components. Until we can confirm whether we will be required to undertake any additional procedures on behalf of the NAO we are not able to certify the completion of the audit.



Executive Summary

Areas of audit focus

In our Audit Planning Report we identified a number of key areas of focus for our audit of the financial statements of North Hertfordshire District Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Fraud Risk	Findings & Conclusions
Misstatements due to fraud or error	We carried out standard procedures to address fraud risks as set out in our Audit Plan, including identifying risks, considering controls and their effectiveness, testing journal entries and looking at estimates for evidence of management bias. Using data analytics is central to our approach in this area. We have not identified any misstatements in this area.
Inappropriate capitalisation of revenue expenditure	We have completed our audit work on capital additions and have not identified any misstatements.
Valuation of investment properties	We have completed our audit work on investment properties valuation. We have not identified material differences in the valuation of investment property.
Valuation of property, plant and equipment (other land and buildings and surplus assets) and assets held for sale	<p>We have completed our audit work on the valuation of property, plant and equipment and assets held for sale. We have noted the following issues:</p> <ul style="list-style-type: none">• Overstatement of property, plant and equipment (PPE) due to duplicate recording of Hitchin Town Centre and a small number of other assets. As this and the other assets have been in the register for a number of years, the error has an impact on the balance of PPE and reserves for 2021/22, 2020/21 and 2019/20.<ul style="list-style-type: none">• The impact on the PPE balance was a £6.9 million overstatement for 2021/22, £6.7 million overstatement for 2020/21 and £6.0 million overstatement for 2019/20.• There is also an impact on depreciation (£0.2 million overstatement for 2021/22 and 2020/21) and revaluation gain (£0.440 million overstatement for 2021/22 and £0.918 million overstatement for 2020/21).• Understatement of operating expenditure and the revaluation reserve by £1.1 million due to an error in recording the downward movement in value of assets held for sale in the revaluation reserve instead of operating expenditure.• Overstatement of revaluation reserve by £0.178 million due to incorrect recording of upward movement in property, plant and equipment in revaluation reserves instead of a reversal of impairment loss previously charged to surplus/deficit on provision of services.• £1.5 million assets were incorrectly classified as other land and buildings instead of community assets, infrastructure assets and plant and equipment.



Executive Summary

Areas of audit focus (continued)

Fraud Risk	Findings & Conclusions
Pension liability valuation	<p>We have completed the initial procedures planned in this area and noted the following differences which were identified by the pension fund auditor and communicated to the audit team thru the pension assurance letter:</p> <ul style="list-style-type: none">• A difference of £0.6 million was noted between benefits paid per the ledger and the IAS 19 report. This only impacts the pension assets and liability tables in Note 39 and has no impact in the balance sheet or income statement.• Pension assets are overstated by £0.1 million. This impacts pension liability and actuarial gain or loss.• Return on assets used by the actuary was 4.4% when it should be 4.5%. The impact is £0.1 million understatement of investment income and overstatement of actuarial gain. <p>Due to the amounts not being material, Management opted not to correct these differences.</p> <p>Update:</p> <p>The publication of the 2022 Triennial Pension Valuation Report in March 2023, had to be considered as information received after the balance sheet date by both the Council and ourselves in terms of the impact of this updated information on the valuation of the Council's pension liability. We also had to obtain further assurance from the pension fund auditor that the membership data used in the 2022 Triennial Valuation Report for Hertfordshire Pension Fund, and revised IAS 19 report for the Council were materially accurate.</p> <p>At the date of writing this report, we have received the updated assurance letter from the pension fund auditor which reports the results of membership data testing used by the actuary in calculating the revised net pension liability as of 31 March 2022. However, we have raised a query regarding the split of pension assets among the members of the scheme to the pension fund auditor. The pension fund auditor have raised the query to the actuary and is still outstanding.</p>
Going concern	<p>We have completed our going concern assessment covering the period to September 2024 and have not identified any issues.</p>



Executive Summary

Areas of audit focus (cont'd)

We request that you review these and other matters set out in this report to ensure:

- ▶ There are no residual further considerations or matters that could impact these issues
- ▶ You concur with the resolution of the issue
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Finance, Audit and Risk Committee or Management.

Control observations

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you internal controls that require certain improvements and have three matters to report to you. We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware. We have however made a small number of observations and recommendation.

Please refer to Section 07 for our detailed findings and recommendations.

Independence

We confirm we have no independence issues. Please refer to Section 08 for our update on Independence.



02

Areas of Audit Focus



Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

What judgements are we focused on?

The journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
Accounting estimates such as the pensions liability property asset valuations; and
Significant unusual transactions.

What did we do?

- Identified fraud risks during the planning stages.
- Inquired of management about risks of fraud and controls put in place to address those risks.
- Understood the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including;
 - testing of journal entries and other adjustments in the preparation of the financial statements;
 - reviewing accounting estimates for evidence of management bias; and
 - evaluating the business rationale for significant unusual transactions;

What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.



Areas of Audit Focus

Significant risk

Incorrect capitalisation of revenue expenditure

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have identified an opportunity and incentive to incorrectly capitalise revenue expenditure to remove it from the general fund. In arriving at this conclusion we have considered the continuing pressure on the revenue budget and the financial value of the Council's annual capital programme, which is significantly higher than our materiality level. This could then result in funding of that expenditure, that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants or borrowing.

What judgements are we focused on?

Whether management had inappropriately capitalised revenue spend

What are our conclusions?

We have not identified any revenue items that have been inappropriately capitalised from our substantive testing.

What did we do?

- Obtained a general ledger breakdown of capital additions in the year, reconciled this to the Fixed Assets Register and reviewed the general ledger descriptions to identify whether there were any potential transactional items that could be revenue in nature;
- Sample tested additions to property, plant and equipment at a lower testing threshold to ensure they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised. We reviewed the sample selected against the definition of capital expenditure in IAS 16; and
- As part of our journals testing strategy, we reviewed unusual journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.



Areas of Audit Focus

Significant risk

Valuation of investment properties

What is the risk?

Investment properties represent a significant balance in the Council's accounts and are subject to valuation changes, market volatility and impairment reviews.

Material judgmental inputs and estimation techniques are required to calculate the year-end investment property valuations held in the balance sheet.

Considering that the level of estimation uncertainty and complexity is higher for assets valued using market information, we retained the significant risk on this account for 2021/22. As of 31 March 2022, investment properties are valued at £26.379 million.

What judgements are we focused on?

As this is a material accounting estimate and dependent on a high degree of subjectivity, we associated a significant risk to the valuation of investment properties in the 2021/22 audit.

What did we do?

- Considered the work performed by the Council's external and internal valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Selected a sample of investment property assets and tested the inputs, assumptions and methodologies employed by the Council's valuers and consider the reasonableness of the estimation techniques employed. We used our own valuation experts to review the methodology and assumptions used by the valuer for one asset;
- Assessed the accuracy of the classification of assets and the valuation basis assigned;
- Identified and corroborated any material increases or impairments during the year;
- Reviewed the annual cycle of valuations to ensure that assets have been valued annually;
- Considered if there are any specific changes to assets that have occurred and confirmed that these have been communicated to the valuer;
- Tested accounting entries, ensuring these have been correctly processed in the financial statements; and
- Reviewed appropriateness of the relevant accounting policies and disclosures.

What are our conclusions?

We have completed our audit work on investment properties valuation.

We have not identified material differences in the investment property valuations work.



Audit risks

Other areas of audit focus

What is the risk/area of focus?

Valuation of property, plant and equipment (other land and buildings and surplus assets) and assets held for sale

The fair value of property, plant and equipment and assets held for sale represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

As of 31 March 2022, the Council held the following capital asset values valued at fair value (excluding investment properties):

Other land & buildings - £83.883 million

Surplus assets - £7.155 million

Assets held for sale - £3.227 million

The majority of this balance (£72.815 million from £94.265 million or 77%) was valued on the basis of depreciated replacement cost.

What did we do?

To address this risk, we:

- Considered the work performed by the valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Analysed the Council's asset base, disaggregating it based on the nature of the asset and valuation method used.
- Selected a sample of assets for detailed testing, ensuring that all significant asset groups are represented in our sample. For the sample selected we tested key assumptions and methodologies and consider the reasonableness of the estimation techniques employed and key asset information used by the valuer;
- For non-specialist assets such as offices, which are typically valued on an existing use value (EUV) basis, we challenged the Council on key inputs such as yield rates, income, lease periods and reversion rent;
- We sent one asset valued using EUV to our valuation expert (EY Real Estate) for review.
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE.
- Considered if there are any specific changes to assets that have occurred and whether these have been communicated to the valuer;
- Reviewed assets not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated;
- Considered changes to useful economic lives as a result of the most recent valuation;
- Tested accounting entries have been correctly processed in the financial statements; and
- Reviewed the disclosures to ensure they are adequate in relation to estimation uncertainty.



Audit risks

Other areas of audit focus

What are our findings/conclusions

We have completed our audit work on the valuation of property, plant and equipment and assets held for sale. We have noted the following issues:

- Overstatement of property, plant and equipment (PPE) due to duplicate recording of Hitchin Town Centre and a small number of other assets. As this asset and the other assets have been in the register for a few years, the error has an impact on the balance of PPE and reserves for 2021/22, 2020/21 and 2019/20.
 - The impact on the PPE balance was a £6.9 million overstatement for 2021/22, £6.7 million overstatement for 2020/21 and £6.0 million overstatement for 2019/20.
 - There is also an impact on depreciation (£0.2 million overstatement for 2021/22 and 2020/21) and revaluation gain (£0.440 million overstatement for 2021/22 and £0.918 million overstatement for 2020/21).
- Understatement of operating expenditure and the revaluation reserve by £1.1 million due to an error in recording the downward movement in value of assets held for sale in the revaluation reserve instead of operating expenditure.
- Overstatement of revaluation reserve by £0.178 million due to incorrect recording of upward movement in property, plant and equipment in revaluation reserves instead of a reversal of impairment loss previously charged to surplus/deficit on provision of services.
- £1.5 million assets were incorrectly classified as other land and buildings instead of community assets, infrastructure assets and plant and equipment.

These were all corrected by Management.



Audit risks

Other areas of audit focus (continued)

What is the risk/area of focus?

Pension liability valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by North Hertfordshire Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2022 this totalled £30.210 million (per the draft accounts).

The information disclosed is based on the IAS 19 report issued to the Council by the actuary.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf.

ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What did we do?

To address this risk, we :

- Liaised with the auditors of Hertfordshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to the Council;
- Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considered reviews of this by the EY actuarial team;
- Engaged our internal EY pensions team to calculate an estimate of the Council's pension liability by running their own 'actuarial model' and compared this to that produced by the Council's actuary; and
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.



Audit risks

Other areas of audit focus (continued)

What are our findings/conclusions

We have completed the initial procedures planned in this area and noted the following differences which were identified by the pension fund auditor and communicated to the audit team through the pension assurance letter:

- A difference of £0.6 million was noted between benefits paid per the ledger and the IAS 19 report. This only impacts the pension assets and liability tables in Note 39 and have no impact in the balance sheet or income statement.
- Pension assets is overstated by £0.1 million. This impacts pension liability and actuarial gain or loss.
- Return on assets used by the actuary was 4.4% when it should be 4.5%. The impact is £0.1 million understatement of investment income and overstatement of actuarial gain.

Due to the amounts involved not being material, Management opted not to correct these differences.

update:

The publication of the 2022 Triennial Pension Valuation Report in March 2023, had to be considered as information received after the balance sheet date by both the Council and ourselves in terms of the impact of this updated information on the valuation of the Council's pension liability. The Council obtained an updated IAS 19 report to assess the impact of this on their pension liability and IAS 19 disclosures. As the impact was material they have amended their accounts to reflect the updated report. We re-engaged our internal EY pensions team to calculate an estimate of the Council's updated pension liability using the revised inputs from the IAS 19 report and membership data from the latest triennial valuation report. Our EY Pensions team found the revised pension liability to be materially precise.

We also had to obtain further assurance from the pension fund auditor that the membership data used in the 2022 Triennial Valuation Report for Hertfordshire Pension Fund, and revised IAS 19 report for the Council were materially accurate.

At the date of writing this report, we have received the updated assurance letter from the pension fund auditor which reports the results of membership data testing used by the actuary in calculating the revised net pension liability as of 31 March 2022. However, we have raised a query regarding the split of pension assets among the members of the scheme to the pension fund auditor. The pension fund auditor have raised the query to the actuary and is still outstanding.



Audit risks

Other areas of audit focus (continued)

What is the risk/area of focus?	What did we do?
<p>Going concern disclosure</p> <p>There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. The unpredictability of the current economic environment and the volatility of the market due to the ongoing impact of Covid as well as the Ukraine-Russia conflict are issues we would expect this assessment to consider, particularly in terms of the impact on the Council's day to day finances, its annual budget, cashflow and medium term financial strategy,</p> <p>The Council is required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.</p> <p>The disclosure should be based on the Council's actual year end financial position for the current year as well as projections for the going concern period of 12 months from the auditor's report date.</p>	<p>We met the requirements of the revised auditing standard on going concern (ISA 570) and consider the adequacy of the Council's going concern assessment and its disclosure in the accounts by:</p> <ul style="list-style-type: none">➤ Challenging management's identification of events or conditions impacting going concern.➤ Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).➤ Reviewing the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern.➤ Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, to form our conclusions on going concern.➤ Challenging the disclosure made in the accounts in respect of going concern. <p>Results of our work:</p> <p>We have completed our going concern assessment until September 2024 and noted no issues.</p>



03

Audit Report



Audit Report

Draft audit report

Our draft opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTH HERFORDSHIRE DISTRICT COUNCIL

Opinion

We have audited the financial statements of North Hertfordshire District Council for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the:

- Comprehensive Income and Expenditure Statement,
- Movement in Reserves Statement,
- Balance Sheet,
- Cash Flow Statement,
- the related notes 1 to 42 and the Expenditure and Funding Analysis on page 37, and
- Collection Fund and the related notes 1 to 4

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- give a true and fair view of the financial position of North Hertfordshire District Council as at 31 March 2022 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Service Director - Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Service Director - Resources' with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Council's ability to continue as a going concern.

Other information

The other information comprises the information included in the Statement of Accounts 2021/2022, other than the financial statements and our auditor's report thereon. The Service Director - Resources is responsible for the other information contained within the Statement of Accounts 2021/2022.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.



Audit Report

Draft audit report

Our draft opinion on the financial statements

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects

Responsibility of the Service Director - Resources

As explained more fully in the Statement of the Service Director - Resources' Responsibilities set out on page 1, the Service Director - Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Service Director - Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Service Director - Resources is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to cease operations, or has no realistic alternative but to do so.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.



Audit Report

Draft audit report

Our draft opinion on the financial statements

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Council and determined that the most significant are:

- Local Government Act 1972,
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992)
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020, and 2022,
- The Local Government Finance Act 2012,
- The Local Audit and Accountability Act 2014 (as amended), and
- The Accounts and Audit Regulations 2015.

In addition, the Council has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

We understood how North Hertfordshire District Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the head of internal audit, those charged with governance, and the monitoring officer and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Council's committee minutes, through enquiry of employees to confirm Council policies, and through the inspection of other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Council's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether the North Hertfordshire District Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the North Hertfordshire District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.



Audit Report

Draft audit report

Our draft opinion on the financial statements

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the North Hertfordshire District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Page 41

Certificate

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

Until we have completed this procedure, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of North Hertfordshire District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

Debbie Hanson
Ernst & Young LLP (Local Auditor)
Luton
Date



04 Audit Differences



Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements greater than £1.054 million which have been corrected by management that were identified during the course of our audit

- ▶ Overstatement of property, plant and equipment (PPE) due to duplicate recording of Hitchin Town Centre and a small number of other assets. As this asset and the other assets have been in the register for a few years, the error has an impact on the balance of PPE and reserves for 2021/22, 2020/21 and 2019/20. The impact on the PPE balance was a £6.9 million overstatement for 2021/22, £6.7 million overstatement for 2020/21 and £6.0 million overstatement for 2019/20. There is also an impact on depreciation (£0.2 million overstatement for 2021/22 and 2020/21) and revaluation gain (£0.440 million overstatement for 2021/22 and £0.918 million overstatement for 2020/21).
- ▶ Understatement of operating expenditure and the revaluation reserve by £1.1 million due to an error in recording the downward movement in value of assets held for sale in the revaluation reserve instead of operating expenditure.
- ▶ £2.6 million unspent balance of Covid-19 Additional Relief Fund was incorrectly recorded as short term creditors instead of grants received in advance.
- ▶ Overstatement of revaluation reserve by £0.178 million due to incorrect recording of upward movement in property, plant and equipment in revaluation reserves instead of a reversal of impairment loss previously charged to surplus/deficit on provision of services.
- ▶ £1.5 million assets were incorrectly classified as other land and buildings instead of community assets, infrastructure assets and plant and equipment.
- ▶ Net pension liability increased by £9.4 million as a result of the actuary's issuance of the revised IAS 19 report.
- ▶ In preparing the cash flow statement, management includes the purchase and sale of short term liquid investments (presented as cash equivalents) as part of investing activities, which is not in line with the CIPFA Code. This resulted in an overstatement in the figures for purchase of short-term and long-term investments by £696.4 million, and proceeds from short-term and long-term investments by £708.4 million for 2021/22. The error in the comparative figures for 2020/21 is an overstatement for purchase of short-term and long-term investments by £545.5 million and proceeds from short-term and long-term investments by £542.4 million.

We have consulted internally on the two errors which also have an impact on the prior year and therefore resulted in an adjustment to the prior year comparatives.

We have identified a small number of disclosure differences in notes to the financial statements. This includes changes which flows from the audit adjustments affecting the primary statements above, as well as casting, referencing, classification which management have agreed to amend in the final set of accounts.



Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of unadjusted differences

We have identified the following differences which were identified by the pension fund auditor and communicated to the audit team through the pension assurance letter:

- Page 44
- A difference of £0.6 million was noted between benefits paid per the ledger and the IAS 19 report. This only impacts the pension assets and liability tables in Note 39 and has no impact in the balance sheet or income statement.
 - Pension assets is overstated by £0.1 million. This impacts pension liability and actuarial gain or loss.
 - Return on assets used by the actuary was 4.4% when it should be 4.5%. The impact is £0.1 million understatement of investment income and overstatement of actuarial gain.

There are no other unadjusted differences identified above £0.07 million that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31 March 2022.



05 Value for Money



Value for money

The Council's responsibilities for value for money (VFM)

The **Council** is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the **Council** is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the **Council** tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the Cipfa code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment and the status of our work

We reported in our Audit Plan that we identified one area of focus on VFM in relation to financial had yet to financial sustainability.

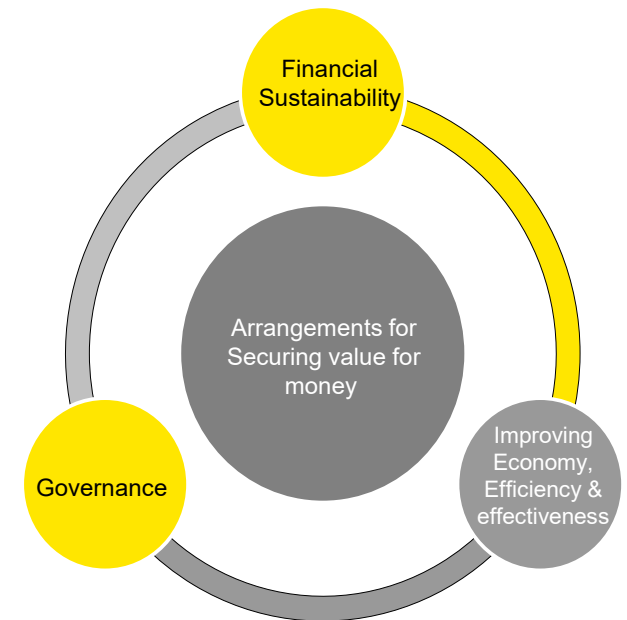
We have completed our planned procedures and are satisfied that the Council does have the arrangements in place we would expect to see. We have also revisited our risk assessment on completion of the audit of the financial statements and have not identified any new risks of significant weakness in VFM arrangements. We have no matters to report by exception in the auditor's report (see Section 03).

We plan to issue the VFM commentary as part of issuing the Auditor's Annual Report alongside our audit report.

Reporting on VFM

Where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily. We will issue our Auditor's Annual Report once we have issued our audit opinion.





06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the North Hertfordshire Statement of Accounts 2021/22 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the North Hertfordshire Statement of Accounts 2021/22 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We plan to complete the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts after issuing our audit opinion. Although the Council is below the threshold set by the NAO for the completion of detailed procedures, the NAO has not yet confirmed which Councils it plans to identify as additional sampled components. Until we can confirm whether we will be required to undertake any additional procedures on behalf of the NAO we are not able to certify the completion of the audit.

We cannot issue our audit certificate until these procedures are complete.

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014.

We did not identify any issues that require use of these powers.

Page 49

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern; and
- Consideration of laws and regulations.

We have no other matters to report.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. However, as we have adopted a fully substantive approach, we have not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware. We do however raise the following recommendation:

Cash flow statements

We noted that in preparing the cash flow statement, management includes the purchase and sale of short-term liquid investments (presented as cash equivalents) as part of investing activities, which is not in line with the CIPFA Code. This resulted in an overstatement in the figures for purchase of short-term and long-term investments by £696.4 million and proceeds from short-term and long-term investments by £708.4 million for 2021/22. The error in the comparative figures for 2020/21 is an overstatement for purchase of short-term and long-term investments by £545.5 million and proceeds from short-term and long-term investments by £542.3 million.

In addition, the figures for 2021/22 for purchases of investments of £696.4 million and proceeds from investments of £708.4 million should not have been treated as cash flows for the purposes of the cash flow statement and therefore should have been excluded from this.

We recommend that the Council pays particular attention to the presentation of transactions in the Cash Flow Statements to ensure that compliance with the requirements of the CIPFA Code.



Assessment of Control Environment (continued)

Financial controls

Fixed assets register

In response to an audit query raised by the audit team, the Council identified several codes which are duplicates of an existing asset. This occurred when the Council erroneously set up new asset codes in the fixed assets register for capital expenditure instead of adding this to the original asset codes. When the assets were revalued, the original asset codes were used to record the upward movement in value of the asset with corresponding credit to revaluation reserve. The duplicate asset codes that were set up (with the accumulated amount of capital spend incurred in previous years) remained in the register. The duplicate asset codes resulted in £6.676 million overstatement in the PPE balance as of 31 March 2021 and a £5.972 million overstatement as of 31 March 2020. This was evidence of a control weakness related to the maintenance of the fixed asset register.

To prevent similar error to occur in the future, the Council should implement a control to check when capital additions are recorded in the fixed asset register that, if the expenditure is on an asset which is already recorded in the register, the spend is added to this existing asset rather than creating a new code to record the spend.



08

Independence

Relationships, services and related threats and safeguards

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.

There are no relationships from 1st April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Other communications

EY Transparency Report 2022

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 2022:

[UK Transparency Report 2022 | EY UK](#)

Relationships, services and related threats and safeguards

Services provided by Ernst & Young

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2021/22	Final Fee 2020/21
	£	£
Scale fee - Code work	40,068	40,068
Additional fees (Note 1)		
Covid 19	0	8,750
Increased FRC challenge	4,000 to 5,000	3,500
ISA 540	3,500 to 5,000	3,490
Pension valuation	4,000 to 5,000	2,625
PPE valuation	4,000 to 5,000	2,875
VFM commentary	6,000 to 11,000	6,000
Work of an internal expert	TBC	5,500
Other	TBC	2,455
Total audit fee	TBC	75,263
Other non-audit services not covered above (Housing Benefits)	6,000 to 11,000	20,840
Total other non-audit services	TBC	20,840
Total fees	TBC	96,103

The scale fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Note 1:

We proposed an additional fee of £42,325 in relation to the 2020/21 audit. This relates to uplifts to the base scale fee due to increased regulatory requirements, as well as additional work in respect of risks identified and outlined in the 2020/21 Audit Plan and Audit Results Report, new NAO Code of Audit Practice and ISA requirements including VFM and accounting estimates. PSAA have now determined our submission and have approved an additional fee of £35,195. The breakdown of this is detailed in the table.

For 2021/22, the scale fee will again be impacted by the increased regulatory requirements as well as a range of other factors which will result in additional work, including some of those that were present in the prior year. We have included our current estimate of the likely fee range for these areas in the table, where it is possible to estimate at this stage. We will confirm our final proposed fee once the audit is complete. This will again be subject to determination by PSAA



09

Appendices

Appendix B




Required communications with the Audit Committee

We have detailed the communications that we must provide to the Finance, Audit and Risk Committee.

Our Reporting to you		
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Finance, Audit and Risk Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit Plan - December 2022
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Provisional Audit Results Report - March 2023 Final Audit Results Report - August 2023 Auditor's Annual Report - August 2023




Appendix B

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Page 58	<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<p>Provisional Audit Results Report - March 2023</p> <p>Final Audit Results Report - August 2023</p>
	<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	<p>Provisional Audit Results Report - March 2023</p> <p>Final Audit Results Report - August 2023</p>
	<p>Subsequent events</p> <ul style="list-style-type: none"> ▶ Enquiries of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements 	<p>Provisional Audit Results Report - March 2023</p> <p>Final Audit Results Report - August 2023</p>
	<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the Finance, Audit and Risk Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Finance, Audit and Risk Committee responsibility 	<p>Provisional Audit Results Report - March 2023</p> <p>Final Audit Results Report - August 2023</p>

Appendix B

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Provisional Audit Results Report - March 2023 Final Audit Results Report - August 2023
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit Plan - December 2022 Provisional Audit Results Report - March 2023 Final Audit Results Report - August 2023
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Provisional Audit Results Report - March 2023 Final Audit Results Report - August 2023
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Finance, Audit and Risk Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Finance, Audit and Risk Committee may be aware of 	Provisional Audit Results Report - March 2023 Final Audit Results Report - August 2023

Appendix B




Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Internal controls	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit 	Provisional Audit Results Report - March 2023 Final Audit Results Report - August 2023
Representations	Written representations we are requesting from management and/or those charged with governance	Provisional Audit Results Report - March 2023 Final Audit Results Report - August 2023
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Provisional Audit Results Report - March 2023 Final Audit Results Report - August 2023
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	Provisional Audit Results Report - March 2023 Final Audit Results Report - August 2023 Auditor's Annual Report - March 2023
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit Plan - December 2022 Provisional Audit Results Report - March 2023 Final Audit Results Report - August 2023
Value for Money	<ul style="list-style-type: none"> Risks of significant weakness identified in planning work Commentary against specified reporting criteria on the VFM arrangements, including any exception report on significant weaknesses. 	Audit Plan - December 2022 Provisional Audit Results Report - March 2023 Final Audit Results Report - August 2023 Auditor's Annual Report - March 2023

Appendix D

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Pension liability	To receive the pension fund auditor response	EY
Going concern review and disclosures	EY central review process and finalisation of disclosures and opinion wording	EY and management
Management representation letter	Receipt of signed management representation letter	Management and audit committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management
Final Review Procedures	Final review of areas listed above	EY
Other miscellaneous audit enquiries	Management to provide responses on the queries raised. Also pending are manager and partner review of other areas	Management (to provide) EY (to review)

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures on going concern remain to be finalised and audited. A draft of the current opinion (with outstanding areas highlighted) is included in Section 3.

DRAFT Management representation letter

Management Representation Letter - DRAFT

[To be prepared on the entity's letterhead]

[Date]

Ernst & Young
400 Capability Green
Luton
Bedfordshire
LU1 3LU

Page 62

This letter of representations is provided in connection with your audit of the financial statements of North Hertfordshire District Council ("the Council") for the year ended 31 March 2022. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of North Hertfordshire District Council as of the 31 March 2022 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and are free of material misstatements, including omissions. We have approved the financial statements.

DRAFT Management representation letter

Management Representation Letter - DRAFT

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls and the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on our system of internal controls.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].

OR

There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

OR

We do not agree that items [specify items in question] constitute differences because [specify reasons for disagreement].

6. We confirm the Council does not have securities (debt or equity) listed on a recognized exchange.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

DRAFT Management representation letter

Management Representation Letter - DRAFT

1. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by “whistleblowers”), including non-compliance matters:
 - involving financial improprieties;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council’s financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council’s activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.
3. We have made available to you all minutes of the meetings of the Council, Cabinet and Finance, Audit and Risk Committee meetings (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: [list date].
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council’s related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the yearend. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with applicable financial reporting framework.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

DRAFT Management representation letter

Management Representation Letter - DRAFT

7. From the date of our last management representation letter (30 June 2022) through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 41 to the financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note 4 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. As described in Note 6 to the financial statements, there have been no events, including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises Audited Statement of Accounts 2021/2022, including the Narrative Report and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

DRAFT Management representation letter

Management Representation Letter - DRAFT

Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered.
2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21/22, aligned with the statements we have made in the other information or other public communications made by us.

Comparative information - corresponding financial information

1. The balances for 2020/21 in the statement of accounts have been restated to reflect the following prior period errors:

Property, plant and equipment

1. The balance of property, plant and equipment as of 31 March 2021 was decreased by £5.6 million due to duplicate recording of Hitchin Town Centre.

Cash Flow Statement

1. The figures in the cash flow statement and related notes for 2020/21 for purchase of short-term and long-term investments were overstated by £545.5 million and proceeds from short-term and long-term investments by £542.4 million due to the inclusion of purchase and sale of short term liquid investments (presented as cash equivalents) as part of investing activities, which is not in line with the CIPFA Code.
2. The comparative amounts have been correctly restated to reflect the above matter(s) and appropriate note disclosure of these restatements has also been included in the current year's financial statements.

Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.

Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of property, plant and equipment, assets held for sale and investment properties, the defined benefit pension scheme liability and NNDR appeals provision, and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

DRAFT Management representation letter

Management Representation Letter - DRAFT

Estimates - property, plant & equipment, investment properties and the defined benefit pension scheme liability

1. We confirm that the significant judgments made in making the valuation of property, plant & equipment and investment properties, the defined benefit pension scheme liability and NNDR appeals provision have taken into account all relevant information and the effects of the COVID-19 pandemic on 31 March 2022 of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of property, plant & equipment and investment properties, the defined benefit pension scheme liability and NNDR appeals provision.
3. We confirm that the significant assumptions used in making the valuation of property, plant & equipment and investment properties, the defined benefit pension scheme liability and NNDR appeals provision appropriately reflect our intent and ability to carry out our procedures on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic on 31 March 2022, are complete and are reasonable in the context of the applicable financial reporting framework.
5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of property, plant & equipment and investment properties, the defined benefit pension scheme liability and NNDR appeals provision.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements, including due to the COVID-19 pandemic.

Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

(Service Director - Resources)

(Chairman of the Finance, Audit and Risk Committee)

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ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

FINANCE, AUDIT AND RISK COMMITTEE 13 September 2023
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PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: STATEMENT OF ACCOUNTS 2021/22

REPORT OF: SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: *NON-EXECUTIVE*

COUNCIL PRIORITY: SUSTAINABILITY

1. EXECUTIVE SUMMARY

- 1.1. The purpose of this report is to ask Finance, Audit and Risk Committee to approve the audited Statement of Accounts for 2021/22. The Statement of Accounts has been subject to external audit and a draft is enclosed with the report as Appendix A.

2. RECOMMENDATIONS

- 2.1. That the Committee note the 2021/22 Annual Statement of Accounts as set out in Appendix A.
- 2.2. That the Committee note the audit work completed to date, the findings from that work and the resultant changes made to the Statement of Accounts.
- 2.3. That, the Committee approves the 2021/22 Annual Statement of Accounts, and that the Chair of the Committee can sign the Statement of Accounts to confirm that they have been approved by the Committee.

3. REASONS FOR RECOMMENDATIONS

- 3.1. To ensure that the Council abides by the Audit and Account Regulations 2015, which require the approval and publication of audited Statement of Accounts.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. None. The Authority is required to prepare an annual Statement of Accounts and must follow accounting practices guidance issued by the Secretary of State and follow 'proper practices' governing the preparation of the annual Statement of Accounts (Section 21 of the Local Government Act 2003).

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. Consultation on the Statement of Accounts is not required.
- 5.2. The draft Statement of Accounts 2020/21 was published on the Council's website at the end of July 2022.

- 5.3. The accounts are subject to audit by the Council's External Auditors, Ernst and Young LLP (EY).
- 5.4. Under the Local Audit and Accountability Act 2014 (sections 26 and 27) and the Accounts and Audit Regulations 2015 (sections 14 and 15), members of the public and Local Government electors have certain rights in respect of the audit process. This includes inspection of the accounts, associated documents and being able to ask questions. This opportunity was advertised in accordance with the regulations. No one took up this opportunity.

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 legally required to annually produce a statement of accounts detailing the financial activities for the year and overall financial position as at 31st March. Generally it has a statutory responsibility to publish its draft Statement of Accounts by 31st May, and that an audited version should be approved by 31st July 2022. Due to the continuing issues that audit firms have with resourcing, and trying to catch up from Covid-19, these deadlines have been extended. The Council published unaudited accounts by the revised deadline of 31 July 2022. An audited version should have been approved by 30th November 2022. This was delayed by resourcing issues at Ernst & Young LLP. In line with legislation, the Council published a notice on its website detailing this delay, alongside a letter from Ernst and Young: [Statement of Accounts | North Herts Council \(north-herts.gov.uk\)](https://www.north-herts.gov.uk/statement-of-accounts).
- 7.2. The Council's external auditors, Ernst & Young LLP (EY) commenced their audit work in November 2022.
- 7.3. The Statement of Accounts and the Audit Results Report were initially presented to the Committee for approval in March 2022. At that time there were remaining audit issues to be resolved, but it was hoped that they would be resolved promptly, and the Committee delegated approval to the Chair. In the end it took much longer to resolve, so the Accounts are being brought back to the Committee for approval.

8. RELEVANT CONSIDERATIONS

- 8.1. The audited version of the Statement of Accounts is attached at Appendix A. The Narrative Report within the Statement of Accounts provides an overview of how the accounts are presented and highlights the most significant matters. Changes from the draft unaudited accounts published in July 2021 are highlighted in green. The final signed version of the accounts will have these highlights removed.
- 8.2. The Audit Results Report from Ernst and Young, will be considered immediately prior to this item. That report highlights the significant recommended changes to the accounts that had been identified during the audit. Ernst and Young will also provide an update on any progress since the Audit Results Report was written (e.g., in relation to the remaining pension considerations). We have the choice as to whether we adjust for the changes that are recommended. If we did not adjust for a material error, then that would lead to a qualified audit opinion. For non-material errors, they would just be noted as unadjusted in the Audit Results Report. We have chosen to adjust for the majority of errors (including all the material errors) that have been identified. In summary, this includes:

- The expenditure on the redevelopment of Hitchin Town Hall and Museum had remained on the asset register after the project had been completed and a revaluation of the completed asset had been carried out (in 2018/19). At the point of that revaluation, the combined value of the previous valuation plus the sum of the cost of the works carried out, should have been replaced by the new valuation. This means that the asset value is over-stated by £5.6million. The result of correcting this is that asset values are reduced by £5.6million, and this is off-set by changes to the Revaluation Reserve (to remove the balances that had previously been shown as an upwards valuation) and the Capital Adjustment Account (for the remaining difference). There is no impact on General Fund balances. The asset register has been reviewed to check for any other similar errors. These adjustments are reflected in Appendix A.
- An Asset held for Sale had been subject to a downwards valuation of £1.1million. This asset had an existing revaluation reserve balance from before it had been classified as being held for sale (i.e., it had previously been revalued upwards). For most asset classes, where there is an existing revaluation reserve balance, you would off-set the downwards revaluation against the previous upwards valuation. That is the treatment that was in the draft accounts, but that is incorrect for an Asset held for Sale. The downwards revaluation is charged to the Income and Expenditure account, before being reversed through to the Capital Adjustment Account, so that there is no impact on the General Fund. This has been corrected in Appendix A.
- £2.6 million unspent balance of Covid-19 Additional Relief Fund was recorded as short-term creditors instead of grants received in advance. This has been corrected in the accounts appended to this report.
- Our calculation of certain items within the cash-flow statement was not in line with the CIPFA Code and we have therefore corrected this. The correction has not changed the opening and closing cash balances recorded in the draft accounts. These adjustments are reflected in Appendix A.
- As a result of the publication of the 2022 Triennial Pension Valuation Report in March 2023, we obtained an updated IAS19 report. This included material changes, which we have adjusted for. These are included in Appendix A.
- £1.5 million assets were incorrectly classified as other land and buildings instead of community assets, infrastructure assets and plant and equipment. These are adjusted for in Appendix A.

8.3 On pages 35 and 36 of Audit Results Report, Ernst and Young make some recommendations in relation to the Council's financial controls. We have carried out a review of the fixed asset register, including changing how it operates to help ensure correct accounting treatment. This has identified a few other assets that have been duplicated in the same way (although the values concerned are much lower). When we implement a new finance system next year, it will include a fixed asset module which will provide improved automation and controls. In relation to the cash-flow recommendation, we will keep up to date with Code requirements, and undertake training on an annual basis.

8.4 Ernst and Young may still be finalising their audit work at the time of the Committee meeting. If there are still outstanding matters, then the recommendation may need to change to seek delegation to the Chair for final approval. Once the Accounts have been approved then the following will happen. The Chair will sign page 1 of the Statement of Accounts to confirm that they have been approved by the Committee. The Service Director- Resources (as the Council's Chief Finance Officer) will sign the Statement of Responsibilities (page 1 of Appendix A) to certify that the statement of accounts give a true and fair view of the financial position of the Authority as at 31 March 2022 and its income and expenditure for the year then ended. The Service Director- Resources (as Chief Finance Officer) and the Chair of the Committee will also sign the Letter of

Representation on behalf of the Council. The wording of the Letter of Representation can be found as an appendix to the final Audit Results Report document presented by Ernst and Young this evening.

- 8.5 Officers are not aware of any other events (beyond the triennial pension valuation already referenced) that have occurred since the year end that provide additional evidence of conditions that existed at 31st March 2022 or materially affect the amounts in the Statement of Accounts. In particular, there has not been any subsequent event that would require an amendment to the contingent assets and liabilities listed in the accounts.
- 8.6 The Annual Governance Statement (AGS) is required to be approved in advance of approving the Statement of Accounts, and was approved at the meeting of the Committee in March 2023. The Council will ensure that the publication of the Statement of Accounts is accompanied by the publication of the Annual Governance Statement.

9. LEGAL IMPLICATIONS

- 9.1. The Accounts and Audit Regulations 2015 determine how and when the Annual Statement of Accounts should be approved and published. For 2021/22 the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 have amended the dates by which the accounts have to be prepared and approved.
- 9.2. The Accounts and Audit Regulations 2015 (section 9) state the accounts should be signed and dated by the Member presiding at the meeting which formally approves the accounts. Under the constitution, the Finance, Audit & Risk Committee has responsibility to “review and approve the Statement of Accounts” (constitution 10.1.5a).
- 9.3. The Local Audit and Accountability Act 2014 (sections 26 and 27) and the Accounts and Audit Regulations 2015 (sections 14 and 15) grant members of the public and Local Government electors certain rights in respect of the audit process.
- 9.4. The Local Government Act 2003 (section 21) determines that the Council must follow ‘proper practices’ in the preparation of the annual Statement of Accounts

10. FINANCIAL IMPLICATIONS

- 10.1. The outturn reports were presented to Members in June 2022. These provided the end of year position of the General Fund, other reserves and capital expenditure. None of the changes to the Statement of Accounts identified from the audit have resulted in any change to the outturn position reported.

11. RISK IMPLICATIONS

- 11.1. The process of compiling the Statement of Accounts is a control mechanism to help mitigate against the risk of poor financial management and is a way the Council can demonstrate to the public how it has managed its resources and acted in its responsibility as a steward of public funds.

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 equalities implications arising from this report.

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. There are no direct human resource implications arising from this report.

16. APPENDICES

16.1. Appendix A - Statement of Accounts 2021/22

17. CONTACT OFFICERS

17.1. Ian Couper, Service Director – Resources
ian.couper@north-herts.gov.uk; ext 4243

17.2. Antonio Ciampa, Accountancy Manager
antonio.ciampa@north-herts.gov.uk; ext 4566

18. BACKGROUND PAPERS

18.1. None.

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**Unaudited Statement of
Accounts
2021/2022**

**North
Hertfordshire
District Council**

Contents

The Statement of Responsibilities for the Statement of Accounts	1
Independent Auditor's Report	2
Narrative Report	6
Statement of Accounting Policies	21
Expenditure and Funding Analysis	37
Comprehensive Income and Expenditure Statement	38
Movement in Reserves Statement	39
Balance Sheet	40
Cash Flow Statement	41
Notes to the Core Financial Statements	42
Collection Fund Accounts	87
Glossary of Financial Terms	91

The Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Service Director – Resources;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the statement of accounts.

Service Director – Resources' Responsibilities

The Service Director – Resources is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing the statement of accounts, the Service Director – Resources has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code;

The Service Director – Resources has also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at the 31 March 2022 and its income and expenditure for the year then ended.



Ian Couper

Service Director – Resources

Independent Auditor's Report

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Independent Auditor's Report

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Independent Auditor's Report

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Narrative Report

This narrative report provides a summary of the key information that is contained within the Statement of Accounts, as well as providing more information about the Council. This includes the vision and objectives, performance over the year and how resources are allocated.

The Council Plan, Vision and Objectives

In September 2021, the Council approved a new Council plan which set out a vision that “we put people first and deliver sustainable services, to enable a brighter future together”.

Underneath that vision are three key priorities and four themes:



The full plan can be found on our website (<https://www.north-herts.gov.uk/council-plan>). The plan covers a 5 year period from 2022 to 2027, but is reviewed each year. When the plan was set, it was considered alongside the Medium Term Financial Strategy. This helps to ensure that we are mindful of the resources that are available when setting out our ambitions.

The plan includes some of the projects that are intended to be delivered to support the priorities set out above. In March 2022, the Council adopted a 'Council Delivery Plan' which added to those projects and also set out in more detail how, and when, they would be delivered. The Council Delivery Plan can also be found on our website (<https://www.north-herts.gov.uk/council-delivery-plan>). The Delivery Plan also includes any risks to the delivery of the projects and any performance indicators that will show how well the projects and their outcomes are being delivered. The Delivery Plan will be reviewed by Cabinet on a quarterly basis, assisted by the Overview and Scrutiny Committee.

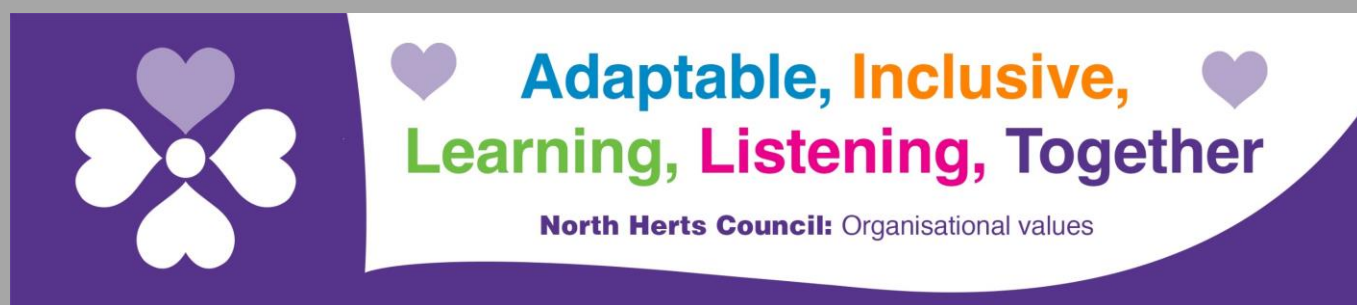
The Council also adopts co-operative values, which means that we value and build mutual support, accountability, fairness, and responsibility into all that we do.

Narrative Report

Valuing our Staff

The Council is also an organisation that values its staff. We have embarked on a 'Shaping our Future' programme to give our staff the skills and opportunities that they need to deliver our vision and priorities. The particular focus is on understanding and delivering "People First".

The Council adopted new organisational values in 2019, and these have been recently refreshed and simplified. These values are:



What we do

Despite reductions in funding, the Council continues to deliver a wide range of statutory and non-statutory services. Some of the statutory services are provided at levels beyond the statutory minimum.

Examples of the delivery of statutory duties are:

- Waste collection from just over 58,000 households
- 57% of household waste sent for re-use, recycling and composting
- Street cleansing over 400 miles of roads
- Food inspections of around 300 premises.
- Collecting Council Tax and Business Rates from just over 58,000 homes and 4,500 businesses
- Planning for the second largest district in Hertfordshire at 145 square miles.
- Issuing of approximately 2,200 licences to premises and licenced individuals, around 550 licences to taxi and private hire vehicles and drivers and in the region of 650 temporary licenses to premises/individuals.
- Homelessness provision
- Housing Benefit to around 3,700 claimants
- Regulation, e.g. Parking, Fly-tipping.

Non-statutory services provided include:

- Leisure centres in Hitchin, Letchworth and Royston
- Five swimming pools including 2 outdoor pools
- Maintenance of 100 hectares of parks and gardens
- 'Splash' parks in the four towns.
- Museum provision in the new North Hertfordshire Museum in Hitchin
- Local information and signposting to other services and providers
- Active Communities events

Narrative Report

Impact of Covid-19

During 2021/22, the Council continued to see the impacts of the Covid-19 pandemic. However, during the later part of the year, the focus has been on moving towards recovery.

During the early part of 2021/22, all our services reopened:

- Leisure Centres reopened on 12th April, with increasing capacity and facilities available as the Government roadmap allows.
- Hitchin Town Hall and Museum reopened on 18th May.
- Customer Service Centre reopened on 2nd August on an appointment basis.

The financial impact of Covid-19 during the year has been £774k, which is made up of:

- Additional homeless accommodation costs of £232k
- Lost income from leisure centres, parking, trade waste and Hitchin Town Hall of £1,419k
- Off-set by Leisure Recovery Grant from Sport England of £11k
- Off-set by Government Sales, Fees and Charges compensation (up to 30 June 2021 only) of £308k
- Off-set by general Covid-19 government grant of £558k

The impact was generally funded by reviewing specific reserves and releasing those unneeded reserves (e.g. the funding equalisation reserve and special reserve) back to the General Fund reserve.

In addition to the specific impacts highlighted above, there have been some financial impacts that are, at least partly, due to Covid-19 impacts. The bad debt provision for sundry debtors has increased from £172k (at 31st March 2021) to £267k (at 31st March 2022). We have also made a provision for non-payment against the loan that we granted to Stevenage Leisure Limited (SLL) for the purchase of fitness contract. This was supposed to be paid off from surpluses above the contracted management fee. The impact of Covid-19 on leisure centre usage has meant that SLL have not returned to paying the full management fee.

Looking forward to 2022-23, we expect that there will be ongoing impacts from Covid-19. As part of the budget, a contingency budget of £1.74million was created to allow for continuing additional costs and income shortfalls. This was based on potential continuing impacts in relation to:

- Leisure contract income
- Parking pay as you use and season ticket income
- Hitchin Town Hall income from events and room hire
- Homelessness costs
- Trade waste income
- Uncertainty over recyclable materials disposal costs / income

There was also an assumption that this contingency budget may have to continue in to 2023-24, estimated at £0.81million. This will be kept under review as part of the budget setting process for 2023-24.

The relaxing of restrictions in relation to Covid-19, combined with (in general) some reduction in the additional work that has been taken on by the Council, has resulted in a reduction in the level of outstanding holiday and flexi-leave balances. This is demonstrated by the accumulated absence accrual which has decreased from £428k to £33k. The Council is very aware of the need to continue to support our staff, and is being flexible over the period that outstanding leave needs to be taken.

Narrative Report

Supporting Covid-19 recovery

During 2021-22, the Council has supported the wider recovery of the District. This has included town centre recovery, business support grants and working with the County Council to prevent further outbreaks.

In 2020-21, we were successful in being awarded £88k from the Reopening High Streets Safely (RHSS) Fund. At the end of the year, £68k had not been spent. In 2021/22 this has been combined with £61k of Welcome Back funding received, with the total of £129k supporting the following projects during the year:

- Town centre promotion and maintaining planters in the Town Centres.
- Developed Town Centre plans for what they will look like post-pandemic and provide a basis on which to apply for future regeneration funding.
- Working with partners (e.g. Business Improvement Districts, Parish, Town and Community Councils) to fund specific interventions that will make a difference to their local economies.

We have made sure that business grant money and self-isolation payments are paid out as quickly as possible, whilst ensuring that appropriate checks are in place. During 2021/22 we have paid out:

- £3.7million of Additional Restrictions Grant (ARG) money to support those businesses that were missed by the mandatory schemes.
- £5.8million of RESTART grants to support businesses to reopen safely.
- £1million of grants to support the Retail, Leisure and Hospitality sector.
- £0.5million of Self-Isolation payments (discretionary and mandatory) to support individuals impacted by Covid-19.

The Council has continued to work with Hertfordshire County Council to make best use of Contain Outbreak Management Funding (COMF). This funding is targeted to break the chains of transmission and protect the vulnerable. The majority of the COMF was allocated to the County Council and following agreement with them, we have spent just over £720k on:

- Activities to support Test and Trace
- Covid marshals
- Grants to support community groups
- Support for staff to prevent burnout
- Additional resource for the Careline Service to manage staff absence due to Covid-19

We have also spent a total of £96k (out of specific District allocation of COMF of £144k) on:

- £51k on Health and Wellbeing projects to provide support to vulnerable residents.
- £45k on technology to enable residents, Councillors, and staff to interact in more Covid-safe ways.

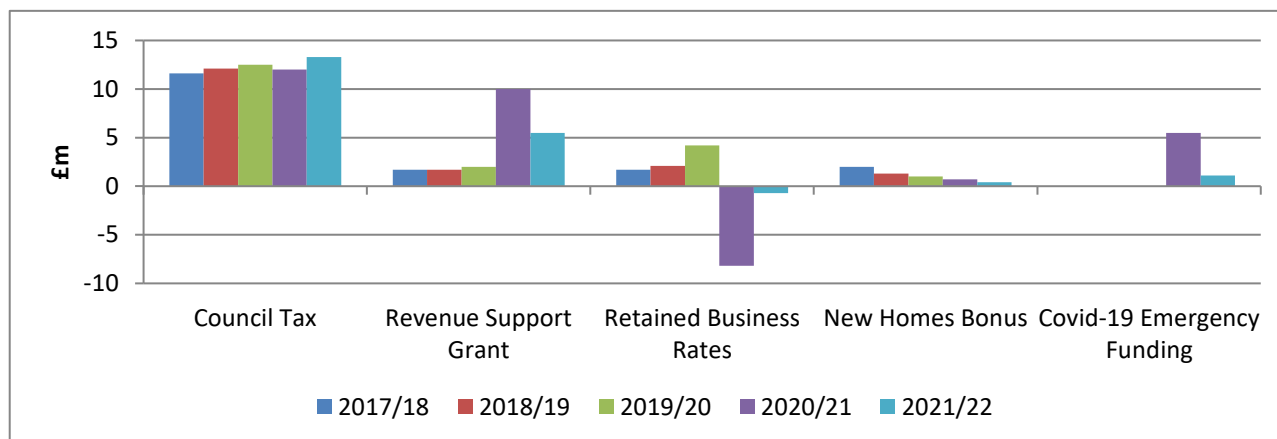
We will look at ways that we can spend the remainder during 2022-23.

Narrative Report

Our funding

The Council is required to split its spending between Revenue (day-to-day running costs) and Capital (buying and creating assets with a useful life of more than one year). Similarly, our funding is split between Revenue and Capital. We can only use Capital funding sources for Capital spend (i.e. we can't use this funding for day-to-day running costs).

Revenue funding sources (Taxation and General Grants):



Increases in Council Tax are limited by Central Government, unless agreed by a local referendum. In 2021/22 we raised our element of Council Tax by £5 for a band D property (with other bands pro-rata to this), which was the maximum possible without a referendum.

The Revenue Support Grant total includes section 31 grants, which is where Central Government provides reimbursements for reliefs and discounts in relation to Business Rates. This has been higher during the Covid-19 pandemic due to the reliefs that have been provided. We no longer receive any ongoing funding to support general expenditure. In 2021-22 we received £116k through a new one-off general grant (Lower Tier Services Grant).

Government provided grant funding to Councils in 2021/22 to support the additional expenditure and lost income caused by Covid-19. This is shown separately on the graph above. As detailed in the Covid-19 impacts section, the Council is still facing a significant shortfall that we will meet from reserves.

The graph above excludes the grant funding that the Council has received to pay on to businesses. For some of these grants the Council has had discretion as to which specific businesses that they are paid to (£3.7m of the total paid out) and for some it has been mandated as to how they should be paid (£7.1m of the amounts paid).

The current Business Rates system involves 50% of funding being retained within Local Government, and the balance going to the Department for Levelling Up, Housing and Communities. Each Authority has an assessed baseline need and, as the Council's assessed need is a lot lower than the income we collect, it has to pay a levy which redistributes the funding to other Authorities. The Council retains some of any growth in Business Rates, but is also exposed to falls as well (subject to a safety net level). This would mean that we would usually keep around 9p out of every £1 that we collect. During 2021/22, the Council was part of a Business Rates Pool with Hertfordshire County Council and four other Hertfordshire Districts/Boroughs. This resulted in a greater proportion of Business Rates being retained locally, although this was significantly affected by the pandemic. Overall, we retained approximately 10p of every £1 collected.

Income from New Homes Bonus increased up to 2016/17 as the period for which the Bonus was paid increased each year. In 2016/17 Authorities received the bonus for new housing in the previous 6 years. For 2017/18, the period reduced to 5 years, and has further reduced year by year since then. Alongside this a baseline was also introduced, so the Bonus is only paid if housing growth for that year is above a certain level.

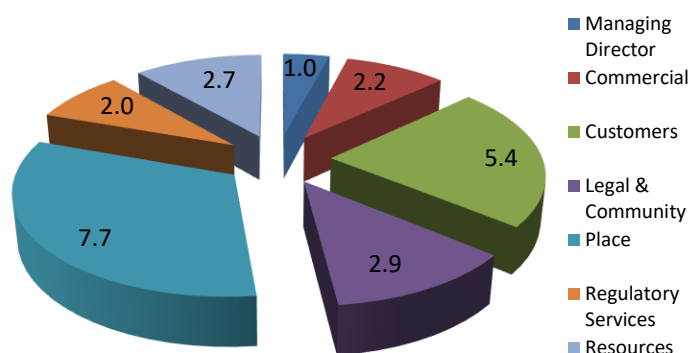
Our overall funding of £19.6m in 2021/22 was lower than the total received in 2020-21. This relates to the reduction of Covid-19 support, which was partly off-set by inflationary increases.

Narrative Report

Spend by service area

The Council is managed under 6 Service Directorates and the Managing Director area (including Communications), and spend against these in 2021/22 was as follows:

Service-related net spend (by Strategic Directorate), £m



Future Funding

Reforms to Council funding are expected to happen at some time, but it is now very uncertain (due to other Government priorities such as Covid-19 and cost of living crisis) when this will take place. This reform could still include a move to 75% Business Rate Retention, a Business Rate reset and a new Fair Funding Formula. However, Covid-19 has added to the question as to whether these are suitable mechanisms for funding Local Government. A new funding formula will mean that the way in which the overall pot of money is allocated to individual Councils will change. It is expected that this will result in more money being provided to Social Care authorities, and therefore less to District Authorities like us. Any change will be phased in, although it is expected that this phasing will be quite short.

How we allocate our funding

At the same time that the Council reviews its Council Plan, it also carries out an annual review of its Medium Term Financial Strategy (MTFS). This estimates the funding that we expect to have in future years and sets the strategy for meeting any shortfall. This strategy is inherently linked to the Council Plan. The current MTFS can be found on our website alongside the Council Plan (<https://www.north-herts.gov.uk/council-plan>).

Current spend provides a good starting point for assessing the future costs of providing services. Future budgets are estimated from this starting point, with adjustments for inflation, service changes, efficiencies, and demography.

Each year, Officers and Councillors are asked to come up with ideas for reducing expenditure (e.g. income generation, efficiencies and service changes). Each of the Political Groups are given an opportunity to comment on these proposals at Budget Workshops held in the Autumn. These comments are considered by Cabinet when they formulate a budget in January. This budget is presented to Full Council in February for approval.

The Council has started a budget challenge process. This initially looked at all the budgets and what they are spent in. It has also started to look at all the potential ways that the Council could spend less or generate more income. When it is clearer what the Council's future funding will be, there will be a residents' consultation to seek views on which measures should be implemented to balance the budget.

Budgeting for Risk

In setting the budget each year, the Council's Chief Finance Officer is required to recommend a minimum level of General Fund reserves (the money that the Council has that is not allocated to a specific purpose). This minimum level is currently calculated as:

- 5% of the net budget of the Council - which is an allowance for unknown financial risks
- +
- 3% of budgeted income (excluding Housing Benefit, grants and other contributions) - which is an allowance to reflect the risks of being reliant on sales, fees and charges
- +
- An assessment of known financial risks by both value and likelihood of occurring

For 2021/22, this resulted in a recommended minimum General Fund level of £3.85 million. The budgeted balance was £7.4 million at the start of the year and £7.4 million at the end of the year (unchanged due to the release of other reserve balances). The actual balance at 31st March 2022 was £10.6 million.

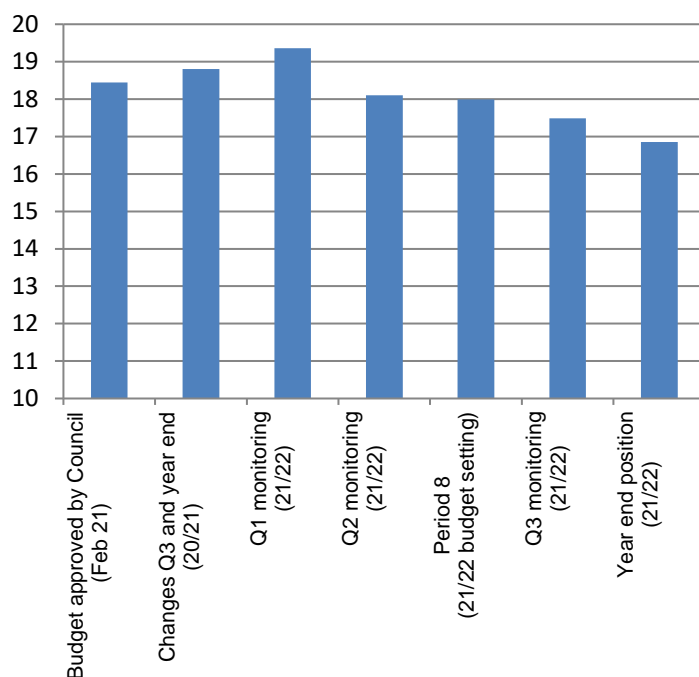
Narrative Report

Monitoring expenditure

The Council's Cabinet are responsible for monitoring expenditure (both revenue and capital) and they receive quarterly reports to enable them to do this. The Finance, Audit and Risk Committee review the financial performance of the Council. They receive the same reports and are able to make recommendations to Cabinet.

Due to the continuing Covid-19 impacts and to enable regular reporting to Government, monthly forecasting has continued to be carried out during the year. If necessary additional reports would have been provided to Cabinet or Full Council

Reported spend forecasts in 2021/22 (£m)



Success at achieving savings

Budgeted revenue savings achieved by year since 2011/12 (efficiencies, income generation and service change).

Year	Savings Achieved (£m)
2011/12	1.9
2012/13	0.6
2013/14	0.7
2014/15	1.6
2015/16	0.4
2016/17	0.4
2017/18	1.2
2018/19	2.9
2019/20	0.6
2020/21	0.5
2021/22	0.3
Total	11.1

Corporate Financial Health Indicators (Income)

In addition to overall monitoring, the quarterly reports also detail performance in relation to 4 of the Council's key sources of income.

Income category	Budgeted Income (£'000)	Q1 Status	Q2 Status	Q3 Status	Q4 Status	Actual Income (£'000)
Planning Application Fees	953	Green	Red	Red	Red	915
Land Charges	164	Green	Green	Red	Red	154
Car Parking Fees	1,975	Red	Red	Red	Red	1,607
Penalty Charge Notices	573	Green	Green	Green	Green	618

Narrative Report

Capital funding

The Council funds capital expenditure from these main sources:

- Government Grants
- S106 developer contributions
- Other Contributions – including third party contributions and financing from revenue.
- Capital receipts - amounts received from the sale of surplus assets
- Set aside capital receipts - the remainder of the amounts received from the sale of our housing stock to North Herts Homes in 2003

The Council can also borrow money to fund capital expenditure, subject to meeting certain conditions. The Council has historic borrowing of £387k which is not worth repaying early (as at 31st March 2022).

During 2021/22 the Council's capital expenditure was funded from the following sources:

	£'000
Government Grants	0
S106 Developer Contributions	133
Other Contributions	76
Capital Receipts	578
Set-aside receipts	647
Total	1,434

As at the end of the year, the Council had a balance of £7.7m of Capital Receipts and Set-aside receipts remaining. This had been increased (before use of receipts detailed above) by £2.7m from the sale of surplus land.

Significant Capital Projects in 2021/22

Property improvements following condition surveys
 Hitchin Town Hall Sprung Floor replacement
 IT Infrastructure and Hardware
 Playground renovations, including Howard Park in Letchworth
 Conversion of Harkness Court to flats
 Refurbishment and improvements to Community Facilities
 Lift Replacement at Lairage car park in Hitchin

All projects with spend greater than £50,000 in 2021/22

The Council's capital assets

The total value of the Authority's capital (long-term) assets is £126.0 million.

The main components of this are:

- Property, Plant and Equipment (£98.3 million) used to deliver services
- Heritage assets (£0.9 million), the museum collections and public artwork
- Investment properties (£26.4 million) that generate an annual income from being leased out (£1.2 million in 2021/22)

The property assets are revalued on a regular basis (at least every 5 years).

Narrative Report

The Council's liabilities

The most significant liability that the Council has is its pension fund, which is administrated by Hertfordshire County Council. All of the Council's employees are eligible to join the pension scheme, which provides a retirement benefit that is linked to earnings. Employees make a contribution as part of their salary based on percentage rates that are set nationally. The Council also makes employer contributions. These contributions are based on:

- The estimated cost of the benefits being accrued by current employees – it is impossible to know what this really is as they will be payable from an unknown future date (when the employee retires) for an unknown period (depending on how long the employee lives for).
- Making up the shortfall from the past where the previous contributions are now considered to be insufficient – the shortfall is due to a combination of factors including people living longer and the old scheme where pensions were based on final salary. To stabilise the impact on Council Tax, this is being caught up on over a number of years.

The pension scheme is fully revalued every 3 years, with a less detailed revaluation each year in between. These valuations are undertaken by an actuary and involve a number of assumptions about the future. As the shortfall is being caught up on over time, this leaves an outstanding liability. This liability is the difference between the estimated value of the future pension payments that have been accrued and the value of the assets held by the pension fund.

As at the 31st March 2022, the value of the liability was £39.6 million (compared with £46.0 million at 31st March 2021). During the year, the Council made contributions of £2.8 million (of which £1.1 million was a lump sum relating to past shortfalls) and its employees contributed £0.7 million.

Key partners and contractors

Services may not always be delivered by the Council alone, but increasingly in a partnership with others.

Key partners include those in partner authorities and other Councils across the country, Urbaser (waste contract), John O'Connor (grounds maintenance contract), Stevenage Leisure Limited, settle, Countryside Management Service and Groundwork.

We work to support local, County wide and wider partnerships that seek to improve the wellbeing of our 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 District Councillors, 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 Connexions Herts, Business Improvement Districts, Letchworth Garden City Heritage Foundation, the Police, Herts Young Homeless and the Stevenage Haven.

We have contributed to several key partnerships in responding to the Covid-19 pandemic. These partnerships have supported the delivery of supplies to those who were vulnerable, increasing testing capacity, delivery of vaccinations, communications, and the general Public Health/ Environmental Health response.

Governance

The Council is required to review its governance arrangements annually and assess these against the International Framework: Good Governance in the Public Sector. An Annual Governance Statement (AGS) is published alongside the Statement of Accounts.

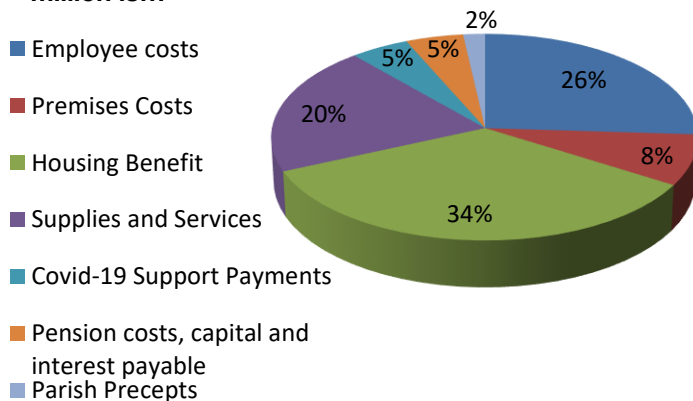
The Finance, Audit and Risk (FAR) Committee approves the AGS and monitors the actions identified.

The Action Plan from 2020/21 was last considered by the Committee at their meeting on 16th March 2022.

Narrative Report

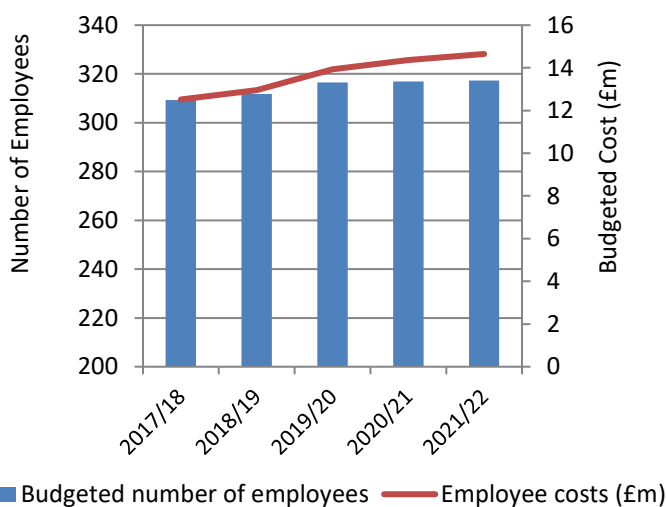
Spend by type, including employee spend

The breakdown of the Council's gross spend of £68.4 million is...



By far the largest area of expenditure is Housing Benefit, which the Council is responsible for administering. The Council claims a subsidy from the Department of Work and Pensions (DWP) towards the costs of benefits paid. In general, the subsidy covers the cost of the grants awarded.

The next two most significant areas of expenditure are employee costs and supplies and services. Supplies and services include the amounts paid to suppliers to deliver services on the Council's behalf (e.g., waste collection, street cleansing and grounds maintenance). The graph below shows the trend in numbers and costs of employees:



Whilst the number of employees (as measured by the number of whole-time equivalents) has been stable over the last 5 years, the costs have increased. This reflects wage inflation and increasing pension contributions.

Alternatives Models of Service Delivery

CCTV

The Council is engaged in a jointly controlled operation for the provision and management of CCTV in the Hertfordshire and Bedfordshire area. This arrangement is with Stevenage Borough Council, North Hertfordshire Council, East Hertfordshire Council and Hertsmere Borough Council. Each member of the arrangement accounts for their share of the assets, liabilities, and cash flows of the CCTV in their accounts. In 2013/14 all partner authorities agreed to incorporate a new company to conduct the commercial trading affairs of the CCTV partnership. This new company, Hertfordshire CCTV Partnership Ltd, started trading on the 1 April 2015. The Council's interest in this company is not considered to be material, and therefore it is not included within the Statement of Accounts.

Building Control

The Council set up a joint Building Control Company with six other Hertfordshire Authorities. The company began trading in August 2016. The company delivers statutory building control services on behalf of the Council, as well being able to access further areas of work to help spread the cost of the service. The Council's interest in this company is not considered to be material, and therefore it is not included within the Statement of Accounts.

Home Improvement Agency

During 2017/18 the Council was part of the setting up of a Home Improvement Agency (HIA) arrangement that is hosted by Hertfordshire County Council. The HIA integrates Disabled Facilities Grants and Occupational Therapists to provide a more seamless service to those who need housing adaptations. The Council shows its contribution to running costs and use of Disabled Facilities Grants within its accounts.

Joint Waste Contract and Client Team





The Council and East Herts Council procured a joint waste contract, which commenced in May 2018. We also share a client team to manage the contract. Each Council pays for half of the cost of the client team, and account for their share of the costs of the waste services in accordance with the contract.

Narrative Report

Monitoring Projects

The Council's projects and performance are monitored by the Overview and Scrutiny Committee. The Committee receive quarterly update reports on projects and an end of year report in June.












A summary of the position on the key projects throughout the year is:

Status	Q1	Q2	Q3	Q4
 Halted/ Funding not available	1	1	0	0
 Behind original due date or forecast not to meet due date	3	3	4	7
 Not due for completion in year or has not reached due date	10	10	7	1
 Project Completed	0	0	2	3
	14	14	13	11

After being reported as completed the project is taken off for the next quarter. At Q3, 2 projects were reported as completed (renovate play area at Howard Park, Letchworth and the lift replacement at Lairage Car Park, Hitchin).

At Q2 the crematorium project was removed as the appeal against the refused planning permission had been unsuccessful.

The end of year position on the projects was:

Project	Progress
Introduce a Community Lottery.	Complete. Lottery was launched and the first draw took place in March 2022. 
Acquisition of Property Investments	Continue to explore opportunities. Finalising the options appraisal for Harkness Court, Hitchin. 
Set up a community tree planting programme	Complete. All trees have been distributed. 
Roll out of separated recycling across the district, including bins in Parks and Green Spaces	Installation of all planned bins has been completed. To continue work on more opportunities/ options. 
Examination and adoption of a Local Plan for North Herts	Still awaiting the report from the Planning Inspector. 
Trial / experimental Electric Vehicle charging points	Seeking a private sector partner to support the bid for grant funding and fund the costs that are not covered by a grant. There has been a delay in procuring due to identifying the right framework and the level of interest meaning that a mini competition process will be required. 
Providing Housing at market rents (Harkness Court conversion)	Final works being completed. Expected to be ready to be let by August 2022. 
Disposal of surplus assets	Delay on the disposal of two sites, which are both expected to progress over the summer (2022). 
Develop and implement a cohesive empty homes strategy	Delay due to need to identify someone to develop the strategy and funding. Now expect to have a draft strategy by Autumn/ Winter 2022. 
Preparation of a cycling and walking strategy	Dependent on work being undertaken by Hertfordshire County Council (HCC), which has been delayed. That work is making progress and the timelines for the North Herts work will be reviewed in line with HCC progress. 
Develop a long-term museum storage solution	The use of a framework did not seem to offer good value for money. Now following a traditional procurement process, which will take more time. 

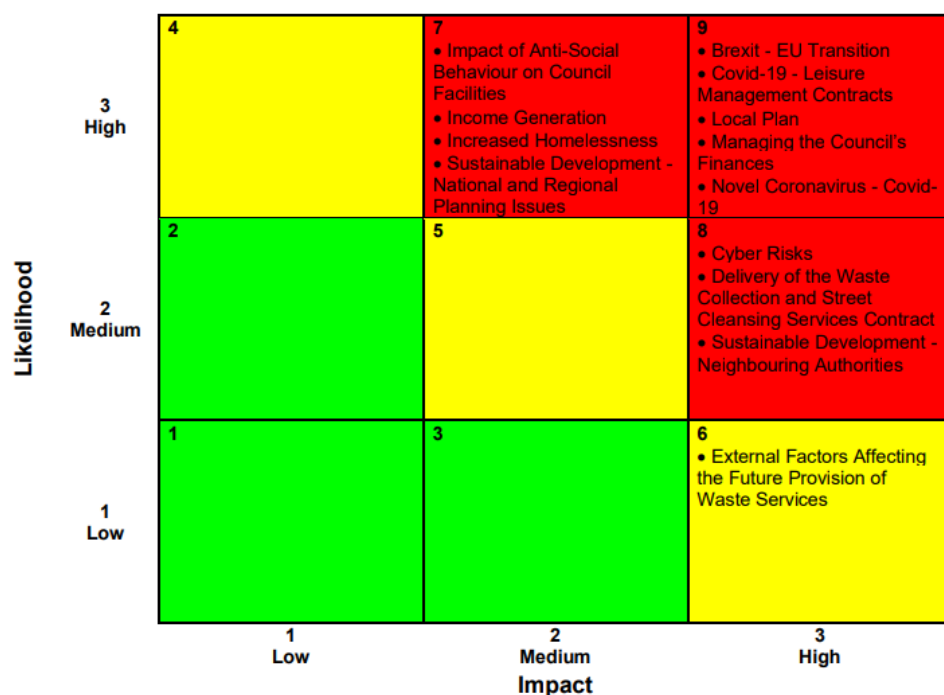
Narrative Report

Monitoring Risk and Opportunities

The Council's processes for the development and operation of risk management are monitored by the Finance, Audit and Risk Committee. The Committee review reports and can make recommendations to Cabinet on any changes.

Full Council receives an Annual Report on Risk Management in July each year.

At the start of the year the Council's Corporate Risks were:



During the year, the Committee received recommendations on changes to the following risks:

- Impact of Anti-Social Behaviour on Council Facilities - moved to a service risk.
- Brexit (EU Transition) – risk score reduced to 5.

Monitoring Performance

The Overview and Scrutiny Committee also receive quarterly reports on Performance Indicators. During 2021/22 there were 20 indicators that were monitored, with some having targets and others for information only. A summary of the position on these throughout the year is:

Status	Q1	Q2	Q3	Q4
Met or exceeded target	6	4	5	7
Target not achieved but within agreed tolerance	1	2	3	1
Not achieved and outside tolerance	2	3	1	1
For information only and traffic light status is not applicable	11	11	11	11

The indicators that did not meet or exceed their target at Q4 were:

Indicator	Target	Actual Value	Comments
Working days lost due to short-term sickness absence per FTE employee	3.5	4.2	Believed to be due to the lifting of Covid-19 restriction and the impact on common infections from increased social interactions
Kg of residual waste per household	335kg	356kg	Continuing changes in consumer behaviour (e.g., increased working from home) is leading to increased packaging material in residual waste bins. Food waste is also still high, and communications will focus on trying to reduce that.

Narrative Report

Performance and Risk in 2022/23

The Council is adopting a new approach to performance and risk monitoring in 2022-23. The key themes of the change are:

- Ensuring that Council projects are linked to the delivery of the Council Plan and refreshed each year.
- Having specific and achievable targets for the year, ensuring that resources are available to deliver them.
- Linking performance indicators to projects, to measure progress with delivering the project and achievement of intended outcomes.
- Linking Corporate Risks to projects, so that risks reflect any threats to the achievement of key projects.
- Simplifying Corporate Risks so they are focused on communicating the potential impact, and required mitigations are clearly explained.

The above will be achieved through the creation (and monitoring of) a Council Delivery Plan. The Council Delivery Plan for 2022-23 can be found here (<https://www.north-herts.gov.uk/council-delivery-plan>). The Plan will be monitored by Overview and Scrutiny and Cabinet on a quarterly basis. Finance, Audit and Risk Committee will no longer receive detailed reports on specific risks but will maintain an oversight of effective risk management.

The projects for 2022/23 are:

Covid Recovery

- Museum / Hitchin Town Hall recovery
- Tourism Strategy
- Business Recovery Grants
- Town Centre Recovery
- Health Inequalities
- Economic Development Strategy

Climate Change

- Resident/ Public EV charging in our car parks
- Cycling network
- EV charging for Council Vehicles
- Royston Leisure Centre Solar Thermal

Town Centres

- Town Centre strategies
- Finalise pay on exit parking review
- Replacement of Royston Town Hall Annexe

Improving how customers access our services

- Empty Homes strategy
- New ways of delivering housing on Council land
- Work with stakeholders to increase accommodation for single homeless people
- Local Plan implementation
- Master planning

Financial Sustainability and review of Council Tax Reduction Scheme

Government Resources and Waste Strategy

Green Space Management Strategy

Charnwood House, Hitchin

Museum Storage

Local Government Boundary Review

Narrative Report

Understanding the Accounts

The accounts are made up of 4 core financial statements:

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Cashflow statement

These are supported by a series of notes that provide further details of the numbers that they contain, with the Expenditure and Funding analysis being particularly useful in understanding the overall picture. Much of the information is of a technical nature and has been completed to be compliant with the 2021/22 Local Authority Accounting Code of Practice and Service Reporting Code of Practice, which are based on the International Financial Reporting Standards. On the next page there is a summary of the key information from each of these statements.

Expenditure and Funding Analysis

This note is the most relevant to Council Taxpayers as it shows the Council's spend by Directorate (net total of £17.1 million). It then goes on to show how this is funded from taxation and grants. The final section shows the impact on the General Fund balance.

Comprehensive Income and Expenditure Statement

This statement shows the Council's cost of providing services. There are two key totals:

- Surplus or Deficit on provision of services
- Total Comprehensive Income and Expenditure

The deficit on provision of services is **£3.8m**, which includes actual income and expenditure incurred as well as adjustments for the cost of using capital assets (e.g. depreciation) and pension costs.

The total comprehensive income and expenditure (which is a surplus of **£8.6 million**) also includes the estimated gains on the revaluation of non-current (e.g. land and buildings) and pension assets. These gains would only be realised if the assets were actually sold.

Movement in Reserves Statements

This statement starts with the surplus or deficit on provision of services total (from the Comprehensive Income and Expenditure Statement). A series of adjustments are then applied to get to the movement in the General Fund balance.

The General Fund balance is like the Council's savings account. We try to balance income and expenditure each year, but there will be variations which lead to amounts being added to or taken out of the General Fund. There is a need to maintain a certain level of savings, and Council Tax will be set to try and keep these at the right level.

The adjustments to get to the General Fund balance reflect that:

- The Council has separate funding sources for capital so rather than reflect the full cost of using assets; it only has to make allowances for the repayment of any borrowing that it has taken out to fund capital purchases.
- Rather than reflect the full cost of future pension liabilities, the Council only has to show current year contributions. These already include an element of catching up on previous deficits.

The overall result is that the movement on the General Fund is £1.7 million, which means that the balance at the start of the year of £8.9 million is now £10.6 million.

This statement also shows the other reserves that the Council has. The key ones are:

- Earmarked Reserves - money that the Council has chosen to set aside for a specific purpose.
- Capital Receipts Reserve - funding that can be used to fund future capital expenditure.

Narrative Report

Balance Sheet

The Balance Sheet shows the value as at the 31 March of the assets and liabilities recognised by the Council. The net assets of the Authority (assets less liabilities) are matched by the reserves held. The total value of net assets of the Authority at 31 March 2022 is £111.3 million. Key assets and liabilities include:

- Property, Plant and Equipment used to deliver services: £91.4 million
- Investment properties used to generate income: £26.4 million
- Short Term Treasury investments: £36.5 million
- Pension liabilities: -£39.6 million

Cashflow Statement

This shows the reason for changes in the Council's cash balances during the year, and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long term liabilities).

Statement of Accounting Policies

1. GENERAL

- 1.1. The Statement of Accounts summarises the Authority's transactions for the 2021/22 financial year and the position at the year-end of 31 March 2022. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. Those Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Local Government Act.
- 1.2. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. All disclosures are subject to materiality as the intention of the statement of accounts is to present a 'true and fair' view of financial position, financial performance and cashflows.

2. ACCRUALS OF INCOME AND EXPENDITURE

- 2.1. Subject to materiality, activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:
- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards or ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
 - Revenue from the provision of services is generally recognised when the Authority can measure reliably the percentage of completion of the transaction and this reflects that the same proportion of the economic benefits or service potential associated with the transaction will flow to the Authority. Where the revenue is not material in value and the time interval between the receipt of the payment and transfer of the service to the service recipient is insignificant, the revenue is recognised when the payment is received. Where the provision of the service occurs over a period of time and the expectation of receiving the economic benefits or service potential only flows to the authority when the performance obligations have been completely fulfilled, the revenue will only be recognised when performance obligations in the contract have been fully satisfied.
 - Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
 - Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
 - Where revenue and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
 - Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
 - Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Statement of Accounting Policies

3. COUNCIL TAX AND NON-DOMESTIC RATES

- 3.1 Billing authorities act as agents, collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting Council Tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.
- 3.2 The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.
- 3.3 The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

4. BUSINESS IMPROVEMENT DISTRICTS

- 4.1 Business Improvement District (BID) schemes apply in Hitchin, Royston and Letchworth. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Authority acts as an agent only under the scheme and so income is not shown in the Comprehensive Income and Expenditure Statement since the BID levies are collected on behalf of the relevant BID body.

5. CASH AND CASH EQUIVALENTS

- 5.1 Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

6. EMPLOYEE BENEFITS

Benefits Payable During Employment

- 6.1. Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as salaries, paid annual leave, paid sick leave, and banked hours in the flexi scheme for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Statement of Accounting Policies

Termination Benefits

- 6.2. Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis in the Comprehensive Income and Expenditure Statement and recognised at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring that involves the payment of termination benefits.
- 6.3. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

- 6.4. As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until the employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.
- 6.5. The Authority participates in one pension scheme, the Local Government Pension Scheme, administered locally by Hertfordshire County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Local Government Pension Scheme

- 6.6. The Local Government Pension Scheme is accounted for as a defined benefits scheme:
- The liabilities of the Hertfordshire Local Government Pension Scheme attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.
 - Liabilities are discounted to their value at current prices, using a discount rate based on the indicative current rate of return on high quality corporate bonds of equivalent currency and term as the liabilities (rated at the level of AA or equivalent).
 - The assets of the Hertfordshire Local Government Pension Scheme attributable to the Authority are included in the balance sheet at their fair value:

quoted securities	– bid price
unquoted securities	– professional estimate
unitised securities	– average of the bid and offer rates
property	– market value

Statement of Accounting Policies

- 6.7. The change in the net pensions liability is analysed into the following components:

Service cost comprising:

Current service cost – the increase in liabilities as a result of years of service earned in the financial year, allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years, debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

Net Interest on the net defined benefit liability (asset) – i.e. the net interest expense for the authority – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any charges in the net defined benefit liability during the period as a result of contribution and benefit payments.

Re-measurements comprising:

The return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions, charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the Hertfordshire Pension Scheme – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

- 6.8. In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

- 6.9. The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Statement of Accounting Policies

7. EVENTS AFTER THE REPORTING PERIOD

- 7.1. Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:
- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
 - Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.
- 7.2. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

8. EXCEPTIONAL ITEMS

- 8.1. When items of income and expenditure are material and significant to the understanding of the Council's financial performance, their nature and amount is disclosed separately in the notes to the accounts.

9. FINANCIAL INSTRUMENTS

- 9.1. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities.

Financial Liabilities

- 9.2. Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For the Council's borrowings, the amount presented in the Balance Sheet is the outstanding principal repayable; and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.
- 9.3. Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.
- 9.4. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Statement of Accounting Policies

FINANCIAL ASSETS

9.5. Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

9.6. The Authority does not have any available for sale assets.

Loans and Receivables

9.7. Assets of this type will arise where the Council provides money, goods or services to another party and contracts to defer the settlement of the debt that arises, but in the meantime will not plan to trade the receivable on the market. Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Authority has made this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

9.8. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

9.9. Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

10. GOVERNMENT GRANTS AND CONTRIBUTIONS

10.1. Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

10.2. Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Statement of Accounting Policies

10.3. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Where revenue grants have been ring-fenced to a specific service and have not been spent at the Balance Sheet date they are reversed out of the General Fund Balance and posted to an ear-marked reserve (revenue grants with less than £1,000 left unspent at the Balance Sheet date are treated as Creditors and not transferred to an ear-marked reserve).

10.4. Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

11. HERITAGE ASSETS

Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as heritage assets)

11.1 Heritage assets have historical, artistic, scientific, technological, geophysical or environmental qualities and are held and maintained principally for their contribution to knowledge and culture. The Authority's Heritage Assets consist of collections of assets or artefacts either exhibited or stored in the Authority's Museums (North Hertfordshire, Letchworth and Hitchin Museums) or the Museum Resource Centre, and items of public Sculpture and Artwork.

11.2 Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as the majority of them do not have a material monetary value and are therefore not recognised on the Balance Sheet.

- Where the Museums' Manager determines that an asset has a monetary value then they will undertake an annual programme of valuations by reviewing the archives of auctions houses to identify similar paintings by the same artist which have sold in the recent past.
- Purchased acquisitions are initially recognised at cost.
- For any donated acquisitions the Museums' Manager will determine whether they are likely to have a monetary value. If they do, then they will either provide a valuation or obtain an external valuation (as per above). Otherwise they will not be recognised on the Balance Sheet.

11.3 The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment – see section 18.13 in this summary of significant accounting policies.

11.4 The Authority has a policy for the acquisition and disposal of Museum collections. The policy states there is a strong presumption against the disposal of any items in the museum's collection and decisions to dispose of items will not be made with the principal aim of generating funds. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment.

Statement of Accounting Policies

12. INTANGIBLE ASSETS

- 12.1. Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.
- 12.2. Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).
- 12.3. Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.
- 12.4. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.
- 12.5. Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

13. INVENTORIES AND LONG TERM CONTRACTS

- 13.1. Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Work in Progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.
- 13.2. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

14. INVESTMENT PROPERTY

- 14.1. Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.
- 14.2. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged in an orderly transaction between participants at the measurement date, and assuming that highest and best use is made of that asset. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Statement of Accounting Policies

- 14.3. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

15. JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

- 15.1. Jointly controlled operations are activities undertaken by the Authority in conjunction with other partners that involve the use of the assets and resources of the partners rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs, and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.
- 15.2. Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other partners, with the assets being used to obtain benefits for the partners. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

16. LEASES

- 16.1. Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.
- 16.2. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

- 16.3. Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.
- 16.4. Lease payments are apportioned between:
- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
 - A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Statement of Accounting Policies

- 16.5. Property, plant and equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).
- 16.6. The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

- 16.7. Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance leases

- 16.8. Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain and loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.
- 16.9. Lease rentals receivable are apportioned between:
- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
 - Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).
- 16.10. The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.
- 16.11. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Statement of Accounting Policies

Operating Leases

- 16.12. Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained on the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

17. OVERHEADS AND SUPPORT SERVICES

- 17.1. The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

18. PROPERTY, PLANT AND EQUIPMENT

- 18.1. Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classed as Property, Plant and Equipment.

Recognition

- 18.2. Expenditure, above the de-minimis level, on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) or is below the de-minimis level, is charged as an expense when it is incurred.
- 18.3. The Authority's de-minimis level is £20,000 for property and £10,000 for vehicles, plant and equipment. The Authority may reduce these limits for items funded from grants where there is a specific requirement to treat some or all of the allocation as capital expenditure.

Measurement

- 18.4. Assets, other than surplus assets (see below), are initially measured at cost, comprising:
- The purchase price.
 - Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
 - The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Surplus assets are measured at fair value, based on the highest and best use of that asset.

- 18.5. The cost of assets acquired other than by purchase is deemed to be its current value. Where an acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority) and is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Statement of Accounting Policies

- 18.6. Donated assets are measured initially at current value. The difference between current value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.
- 18.7. Assets are then carried in the Balance Sheet using the following measurement bases:
- Infrastructure, community assets and assets under construction – depreciated historical cost.
 - All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).
- 18.8. Where there is no market based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. In such cases an estimate of the cost to re-build a similar asset (to provide the same function), using modern building practices and the latest information from the Building Cost Information Services is used as the value of the asset.
- 18.9. Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.
- 18.10. Assets included in the balance sheet at current value are **scheduled to be** revalued sufficiently regularly to ensure their carrying amount is not materially different from their current value at the year end, but **generally** as a minimum every five years. **As revaluations are carried out as at 1st November (part way through the year), where an asset is revalued, the closing asset value will be calculated as the revalued amount, less the annual depreciation charge.** Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of a loss previously charged to a service.
- 18.11. Where decreases in value are identified, they are accounted for by:
- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
 - Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- 18.12. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

- 18.13. Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.
- 18.14. Where impairment losses are identified, they are accounted for by:
- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

Statement of Accounting Policies

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

- 18.15. Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

- 18.16. Depreciation is provided for all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).
- 18.17. Depreciation is calculated on a straight line allocation over the useful life of the property as estimated by the valuer. There is no depreciation in the year of disposal but a full year's depreciation charge in the year of acquisition. Assets are typically depreciated over the following lives:

Fixed Asset	Life
Operational Buildings	Up to 50 years
Vehicles & Plant	5 to 10 years
Community Assets	Up to 50 years
Infrastructure	Up to 40 years

- 18.18. Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.
- 18.19. An individual item of property, plant or equipment is componentised and each resultant significant component is recognised and depreciated separately subject to the following principles:
- Individual assets with a carrying value less than £500k are disregarded for componentisation (subject to an assessment of the materiality of any group of assets that have been disregarded).
 - A component is judged to be significant and hence recognised and depreciated separately if the cost of the component is at least 20% of the overall cost of the asset and the components useful life and required method of depreciation is different to the overall asset.
 - The significance of a component relative to the overall asset is determined when an asset is enhanced, acquired or revalued (e.g. as part of the five-year rolling programme).
 - The cost of a component is based on best estimates where historical cost of assets and components is not available.

- 18.20. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

- 18.21. When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified

Statement of Accounting Policies

as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

- 18.22. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.
- 18.23. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.
- 18.24. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.
- 18.25. Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.
- 18.26. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

19. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

- 19.1. Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.
- 19.2. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. When a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.
- 19.3. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

20. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

Statement of Accounting Policies

- 20.1. Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.
- 20.2. Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.
- 20.3. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.
- 20.4. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the obligation is settled.

Contingent Liabilities

- 20.5. A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will not be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

- 20.6. A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

21. RESERVES

- 21.1. The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.
- 21.2. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

Statement of Accounting Policies

22. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

- 22.1. Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a long term asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.
- 22.2. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.
- 22.3. While the Authority has a de-minimis level for capitalising expenditure on its own assets there is no de-minimis level for revenue expenditure funded from capital under statute.

23. TRUST FUNDS AND THIRD PARTY ASSETS

- 23.1. Where the Authority acts as sole managing trustee for a Trust the net balance of the transactions incurred in running the Trust is included in the Comprehensive Income and Expenditure Statement. The Authority also holds income received for S106 legal agreements and unilateral undertakings relating to the submission of planning applications and these are treated as receipts in advance in the Balance Sheet before they are applied.

24. VAT

- 24.1. Value Added Tax (VAT) payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

The Expenditure and Funding Analysis is a note to the financial statements however it is positioned here as it provides a link between the figures in the narrative statement and the CIES.

2020/21			2021/22		
Net Expenditure chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement Directorate £'000	Net Expenditure chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
1,891	(504)	1,387	1,916	(936)	980
1,097	152	1,249	1,059	1,991	3,050
4,013	801	4,814	3,898	1,539	5,437
2,121	819	2,940	2,156	771	2,927
5,968	2,711	8,679	4,655	2,894	7,549
2,049	383	2,432	1,154	1,148	2,302
2,637	267	2,904	2,261	454	2,715
19,776	4,629	24,405	17,099	7,861	24,960
		Net Cost of Services			
1,200	147	1,347	1,231	(270)	961
		Other Operating Expenditure			
(867)	(4,398)	(5,265)	(709)	(1,736)	(2,445)
		Financing and Investment Income and Expenditure			
(31,010)	10,930	(20,080)	(14,540)	(5,087)	(19,627)
		Taxation and Non-Specific Grant Income and Expenditure			
(10,901)	11,308	407	3,081	768	3,849
		(Surplus) or Deficit on Provision of Services			
(9,378)		Opening General Fund Balance	(8,865)		
		(Surplus) or Deficit on General Fund Balance in year			
(10,901)			3,081		
11,414		Transfers to / (from) Earmarked Reserves	(4,823)		
(8,865)		Closing General Fund Balance at 31st March	(10,607)		

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and Movement in Reserves Statement.

Restated 2020/21			Note	2021/22		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
1,445	(58)	1,387	Managing Director	1,077	(97)	980
1,361	(112)	1,249	Commercialisation	3,304	(254)	3,050
39,544	(34,730)	4,814	Customers	38,085	(32,648)	5,437
3,419	(479)	2,940	Legal & Community	3,915	(988)	2,927
13,395	(4,716)	8,679	Place	12,034	(4,485)	7,549
6,722	(4,290)	2,432	Regulatory	8,403	(6,101)	2,302
2,975	(71)	2,904	Resources	2,820	(105)	2,715
68,861	(44,456)	24,405	Cost of Services	69,638	(44,678)	24,960
	1,347		Other Operating Expenditure			961
	(5,265)		Financing and Investment Income & Expenditure			(2,445)
	(20,080)		Taxation and Non-Specific Grant Income & Expenditure			(19,627)
		407	(Surplus) or Deficit on Provision of Services			3,849
		(8,814)	(Surplus) or Deficit on revaluation of non-current assets			(3,210)
	111		(Surplus) or Deficit on revaluation of available for sale assets			0
	14,207		Re-measurements of the net defined benefit liability	39		(9,261)
		5,504	Other Comprehensive Income and Expenditure			(12,471)
		5,911	Total Comprehensive Income and Expenditure			(8,622)

Service Reporting Code of Practice:

The above revenue service analysis is compliant with the latest accounting code of practice.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes and reflect the adjustments between the accounting basis and the funding basis under regulations. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	General Fund Balance £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Restated							
Balance at 31 March 2020	9,378	9,344	1,941	938	21,601	87,010	108,611
Movement in Reserve during 2020/21							
Surplus or (deficit) on provision of services	(407)	0	0	0	(407)	0	(407)
Other Comprehensive Expenditure and Income	0	0	0	0	0	(5,504)	(5,504)
Total Comprehensive Expenditure and Income	(407)	0	0	0	(407)	(5,504)	(5,911)
Adjustments between accounting basis & funding basis under regulations (Note 12)	11,308	0	(808)	(39)	10,461	(10,461)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	10,901	0	(808)	(39)	10,054	(15,965)	(5,911)
Transfers to/from Earmarked Reserves (Note 27)	(11,414)	11,414	0	0	0	0	0
Increase / (Decrease) in Year	(513)	11,414	(808)	(39)	10,054	(16,393)	(5,911)
Balance at 31 March 2021	8,865	20,758	1,133	899	31,655	71,045	102,700
Movement in Reserve during 2021/22							
Surplus or (deficit) on provision of services	(3,849)	0	0	0	(3,849)	0	(3,849)
Other Comprehensive Expenditure and Income	0	0	0	0	0	12,471	12,471
Total Comprehensive Expenditure and Income	(3,849)	0	0	0	(3,849)	12,471	8,622
Adjustments between accounting basis & funding basis under regulations (Note 12)	768	0	2,061	0	2,829	(2,829)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(3,081)	0	2,061	0	(1,020)	9,642	8,622
Transfers to/from Earmarked Reserves (Note 27)	4,823	(4,823)	0	0	0	0	0
Increase / (Decrease) in Year	1,742	(4,823)	2,061	0	(1,020)	9,642	8,622
Balance at 31 March 2022	10,607	15,935	3,194	899	30,635	80,687	111,322

Balance Sheet as at 31 March 2022

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Restated 31 March 2020 £'000	Restated 31 March 2021 £'000		Note	31 March 2022 £'000
89,631	92,033	Property, Plant and Equipment	16	91,442
853	928	Heritage Assets	17	932
18,429	23,776	Investment Property	18	26,379
289	224	Intangible Assets	19	151
1,000	0	Long Term Investments (non-property)		0
1	0	Mortgages		0
17	0	Loans		0
320	320	Other Long Term Debtors		265
110,540	117,281	Long Term Assets		119,169
299	416	Inventories	21	515
6,632	23,349	Short Term Debtors	22	10,560
26,627	24,539	Short Term Non Property Investments	20	36,529
2,909	6,296	Assets Held for Sale	24	3,227
8,848	20,850	Cash & Cash Equivalents	23	23,025
45,315	75,450	Current Assets		73,856
(25)	(26)	Short Term Borrowing	20	(26)
(4,653)	(19,240)	Short Term Creditors	25	(20,914)
(8,249)	(19,700)	Receipts in Advance	25	(16,843)
0	0	Provisions (< 1 year)	26	(46)
(12,927)	(38,966)	Current Liabilities		(37,829)
(405)	(386)	Long Term Borrowing	20	(367)
(2,388)	(1,957)	Long Term Creditors	38	(1,444)
(882)	(2,783)	Provisions (> 1 year)	26	(2,493)
(30,691)	(45,976)	Liability related to Pension Scheme	39	(39,605)
49	37	Deferred Credits		35
(34,317)	(51,065)	Long Term Liabilities		(43,874)
108,611	102,700	Net Assets		111,322
21,601	31,655	Usable Reserves	27	30,635
87,010	71,045	Unusable Reserves	28	80,687
108,611	102,700	Total Reserves		111,322

These financial statements replace the un-audited accounts that were authorised for issue by the Service Director – Resources on 28th July 2022.

Authorised for re-issue on:

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

Restated 2020/21 £'000	2021/22 £'000
(818) Net surplus or (deficit) on the provision of services	(3,849)
Adjustments to net surplus or deficit on the provision of services 24,387 for non-cash movements (Note 29)	13,122
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (684) (Note 29)	(2,777)
22,885 Net cash flows from operating activities	6,496
2,280 Investing Activities (Note 29)	(10,400)
(13,163) Financing Activities (Note 29)	6,079
12,002 Net Increase or (decrease) in cash and cash equivalents	2,175
8,848 Cash and Cash Equivalents at the beginning of the year	20,850
20,850 Cash and Cash Equivalents at the end of the year	23,025

Notes to the Core Financial Statements

Index of Explanatory Notes to the Core Financial Statements

Financial Statement	Note No.	Note	Page
All	1	Accounting Standards that have been issued but not yet adopted	43
All	2	Critical judgements in applying accounting policies	43
All	3	Assumptions made about the future and other major sources of estimation uncertainty	44
All	4	Going Concern	45
CIES	5	Material items of income and expense	45
All	6	Events after the reporting period	45
All	7	Prior period adjustments	45
All	8	Acquired and discontinued operations	46
EFA	9	Note to the Expenditure and Funding Analysis	46
EFA	10	Segmental Income	48
EFA	11	Expenditure and Income Analysed by Nature	48
Movement in Reserves	12	Adjustments between accounting basis and funding basis under regulations	49
CIES	13	Other operating expenditure	51
CIES	14	Financing and investment income and expenditure	51
CIES	15	Taxation & non-specific grant income and expenditure	51
Balance sheet	16	Property, plant and equipment	52
Balance sheet	17	Heritage assets	56
CIES	18	Investment properties	58
Balance sheet	19	Intangible assets	58
Balance sheet	20	Financial instruments	59
Balance sheet	21	Inventories	63
Balance sheet	22	Debtors	63
Balance sheet	23	Cash and cash equivalents	64
Balance sheet	24	Assets held for sale	64
Balance sheet	25	Short term creditors and receipts in advance	64
Balance sheet	26	Provisions	65
Movement in Reserves	27	Usable reserves	65
Movement in Reserves	28	Unusable reserves	68
Cash Flow Statement	29	Notes relating to the cash flow statement	71
All	30	Trading operations	72
CIES	31	Members' Allowances	72
CIES	32	Employees remuneration	73
CIES	33	Termination benefits and exit packages	75
CIES	34	Fees payable to the authority's appointed external auditors	76
CIES	35	Grant income	76
CIES	36	Related party transactions	77
Balance sheet	37	Capital expenditure and financing	79
Balance sheet	38	Assets held under lease and for lease	79
All	39	Pension schemes	81
All	40	Contingent assets	85
All	41	Contingent liabilities	85
All	42	Trust funds and third party funds	86

Notes to the Core Financial Statements

INTRODUCTION

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) and the accounting policies set out prior to the financial statements. The notes that follow (1 to 42) set out supplementary information to assist readers of the accounts.

1. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2022/23 Code:

- IFRS 16 Leases (but only for those Local Authorities that have decided to adopt IFRS16 in the 2022/23 year) North Herts are not adopting IFRS16 in 2022/23.
- IFRS 1 (First time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS.
- IAS 37 (onerous contracts) – clarifies the intention of the standard
- IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the code material
- IAS 41 (Agriculture) – one of a small number of IFRS's that are not expected to apply to Local Authorities in limited circumstances.
- Property Plant and Equipment: proceeds before intended use (Amendments to IAS 16)

The Code will require implementation from 1 April 2022 and there is therefore no impact on the 2021/22 Statement of Accounts. It is also considered that these standards and amendments will not have a material impact on the Council's Statement of Accounts when they become applicable.

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies (see the Statement of Accounting Policies), the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication of the degree to which the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Authority has determined that the ownership of the freehold of the Churchgate Shopping Centre in Hitchin is an investment property (carrying value of £1.8million) as there is no alternative policy for ownership other than for rental income or capital appreciation.
- The Authority considers the vehicles used in the delivery of the refuse and recycling service as held under a finance lease, with the underlying assets included on the balance sheet (carrying value of £1.4million). This reflects long-term leases economic benefits of ownership, through the performance of the contract. The seven-year contract commenced in May 2018, with the vehicle assets recognised at an initial value of £3.2 million.
- The Authority considers that the financial statements accurately reflect the financial consequence of the COVID-19 pandemic for the financial year 2021-2022. Many of the service impacts noted in the narrative report were more prevalent at the start of the financial year, with Covid-19 restrictions in place throughout the first quarter. With the recovery currently ongoing, it is expected that the aggregate financial impact will continue to reduce in the next financial year.

Notes to the Core Financial Statements

3. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2022 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Assets are depreciated over estimated useful lives. If, for any reason, an individual asset should deteriorate at a quicker rate than expected, then this could bring into doubt the useful lives assigned to individual assets. This could happen, for example, if the current period of austerity meant the necessary programme of repairs and maintenance was delayed.</p> <p>The underlying property valuations also continue to be affected by the economic uncertainty created as a result of COVID-19, Ukraine war and other inflationary impacts.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £427,800 for every year that useful lives had to be reduced.</p> <p>If market conditions are impacted by issues highlighted, every 1% change in the value of the Council's operational properties would equate to a change in the value of these assets of £983K.</p>
Investment Properties	Investment Properties are not depreciated but are revalued annually according to market conditions. In the current economic climate it is uncertain if there will be a significant change in property prices over the next 12 months. However, the majority of the Authority's investment properties are ground leases which are considered to be relatively secure investments and less liable to large swings in value.	An average yield of 7.0% has been used in the calculation of the value of investment properties. A 0.5% reduction in the yield would reduce the carrying value of investment property by approximately £2.0million (this is a simple estimation for illustration only and does not consider the complexities and circumstances of individual assets).
Debtors	At 31 March 2021 the Authority had a balance of short term debtors of £12.9million. A review of the trend in collection rates and the age profile of the outstanding debt suggested an impairment of £2.4million was appropriate. However, in the current economic climate it is not certain if such an allowance is sufficient.	If collection rates were to deteriorate, a doubling of the amount of impairment of the doubtful debt would require an additional £2.4million to be set aside.
National Non Domestic Rates – Provision for Appeals	<p>The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The arrangements came into effect on 1 April 2013.</p> <p>The Authority, acting as an agent on behalf of the major preceptors, central government and itself (as principal) is required to make provisions in accordance with the requirements of the Code and legislation for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This includes amounts relating to non-domestic rates charged to businesses in 2012-13 and earlier financial years.</p>	A provision of £2.4m has been made, as at 31 March 2022, for the Authority's share of refunding outstanding appeals that are ultimately successful. This amount is based on the net rates payable from the NNDR1 multiplied by the national average of appeals of 4.7%. An increase of the national average of appeals from 4.7% to 5.7% will result in an increase of £874k on the appeals provision.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements. A firm of actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The assumptions interact in complex ways. Actuarial valuations are carried out every three years, and the latest valuation has been done in 2022/23. The Authority's actuaries advised that the net pensions liability in 2021/22 had reduced by £6.4million. This is due to a higher than expected discount rate when working out the financial assumptions.

Notes to the Core Financial Statements

4. GOING CONCERN

The accounts are prepared on a going concern basis; that is, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future from the date that the accounts are authorised for issue.

This assumption primarily relates to the requirements of the CIPFA Code of Practice on Local Authority accounting in the United Kingdom. That reflects the economic and statutory environment in which Local Authorities operate. Therefore, as Local Authorities can not be created or dissolved without statutory prescription, accounts must be prepared on a Going Concern basis.

In addition to the above, the Council fully adheres to the requirements of legislation in relation to its financial management. This includes considering the medium term impact of its financial decisions through the preparation of a Medium Term Financial Strategy and considering the medium term when setting its budget each year.

5. MATERIAL ITEMS OF INCOME AND EXPENSE

The Code of Practice requires the disclosure of the nature and amount of any material items of income and expenditure which are not separately disclosed on the face of the Comprehensive Income and Expenditure Statement.

The following material items of income and expenditure are included in the Cost of Services in the Comprehensive Income and Expenditure Statement:

Directorate	Description of Material Item	Comment
Customers	Careline Service – Contribution from Hertfordshire County Council	Total income receivable under the terms of the contractual agreement with Hertfordshire County Council was £2.7million in 2021/22 (£1.3m in 2020/21).
Customers	Covid-19 Additional Restrictions Grant	£3.7m of payments to businesses in the District were made under the Additional Restrictions Grant scheme in 2021/22 (£1.4m in 2020/21). The Council developed the details of the grant scheme internally, while ensuring compliance with criteria laid down by the Department for Business, Energy and Industrial Strategy (BEIS). The grant expenditure was fully funded by an income contribution of £3.7m for the cost of the grants from BEIS.
Customers	Housing and Council Tax Benefits	The Authority paid a total of £23.5million of Housing Benefit payments in 2021/22 (£27.8million in 2020/21). This was funded by a grant subsidy from the Department for Work and Pensions of £22.8million (£27.2million in 2020/21).
Place	Grounds Maintenance Contract	Contract payments for the core service maintenance of amenity areas, burial grounds and rivers totalled £1.3million in 2021/22 (£1.3million in 2020/21).
Place	Waste and Recycling Contract	Waste and Recycling Contract expenditure totalled £3.7million in 2021/22 (£3.6million in 2020/21).
Place	Garden Waste Service Income	Total income of £1.2m received from residents subscribed to the Council's Garden Waste Collection Service in 2021/22 (£965k in 2020/21).
Regulatory	Off-Street Car Parking Income	Off-Street Car Parking income received by the authority totalled £1.6million in 2021/22 (£826k in 2020/21).

6. EVENTS AFTER THE REPORTING PERIOD

There were no events that occurred after the reporting period that need disclosing in 2021/22.

Notes to the Core Financial Statements

7. PRIOR PERIOD ADJUSTMENTS

A prior year adjustment has been identified in respect of an error in the compilation of the Council's balance sheet. Capital expenditure incurred in respect of five operational building assets remained on the asset register after respective works had been completed and a revaluation of the complete assets had subsequently been carried out. The error has meant that the Property Plant and Equipment total reported in the balance sheet, and consequently the net assets total, was overstated by £6.0m in 2019/20 and £6.7m in 2020/21. The Council has reviewed its entire asset register to ensure that there is no other duplication. The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom requires that an authority present a Balance Sheet at the beginning of the preceding period when an authority makes a retrospective restatement and as such a fully restated balance sheet for 2019/20 is presented in these statements. The amount of the correction for each line in the core statements and the relevant supporting notes to those totals impacted is shown below.

Effect on line items in the Council balance sheet

	Original 2019/20	Restated 2019/20	Amount of Restatement	Original 2020/21	Restated 2020/21	Amount of Restatement
	£'000	£'000	£'000	£'000	£'000	£'000
Property, Plant and Equipment	95,603	89,631	(5,972)	98,709	92,033	(6,676)
Long Term Assets	116,572	110,540	(5,972)	123,957	117,281	(6,676)
Net Assets	114,583	108,611	(5,972)	109,376	102,700	(6,676)
Unusable Reserves	92,982	87,010	(5,972)	77,721	71,045	(6,676)
Total Reserves	114,583	108,611	(5,972)	109,376	102,700	(6,676)

Effect on line items in the Comprehensive Income and Expenditure Statement

	Original Gross Expenditure 2020/21 £'000	Restated Gross Expenditure 2020/21 £'000	Amount of restatement £'000	Original Net Expenditure 2020/21 £'000	Restated Net Expenditure 2020/21 £'000	Amount of restatement £'000
Commercialisation	1,895	1,361	(534)	1,783	1,249	(534)
Place	13,460	13,395	(65)	8,744	8,679	(65)
Regulatory	6,748	6,722	(26)	2,458	2,432	(26)
Cost of Services	69,486	68,861	(625)	25,030	24,405	(625)

	Original 2020/21 £'000	Restated 2020/21 £'000	Amount of restatement £'000
(Surplus) or Deficit on Provision of Services	1,032	407	(625)
(Surplus) or Deficit on revaluation of non-current assets	(10,143)	(8,814)	1,329
Other Comprehensive Income and Expenditure	4,175	5,504	1,329
Total Comprehensive Income and Expenditure	5,207	5,911	704

Effect on Movement in Reserves Statement

	Total Usable Reserves £'000	Restated Total Usable Reserves £'000	Correction 2020/21 £'000	Total Unusable Reserves £'000	Restated Total Unusable Reserves £'000	Correction 2020/21 £'000	Total Authority Reserves £'000	Restated Total Authority Reserves £'000	Correction 2020/21 £'000
Balance at 31 March 2020	21,601	21,601	0	92,982	87,010	(5,972)	114,583	108,611	(5,972)
Surplus or (deficit) on provision of services	(1,032)	(407)	625	0	0	0	(1,032)	(407)	625

Notes to the Core Financial Statements

Other Comprehensive Expenditure and Income	0	0	0	(4,175)	(5,504)	(1,329)	(4,175)	(5,504)	(1,329)
Total Comprehensive Expenditure and Income	(1,032)	(407)	625	(4,175)	(5,504)	(1,329)	(5,207)	(5,911)	(704)
Adjustments between accounting basis & funding basis under regulations	11,086	10,461	(625)	(11,086)	(10,461)	625	0	0	0
Net Increase/(Decrease) in Year	10,054	10,054	0	(15,261)	(15,965)	(704)	(5,207)	(5,911)	(704)
Balance at 31 March 2021	31,655	31,655	0	77,721	71,045	(6,676)	109,376	102,700	(6,676)

Effect on Note 9 Note to the Expenditure and Funding Analysis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Original Adjustments for Capital Purposes 2020/21	Restated Adjustments for Capital Purposes 2020/21	Amount of Restatement	Original Total Adjustments 2020/21	Restated Total Adjustments 2020/21	Amount of Restatement
	£'000	£'000	£'000	£'000	£'000	£'000
Commercialisation	603	69	(534)	686	152	(534)
Place	2,661	2,596	(65)	2,776	2,711	(65)
Regulatory	95	69	(26)	409	383	(26)
Net Cost of Services	4,457	3,832	(625)	5,254	4,629	(625)
Other Income and Expenditure from the Expenditure and Funding Analysis	(5,014)	(5,014)	0	6,679	6,679	0
Difference between the General Fund Surplus or Deficit and the CIES surplus or deficit on the provision of services	(557)	(1,182)	(625)	11,933	11,308	(625)

Effect on Note 11 Expenditure and Income analysed by nature

	Original 2020/21	Restated 2020/21	Amount of Restatement
	£'000	£'000	£'000
Capital Charges:			
- Depreciation of Property, Plant & Equipment	3,775	3,561	(214)
- Impairment Reversal	0	(411)	(411)
Total Expenditure	67,002	66,377	(625)
Total Income	(65,970)	(65,970)	0
(Surplus) or Deficit on the Provision of Services	(1,032)	407	(625)

Effect on Note 12 Adjustments between accounting basis and funding basis

	Original Movement in General Fund Balance 2020/21	Restated Movement in General Fund Balance 2020/21	Amount of Restatement	Original Movement in Unusable Reserves	Restated Movement in Unusable Reserves	Amount of Restatement
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments Primarily Involving the Capital Adjustment Account:						
Reversal of items debited or credited to the comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(3,969)	(3,344)	625	3,969	3,344	(625)
Total Adjustments	(11,933)	(11,308)	625	11,086	10,461	(625)

Notes to the Core Financial Statements

Restated Note 16 Land and Buildings asset values

	Original 2020/21 £'000	Restated 2020/21 £'000	Amount of Restatement £'000
Valuation at 1 April 2020	85,934	79,441	(6,493)
Upward and Downward Revaluations taken to Revaluation Reserve	2,904	1,827	(1,077)
Upward Revaluations / Impairment reversals recognized in the Surplus/Deficit on Provision of Services	0	175	175
Valuation at 31 March 2021	89,212	81,642	(7,570)
Depreciation and Impairments at 1 April 2020	(13,211)	(12,690)	521
Depreciation Charge for 2020/21	(2,565)	(2,351)	214
Depreciation written out to the Revaluation Reserve	7,143	7,066	(77)
Depreciation written out to the surplus/deficit on provision of services	0	236	236
Depreciation and Impairments at 31 March 2021	(8,633)	(7,739)	894
Balance Sheet amount at 31 March 2021	80,579	73,903	(6,676)
Balance Sheet amount at 1 April 2020	72,723	66,751	(5,972)

Restated Note 28 Unusable reserves closing balances at 31 March

	Original 2019/20 £'000	Restated 2019/20 £'000	Amount of restatement £'000	Original 2020/21 £'000	Restated 2020/21 £'000	Amount of Restatement £'000
Revaluation Reserve	53,504	50,569	(2,935)	62,029	57,765	(4,264)
Capital Adjustment Account	70,082	67,045	(3,037)	72,993	70,581	(2,412)
Total Unusable Reserves	92,982	87,010	(5,972)	77,721	71,045	(6,676)

Restated Note 28A Revaluation Reserve

	Original 2020/21 £'000	Restated 2020/21 £'000	Amount of Restatement £'000
Balance at 1 April 2020	53,504	50,569	(2,935)
Upward Revaluation of Assets	10,584	9,255	(1,329)
Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	10,032	8,703	(1,329)
Amount written off to the capital adjustment account	(1,507)	(1,507)	0
Balance at 31 March 2021	62,029	57,765	(4,264)

Restated Note 28B Capital Adjustment Account

	Original 2020/21 £'000	Restated 2020/21 £'000	Amount of Restatement £'000
Balance at 1 April 2020	70,082	67,045	(3,037)
Reversal of items relating to capital expenditure debited or credited to the comprehensive Income and Expenditure Statement:			
Charges for depreciation and impairment of non-current assets	(3,969)	(3,344)	625
Total	(5,073)	(4,448)	625
Net written out amount of the cost of non-current assets consumed in the year	(3,686)	(3,061)	625
Balance at 31 March 2021	72,993	70,581	(2,412)

Notes to the Core Financial Statements

There is another prior year adjustment that has been identified in respect of an error relating to the Cash Flow Statement presented for 2020/21. Totals disclosed in respect of investing activities included amounts relating to investments with a duration of less than 90 days. These investments fall within the authority's definition of cash equivalents and should therefore not have been treated as cash flows for the purposes of the cash flow statement. The net of purchases of, and proceeds from, the sale of cash equivalents was then incorrectly presented as 'proceeds from sale of non-current asset and investments' in 2020/21 under operating activities. The amount of the correction for each line affected in the cash flow statement and note 29 is shown below. The prior period error does not impact the cash and cash equivalents total reported at the end of financial year 2020/21 nor does it have any impact on the other core financial statements.

Restated lines in Cash Flow Statement

	Original 2020/21 £'000	Restated 2020/21 £'000	Amount of Restatement £'000
Adjustments for items that are investing and financing activities (Note 29)	2,443	(684)	(3,127)
Net cash flows from operating activities	26,012	22,885	(3,127)
Investing Activities (Note 29)	(847)	2,280	3,127

Restated Note 29: Notes relating to the Cash Flow Statement

Operating Activities	Original 2020/21 £'000	Restated 2020/21 £'000	Amount of Restatement £'000
Adjustments for items that are investing or financing activities:	£'000	£'000	£'000
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	3,127	0	(3,127)
Grants applied to the financing of capital expenditure	(229)	(229)	0
Proceeds from the sale of non-current assets and investments*	(455)	(455)	0
Net Adjustment for investing or financing activities	2,443	(684)	(3,127)

* The audited statement of accounts for 2020/21 presented these two amounts as a single net total - 'proceeds from the sale of non-current assets'. The net total has been disaggregated here to provide additional information on the restatement.

	Original 2020/21 £'000	Restated 2020/21 £'000	Amount of Restatement £'000
Investing Activities	£'000	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	(1,530)	(1,530)	0
Purchase of short-term and long-term investments	(602,373)	(56,873)	545,500
Other payments for investing activities	0	0	0
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	455	455	0
Proceeds from short-term and long-term Investments	602,373	60,000	(542,373)
Other receipts from investing activities	228	228	0
Net cash flows from investing activities	(847)	2,280	3,127

Notes to the Core Financial Statements

8. ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations during 2021/22 or 2020/21. These would normally arise following boundary changes or from legislation, neither of which affected North Hertfordshire District Council during 2021/22. All operations are therefore classified as 'continuing operations'.

9. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis presents the total adjustments required to the amounts chargeable to the General Fund in order to arrive at the Net Expenditure in the Comprehensive Income and Expenditure Statement. The main adjustments required are detailed and explained below.

Restated 2020/21				2021/22				
Adjustments for Capital Purposes (Note 1)	Net Change for the Pension Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments	Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note 1)	Net Change for the Pension Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
0	(932)	428	(504)	Managing Director	0	(969)	33	(936)
69	83	0	152	Commercialisation	1,777	214	0	1,991
330	471	0	801	Customers	365	1,174	0	1,539
662	157	0	819	Legal & Community	474	297	0	771
2,596	115	0	2,711	Place	2,663	231	0	2,894
69	314	0	383	Regulatory	439	709	0	1,148
106	161	0	267	Resources	158	296	0	454
3,832	369	428	4,629	Net Cost of Services	5,876	1,952	33	7,861
147	0	0	147	Other Operating Expenditure	(270)	0	0	(270)
(5,107)	709	0	(4,398)	Financing and Investment Income and Expenditure	(2,674)	938	0	(1,736)
(54)	0	10,984	10,930	Taxation and Non-Specific Grant Income and Expenditure	(13)	0	(5,074)	(5,087)
(5,014)	709	10,984	6,679	Other Income and Expenditure from the Expenditure and Funding Analysis	(2,957)	938	(5,074)	(7,093)
(1,182)	1,078	11,412	11,308	Difference between the General Fund Surplus or Deficit and the CIES surplus or deficit on the provision of services	2,919	2,890	(5,041)	768

Notes to the Core Financial Statements

1) Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the Services lines, and for the following items in Other Income and Expenditure:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year. The gain to the authority on receipt of a donated asset is also credited to this line.

2) Net Change for the Pensions Adjustments

This column reflects the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

3) Other Differences

This includes those other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

Notes to the Core Financial Statements

10. SEGMENTAL INCOME

Income received on a segmental basis is analysed below.

	2020/21	2021/22
Directorate	£'000	£'000
Managing Director	(307)	(190)
Commercialisation	(1,351)	(1,475)
Customers	(34,730)	(32,648)
Legal & Community	(479)	(988)
Place	(4,716)	(4,485)
Regulatory	(4,290)	(6,101)
Resources	(71)	(105)
Total Directorate Income	(45,944)	(45,992)
Other Income Received		
Non-Ringfenced Government Grants	(16,277)	(7,017)
Income from Council Tax and Business Rates	(3,749)	(12,597)
Total Income within Surplus or Deficit on the Provision of Services	(65,970)	(65,606)

11. EXPENDITURE AND INCOME ANALYSED BY NATURE

The authority's expenditure and income is analysed as follows:

	2020/21	2021/22
	£000	£000
Employee costs	15,643	17,759
Other Service Expenditure	21,948	22,608
Housing Benefit Payments	27,768	23,531
Interest Payments	555	482
Net Pension Costs	709	938
Capital Charges:		
- Depreciation of Property, Plant & Equipment		
- Amortisation of Intangible Assets	3,561	3,789
- Impairment / Downward Revaluation of Assets	166	148
- Impairment Reversal	194	2,012
	(411)	(178)
(Increase) / Decrease in Fair Value of Investment Properties	(5,103)	(2,595)
(Gain) / Loss on the Disposal of Assets	147	(270)
Parish Council Precepts	1,200	1,231
Total Expenditure	66,377	69,455
Fees and Charges	(7,383)	(9,622)
Interest and Rental Income	(1,559)	(1,406)
Housing Benefit Subsidy	(27,188)	(22,772)
Grants and Contributions	(26,091)	(19,209)
Income from Council Tax and Business Rates	(3,749)	(12,597)
Total Income	(65,970)	(65,606)
(Surplus) or Deficit on the Provision of Services	407	3,849

Notes to the Core Financial Statements

12. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

The first table shows the adjustments made in the comparative year 2020/21:

2020/21	Usable Reserves			Movement in Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments Primarily involving the Capital Adjustment Account: Reversal of items debited or credited to the comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(3,344)	0	0	3,344
Movements in the market value of Investment Properties	5,103	0	0	(5,103)
Amortisation of Intangible Assets	(166)	0	0	166
Capital Grants and contributions applied	228	0	39	(267)
Revenue Expenditure funded from capital under statute	(496)	0	0	496
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	(562)	0	0	562
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the financing of capital investment	4	0	0	(4)
Capital expenditure charged against the General Fund	0	0	0	0
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	455	(455)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	1,223	0	(1,223)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(40)	40	0	0
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(3,855)	0	0	3,855
Employers pensions contributions and direct payments to pensioners payable in year	2,777	0	0	(2,777)
Adjustments primarily involving the Collection Fund Account:				
Movement in the Authority's share of the Collection Fund surplus / deficit	(10,984)	0	0	10,984
Adjustments primarily involving the Accumulated Absences Account:				
Accrued employee absence adjustment	(428)	0	0	428
Total Adjustments	(11,308)	808	39	10,461

Notes to the Core Financial Statements

The following table shows the adjustments made in 2021/22:

2021/22	Usable Reserves			Movement in Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments Primarily involving the Capital Adjustment Account: Reversal of items debited or credited to the comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(5,623)	0	0	5,623
Movements in the market value of Investment Properties	2,595	0	0	(2,595)
Amortisation of Intangible Assets	(148)	0	0	148
Capital Grants and contributions applied	133	0	0	(133)
Revenue Expenditure funded from capital under statute	(225)	0	0	225
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	(2,369)	0	0	2,369
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the financing of capital investment	4	0	0	(4)
Capital expenditure charged against the General Fund	75	0	0	(75)
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	2,644	(2,644)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	578	0	(578)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(5)	5	0	0
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(5,760)	0	0	5,760
Employers pensions contributions and direct payments to pensioners payable in year	2,870	0	0	(2,870)
Adjustments primarily involving the Collection Fund Account:				
Movement in the Authority's share of the Collection Fund surplus / deficit	5,074	0	0	(5,074)
Adjustments primarily involving the Accumulated Absences Account:				
Accrued employee absence adjustment	(33)	0	0	33
Total Adjustments	(768)	(2,061)	0	2,829

Notes to the Core Financial Statements

13. OTHER OPERATING EXPENDITURE

2020/21		2021/22
£000		£000
1,200	Parish council precepts	1,231
147	(Gains) / losses on disposal of non-current assets	(270)
1,347	Total	961

14. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2020/21		2021/22
£000		£000
555	Interest payable and similar charges	483
709	Pensions interest cost and expected return on pensions assets	938
(195)	Interest receivable and similar income	(80)
(5,103)	Change in Fair Value of Investment Properties	(2,595)
(1,231)	Income and expenditure in relation to investment properties	(1,191)
(5,265)	Total	(2,445)

15. TAXATION & NON-SPECIFIC GRANT INCOME AND EXPENDITURE

2020/21		2021/22	2021/22
£000		£000	£000
(11,983)	Council Tax Income		(13,266)
(679)	Council Tax Covid-19 Hardship Fund Grant		0
0	Section 31 Council Tax Discount for Family Annexes grant		(19)
0	Covid-19 Council Tax Support Grant		(230)
(1,602)	Covid-19 Emergency Grant Funding		(558)
(1,899)	Covid-19 Sales, Fees and Charges Compensation		(308)
(1,347)	Covid-19 Local Tax Income Guarantee		0
(10,037)	Section 31 Business Rates Reliefs Grant		(5,394)
(713)	New Homes Bonus		(392)
0	Lower Tier Services Grant		(116)
	National Non-Domestic Business Rates (NNDR)		
(15,153)	Share of total collectible income	(18,177)	
12,998	NNDR Tariff and Levy	13,271	
10,389	NNDR Collection Fund (Surplus) / Deficit	5,575	
8,234	Net Recognised NNDR		669
(54)	Capital Grants and Contributions (see below)		(13)
(20,080)			(19,627)

2020/21	Capital Grants and Contributions	2021/22
£000		£000
28	S106 Developer Contributions	13
13	Arts Council England	0
11	Art Fund	0
2	Hertfordshire Heritage Fund	0
54	Total	13

Notes to the Core Financial Statements

16. PROPERTY, PLANT AND EQUIPMENT

The movement on property, plant and equipment balances during the year and in the 2020/21 comparable year is detailed in the following tables.

Within each classification heading are the following types of assets:

Land & Buildings	– Offices, Depots, Leisure Facilities, Community Centres, Museums and Pavilions
Infrastructure Assets	– Capital Works to Public Roads and Drainage Schemes
Community Assets	– Commons and Parks

REVALUATIONS

The Authority has a 5 year rolling revaluation programme for its properties. The Authority's Investment properties are valued annually. Revaluations completed during the year are reflected as at 1 November of the financial year when the valuation takes place. Reviews of valuations may be undertaken should the valuer have cause to believe the valuation as at 1 November may have materially changed. Valuations of the Authority's properties are overseen by the Senior Estates Surveyor, who is a professional member of the Royal Institution of Chartered Surveyors. When necessary, specialist external valuers are used for assets which require particular knowledge of the asset valued.

Revaluations have been undertaken in 2021/22 in line with the 5 year rolling programme. These have resulted in a net increase to the carrying value of property, plant and equipment of just under £2.974million.

The following table shows which class of assets have been scheduled for revaluation over the last 4 years:

2018/19	2019/20	2020/21	2021/22
Industrial Properties	Industrial Properties	Investment Properties	Investment Properties
Investment Properties	Investment Properties	Assets Held for Sale	Assets Held for Sale
Agricultural	Assets Held for Sale	Surplus Assets	Surplus Assets
Allotments	Surplus Assets		
Amenity Land		Operational Assets:	Operational Assets:
Recreation Grounds		Amenity Land *	Amenity Land *
		Burial Ground *	Burial Ground *
		Car Park *	Car Park *
		Community Centres	Community Centres
		Industrial	Industrial
		Leisure Centres	Leisure Centres
		Market *	Market *
		Museums	Museums
		Offices *	Offices *
		Pavilions *	Pavilions *
		Play Areas *	Play Areas *
		Public Conveniences	Public Conveniences
		Public Halls	Public Halls
		Public Open Space *	Public Open Space *
		Recreation Ground *	Recreation Ground *
		Storage *	Storage *
		Swimming Pools	Swimming Pools
		Trust Properties *	Trust Properties *

* Selected assets were valued in this category.

Notes to the Core Financial Statements

The table below shows the value of assets revalued over the last five years:

	Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction
	£'000	£'000	£'000	£'000	£'000	£'000
Carried at Historical Cost	146	2,899	275	95	0	423
Valued at Current Value as at:						
2017/18	1	0	0	0	0	0
2018/19	8,680	0	0	0	0	0
2019/20	418	0	0	0	0	0
2020/21	0	0	0	0	124	0
2021/22	66,218	0	0	5,129	7,033	0
Total	75,463	2,899	275	5,224	7,157	423

The Authority measures some of its non-financial assets, such as surplus assets and investment properties, at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The Authority uses appropriate valuation techniques for each circumstance, maximising the use of relevant known data and minimising the use of estimates or unknowns. The three widely used valuation techniques are:

- the market approach - uses prices and other relevant data generated by market transactions involving identical or comparable (i.e. similar) assets or group of assets.
- the cost approach - reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).
- the income approach - converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

The market approach and the cost approach were both employed for the valuation of all surplus assets. The use of more than one valuation technique in the measurement of an asset is to ensure as far as possible that the valuation is most representative of fair value in the circumstances.

The market approach was employed for the valuation of all investment properties. For certain investment properties, where sufficient data was available, the income approach was also employed for valuation corroboration purposes, in accordance with valuation good practice.

The fair value measurements take into account the three levels of categories for inputs to valuations for fair value assets:

- Level 1 Quoted Prices in active markets for identical assets accessible at the measurement date.
- Level 2 Observable (either directly or indirectly) other than quoted prices at Level 1
- Level 3 Unobservable

Notes to the Core Financial Statements

The Authority's investment properties and surplus assets have been assessed as Level 2 for valuation purposes.

An impairment review was completed as at 31 March 2022 to ascertain if the carrying value of the assets had decreased materially since the last revaluation. No impairments were identified.

SURPLUS ASSETS

The authority has non-operational land and buildings with a total carrying value of £7.157m at 31 March 2022. The four sites of material value included within the total are:

- Land at The Snipe, Weston
- Land off Yeomanry Drive, Clothall Common, Baldock
- Land at Radburn Way, Letchworth
- Land at Meadow Way, Therfield

DISPOSALS

The Authority sold two sites during 2021/22:

- Windmill Close, Barkway
- Land at The Green, Newnham, Baldock

The combined carrying value of these assets at the time of disposal was £2.369million. The combined total of receipts received was £2.644million.

Notes to the Core Financial Statements

MOVEMENT ON BALANCES OF PROPERTY, PLANT AND EQUIPMENT IN 2020/21

	Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost of Valuation							
At 1 April 2020	79,441	14,591	93	5,795	14,417	170	114,507
Additions	484	537	0	2	0	262	1,285
Disposals	0	0	0	0	0	0	0
Reclassifications	84	30	0	0	(4,285)	(114)	(4,285)
Write Off to Revenue	0	0	0	0	0	0	0
Upward and Downward Revaluations taken to Revaluation Reserve	1,652	0	0	0	26	0	1,678
Upward Revaluations / Impairment reversals recognized in the Surplus/Deficit on Provision of Services	175	0	0	0	0	0	175
Impairments / Downward Revaluations recognized in the Surplus/Deficit on the Provision of Services	(194)	0	0	0	0	0	(194)
At 31 March 2021	81,642	15,158	93	5,797	10,158	318	113,166
Depreciation & Impairments							
At 1 April 2020	(12,690)	(10,598)	(42)	(1,526)	(20)	0	(24,876)
Depreciation Charge for 2020/21	(2,351)	(1,078)	(2)	(128)	(1)	0	(3,560)
Disposals	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	7,066	0	0	0	1	0	7,067
Depreciation written out to the surplus/deficit on the provision of services	236	0	0	0	0	0	236
At 31 March 2021	(7,739)	(11,676)	(44)	(1,654)	(20)	0	(21,133)
Balance Sheet amount at 31 March 2021	73,903	3,482	49	4,143	10,138	318	92,033
Balance Sheet amount at 1 April 2020	66,751	3,993	51	4,269	14,397	170	89,631

Included in the Land and Buildings total is a donated asset with a carrying value of £1.4 million.

Notes to the Core Financial Statements

MOVEMENT ON BALANCES OF PROPERTY, PLANT AND EQUIPMENT IN 2021/22

	Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost of Valuation							
At 1 April 2021	81,642	15,158	93	5,797	10,158	318	113,166
Additions	620	389	8	0	0	116	1,133
Disposals	0	0	0	0	0	0	0
Reclassifications	(1,960)	110	235	1,272	(117)	(12)	(472)
Write Off to Revenue	0	0	0	0	0	0	0
Upward and Downward Revaluations recognised in the Revaluation Reserve	2,747	0	0	(34)	(2,395)	0	318
Upward Revaluations / Impairment reversals recognized in the Surplus/Deficit on Provision of Services	178	0	0	0	0	0	178
Impairments / Downward Revaluations recognized in the Surplus/Deficit on the Provision of Services	(379)	0	0	0	(469)	0	(848)
At 31 March 2022	82,848	15,657	336	7,035	7,177	422	113,475
Depreciation & Impairments							
At 1 April 2021	(7,739)	(11,676)	(45)	(1,654)	(19)	0	(21,133)
Depreciation Charge for 2021/22	(2,499)	(1,082)	(15)	(191)	(1)	0	(3,788)
Disposals	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0
Depreciation written out to the Revaluation Reserve	2,853	0	0	34	0	0	2,887
At 31 March 2022	(7,385)	(12,758)	(60)	(1,811)	(20)	0	(22,034)
Balance Sheet amount at 31 March 2022	75,463	2,899	276	5,224	7,157	422	91,441
Balance Sheet amount at 1 April 2021	73,903	3,482	49	4,143	10,138	318	92,033

Included in the Land and Buildings total is a donated asset with a carrying value of £1.6 million.

Notes to the Core Financial Statements

17. HERITAGE ASSETS

Reconciliation of the Carrying Value of Heritage Assets Held by the Authority.

	Museum Collections	Public Sculpture / Artwork	Total Heritage Assets
	£'000	£'000	£'000
1 April 2020	807	46	853
Additions	75	0	75
31 March 2021	882	46	928
1 April 2021	882	46	928
Revaluations	1	3	4
31 March 2022	883	49	932

Museum Collections

A small number of items in the Authority's art collection and one item of the Authority's archaeology collection are reported in the Balance Sheet at insurance valuations, which are based on market values. These valuations are reviewed annually and updated where relevant.

Many of the paintings owned by the Authority have been donated by local painting societies and are, therefore, not by artists who would attract value for their work. Of the grand total of 2,600 items in the art collection many of them are simple sketches which have no value.

The items of the art collection recognised on the Balance Sheet include eight paintings of note by William Ratcliffe. The Authority has been donated a number of Ratcliffe paintings, prints and drawings and has added to the collection with the occasional purchase. The collection is documented in a book on William Ratcliffe published by the Authority in 2011.

Other individual items of the Museum's collections, recognised on the Balance Sheet, include a Henry Moore Sculpture, an oil painting by Spencer Gore called The Road and "The Wymondley Hoard", which consists of 600 silver Tudor coins. There are a number of other paintings of the local area in the collection. These are of local interest but do not have a significant monetary value to a national audience.

The Authority's Museums Manager carried out a full valuation of the collections as at 31 March 2012 and reviewed these valuations as at 31 March 2020. The valuations were based on commercial markets, including transaction information from auctions where similar paintings are regularly being purchased.

The principal museum collections are not considered to have a significant monetary value and include (all numbers are approximations):

- Archaeological (small finds such as coins, jewellery, nails) – 10,000 items
- Archaeological (other finds such as pots and broken pottery, human and animal bone, building materials) – 350,000 items
- Art collection – 2,600 items
- Ceramics and glass – 600 items
- Costume and costume accessories – 4,500 items
- Documents – 20,000 items
- Military – 1,000 items
- Natural Sciences – 500,000 items
- Photography – 500,000 items
- Social History – 22,000 items

The majority of the collections are not recognised in the Authority's Balance Sheet since there is no readily available information on the cost or market value of such items and to obtain such information would involve a disproportionate cost in comparison to the benefits to the users of the Authority's financial statements. The unvalued collections are insured for £2million as at 31 March 2020.

Notes to the Core Financial Statements

Public Sculpture / Artwork

The Authority has two items of public sculpture in Letchworth. These are the Bronze Statue of Sappho installed in Howard Gardens during 2011 and the centenary artwork 'Paradise Is' located next to the Town Hall on Gernon Road.

The Authority's civic regalia is not recognised in the financial statements. There are four ceremonial chains, which are insured in total for £19,180.

The Authority's sculpture of a bronze bust of Erica Lee by Reginald Hine and an M4 painting by Richard Smith are not recognised in the financial statements. These are each insured for £5,000.

The Authority has piece of granite toe of an Egyptian Pharaoh statue, which is 6 inches wide. This was donated by the Sculptor John Mills and has been insured for £8,000.

There are other Authority assets which could be considered to have attributes consistent with the definition of Heritage Assets. However, because it is deemed that they are maintained for purposes other than for their contribution to knowledge and culture, they have been classified in the financial statements as Community Assets. These include the Hitchin War Memorial and open spaces and parks such as Priory Memorial Gardens in Royston and Broadway Gardens in Letchworth.

Heritage Asset Transactions

In the financial year from April 2021 to March 2022 the museum accessioned 49 items or groups of items. The vast majority were donated, with a few purchases.

Purchases included a concert ticket for The Damned in Hitchin (£25), a sheet of Hitchin Woolworths notepaper (£1), a matchbox advertising the Raven Pub in Hexton (£1.70), and other local receipts and invoices, all costing under £5. The museum also purchased an oil painting of a young girl, Ivy, by Letchworth-born artist Brynhild Parker (1907-1987) for a total of £4,644 including premium and charges. This amount was covered in full with grant-aid from the Art Fund, the Arts Council/V & A Purchase Fund, and the Hertfordshire Heritage Fund. The painting is currently being glazed in readiness for display.

Donations included items from the Offley Morris men, including hat and bells; Merryweather fire pump, c. 1890, used locally; examples of uniform and some archives from Princess Helena College, Preston; the Hitchin Probus chain of office; 4 x Abdo Nagi ceramics; a Samuel Lucas watercolour of the Portmill; a sketch book by Alice Lucas; watercolours by Matthew and Margaret Hagg; 2 x late Bronze Age 'ring money' rings and an awl found near Royston; letters and photographs relating to Hitchin Town Football Club; a crinoid lobolith fossil from Radwell; an early 'brick' mobile phone from Letchworth; Knebworth Book of Recipes, 1927; and a photograph of Letchworth athlete Joylyn Saunders-Mullins, who was born in Grenada, and won gold for Great Britain at the European Masters' Championships in 2008 in her age group (55+).

Many other items were offered but refused because they did not have local links, or because they duplicated items already in the collection.

Notes to the Core Financial Statements

18. INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2020/21 £'000	2021/22 £'000
Rental Income from Investment Property	(1,239)	(1,222)
Direct Operating Expenses arising from Investment Property	8	31
Net Gain / (Loss)	(1,231)	(1,191)

There are no restrictions on the Authority's ability to realise the value inherent in investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2020/21 £'000	2021/22 £'000
Balance at Start of the Year	18,429	23,776
Net Gains / (Losses) from Fair Value adjustments	5,103	2,595
Transfers (to) / from Assets Held for Sale	0	0
Transfers (to) / from Property, Plant and Equipment	244	8
Balance at End of Year	23,776	26,379

19. INTANGIBLE ASSETS

	Purchased Software Licences £'000
Original Cost	2,475
Amortisations to 1 April 2021	(2,252)
Balance at 1 April 2021	223
Expenditure in Year	76
Written off to Revenue in Year	(148)
Balance at 1 April 2022	151

Notes to the Core Financial Statements

20. FINANCIAL INSTRUMENTS

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-term		Current	
	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000
Financial Liabilities at amortised cost:				
Creditors payable within one year	0	0	4,955	6,305
Borrowing	386	367	26	26
Total Financial Liabilities:	386	367	4,981	6,331
Financial Assets:				
Debtors (loans and receivables)	320	265	7,852	5,651
Investments	0	0	24,539	36,529
Cash & Cash Equivalents	0	0	20,850	23,025
Total Financial Assets:	320	265	53,241	65,205

The gains and losses recognised in the Comprehensive Income and Expenditure Account in relation to financial instruments are made up as follows:

	Financial Liabilities At amortised cost £'000		Financial Assets Loans & Receivables £'000		Total £'000	
	2021	2022	2021	2022	2021	2022
Interest Expense	(552)	(482)	0	0	(552)	(482)
Interest Payable & Similar Charges	(552)	(482)	0	0	(552)	(482)
Interest Income	0	0	184	75	184	75
Interest & investment income	0	0	184	75	184	75
Net gain/(loss) for year	(552)	(482)	184	75	(368)	(407)

Financial Liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost. Their fair value is assessed as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, using the following assumptions:

- A 'premature repayment' set of rates, supplied by the Council's financial advisors, in force on the 31 March 2022 has been used to supply the fair value for loans
- Transaction costs on all financial liabilities and financial assets are immaterial (transaction costs do not include internal administrative costs)
- Interest payable and receivable reflects market rates
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The Council is required to classify the valuation of financial instruments into three levels according to the quality and reliability of information used to determine fair value:

Level 1 Quoted Prices in active markets for identical assets accessible at the measurement date.

Level 2 Observable (either directly or indirectly) other than quoted prices at Level 1

Level 3 Unobservable

Notes to the Core Financial Statements

The valuation basis adopted below uses Level 2 inputs – i.e. inputs other than quoted prices that are observable for the financial asset/liability.

The fair values are calculated as follows:

	31 March 2021		31 March 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Liabilities	5,367	5,808	6,699	7,072

The fair value of the financial liabilities is more than the carrying amount because the Authority's portfolio of loans includes fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount that the Authority would have to pay if the lender requested or agreed to early repayment of the loans.

	31 March 2021		31 March 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Loans & Receivables	53,454	53,507	65,520	65,472

The fair value of the loans & receivables is less than the carrying amount because valuation is made by comparison of the fixed term investment with a comparable investment with the same/similar lender for the remaining period of the deposit.

Nature and Extent of Risks Arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a Central Treasury Team, under policies approved in the annual Investment Strategy (Integrated Capital and Treasury Strategy). The Authority provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

The Council regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, the Investment Strategy (Integrated Capital and Treasury Strategy) ensured that its counterparty lists and limits reflected a prudent attitude towards organisations with whom funds were deposited, and limited its investment activities to the instruments, methods and techniques referred to in the Treasury Management Practices adopted by the Authority. It also maintains a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements. There were no defaults on investments in 2021/22 or 2020/21. The table below details the investment limits for 2021/22.

Notes to the Core Financial Statements

Investment Category	Maximum amount of investment allowable in category	Investment Type	Maximum Amount of Investment Allowable in any one Institution	Amount Invested as at 31 March 2022* £'000
Banks	£21M	UK Clearing Banks	£3M	6,000
		UK Clearing Banks (Wholly owned Subsidiaries)	£3M	0
		Non-UK Clearing Banks	£3M	0
UK Building Societies and UK Property Market Funds	£17M	Building Societies (Assets £4.5bn and above)	£3M	4,000
		Building Societies (Assets £2.5bn - £4.5bn)	£3M	0
		Building Societies (Assets £1bn to £2.5bn)	£3M	0
		Building Societies (Assets £0.3bn to £1bn)	£2M	1,500
		Property Market Funds	£3M	0
Money Market Funds	£7M	Money Market Funds	£3M	0
UK Local Authorities	No limit	Other Local Authorities	£5M	25,000
UK Government	No limit	Debt Management Office	No limit	21,000
Total Invested				57,500

* This column shows the total invested in all counterparties in the group (for example, there was £4.0million invested in two separate building societies, assets £4.5bn+ as at 31 March 2022).

The analysis of the £57.5million of investments by credit rating at year end is as follows:

AAA or equivalent	AA / AA- or equivalent	A+ / A- or equivalent	BBB+ / BBB or equivalent	AAA money market fund	Other Local Authorities	Not rated*	Total Investments
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
0	21,000	10,000	0	0	25,000	1,500	57,500

* Many Building Societies do not pay to be credit rated. The Authority has chosen not to exclude Building Societies from its counterparty list for this reason alone and has continued to make cash deposits with Building Societies during the year.

The Authority does not allow credit facilities for customers with relation to payments for the provision of services. £0.589M of the total £1.153M sundry debtor balance at 31 March 2022 has passed its due date for payment. The risk of default is accounted for through the corresponding bad debt provision, which is determined primarily by the age of the sundry debtor outstanding. The sundry debtor balance and corresponding provision is presented in the table below.

Age of Debt	Sundry Debtors £'000	Provision Percentage	Provision Required £'000	Net Sundry Debtors £'000
Within payment terms	564	0%	0	564
1-3 months over term	115	0%	0	115
3-12 months overdue	253	25%	(63)	190
12-24 months overdue	123	75%	(92)	31
More than 24 months overdue	98	100%	(98)	0
Total at 31 March 2022	1,153		(253)	900

The equivalent position at the end of 2020/21 is shown in the table below:

Age of Debt	Sundry Debtors £'000	Provision Percentage	Provision Required £'000	Net Sundry Debtors £'000
Within payment terms	981	0%	0	981
1-3 months over term	711	0%	0	711
3-12 months overdue	223	25%	(56)	167
12-24 months overdue	24	75%	(18)	6
More than 24 months overdue	98	100%	(98)	0
Total at 31 March 2021	2,037		(172)	1,865

Notes to the Core Financial Statements

Liquidity Risk

As the Authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority reviews its borrowing requirements as part of its annual Investment Strategy (Integrated Capital and Treasury Strategy) and the standard policy has been to limit the amount of borrowing and reduce the exposure to liquidity risk. The strategy for 2021/22 was to utilise capital receipts and set aside reserves and no new borrowing was taken out.

The total financial liability is made up as follows:

	31 March 2021 £'000	31 March 2022 £'000
Public Works Loan Board	405	386
Banks and Other Monetary Sectors	0	0
Total Borrowing	405	386
Less: Debt Maturing in 12 Months	19	19
Total Long Term Borrowing	386	367

At 31 March 2022 the average rates of interest on the different varieties of loans were as follows:

	%
Public Works Loan Board	10.11

The consolidated rate of interest, the rate used for internal transactions, was 14.04%.

The maturity analysis of the long term financial liabilities is as follows:

	£'000
Maturing in more than 1 and less than 2 years	20
Maturing in more than 2 and less than 5 years	57
Maturing in more than 5 and less than 10 years	40
Maturing in more than 10 years	250
Total	367

Market Risk

Interest rate risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- Investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Account. However, changes in interest payable and receivable on variable rate borrowings and investments will be included in the Surplus or Deficit on Provision of Services and affect the General Fund Balance pound for pound. Movements in the fair value of fixed rate investments will be reflected in the Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. The policy is to aim to keep a maximum of 30% of borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is mitigated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

Notes to the Core Financial Statements

The Authority has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2022 if interest rates had been 1% higher with all other variables held constant, the effects seen in the Income and Expenditure Statement would have been an increase of £35k in interest receivable from cash investments. The fair value of the loans outstanding would have been £8k higher (cost of repayment would have increased). This is shown below:

	£'000
Increase in interest receivable on variable rate investments	(35)
Impact on Income and Expenditure Account	(35)
Increase in fair value of fixed rate loans	<u>8</u>

Price risk

The Council does not have any equity shares or shareholdings and thus has no exposure to a loss arising from movements in the prices of shares.

Foreign exchange risk

The Authority has no financial assets or liabilities denominated in foreign currencies and thus have no exposure to loss arising from movements in exchange rates.

21. INVENTORIES

	31 March 2021 £'000	31 March 2022 £'000
Inventory:		
Paper and Stationery	0	1
Postage	3	3
Waste & Recycling equipment	45	48
Museum merchandise	5	7
Careline Telecare equipment	360	453
Hitchin Town Hall Bar/Café Supplies	2	3
Electrical Equipment	1	0
Total	416	515

22. DEBTORS

	31 March 2021 £'000	31 March 2022 £'000
Central Government Bodies	14,880	4,143
Impairment	0	0
Net Total Central Government Bodies	14,880	4,143
Other Local Authorities	5,549	3,153
Impairment	0	0
Net Total Other Local Authorities	5,549	3,153
Ratepayers / Council Tax Payers	2,164	2,132
Impairment	(1,547)	(1,366)
Net Total Ratepayers / Council Tax Payers	617	766
Housing Benefit Overpayments	1,403	1,330
Impairment	(894)	(731)
Net Total Housing Benefit Overpayments	509	599
Other Entities and Individuals	2,045	2,220
Impairment	(251)	(321)
Net Total Other Entities and Individuals	1,794	1,899
Total Net Debtors	23,349	10,560

Notes to the Core Financial Statements

23. CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2021 £000		31 March 2022 £000
16	Cash held by the Authority	97
2,834	Bank current accounts	1,928
6,000	Short-term Deposits with Banks/Building Societies	0
12,000	Short-term Deposits with Central Government	21,000
20,850	Total	23,025

24. ASSETS HELD FOR SALE (Non-Current)

	2020/21 £'000	2021/22 £'000
Balance Outstanding at Start of Year	2,909	6,296
Assets newly classified as held for sale:		
Property Plant & Equipment	4,060	464
Investment Properties	0	0
Impairment losses	(111)	(1,164)
Revaluation gains	0	0
Assets Sold	(562)	(2,369)
Balance Outstanding at End of Year	6,296	3,227

25. SHORT TERM CREDITORS AND RECEIPTS IN ADVANCE

Short Term Creditors	31 March 2021 £000	31 March 2022 £000
Central government bodies	14,285	14,609
Other local authorities	536	1,499
Other entities and individuals*	4,419	4,806
Total	19,240	20,914

* As at 31 March 2022 there was £43k of prepayments received in the last few days of the year (£10k as at 31 March 2021).

Receipts in Advance	31 March 2021 £000	31 March 2022 £000
Central government bodies	11,470	9,491
Other local authorities	642	187
Other entities and individuals	7,588	7,165
Total	19,700	16,843

Notes to the Core Financial Statements

26. PROVISIONS

	Provisions <1yr	Provisions > 1 year		Total
	Restructure Costs	Insurance Fund	NNDR Appeals	
	£'000	£'000	£'000	£'000
Balance at 1 April 2021	0	(43)	(2,740)	(2,783)
Additional provisions made in 2021/22	(46)	(15)	(680)	(741)
Amounts used in 2021/22	0	28	957	985
Unused amounts reversed in 2021/22	0	0	0	0
Balance at 31 March 2022	(46)	(30)	(2,463)	(2,539)

Restructure Costs

This provision is for costs associated with a staffing restructure within the Customers Directorate. The consultation on a plan to revise staffing arrangements in the IT service commenced in March 2022. At the date of signing the accounts, the restructure was complete.

Insurance Provision

The insurance provision covers the uninsured aspect of outstanding insurance claims (the amount of our policy excess and any self-insured losses to be covered by the Insurance Fund). This varies throughout the year and the provision amount is adjusted at the end of each quarter on receipt of revised estimates from insurers.

NNDR Appeals Provision

The Authority is required to recognise a provision for NNDR appeals liabilities. The balance includes provision for both lodged appeals against the 2010 and 2017 published ratings, and appeals not yet lodged against the 2017 ratings. The calculation is based on both information from the Valuation Office (VOA) and an underlying assumption, in line with the expectation of MHCLG (now DLUHC), that the annual cost of appeals against the 2017 ratings will ultimately be equivalent to 4.7% of net rates payable. The total at the end of 2021/22 was £6.2million (£6.9million in 2020/21) and, as this is shared between North Herts, Herts County Council and Central Government, the North Herts proportion reflected in the balance sheet was £2.5million (£2.7million in 2020/21). The reduction in the overall provision primarily relates to lodged appeals outstanding against the 2010 published ratings, which have significantly reduced with only 7 appeals now outstanding (37 at 31 March 2021).

27. USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and the following notes.

	Balance at 1 April 2021 £'000	Net Movement in Year £'000	Balance at 31 March 2022 £'000
Usable Capital Receipts	1,133	2,061	3,194
Earmarked Reserves	20,758	(4,823)	15,935
Capital Grants Unapplied	899	0	899
General Fund Reserve	8,865	1,742	10,607
Total Usable Reserves	31,655	(1,020)	30,635

Usable Capital Receipts

	2020/21 £'000	2021/22 £'000
Amounts receivable	455	2,644
Amounts applied to finance new capital investment	(1,223)	(578)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(40)	(5)
Total increase / (decrease) in realised capital resources	(808)	2,061
Balance brought forward at 1 April	1,941	1,133
Balance carried forward at 31 March	1,133	3,194

Notes to the Core Financial Statements

Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure.

Earmarked Reserve	Balance as at 31st March 2020	Transfers out 2020/21	Transfers in 2020/21	Balance at 31st March 2021	Transfers out 2021/22	Transfers in 2021/22	Balance at 31st March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cemetery Mausoleum Reserve	167	(2)	10	175	0	0	175
Childrens Services Reserve	57	(9)	43	91	(45)	0	46
Climate Change Grant Reserve	26	(1)	0	25	(4)	0	21
Funding Equalisation Reserve	68	0	329	397	(397)	0	0
Growth Area Fund Reserve	53	0	0	53	(21)	0	32
Hitchin Museum Donations	0	0	0	0	0	0	0
Homelessness Grants Reserve	413	(208)	276	481	(413)	434	502
Housing & Planning Delivery Reserve	1,069	(101)	54	1,022	(96)	90	1,016
Information Technology Reserve	78	(20)	0	58	(35)	0	23
Insurance Reserve	34	0	0	34	0	0	34
Land Charges Reserve	94	(28)	0	66	(30)	0	36
Leisure Management Maintenance Reserve	77	(51)	0	26	0	42	68
MHCLG (now DLUHC) Grants Reserve	3,741	(685)	11,242	14,298	(10,225)	5,294	9,367
Museum Exhibits Reserve	13	0	1	14	0	0	14
Neighbourhood Plan Reserve	78	0	20	98	(23)	45	120
Paintings Conservation Reserve	11	0	0	11	0	0	11
S106 Monitoring Reserve	19	(19)	0	0	0	0	0
Special Reserve	1,175	(432)	0	743	(103)	0	640
Street Name Plates	16	0	0	16	0	0	16
Syrian Refugee Project	272	(16)	194	450	(15)	131	566
Taxi Licences Reserve	15	(8)	0	7	0	0	7
Town Centre Maintenance	53	0	8	61	0	8	69
Traffic Regulation Orders	346	0	40	386	(5)	0	381
Waste Reserve	730	0	19	749	0	87	836
Waste Vehicles Reserve	554	0	359	913	0	428	1,341
Welfare Reform Grants Reserve	185	(122)	521	584	(213)	243	614
Total Earmarked Reserves	9,344	(1,702)	13,116	20,758	(11,625)	6,802	15,935

The Authority has taken the decision to set aside resources in a number of Earmarked Reserves to be used for specific purposes. The Reserves are reviewed annually during the budget estimate process to ensure the balance available is appropriate for the purpose. A description of each earmarked reserve is provided below:

The **Cemetery Mausoleum reserve** is held to cover costs incurred from the Authority's decision to supply Mausoleum niches at the Wilbury Hills Cemetery and is funded from the sale of currently available niches.

The **Children's Services Reserve** is being used to help fund Active Communities projects in the district and is funded from grant income.

Notes to the Core Financial Statements

The **Climate Change Grant** was awarded to help combat the effects of climate change. The grant is currently being used to fund work on Climate Strategy.

Community Development Reserve – various grants for Community Development.

Where anticipated annual revenue funding has exceeded estimated net expenditure, the Council has opted to contribute the surplus amount to the **Funding Equalisation Reserve**, rather than raise Council Tax by less than the maximum amount allowed. The reserve balance will be used to cushion the impact of future expected funding reductions and provide more time to implement the savings that are likely to be required to address the future forecast budget gap.

Growth Area Fund Reserve is the reserve where revenue Growth Area Grant has been transferred.

The **Homelessness Grant** is awarded to help prevent homelessness in the district. The entire grant is earmarked for different homelessness projects or resources.

The **Housing & Planning Delivery Reserve** holds unspent Housing & Planning Delivery grant to fund Cabinet approved spending plans in subsequent years. The Authority has also made a commitment to the Local Development Framework and funds are held in this reserve for this purpose. Additional income from the 20% increase in statutory planning fees is also transferred here to fund the development of Planning Services.

The **Information Technology Reserve** is used to help ensure the Authority has adequate resources to purchase hardware and software items when they are required.

The **Insurance Reserve** is used to finance potential claims for risks that are not covered by external policies together with higher excesses currently being borne by the Authority.

Land Charges Reserve was established to help meet the potential cost should the financial risk of the repayment of personal search fees occur.

The **Leisure Management Maintenance Reserve** is to cover the cost of any future repairs liabilities on the leisure facilities. The Leisure Contract requires a contribution from the Council for maintenance items over £5k.

MHCLG (now DLUHC) Grants Reserve holds unapplied Section 31 business rate relief grants, which will be used to fund NNDR Collection Fund deficit contributions and levy payments in future years. It also provides some protection against potential future reductions in NNDR receipts.

The **Museum Exhibits Reserve** funds the purchase of museum exhibits and is funded from donations.

The **Neighbourhood Plan Reserve** is where funds received for neighbourhood plans from MHCLG (now DLUHC) have been transferred. The funding has been provided from government to local authorities who have received neighbourhood plans from Parishes, as funding will be needed in future years as plans are formalised and public examinations and public referendums are required.

The **Paintings Conservation Reserve** is being used to help restore paintings. This is funded through donations and publication income.

The **S106 Planning Monitoring** reserve is used to cover the cost of monitoring s106 obligations in future years.

The **Special Reserve** was originally the residual balance from the Housing Revenue Account that was used to fund the realignment of costs of the Authority following stock transfer. This reserve is maintained for any special financial pressures such as pump priming for initiatives for shared services, changes in working practice, major contract renewals, unexpected contract variation, support the response to and reduce the impact of major incidents and other financial pressures.

Street Name Plate Reserve is a reserve to fund Street Name Plates as and when required.

Syrian Refugee Project - The council has agreed to house Syrian Refugees over five years under the government's resettlement scheme. The scheme is fully funded by the government and the reserve enables the multiple year funding for each household to be maintained for future expenditure associated with their placement in the district, such as housing and support costs.

Taxi Reserve is a reserve where any surplus from the taxi service will be transferred to the earmarked reserve where it can be used to offset any future deficit or to fund investment in the taxi service.

Town Centre Maintenance reserve is for the implementation of the Town Wide Reviews and ad hoc town centre maintenance.

Notes to the Core Financial Statements

Traffic Regulation Orders. An audit was done to identify TRO work to be carried out in the district. However due to other priorities this work was delayed and the budget has been transferred to a reserve, to be drawn down as and when the work is done.

Waste Reserve – is a reserve where unspent AFM monies are transferred to help with potential risks and opportunities to the waste service, for example project management costs in relation to the construction of a new waste depot and next waste contract renewal.

Waste Vehicles Reserve – as repayment of the finance lease principal embedded within the waste contract is funded from the Council's cash reserves, the saving on the revenue account is transferred to this reserve to fund the purchase of vehicles when they next need to be replaced.

Welfare Reform Grants are awarded to the Authority for different initiatives or changes relating to Housing & Council Tax benefit schemes. These grants will be used when the initiatives or changes are carried out.

28. UNUSABLE RESERVES

	Restated Balance at 1 April 2021	Net Movement in Year	Balance at 31 March 2022
	£'000	£'000	£'000
Revaluation Reserve (note 28A)	57,765	(470)	57,295
Capital Adjustment Account (note 28B)	70,581	(1,300)	69,281
Pensions Reserve (note 28C)	(45,976)	6,371	(39,605)
Collection Fund Adjustment Account (note 28D)	(10,701)	5,074	(5,627)
Short Term Accumulating Compensated Absences Account (note 28E)	(624)	(33)	(657)
Total Unusable Reserves	71,045	9,642	80,687

Note 28A – Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Restated 2020/21 £'000		2021/22 £'000
50,569	Balance at 1 April	57,765
9,255	Upward revaluation of assets	7,166
(552)	Downward revaluation of assets and Impairment losses not charged to the surplus/deficit on the Provision of Services.	(3,956)
8,703	Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services	3,210
(1,387)	Difference between fair value depreciation and historical cost depreciation.	(1,611)
(120)	Accumulated gains on assets sold or scrapped.	(2,069)
(1,507)	Amount written off to the capital adjustment account	(3,680)
57,765	Balance at 31 March	57,295

Notes to the Core Financial Statements

Note 28B – Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations which are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement. The Account has also been credited with all the Housing capital receipts required by regulation to be set aside at the time of the Housing stock transfer in 2003.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 11 provides details of the source of all transactions posted to the Account, apart from those involving the Revaluation Reserve.

Restated

2020/21		2021/22
£'000		£'000
67,045	Balance at 1 April	70,581
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(3,344)	Depreciation and impairment of non-current assets	(5,623)
(166)	Amortisation of Intangible assets	(148)
(496)	Revenue expenditure funded from capital under statute	(225)
	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	
(442)		(300)
(4,448)		(6,296)
1,387	Adjusting amounts written out of the Revaluation Reserve.	1,611
(3,061)	Net written out amount of the cost of non-current assets consumed in the year	(4,685)
	Capital financing applied in the year:	
1,223	Use of the Capital Receipts Reserve to finance new capital expenditure	578
228	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	133
39	Application of grants to capital financing from the Capital Grants Unapplied Account	0
4	Statutory provision for the financing of capital investment charged against the General Fund	4
0	Capital expenditure charged against the General Fund	75
1,494		790
5,103	Movements in the market value of investment properties	2,595
70,581	Balance carried forward at 31 March	69,281

Notes to the Core Financial Statements

Note 28C – Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned, to be financed as the Authority makes employer's contributions to pension funds, or eventually pay any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2020/21 £'000	2021/22 £'000
(30,691) Balance at 1st April	(45,976)
(14,207) Actuarial gains or losses on pension assets and liabilities	9,261
(3,855) Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	(5,760)
2,777 Employer's pensions contributions and direct payments to pensioners payable in the year.	2,870
(45,976) Balance at 31st March	(39,605)

Note 28D – Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rate income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and non-domestic rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2020/21 £'000	2021/22 £'000
283 Balance at 1 April	(10,701)
(10,984) Movement in the Authority's share of the Collection Fund surplus / deficit	5,074
(10,701) Balance at 31 March	(5,627)

Note 28E Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2020/21 £'000	2021/22 £'000
(196) Balance at 1 April	(624)
(428) Amounts accrued at the end of the current year	(33)
(624) Balance at 31 March	(657)

Notes to the Core Financial Statements

29. NOTES RELATING TO THE CASH FLOW STATEMENT

Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2020/21		2021/22
£'000		£'000
283	Interest Received	90
(555)	Interest Paid	(484)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

Restated 2020/21		2021/22
£'000		£'000
3,561	Depreciation	3,788
194	Impairments and downward revaluations	1,834
167	Amortisation of intangible assets	148
29,222	Movement in Creditors	(7,264)
(7,078)	Movement in Debtors	12,295
(117)	Movement in Inventories	(99)
1,078	Pension Liability	2,890
562	Carrying amount of non-current assets sold	2,369
(3,202)	Movement in other provisions	(2,839)
24,387	Net Adjustment for non-cash movements	13,122

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

Restated 2020/21		2021/22
£'000		£'000
(229)	Grants applied to the financing of capital expenditure	(133)
(455)	Proceeds from the sale of non-current assets and investments	(2,644)
(684)	Net Adjustment for investing or financing activities	(2,777)

Cash Flow Statement - Investing Activities

Restated 2020/21		2021/22
£'000		£'000
(1,530)	Purchase of property, plant and equipment, investment property and intangible assets	(1,216)
(56,873)	Purchase of short-term and long-term investments	(83,961)
0	Other payments for investing activities	0
455	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,644
60,000	Proceeds from short-term and long-term Investments	72,000
228	Other receipts from investing activities	133
2,280	Net cash flows from investing activities	(10,400)

Cash Flow Statement - Financing Activities

2020/21		2021/22
£'000		£'000
0	Cash receipts of short and long-term borrowing	0
(12,783)	Council Tax and NNDR adjustments	6,528
(362)	Cash payments for the reduction of finance leases liabilities	(431)
(18)	Repayments of short and long-term borrowing	(18)
(13,163)	Net Cash flows from financing activities	6,079

Notes to the Core Financial Statements

30. TRADING OPERATIONS

The Council has no trading operations.

31. MEMBERS' ALLOWANCES

The following table shows the amount of Members' allowances paid in 2021/22 compared to the previous financial year:

	2020/21	2021/22
	£'000	£'000
Allowances	331	337
Expenses	1	0
Total	332	337

Notes to the Core Financial Statements

32. EMPLOYEES REMUNERATION

Senior Employee Remuneration in 2021/22

The Authority is required to disclose individual remuneration details for senior employees. The first table that follows details the individual remuneration for senior employees in 2021/22. The second table details the equivalent information for the comparative year, 2020/21. The Authority is voluntarily opting to disclose the name of the Executive, Managing Director. For senior employees, compensation for loss of office comprises the employer pension contribution amount calculated as part of the redundancy or termination package, as well as any other payments receivable on termination of employment (e.g. redundancy payments and payment in lieu of notice).

Post Title	Note	Salary (including fees & allowances) £	Expense Allowances £	Compensation for loss of office £	Total Remuneration (excluding pension contributions) £	Pension Contributions £	Total Remuneration (including pension contributions 2021/22) £
Anthony Roche Managing Director		128,747	0	0	128,747	23,203	151,950
Service Director - Regulatory	1	89,641	0	0	89,641	16,022	105,663
Service Director - Resources		81,764	0	0	81,764	14,557	96,321
Service Director - Customers		72,438	0	0	72,438	12,822	85,260
Service Director - Place	2	50,595	0	0	50,595	6,915	57,510
Service Director - Place	3	29,183	0	0	29,183	7,849	37,032
Service Director - Legal and Community		82,167	0	0	82,167	14,632	96,799
Service Director - Commercialisation		77,200	0	0	77,200	13,708	90,908
Service Director - Transformation	4	32,706	0	0	32,706	0	32,706

1. The Service Director Regulatory also undertakes the role of Deputy to the Managing Director and received additional payments of £7,826 equivalent to 10% of the Service Director salary as compensation for the additional responsibility.
2. The Service Director Place left the post on 21st September 2021. The annualised salary excluding fees and allowances was £78,264.
3. The Service Director Place was appointed to the post on 27th September 2021 at 0.81 FTE. The annualised salary excluding fees and allowances is £53,951.
4. The Service Director Transformation is a fixed term 0.4 FTE post.

Notes to the Core Financial Statements

Senior Employee Remuneration in 2020/21

Post Title	Note	Salary (including fees & allowances) £	Expense Allowances £	Compensation for loss of office £	Total Remuneration (excluding pension contributions) £	Pension Contributions £	Total Remuneration (including pension contributions 2020/21) £
David Scholes Chief Executive	1	37,696	0	116,037	153,733	6,791	160,524
Anthony Roche Managing Director	2	86,694	0	0	86,694	15,878	102,572
Anthony Roche Deputy Chief Executive		33,207	0	0	33,207	5,644	38,851
Service Director - Regulatory	3	86,250	0	0	86,250	15,365	101,615
Service Director - Resources		76,838	0	0	76,838	13,908	90,746
Service Director - Customers	4	44,848	0	0	44,848	7,170	52,018
Service Director - Customers	5	34,563	0	0	34,563	6,103	40,666
Service Director - Place		80,725	0	0	80,725	14,341	95,066
Service Director - Legal and Community		79,034	0	0	79,034	14,011	93,045
Service Director - Commercialisation		73,980	0	0	73,980	13,077	87,057
Service Director - Transformation	6	14,560	0	0	14,560	0	14,560

1. The Chief Executive left the post on 17th July 2020. Amounts paid for Compensation for Loss of Office were disclosed in the Termination and Exit Packages note of the 2019/20 accounts as the departure had been approved in February 2020. The annualised salary excluding fees and allowances was £123,480.
2. The Deputy Chief Executive left the post on 17th July 2020 for which the annualised salary excluding fees and allowances was £102,612. The officer was appointed to the new post of Managing Director on 18th July 2020 for which the annualised salary excluding fees and allowances was £120,672.
3. The Service Director Regulatory was appointed as Deputy to the Managing Director on 18 July 2020 and received additional payments of £5,430, equivalent to 10% of the Service Director salary, as compensation for the additional responsibility.
4. The Service Director – Customers left the post on 30th September 2020. The annualised salary excluding fees and allowances was £77,100.
5. The Service Director – Customers was appointed to the post on 1st October 2020. The annualised salary excluding fees and allowances was £65,556.
6. The Service Director Transformation was appointed to a fixed term 0.4 FTE post on 1st October 2020. The annualised salary excluding fees and allowances was £30,480.

Notes to the Core Financial Statements

The Authority is also required to disclose the number of employees, in addition to the senior employees included in the note above, whose remuneration was £50,000 or more in the accounting period. For this purpose, remuneration comprises all amounts paid to or receivable by an employee, other than employers pension contributions, and includes sums due by way of taxable expenses, the estimated monetary value of any benefit, and compensation for loss of office. The remuneration is shown in each bracket of a scale in multiples of £5,000.

Remuneration Band	2020/21	2021/22
	Employees	Employees
£50,000-£54,999	10	13
£55,000-£59,999	13	14
£60,000-£64,999	1	2
£65,000-£69,999	1	1
Total	25	30

33. TERMINATION BENEFITS AND EXIT PACKAGES

The Authority terminated the contracts of 3 employees in 2021/22, incurring liabilities of £37,746 (£181,446 in 2020/21) that have been charged to the Comprehensive Income and Expenditure Statement in the current year.

The numbers of exit packages with total cost per band and total cost of compulsory and other redundancies are set out in the table below. The amounts disclosed in the table include redundancy costs, compensation for loss of office and early retirement pension costs.

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other agreed departures		(d) Total number of exit packages by cost band		(e) Total cost of exit packages in each band	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
							£	£
£0 - £19,999	1	2	0	0	1	2	1,515	4,254
£20,000 - £39,999	0	0	0	1	0	1	0	33,492
£40,000 - £59,999	0	0	0	0	0	0	0	0
£60,000 - £79,999	0	0	0	0	0	0	0	0
£80,000 - £99,999	0	0	0	0	0	0	0	0
£100,000 - £149,999	0	0	0	0	0	0	0	0
£150,000 - £199,999	0	0	1	0	1	0	179,931	0
Total Cost included in bandings and in CIES							181,446	37,746

Notes to the Core Financial Statements

34. FEES PAYABLE TO THE AUTHORITY'S APPOINTED EXTERNAL AUDITORS

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and for non-audit services provided by the Authority's external auditors.

	2020/21 £'000	2021/22 £'000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	70	57
Fees payable for non-audit services: reporting accountant for the Housing Benefit subsidy claim	10	12
Total	80	69

The costs incurred for each year, as noted above, are prepared prior to the agreement of any additional fees for variation in services provided by the external auditor. Where anticipated, additional amounts are included in the total for the year, but these amounts may differ to the final fees agreed. The total for 2021/22 includes the audit scale fee of £40,068 and anticipated additional fees of £12,962 to reflect the increased level of audit work required. In addition, the fee for 2021/22 is inclusive of an amount of £7,900 received from Public Sector Appointments Ltd (PSAA). This refund relates to retained earnings transferred from the Audit Commission when it closed in March 2015 and the PSAA continuing to generate surplus funds and make further efficiencies since its establishment in April 2015.

The final fee payable to the external auditor in respect of financial year 2020/21, for the provision of both external audit services and non-audit services, was £96,103, as presented to the Council's Finance, Audit and Risk Committee in March 2023. This comprised the audit scale fee of £40,068, additional audit fees of £35,195, and £20,840 for non-audit services provided as the reporting accountant for the Housing Benefit subsidy claim. While the final fee payable to the external auditor for audit and non-audit services provided in respect of the following financial year 2021/22 is still to be agreed, it should be noted that the risks involved, and the associated volume of work required, were of a similar level.

35. GRANT INCOME RECOGNISED IN THE COST OF SERVICES

The Authority credited the following **capital** grants, contributions and donations to the net cost of services in the Comprehensive Income and Expenditure Statement:

	2020/21 £'000	2021/22 £'000
Disabled Facilities Grant	82	0
Developer Contribution	93	120
Total	175	120

The Authority credited the following **revenue** grants, contributions and donations to the net cost of services in the Comprehensive Income and Expenditure Statement:

	2020/21 £'000	2021/22 £'000
Benefits Administration and Fraud Initiative Grants	792	685
Housing and Council Tax Benefit Subsidy	27,188	22,772
Waste minimisation – Herts County Council contribution	572	34
Waste Service Transport Subsidy	5	0
National Non-Domestic Rates Administration Grant	186	177
Refugees Syrian Project	194	131
Employee Resilience and Wellbeing Funding HCC	0	4
Homelessness Prevention Grant	549	769
Afghanistan Refugee Project	0	18
Individual Electronic Registration Grant	11	0
Planning Control Grants – DLUHC	12	34
DLUHC Neighbourhood Plans	20	45
Public Health Grant	7	13
Get Active Grant	1	0

Notes to the Core Financial Statements

	2020/21 £'000	2021/22 £'000
Spring In Your Step Grant	4	0
DWP Kickstarter Fund	0	13
Hertfordshire Museums – Lottery Fund	8	7
DLUHC Covid Outbreak Management Funding	0	93
Flu Pandemic – MHCLG (now DLUHC)	0	1
Healthy Hub	42	53
Council Tax Hardship New Burdens	14	0
Business Support Grant New Burdens	337	0
Discretionary Fund DLUHC	1,449	-6
Self Isolation Fund DLUHC	133	371
Self Isolation Fund HCC	23	0
Additional Restrictions Grant BEIS	1,391	3,842
Tier 2 Open Business DLUHC	384	-12
Corona Virus Community Support HCC	10	56
Reopening High Streets Safely DLUHC	20	129
Winter Support Grant HCC	2	0
Leisure Centre Support Grant	236	11
Environmental Health Covid Support HCC	50	482
Covid Community Grant Funding - HCC	0	152
Household Support Funding – HCC	0	77
Audit Fees Support Grant – DLUHC	0	21
Temporary Pavement Licensing – DLUHC	0	6
Mobile Homes Fit and Proper Test – DLUHC	0	1
Winter Grants Schemes – HCC	0	1
Food Information Amendment – DLUHC	0	2
Covid Marshalls Funding – DLUHC	0	34
HCC Covid Contractors Funding	0	52
Transparency Grant – DLUHC	0	16
Total	33,640	30,084

36. RELATED PARTY TRANSACTIONS

The Authority is required to disclose material transactions with related parties, bodies or individuals that have potential to control or influence the Authority or to be controlled or influenced by the Authority.

Central Government

Central Government has significant influence over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates, provides a significant proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. housing benefits). Grants received from government departments are detailed in Note 35.

Members

Members have direct control over the Authority's financial and operating policies. The total of members' allowances paid in the year is shown in Note 31.

During 2021/22, the Authority made grants payments totalling £264k under Memorandum of Understanding (MOU) agreements to organisations in which 10 members are Trustees, board members or otherwise involved. The support provided by these grants helps maintain the wellbeing and resilience of the District's communities. The most significant MOU grant payments were £227k to Citizens Advice North Herts, £21k to North Herts CVS and £11k to North Herts Minority Ethnic Forum.

Other grants totalling £97k were paid to organisations in which 8 members declared an involvement. This includes payments of £32k to 3 organisations from grant funding received from the Health Protection Board, to provide assistance to residents through the pandemic, in areas such as mental health support and also £37k Community Facilities Refurbishment grant paid to one organisation.

Works and services to the value of £52k were commissioned from organisations in which 4 members had an interest.

Notes to the Core Financial Statements

Two members are also elected members of Royston Town Council. Payments recorded under a Service Level Agreement between the Authority and Royston Town Council totalled £43k (2020/21: £32k). Royston Town Council also received payments of £61k in respect of Section 106 project funding.

Six members are also members of Hertfordshire County Council.

Details of all these transactions are recorded in the Register of Members' Interest and Disclosure of Personal Interest at Meetings. Both these documents are available for public inspection at Council Offices, Gernon Road, Letchworth Garden City, Hertfordshire and on the Council's website.

Officers

Officers are obliged under the code of conduct in the Council's constitution to declare any personal interest, financial and/or otherwise, in any business of the Council. They are also required to record any gifts and/or hospitality received in a format prescribed and held by the Monitoring Officer. In addition, senior officers are required to complete an annual return disclosing the details of any interest of themselves or close family members which may have an impact on their activities on behalf of the Council. For 2021/22 two Officers have disclosed an interest.

One of these relates to the individual owning and receiving dividends from a company that has provided training to the Council. The value of the transactions to the Council (£6k in 2021-22) is not material, but it is a small company and therefore the value may be considered material to the company. Specific processes are in place to ensure that the Officer is not involved in decisions to use that company.

The other declaration relates to an Officer who has a relation who is in an apprentice position with our leisure contractor (Stevenage Leisure Limited- SLL). The Officer is involved in the management of the leisure contract, which has involved significant financial support and other payments being provided by the Council (around £966k in 2021-22). This support is very likely to have been material in ensuring the ongoing viability of the contractor. The decisions on providing support to SLL were made as part of the budget-setting process and therefore have been made by a meeting of Full Council, with reviews by Finance, Audit and Risk Committee. In-year monitoring has been reported to Cabinet and Finance, Audit and Risk Committee.

Hertfordshire Building Control Limited

The Council partnered with six local authorities across Hertfordshire to create a new fully integrated building control service, which was launched in August 2016. An additional local authority joined in 2019, so eight local authorities have equal control. The Council holds 13% of the share capital (£8) and is represented on the board. The company aims to provide a more flexible and efficient response to building control issues across the county. NHDC's share of the **profit generated for the year ended 31 March 2022 is £21.1k (2020/21: £5.6k loss)**. In August 2016 the council made a loan to the company of £107k, which is held in Long Term Debtors (other loans) on the balance sheet.

Hertfordshire CCTV Partnership

The Authority is engaged in a jointly controlled operation for the provision and management of CCTV in the Hertfordshire area. This arrangement is with Stevenage Borough Council, North Hertfordshire Council, East Hertfordshire Council and Hertsmeres Borough Council. Each member of the partnership arrangement accounts for their share of the assets, liabilities and cash flows of the CCTV in their accounts. In 2021/22 total payments to the Partnership of £124k (£104k 2020/21) were charged to the Council's Comprehensive Income and Expenditure Statement. In 2021/22 the Partnership reported a surplus of which NHDC share is £4k.

Hertfordshire CCTV Partnership Limited

In 2013/14 all partner authorities within the Hertfordshire CCTV Partnership agreed to incorporate a new company to conduct the commercial trading affairs of the CCTV partnership. The new limited company, Hertfordshire CCTV Partnership Ltd, started trading on the 1 April 2015. The Council holds 27% of the share capital (£27) and is represented on the board. NHDC's share of the **surplus generated for the year ended 31 March 2022 is £0.3k (2020/21: £7.5k loss)**. No payments were made by the Council for services provided by Hertfordshire CCTV Partnership Limited in 2021/22 (£16k 2020/21)

Notes to the Core Financial Statements

37. CAPITAL EXPENDITURE AND FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Of the total expenditure of £1.434million, only £0.787million has been financed immediately, resulting in an increase of £0.647million in the Capital Financing Requirement (CFR). This is a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR remains negative (£4.4million at 31 March 2022) because the Authority has set aside capital receipts that exceed the amount of outstanding loans and borrowings.

	2020/21 £'000	2021/22 £'000
Capital Investment:		
Operational Assets		
Land & Buildings	484	628
Vehicles, Plant & Equipment	537	389
Community Assets	2	0
Non-Operational Assets		
Assets Under Construction	263	116
Intangible Assets – Software	101	76
Revenue Expenditure Funded from Capital under Statute	496	225
Total Capital Investment	1,883	1,434
Sources of Finance:		
Capital Receipts	1,224	579
Government Grants and Other Contributions	242	133
Sums set aside from Revenue	0	75
Total Finance Sources	1,466	787
Increase / (Decrease) in CFR	417	647

Capital expenditure and income is accounted for on an accruals basis and is financed in the year the accrual appears in the accounts.

38. ASSETS HELD UNDER LEASE AND FOR LEASE

Assets held under lease

Operating Leases

Vehicles, Plant and Equipment

The Authority uses service vans and I.T. equipment financed under terms of an operating lease. The amount paid under these arrangements in 2021/22 was £43,566 (2020/21 £33,614).

Property

The Authority paid £53,283 in rent / leasing charges for properties in 2021/22. The most significant amount of £29,000 was paid for the King James Way Car Park, this agreement is due to expire in January 2024.

Commitments under operating leases

The Authority was committed at 31 March 2022 to making payments of £1.185 million under operating leases over the following periods:

	31 March 2021 £'000	31 March 2022 £'000
Not later than one year	90	97
Later than one year and not later than five years	127	143
Later than five years	957	945
	1,174	1,185

Notes to the Core Financial Statements

Finance leases

The Authority leases the Letchworth multi-storey car park from the Letchworth Garden City Heritage Foundation. The lease term is 60 years from 19 April 1977.

The Authority considers the vehicles used in the delivery of the refuse and recycling service as held under a finance lease. This reflects long-term leases economic benefits of ownership, through the performance of the contract. The seven year contract commenced in May 2018 and the vehicles had an initial value of £3.178 million.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts.

	31 March 2021 £'000	31 March 2022 £'000
Land and Buildings	13	11
Vehicles, Plant & Equipment	1,816	1,362
	1,829	1,373

The Council is committed to making minimum payments under these leases, comprising settlement of the long term liability for the interest and the finance costs payable in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2021 £'000	31 March 2022 £'000
Finance Lease Liabilities	2,388	1,957
Finance costs in future years	1,281	838
Minimum Lease Payments	3,669	2,795

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000
Not later than one year	874	874	431	513
Later than one year and not later than five years	2,636	1,777	1,856	1,349
Later than five years	158	144	100	95
	3,668	2,795	2,387	1,957

Assets held for lease

Operating Leases

The Authority has granted various leases to community, commercial and industrial organisations under terms of an operating lease. The future minimum lease payments (rental income) expected from contractual obligations are:

	2020/21 £'000	2021/22 £'000
Not later than one year	(1,287)	(1,262)
Later than one year and not later than five years	(4,772)	(4,694)
Later than five years	(61,978)	(60,104)

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2021/22 no material contingent rents were receivable by the Council.

Notes to the Core Financial Statements

39. PENSION SCHEMES

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Authority participates in one pension scheme; the Local Government Pension Scheme (LGPS), administered locally by Hertfordshire County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Further information concerning the scheme can be found in Hertfordshire County Council Pension Fund's Annual Report, which is available upon request from Herts Finance Service, Hertfordshire County Council, County Hall, Hertford, Herts. SG13 8DQ.

The Authority recognises the cost of retirement benefits in the Cost of Services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge the Authority is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Local Government Pension Scheme	2020/21	2021/22
Comprehensive Income and Expenditure Account:	£'000	£'000
Cost of Services:		
Service cost comprising:		
Current Service Cost *	3,094	4,822
Past Service Costs	52	0
Financing and Investment Income and Expenditure:		
Net Interest Expense	709	938
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	3,855	5,760
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
Re-measurement of the net defined liability comprising:		
Return on Plan Assets	(24,126)	(3,574)
Actuarial (gains) and losses arising on changes in demographic assumptions	2,317	(1,915)
Actuarial (gains) and losses arising on changes in financial assumptions	37,745	(10,829)
Other	(1,729)	7,024
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	18,062	(3,534)

* The service cost figures include an allowance for administration expenses of 0.6% of payroll.

Movement in Reserves Statement:	2020/21	2021/22
	£'000	£'000
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(3,855)	(5,760)
Actual Amount charged against the General Fund balance for pensions in the year:		
• Employers' contributions payable to the scheme **	2,777	2,837
Net chargeable amount against the General Fund balance	2,777	2,837

** The figure of £2.837million for employer's contributions are the actual contributions paid for 2021/22.

Notes to the Core Financial Statements

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

Local Government Pension Scheme	2020/21	2021/22
	£'000	£'000
Present value of the defined benefit obligation	(197,431)	(191,451)
Fair Value of plan assets	151,455	151,846
Sub-total	(45,976)	(39,605)
Other movements in the liability (asset)	0	0
Net liability arising from defined benefit obligation	(45,976)	(39,605)

Reconciliation of the Movements in the Fair Value of Scheme Assets:

Local Government Pension Scheme	2020/21	2021/22
	£'000	£'000
Opening fair value of scheme assets	125,684	151,455
Interest Income	2,875	3,011
Re-measurement gain / (loss):		
The return on plan assets, excluding the amount included in the net interest expense	24,126	3,574
Other		(4,571)
The effect of changes in foreign exchange rates		
Contributions from employer	2,777	2,837
Contributions from employees into the scheme	643	652
Benefits paid	(4,650)	(5,112)
Closing fair value of scheme assets	151,455	151,846

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

Local Government Pension Scheme	2020/21	2021/22
	£'000	£'000
Opening balance at 1 April	156,375	197,431
Current service cost	3,094	4,822
Interest cost	3,584	3,949
Contributions from scheme participants	643	652
Re-measurement (gains) and losses:		
Actuarial (gains) / losses arising from changes in demographic assumptions	2,317	(1,915)
Actuarial (gains) / losses arising from changes in financial assumptions	37,745	(10,829)
Other	(1,729)	2,453
Past Service Cost	52	0
Benefits paid	(4,650)	(5,112)
Closing balance at 31 March	197,431	191,451

Notes to the Core Financial Statements

Local Government Pension Scheme assets comprised:

	Fair Value of scheme assets (Quoted Prices)					
	31 March 2021			31 March 2022		
	Active Markets £'000	Not in Active Markets £000	% of total assets	Active Markets £'000	Not in Active Markets £000	% of total assets
Cash and cash equivalents	4,263.9	0	3%	8,884.9	0	6%
Equity instruments:						
Consumer	1,345.7	0	1%	2,165.1	0	1%
Manufacturing	1,187.1	0	1%	718.7	0	0%
Energy and utilities	0	0	0%	0	0	0%
Financial Institutions	970.5	0	1%	833.9	0	1%
Health and care	599.5	0	0%	1,311.9	0	1%
Information technology	3,453.4	0	2%	2,762.3	0	2%
Other	134.9	0	0%	0	0	0%
Sub-total equity	7,691.1	0	5%	7,791.9	0	5%
Bonds:	7,760.0	3,455.7	7%	11,140.9	3,978.3	10%
Private equity:						
All	0	9,104	6%	0	11,096	7%
Real Estate:						
UK Property	0	8,381	6%	0	11,788.0	8%
Overseas Property	0	6,979.5	5%	0	8,500.9	6%
Sub-total real estate	0	15,360.5	11%	0	20,288.9	14%
Investment funds and Unit Trusts:						
Equities	69,674.9	0	46%	55,813.6	0	37%
Bonds	24,491.7	0	16%	22,525.6	0	15%
Commodities	0	0	0%	0	0	0%
Infrastructure	0	63.1	0%	0	92.9	0%
Other	1,401.7	8,248.2	6%	1,282.1	9,029.8	7%
Sub-total other investment funds	95,568.3	8,311.3	68%	79,621.3	9,122.7	59%
Derivatives:						
Forward foreign exchange contracts	0	(59.8)	0%	0	(79.0)	0%
Total assets	115,283.3	36,171.7		107,439	44,406.9	

Notes to the Core Financial Statements

All scheme assets have fair values based on quoted prices. Some of these assets are in active markets and some are in non-active markets. An active market has a high volume and frequency of transactions which provides better pricing information and means that the asset is more liquid.

The scheme history is as follows:

	31 March 2018 £'000	31 March 2019 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2022 £'000
Present Value of Liabilities	(165,274)	(178,029)	(156,375)	(197,431)	(191,451)
Fair Value of Assets	120,245	126,580	125,684	151,455	151,846
Deficit in the scheme	(45,029)	(51,449)	(30,691)	(45,976)	(39,605)

The liabilities show the underlying commitments that the Authority has in the long run to pay for post employment (retirement) benefits. The total liability of **£191.451million** has a substantial impact on the net worth of the Authority, as recorded in the Balance Sheet, resulting in a negative overall balance of **£39,605million**. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The contributions paid by the Authority are set by the Fund following an actuarial valuation. Further details on the approach adopted to set contribution rates for the Authority are available in the latest formal valuation report and Funding Strategy Statement.

The total contributions expected to be made to the Local Government Pension scheme by the Authority in the year to 31 March 2023 is **£2,883,000**.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The pension fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. The significant assumptions used in their calculations are:

	31 March 2021 %	31 March 2022 %
Mortality Assumptions:		
Longevity at 65 for current pensioners*:		
Men	22.1	22.1
Women	24.5	24.7
Longevity at 65 for future pensioners**		
Men	23.2	22.9
Women	26.2	26.1
Rate of increase in salaries	3.25	3.70
Rate of increase in pensions	2.85	3.20
Rate for discounting scheme liabilities	2.0	2.7
Proportion of Employees opting to take a commuted sum		
- pre April 2014 service	50.0	45.0
- post April 2014 service	75.0	45.0

* Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2021 model with a 0% weighting of 2021 (2020) data, standard smoothing (sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% pa for both males and females.. Based on these assumptions the average future life expectancies at age 65 are as shown.

** Figures assume members aged 45 as at the last formal valuation date.

Notes to the Core Financial Statements

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, we estimate that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. In practice the actual cost of a one year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply to younger or older ages).

The provided sensitivity figures can be used to estimate the impact of adopting different financial assumptions (e.g. an Employer considering alternative accounting assumptions or to help an Employer complete an ESFA accounts return). In order to quantify the impact of a change in the financial assumptions used, we have calculated and compared the value of the scheme obligations at the accounting date on varying bases. The approach taken is consistent with that adopted to derive the accounting figures provided in this report, based on the profile (average member ages, retirement ages etc) of the Employer as at the date of the most recent valuation.

	Impact on the Defined Benefit Obligation in the scheme	
	% Increase to Liability	Monetary amount
	£'000	£'000
Real Discount Rate (decrease by 0.1%)	2%	3,146
Member Life Expectancy (increase by 1yr)	4%	7,658
Rate of increase in salaries (increase by 0.1%)	0%	351
Rate of increase in pensions (increase by 0.1%)	1%	2,770

40. CONTINGENT ASSETS

There are no contingent assets for 2021/22.

41. CONTINGENT LIABILITIES

Contractor Pension Fund Contributions

The Council has transferred the management of its waste collection service, leisure centres and grounds maintenance services to Urbaser, Stevenage Leisure Ltd and John O'Conner Ltd, respectively. All of these bodies administer contributions to the Hertfordshire Local Government Pension Fund. In order for these bodies to be admitted to the Pension Fund the Council has given a commitment to be ultimately liable for payments to the fund. In the event that the Contractor fails to make payment and there is no bond in place to cover the default, the Council would seek to offset the amount due from the contract price in the first instance. With regards to the contract with John O'Conner Ltd there is a bond in place with a value of £182,000 and that value is due for reassessment after 31 March 2022. The Council is liable only for the existing staff at the time of transfer of services to these bodies and as at the 31 March 2022 the Council has not been called upon to make any such payments.

Municipal Mutual Insurance Ltd Scheme of Arrangement

The Council has paid a 25% levy for the claw-back of claims under the MMI Scheme of Arrangement. The Council will still be liable to pay a levy on any future claims and could also be required to pay an increased levy on the claims settled so far. As at 31st March 2022 the council have no outstanding liability claims with MMI.

Notes to the Core Financial Statements

42. TRUST FUNDS AND THIRD PARTY FUNDS

Trust Funds

The Authority acts as the sole managing trustee for the following trusts:

- Hitchin Town Hall Gymnasium and Workman's Hall Trust
- King George V Playing Fields Trust.
- Smithson Recreation Ground Trust

Without the annual contribution from the Council, the Trusts would not have had adequate resources to manage the facilities during the year. The Trust's accounts reflect the fixed assets and the in-year expenditure and income incurred in running the facilities. The net balance of these transactions, as at the 31 March 2022, is included in the Authority's accounts. A summary of the value of assets held by the trusts and the amounts administered by the authority is provided in the table below;

	Fixed Assets Closing Net Book Value £'000	Directly Attributable Expenditure £'000	Externally Generated Income £'000
Hitchin Town Hall Gymnasium and Workman's Hall Trust	2,811	136	7
King George V Playing Fields Trust	95	36	-
Smithson Recreation Ground Trust	20	3	-

Third Party Funds

The Authority holds income received for S106 legal agreements or unilateral undertakings relating to the submission of planning applications. This income is 'ring-fenced' to different types of capital expenditure/locations within the district. The funds will be used to finance the Council's capital programme, when schemes meet the funding criteria. Until then the funds are treated as a receipt in advance in the Balance Sheet, under current liabilities.

The total value of all S106 contributions, as at the 31 March 2022, available to fund capital and revenue activities is £4,170,813 (2020/21 £4,241,948).

Collection Fund Accounts

The Collection Fund is a separate statutory fund under the provisions of the Local Government Act 1988. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates and its distribution to local government bodies and the Government. The Authority's share of the assets and liabilities are included in the Authority's Balance Sheet and its income and expenditure is included within the cash flow statement.

The accounts have been prepared on an accruals basis.

INCOME AND EXPENDITURE ACCOUNT

Council Tax £'000	2020/21 Business Rates £'000	Total £'000		Note	Council Tax £'000	2021/22 Business Rates £'000	Total £'000
Income							
(92,109)		(92,109)	Council Tax Receivable	2	(97,892)		(97,892)
(679)		(679)	Council Tax Hardship Scheme		(0)		(0)
	(18,727)	(18,727)	Business Rates Receivable	1		(30,511)	(30,511)
			Transitional Protection Payments Receivable			(114)	(114)
Contribution towards previous year deficit:							
(320)	152	(168)	Hertfordshire County Council	3	(419)	(1,390)	(1,809)
(43)		(43)	Hertfordshire Police Authority	3	(58)		(58)
	(503)	(503)	DLUHC	3		(10,242)	(10,242)
(59)	(294)	(353)	North Hertfordshire District Council	3	(77)	(7,911)	(7,988)
(93,210)	(19,372)	(112,582)	Total Income		(98,446)	(50,168)	(148,614)
Expenditure							
Precepts, Demands and Shares							
70,681	3,944	74,625	Hertfordshire County Council	4	72,645	3,914	76,559
9,896		9,896	Hertfordshire Police Authority		10,522		10,522
11,752	15,778	27,530	North Hertfordshire District Council		11,862	15,656	27,518
1,200		1,200	Parishes, Town & Community Councils		1,231		1,231
	19,722	19,722	Central Government			19,569	19,569
Distribution of previous years Surplus							
0		0	Hertfordshire County Council		0		0
0		0	Hertfordshire Police Authority		0		0
0		0	North Hertfordshire District Council		0		0
Charges to Collection Fund							
0	175	175	Cost of Collection Allowance	1	0	177	177
	(27)	(27)	Transitional relief Payable			(0)	(0)
	35	35	Energy Payments			44	44
460	176	636	Write off uncollectible amounts	1/2	203	164	367
	4,443	4,443	Increase / (decrease) in provision for appeals	1		(693)	(693)
890	2,102	2,992	Increase / (decrease) in bad debt provision	1/2	170	(463)	(293)
94,879	46,348	141,227	Total Expenditure		96,633	38,368	135,001
1,669	26,976	28,645	Movement on Fund Balance		(1,813)	(11,800)	(13,613)
587	(1,238)	(651)	Balance at beginning of year		2,256	25,738	27,994
2,256	25,738	27,994	Balance at end of year		443	13,938	14,381
Share of Balance:							
1,705	2,009	3,714	Hertfordshire County Council		335	1,394	1,729
238		238	Hertfordshire Police Authority		46		46
313	10,389	10,702	North Hertfordshire District Council		62	5,575	5,637
	13,340	13,340	Central Government			6,969	6,969
2,256	25,738	27,994			443	13,938	14,381

Collection Fund Accounts

1. INCOME FROM BUSINESS RATES

The Council collects non-domestic rates (NNDR) from business across the District based on local rateable values provided by the Valuation Office Agency (VOA) and multiplied by a uniform rate set nationally by Central Government. The total non-domestic rateable value for North Hertfordshire District Council is £102.3 million, (£102.7 million 2020/2021). The NNDR multiplier is 51.2p in the pound (51.2p in the pound in 2020/2021). The small business non-domestic rating multiplier is 49.9p in the pound (49.9p in the pound in 2020/2021).

The business rates retention scheme was introduced in 2013/14. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the District. It does, however, also increase the financial risk to Councils, due to non-collection and the volatility of the NNDR tax base.

The business rates retention scheme allows the Council to retain a proportion of the total NNDR collected. In 2021/22, North Herts share was 40% with the remainder paid over to Hertfordshire County Council (10%) and Central Government (50%).

The business rate shares payable for 2021/22 were estimated before the start of the financial year as £19.569 million to Central Government, £3.914 million to Hertfordshire County Council and £15.656 million to North Hertfordshire District Council. These sums have been paid in 2021/22 and charged to the Collection Fund.

When the scheme was introduced, Central Government set a baseline level for each Authority, identifying the expected level of retained business rates, and a top up or tariff amount to ensure that all authorities receive the set baseline amount. In addition, the requirement of the retention scheme was that the Council must pay a levy of 50% to Central Government for income recorded above the baseline. A corresponding 'safety net' built into the scheme means that the Council would be reimbursed by Government up to 92.5% of the set baseline for the year should rates income fall below this.

North Hertfordshire paid a tariff of £12.974 million to Central Government from the General Fund in 2021/22. In 2021/22 the authority was part of the Hertfordshire Business Rates Pool, which has reduced the levy amount payable. If North Herts was not in the business rates pool, the levy due to DLUHC would have been around £1m. The Council's contribution required to the Business Rates Pool to meet the cost of the levy in 21/22, as calculated by the pool lead authority Hertfordshire County Council, is anticipated to be £300k. The financial benefit to the Authority from membership of the Pool, known as the 'pooling gain', is therefore £700k.

The total net amount of NNDR income collectable in 2021/22, after all reliefs and deductions, was £30.511 million. This is less than the estimated income of £39.139 million declared to Government in January 2021, which has resulted in a deficit of £13.938 million. To continue to help businesses during the Coronavirus pandemic, the government announced retail, hospitality and leisure businesses were entitled to 100% business rates relief for the first 3 months of the year and 66% relief for the remaining 9 months. This reduced the income to the Council. Central Government has paid Local Authorities Section 31 grants to compensate for the lost income. The additional amount of Section 31 grant North Herts received in the year for the additional reliefs introduced due to the pandemic was £3.600million. The grants have been transferred to an earmarked reserve and will finance the repayment of the deficit for 2021/22 amount payable in 2022/23. The government in 2020/21 also legislated for Local Authorities to spread the proportion of the deficit for 2020/21 that does not relate to reliefs (£1.247 million for North Herts), as estimated in January 2021, over the next three financial years to 2023/24, rather than total repayment in the following financial year, as had been required under existing legislation.

Collection Fund Accounts

Total provision for outstanding amounts that are not subsequently paid (bad debts) was £2.115 million at 31 March 2022 (£2.579 million at 31 March 2021). A total of £164k of outstanding business rates were written off during 2021/22.

The business rates retention scheme has also meant responsibility for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list has transferred to the Authority, as the agent. As such it is necessary for the Authority to make provision for future successful appeals on behalf of itself, the major preceptor Hertfordshire County Council, and Central Government. Based on the number of outstanding appeals and check/challenges with the Valuation Office Agency as at 31 March 2022, the provision for lodged appeals has increased by £258k to a total of £2.9 million. In addition a reduction of £952k was made to the provision for appeals not yet lodged against the 2017 ratings list, the total movement in provision for appeals (both lodged and not yet lodged) is a reduction of £693k for 2021/22.

2. COUNCIL TAX

The amounts credited to the Collection Fund can be analysed as follows:

	2020/21		2021/22	
	£'000	£'000	£'000	£'000
Original Debt	110,139		115,611	
Additional Debt	9,623		12,527	
		119,762		128,138
Less:				
Council Tax Reductions		8,566		7,887
Discounts		8,502		8,925
Amounts Written-off, Exemptions & Allowances		10,585		13,434
		92,109		97,892

Council tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Hertfordshire County Council, The Police and Crime Commissioner and the Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts). This basic amount of council tax for a Band D property, £1,923.76, (£1,847.33 2020/2021) is multiplied by the proportion specified for a particular band to give an individual amount due.

Council tax bills were based on the following proportions for Bands A to H:

Proportion of Band D charge

Band	Property Numbers	Proportion	Basic Amount £
A	3,397	0.67	1,282.51
B	9,150	0.78	1,496.26
C	20,099	0.89	1,710.00
D	10,300	1.00	1,923.76
E	7,288	1.22	2,351.26
F	4,679	1.44	2,778.76
G	3,476	1.67	3,206.27
H	351	2.00	3,847.52
Total	58,740		

Collection Fund Accounts

An increase of £374k has been made for the provision of outstanding amounts that are not subsequently paid (bad debts) bringing the total provision to £2.60million as at 31 March 2022. A total of £204k of outstanding council tax was written off during 2021/22. Due to the pandemic a review of the bad debt provision was carried out, and a more prudent approach has been taken, resulting in the increase to the provision.

3. PAYMENT OF SURPLUS/ DEFICITS FROM THE COLLECTION FUND

The element of the surplus/ deficit on the Collection Fund at 31 March 2022 will be distributed in subsequent financial years to Hertfordshire County Council, The Police and Crime Commissioner and the Council. The apportioned (surplus)/deficit is shown at the bottom of the Income and Expenditure Statement. The total deficit reported in 2021/22 is £443k, North Herts share is £62k. Central Government have allowed an element of the estimated deficit as at 15th January 2021 to be spread over three years to 2023/24 rather than just one year. North Herts remaining 2020/21 deficit to be spread is £54k.

4. PRECEPTS

	2020/21	2021/22
	£'000	£'000
Hertfordshire County Council	70,681	72,645
Hertfordshire Police	9,896	10,522
North Hertfordshire District Council and Local Town and Parish Councils	12,952	13,093
	93,529	96,260

Following the introduction of Council Tax on 1 April 1993, parish precepts are payable from the Council's General Fund and not the Collection Fund.

Glossary of Financial Terms

Term	Definition
Accruals	The concept that Income & Expenditure are recognised as they are earned or incurred, not as money is received or paid.
Actuarial Gains and Losses	For a defined benefit pension scheme the changes in actuarial deficits or surpluses that arise because: <ul style="list-style-type: none"> • Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses). • The actuarial assumptions have changed.
Accumulated Absences	Holiday entitlements (or any form of leave such as time off in lieu) earned by employees but not taken before the year end which can be carried forward into the following year.
Agency Arrangements	Services which are performed by or for another Council or public body, where the agent is reimbursed for the cost of the work done.
Asset	Anything which somebody owns which can be given a monetary value, for example buildings, land, vehicles, machinery, cash, investments etc. It is always considered in comparison with liabilities in an organisation's accounts.
Balances	The capital or revenue reserves of the Council made up of the accumulated surplus of income over expenditure on the General Fund, Earmarked Reserves etc.
Capital Expenditure	Expenditure on the acquisition of a fixed asset, or expenditure, that adds to the life, or value, of an existing fixed asset.
Capital Financing Requirement	A measure of the capital expenditure incurred historically by an authority that has yet to be financed by capital receipts, capital grants or revenue financing. The Prudential Code requires that the Council monitors and controls its CFR through its Investment Strategy (Integrated Capital and Treasury Strategy) and Medium Term Financial Strategies.
Capital Receipts	Monies received from the sale of assets, which may be used to finance capital expenditure or to repay outstanding loan debt as prescribed by Central Government, but they cannot be used to finance day-to-day spending.

Glossary of Financial Terms

Term	Definition
Cash Equivalents	Cash investments which are held on deposit and are repayable on demand without financial penalty.
CIPFA	Chartered Institute of Public Finance and Accountancy. The principal accountancy body dealing with local government finance
Collection Fund	A fund administered by charging authorities into which Council Tax income and Business Rates collected locally are paid. Precepts are paid from the fund as is a charge in respect of the Council's own requirements.
Collection Fund Adjustment Account	This account holds the difference between the income (including accruals) held in the Comprehensive Income and Expenditure Statement and the amount required by statutory regulation to be credited to the Collection Fund.
Community Assets	Assets that a local Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.
Consistency	The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.
Contingent Assets	A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the local authority's control.
Contingent Liability	A contingent liability is a possible liability arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the local authority's control.
Council Tax	This is a local tax set by local Councils to help pay for local services.
Creditor	An amount owed by the Council for work done, goods received, or services rendered to the Council within the accounting period and for which payment has not been made at the Balance Sheet date.

Glossary of Financial Terms

Term	Definition
Current Assets	Assets which can be classified as cash or cash equivalents, assets held primarily for the purposes of trading (e.g. inventories), or any asset which is expected to be realised within the next financial year.
Current Service Cost (Pensions)	The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.
Curtailment	<p>For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:</p> <ul style="list-style-type: none"> • Termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business. • Termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees no longer qualifies or only qualifies for a reduced benefit.
Deficit	An excess of expenditure over income (or liabilities over assets)
Debtors	Amounts due to the Council before the end of the accounting period but for which payments have not yet been received by the end of that accounting period.
Defined Benefits Scheme	A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).
Depreciation	The measure of the cost or revalued amount of the benefit of the non-current assets that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time obsolescence through either changes in technology or demand for the goods and services produced by the asset.

Glossary of Financial Terms

Term	Definition
Department for Levelling Up, Housing and Communities (DLUHC)	Department for Levelling Up, Housing and Communities is the successor to the Ministry for Housing, Communities and Local Government, (MHCLG).
Earmarked Reserves	These are reserves set aside for a specific purpose or a particular service or type of expenditure.
Employee Benefits	Entitlements accrued by employees as part of their employment rights, e.g. annual leave (holiday), sick pay and payments as a result of their employment being terminated before normal retirement age.
Exceptional Items	Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.
Expected Rate of Return on Pension Assets	For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.
Extraordinary Items	Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.
Finance and Operating Lease	A finance lease transfers all of the risks and rewards of ownership of a fixed asset to the lessee and such assets have been valued and included within Non-current assets in the Balance Sheet. With an operating lease the ownership of the asset remains with the Leasing Company and the annual rent is charged to the relevant service account.
Financial Instruments	Any document with monetary value. For example, securities such as bonds and stocks which have value and may be traded in exchange for money.
General Fund	The main revenue account of the Council. It contains the excess to date of income over expenditure in the Income and Expenditure Account.

Glossary of Financial Terms

Term	Definition
Government Grants	Assistance by Central Government and inter-government agencies and similar bodies, whether local, national or international, towards either revenue or capital expenditure incurred in providing local Council services.
Heritage Asset	An asset which is held solely for its cultural, environmental or historic associations. This encompasses such things as civic regalia, historical buildings and monuments, museum collections and works of art. Any asset which is used for operational purposes would not be classified as a Heritage Asset.
Housing Benefits	A system of financial assistance to individuals towards certain housing costs, which is administered by Local Authorities. Assistance takes the form of rent rebates, rent allowances, and council tax rebates toward which central government pays a subsidy.
Impairment	A reduction in the value of a non current asset below its carrying amount on the balance sheet.
Infrastructure Assets	Expenditure on works of drainage, construction or improvement to highways, cycle ways, footpaths or other land owned by the Council.
Intangible Assets	An asset that brings benefit for more than one financial year, that does not have physical substance but is identifiable and controlled by the owner (e.g. software licences).
Interest Cost (Pensions)	For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
Inventories	<p>The amount of unused or unconsumed inventories (stock) held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories:</p> <ul style="list-style-type: none"> • Goods or other assets purchased for resale; • Consumable stores; • Raw materials and components purchased for incorporation into products for sale; • Products and services in intermediate stages of completion • Long term contract balances; and • Finished goods.

Glossary of Financial Terms

Term	Definition
Investments (Non-Pension Fund)	<p>A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.</p> <p>Investments, other than those in relation to the pension fund, that do not meet the above criteria should be classified as current assets.</p>
Investments (Pension Fund)	<p>The investments of the Pensions Fund will be accounted for in the statements of that fund. However, authorities (other than Town Parish and Community Councils) are required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.</p>
Investment Property	<p>Property which is held solely to earn rentals and/or for capital appreciation but not used for the purpose of service delivery.</p>
Levy	<p>The Council's Comprehensive Income and Expenditure Statement include a share of any surplus or deficit arising for the year on the collection of business rates. Where, after taking into account any surpluses on collection, the Council's income exceeds a threshold set by Central Government, a levy is payable to Central Government, but the Council may retain a proportion of the surplus.</p>
Liabilities	<p>Money owed to somebody else.</p>
Minimum Revenue Provision	<p>A charge made to the General Fund to repay borrowing taken out for capital expenditure, effectively replacing depreciation (which is reversed out in the MiRS). Authorities determine their own prudent MRP charge.</p>
Net Book Value	<p>The amount at which non-current assets are included in the Balance Sheet, i.e. their historical or current value less the cumulative amounts provided for depreciation.</p>
Net current replacement cost	<p>The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or the nearest equivalent, adjusted to reflect the current condition of the existing asset.</p>

Glossary of Financial Terms

Term	Definition
Net Realisable Value	The open market value of the asset in its existing use (or open market value in the case of non operational assets), less the expenses to be incurred in realising the asset.
NNDR (National Non Domestic Rates)	These are rates charged on properties other than domestic property. The business rate poundage is set annually by Central Government and is a flat rate throughout the country.
Non-current assets	Tangible assets that yield benefits to the Council for a period of more than one year.
Non-operational assets	Non-current assets held by a local Council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are commercial and industrial properties.
Obligating Event	An event which creates a legal or constructive obligation that results in the Council having no realistic alternative to settling that obligation.
Operational assets	Non-current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.
Past service cost	For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.
Post balance sheet events	Those events, both favourable and unfavourable, which occur between Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible officer.
Precepts	The levy made by one Council on another. Hertfordshire County Council and Police and Crime Commissioner, who do not administer the council tax system, each levy an amount on North Herts, which collects the required income from local taxpayers on their behalf.
Prior year adjustments	Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.
Projected unit method	An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.

Glossary of Financial Terms

Term	Definition
Provisions	An amount set aside to provide for a liability that is likely to be incurred but the exact amount and the date on which it will arise is uncertain.
Prudence	The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty. The overall objective of this principle is not to overstate the net worth shown in the Statement of Accounts.
Related Parties	<p>Two or more parties are related parties when at any time during the financial period:</p> <ul style="list-style-type: none"> • One party has direct or indirect control of the other party. • The parties are subject to common control from the same source. • One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests. • The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.
Related Party Transaction	<p>A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for a related party irrespective of whether a charge is made. Examples of related party transactions include:</p> <ul style="list-style-type: none"> • The purchase, sale lease, rental or hire of assets or loans, irrespective of any direct economic benefit to the pension fund. • The provision of a guarantee to a third party in relation to a liability or obligation of a related party. • The provision of services to a related party, including the provision of pension fund administration services. • Transactions with individuals who are related parties of the Council or a pension fund, except those applicable to other members of the community or pension fund, such as council tax, rents and payments of benefits. • The materiality of related party transactions is judged not only in terms of their significance to the

Glossary of Financial Terms

Term	Definition
	Council, but also in relation to its related party.
Rent Allowances	Subsidies payable by local authorities to tenants in private rented accommodation (either furnished or unfurnished) whose incomes fall below prescribed amounts.
Rent Rebates	Subsidies payable by local authorities to their own housing tenants whose incomes fall below prescribed amounts.
Reserves	A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.
Retirement Benefits	All forms of consideration given by an employer in exchange for services rendered by employees that are payable after completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.
Revaluation Reserve	An account containing any unrecognised gains or losses arising from the revaluation of non current assets held by the Council. When assets are sold, the gain or loss on sale will be recognised in the Comprehensive Income and Expenditure Statement once all previous entries relating to unrecognised gains or losses have been removed from the accounts.
Revenue Expenditure	Day to day expenses, mainly salaries and wages, general running costs and debt charges.
Revenue Expenditure Funded from Capital Under Statute	Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non current asset.
Revenue Support Grant	Central Government Grant towards the cost of Local Council Services.
Scheme Liabilities	The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.
Surplus	An excess of income over expenditure (or assets over liabilities)

Glossary of Financial Terms

Term	Definition
Usable Capital Receipts	This is generally the balance of any capital receipt after deducting the reserved part and any repayment to the Central Government of grants made to the Council on disposal of the asset.
Useful Life	The period over which the authority will derive benefits from the use of a non current asset.

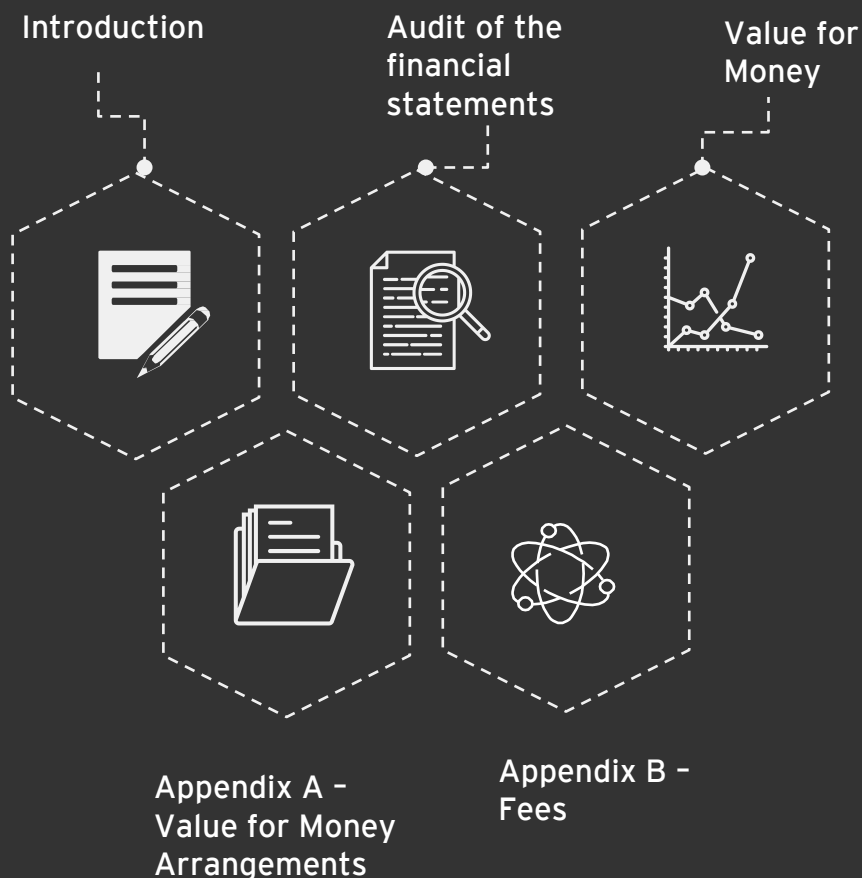


North Hertfordshire District Council

Auditor's Annual Report

Year ended 31 March 2022

Contents



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.psaa.co.uk/audit-quality/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 North Hertfordshire District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to Finance, Audit and Risk Committee and management of North Hertfordshire District 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 Finance, Audit and Risk Committee and management of North Hertfordshire District 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.



Introduction

Purpose

The purpose of the Auditor's Annual Report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on value for money (VFM) arrangements, which aims to draw to the attention of the Council, or the wider public, relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2021/22 audit work in accordance with the Audit Plan that we issued on 7 December 2022. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2021/22 financial statements;

Conclusions relating to going concern; and

The consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;

- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Council

The Council is responsible for preparing and publishing its financial statements, narrative statement and annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



Introduction (continued)

2012/22 Conclusions

Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2022 and of its expenditure and income for the year then ended. We issued our auditor's report on 13 September 2023.
Going concern	We have concluded that the Service Director – Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the other information published with the financial statement	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
Value for money (VFM)	We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 03.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.
Whole of government accounts	We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts consolidation pack submission. The guidance for 2021/22 has been issued and the Council is below the threshold set by the NAO for the completion of detailed procedures. However, the NAO has not yet confirmed which Councils it plans to identify as additional sampled components.
Certificate	We have not yet issued our certificate for 2021/22 as the NAO is yet to confirm which Councils it plans to identify as additional sampled components. Until we can confirm whether we will be required to undertake any additional procedures on behalf of the NAO we are not able to certify the completion of the audit.



Audit of the financial statements

Key findings

The Narrative Statement and Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

On 13 September 2023, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 13 September 2023 Financial, Risk and Audit Committee meeting. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan. We reported two internal control recommendations and no areas for improvement in the control environment in the Audit Results Report.

Significant risk	Conclusion
Misstatements due to fraud or error - management override of controls	<p>As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p> <p>Our audit work did not identified any material issues, inappropriate judgements or unusual transactions which indicated that there had been any misreporting of the Council's financial position, or that management had overridden controls. We are satisfied that journal entries had been posted properly and for genuine business reasons. There were no unusual transactions identified.</p>
Inappropriate capitalisation of revenue expenditure	<p>Linking to our risk of misstatements due to fraud and error above, we have considered the capitalisation of revenue expenditure on property, plant and equipment as a specific area of risk given the extent of the Council's capital programme.</p> <p>We have not identified any revenue items that have been inappropriately capitalised from our detailed testing</p>
Valuation of investment properties	<p>Investment properties represent a significant balance in the Council's accounts and are subject to valuation changes, market volatility and impairment reviews. Material judgmental inputs and estimation techniques are required to calculate the year-end investment property valuations held in the balance sheet.</p> <p>We have not identified material differences in the investment property valuations work.</p>



Audit of the financial statements

Key findings (continued)

Significant risk	Conclusion
Valuation of property, plant and equipment (other land and buildings and surplus assets) and assets held for sale	<p>The fair value of property, plant and equipment and assets held for sale represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>We have completed our audit work on the valuation of property, plant and equipment and assets held for sale. We have noted the following issues:</p> <ul style="list-style-type: none">▪ Overstatement of property, plant and equipment (PPE) due to duplicate recording of Hitchin Town Centre and a small number of other assets. Since this and the other assets have been in the register for a few years, the error has an impact on the balance of PPE and reserves for 2021/22, 2020/21 and 2019/20.<ul style="list-style-type: none">• The impact on the PPE balance was a £6.9 million overstatement for 2021/22, £6.7 million overstatement for 2020/21 and £6.0 million overstatement for 2019/20.• There is also an impact on depreciation (£0.2 million overstatement for 2021/22 and 2020/21) and revaluation gain (£0.440 million overstatement for 2021/22 and £0.918 million overstatement for 2020/21).▪ Understatement of operating expenditure and the revaluation reserve by £1.1 million due to an error in recording the downward movement in value of assets held for sale in the revaluation reserve instead of operating expenditure.▪ Overstatement of revaluation reserve by £0.178 million due to incorrect recording of upward movement in property, plant and equipment in revaluation reserves instead of a reversal of impairment loss previously charged to surplus/deficit on provision of services.▪ £1.5 million assets were incorrectly classified as other land and buildings instead of community assets, infrastructure assets and plant and equipment. <p>These were all corrected by Management.</p>



Audit of the financial statements

Key findings (continued)

Significant risk	Conclusion
Pension liability valuation	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by North Hertfordshire Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2022 this totalled £30.210 million.</p> <p>We completed the required procedures in this area and noted the following differences communicated by the Hertfordshire Pension Fund auditor:</p> <ul style="list-style-type: none">▪ A difference of £0.6 million was noted between benefits paid per the ledger and the IAS 19 report. This only impacts the pension assets and liability tables in Note 39 and has no impact in the balance sheet or income statement.▪ Pension assets is overstated by £0.1 million. This impacts pension liability and actuarial gain or loss.▪ Return on assets used by the actuary was 4.4% when it should be 4.5%. The impact is £0.1 million understatement of investment income and overstatement of actuarial gain. <p>Due to the amounts involved in above, Management opted not to correct these differences. No other issues noted.</p> <p>After the publication of the 2022 Triennial Valuation Report in March 2023, we had to revisit the impact of this updated information in the valuation of pension liability for North Hertfordshire District Council. We also had to obtain further assurance from the pension fund auditor that the membership data used in the 2022 Triennial Valuation Report for Hertfordshire Pension Fund, and revised IAS 19 report for the Council were accurate.</p> <p>At the date of writing this report, we have received the updated assurance letter from the pension fund auditor which reports the results of membership data testing used by the actuary in calculating the revised net pension liability as of 31 March 2022. However, we have raised a query regarding the split of pension assets among the members of the scheme to the pension fund auditor. The pension fund auditor have raised the query to the actuary and is still outstanding.</p>



Audit of the financial statements

Key findings (continued)

Significant risk	Conclusion
Going concern disclosures	<p>Covid-19, together with the political and economic turmoil in the external environment creates a number of financial pressures and risks across local government. It is creating financial stress through a combination of increasing service demand leading to increased expenditure in specific services, and reductions in income sources. There is a presumption that the Council will continue as a going concern for the foreseeable future.</p> <p>The Council is required to carry out a going concern assessment that is proportionate to the risks it faces. To address the requirement of the ISA, the auditor must review management's assessment of the going concern basis. The auditor's report in respect of going concern covers at least a 12-month period from the date of the report, therefore the Council's assessment also needs to cover this period</p> <p>We completed our review of the cashflow forecast and, based on the work undertaken, are satisfied that management's assessment on going concern is adequate and supportable. We also reviewed the Council's disclosures within the updated financial statements and have concluded that they are adequate.</p> <p>We have no matters to report.</p>

We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2021/22.

Page 19
Our VFM commentary highlights relevant issues for the Council and the wider public.

We have no matters to report by exception in the audit report.

Scope

We are required to report on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). In our Audit Plan which was presented to the 7 December 2022 Finance, Audit and Risk Committee meeting, we noted that we had yet to complete our detailed VFM planning, but that one area of focus would be on the arrangements that the Council has in place in relation to financial sustainability. This assessment was based on a combination of our cumulative audit knowledge and experience, our review of Council committee reports, and evaluation of associated documentation through our regular engagement with Council management and the finance team.

Reporting

We completed our risk assessment procedures in May 2023 and did not identify any significant weaknesses in the Council's VFM arrangements. We have also not identified any significant risks during the course of our audit. As a result, we had no matters to report by exception in the audit report on the financial statements.

Our commentary for 2021/22 is set out in the following pages. The commentary on these pages summarises our conclusions over the arrangements at the Council in relation to our reporting criteria (see below) throughout 2021/22. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Annual Auditors Report and have been updated for 2021/22.

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

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 weaknesses identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weaknesses 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 weaknesses identified



Value for Money (continued)

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

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2022. Our risk assessment did not identify any risk of significant weakness in arrangements to secure financial sustainability.

The Council has a robust process of estimating the recurring and non-recurring expenditure for at least five years and the funding sources for the same period. This process starts with the preparation of the Council Plan which sets out on a high level the projects that the Council will focus on for a rolling five-year period. The Medium-Term Financial Strategy (MTFS) then identifies the factors that may impact the cost of pursuing the projects. Finally, a revenue budget report is prepared. It begins with the total expenditure incurred in the previous year and incorporates potential increases and decreases due to factors identified in the MTFS, and the total funding from council tax, business rates and other grants. This is analysed alongside the reserves level for each period and shows how much the general fund balance will be at the end of each year.

Changes from the initial budget set above are identified, explained and reported to Council on a quarterly basis. A 'working budget' is prepared which is the budget rebased for any factors considered during the year that has an impact on the funding and expenditure levels.

For at least five years, the final outturn of the Council has been less than the working budget. In 2021/22, the final outturn of £16.9 million was £1.5 million less than the original revenue budget approved by the Council. The comparison of the budgeted savings and actual savings is also incorporated in the quarterly outturn reports.

The MTFS for 2022-2027 shows that the savings needed to achieve a balanced budget by 2026/27 is £1.8 million, and utilisation of other reserves in 2022/23 of £1.2 million. The forecasted general fund of the Council remains at above 4 million which more than the minimum balance of £2.5 million recommended by the S151 Officer.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



Value for Money (continued)

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

The Council is required to have arrangements in place to ensure proper risk management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the audited body is expected to have in place during the year ended 31 March 2022. In 2021/22 we did not identify a risk of significant weakness in arrangements in place to ensure sound governance.

The Council continuously identifies risks to the Council, including the likelihood of the risks happening, and the impact. These risks are reported to the Finance, Audit and Risk Committee on a quarterly basis.

A common theme in the risks identified for 21/22 relates to increasing costs of providing services and funding reductions. To address this, the Council revisited their funding projections and closely monitored the budget, Covid recovery and inflation. Considering that the Council's arrangements in terms of financial sustainability has been found to be sufficient, we are satisfied that the risk assessment procedures in place in the Council are working and the risks properly managed.

Another risk is the delay in the approval of the local plan, however, this has been finalised as of the date of writing this report.

In terms of internal controls in place, the Council received an overall rating of 'reasonable assurance' which is the second highest level of assurance that the internal auditor may provide.

The Council also has a rolling five-year climate change strategy which supports the UK Net Zero Strategy pursued by the government.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to make informed decisions and properly manage its risks.



Value for Money (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

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. In accordance with the NAO's Code the focus of our work should be on the arrangements that the audited body is expected to have in place during the year ended 31 March 2022. In 2021/22 we did not identify a risk of significant weakness in arrangements in place to ensure economy, efficiency and effectiveness.

No issues on the procurement procedures identified in 2021/22. All 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 explains about the Contract Procurement Rules. Each contract has a contract manager who is responsible for ensuring that the contracted service is delivered.

For more efficient delivery of services, the Council are in partnership with other councils in delivering key services across the Hertfordshire County such as waste contract, 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 2021/22 to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Appendices

Page 195

Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria	Findings
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	<p>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:</p> <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 <p>The Medium Term Financial Strategy (MTFS) is reviewed by Leadership Team whilst it is being prepared, to allow for feedback.</p>
How the body plans to bridge its funding gaps and identifies achievable savings	<p>The MTFS for 2022-2027 shows that the savings needed to achieve a balanced budget by 2026/27 is £1.8 million to achieve a balanced budget by 2026/27. The most significant sources of savings/efficiencies per the 2022-27 MTFS are:</p> <ul style="list-style-type: none"> • Economies of scale generated from the recent expansion of the Careline service (£0.5 million). This has been implemented in 2022/23 and started generated savings in the same year. • Green space maintenance contract expenditure (£0.7 million)m - in the 2022/23 outturn report, the Council achieved income higher than the budget by £28k. • Recycling income (£0.9 million) - in the 2022/23 outturn report, the Council achieved income higher than the budget by £29k.
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The Council produces the MTFS and the 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. The Council will always look to deliver these services in line with its priorities. As the central Government funding level has continued to reduce, the Council has tried to maintain its ability to offer discretionary services that are linked to its priorities. The current forecasts suggest that the Council will need to continue further reducing its costs in the future. This will mean that difficult decisions may need to be taken in line with the Council's priorities. The Council also has an established budget challenge process that has reviewed the various services the Council delivers and how much they cost. This has included a review of which services are statutory, and for those services that are non-statutory, the extent to which they deliver the priorities of the Council Plan.</p>

Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria	Findings
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>As noted above, 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 in to budget planning.</p> <p>The Council's HR plan is currently focused on Covid-19 response and recovery. It does not make any specific proposals around changes in remuneration or head-count. Any proposals for growth in headcount must be considered through the budget process.</p> <p>All other significant service/ corporate plans will have a contribution from finance to ensure that financial implications are considered. Sometimes (e.g. where plans include aspirations rather than detailed actions) it may be necessary to set out that the plans will be subject to prioritisation and consideration as part of the financial/ business planning process. We understand from management that this would apply to some aspects of the Council's Climate Change Strategy.</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>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.</p> <p>The MTFS also considers the variation in assumptions made, although for the current period this is focused on the impacts of Covid-19.</p>

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria	Findings
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	<p>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.</p> <p>The Council also has a Risk Management Group which is made up of key Officers (including service representative, Risk Officer Champion, Risk Officers, Internal Audit and Insurance), the Executive Member for Risk and the Audit 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.</p> <p>The Council is part of a shared Fraud service (known as the Shared Anti Fraud Service or SAFS). There are regular reports to the Audit Committee on SAFS, including plans for the forthcoming year and monitoring of performance.</p>
How the body approaches and carries out its annual budget setting process	<p>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.</p> <p>Over the Summer, the responsible officers & 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.</p> <p>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 December 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 January, and is referred on to Council in February each year.</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>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. There are set revenue performance indicators which are monitored and reported on a monthly basis. These cover the Council's key income streams and provide an indication of any areas of concern.</p> <p>If required, the budget monitoring reports would require that action was taken to manage the overall Council budget. 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 will not include significant changes in level of service, as that would be a Cabinet decision.</p>

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria	Findings
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>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.</p> <p>All reports require professional input including legal, financial, risk and HR implications. 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>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. There is also a separate Declaration of Interests/ Conflicts of Interest policy. Another control is the Monitoring Officer's oversight on standards.</p>

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings
How financial and performance information has been used to assess performance to identify areas for improvement	<p>Management has carried out a budget challenge process during the last two years. These sessions have 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 have presented their budgets of responsibility, detailing what they spent, the level of service provided, split between statutory and discretionary services and opportunities for savings.</p> <p>The other attendees then have the opportunity to support or challenge the initiatives raised.</p> <p>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.</p> <p>Finally, quarterly report of performance indicators is presented to the Overview and Scrutiny Committee. The report shows the performance of each service in relation to its respective target, and states the commentary for each KPI. This informs areas that need improvement in terms of service.</p>
How the body evaluates the services it provides to assess performance and identify areas for improvement	<p>Where available, management compares its performance indicators to performance by others through benchmarking process (e.g. waste collection data). A lot of this data has however been suspended due to Covid-19.</p> <p>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.</p> <p>In January 2020, the Council had a peer review. The action plan for this review has been published in January 2023. We will review this as part of 2022/23 VFM work.</p>

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings
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	<p>The Council appreciates the fact that Services are not always be 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.</p> <p>Other key partners in the operation of the Council include District Councillors, 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.</p> <p>As part of its service delivery, the Council needs to manage a proactive programme of communications activity across a range of channels which ensures the good work of the Council is promoted and resident satisfaction with the Council improved, by ensuring residents feel well informed about the Council's work. To help support this, Cabinet adopted the Communications Strategy for the period 2019-2023 in December 2018.</p>
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	<p>All 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 explains about the Contract Procurement Rules.</p> <p>Each contract has a contract manager who is responsible for ensuring that the contracted service is delivered.</p>

Appendix B – Fees

Fees

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and North Hertfordshire District Council, and its senior management, including all services provided by us and our network to the North Hertfordshire District Council 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 have identified one relationship to report to you in respect of additional services provided by EY LLP. The perform non-audit services as set out below. We have concluded that there is no impact on our independence and objectivity as the external auditor of the Council.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted other than those disclosed below.

	Final Fee 2021/22	Planned Fee 2021/22	Final Fee 2020/21
Description	£	£	£
Scale fee - code work	40,068	40,068	40,068
Additional fees (note 1)	TBC	52,762	35,195
Total audit fees	TBC	92,829	75,263
Other non-audit services not covered above (Housing Benefits) (note 2)	6,000 to 11,000	6,000 to 11,000	20,840
Total fees	TBC	TBC	96,103

Note 1 - Given the number of significant risks and areas of audit focus that we highlighted as areas of additional work and in order to meet regulatory and compliance audit requirements not present in the market at the time of our most recent bid to PSAA, we undertook additional work and have proposed an additional fee of £52,762 to deliver the audit in 2021/22. This also includes the impact of amended auditing standards, and the changing requirements for our VFM responsibilities. PSAA has provided outline amounts to charge for the work required to address these latter areas. The proposed additional fee will need to be submitted to PSAA for determination. We proposed an additional fee in 2020/21 and PSAA have approved a final additional fee of £35,195 for that year.

Note 2 - This is an indicative fee as our work to certify the 2021/22 housing benefit subsidy claim is yet to commence.

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North Herts Council

Finance Audit & Risk Committee

Anti-Fraud Report 2022/23

Purpose

1. 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 Action Plan for 2022/2023.

Recommendations

2. Members are RECOMMENDED to:

- a) **Note the activity undertaken by the Shared Anti-Fraud Service to deliver the 2022/2023 Anti-Fraud Plan for the Council.**
- b) **Note the other anti-fraud activity undertaken to protect the Council.**

Background

3. National reports and papers continue to be used by the Shared Anti-Fraud Service (SAFS) to ensure that the Council is aware of new and emerging fraud threats as well as those established/known risks. 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 53** of this report.

4. 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.

Fraud Risk Management Guide. Published in March 2023, this international guide from COSO, in the USA, and the Association of Counter Fraud Examiners lays out the case for fraud risk assessments to help organisations understand their risks so that they can plan to manage and mitigate these.

Lost Homes, Lost Hope. This paper, published by the Fraud Advisory Panel & Tenancy Fraud Forum in April 2023, uses previous data and research to estimate the current cost to local government of tenancy fraud along with the volume of fraud in this area across the sector.

5. According to reports from CIPFA, National Audit Office (NAO), Cabinet Office, and the private sector fraud risk across local government in England exceeds £2 billion each year, but no detailed research in this area has been undertaken for a number of years.

6. 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. This includes the need for all councils to be vigilant in recognising their fraud risks and to invest sufficient resources in counter fraud activities that deliver tangible savings.
7. It is essential that the Council has in place a robust framework to prevent and deter fraud, including effective strategies and policies and a response to deal with the investigation and prosecution of identified fraud.
8. North Hertfordshire District Council (North Herts Council/the Council) is a founding member of the Shared Anti-Fraud Service (SAFS). Members of this committee, and the Senior Leadership Team have received regular reports since then detailing how SAFS works closely with the Shared Internal Audit Service (SIAS), dealing with all aspects of fraud/corruption/money laundering from prevention & deterrence to investigation & prosecution, working with staff at all levels across the Council

Report - Delivery of the 2022/2023 Anti-Fraud Plan

2022/2023 Plan

9. In March 2022, this committee approved the Anti-Fraud Plan for 2022/2023 developed with Council officers in partnership with SAFS. A copy of the Plan can be found at **Appendix 1**.
10. The Plan includes resources and costings for its delivery, and activity to protect the Council from fraud. The plan includes a copy of the latest Fighting Fraud and Corruption Locally Strategy and Key Performance Indicators (KPIs) for SAFS which were agreed with senior officers. KPI performance can be found in **Table 1** below.
11. The Anti-Fraud Plan for 2022/23 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. The Plan identifies officers and members who are charged with delivering it.
12. The Council adopted the FFCL checklist as a 'To-do' list to assist in identifying weaknesses in its anti-fraud defences and a method to provide assurance to senior leaders and elected Members about the effectiveness of the Councils anti-fraud activity. We continue to use the checklist to inform the Councils Anti-Fraud Plan for 2023/24, adding new actions/objectives as they become relevant.
13. Members will note that the Audit Committee has a continuing role in ensuring that the Council meets its objectives.

Staffing

14. The SAFS Team (in April 2022) was composed of 22 accredited and trained counter fraud staff and is based at the County Council's offices in Hertford.

15. Each SAFS Partner receives dedicated support and response and for 2022/23 this was achieved by allocating a number of staff to work exclusively for each Partner, but also allowing officers within the Team to work across Partners from time to time. Providing the service in this way allows SAFS staff to develop good working relationships with Council officers as well as improved resilience and flexibility across the Partnership.
16. For 2022/23, SAFS planned to deploy 1 FTE to work exclusively for the Council supported by SAFS management and specialists in data-analytics, training, communications, financial investigations, and intelligence.
17. All SAFS officers are all fully trained and accredited and members of the Government Counter Fraud Profession. The Profession is made up of various streams including awareness training, fraud risk assessment, investigations, intelligence, data-analytics, and investigation management.

Table 1. SAFS KPIs for 2022/2023 and Performance

KPI	Measure	Target 2022/23	Performance 2022/2023
1	Return on investment from SAFS Partnership.	Demonstrate, via SAFS Board, that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution.	Report to SAFS Board in June/Sep/Dec/March. Service Director: Resources sits on the SAFS Board, and meets with SAFS Mgt regularly to review work, and call in support as needed.
2	Provide an investigation service.	A. 1 FTE on call at the Council. (Supported by SAFS Intel/ AFI/Management). B. 3 Reports to Audit & Standards Committee in year. C. SAFS Attendance at Corporate Governance, Champion meetings, team management meetings.	A. 1 FTE available throughout the year. B. Reports to FARC in September 2022 and December 2022 and March 2023. C. SAFS has close working with relationship with R&B and Housing Services. Regular liaison is takes place with senior management. SAFS Mgt sit on the CEG.
3	Action on reported fraud.	A. All urgent/ high risk cases 24 hours from receipt. B. All other cases 2 working days on Average. C. Sharing of Fraud Alerts- within 2 working days. D. Dissemination of non-HBC referrals to 3 rd parties within 2 working days (Police/HMRC/DWP/NCSC/B3L)	A. All urgent cases were resolved within 24 hrs. B. Non-urgent referrals took 1-day on average to respond to. C. Fraud- Alerts were shared, but there were some delays with meeting the 2-day target in 22/23. D. Referrals to 3 rd parties, including DWP, occurred within 2 days.
4	Added value of SAFS membership.	A. Membership of NAFN & PNLD B. Membership of CIPFA Counter Fraud Centre C. Access to CIFAS best practice/guidance/fraud alerts D. NAFN Access/Training for relevant Council Staff. E. 5 Training events for staff/Members in year. F. Money Laundering Reporting Officer	A. SAFS funds the Councils licences with NAFN & PNLD. B. SAFS has access to CIPFA CF Centre. C. SAFS Officers sit on BSWP for Local Government Group and London OFIG. D. SAFS and Council staff made use of NAFN E. SAFS delivered 6 training events to staff and Members in year. F. MLRO support is in place with policies agreed by officers.
5	Allegations of fraud received. & Success rates for cases investigated.	A. All reported fraud (referrals) will be logged and reported to the Council by type & source. B. All cases investigated will be recorded and the outcomes reported. C. All 'sanctions' imposed in live with Council policies/ legislation	A. This is happening daily as referrals received B. All cases are logged, managed, and reported on SAFS case management system (CMS) and all reports use the data from the CMS. C. Any sanctions offered or considered in compliance with Council policies.
6	Making better use of data to prevent/identify fraud.	A. Support the NFI 2022/23 upload and output/reports across services. B. Consider other areas where the better use of data will benefit the Council financially. C. Develop and extend the use/capacity of the Herts-FraudHub for HBC.	A. SAFS officers ensured upload of data in line with Cabinet Office deadlines and both SAFS and Council officers worked on the output from NFI 2022/23. B. This includes work to review live NDR/SBRR data held by the Council & County Wide CTax Framework. C. Live data was loaded into the Hub. Work on cleansing the data has been problematic, and the focus of our work on the NFI exercise became a priority in 2022/23.

Fraud Awareness and Prevention

18. A key objective for the Council is to continue developing its anti-fraud culture, ensuring senior managers and elected members consider the risk of fraud when developing policies or processes, helping to prevent fraud occurring, deterring potential fraud through external communication, encouraging all officers to report fraud where it is suspected, and providing public confidence in the Council's stance on fraud and corruption.
19. 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:
www.north-herts.gov.uk/report-fraud
www.hertfordshire.gov.uk/fraud
Both the Council and SAFS webpages include reports of fraud cases that have been investigate or prosecuted.
20. Council staff can use the same methods to report fraud or if they work within the Revenues and Benefits Service, Customer Services, Housing Services they can report fraud directly to SAFS staff that work closely with those service areas.
21. SAFS delivered training via both face-to-face and virtual means during 2022/2023 including general fraud awareness, use of the services provided by National Anti-Fraud Service, Anti-Money Laundering and new services provided by the Cabinet Office as part of the National Fraud Initiative (NFI).
22. The Council's e-training modules for anti-fraud, anti- bribery, anti-money laundering are mandatory for all staff, SAFS promote this use of this as part of our fraud awareness sessions.
23. Following the pandemic SAFS increased its work around fraud prevention as a priority for the service. We made a decision to resolve most low-level fraud through advisory or compliance letters where appropriate. More serious allegations of fraud or those needing immediate attention would be prioritised.
24. 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 (NFIB-national lead on fraud and cyber-crime for policing), London Fraud Forum (LFF), Credit Industry Fraud Avoidance Service (CIFAS), CIPFA, Hertfordshire Police and the Home Office.

Case 1: CIFAS Alerts. SAFS receives monthly threat alerts of emerging frauds experienced by members in the previous month. This is an example of the 'Insider Threat' which was one of several areas listed in September 2022 within the finance sector. Across SAFS Partners, we have experienced many of the frauds listed below in the last 12 months.

2. The Insider Threat

This section focuses on the threat from within the workplace



Members this month have reported on the following fraud threats:

- Increase in staff members benefiting from fraud that has taken place such as withdrawal of funds from customer accounts to their own. This has occurred in relation to both staff working in branches and contact centres.
- Suspected insider fraud relating to vehicle finance. With staff members contacting the customers via their personal mobiles so the calls and messages are not recorded, there have been staff moving between two brokers for job opportunities.
- Increase in staff members who are also customers with the bank submitting false payment dispute claims. In these situations, the member can see the staff member has entered their overdraft prior to the claims being made.
- Instances of work avoidance whereby the staff member had a second job. Although this position was declared to the organisation, the employee had used their social media account to advertise appointments with clients during their primary work hours.
- Staff have been using corporate cards for personal expenses such as coffee and lunches. Larger fraudulent expenses have been circa thousands of pounds to the card. In some cases employees have requested refunds which have not been returned to the account, instead the staff member has kept the money

25. SAFS maintains a close working relationship with the Shared Internal Audit Service with both exchanging knowledge and best practice on the links between counter-fraud and audit-planning. The excellent relationship with the Council's Legal Team has been maintained including work on criminal litigation and policy reviews.
26. In 2022/2023, SAFS issued fraud alerts on more than 15 occasions to Council officers/departments. These alerts covered areas such as the vulnerability to cybercrime for home working staff, new and emerging scams and spams, 'impersonation' or 'CEO' frauds and mandate frauds.

Case 2: In late 2022 SAFS shared the alert below from Hertfordshire Owl Networks.

"We have been alerted to reports of a criminal group who are mimicking the email domains of reputable law firms, solicitors, and debt collecting agencies to send emails asking for overdue payments. They are indiscriminate as to which industry they target. The emails are designed to look very similar to those of the reputable organisations they are mimicking. They use "social engineering" to convince the recipient to carry out a particular action, such as to pay an outstanding invoice. Invoices are sent as a PDF file and appear the same as a legitimate invoice, but the banking details have been replaced with those of the criminal group. Indicators of "spear phishing" emails:

- *Suspiciously spelt email addresses.*
- *Use of language prompting urgency or risk such as: "Urgent!" "Overdue!"*
- *Unexpected change of payment details.*

Reactive and Proactive Fraud Investigation

27. During 2022/2023 SAFS received 80 allegations of fraud affecting council services, this is very similar to previous years, since around 2019/20.

Table 2. Types of fraud being reported (in year):

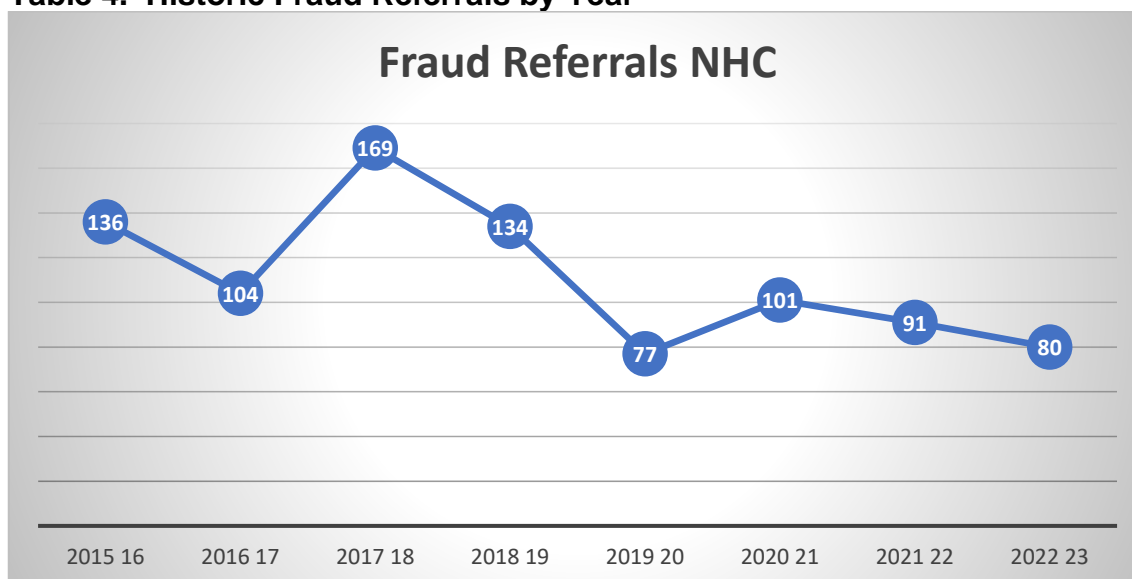
Blue Badge	Housing Benefit/CTax Fraud	Housing	Payment/Mandate	Other *	Total
3	49	18	4	6	80

* Other includes Payroll/ non-NHC matters etc.

Table 3. Who is reporting fraud:

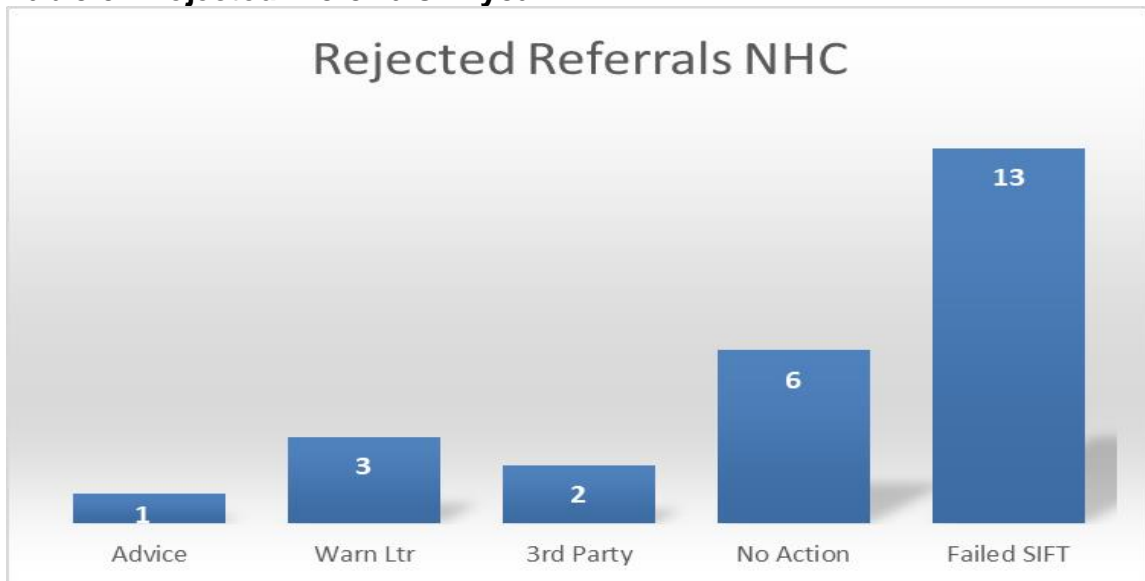
Fraud Reported by Staff	Reports from Public	Data-Matching/ Proactive Investigations	Other Agencies	Total
34	44	1	1	80

Table 4. Historic Fraud Referrals by Year



27. As table 4 shows, the volume of fraud referrals had reduced back to pre-pandemic levels. The decline in referrals, from its peak 2017/18, is due primarily to the low value housing benefit fraud cases now falling under the remit of DWP and the migration of much of the housing benefit caseload to Universal Credit.
28. It should be emphasised that not every referral/allegation will need to be investigated and some allegations can be false, misleading, or simply incorrect. Every referral is risk assessed and sifted by the SAFS Intelligence Team to determine what further action should be taken with each. In total, 25 allegations received in 2022/23 were not selected for further investigation.

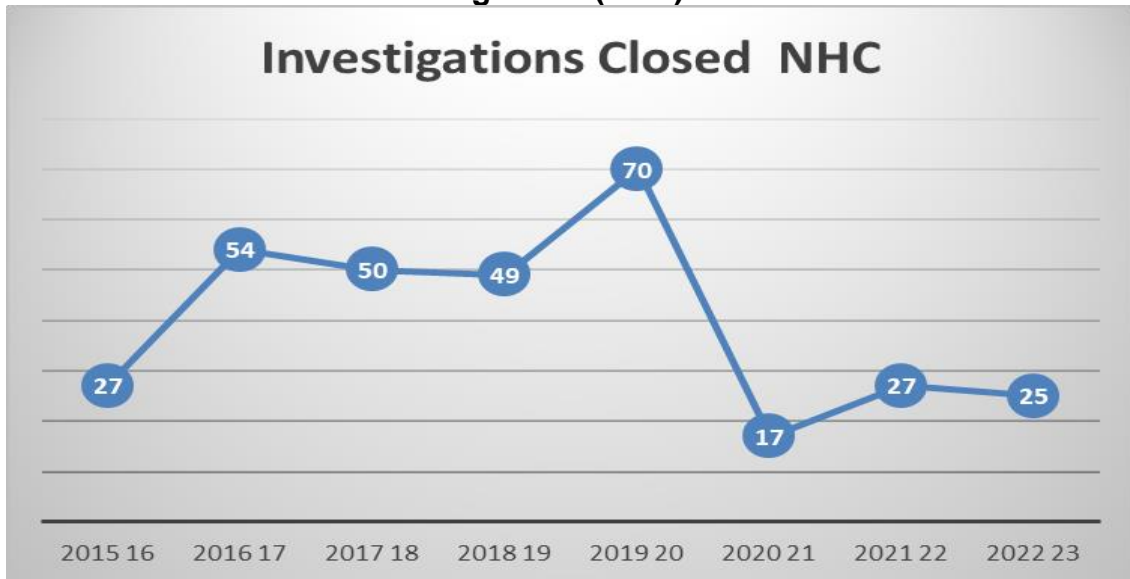
Table 5. 'Rejected' Referrals in year



29. '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' occurs when guidance/advice/support has been provided to Council officers, but a full investigation is not required to resolve the allegation. Warning Letters are used to discourage potential low level offending or encourage compliance with regulations.
30. In addition to the referrals that did not require an investigation, 18 'low risk' cases were resolved through compliance activity, warning letters or review. This approach identified around £19k in council tax fraud prevention.
31. 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 takes part in the International Fraud Awareness Week each November.
32. At this time many cases raised for investigation last year are still live. However, of the 23 cases investigated and closed in the year, 15 identified fraud - with recoverable losses of £112k, and fraud savings of £5k reported. Although the volume of cases remains broadly similar each year, the value of fraud loss has decreased compared to previous years. Senior officers have been provided with a detailed breakdown of which services have been affected by fraud and the outcomes from individual investigations.
33. At year end of March 2023, 36 cases remained under investigation with an estimated fraud loss of £145k. These figures represent a slight increase in the number of live cases, but a reduction in the value of estimated fraud under investigation due the migration of housing benefit fraud risk to DWP- Universal

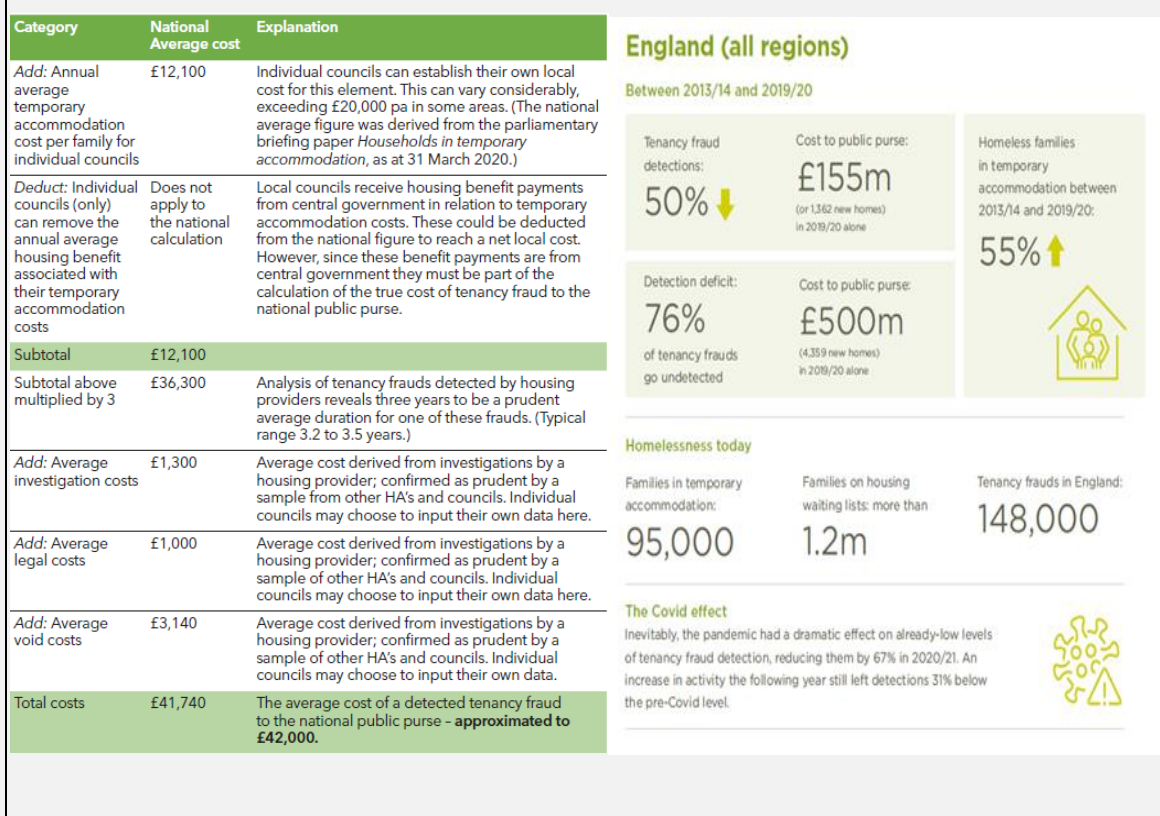
Credit. SAFS monitor these figures to identify trends, such as changing working practices, cost-of-living crisis and other factors.

Table 6. Historic Fraud Investigations (NHC)



34. 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. In 2022/23 a number of housing applications were found to have been made fraudulently and the people involved excluded from the Housing Register in line with the Councils Enforcement Policy. These cases do not deliver an obvious financial value but assist in ensuring that fraudulent applications for housing are prevented ensuring those in genuine need are allocated housing first.
35. 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.
36. The 2021 report calculated the losses of an average housing fraud, per case, to the public purse to be in the region of £41k, of which £36k is attributable to the cost for local authorities through the provision of temporary accommodation as a result of the fraud.
37. It is estimated that as many as 148,000 properties in England could be subject to tenancy fraud of some sort each year. North Herts Council does not hold stock and relies on social housing providers within the Councils boundaries to supply social housing for residents. These providers have neither the legislative powers nor the skills to investigate this type of tenancy breach.

Case 5: Social Housing Fraud



38. The contracted service that SAFS provides to a number of social housing providers, including Settle Home and Peabody, continues to reveal fraud against those organisations such as the illegal sub-let of social housing, fraudulent right-to-buy applications and other misuse of the social housing stock within the Councils boundaries. In 2022/23 SAFS investigated and closed a number such cases resulting in the recovery of 2 properties which were then made available to the Council under its Lettings Policy, the cost of these frauds to the Council could exceed £72k using the formulas above.

Data Matching and Analytics

39. 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/national-fraud-initiative). This national data collection exercise occurs in October and for North Herts Council datasets such as payroll, housing register, creditor, housing benefit and council tax are required. The data collected from Councils, NHS and others is then analysed and matched to identify discrepancies including potential fraud. The data analytics also introduces data from sources such as Operation Amberhill, HMRC, DWP and General Register Office.
40. The output, or matches, from NFI comes back to Councils between February and March following the October data upload. These matches are shared in various formats for Councils to review and action. For North Herts Council, SAFS administers

access to and reporting for those service areas that are required to provide a response.

41. The Council received 553 matches to review in a number of reports. 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 edited /amended/updated.
42. Of the 400 high priority matches reviewed and closed by the end of June 2023, 1 instances of fraud/error identified £800 in fraud loss/savings for the Council- a further 21 matches are still undergoing additional scrutiny. SAFS continues to work with officers across the Council to resolve the outstanding matches by the end of the summer 2023.
43. Working with the Cabinet Office and its IT Provider for NFI, Synectic Solutions Ltd, SAFS have developed a FraudHub for all SAFS Partners that follows the same process for the two-yearly national exercise, but allows the data collected to be matched more frequently through the year. Thus, rather than waiting for 2 years to identify a fraud we can find these quicker and prevent ongoing loss.
44. SAFS manages the Hertfordshire Council Tax Framework for all Councils across the County. This framework is funded by the County Council and provides a fully managed service to review discounts claimed by residents against their Council Tax liability.
45. A review of discounts and exemptions for North Herts Council in 2022/23 identified 194 properties registered as long-term empty that were actually occupied- raising a potential income of £173k in New Homes Bonus. The Council did not make use of the single person discount review in 2022/23, but plans to in 2023/24.

Executive Reports

46. Where the work of SAFS identifies a system/process weakness that has allowed or failed to prevent a fraud occurring an Executive Report (ER) is provided to the Service Director with responsibility for that service. The ER will detail how the weakness failed to prevent or allowed the fraud to occur with recommendations for management to consider, preventing reoccurrence.
47. SAFS issued one ER in 2023/24, this related to the administration of business grants scheme as part of the pandemic response. The report was shared with senior managers and SIAS.
48. SAFS advanced its plans to deliver detailed Fraud Risk Assessments (FRA) for our Partners. This included a complete FRA for the Homes for Ukraine Scheme in 2022, and plans for similar work around fraud risks in procurement and recruit/use of agency staff in 2023/24

Transparency Code – ‘Fraud Data’

49. The Department for Communities and Local Government (DCLG) published a revised Transparency Code in February 2015, which specifies what open data local authorities must publish.
50. 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 Red Book 2 – *Managing the Risk of Fraud – Actions to Counter Fraud and Corruption*

(http://www.cipfa.org//media/files/topics/fraud/cipfa_corporate_antifraud_briefing.pdf)

51. The Code requires that Local Authorities publish the following data in relation to Fraud. The response for North Herts Council for 2022/23 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.

£86,165 (SAFS fee)

- Total number of fraud cases investigated.

23 cases investigated and closed in year

52. 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.

15 Occasions where fraud/irregularity identified

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

Reactive - £112k fraud losses reported, £5k fraud prevented.

Proactive- £800 of fraud was identified through NFI

Compliance- £19k from low level reviews

From Housing/Tenancy-fraud losses £76k

Council Tax Review Framework £173k

Total - £386k of fraud and irregularity identified.

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

Not recorded separately

Appendices

- 53.** The following appendices are attached to this report:

Appendix 1 - SAFS/North Herts Council *Anti-Fraud Plan 2022/23* and associated papers.

Appendix 2 - SAFS Annual Report 2022/23

- 54.** 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/CIFAS/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) ***Government Counter Fraud Standards*** (Cabinet Office 2021)

**North Hertfordshire District Council
Anti-Fraud Plan 2022/23**

in partnership with

The Shared Anti-Fraud Service



**North
Herts
Council**



SAFS

*Shared Anti-Fraud Service
Fighting Fraud in Partnership*

<u>Contents</u>	Page No.
Introduction	2.
The National Context	3.
SAFS Resources for 2022/23	4.
SAFS KPI's & Standards of Service	6.
Anti-Fraud Action Plan 2022/23	7.
SAFS KPIs 2022/23	8.

Introduction

This plan supports the Council's Fraud Prevention Policy (including fraud, corruption, money-laundering, bribery and tax evasion) by ensuring that the Council, working in partnership with the Shared Anti-Fraud Service (SAFS), has in place effective resources and controls to prevent and deter fraud as well as investigate those matters that do arise.

The Council's Fraud Prevention Policy applies to all staff, elected members, agency staff, temporary staff, volunteers, consultants, contractors and partners and states;

You must:

- **Be aware of the definitions in relation to fraudulent and related activity, including the various criminal offences they include**
- **Not commit any of the offences detailed**
- **Report any suspicions of these offences being committed**
- **Develop (where applicable to role) and fully comply with policies and processes to reduce the risk of these offences being committed**
- **Disclose any gifts and hospitality that you receive, in line with other policies**

This plan includes objectives and key performance indicators that support the Councils strategy and follows the latest best practice/guidance/directives from the National Audit Office (NAO), Local Government Association (LGA) and the Chartered Institute for Public Finance and Accountancy (CIPFA).

National Context.

In 2013 the National Fraud Authority stated that the scale of fraud against local government “is large, but difficult to quantify with precision”. Since 2013 a number of reports have been published including by CIPFA, NAO and MHCLG stating that the threat of fraud against local government is both real, causes substantial loss (including reputational, service as well as financial) and should be prevented where possible and pursued where it occurs. The latest annual estimates of fraud risk to local government exceed £7bn.

The Fighting Fraud and Corruption Locally, A Strategy for the 2020’s, published in March 2020 is supported by CIPFA, the LGA, SOLCACE and a number of External Auditors. A copy of the Strategy can be found at <https://bit.ly/3p5Rr98>

The new Strategy compliments work undertaken in 2019 by CIPFA, NAO and Cabinet Office as well as the *Code of practice on managing the risk of fraud and corruption* CIPFA 2015 adding ‘Pillars’ of **Governance, Acknowledge, Prevent & Pursue** with an overarching **Protect**:

Governance: Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Ensuring a tone from the top.

Protect: Against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.

For a local authority this will also cover protecting public funds, protecting its organisation from fraud and cybercrime and also protecting itself from future frauds.



Anti-Fraud Plan 2022-2023

The Councils Anti-Fraud Plan will be over-seen by the Shared Anti-Fraud Service (SAFS) but officers at all levels across the Council will have responsibility for ensuring that the plan is delivered.

The Anti-Fraud Plan highlights specific areas of work to protect the Council against fraud and corruption. The Council also has a duty to protect the public and it does this through its work across all services in particular, by sharing information and knowledge through communications either directly or via its website. The Council has frameworks and procedures in place to prevent fraud and encourage staff and the public to report suspicions of fraud through a number of channels.

The Anti-Fraud Plan for 2022/23 follows the guidelines and checklist contained in the Fighting Fraud and Corruption Locally Strategy and progress against this will be reported to senior management and the Councils Audit and Governance Committee. A full breakdown of planned activity to protect the Council can be found at **page 7**.

SAFS Resources 2022-2023

Anti-Fraud Arrangements

North Hertfordshire District Council is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS) and this service has provided the majority of the anti-fraud arrangements for the Council since April 2015. In 2019 the SAFS Partnership won the '*Outstanding Partnership*' award at the Tackling Economic Crime Awards (TECAs) and in 2020 the TECAs award for '*Outstanding Professional in Counter Fraud*' was won by a member of the SAFS team

SAFS is a Partnership with each organisation paying a fee for Hertfordshire County Council to provide a contracted service across the Partnership. SAFS, as a service, has a number of key objectives developed by its Management Board (the Board) and every Partner has a seat on the Board. For the North Hertfordshire District Council the Service Director: Resources is the Board representative.

Although SAFS provides much of the Councils operational counter fraud work Council officers are responsible for ensuring the policies, procedures, training and appropriate resources are in place to protect the Council from fraud, corruption and bribery.

Budget

In December 2021 the SAFS Board agreed to increase the fees for all Partners by 2.5% to meet increased service costs from April 2022. The Board also received assurance from financial modelling that the service would be sustainable, in its current form, for the next three years.

North Hertfordshire District Council fees for 2022/23 are £86,165. This sum is payable quarterly.

Staffing

The full complement of SAFS in 2022/23 will be 21.6 FTE.

North Hertfordshire District Council will have exclusive access to 1 FTE Counter Fraud Officer (Investigator), access to intelligence functions, data-matching services being offered through the Herts *FraudHub* (hosted by Cabinet Office) and can call on SAFS management for liaison meetings, management meetings and three Audit Committees reports per annum. An Accredited Financial Investigator is also available to assist in money laundering or proceeds of crime investigations.

SAFS has access to specialist IT forensics, covert surveillance and national counter fraud intelligence services provided via third parties and criminal litigation services provided by Hertfordshire County Council Legal Service.

SAFS will also provide alerts (local and national) to Council officers and senior management of new and emerging fraud risks through its membership of anti-fraud forums and specialist providers including the Fighting Fraud and Corruption Locally Board (FFCLB) the Credit Industry Fraud Avoidance Service (CIFAS), Certified Institute of Public Finance and Accountancy

(CIPFA) Finance, National Fraud Intelligence Bureau (NFIB), Fraud Advisory Panel and the National Anti-Fraud Network (NAFN). SAFS has officers on the various Board for CIFAS & NAFN.

Workplans & Projects 2022-2023

As well as an agreed programme of work (see **page 7**) SAFS will work in the following areas delivering specific activity agreed with service managers. Progress with this work will be reported to the relevant head of service/managers on a quarterly basis.

Service Area	Agreed Projects
Central Services / Finance	<p>General Support and advice on fraud matters.</p> <p>3 Reports to Finance Audit & Risk Committee.</p> <p>Regular meetings with officers to consider any new and emerging fraud risks and performance against SAFS KPIs</p> <p>SAFS attendance at Corporate Governance/Enforcement Groups.</p> <p>Assisting with the development/review of the Councils anti-fraud policies.</p> <p>Money Laundering Reporting Officer (MLRO) role and Policy review, ML Risk Assessment and training for relevant staff.</p> <p>5 fraud training/awareness events for staff/members in year.</p> <p>Review and re-release of SAFS I-Learn training package on fraud/bribery/money laundering - hosted on the Councils Learning Pool.</p> <p>Roll out of NAFN training and registration for appropriate services/officers across the Council.</p>
Revenues and Benefits	<p>Close liaison with the Revs and Bens services.</p> <p>Proactive training and awareness for leadership and front-line staff.</p> <p>Reactive investigations for HB/CTRS including working with the DWP FES, where appropriate.</p> <p>Identify systems/processes/new developments to assist in recovery of debt created by fraud.</p> <p>Assist with potential fraud resulting from Covid Grant Schemes administered by the Council.</p> <p>Post payment assurance of grant schemes.</p>
Housing Services	<p>Reactive investigations for Housing Application, Tenancy fraud</p> <p>Provide a focus on fraud risks affecting temporary accommodation costs.</p> <p>Review housing register to identify fraudulent applications and, where appropriate, investigate these.</p> <p>Continue to work with Private Registered Providers (including Clarion/Catalyst/B3L) across all aspects of tenancy fraud to assist in the recovery of properties which can be prioritised for local residents from the Councils Housing Register.</p>
Data- Analytics	<p>Use of data and technology to prevent or identify fraud.</p> <p>Assist with NFI 2022/23 Data uploads (Oct 2022) and Output (February 2023).</p> <p>FraudHub.</p> <p>Further developing the effective use of the Cabinet Office FraudHub.</p> <p>Support for SAFS sponsored county wide Council Tax Review Framework for SPD and EHR.</p> <p>Use of data-analytics to identify fraud as result of Covid-19 and other grants schemes.</p> <p>Review extension of NFI Powers to 'other' crime and debt collection.</p>
Other / Contingency	<p>Identify fraud risks and training in other areas including payroll, licensing, parking services, planning, procurement processes & contract management.</p>

SAFS KPIs & Standards of Service.

SAFS will work to a set of KPIs agreed with senior officers and the KPIs will assist in delivering the Anti-Fraud Plan. The KPI's can be found at **page 8** and will be reported to senior officers and the Finance Audit and Risk Committee throughout the year.

SAFS will provide the Council with the following anti-fraud services.

1. 24/7 Access to a fraud hotline, email and online solution for public reporting.
2. Process for Council staff to report suspected fraud to SAFS.
3. Training in: Fraud Awareness (management/staff/members), Fraud Prevention, Identity Fraud and Prevention.
4. Assistance in the design/review of Council policies, processes and documents to deter/prevent fraud.
5. SAFS will design shared/common anti-fraud strategies and policies or templates which can be adopted by the Council.
6. SAFS will continue to develop with the Cabinet Office and Council officers a data-matching solution (NFI- Herts *FraudHub*) to assist in the early identification and prevention of fraud.
 - The FraudHub will be funded by the Council
 - The FraudHub will be secure and accessible only by nominated SAFS and Council Staff.
 - Data will be collected and loaded in a secure manner.
 - SAFS will design and maintain a data-sharing protocol for all SAFS Partners to review and agree annually.
 - SAFS will work with Council officers to identify data-sets (and frequency) of the upload of these.
 - SAFS will work with Council officers to determine the most appropriate data-matching.
7. All SAFS Staff will be qualified, trained and/or accredited to undertake their duties lawfully.
8. All SAFS investigations will comply with legislation including DPA, UK GDPR, PACE, CPIA, HRA, RIPA, IPA* and relevant Council policies
9. Reactive fraud investigations.
 - Any high profile, high value, high risk cases or matters reported by senior managers will receive a response within 24 hours of receipt
 - All cases reported to SAFS will be reviewed within 2 days of receipt and decision made on immediate action including selection of cases for further review, no action, investigation or referral to 3rd parties including police, DWP, Action Fraud.
 - The Council will be informed of all reported fraud affecting its services.
 - SAFS will allocate an officer to each case.
 - SAFS officers will liaise with nominated officers at the Council to access data/systems to undertake investigations.
 - SAFS officers will provide updates on cases and a summary of facts and supporting evidence on conclusion of the investigation for Council officers to review and make any decisions.
 - Where criminal offences are identified SAFS will draft a report for Council officers to make a decision on any further sanctions/prosecutions.
10. Where sanctions, penalties or prosecutions are sought SAFS will work with the Council to determine the appropriate disposal in line with the Council's policies.
11. SAFS will provide Alerts to the Council, of suspected fraud trends or reports/guidance from government and public organisations that are relevant to fraud.
12. SAFS will provide reports to senior management on the progress with delivery of this Plan and any other relevant activity planned or otherwise.
13. SAFS will provide reports through the SAFS Board and to the Council's Audit Committee as agreed in the SAFS Partnership Contract.

**Data Protection Act, UK General Data Protection Regulation, Police and Criminal Evidence Act, Criminal Procedures and Investigations Act, Human Rights Act, Regulation of Investigatory Powers Act, Investigatory Powers Act.*

NHDC / SAFS Action Plan 2022/2023			
FFCL Pillars	Objectives	Activities	Responsible Officer
Governance	Having robust arrangements and executive support to ensure anti fraud, bribery and corruption measures are embedded throughout the organisation.	The Council has in place an Anti-Fraud and Corruption Strategy & Fraud Response Plan and associated policies to deter, prevent, investigate and punish acts of fraud or corruption.	Managing Director / Monitoring Officer/ S.151 Officer
		The Councils Audit and Governance Committee will receive reports during the year about the arrangements in place to protect the Council against fraud and the effectiveness of these.	S. 151 Officer/ Head of SAFS
		Audit and Governance Committee and its Chair, along with the senior management team, will ensure compliance with the latest best practice in the Councils anti-fraud arrangements including that published by CIPFA, NAO and LGA.	AC Chair/ S. 151 Officer
		Weaknesses revealed by instances of proven fraud will be fed back to departments with recommendations to fraud-proof systems, and/or reported to senior managers or Internal Audit to review outcomes.	Head of SAFS/ SIAS Client Audit Manager/ S.151 Officer
		SAFS will assist the Council in providing its Fraud Data for the Transparency Code each year	Head of SAFS
		The Council will make it clear through its policies and codes of conduct for staff and Members that fraud and corruption will not be tolerated.	S.151 Officer
ACKNOWLEDGE	Accessing and understanding fraud risks. Committing the right support and tackling fraud and corruption. Demonstrating that it has a robust anti-fraud response. Communicating the risks to those charged with Governance .	Review of Fraud Risks and the Councils actions to manage/mitigate/reduce this in its Annual Governance Statement. Review the Councils Money Laundering/ Bribery/ Whistleblowing/ Cyber-Crime Policies	S.151 Officer
		The Councils Communication Team will publicise anti-fraud campaigns and provide internal communications to staff on fraud awareness	Head of SAFS/ Communications Manager
		The Council and SAFS will provide fraud awareness & specific anti-fraud training across all Council services and review the E-Learning training available for staff	HR Services Manager/ Head of SAFS
		The Council is a member of the Hertfordshire Shared Anti-Fraud Service (SAFS). The Service Director: Resources will ensure that the services provided by SAFS are appropriate and provide an effective ROI in both savings delivered and added value.	S.151 Officer
		Audits conducted by the Shared Internal Audit Service (SIAS) will take account of known or emerging fraud risks when audit activity is being planned. SIAS will also report any suspected fraud to senior manager and SAFS to review and act upon.	SIAS Client Audit Manager
		All SAFS staff will be fully trained and accredited. SAFS will continue to work with the Cabinet Office to support the Counter-Fraud Profession.	Head of SAFS
PREVENT	Making the best use of information and technology. Enhancing fraud controls and processes. Developing a more effective anti-fraud culture. Communicating its' activity and successes.	SAFS will provide fraud alerts and new and emerging fraud threats to be disseminated to appropriate officers/staff/services.	Head of SAFS
		SAFS will work with all Council services to make best use of 3rd party providers such as NAFN, PNLD, CIPFA, CIFAS.	Head of SAFS
		Develop the Councils use of the Herts FraudHub and Deliver the NFI 2022/2023 Exercise	Head of SAFS/ s.151 Officer
		The Council, and SAFS, will seek to work with other organisations, including private sector, to improve access to data and data-services that will assist in the detection or prevention of fraud.	Head of SAFS/ s.151 Officer
		SAFS will provide reports to Board and SAFS Champions quarterly on anti-fraud activity at the Council	Head of SAFS
		Review data sharing agreements/protocols to ensure compliance with DEA & GDPR/DEA to maximise the use of sharing data with others to help prevent/identify fraud.	Monitoring Officer / Data Protection Officer
PURSUE	Prioritising fraud recovery and use of civil sanctions. Developing capability and capacity to punish offenders. Collaborating across geographical and sectoral boundaries. Learning lessons and closing the gaps.	All fraud reported to the Council will be via SAFS fraud reporting tools (web/phone/email) for staff, public and elected Members.	Head of SAFS
		All investigations will comply with relevant legislation and Council Policies. Investigations will include civil, criminal and disciplinary disposals	Head of SAFS
		SAFS will use its case management system to record and report on all fraud referred, investigated and identified.	Head of SAFS
		Legal Service a HR and debt recovery teams will seek to 'prosecute' offenders, apply sanctions and recover financial losses- supported by relevant policies.	Head of SAFS /Monitoring Officer/ s.151 Officer
		SAFS and the Councils Shared R&B Service will continue to work with DWP to deliver joint investigations where fraud affects both HB and CTRS	Head of SAFS/ Service Director: Customers
		SAFS will use its in-house expertise as well as external partners when considering the use of POCA, Surveillance or IT Forensics.	SAFS Manager
PROTECT	Recognising the harm that fraud can cause in the community. Protecting itself and its' residents from fraud.	SAFS will provide reports to Board and SAFS Champions quarterly on anti-fraud activity at the Council	Head of SAFS
		SAFS will review and share fraud trends and new threats	Head of SAFS
		Reports for Audit Committee on all Counter Fraud activity at the Council	Head of SAFS / s.151 Officer
		The Council has in place other measure to protect itself against cyber crime, malware and other potential attacks aimed at its IT infrastructure with training for staff and members	Information Communications Technology Manager
		SAFS will work with bodies including MHCLG/LGA/CIPFA/FFLB to develop anti-fraud strategies at a national level that support fraud prevention in local government	Head of SAFS

SAFS KPIs - 2022/ 2023

KPI	Measure	Target 2022/23	Reason for KPI
1	Return on investment from SAFS Partnership.	Demonstrate, via SAFS Board, that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution.	Transparent evidence to Senior Management that the Council is receiving a service matching its contribution.
2	Provide an investigation service.	A. 1 FTE on call at the Council. (Supported by SAFS Intel/ AFI/Management). B. 3 Reports to Finance Audit & Committee in year. C. SAFS Attendance at Corporate Governance, Champion meetings, team management meetings.	Ensure ongoing effectiveness and resilience of the Councils anti-fraud arrangements.
3	Action on reported fraud.	A. All urgent/ high risk cases 24 hours from receipt. B. All other cases 2 working days on Average. C. Sharing of Fraud Alerts- within 2 working days. D. Dissemination of non-NHDC referrals to 3 rd parties within 2 working days (Police/HMRC/DWP/NCSC)	Ensure that all cases of reported fraud are triaged within agreed timescales.
4	Added value of SAFS membership.	A. Membership of NAFN & PNLD for Council staff. B. Membership of CIPFA Counter Fraud Centre (via HCC) C. Access to CIFAS best practice/guidance/fraud alerts (via HCC) D. NAFN Access/Training for relevant Council Staff. E. 5 Training events for staff/Members in year. F. Money Laundering Reporting Officer role. G. Support for Covid grant schemes and other local/national responses.	Deliver additional services that will assist in the Council in preventing fraud across all services and in the recovery of fraud losses.
5	Allegations of fraud received. & Success rates for cases investigated.	A. All reported fraud (referrals) will be logged and reported to the Council by type & source. B. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each, Reported. C. All 'sanctions' imposed in line with Council policies/ legislation	This target will measure the effectiveness of the service in promoting the reporting of fraud & measure the effectiveness in identifying cases worthy of investigation.
6	Making better use of data to prevent/identify fraud.	A. Support the NFI 2022/23 upload and output/reports across services. B. Consider other areas where the better use of data will benefit the Council financially. C. Develop and extend the use/capacity of the Herts-FraudHub for NHDC.	Further develop a Hub that will allow the Council to access and share data to assist in the prevention/detection of fraud.



SAFS

Shared Anti-Fraud Service
Fighting Fraud in Partnership

Annual Report 2022/2023



Contents

• Introduction	3
• Level of Delivery	4
• Outcomes & Added Benefits	6
• SAFS Board Members	8



Introduction

2022/2023 was an interesting year for the Shared Anti-Fraud Service, with the pandemic still hanging over us, changed ways of working, a pay review by our host authority and the culmination of a number of cases and projects that had been delayed due to Covid.

In June 2022, our largest ever prosecution was concluded with guilty pleas from all three subjects, who had conspired together to defraud a SAFS Partner of more than £700k over a period of 12 years. In fact, the true value of this fraud likely exceeded £1m. The case had commenced in 2018 and was delayed by the defendants varied attempts to frustrate the investigation and court proceedings. This case included:

- Specialist reports, police searches, seizure and forensic analysis of electronic devices and mobile phones, arrest warrants.
- Actions to bring the accused back to the UK to stand trial, POCA and restraint orders.
- More than 50 witnesses and tens of thousands of pages of evidence and material.

After four long years, guilty pleas were entered on the eve of trial by all three defendants. According to HHJ Foster, this is one of the biggest cases of its kind seen in the UK and this was reflected in lengthy prison sentences for those involved, and national press interest for several months after.

This was only one case of many investigated in 2022/23 and, although one of the largest, certainly not the most serious, nor the most complex matter dealt with by SAFS officers. The continued success of the SAFS team is reliant on the support of our numerous partners, who are too numerous to name here, and the professionalism and dedication of all involved.

With SAFS being a partnership, it's no surprise that collaboration is at the centre of everything we do. In 2022/23, we enhanced our work with the Cabinet Office to develop the Herts-FraudHub. We continued to manage the county-wide Council Tax Review Framework, not just for SAFS Partners but for all district councils across Hertfordshire. We worked in partnership with:

- DWP to investigate fraud linked to national benefits.
- Housing providers to investigate tenancy fraud.
- Third party providers of specialist investigation tools or analytics to help identify fraud or improve the quality of our investigations.
- Front line staff working in our partners who provide their time and invaluable knowledge.

We continued our work to introduce and embed Fraud Risk Assessments into our Partners and 2022/23 this included fraud surveys across schools and a fraud risk assessment for the Homes for Ukraine Scheme.

Throughout all of this our staff continued to deliver excellence at all levels:

- Whether part of our award winning 'Schools and Mules' campaign in September 2022 delivering money laundering awareness to thousands of students across the County.
- The work of our Accredited Financial Investigator in recovering hundreds of thousands of pounds lost to fraud.
- High quality fraud awareness training to more than 7,000 staff across all Partners through our E-learning programme.

The quality of our work and our staff was recognised in early 2022 when SAFS was a finalist at the **Public Finance Awards**, and then again in February 2023 when SAFS won the award for '**Local Excellence**' at the **Public Sector Counter Fraud Awards** hosted by the Cabinet Office.

Nick Jennings - Head of Shared Anti Fraud Service 2023

Level of Delivery



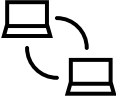



Despite facing resourcing challenges during the year, the Service achieved or exceeded the majority of its KPIs in 2022/2023.

Objectives

Achievements

Agree and ensure the delivery of each Partner Anti-Fraud Action Plan for 2022/2023	1	All Partners had plans approved by Audit Committees Partners all received regular reports via Board Members
£5M Saving (Including all Loss/ Saving & new revenue identified)	2	£1.2m in Fraud losses £1.3m in savings/prevention £1.9m new revenue <i>(£2.6m Estimated loss on live cases)</i>
Ensure that SAFS reporting options are available to all partners 95% of the time (Hotline/Online Reporting & SAFS Webpage links)	3	All reporting routes into SAFS were available 24/7 throughout the year
2 Days response time for all referrals	4	Average response time was 0.6 days
A. 60% positive outcomes B. 36 properties recovered C. 60 sanction outcomes	5	A. 63% achieved B. 31 Properties recovered C. 63 cases resulted in a sanction being applied
• Develop NFI/Fraudhub for all Partners • Maintain the new Council Tax Review Framework Contract	6	• Fraudhub Contracts agreed • NFI 2021/2022 data uploaded and working on matches • Contracts in place for the Council Tax Review Framework

Special Projects 2022/23

Anti Money Laundering Training		SAFS designed a training plan for all Partners and have rolled out the training for appropriate officers
NFI National Exercise		SAFS ensured that all data was uploaded for the exercise meeting the specifications required. A programme of work is in place to clear all matches received
Fraudhub		All Partners are signed up to Fraudhub and a schedule has been created for uploading and clearing output
CMS Retender		A new provider has been chosen and contracts agreed. Training has been provided and an exit plan provided to migrate the data
Internal Training Plan		SAFS has a rolling training plan for the team to ensure knowledge and skills are reviewed. SAFS staff can access the Government Counter Fraud Profession.
Partner Training Plan		Training plan agreed with local HR teams delivered via eLearning updates, classroom-based training, as well as workshops, webinars and awareness factsheets.

Watford Observer

Watford woman taken to court over using mum's disabled badge

Outcomes & Added Benefits



1643 Allegations of Fraud received



185 Right to Buy Applications Reviewed to comply with Anti-Money Laundering



£2.3M caseload for our Financial Investigator



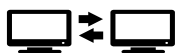
Fraudster convicted for illegally sub-letting housing association property

Luton Today | The Luton News Herald & Post

Luton fraudster caught out sub letting his council flat and fined almost £8,000



48,000 National Fraud Initiative matches received



129 Referrals shared with other agencies



£1.9m Raised in council tax through our county wide framework

Royston Crow

A Royston man has been convicted of fraud by false representation after submitting a fake claim for damages to Herts County Council

75% of HCC staff completed Anti-Fraud and Corruption E-Learning



105 council tax reviews carried out



MailOnline

Fraudster family who once appeared on This Morning faked illness to scam council out of £734,000 over 12 years - in what is believed to be one of the largest frauds ever committed against a local authority

SAFS Board Members (2022/2023)

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

Steven Pilsworth
Chris Wood

Hertfordshire County Council
Hertfordshire County Council

Director of Finance
Head of Assurance Services

Matthew Bunyon

Hertsmere Borough Council

Head of Finance and Business
Services

Ian Couper

North Hertfordshire District Council

Service Director: Resources

Sarah Marsh

Borough of Broxbourne Council

Head of Internal Audit

Steven Linnett

East Hertfordshire Council

Head of Strategic Finance and
Property

Clare Fletcher
Brian Moldon (Deputy)

Stevenage Borough Council
Stevenage Borough Council

Strategic Director
Assistant Director of Finance

Dev Gopal
Kanchan Vasisht (Deputy)

Luton Borough Council
Luton Borough Council

Service Director, Finance & Audit
Audit Manager

Georgie Barnard

Non Executive Board Member

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North Herts Council

Finance Audit and Risk Committee

September 2023

Anti-Fraud Progress Report 2023/2024

Purpose

1. This early report provides details of the work undertaken by the Shared Anti-Fraud Service (SAFS) and Council Officers to protect the Council against the threat of fraud and the delivery of the Council's Anti-Fraud Action Plan for 2023/24.
2. Further reports will be provided to this Committee in 2023/24 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 2023/2024 Anti-Fraud Plan for the Council.**

Delivery of the Anti-Fraud Plan

2023/24 Plan

4. The 2023/2024 Anti-Fraud Plan was approved by this Committee at its March 2023 meeting. This Plan covers all areas recommended by CIPFA and the *Fighting Fraud and 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. See **Appendix 1** for details of the Plan.

Counter Fraud Activity & Reported Fraud

2023/2024 Anti-Fraud Activity

5. The Council has in place an Anti-Fraud, Bribery & Corruption policy and an Anti-Money Laundering Policy. A review of all policies will take place in 2023/24 to ensure compliance with current best practice and any changes required by legislation, which may include the 'Economic Crime and Corporate Transparency Bill' and the 'Police, Crime, Sentencing and Courts Act 2022'.
6. A training plan to build on staff awareness and fraud reporting, along with a publicity campaign to inform the public and encourage fraud reporting, is being developed with officers in HR and Comms teams. SAFS have met with HR leads at the Council to arrange this and consider options to review/replace the current E-learning system in place for officers.
7. SAFS have already issued a number of alerts to officers this year including matters on mandate/payment frauds, payroll frauds and others. These are shared with SAFS Board members to cascade but also with the service areas most likely to be affected. The Councils **Service Director: Resources** acts as the SAFS Board representative for North Herts Council.
8. Between April and June 2023 a further 25 allegations of fraud were received by the Council/SAFS, there have been some delays with cases being reported to SAFS

by officers and we are working to alleviate this issue. 41 cases are live and under investigation with an estimated combined fraud loss of £201k.

9. SAFS officers along with colleagues across the Council continue to resolve the output from the NFI 22/23 exercise. To date of 400 matches, more than 60% have been cleared. In addition the Council is taking part in the Herts FraudHub with data now being submitted to the FraudHub, along with the other 7 partners in the SAFS Partnership and we have started reviewing the output from this work in Qtr 2.
10. We are taking part in a pilot project with the Cabinet Office and the London Boroughs Fraud Investigators Group (LBFIG) to utilise the FraudHub structure to identify 'polygamous workers'- essentially employees or agency workers who work for multiple employers at the same time. If these incidents or multiple placements are not disclosed/managed they can create a variety of fraud risks.
11. 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 North Herts Council is signed up to take part in 2023/24 with both Empty Homes and Single Person Discount Reviews.
12. SAFS KPIs were agreed with senior officers for 2023/24 and progress against these is shown below. Under KPI-2A we are aware that the time recording from our new case management system (CMS) has not been working fully and SAFS staff have not been recording all time spent on work for the Council. We have addressed this and we will see an improvement from QTR 2 onwards. Under KPI-3 we identified an issue with our CMS which we are working on at present with the provider.

KPI	Objectives	Progress
1	<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</p> <p>B. Service Director: Resources will sit on the SAFS Board.</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.</p>	<p>A. SAFS Mgt have meetings planned throughout the year with Senior Mgrs.</p> <p>B. IC invited to attend all SAFS Board meetings in 23/24</p> <p>C. Meetings with R&B and Hsing Mgt in place on regular basis. Meetings between NJ and IC/JD in place as well as with HR and Comms teams.</p> <p>D. This report, and others are available upon request. Reports to FARC to be published. IC will receive reports to SAFS Board.</p>
2	<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. Three Reports to Audit Committee.</p> <p>C. SAFS attendance at corporate governance, 'service champion' meetings, local management team meetings.</p>	<p>A. 55 days in Qtr 1. – 19%. Issues in Qtr with new CMS and staff understanding of what time can be recorded.</p> <p>B. FARC Dates are booked in for Sep /Dec/Mar.</p> <p>C. SAFS Mgt attend CEF meetings and local team meetings.</p>
3	<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. CMS unable to record at present.</p> <p>B. Currently 1 days on average.</p>

4	A. Membership of NAFN & PNLD B. Membership of CIPFA Counter Fraud Centre and access to CIFAS/NCSC/AF/FFCL alerts, trends, best practice C. NAFN Access/Training for relevant Council Staff D. 5 Training events for staff/Members in year. (To be agreed with Service leads and HR)	A. SAFS has membership of PNLD which has been offered to NHC Legal. NAFN membership via SAFS 23/24. B. SAFS/HCC member of CIPFA and CIFAS. C. NAFN service awareness is being shared across Council service areas. D. SAFS liaising with HR to arrange training programme for 23/24.
5	A. All reported fraud (referrals) will be logged and reported to officers by type & source. B. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each will be reported to officers. C. SAFS will work with social providers across the Borough.	A. Fraud reporting options available for staff and residents on the NHC webpage and intranet- This is linked to SAFS reporting tools. Further Comms on this to be developed internally and externally. B. All cases are recorded on SAFS CMS C. Contracts in place with Clarion/Peabody/B3Living.
6	A. Support the output from NFI 2022/23 Council services. B. Membership and VFM from the Herts FraudHub in 2023/24.	A. Access to NFI data and relevant systems arranged for SAFS officers. Output and matches reviewed will be reported to the senior officers. Progressing well. B. Contracts with C/O signed. Data-upload schedules are now agreed and data is being shared. Output to be managed and reported

Appendices

13. The following appendices are attached to this report:

Appendix 1 - SAFS/North Herts Council Anti-Fraud Plan 2023/24

Further Reading

14. 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)
- (d) **Guide to Understanding the Total Impact of Fraud** (International Public Sector Fraud Forum 2020)
- (e) **Code of Practice – Managing the Risk of Fraud and Corruption** (CIPFA 2014)
- (f) **Government Counter Fraud Standards** (Cabinet Office 2021)

**North Herts Council
Anti-Fraud Plan 2023-2024**

In partnership with

The Hertfordshire Shared Anti-Fraud Service



**North
Herts
Council**



SAFS

Shared Anti-Fraud Service
Fighting Fraud in Partnership

<u>Contents</u>	Page No.
Introduction	2.
The National Context	3.
SAFS Resources for 2023- 2024	4.
SAFS KPI's & Standards of Service	7.
Appendices	
Anti-Fraud Action Plan 2023-2024	A.
SAFS KPIs 2023-2024	B.
National Fighting Fraud and Corruption Locally Strategy	C.

Introduction

This plan supports the Council's **Fraud Prevention Policy** (including fraud, corruption, money-laundering, bribery and tax evasion) by ensuring that the Council, working in partnership with the Shared Anti-Fraud Service (SAFS), has in place effective resources and controls to prevent and deter fraud as well as investigate those matters that do arise.

The **Fraud Prevention Policy** applies to all staff, elected members, agency staff, temporary staff, volunteers, consultants, contractors and partners and states;

That staff and others must:

- **Be aware of the definitions in relation to fraudulent and related activity, including the various criminal offences they include**
- **Not commit any of the offences detailed**
- **Report any suspicions of these offences being committed**
- **Develop (where applicable to role) and fully comply with policies and processes to reduce the risk of these offences being committed**
- **Disclose any gifts and hospitality that you receive, in line with other policies**

This plan includes objectives and key performance indicators that support the Council's Policy and follows the latest best practice/guidance/directives from the Department for Levelling Up Housing and Communities (DLUHC), National Audit Office (NAO), Local Government Association (LGA) and the Chartered Institute for Public Finance and Accountancy (CIPFA).

National Context.

In 2013 the National Fraud Authority stated that the scale of fraud against local government “is large, but difficult to quantify with precision”. Since 2013 a number of reports have been published including by CIPFA, NAO and DLUHC (formerly MHCLG) indicating that the threat of fraud against local government is both real, causes substantial loss (including reputational, service and financial) and should be prevented where possible and pursued where it occurs.

In 2022 the Public Sector Fraud Authority (Cabinet Office) published a report stating that in 2021/22 the public sector had experienced more than 5 million acts of fraud, that more than £33bn in public money was lost to fraud each year and that fraud against the Covid-19 Financial Support packages alone had cost £19bn.

The *Fighting Fraud and Corruption Locally, A Strategy for the 2020's*, published in March 2020 and supported by CIPFA, the LGA, SOLCACE and External Auditors provides a framework for the Council to adopt in developing its counter fraud activity and this Anti-Fraud Plan follows the guidance and recommendations of the *Strategy*. Full details of the *Strategy* can be found at <https://www.cipfa.org/services/cipfa-solutions/fraud-and-corruption/fighting-fraud-and-corruption-locally>

The *Strategy* compliments work undertaken in 2019 by the LGA, NAO and the Cabinet Office as well as the *Code of practice on managing the risk of fraud and corruption* CIPFA 2015 including the four ‘Pillars’ of **Govern Acknowledge, Prevent, Pursue** with an overarching aim of **Protect**:

For the Council this includes protecting public funds it administers and protecting the Council against fraud and cybercrime.



Anti-Fraud Plan 2023-2024

The Councils Anti-Fraud Plan will be managed by the Hertfordshire Shared Anti-Fraud Service (SAFS), but officers at all levels across the Council will have responsibility for ensuring that the plan is delivered.

The Anti-Fraud Plan highlights specific areas of work to protect the Council against fraud and corruption. The Council also has a duty to protect the public and it does this through its work across all services and in particular by sharing information and knowledge through communications either directly or via its website or social media outlets. The Council has frameworks and procedures in place to prevent fraud and encourage staff and the public to report suspicions of fraud through a number of channels.

The Anti-Fraud Plan for 2023-2024 follows the guidelines and checklists contained in the *Fighting Fraud and Corruption Locally Strategy* and progress against this will be reported to senior management and the Councils Finance Audit and Risk Committee. A break-down of work included in the Plan can be found at **Appendix A** along with the officers with responsibility for ensuring the plan is delivered.

SAFS Resources 2023-2024

Anti-Fraud Arrangements

North Herts Council is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS) and this service has provided the majority of the Councils anti-fraud arrangements since April 2015. The SAFS Partnership, as well as North Herts Council, includes Stevenage Borough Council, Hertsmere Borough Council, Hertfordshire County Council, Luton Borough Council, Broxbourne Borough Council, East Herts Council and from April 2023 Welwyn and Hatfield Council. The SAFS also provides services to other public sector bodies across Hertfordshire.

The SAFS Team is made up of 21.5 full time equivalent staff in 2023/24. All staff are fully trained and accredited (or working towards this) specialising in fraud prevention, fraud investigation, fraud awareness, fraud risk assessment as well as proceeds of crime, anti-bribery and anti-money laundering.

Since 2019 the SAFS Team has been nominated for and/or won awards for the services it provides including the **Tackling Economic Crime Awards** (TECAS), the **Institute of Revenue Rating and Valuation Awards** (IRRV), the **Public Finance Awards** (PFA), and most recently in February 2023 the **Public Sector Counter Fraud Awards**.

SAFS is a Partnership with each organisation paying an annual fee to Hertfordshire County Council for a contracted service to all Partners. SAFS, as a service, has a number of key objectives developed by its Management Board (the Board) and every Partner has a seat on that Board. For the North Herts Council the Service Director: Resources is the Board representative.

Although SAFS will provide much of the Councils operational counter fraud work Council officers are responsible for ensuring the policies, procedures, training and appropriate resources are in place to protect the Council against fraud, corruption and bribery.

Budget

In December 2022 the SAFS Board agreed fees for all Partners from April 2023. The Board also received assurance from financial modelling that the service would be sustainable, in its current form, for at least the next three years.

Fees for North Herts Council in 2023-2024 have been set at £89,180+ VAT.

Staffing

The full complement for SAFS in 2023-2024 is planned to be 21.5 FTE.

The Council will have access to 285 days of counter fraud work, access to intelligence functions of the service, all data-matching services being offered through the SAFS Data-Hub and Herts *FraudHub* (hosted by Cabinet Office) and can call on SAFS management for liaison meetings, management meetings and three reports per annum to the Audit and Standards Committee. An Accredited Financial Investigator is available to assist in money laundering or proceeds of crime investigations.

SAFS also has access to specialist IT forensics, covert surveillance and national counter fraud intelligence services provided via third parties and criminal litigation services to support the Councils legal team.

SAFS will also provide alerts (local and national) to Council officers and senior management of new and emerging fraud risks through its membership of anti-fraud forums and specialist providers including the Fighting Fraud and Corruption Locally Board (FFCLB) the Credit Industry Fraud Avoidance Service (CIFAS), Certified Institute of Public Finance and Accountancy (CIPFA) Finance, National Fraud Intelligence Bureau (NFIB), Fraud Advisory Panel (FAP) and the National Anti-Fraud Network (NAFN).

Workplans & Projects 2023-2024

As well as an agreed programme of work (see **Appendix A**) SAFS will work in the following areas delivering specific activity agreed with service managers. Progress with this work will be reported to the relevant head of service/managers on a quarterly basis.

Service Area	Agreed Projects
Cross Cutting Corporate Initiatives	<p>General Support. Three Reports to Finance Audit and Risk Committee. SAFS attendance at Corporate Governance Groups and management meetings. Assisting with any review of the Councils existing anti-fraud policies. Money Laundering Reporting Officer (MLRO) role. Assist with NFI Output and Herts FraudHub- across all service areas. Assisting with Payroll fraud matters including disciplinary investigations. Identify new fraud risks and fraud alerts across all Council services- providing a resource to support any investigation, reporting or risk assessment required from any emerging fraud or corruption.</p> <p>Training. Five fraud training/awareness events for staff/members in year delivered face to face/virtually/hybrid. Review and re-release of SAFS I-Learn training package on fraud/bribery/money laundering – accessible via the Councils intranet. Roll out of NAFN training and registration for appropriate services/officers.</p> <p>Procurement. Work with internal procurement service developing a bespoke risk assessment for fraud in procurement/contracts.</p>
Revenues and Benefits	<p>This work will be arranged with the in-house Revenues and Benefits Service. Proactive training and awareness for management and front-line staff. Reactive investigations for housing benefit, council tax support/discount and business rate fraud. Support for single person discount review utilising 3rd party framework managed by SAFS Identify systems/processes/new developments to assist in recovery of debt created by fraud. Use of data-analytics to identify fraud/evasion of business rate liability and collection. Joint working with DWP where council tax support and other ‘national’ benefits are in payment.</p>
Housing Services	<p>This work will be arranged with the Councils housing services and in partnership with Settle Group, Catalyst Group Housing (Now part of Peabody), Clarion Housing Group and B3Living as well as other housing providers with stock within the Councils area. Proactive training and awareness for management and front-line staff. Reactive investigations for Housing Application, tenancy fraud- including sub-letting or right to buy fraud, and misuse of temporary accommodation. Provide a focus on fraud risks affecting temporary accommodation costs. Review housing register to identify fraud risks and, where appropriate, investigate these.</p>

SAFS KPIs & Standards of Service.

SAFS will work to a set of KPIs agreed with senior officers and these targets will assist in delivering the Councils Anti-Fraud Plan. The KPI's can be found at **Appendix B** and will be reported to senior officers and Finance Audit and Risk Committee throughout the year.

SAFS - Standards of Service.

SAFS will provide the Council with the following anti-fraud services.

1. 24/7 Access to a fraud hotline, email and online solution for public reporting.
2. Process for Council staff to report suspected fraud to SAFS via email/phone/weblinks.
3. Training in: Fraud Awareness (management/staff/members), Fraud Prevention, Identity Fraud and Money Laundering.
4. A Money Laundering Reporting Officer service as laid out in the relevant Council policies.
5. Assistance in the design/review of Council policies, processes and documents to deter/prevent fraud.
6. SAFS will design shared/common anti-fraud strategies and policies or templates to be adopted by the Council.
7. SAFS will continue to develop with the Cabinet Office and Council officers a data-matching solution (NFI- Herts *FraudHub*) to assist in the early identification and prevention of fraud.
 - The FraudHub will be funded by the Council.
 - The FraudHub will be secure and accessible only by nominated SAFS and Council Staff.
 - Data will be collected and loaded in a secure manner.
 - SAFS will design and maintain a data-sharing protocol for all SAFS Partners to review and agree annually.
 - SAFS will work with Council officers to identify data-sets (and frequency) of the upload of these.
 - SAFS will work with Council officers to determine the most appropriate data-matching.
8. All SAFS Staff will be qualified, trained and/or accredited to undertake their duties lawfully.
9. All SAFS investigations will comply with legislation including DPA, GDPR, PACE, CPIA, HRA, RIPA* and relevant Council policies.
10. Reactive fraud investigations.
 - Any high profile, high value, high risk cases or matters reported by senior managers will receive a response within 24 hours of receipt.
 - All cases reported to SAFS will be reviewed within 2 days of receipt and decision made on immediate action including selection of cases for further review, no action, investigation or referral to 3rd parties including police, DWP, Action Fraud.
 - The Council will be informed of all reported fraud affecting its services.
 - SAFS will allocate an officer to each case.
 - SAFS officers will liaise with nominated officers at the Council to access data/systems to undertake investigations.
 - SAFS officers will provide updates on cases and a summary of facts and supporting evidence on conclusion of the investigation for Council officers to review and make any decisions.
 - Where criminal offences are identified SAFS will draft a report for Council officers to make a decision on any further sanctions/prosecutions.
11. Where sanctions, penalties or prosecutions are sought SAFS will work with the Council to determine the appropriate disposal in line with the Council's policies.
12. SAFS will provide Alerts to the Council, of suspected fraud trends or reports/guidance from government and public organisations that are relevant to fraud.
13. SAFS will provide reports to senior management on the progress with delivery of this Plan and any other relevant activity planned or otherwise.
14. SAFS will provide reports through the SAFS Board and to the Council's Audit Committee as agreed in the SAFS Partnership Contract.

**Data Protection Act , General Data Protection Regulation, Police and Criminal Evidence Act, Criminal Procedures and Investigations Act, Human Rights Act, Regulation of Investigatory Powers Act, Investigatory Powers Act.*

Appendix A

NHC / SAFS Action Plan 2023/2024			
FFCL Pillars	Objectives	Activities	Responsible Officer
Governance	Having robust arrangements and executive support to ensure anti fraud, bribery and corruption measures are embedded throughout the organisation.	Ensure the Councils Anti-Fraud and Corruption Strategy & Fraud Response Plan and associated policies to deter, prevent, investigate and punish acts of fraud or corruption are reviewed against latest best practice. Review and update the Councils Money Laundering/ Bribery/ Cyber-Crime Policies	Managing Director / Monitoring Officer / Service Director-Resources
		The Councils Finance Audit and Risk Committee will receive reports during the year about the arrangements in place to protect the Council against fraud and the effectiveness of these.	Head of SIAS /Head of SAFS
		The Chair of Finance Audit and Risk Committee, along with the Leadership Team, will ensure compliance with the latest best practice in the Councils anti-fraud arrangements including that published by CIPFA, NAO and LGA.	AC Chair/ Service Director-Resources / Monitoring Officer
		System/process weaknesses or risks revealed by instances of actual fraud will be fed back to departments/services with recommendations to manage/mitigate these risks. Reports will be shared with senior managers or SIAS to review outcomes and management response to recommendation.	Head of SIAS / Head of SAFS
		SAFS will assist the Council in providing its Fraud Data for the Transparency Code each year	Head of SAFS
		The Council will make it clear through its policies and codes of conduct for staff and Members that fraud and corruption will not be tolerated.	Service Director-Resources / HR Services Manager/ Monitoring Officer
ACKNOWLEDGE	Accessing and understanding fraud risks. Committing the right support and tackling fraud and corruption. Demonstrating that it has a robust anti-fraud response. Communicating the risks to those	Inclusion of Fraud Risks and actions to manage/mitigate/reduce this in its Annual Governance Statement.	Head of SIAS /Service Director-Resources/ Monitoring Officer
		The Councils Communication Team will publicise anti-fraud campaigns and provide internal communications to staff on fraud awareness	Head of SAFS/ Communications Mgr
		The Council and SAFS will provide fraud awareness & specific anti-fraud training across all Council services and implement E-Learning modules available for staff that is mandatory.	Service Director- Resources / Head of SAFS
		The Council is a member of the Hertfordshire Shared Anti-Fraud Service (SAFS). Officers will ensure that the services provided by SAFS are appropriate and provide an effective ROI in both savings delivered and added value.	Service Director-Resources
		Audits conducted by SIAS will take account of known or emerging fraud risks when audit activity is being planned. SIAS will report any suspected fraud to senior management and SAFS to review.	Head of SIAS
		All SAFS staff will be fully trained and accredited. SAFS will continue to work with the Cabinet Office to support the Counter-Fraud Profession.	Head of SAFS
PREVENT	Making the best use of information and technology. Enhancing fraud controls and processes. Developing a more effective anti-fraud culture. Communicating its' activity and successes.	SAFS will provide fraud alerts and new and emerging fraud threats to be disseminated to appropriate officers/staff/services.	Head of SAFS
		SAFS will work with all Council services to make best use of 3rd party providers such as NAFN, PNLD, CIPFA, CIFAS.	Head of SAFS
		Develop the Councils use of the Herts FraudHub and support Council officers with the output from NFI 2022/2023 Exercise	Head of SAFS/ Service Director-Customers
		The Council, and SAFS, will seek to work with other organisations, including private sector, to improve access to data and data-services that will assist in the detection or prevention of fraud.	Head of SAFS/ Service Director-Resources
		The SAFS Mgt will provide reports to the SAFS Board quarterly on anti-fraud activity across the Partnership and any learning to be shared with all Partners	Head of SAFS
		The Council will review data sharing agreements/protocols to ensure compliance with DEA & GDPR/DEA to maximise the use of sharing data with others to help prevent/identify fraud.	Monitoring Officer
PURSUE	Prioritising fraud recovery and use of civil sanctions. Developing capability and capacity to punish offenders. Collaborating across geographical and sectoral boundaries.	SAFS will provide fraud alerts and new and emerging fraud threats to be disseminated to appropriate officers/staff/services.	Head of SAFS
		SAFS will work with all Council services to make best use of 3rd party providers such as NAFN, PNLD, CIPFA, CIFAS.	Head of SAFS
		Develop the Councils use of the Herts FraudHub and support Council officers with the output from NFI 2022/2023 Exercise	Head of SAFS/ Service Director-Customers
		The Council, and SAFS, will seek to work with other organisations, including private sector, to improve access to data and data-services that will assist in the detection or prevention of fraud.	Head of SAFS/ Service Director-Resources
		The SAFS Mgt will provide reports to the SAFS Board quarterly on anti-fraud activity across the Partnership and any learning to be shared with all Partners	Head of SAFS
		The Council will review data sharing agreements/protocols to ensure compliance with DEA & GDPR/DEA to maximise the use of sharing data with others to help prevent/identify fraud.	Monitoring Officer
PROTECT	Recognising the harm that fraud can cause in the community. Protecting itself and its' residents from fraud.	All fraud reported to the Council will be captured via SAFS fraud reporting tools (web/phone/email) for staff, public and elected Members. SAFS will work with officers to promote the reporting of suspected fraud by officers and the public.	Head of SAFS
		All investigations will comply with relevant legislation and Council Policies. Investigations will include civil, criminal and disciplinary disposals	Head of SAFS
		SAFS will use its case management system to record and report on all fraud referred, investigated and identified.	Head of SAFS
		Legal Services and debt recovery teams will seek to 'prosecute' offenders, apply sanctions and recover financial losses- supported by relevant policies.	Monitoring Officer/ Service Director- Customers
		SAFS and the Councils R&B Service will work with DWP to deliver joint investigations where fraud affects both HB and CTRS	Head of SAFS/ Service Director-Customers
		SAFS will use its in-house expertise as well as external partners when considering the use of POCA, Surveillance or IT Forensics.	Head of SAFS

Appendix B

SAFS KPIs - 2023/ 2024- NHC

KPI	Measure	Objectives	Reason for KPI
1	Return on investment from SAFS Partnership.	Demonstrate that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution. A. Meetings to take place with the Councils Service Director-Resources and Service Director-Customers. B. Service Director-Resources will sit on the SAFS Board that meets quarterly. C. Regular meetings to take place with Service Leads to agree and update local work plans. D. Reports on progress with any area of work covered by the SAFS Partnership Agreement will be provided on request.	Transparent evidence to Senior Management that the Council is receiving a service matching its contribution.
2	Provide an investigation service.	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). B. 3 Reports to Finance Audit and Risk Committee. C. SAFS attendance at corporate governance, 'service champion' meetings, local management team meetings.	Ensure ongoing effectiveness and resilience of the Councils anti-fraud arrangements.
3	Action on reported fraud.	A. All urgent/ high risk cases will be responded to within 24 hours. B. All other cases 2 Days, on Average.	Ensure that all cases of reported fraud are triaged within agreed timescales.
4	Added value of SAFS membership.	A. Membership of NAFN & PNLD B. Membership of CIPFA Counter Fraud Centre and access to CIFAS/NCSC/AF/FFCL alerts, trends, best practice C. NAFN Access/Training for relevant Council Staff D. 5 Training events for staff/Members in year. (To be agreed with Service leads and HR)	Deliver additional services that will assist in the Council in preventing fraud across all services and in the recovery of fraud losses.
5	Allegations of fraud received. & Success rates for cases investigated.	A. All reported fraud (referrals) will be logged and reported to officers by type & source. B. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each will be reported to officers. C. SAFS will work with social housing providers across the District.	This target will measure the effectiveness of the service in promoting the reporting of fraud & measure the effectiveness in identifying cases worthy of investigation.
6	Making better use of data to prevent/identify fraud.	A. Support the output from NFI 2022/23 Council services. B. Membership and VFM from the Herts FraudHub in 2023/24.	Build a data hub that will allow the Council to access and share data to assist in the prevention/detection of fraud.

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INTERNAL AUDIT PROGRESS REPORT

NORTH HERTS COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

13 SEPTEMBER 2023

RECOMMENDATIONS

- Note the SIAS Progress Report for the period to 25 August 2023
- Note the plan amendments to the 2023/24 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 2023/24 Audit Plan
- B 2023/24 Audit Plan Start Dates Agreed with Management
- C Assurance and Finding Definitions 2023/24
- D Implementation Status of High Priority Recommendations

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 25 August 2023.
- b) In-Year Audit Plan review and proposed plan amendments
- c) An update on performance indicators as at 25 August 2023.

Background

- 1.2 The 2023/24 Internal Audit Plan was approved by the Finance, Audit and Risk Committee (the FAR Committee) on 8 March 2023.
- 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 2023/24 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 25 August 2023, 29% of the 2023/24 Audit Plan days had been delivered.
- 2.2 There has been one final internal audit report issued as part of the approved 2023/24 Internal Audit Plan since the 21 June FAR Committee meeting, this being a carry forward audit from the 2022/23 Internal Audit Plan:

Audit Title	Assurance Opinion	Recommendations
Safeguarding	Reasonable	2 Medium, 4 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 A detailed update on the implementation status of high priority recommendations is contained at Appendix D. Three of the six high priority recommendations are now reported to be implemented and three are reported as partially implemented, albeit not yet at their implementation dates.

Proposed Amendments

- 2.5 No plan amendments have been agreed with management within this reporting period.

Performance Management: Reporting of Audit Plan Delivery Progress

- 2.6 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 25 August 2023
Draft / Final Report Issued	4	17%	6 (25%)
In Fieldwork / Quality Review	1	8%	5 (21%)
Terms of Reference Issued / In Planning	6	25%	2 (8%)
Not Yet Started	13	54%	11 (46%)

- 2.7 Annual performance indicators and associated targets were approved by the SIAS Board in March 2023. As at 25 August 2023, 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 25 August 2023	Actual to 25 August 2023
1. Planned Days - Percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	35% (90 / 255 days)	31% (78.5 / 255 days)
2. Planned Projects Percentage of audit plan delivered to draft report stage by 31 March 2023	90%	25% (6 / 24 projects)	17% (4 / 24 projects)

Percentage of audit plan delivered to final report stage as reported within the CAE Annual Assurance and Opinion report.	100%	13% (3 projects)	8% (2 projects)
3. Client Satisfaction - Percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% for those returned (1 returned from 13 issued)
4. Number of High Priority Audit Recommendations agreed % Percentage of critical and high priority recommendations accepted by management	95%	100%	100%

2.8 In respect of delivery of Planned Days, performance is slightly behind the profiled target as it was anticipated that fieldwork would have been able to commence on the Digital Strategy audit from quarter one and the three second quarter audits (Safer Recruitment, Houses in Multiple Occupation and Software Licensing) where terms of references have been issued. These are now scheduled for commencement in September 2023. In respect of Planned Projects, it was anticipated that a draft report would have been issued for the Freedom of Information audit and based on original scheduling at the start of the year, that this would be the case too for the Digital Strategy audit.

2.9 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2023/24 Head of Assurance's Annual Report:

- **5. Annual Plan** – prepared in time to present to the March meeting of each Audit Committee. If there is no March meeting, then the plan should be prepared for the first meeting of the financial year.
- **6. Head of Assurance's Annual Report** – presented at the Audit Committee's first meeting of the civic year.

APPENDIX A – PROGRESS AGAINST THE 2023/24 AUDIT PLAN AS AT 25 AUGUST 2023

2023/24 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
High Priority Audits (48 days)									
Churchgate – Project Governance Framework						15	BDO	14.5	Draft Report Issued
Churchgate Landlord Compliance						11	SIAS		
Churchgate – Ongoing Project Assurance						11	BDO		
Council Tax Reduction Scheme						11	SIAS		
Medium Priority Audits (79 days)									
Freedom of Information						8	SIAS	6.5	In Fieldwork
Staff Recruitment						9	SIAS	1.5	ToR Issued
Houses in Multiple Occupation						9	SIAS	1.5	ToR Issued
Estates						9	SIAS		
Ombudsman Complaints						9	SIAS		
Project Management						9	SIAS		
MSU Transactions						8	SIAS		
Agency Staffing						9	SIAS		
Emergency Planning						9	SIAS		
IT Audits (32 days)									
Software Licensing						10	BDO	2	ToR Issued
Critical Applications						10	BDO	1.5	ToR Issued

APPENDIX A – PROGRESS AGAINST THE 2023/24 AUDIT PLAN AS AT 25 AUGUST 2023

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
IT Disaster Recovery and Business Continuity						12	BDO	1.5	ToR Issued
Consultancy and Advisory (30 days)									
Strategic Planning (Local Plan)						10	SIAS		
Harkness Court						10	BDO	9.5	Draft Report Issued
Digital Strategy						10	BDO	2	ToR Issued
Grant Claims / Charity Certification (8 days)									
King George V Playing Fields						1.5	SIAS		
Workman's Hall						1.5	SIAS		
Miscellaneous Grants						5	SIAS		
Contingency (5 days)									
Contingency						5			
Client Management - Strategic Support (38 days)									
CAE Annual Opinion report						3	SIAS	3	
Audit Committee						8	SIAS	4	Through Year
Performance Monitoring						7	SIAS	3	Through Year
Client Liaison						7	SIAS	3	Through Year
Audit Planning 2023/24						8	SIAS		Through Year
SIAS Development						5	SIAS	5	Through Year
2022/23 Carry Forward (20 days)									
Completion of outstanding 2022/23 projects		0	1	24	23	20	SIAS	20	Complete
Total - North Herts D.C.		0	1	23	24	260		78.5	

APPENDIX A – PROGRESS AGAINST THE 2023/24 AUDIT PLAN AS AT 25 AUGUST 2023

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 2023/24 Internal Audit Plan.

APPENDIX B – 2023/24 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
H	Churchgate - Project Governance Framework (Draft Report Issued)	Churchgate Landlord Compliance		Churchgate – Ongoing Project Assurance
				Council Tax Reduction Scheme
M	Freedom of Information (In Fieldwork)	Safer Recruitment (ToR Issued)	Estates	Agency Staffing
		Houses in Multiple Occupation (HMO) (ToR Issued)	Ombudsman Complaints	Emergency Planning
			Project Management	
			MSU Transactions	
IT		Software Licensing (ToR Issued)	Critical Applications (ToR Issued)	IT Disaster Recovery and Business Continuity (ToR Issued)
C	Harkness Court (Draft Report Issued)			Strategic Planning (Local Plan)
	Digital Strategy (ToR Issued)			
G/C				King George V Playing Fields
				Workman's Hall
O	2022/23 Carry Forward Audits (Complete)			

Key:

H – High Priority: Most closely linked to the Council's Delivery Plan and Risk Register

M – Medium Priority.

APPENDIX B – 2023/24 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

IT – IT Audits

C – Consultancy: 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

O - Other

APPENDIX C – ASSURANCE AND FINDINGS DEFINITIONS 2023/24

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.
	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.
Service	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
Resilience in Revenues and Benefits Systems and Technical Team (April 2022)	<p>Technical Team Resilience - Documented Procedures</p> <p><u>SIAS Recommendation</u> We recommend that a complete and detailed activity and process mapping exercise is undertaken to establish all key activities and processes performed by the System and Technical Team, including those ad-hoc and periodic activities performed by the System and Technical Manager. Following this, management should establish whether a work instruction, process or procedure notes and guidance already exist for the particular activity and confirm that they are up to date. Where gaps are identified, work instructions, process or procedure notes and guidance should be drafted and approved. As part of the mapping exercise, the primary and secondary officer responsible for undertaking each activity should be identified and documented.</p> <p><u>Management Response</u> Processes carried out by the technical team are already documented. These have been reviewed and updated where necessary. Further work will be required to cover ad hoc processes. The main gaps in documentation relate to activities carried out by the Systems and Technical Manager. Some training has been taking place in this area with the Revenues Manager to provide greater resilience and as part of this instructions have and continue to be developed. This will be considered to see whether it is practical or possible to have a primary and secondary officer given the small team.</p>	31 March 2023	<p>Implemented.</p> <p>30-Jun-2023 This action is complete, as changes have been implemented and incorporated into ongoing activities. Actions are now business-as-usual and incorporated into the longer-term handover plan between the Systems and Technical Manager and the Revenues Manager (and wider service). As each ad hoc process is carried out by the Systems and Technical Manager it is being documented, furthermore upskilling, training and knowledge sharing has been taking place with the Revenues Manager and other senior officers across the service. There is now a weekly meeting between both service managers to ensure the delivery of key tasks and projects. Further work in this area is ongoing and work instructions continue to be created to support the training and provide documented reference procedures. As there is greater resilience created within the wider team this will provide an opportunity to formalise primary and secondary officers.</p>

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
Resilience in Revenues and Benefits Systems and Technical Team (April 2022)	<p>Business Continuity Plans for Key Officer Absence</p> <p><u>SIAS Recommendation</u> We recommend that, in addition to the actions taken at recommendation 1 above, the business continuity arrangements for the System and Technical Team are reviewed and robust plans are drafted. Further, job descriptions should be reviewed to ensure that they remain aligned to the current expectations of the roles. Alongside the business continuity plan, a training and development plan should be put in place to support resilience and succession planning. Consideration should be given to partnering with a neighbouring authority for business continuity purposes, however a determination on the appropriateness of system configuration and setup should be made in advance of arrangements being put in place.</p> <p><u>Management Response</u> Work has started in this area with the training of the Revenues Manager to support and provide resilience for the Technical Manager. A number of small changes have been made to the team to bring in additional resource and resilience at different levels, as part of this process job descriptions have been reviewed and a training and development plan is underway. Due to the different systems and processes in place a partnering or sharing arrangement with neighbouring authorities is not possible. However, the significant resiliency issue of the Systems and Technical Manager has been in part addressed through the training and cross departmental working with the Revenues Manager. This is a new practice implemented following this audit.</p>	31 March 2023	<p>Implemented.</p> <p>30-Jun-2023 This action is complete, as changes have been implemented and incorporated into ongoing activities, helping to address the associated risk highlighted in the audit report. Actions are now business-as-usual and incorporated into the longer-term handover plan between the Systems and Technical Manager and the Revenues Manager (and wider service). Temporary changes to the structure remain and a longer-term review of the structure is being worked on currently whilst reviewing all the activities that are carried out including whether any change is required in terms of who conducts activities. Although the review is not yet complete, the revised structure will only enhance and formalise the improvements already implemented.</p>

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
Resilience in Revenues and Benefits Systems and Technical Team (April 2022)	<p>Business Continuity and Risk Assessment of System Failure</p> <p><u>SIAS Recommendation</u> We recommend that business continuity plans are drafted to support service delivery in the event of system or supplier failure. A formal risk assessment should be completed and documented with subsequent mitigation plans recorded and put in place. In addition to the above, we recommend that NEC's business continuity procedures and key contacts for external services are obtained and documented to support the services business continuity plans.</p> <p><u>Management Response</u> There is already an existing IT disaster recovery plan that would clearly include the NEC system. The NEC system is situated on our own servers. There is a recognised procedure to report and escalate faults and problems with the existing NEC system and we have a dedicated Account Manager. A number of staff within the team have access to do this. NEC now offer a complete hosted solution that would remove the fear of system failure from the North Herts Council perspective. This proposal has been progressed by the Systems and Technical Manager and will be evaluated considering the cost and impact to see if there is a viable business case.</p>	31 March 2023	<p>Implemented.</p> <p>30-Jun-2023 This action is complete, as measures are in place to address the associated risk highlighted in the audit report relating to system and functions failure. The NEC system forms part of the Council's overall Business Continuity Plans, and Risk Assessments have previously been completed for areas within the Revenues & Benefits Team. We have a dedicated NEC Account Manager and if the system fails in any way, we have access to the NEC Portal to log a Helpdesk Call, which will be prioritised depending on the severity of the issue. There is also a clear escalation process if required. We are also currently using the services of a remote database administrator (DBA) from NEC for a 12-month period, which increases visibility to NEC of any system issues should they occur. In addition, we plan to procure a new support and maintenance contract by the end of 2023/24, which will incorporate relevant KPIs and SLAs. As part of this exercise, we will also consider NEC's cloud hosted solution, although implementation will be dependent on the associated cost.</p>

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
Business Continuity Planning (February 2023)	<p>Limited evidence of IT disaster recovery procedures and outdated policies</p> <p><u>SIAS Recommendation</u> All Business Continuity Plans should be reviewed periodically, with details of when the next review will be undertaken, in order to remain relevant to the current environment.</p> <p>IT services should have a more detailed IT plan regarding business continuity including all the procedures in place to prevent and recover from an incident and what those procedures depend on. These procedures should be reviewed regularly and made available for all relevant staff to ensure they are aware of their roles.</p> <p><u>Management Response</u> Business continuity plans are currently being reviewed (January 2023) and will be updated to reflect the changes to the environment when laptop V3 is finalised. (April 2023)</p> <p>IT are currently engaged with external consultants to review, and further develop the detailed IT plan, to include Business Continuity, Cyber Security and communications.</p>	30 April 2023	<p>Partially Implemented.</p> <p>Rollout of V3 laptops is almost complete. Consultation with external suppliers on the detailed IT plan completed. Documents are being accepted and distributed.</p> <p>The revised forecast completion date is now end of August 2023.</p>

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
Climate Emergency (February 2023)	<p>Insufficient capacity to deliver the climate objectives in the strategy</p> <p><u>SIAS Recommendation</u></p> <ol style="list-style-type: none"> 1. The Council should estimate the staff time required to undertake climate actions / projects. This could be a RAG rating system with estimated 'small', 'medium' or 'large' time resource requirements. 2. When the SMART actions/projects and related action plans are developed, the Council should consider the feasibility of the planned actions, including cost and resource availability. This would also provide greater insight for management into the timeliness of the actions/projects and whether the Council is on track to achieve it. 3. The Council should ensure that it is clear on its risk appetite (i.e. the risk of not achieving the climate objectives), and to give clear direction on prioritisation of resources 4. The Council should see if it is feasible to amend job descriptions to incorporate climate related responsibilities to ensure that staff are aware of the importance of the Council's strategy on climate change. This could also be done by adding a responsibility for staff to work towards the Council Plan (for which suitability is a priority). <p><u>Management Response</u></p> <ol style="list-style-type: none"> 1. Agreed. Will explore RAG rating (Climate change lead; Policy team). 2. This is part of the embedding of Climate Strategy actions into the Council Delivery Plan. See above for information on plans to develop a clearer system for transferring Climate Actions to Council Delivery and Service Plans (Climate change lead; Policy team). 3. Agree. Discussion needed. (Climate change lead). 4. Agree. This will require a discussion at implementing this with HR. Query what this will achieve – this may be 'Green washing' in function only and not change a culture change within the council. Would all other functions of council officers need to be added in similar fashion? (Climate Change Lead; Policy Team; HR). 	31 March 2024	<p>Partially Implemented</p> <p>Since the publication of the Final Internal Audit Report, the new Council Delivery Plan for 2023/24 has been developed and agreed. This includes a number of climate related projects. Further work to address the points highlighted in this High Priority recommendation and to ensure there is capacity to deliver the Climate Change Strategy objectives will be taken forward by the new Climate Change & Sustainability Project Manager. This includes ensuring related actions are SMART and developing processes by which actions are incorporated into future Council Delivery Plans/Service Plans.</p>

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
Risk and Performance Management (April 2023)	<p>Risk Training for Officers and Councillors</p> <p><u>SIAS Recommendation</u></p> <ol style="list-style-type: none"> Members of the Committees charged with the oversight of risks and risk management (O&S and FARC) or who need to understand risk attached to their decisions (Cabinet) will receive a bespoke level of training appropriate to their risk responsibilities. Mandatory general risk management training should be given to all Councillors – at their induction. Risk training is available to all staff, but it is only mandatory for those members of staff with risk management responsibilities. It should be made clear to staff if they are required to complete the training and how often. <p><u>Management Response</u></p> <ol style="list-style-type: none"> To carry out further training with members of Finance, Audit and Risk Committee during the year. To also carry out risk training with Political Liaison Board (PLB) which includes Cabinet Members and Officer Leadership Team. New members have an induction programme that includes a session on finance. That session will be extended to also include a section on Risk. Agreed. We will undertake a review of the growzone training and update to clarify who should undertake the training and when. 	30 June 2023 and 31 December 2023	<p>Partially Implemented</p> <p>All new and existing Members were invited to attend the Finance and Risk training session delivered by the Service Director: Resources on 7 June 2023. The Performance and Risk Officer has met with Learning & Development to progress a review of GrowZone training. This work is now expected to be completed by the end of September 2023. All senior managers will be required to undertake the updated training and to revisit the e-learning module every two years.</p>

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FINANCE, AUDIT & RISK COMMITTEE 13th September 2023

*PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: ANNUAL GOVERNANCE STATEMENT 2022/23

REPORT OF: POLICY AND COMMUNITIES MANAGER

EXECUTIVE MEMBER: [NON-EXECUTIVE FUNCTION]

COUNCIL PRIORITY: PEOPLE FIRST/SUSTAINABILITY/A BRIGHTER FUTURE TOGETHER

1. EXECUTIVE SUMMARY

- 1.1 For the Finance, Audit & Risk Committee to approve the Annual Governance Statement (AGS) for the year 2022/23 and Action Plan. The Statement reviews the Council's governance arrangements for the 2022/23 period. It also proposes an Action Plan to update/improve those arrangements for the next financial year.

2. RECOMMENDATIONS

- 2.1 That the Committee is recommended to approve the amended AGS and Action plan (Appendix A).
- 2.2 That the Committee notes the current position of the actions within the AGS Action Plan, outlined at Appendix B.

3. REASONS FOR RECOMMENDATIONS

- 3.1 The AGS must be considered and approved by this Committee before the approval of the Statement of Accounts under Regulation 6(4)(a) of the Accounts and Audit Regulations ('AAR') 2015/234.
- 3.2 The Committee is the legal body with responsibility for approval of the AGS.
- 3.3 Reviewing the AGS Action Plan during 2023-24 will provide the Committee with assurances that the Council is examining and where necessary improving its governance arrangements.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 There are no alternative options to be considered.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1 At the Committee meeting on the 21st June 2023, members were asked to provide feedback on the draft AGS that was presented at that meeting. Comments were also received from the Shared Internal Audit Service (SIAS). A copy of the draft has also been provided to Ernst & Young (External Auditors) but no comments have yet been received. The Leadership Team provided additional information for Principle G – Implementing good practice in transparency, reporting, and audit to deliver effective accountability. The amendments include the following additions:

- Principle G - Assurance and effective accountability – An assurance statement has been completed by the Service Directors for each of their service areas. Each Service Director is responsible for producing their own assurance statements and where relevant for mitigating identified risks and governance weaknesses as part of the Service Planning process. The areas of governance reviewed includes, but is not limited to; legislative compliance, compliance with financial regulations, project management, conduct, training and development, performance management, risk management processes, and conflicts of interest.
- Principle G – SIAS' Annual Assurance Opinion, based on the internal audit work undertaken at the Council in 2022/23 has been added to Principle G. The opinion was delivered as part of the Annual Assurance Statement at the June 2023 FAR Committee meeting.

The final version of the AGS is attached as Appendix A.

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 Reference is made to the report of the 21 June 2023 which sets out the legal requirements for preparation, review, and approval of the AGS, together with the matters included/ and parties involved in that process. As indicated, this must be considered by Members of the Committee and the AGS approved under Regulation 6(4)(a) AAR 2015 in advance of approving the Statement of Accounts (Regulation 9(2)(b)). The Statement of Accounts will be approved at a future meeting following the audit of the accounts. The AGS reviews the systems in place and identifies any actions to be undertaken in the forthcoming year.

7.2 The review was undertaken against the relevant CIPFA/ SOLACE Framework, which continues to be the *Delivering good governance in Local Government Framework 2016 Edition* and any CIPFA/ SOLACE guidance¹. The AGS was prepared following an in-depth review/ input and scoring of arrangements by Leadership Team against the Framework 2016 Principles (in accordance with the guidance²). The detailed self-assessment document has not been appended. It has been loaded on the Council's

¹ CIPFA/SOLACE Delivering good governance in Local Government Guidance Notes for English Authorities 2016 Edition.

² As above (*ibid*)

Corporate Governance internet page and will remain on the site until the next review is undertaken [\[Leadership AGS self-assessment document 2022-23\]](#).³

- 7.3 The format of the AGS conforms to recommended practice, as per the advice provided by CIPFA: a '*meaningful but brief communication*'; there is no requirement to repeat all the arrangements that have been comprehensively assessed. Nevertheless, the AGS highlights some key areas under the Principles, the overall conclusion on the arrangements and appends the Action Plan.

8. RELEVANT CONSIDERATIONS

- 8.1. The preparation of the AGS provides the Council with an opportunity to consider the robustness of its governance and internal control arrangements. It highlights areas where governance can be further improved or further reinforced.
- 8.2. The AGS for 2022-23 is attached as Appendix A for approval.
- 8.3. The Council will publish the approved 2022-23 AGS alongside the Statement of Accounts as it has in previous years.
- 8.4. Updates to the Action Plan will be reported to this Committee again at future meetings.

9. LEGAL IMPLICATIONS

- 9.1 Under the LAAA 2014/ AAR 2015 Regulations the AGS must be approved by this Committee by 31 July (in advance of approving the Statement of Accounts, by the same date). An amendment to the regulation (The Accounts and Audit (amendment) Regulations 2022, has extended that deadline to 30th September for the 2022-23 AGS. The Regulations also detail what is required to do if the deadlines are not met. At this time, the extended deadline has not been reached. In relation to the approval of the Statement of Accounts for 2022-23, due to audit delays this will happen after 30th September 2023. The Council will comply with the requirements in relation to that i.e. publishing a notice on the website explaining the delay. Otherwise, the legal implications are set out under section 7 above.
- 9.2 The Terms of Reference of this Committee under 10.1.5(i) are: "*To ensure that an annual review of the effectiveness of internal controls (accounting records, supporting records and financial) systems is undertaken and this review considered before approving the Annual Governance Statement.*" This approval of the AGS therefore falls within the Committee's remit.

10. FINANCIAL IMPLICATIONS

- 10.1 The final 2022-23 AGS will ultimately accompany the final 2022-23 Statement of Accounts. Other than this there are no financial implications arising from this report.

³ CIPFA/SOLACE Delivering good governance in Local Government Guidance Notes for English Authorities 2016 Edition.

11. RISK IMPLICATIONS

- 11.1 The process of assessing the Council's governance arrangement enables any areas of weakness to be identified and improvement actions put in place, therefore reducing the risk to the Council.

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.
- 12.1 There are no direct equality implications of this report or the AGS. Where relevant the Council's arrangements have been assessed against the 2016 Framework Principles. In respect of those arrangements, the Leadership AGS self-assessment identifies the procedures in place and any outcomes. Council reports include any equality implications and are assessed by the Corporate Policy Team. Where appropriate an impact assessment will be undertaken, and mitigation measures identified. The Corporate Policy and Strategy Team undertake an Annual Cumulative Equality Impact Assessment and publishes it on the internet.

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 this report.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 The Organisational Values and Behaviours and Employee Handbook provide further guidance on the standards we expect from our staff. Human resources will support the relevant actions within the Action Plan for 2023-24.

16. APPENDICES

- 16.1 Appendix A –Annual Governance Statement for 2022-23
16.2 Appendix B – Action Plan for 2023-24 and Progress Updates

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18. BACKGROUND PAPERS

- 18.1 The Leadership AGS self-assessment is on the on the Corporate Governance Page:
<https://www.north-herts.gov.uk/home/council-performance-and-data/corporate-governance>. This also contains links to relevant background documents, reports, Policies and Guidance. The AGS also contains links to relevant documents.

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Introduction

North Hertfordshire District Council (NHDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently, and effectively.

NHDC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

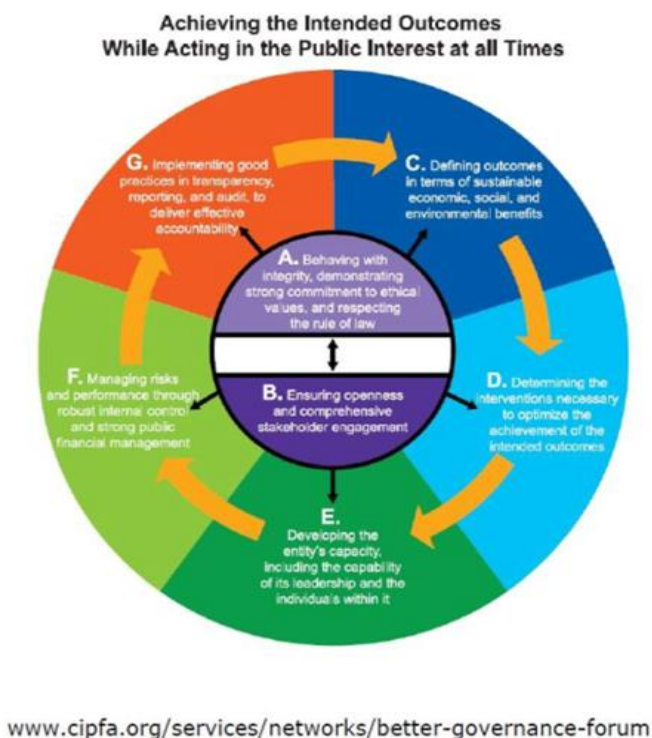
In discharging this overall responsibility, NHDC should have proper arrangements for the governance of its affairs in place. It is legally required to review arrangements and prepare an Annual Governance Statement ('AGS'). It should prepare this Statement in accordance with proper practices set out in the Chartered Institute of Public Finance and Accountancy (CIPFA)/the Society of Local Authority Chief Executives and Senior Managers (SOLACE) Delivering Good Governance in Local Government: Framework 2016. This AGS explains how NHDC has complied with these requirements. The Finance, Audit & Risk (FAR) Committee Members have been informed of progress on producing this AGS and will review it and evaluate the robustness of the underlying assurance statements and evidence. FAR Committee approves the final AGS and monitors the actions identified.

Delivering good governance:

The Governance Framework comprises of systems, processes, culture and values, by which the

authority is directed and controlled. It enables NHDC to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) applies to AGS prepared for the 2016/17 financial year onwards. The Principles are further supported by examples of what good governance looks like in practice. The Principles are set out in the diagram below:



Key Elements of the Governance Framework:

- ❖ Council, Cabinet and Strong Leader model that provides leadership, develops, and sets policy.
- ❖ A decision-making process that is open to the public and decisions are recorded / available on the NHDC website.
- ❖ An established Shared Internal Audit Service (SIAS) that undertakes detailed reviews.
- ❖ Risk Management and performance procedures that enable risks to be identified and these to be monitored by the Leadership Team and Members on a quarterly basis.
- ❖ Overview & Scrutiny (O&S) Committee reviewing performance and policies.
- ❖ An effective FAR Committee as the Council's Audit Committee that reviews governance and financial arrangements.
- ❖ The Council has a strategic officer leadership team which meets weekly. This includes the Head of Paid Service (Managing Director) and Directors (which includes all statutory officers). The statutory Officers also meet quarterly.

How the NHDC complies with the 2016 Governance Framework:

NHDC has approved and adopted a:

- ❖ [Local Code of Corporate Governance](#) in March 2022 which incorporate the Framework 2016 Principles.
- ❖ number of specific strategies and processes for strengthening corporate governance.

Set out below is a summary of **some of the central ways** that NHDC complies with the 2016 Framework Principles. The detailed arrangements, and examples are described / links provided in the Leadership AGS self-assessment document on the [Corporate Governance](#) page.

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

❖ **What NHDC has or does:**

❖ Operates Codes of Conduct for Members (refreshed LGA model adopted in April 2021 and effective after the 2021 election) and Employees, maintaining arrangements for sign off of those, awareness of key policies and reporting / investigating any allegations of breaching those Codes. Code of conduct training usually takes place following elections.

❖ The Council has a Member Training Protocol which sets out which elements of training are compulsory. The training will be reviewed as part of the post induction process and in anticipation of the 'all out' elections which will take place in 2024.

❖ Complaints concerning employees are dealt with according to the Managing Misconduct Policy, and/or Employment Procedure rules for officer (for relevant officers will also potentially involve the Independent Person Panel, Employment Committee and Full Council).

❖ A Standards Committee which oversees and promotes high standards of Member conduct. It is composed of 12 Councillors and 2 non-voting co-opted Parish Councillors. The 3 Independent Persons (IP) are invited to attend the meetings of the Standards Committee. The Committee oversees the Complaints Handling Procedure and Final Determination Hearings through a Sub-Committee. The Chairman of Standards Committee provided an annual report to Full Council in September 2022.

This is designed to promote shared values with Members, employees, the community, and partners.

❖ The Council's Constitution includes a scheme of delegation and terms of reference for each of the Council's Committees, and decision-making practices are outlined. The Council's Constitution is typically reviewed annually, though several amendment reports were also taken to full council in the 2022/23 year. In 2022, an annual review report was presented to Full Council at the July meeting. Constitutional amendment reports were taken to full Council in September 2022, January 2023, and April 2023, with various amendments being approved.

❖ The Council's Fraud Prevention Policy, which includes the Anti-Money Laundering, Anti-Bribery, Anti-Fraud and Tax Evasion. In addition, the Whistleblowing Policy, are kept under review and are available on the internet.¹ Contract Procedure Rules in Section 20 of the Constitution underpin the Council's approach to Procurement. Standard Contracts include an obligation to adhere to the requirements of the Bribery Act 2010 and the Councils' requirements as set out in the Councils' Fraud Prevention Policy.

❖ The Council also has Policies and procedures for Members and Employees to declare interests, including Organisational ones. Members are obliged to comply with such arrangements under their Code of Conduct and employees sign an Annual Declaration Letter to ensure that they are aware of and will comply with key governance policies.

❖ The Council has a Monitoring Officer (MO) whose role is to ensure that decisions are taken lawfully, in a fair manner and procedures followed. After

consulting the Managing Director and Chief Finance Officer (CFO) the MO has a statutory duty/ power to report any proposal, decision or omission that he/she considers would give rise to unlawfulness or any decision or omission that has given rise to maladministration ("Section 5 report"). The MO is responsible for providing advice on ethics and governance to the Standards Committee and to the Members of this Council. The MO/ or Legal advisor attends Full Council, Cabinet, and regulatory Committees - such as Planning, Licensing and Standards to be on hand to provide advice. A Finance Officer attends Full Council, Cabinet and FAR Committee. Legal services/The MO maintain records of advice provided.

❖ The Council's CFO (s151 Officer) has a duty to the Council's taxpayers to ensure that public money is being appropriately spent and managed and reports directly to the Head of Paid Service. The CFO ensures that appropriate advice is given on all financial matters, is responsible for keeping proper financial records and accounts and for maintaining an effective system of internal control.

❖ All Committee reports and delegated decision templates have required areas for legal advice (as well as Finance, Social Value Act 2012, and equality and environmental implications requirement); part 1 reports are published and available for inspection as per the statutory requirements. Committee Member Overview & Scrutiny Services provide support to the Council, Councillors and the democratic processes of the Council. The team organise the civic calendar of Committee meetings dates, the Forward Plan of Executive Decisions, prepare and dispatch agendas and reports in advance of the meetings and take and dispatch minutes and decision sheets after the meetings. Delegated decisions are retained by them

¹ <https://www.north-herts.gov.uk/fraud-prevention>

and are available on-line.

- ❖ Planning training was provided to members in-house via relevant officers during the 2022/23 year. They will be provided training by the Planning Advisory Services (PAS), an independent organisation who advises central and local government on planning issues, later in 2023.

Principle B: Ensuring openness and comprehensive stakeholder engagement.

❖ **What NHDC has or does:**

- ❖ The Council's vision and relevant documents are made available on the Council's website with a Council Delivery Plan that show how the Objectives will be delivered in practical terms [[Council Plan Page](#)].
- ❖ Open Data is published on the NHDC website and is available to re-use through the terms of the Open Government Licence [[Open Data page](#)]. Data sets on NNDR (Full list and monthly credit balances) are also available [[Published Data Sets](#)].
- ❖ An Annual Monitoring Report is produced containing indicators and targets across the District to aid with future planning decisions and identification of local priorities. We are awaiting the 2022-23 report. [[Annual Monitoring Reports](#)]
- ❖ NHDC have a duty to review air quality in the district to provide comprehensive information on the quality of air within the region through the Air Quality Annual Status Report ([Air Quality Annual Status report 2022](#))

- ❖ There is a Committee administration process in place so that all Council meeting agendas, reports, minutes are available for inspection, and these, together with public meeting recordings are available online and through the Modern.gov system [[Council meetings page](#)].

- ❖ There is a presumption of openness and transparency, with reports (or confidential parts of reports) only being exempt so long as statutory exemption requirements² apply. Report authors consider such matters with the designated Constitutional "Proper Officer". Meetings are open to the press and public (unless an exemption applies).

- ❖ There is a Council and Democracy page on the NHDC website. This links to information about the Council, Councillors, MPs, Council meetings, Council departments, Forward Plan of Key Decisions, Petitions, Notices of Part 2 (exempt) decisions that the Council intends to take in the near future, delegated decisions, recordings/ the right to record Council meetings and Notices of Urgent Decisions [[Council and Democracy](#)]. Public Registers and Delegated Decisions are available on the NHDC website [[Public Registers and Delegated Decisions](#)] and Planning Applications/decisions [[View Planning Applications](#)]. Delegated Executive and Non-Executive decisions³ are on the Council's website [[Delegated Decisions](#)].

- ❖ The Constitution also sets out what information is available to the public and how to engage with the Council [[Constitution](#)]

- ❖ The Council's Consultation Strategy 2022-2027 [[Consultation Strategy 2022-2027](#)] was adopted in 2022. It sets out the methods that will be

used to consult and practical considerations for doing so. This entails various approaches to consultation.

- ❖ A Statement of Community Involvement (SCI) sets out how the Council will involve the community in preparing the Local Plan and in considering planning applications [[Statement of Community Involvement – Adopted July 2020](#)]. The SCI was adopted in July 2020 following a public [consultation](#). A draft updated SCI was published in March 2023 and consultation opened.

- ❖ The Council conducts a District Wide Survey every two years, though the 2021 Survey was delayed due to the pandemic. The latest is therefore the 2022 survey and the final report can be found here: [[District Wide Survey 2022 Final Report](#)]. Residents who take part in the District Wide Survey are invited to join the Council's Citizens Panel, which is used for consultation.

- ❖ The Council also has an internal Staff Consultation Forum, a [Joint Staff Consultative Committee \(JSCC\)](#) and a Staff Consultation Policy.

- ❖ The Council convened an Inclusion Group, which is designed to bring together staff to understand the experiences of staff mainly but not exclusively in relation to protected characteristics and to input into the future direction of the organisation with regards to inclusion and diversity. The Group are able to make recommendations to Leadership Team.

- ❖ The Council has an Equality, Diversity, and Inclusion Strategy 2022-27.

² Under the Local Government Act 1972 Schedule 12A, and/ or Local Government Act 2000/ The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012/2089

³ Made under The Openness of Local Government Bodies Regulations 2014/2095

❖ The Council's Customer Care Standards aims to put people first [[Customer Care Standards](#)]. The Communications Strategy 2019-23 and action plan [[Communications Strategy page](#)] set out the approach to communicating with residents, partners and the media. The Council has a multi-media approach to communication – on-line, in person, by phone, by post, and social media sites (on Facebook, Twitter and Instagram). The use of social media sites and text alerts is geared towards engagement with the IT adept and/ or younger residents.

❖ The Council is also part of the [Hertfordshire Local Enterprise Partnership](#) which aims to ensure a prosperous economy for the District's residents and businesses. It also works with Town Centres in Partnership to co-ordinate and progress the work in the town, tackle growth and development challenges. It has assisted with the renewals of the Business Improvement Districts (Hitchin, Letchworth and Royston).

❖ The Council is also a member of the Hertfordshire Growth Board (alongside the other 10 districts and borough councils and Local Enterprise Partnership). The [Growth Board](#) is the vehicle in which the county is working together to manage future growth and support economic recovery.

❖ Since the pandemic, Committee meetings are streamed live to YouTube from the Council chamber, and remain on the Council's YouTube channel afterwards which has increased accessibility to members of the public.

❖ As a result of the pandemic, Councillor Surgeries, Town Talks, Area Committees and Environment Panel meetings were held virtually via Zoom. We have since trialled a hybrid town talk meeting and have retained virtual Environment Panel meetings due to the environmental benefits..

Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.

❖ What NHDC has or does:

❖ The Council has a Council Plan approval / review process, and its vision is based on partnership aspirations. The Priorities of the plan are People First; Sustainability; A Brighter Future Together. These provide the foundations for the Service planning process, and officers are required to indicate on their reports which priority the report relates to. Delivery is monitored through detailed Senior Management, Committee and Executive Member / Member procedures.

❖ [The Council Delivery Plan](#) supports the delivery of the Council Plan. It is set in March each year and then monitored and reviewed quarterly. It sets out the key projects the Council is looking to carry out during the year and shows key risks and performance indicators.

❖ The Corporate Equality Strategy contains equality objectives and contributes towards the Council's vision of equality and diversity [[Equality and Diversity page](#)]. The Strategy was revised in December 2022.

❖ The Climate Change Strategy contains objectives and actions which guide the council's approach to dealing with climate and sustainability issues. The overarching objectives relate to Net Zero targets for the council's operations and the district, and ensuring council services as well as the district are resilient to the impacts of climate change.

❖ The Council's process for assessing Environmental and Equality Impacts. Report templates include sections on Equality and Environmental Implications which officers must consider and comment on.

Where significant implications are considered likely, a fuller Impact Assessment form must be completed to understand the impacts in more detail and plan for mitigative action. Equality and environmental issues are therefore monitored through the report / decision making process and an Annual Cumulative Impact Assessments 2022/23 which can be found on the Equality and Diversity webpage, and on the [Climate Change webpage](#).

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes.

❖ What NHDC has or does:

❖ Decision making is effectively delegated through the Constitution (to Council, Committees, Cabinet, Executive Members and Officers). The Council has a set report / delegated decision template and guidance on how to complete these, which include standard areas such as an 'options' appraisal called "Alternative options considered" and risk analysis assists with optimising outcomes.

❖ The Corporate business planning programme is used to assess projects against criteria including the Council's agreed Policy, its priorities, the outcomes of public consultation, demonstration of continuous improvement and changing legislative need.

❖ The Council has a Risk Management Framework, and Service Managers have to identify threats to service delivery/performance in their own areas, when undertaking projects, letting contracts, formulating or introducing new policies and engaging in partnership working. This is part of the [Risk Management Framework - Strategy \(north-herts.gov.uk\)](#) These are recorded on the Risk Register and monitored through the Council's Pentana performance/risk management system

available to Councillors and staff. Project management lessons are logged and detailed in a Corporate Lessons Log, which is available on the intranet. Corporate risks are reported to the Overview and Scrutiny Committee on a quarterly basis. The [Finance Audit and Risk Committee](#) receive reports to provide assurance over risk management processes.

❖ The Council's Financial Regulations [\[Constitution webpage – see Section 19\]](#) are an essential part of risk management / resource control for delivery of services (whether internally, externally or in partnership). The Medium- Term Financial Strategy (MTFS) is reviewed annually to set an indicative 5-year financial plan for the longer term strategic vision as well as a detailed one year budget. The MTFS and annual budget are prepared in line with the agreed Objectives and Council Plan / business planning process. Budget workshops are provided to Political groups prior to budget setting/ budget approval, and this helps to optimise achievements.

❖ From 2019, the Investment Strategy replaced the Capital Programme and Treasury Strategy, and was considered by Finance, Audit, and Risk in January 2022 and approved by Full Council on 10th February 2022.

❖ The Council's Procurement Strategy has been revised and puts in place the aspirations for the district as they relate to the Council Plan, including taking a focus on achieving community benefits through emphasis of the Go Local policy and a widening of the scope of this to incorporate Community Wealth Building.

❖ The Council has a Community Grants Policy and during 2022/23 gave grants to organisations working around food provision, arts and culture, mental health, physical wellness, children's activities and support, support for older residents, education, and green issues. The Assessment Criteria ensures that

funding is allocated to projects or activities and areas that will have the most beneficial impact on the residents of North Hertfordshire

❖ The Council has an Investment Plan for the Shared Prosperity Fund which sets out proposals around improving town centres, supporting local businesses, and developing health and wellbeing initiatives, and capacity developing in the VCFSE sector amongst other things.

❖ The Council has allocated government funding for [homelessness prevention services and interventions](#).

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it.

❖ **What NHDC has or does:**

❖ The Council recognises the importance of employees, planning recruitment and development. Following the pandemic, the focus of HR strategy work has been on adapting to new ways of working and making this work for the Council and for staff. Issues around employee engagement and retention have also increased. To help address that we are looking at our staff benefits and our recruitment processes.

❖ A Recruitment Process form has replaced the Vacancy Control process to ensure compliance with proper recruitment practices. The Council promotes ILM Leadership & Management qualifications.

❖ Members and employees engage in various groups and benchmarking initiatives. These assist the Council in analysing/ improving its capability, such as the County Benchmarking, HR Salary benchmarking, Sport England's National

Benchmarking service and Customer Services.

❖ The Council also considers and participates in Shared Service/ commercial ventures to develop services and resilience, such as the CCTV Partnership, the Local-Authority Building Control Company, 'Hertfordshire Building Control', and has been a Lead authority developing the Herts Home Improvement Agency and shared Waste service with East Hertfordshire District Council. It has its own private holding company – Broadwater Hundred Limited, set up as a contingency matter, during the pandemic (currently dormant).

❖ The Leader is part of Herts Leaders Group, East of England Leaders Group and County wide Growth board, has weekly Managing director/ Leader Briefings. Political Liaison Board (PLB) meetings are held, and opposition Member/ shadow Member briefings provided by the managing Director / Service Directors and other senior officers.

❖ Weekly Leadership meetings are held where ongoing issues are discussed and during monthly business meetings, Policy, Projects, Performance and Risk are (amongst other things) monitored. The Council encourages close working liaison between Senior Officers and Executive Members.

❖ Statutory officers meet regularly with political leaders where relevant standard issues are raised. Service directors convene monthly briefings with relevant Executive Members.

❖ Following an LGA Corporate Peer Challenge assessment, an [Action Plan](#) has been developed to ensure benefits of the CPS process are realised, through thorough Organisational Development. This has been further developed to provide peer support to the Overview & Scrutiny and Finance and Audit Committee.

❖ The Council has a Transformation Project which seeks to improve our services to residents using Artificial intelligence and development of self-serve systems. It also seeks to improve Council working and efficiency by automating processes that are currently manually handled.

❖ The Shaping Our Future Group provided an important forum to consider the culture of the organisation and how it needs to adapt in order to continue to achieve its priorities. It included staff and leadership development; work on equality, diversity and inclusion; moving towards a more commercial culture; digital transformation. A work programme has been developed and is being delivered.

❖ The Inclusion Group considers staff experiences and looks to drive forward the equality, diversity, and inclusion agenda within the Council. It also receives feedback from HR on the gender pay gap. HR look to monitor and implement recommendations around the pay gap following the 2022 report.

❖ Staff Learning and Development sessions have been instituted on the morning of every first Friday of each month. These are a mixture of themed and non-themed sessions to enable them to be used by teams or individuals to focus on an area of development most useful for them.

❖ In response to Covid-19, the Council established a Recovery Board to oversee and monitor the delivery of the Recovery Plan; provide the necessary strategic guidance and direction; ensure effective project and risk management systems are in place; ensure collaboration and integration, where appropriate, with other public and private sector recovery plans. The board last met in April 2022 and are due to receive communication regarding closure.

❖ The Values of the organisation were revised in 2022. The new values shape how we aim to act as an organisation. They are:

TOGETHER: We work together and support

LISTENING: We listen to and consider the views

of each other, our partners and our customers

LEARNING: We learn from others and are open to change

ADAPTABLE: We are adaptable in finding solutions for each other, our partners and our customers.

INCLUSIVE: We are inclusive and value diversity

❖ The Recruitment & Selection Policy was last reviewed and updated in 2020/21 as part of the policy review process. This is currently under review.

Principle F: Managing risks and performance through robust internal control and strong public financial management.

❖ **What NHDC has or does:**

❖ The Council has extensive mechanisms in place to manage risk and performance, for example, through the Risk Management Team/Group/Member Champion and the Risk Management Policy Statement, Risk Management Framework – Strategy, the Risk Management Framework Policy and operational guide. The Pentana system supports the logging/monitoring process by identifying performance indicators, individual risks and relevant 'ownership'. These are reported to Leadership Team and O&S Committees and Cabinet for transparency and in Cabinet's case, overall management purposes. The Risk Management framework is embedded across all service areas and helps to

inform decision making. The Risk Management Strategy is reviewed regularly and most recently was revised and approved by Cabinet in December 2020.

❖ SIAS' review of Financial and Non-financial systems during 2020/21, delivered in their [June 2022 report](#) to Finance, Audit, and Risk Committee provided overall Reasonable level of assurance. SIAS concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice on corporate governance.

❖ The council maintains a [Data Sharing Statement](#) to ensure that information is handled and dealt properly when collected, recorded and used. This data handling is treated lawfully, correctly and adheres to the Data Protection Act. The Council has a Data Sharing Protocol which provides a framework for the Partner Organisations for the regulation working practices between Partner Organisations and is in accordance with the ICO's data sharing code of practice.

❖ Certain Service areas have their external emails encrypted by default (Housing, Revenues and Benefits, Systems Technical (Revenues and Benefits), Cashiers and Careline). Encryption occurs automatically when sending emails to certain domains, and the list of domains included on this list is reviewed regularly. Employees/ Members are instructed to encrypt an email if sending private, sensitive or confidential information to an external email address.

❖ The Council has a designated data protection (DPA) officer – the Revenues Manager and Data Controller is the Service Director - Customers [DPA - website Contacts information](#)

Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability.

❖ **What NHDC has or does:**

❖ The Council's 'Outlook' Magazine is provided to all households in the District and is available on the Council's [website](#). It contains information about the Council's services and events. The Autumn Outlook– Annual Residents Report contains a review of the previous financial year and summarises key achievements against priorities / expenditure and is a useful accountability mechanism.

❖ SIAS undertake numerous planned audits (additional on request) and presents quarterly progress reports against these. An Annual Assurance Opinion and Internal Audit Annual Report is presented to the first FAR Committee of each civic year outlining the work undertaken in the previous civic year. Based on the internal audit work undertaken at the Council in 2022/23, SIAS provided an overall assurance opinion of Reasonable for the adequacy and effectiveness of the Council's control environment. This [Annual Assurance Statement was](#) delivered at the June 2023 FAR Committee meeting.

❖ On an annual basis SIAS is required to undertake a self-assessment of its conformance with the requirements of the Public Sector Internal Audit Standards (PSIAS). [Annual Assurance Statement and Annual Report 2021-22 presented in June 2022](#). The report found that SIAS generally conformed to the required standards; and that the external quality assurance assessors also held that SIAS conforms with the standards. An external review is required at least once every five years and this last took place in June 2022 and was reported at the December FAR meeting.

❖ In terms of performance SIAS narrowly missed targets on plan days and plan projects at 91 and 92% respectively; this was nevertheless a good outcome in view of an organisational restructure that impacted auditors. The last [Internal Audit Progress Report](#) of 2022/23 was delivered in March 2023 and reported that as of 17th February 2023 73% of the Internal Audit Plan Days had been delivered.

❖ The CFO follows: the CIPFA Code of practice on local authority accounting in the United Kingdom for each year and the CIPFA Statement on the role of the Chief Financial Officer in Local Government 2016 by ensuring that the financial statements are prepared on a timely basis, meet legislative requirements, financial reporting standards and professional standards as reflected in CIPFA's Code of Practice.

❖ External Auditors provide key timetabling/ stage of audit reports to FAR Committee (Audit Fee Letter, Audit Plan, testing routine procedures, Audit on financial statement and value for money conclusions/Audit completion certificate and Annual Audit Letter).

Review of Effectiveness:

❖ The Council uses a number of ways to review and assess the effectiveness of its governance arrangements. These are set out below:

Assurance from Internal and External Audit

❖ One of the fundamental assurance statements the Council receives is the Head of Internal Audit's Annual Assurance Opinion on the work undertaken. From 1 April 2021, SIAS have adopted the CIPFA assurance definitions (previously SIAS have used their own definitions). During [21/22 SIAS](#) reported on 24 areas of which 5 received a Substantial assurance, 6 a

Reasonable assurance, 1 a limited assurance, 8 not assessed and 4 not finalised. The limited assurance opinion related to Resilience in Revs and Bens Systems and Technical Team and there were three high priority recommendations made and implemented. All key financial/ risk systems/ contract management were also reviewed and a Reasonable assurance opinion overall on financial systems was concluded. Recommendations are detailed in the [June 2022 SIAS Annual Assurance Statement](#).

❖ SIAS concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice guidance on corporate governance. Recommendations are in the process of being actioned and outstanding ones will be taken forward and monitored through reports to FAR Committee. A review of FAR committee was not undertaken for 2021/22, as there was due to be a peer review during 2022 .

❖ The Council's external auditors provide assurance on the accuracy of the year-end Statement of Accounts and the overall adequacy of arrangements for securing and improving value for money. Following the national impact of Covid-19, Ernst & Young added all new Covid related risks for all councils. The last Annual Audit Letter was presented to the FAR Committee in January 2021 and was generally very positive, with unqualified opinions on both the Council's financial statements and the value for money in use of its resources. This did include a paragraph emphasising the material uncertainty in relation to the valuation of the Council's property assets (including investment property) as a result of Covid-19. This was not a qualification or modification to the audit opinion. [\[NHDC Annual Audit Letter 2019-20\]](#). The External Audit Update report issued in June 2020 [\[External Audit plan for year ending 31/3/20\]](#) indicated the

addition of new risks – all Covid-19 related and in line with other local authorities. The [External Audit Annual report](#) for the year ended 31st March 2021 was presented at the June 2022 Finance, Audit, and Risk meeting. The report stated that Ernst and Young expected to issue an 'unqualified' opinion on the Council's financial statements.

Assurance from self-assessment

❖ The review of effectiveness is informed by the work of the Senior Managers within the authority who have responsibility for the development and maintenance of the governance environment. Each Service Director is responsible for producing their own assurance statements and where relevant for mitigating identified risks and governance weaknesses as part of the Service Planning process. The areas of governance reviews include but is not limited to: legislative compliance, project management, risk management, conduct, and conflicts of interest. [The Council Delivery Plan](#) highlights key projects to support achievement of our Council Plan.

❖ Leadership Team is chaired by the Managing Director respectively, includes the MO, CFO and key senior managers. It follows the CIPFA/SOLACE recommended self-assessment process of reviewing the Council's arrangements against the 2016 Framework Principles/sub-principles guidance examples. This is usually undertaken during March - June and so as Leadership can confirm satisfaction that appropriate and overall Substantial 2016 Framework governance arrangements are in place. The detailed AGS self-assessment is available on the Corporate Governance page⁴.

Assurance from Risk Management

Projects, risks, and performance indicators have been amalgamated into the Council Delivery Plan which is taken to Overview & Scrutiny Committee each quarter. This is to ensure a more integrated corporate approach. As reported to the December 2022 meeting of O&S, the top risks (scoring a 9 on the risk matrix) for the Council were Local Plan Implementation (noted as complete as of November 2022 following adoption); Financial Sustainability; Response to Government Resources and Waste Strategy; the Churchgate project. Other risk scoring highly on the matrix (8s and 7s) are: Health Inequalities, increasing accommodation for single homeless people, and the resource required for vital additional actions.

❖ Delivery of the **Local Plan** remained a top risk up to its adoption. The Planning Inspector published the Main Modifications arising from the Local Plan examination process in November 2018. These were reported to Cabinet in December 2018, when approval was granted for consultation on the proposals. The Council concluded consultation on the Main Modifications in April 2019. Following the consultation on the Main modifications in January 2020, the Inspector arranged for further hearing sessions for March 2020. During 2020-21 consultation upon the Inspector's proposed Further Main Modifications to the Plan and documentation produced under delegated authority was undertaken. Following receipt of the Inspectors report and consideration this was recently adopted by Full Council on 8 November 2022. Following this completion, its risk score was downgraded from 9 to 6 on the risk matrix.

❖ **Financial Sustainability** is an ongoing top risk

which is reported through the Council Delivery Plan. The MTFS, budgets and capital programme are, however, noted as soundly based and designed to deliver the Council's strategic objectives.

❖ **The Churchgate project** refers to plans to regenerate a shopping centre and the surrounding areas. It is a top-rated risk, with the risk relating to the affordability of the regeneration, and the possibility of failing to meet the expectations of stakeholders.

❖ A top risk relates to **Response to Government Resources and Waste Strategy**. The project is around the service design for the new contract process with the risk focused on confirmation of government strategy and legislation, cost uncertainty, reduction in resident satisfaction with new service, lack of suppliers, and impact on council reputation amongst other things.

Assurance from Complaints outcomes Local Government Ombudsman (LGO):

❖ The Council reports complaints to Leadership and O&S. The summary for the full period 2022/2023 was presented at the June 2023 Overview and Scrutiny meeting. The summary indicated that the number of complaints received by both the Council and our contractors decreased from 423 in 21/22 to 417 in 22/23. Of the total 417, 232 (56%) relate to services delivered by our key contractors. The LGO received 13 complaints during this period. These cases are shown in the LGO's Annual Review Letter. 5 of the 13 were upheld by the LGO, however 2 of the 5 had already been remedied by the council.

Standards complaints involving Councillors

❖ A detailed update on Member complaints was given to the Standards Committee in a report

⁴ <https://www.north-herts.gov.uk/corporate-governance>

delivered by the Service Director for Legal and Community in March 2023. During the 2022 calendar 30 complaints against members were received. This was a reduction compared to 2021, where 52 complaints had been received. At the point of the report, it was noted that 2 complaints had been received so far during 2023.

Whistle Blowing Complaints

❖ In line with the published Whistleblowing Policy, we did not receive any complaints / concerns during the 2022-23 period.

Information Commissioner's Office (ICO)

❖ The Review time limit supplements the statutory one for handling requests (20 working days) and during 2022 calendar year, the Council only failed to handle 4.31% of the 653 FOIs/EIRs requests within that period. There were 10 reviews, 3 of which were successful and the information released, 2 of which was partially successful, and 5 of which were unsuccessful.

❖ In respect to requests for information under the Data Protection Act - 220 Data Protection cases (including 16 Subject Access Requests) were received in the 2022 calendar year, of which 95% were successfully answered within the 40-calendar day deadline.

❖ During the 2022 calendar year there were no complaints lodged at the ICO.

Conclusion:

❖ No significant governance issues have arisen as a result of the review of effectiveness for the 2022/23 financial year. The Council is satisfied that it has appropriate arrangements in place. The Council proposes over the coming year to take actions set out in the Action Plan. Implementation will be monitored through the Finance Audit and Risk Committee.

Cllr Elizabeth Dennis, Leader of the Council

Anthony Roche, Managing Director

Action Plan 2023/24

1. Increase uptake of ethical awareness training - increase staff/member uptake of the Anti-bribery and Fraud Awareness e-learning modules, noting uptake levels through the Civic year. (Leadership Team; Learning & Development; Committee Services)
2. Review and further develop a Member training programme for commencement after the May 2024 local election. (Leadership Team; Committee Services; Learning and Development)
3. The Inclusion Group to establish a procedure for developing recommendations and delivering these to Leadership Team. (Inclusion Group; Human Resources; Policy)
4. Develop greater scrutiny of performance against the gender pay gap action plan (Human Resources; Inclusion Group; Leadership Team; Joint Staff Consultative Committee)
5. To monitor trends and circumstances around Local Government Ombudsman (LGO) complaints via the review of quarterly reports (Leadership Team)
6. Implement the action plan, once agreed with the relevant Committees and Cabinet, which is being proposed to Overview & Scrutiny and Finance, Audit, and Risk Committees from June 2023. (Leadership Team / Overview & Scrutiny and Finance, Audit and Risk Committees to monitor).

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Action	Officer update
1. Increase uptake of ethical awareness training - increase staff/member uptake of the Anti-bribery and Fraud Awareness e-learning modules, noting uptake levels through the Civic year. (Leadership Team; Learning & Development; Committee Services)	ONGOING Learning and Development currently working with the Shared Anti-Fraud Service (SAFS) to increase the uptake
2. Review and develop a Member training programme for commencement after the May 2024 local election. (Leadership Team; Committee Services; Learning and Development)	ONGOING Committee Services have met with the Member Learning and Development Champions to discuss feedback on the 2023 Member training programme. Committee Services have also run a survey for Members who attended the 2023 training sessions and Officers who presented the sessions. Feedback from these surveys has been compiled and is due to be shared with the Member Learning and Development Champions shortly. The feedback will help shape the 2024 training programme, for which formal planning will begin shortly.
3. The Inclusion Group to establish a procedure for developing recommendations and delivering these to Leadership Team. (Inclusion Group; Human Resources; Policy)	COMPLETE Process agreed: HR and Policy & Strategy to produce a summary of the discussion that took place at each Inclusion Group meeting, including recommendations based on the discussion. The Service Director – Resources will then take this summary and recommendation document to the Leadership Team for their consideration following each Inclusion Group meeting.
4. Develop greater scrutiny of performance against the gender pay gap action plan (Human Resources; Inclusion Group; Leadership Team; Joint Staff Consultative Committee)	ONGOING The Inclusion Group proposed that a subgroup be set up to analyse in more detail the data around the gender pay gap and consider measures to improve the gap. This group will first be convened in early September.
5. To monitor trends and circumstances around Local Government Ombudsman (LGO) complaints via the review of quarterly reports (Leadership Team)	ONGOING
6. Implement the action plan, once agreed with the relevant Committees and Cabinet, which is being proposed to Overview & Scrutiny and Finance, Audit, and Risk Committees from June 2023. (Leadership Team / Overview & Scrutiny and Finance, Audit and Risk Committees to monitor).	ONGOING

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CABINET
19 September 2023

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: FIRST QUARTER REVENUE BUDGET MONITORING 2023/24

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 2023/24, as at the end of the first quarter. The forecast variance is a £1.119million decrease in the net working budget of £18.998million, with an ongoing impact in future years of a £260k increase, and a request to carry forward £10k of unspent budget to fund a specific project in 2024/25. The forecast decrease in spend in the current year is mainly due to the anticipated interest returns from treasury investments this year exceeding the assumption in the original budget estimate. Further detail on this, and explanations for all other budget areas with more significant variances, is included in table 3.

2. RECOMMENDATIONS

- 2.1. That Cabinet note this report.
- 2.2. That Cabinet approves the changes to the 2023/24 General Fund budget, as identified in table 3 and paragraph 8.2, a £1.119million decrease in net expenditure.
- 2.3. That Cabinet notes the changes to the 2024/25 General Fund budget, as identified in table 3 and paragraph 8.2, a total £270k increase in net expenditure. These will be incorporated in the draft revenue budget for 2024/25.

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 18th August 2023.

7. BACKGROUND

- 7.1. Council approved the revenue budget for 2023/24 of £18.496million in February 2023. As at the end of Quarter One, the working budget has increased to £18.998million. 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 2023/24 approved by Full Council	18,496
Quarter 3 2022/23 Revenue Budget Monitoring report – 2023/24 budget changes approved by Cabinet (March 2023)	549
2022/23 Revenue Budget Outturn Report – 2023/24 budget changes approved by Cabinet (June 2023)	(47)
Current Working Budget	18,998

- 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 2023.

Table 2 – Service Directorate Budget Allocations

	Original Budget 2023/24	Changes approved at Q3 2022/23	Changes approved at Outturn 2022/23	Other Budget Transfers	Current Net Direct Working Budget
Service Directorate	£k	£k	£k	£k	£k
Managing Director	490	400	97	(213)	774
Customers	4,298	(5)	(205)	25	4,113
Enterprise	(87)	16	25	48	2
Legal & Community	2,658	0	22	80	2,760
Place	6,132	57	(1)	13	6,201
Regulatory Services	2,079	53	15	0	2,147
Resources	2,926	28	0	47	3,001
TOTAL	18,496	549	(47)	0	18,998

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 (2024/25) 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 2024/25 £k
Treasury Investments Interest Income	(1,602)	(2,602)	(1,000)	Increase in estimated interest income receivable is primarily due to the increases to the Bank of England base rate, and the consequent increase in the interest returns available on the investment of surplus cash balances, since the preparation of the income budget estimate in January 2023. Estimates for future years will be updated when the Investment Strategy for 2024 – 2034 is finalised in January 2024.	0	0
Covid-19 Impacts central expenditure provision	450	160	(290)	Release of provision to mitigate the relevant adverse variances forecast at Quarter One, as highlighted below in this table, as well as the release of those provision amounts not required, as detailed in table 6 of this report. The remaining provision relates to car parking income from pay as you go users and the sale of car park season tickets. The forecast for these income streams will be reviewed again at Quarter 2 when more sales data will be available and the outlook for 2023/24 better known.	0	0
Staffing Cost Budgets - Staff Pay Award 2023/24	630	888	+258	The estimated additional cost of the pay award for 2023/24 is based on the agreed chief officer pay award of 3.5% and the proposed employer offer of an increase of £1,925 to every pay point below £49,950, with an increase of 3.88% for all other pay points covered by the Green Book pay and conditions. The assumption in the original budget for 2023/24 was a pay offer of 4% across all grades. While the employer offer has been rejected by the Trade Unions, it is highly unlikely that any further changes to the proposed award will reduce the cost to the Council. The final cost could be higher, but the employers have firmly stated that the offer on the table is a final offer.	0	258
Careline Clients with Complex Needs Equipment Installation and Maintenance Spend	52	0	(52)	The installation and maintenance of equipment service for clients with complex needs was brought in-house during the middle of the last financial year and has since been delivered by the Careline Caretech team. An ongoing annual saving of £51k against the previous contract spend budget of £103k was captured as an efficiency proposal in the preparation of the budget estimates for 2023/24. As no related cost pressures have materialised since the transition to the in-house service, the budget remaining is forecast to be unspent in this year and not required going forward.	0	(52)

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2024/25 £k
Expenditure on Business Rates Consultants	0	50	+50	Consultants have been appointed to review the Council's business rates tax base and identify where businesses may have been missed or where circumstances have changed that would result in increased business rates income. The cost to the Council will be 10% of the increase in rateable value resulting directly from the consultants' findings. As such, while there is a cost to the General Fund from undertaking the review, the corresponding financial benefit to the Council will be realised through increased business rates income charged to the Collection Fund.	0	0
Councillor Allowances Expenditure	343	361	+18	The Members Allowance Scheme for 2023/24 was approved by Council in January and was effective from 1st April. The slightly lower cost impact in the current year, compared to the estimated ongoing impact, reflects the vacant Councillor posts prior to the May 2023 election.	0	21
Democratic Services Consultants Spend	10	0	(10)	This budget was carried forward for potential further work relating to the boundary review by the Local Government Boundary Commission for England. The Commission have since concluded their Review and have published the new ward boundaries, so no further work was required. The Council will however need to commence a Community Governance Review after the May 2024 elections and therefore a carry forward of the unspent budget is requested to contribute to the cost of this Review in the next financial year.	10	0
Leisure Centre Management Contract Fee Income	(599)	(533)	+66	<p>Considering the continuing recovery in Leisure following the Covid-19 pandemic and the prevailing steep increases in the general cost of living for users of the facilities, the annual indexation of the leisure contract for 23/24 was agreed at 4% (the management fee is linked to price increases for customers). The budget assumption was an increase of 12.6%, which was the RPI inflation measure as of September 2022, in accordance with the terms of the leisure contracts.</p> <p>A shortfall in Leisure Centre management fee income was identified as an ongoing impact of Covid-19 in 2023/24. The forecast variance is mitigated by the release of a corresponding amount from the central Covid-19 impacts provision.</p>	0	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2024/25 £k
Leisure Contract Procurement – Consultants Expenditure	42	76	+34	The new leisure contract requires a lease agreement to be in place between the operator and the Council for each of the leisure facilities. Due to limited Legal officer capacity internally, legal consultants have been appointed to support the Council with this work, resulting in a forecast overspend.	0	0
Waste & Recycling and Street Cleansing Contract Expenditure	6,589	6,212	(377)	Underspend variance follows the calculation of the contract inflation for 2023/24. The budget for 23/24 assumed a contract inflation of 10%, based on the respective contractual indices at that time. Mainly due to subsequent decreases in the fuel price index, the final calculation has resulted in an increase to contract prices of 3.5%. The outcome of the procurement of a new waste contract, which is currently in progress, will determine the annual resource required ongoing.	0	0
Waste Awareness and Minimisation – AFM Income from Herts County Council	(395)	(278)	+117	<p>The AFM income value is impacted by recycling performance across the County. The receipt of £278k this year compares to £125k received last year, with a relative reduction in overall waste tonnages helping to increase the total allocation made available by Herts County Council. The shortfall is due to the generally greater levels of waste generated across Hertfordshire since the onset of the Covid-19 pandemic, which have increased the overall costs of disposal incurred by HCC and therefore reduced the total AFM amount shared with collection authorities. In addition, while North Herts has maintained a similar level of recycling performance for several years, other Councils have made more recent service changes to improve their recycling performance, which has contributed to reducing the North Herts share of the total allocation.</p> <p>AFM payments will cease from 2024/25 onwards and this is already reflected in the ongoing budget.</p> <p>Reduction in AFM income was identified as an ongoing impact of Covid-19 in 2023/24. The forecast variance is offset by the release of a corresponding amount from the central Covid-19 impacts provision.</p>	0	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2024/25 £k
Baldock Fire Recovery	0	2	+2	The Council has a duty under the Civil Contingencies Act to support the recovery from the Baldock Industrial Estate fire. To date, irrecoverable costs have related to a structural survey and air quality monitoring. These costs have been shared with Herts County Council. The expectation is that other costs should be met by other parties, but there is a risk that there will be costs that fall on us.	0	0
Total of explained variances	5,520	4,336	(1,184)		10	227
Other minor balances	13,478	13,543	+65		0	33
Overall Total	18,998	17,879	(1,119)		10	260

8.2. Cabinet are asked to approve the differences highlighted in the table above (a £1.119m decrease in spend), as an adjustment to the working budget (recommendation 2.2). Cabinet are also asked to note the estimated impact on the 2023/24 budget, a £270k increase in budget that includes the request to carry forward £10k of unspent budget for a specific project next year, which will be incorporated in to the 2023/24 budget setting process (recommendation 2.3).

8.3. The original approved budget for 2023/24 (and therefore working budget) included efficiencies totalling £1.521million, which were agreed by Council in February 2023. 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 overachievement of £1.044million. This comprises:

- Forecast interest income from investment of surplus cash balances being greater than identified in the efficiency proposal, which was based on the Investment Strategy 2023 - 2033, as highlighted and explained in table three above. £1million overachievement.
- The saving from bringing the Careline equipment maintenance for clients with complex needs in-house, as itemised in table three above. £52k overachievement.
- The additional six months of rental income from a full year of letting Harkness Court will not be achieved, with the property now expected to be marketed in autumn this year. £8k underachievement.

8.4. The working budget for 2023/24 includes budgets totalling £1.107million 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 2022/23 but was delayed into 2023/24. At Quarter One, it is forecast that £10k of the budget carried forward will not be spent in this year. This relates to the budget carried forward for consultant costs in respect of the district ward boundary proposals, as noted in table 3.

8.5. Six corporate 'financial health' indicators have been identified in relation to key sources of income for the Council in 2023/24. 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, one indicator is amber, and one of the indicators is red. Explanation for the red indicator in respect of Leisure is included in table 3 above and, as shown in table 6, the forecast shortfall is within the corresponding provision amount included in the budget to recognise that a variance in this income stream was more likely due to the ongoing recovery following the Covid-19 pandemic. The amber indicator for income from car parking fees reflects that income recorded in the First Quarter was lower than anticipated in the budget. A higher level of activity in the remainder of the year may mean that the budgeted expectation is ultimately met, but there is a risk that the budget will not be achieved.

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	(599)	(200)	(533)	66
Garden Waste Collection Service Subscriptions	Green	(1,140)	(608)	(1,140)	0
Commercial Refuse & Recycling Service Income	Green	(1,269)	(407)	(1,269)	0
Planning Application Fees (including fees for pre-application advice)	Green	(1,008)	(765)	(1,008)	0
Car Parking Fees	Amber	(2,026)	(421)	(2,026)	0
Parking Penalty Charge Notices (PCNs)	Green	(573)	(205)	(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 2023/24	Performance Q1 2022/23	Percentage Movement	Direction of Trend
Leisure Centres Management Fee	Number of Leisure Centre visits in quarter	391,666	312,679	+25.3%	
Garden Waste Collection Service	Number of bin subscriptions at end of quarter	TBC	30,392	TBC	TBC
Commercial Refuse & Recycling Service	Number of customers at end of quarter	923	965	-4.4%	
Car Parking Fees	Car park tickets sold / average ticket price sold during quarter	278,064 / £1.66	269,341 / £1.61	+3.2% / +3.1%	
Parking Penalty Charge Notices	Number of PCNs issued during quarter	3,789	3,121	+21.4%	

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 2022 of the amount of New Homes Bonus, Lower Tier Services Grant and Services Grant it could expect to receive in 2022/23 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 will receive in this year its share of the Council Tax and Business Rates Collection Fund surpluses for the prior year, as estimated in January 2022. As reported previously, this means contributions to the General Fund of £138k from the Council Tax Collection Fund and £452k from the Business Rates Collection Fund. While the Council Tax surplus amount of £138k 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. The final totals recorded at the end of the last financial year (excluding the third instalment of the 20/21 deficit spread to be repaid in 2023/24) was a surplus of £116k in respect of Council Tax and a business rates surplus of £1.729m. The difference between the January estimates and the final position will affect the calculation of the surplus / deficit for 2023/24 and hence funding available in 2024/25.
- 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. The current forecast for 2023/24 is a business rates levy liability of around £1million at the end of the financial year. The final amount payable however will depend on the actual level of business rates income collected during the year. In any case, the business rates levy payable for 2023/24 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. 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 £4.617m for reliefs in 2023/24, which includes an amount of £482k 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 £2million will be used to top up the business rates income charged to the General Fund in 2023/24 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 £1.144million from the reserve to the General Fund in 2023/24 to bridge the funding gap anticipated when the budget was set, as explained originally in the MTFS 2023-2033.
- 8.12. The Council does not expect to receive non-ringfenced emergency grant funding from government in 2023/24 to help mitigate the ongoing financial impacts of the Covid-19 pandemic. As detailed in the 2023/24 Revenue Budget Report presented to Full Council in February, a central provision of £450k was included in the budget for 2023/24. As explained in table 3, £290k of the allocation has been released based on the forecasts detailed at Quarter one, with the remaining £160k of the provision in respect of car parking income streams not yet allocated. As shown in table 6 below, forecast adverse variances reported at quarter one totalling £158k in 2023/24 have been mitigated by the central provision, with a further £132k of the budget provision forecast to be unused and therefore can be released to the General Fund.

Table 6 – Ongoing Covid-19 Impacts in 2023/24

Identified Ongoing Financial Impacts from Covid-19	Original Budget Provision	Forecast variance at Q1	Provision applied at Q1	(Shortfall in original provision) / provision amount unused
	£k	£k	£k	£k
Leisure Centre management fee income	80	+41	41	39
AFM income	210	+117	117	93
Total at Q1	290	158	158	132
Pay as you use car parking income	100			
Car park season tickets income	60			
TOTAL	450			

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 2023)	(11,990)	(11,990)	-
Net Expenditure	18,998	17,879	(1,119)
Funding (Council Tax, Business Rates, NHB, Services Grant)	(17,394)	(17,394)	0
Funding from Reserves (including Business Rate Relief Grant)	(1,144)	(1,144)	0
Carried Forward balance (31st March 2024)	(11,530)	(12,649)	(1,119)

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 £1,215k, and at the end of the first quarter a total of £34k has come to fruition. The identified risk realised in the first quarter relates to

- Legal team resources. Additional external expertise for assistance with the Leisure contract procurement (as highlighted in table 3 above) - £34k.

Table 8 – Known financial risks

	£'000
Original allowance for known financial risks	1,215
Known financial risks realised in Quarter 1	(34)
Remaining allowance for known financial risks	1,181

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, 5.6.8 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. 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.

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CABINET
19 September 2023

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: FIRST QUARTER INVESTMENT STRATEGY (CAPITAL AND TREASURY) REVIEW 2023/24

REPORT OF: SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: FINANCE AND I.T.

COUNCIL PRIORITY: SUSTAINABILITY

1 EXECUTIVE SUMMARY

- 1.1 To update Cabinet on progress with delivering the capital and treasury strategy for 2023/24, as at the end of June 2023.
- 1.2 To update Cabinet on the impact upon the approved capital programme for 2023/24 – 2032/33. The current estimate is a decrease in spend in 2023/24 of £0.853M and an increase in spend in 2024/25 of £0.686M and £0.585M in the following years of the capital programme. The most significant individual changes to the spend in 2023/24 relate to an increase of £0.385M funding for addition social housing and decreases of £0.385M Property Improvements, £0.315M Grounds Maintenance Vehicles & Machinery and £0.300M Walsworth Common Pavilion which have been reprofiled into 2024/25 and beyond.
- 1.3 To inform Cabinet of the Treasury Management activities in the first three months of 2023/24. The current forecast is that the amount of investment interest expected to be generated during the year is £2.602M. This is an increase of £1.0M on the original estimate.

2 RECOMMENDATIONS

- 2.1 That Cabinet notes the forecast expenditure of £10.438M in 2023/24 on the capital programme, paragraph 8.3 refers.
- 2.2 That Cabinet approves the adjustments to the capital programme for 2023/24 onwards, as a result of the revised timetable of schemes detailed in table 2 and 3, increasing the overall estimated spend in 2024/25 and beyond by £1.271M.
- 2.3 That Cabinet notes the position of the availability of capital resources, as detailed in table 4 paragraph 8.6 and the requirement to keep the capital programme under review for affordability.
- 2.4 Cabinet is asked to note the position of Treasury Management activity as at the end of June 2023.

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 18th August 2023.

7. BACKGROUND

- 7.1 In February 2023, Council approved the Integrated Capital and Treasury Strategy for 2023/24 to 2032/33. To be consistent with the strategy, the monitoring reports for Capital and Treasury are also integrated.
- 7.2 The Medium Term Financial Strategy for 2023 to 2028 confirmed that the Council will seek opportunities to utilise capital funding (including set aside receipts) for 'invest to save' schemes and proposals that generate higher rates of return than standard treasury investments. This is one way the Council will allocate resources to support organisational transformation that will reduce revenue expenditure.

7.3 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 £125.0M 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. The main changes will be sales of surplus land for capital receipts as referenced in table 4.

Capital Programme 2023/24

8.2 The full capital programme is detailed in Appendix A and shows the revised costs to date, together with the expected spend from 2023/24 to 2032/33 and the funding source for each capital scheme.

8.3 Capital expenditure for 2023/24 is estimated to be **£10.438M**. This is a decrease of **£0.853M** on the forecast in the 2022/23 Investment Strategy (Capital and Treasury) End of Year Review report (presented to Cabinet on 27th June 2023). The decrease in spend in 2023/24 is largely due to the reprofiling of projects into 2024/25 and beyond. Table 1 below details changes to capital programme.

Table 1- Current Capital Estimates

	2023/24 £M	2024/25 £M	2025/26 to 2032/33 £M
Original Estimates approved by Full Council February 2023	8.516	7.427	15.624
Changes approved by Cabinet in 3rd Qrt 2022/23	1.554	0	0
Changes approved by Cabinet in 2022/23 Capital Outturn report	1.221	0	0
Revised Capital estimates at start of 2022/23	11.291	7.427	15.624
Changes at Q1	-0.853	0.686	0.585
Current Capital Estimates	10.438	8.113	16.209

- 8.4 Table 2 lists the schemes in the 2023/24 Capital Programme that will now start or continue in 2024/25 and onwards:

Table 2: Scheme Timetable Revision:

(Key: - = reduction in capital expenditure, + = increase in capital expenditure)

Scheme	2023/24 Working Budget £'000	2023/24 Forecast £'000	Difference £'000	Reason for Difference	Estimated impact on 2024/25 onwards £'000
Property Improvements	485	100	-385	Some works identified by previous surveys as being required in the future have found not to be necessary by our Building Surveyor and a variety of works that were previously funded from this capital budget do not meet the criteria to be capitalised and consequently are funded through the revenue budget. In addition a number of premises are in a state of flux awaiting longer term strategic decisions from Estates on their future. Our Building Surveyor plans to complete an estimated £100K of re-roofing works during this financial year.	385
Grounds Maintenance Vehicles & Machinery	315	0	-315	IFRS16 accounting standard requires operating leases for all material assets with a duration of more than one year to be recorded on the Council's Balance Sheet. Implementation has however been deferred to 24/25	315
Leased Vehicles	141	0	-141		141
Walsworth Common Pavilion	300	0	-300	As the development of the pavilion is in part due to be funded from S106 contributions associated with Highover Farm, this project has been delayed pending commencement of the Highover Farm development.	300
Lairage Stairwells Windows/Doors	75	0	-75	Due to more pressing projects our Building Surveyor will not been able to deliver this project during this financial year.	75

Scheme	2023/24 Working Budget £'000	2023/24 Forecast £'000	Difference £'000	Reason for Difference	Estimated impact on 2024/25 onwards £'000
Bancroft Lighting	45	0	-45	Due to the renovation of the play area and introduction of the kiosk at Bancroft Recreation Ground it was felt prudent to wait until these projects are complete and to allow time to identify the key areas of activity to inform the position of the lighting in the future.	45
Other minor changes			-10		10
Total Revision to Budget Profile			-1,271		1,271

8.5 There are also changes to the overall costs of schemes in 2023/24. These changes total a net increase of £0.418million and are detailed in Table 3

Table 3: Changes to Capital Schemes Commencing in 2023/24:

(Key: - = reduction in capital expenditure, + = increase in capital expenditure)

Scheme	2023/24 Working Budget £'000	2023/24 Forecast Spend £'000	Difference £'000	Comments
S106 Projects	0	31	+31	To date a total of £31K of S106 funds have been released for community schemes.
S016 Funding for additional social housing	0	385	+385	This is using commuted sums held/ received in lieu of affordable housing provision that could not be delivered on site by the developer. This contribution will enable the delivery of a 100% affordable housing scheme (on the Foundation House site in Letchworth) including 34 additional affordable homes on top of the 23 homes to meet the council's policy requirements. The scheme (and therefore this allocation) will also be dependent on Homes England grant funding.
North Herts Leisure Centre Soft Play	86	113	+27	Increased construction costs due to additional lighting and fire alarm alterations, soft play signage and internal branding. The overall variance is against a total budget for this scheme of £288k.

Scheme	2023/24 Working Budget £'000	2023/24 Forecast Spend £'000	Difference £'000	Comments
Back up Diesel 40 KVA Generator	25	0	-25	Following further consultation with the Landlord for Unit 3, we were unable to obtain permission to locate a diesel generator to serve the premises. We have a UPS Battery back-up system currently in place and are looking at green alternatives that fit within the acceptable conditions defined by the Landlord.
Solar PV and Solar Thermal projects at Leisure Centres	788	788	0	A bid is being developed for the Public Sector Decarbonisation Fund (PSDF). The bid will be supported by consultants, which are being fully funded from a separate grant fund. Subject to advice from the consultants we will include any relevant solar projects, as well as any other viable decarbonisation schemes. Match funding will be required, and some of this budget may be put forward to form that match funding. Overall, if we can achieve a successful PSDF bid then we will be able to achieve more decarbonisation projects with the same (or less) use of Council funding. The precise changes to the capital programme will be detailed in a future report.
Other minor changes			0	
Total revision to scheme spend			+418	

8.6 Table 4 below shows how the Council will fund the 2023/24 capital programme.

Table 4: Funding the Capital Programme:

	2023/24 Balance at start of year £M	2023/24 Forecast Additions £M	2023/24 Forecast Funding Used £M	2023/24 Balance at end of year £M
Useable Capital Receipts and Set-aside Receipts	5.552	9.579	(8.070)	7.061
S106 receipts			(0.786)	
Other third party grants and contributions			(1.582)	
IT Reserve / Revenue			0	
Planned Borrowing			0	
Total			(10.438)	

- 8.7 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.
- 8.8 The Council's Capital Financing Requirement (CFR) at 31st March 2023 was negative £2.72M. Based on current forecasts it will remain negative during 2023/24.

Treasury Management 2023/24

- 8.9 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 2023/24, the Council had an average investment balance of £53.4M 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.
- 8.10 The Council generated £0.595M of interest during the first three months of 2023/24. The average interest rate on all outstanding investments at the 30th June was 4.47%. (31st March it was 4.19%). Interest rates have continued to rise and are expected to increase further during the year. 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 £2.602M of interest over the whole of 2023/24.
- 8.11 As at 30th June 2023, the split of investments was as shown in the table below.

Banks	36%
Building Societies	12%
Government	16%
Local Authorities	36%

- 8.12 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 2023. The most risky investment has a historic risk of default of 0.034%. 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 31 Dec	Historic Risk of Default %
DMO (Government)	2.0	4.88	AA-	19	0.001
Nat West	2.0	4.15	A+	20	0.002
North Lanarkshire Council	2.0	3.99	AA-	31	0.002
Sterling Council	1.0	3.95	AA-	31	0.002
Leeds Building Society	3.0	4.00	A-	38	0.005
Worthing Borough Council	5.0	3.9	AA-	48	0.003
DMO (Government)	3.0	4.765	AA-	52	0.003
Lloyds	1.0	4.55	A+	56	0.007
Dorset Council	2.0	4.5	AA-	68	0.004
Lloyds	1.0	4.28	A+	77	0.010
London Borough of Newham	2.0	3.4	AA-	77	0.005
DMO (Government)	2.0	4.77	AA-	80	0.005
Blackpool Council	2.0	5.0	AA-	84	0.005
DMO (Government)	1.0	4.75	AA-	110	0.007
Yorkshire Building Society	2.0	4.33	A-	111	0.014
Yorkshire Building Society	1.0	4.6	A-	137	0.017
Santander UK	2.0	4.46	A	139	0.017
Nat West	2.0	4.4	A+	143	0.018
Folkestone & Hythe District Council	2.0	4.4	AA-	153	0.009
Santander UK	1.0	4.74	A	164	0.020
Nat West	1.0	4.42	A+	168	0.020
Australia & New Zealand Bank	1.0	4.58	A+	171	0.021
Oxford City Council	2.0	4.65	AA-	171	0.011
Santander UK	1.0	5.13	A	174	0.022
Lloyds	1.0	4.84	A+	237	0.029
Australia & New Zealand Bank	2.0	5.02	A+	262	0.032
Australia & New Zealand Bank	2.0	4.4	A+	264	0.033
Lloyds	1.0	4.4	A+	271	0.034
	50.0	4.47			

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 £3.8M higher than the budgeted £34.8M. Indeed the current high inflation rates may make this situation worse than the tolerance limit of around 10%, particularly with the specific inflationary pressures on construction costs.

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 £50k 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 2023 was negative £2.72M.

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 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 Board (if applicable). The key risks arising from the project may be recorded on Pentana (the Council’s Performance & Risk management software).

11.2 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.

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 2023/24 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 2023/24 onwards.
16.2 Appendix B, Treasury Management Update.

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18. BACKGROUND PAPERS

- 18.1 Investment Strategy (Integrated Capital and Treasury Strategy)
<https://srvmodgov01.north-herts.gov.uk/documents/s21271/INVESTMENT%20STRATEGY%20INTEGRATED%20CAPITAL%20AND%20TREASURY.pdf>

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		2023/24 to 2028/29						Funding				
Project	Service Directorate	2023/24 Funding £	2024/25 Funding £	2025/26 Funding £	2026/27 Funding £	2027/28 Funding £	2028/29 - 2032/33 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
Howard Park Letchworth Path Resurfacing	Place	10,000	10,000	0	10,000	10,000	0	0	0	0	0	40,000
Icknield Way Cemetery Letchworth Road and Path Resurfacing	Place	100,000	0	0	0	0	0	0	0	0	0	100,000
Infrastructure Hardware	Customers	28,000	314,000	0	18,000	18,000	190,000	0	0	0	0	568,000
Installation of trial on-street charging (GAF)	Regulatory	50,000	0	0	0	0	0	0	50,000	0	0	0
Ivel Springs Footpaths	Place	10,000	0	0	0	0	0	0	0	0	0	10,000
John Barker Place, Hitchin	Regulatory	1,096,000	0	0	0	0	0	0	0	270,400	0	825,600
Lairage Multi-Storey Car Par - Structural wall repairs	Resources	113,900	0	0	0	0	0	0	0	0	0	113,900
Laptops - Refresh Programme	Customers	43,700	40,000	319,000	49,000	35,000	483,000	0	0	0	0	969,700
Leased Cars	Resources	0	141,000	0	0	0	0	0	0	0	0	141,000
Leisure Condition Survey Enhancements	Place	58,800	0	0	0	0	0	0	0	0	0	58,800
Letchworth Multi-storey Car Park - parapet walls, soffit & decoration	Resources	129,000	0	0	0	0	0	0	0	0	0	129,000
Local Authority Housing Fund	Resources	543,000	0	0	0	0	0	0	543,000	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	30,000	0	0	30,000	0	60,000	0	0	0	0	120,000
Microsoft Enterprise Software Assurance	Customers	0	0	679,000	0	0	1,494,000	0	0	0	0	2,173,000
Mrs Howard Hall Replacement Boiler & Windows	Resources	63,000	0	0	0	0	0	0	0	0	0	63,000
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	100,000	0	0	0	0	0	0	0	100,000	0	0
NH Museum & Community Facility	Enterprise	48,300	0	0	0	0	0	48,300	0	0	0	0
NHLC Boiler Replacement	Place	0	200,000	0	0	0	0	0	0	0	0	200,000
NHLC Gym toilets and accessible toilet refurbishment	Place	40,000	0	0	0	0	0	0	0	0	0	40,000
NHLC Interactive Water Feature	Place	0	0	0	0	120,000	0	0	0	0	0	120,000
NHLC Pool Flume Replacement	Place	0	0	0	0	0	150,000	0	0	0	0	150,000
NHLC reconfiguration of reception area	Place	30,000	0	0	0	0	0	0	0	0	0	30,000
NHLC Soft Play	Place	112,500	0	0	0	0	0	0	0	0	0	112,500
Northern Transfer Station	Place	0	3,000,000	3,000,000	0	0	0	0	0	0	0	6,000,000
Norton Common Footpaths	Place	0	10,000	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	209,400	0	0	0	0	0	0	0	0	0	209,400
Oughtonhead Common Footpaths	Place	20,000	0	0	0	0	0	0	0	0	0	20,000
Oughtonhead Common Hitchin Weir	Place	400,000	0	0	0	0	0	0	0	0	0	400,000
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	150,000	150,000	0	0	0	0	0	0	0	0	300,000
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	16,300	13,000	7,000	8,000	5,000	21,000	0	0	0	0	70,300
Playground Renovation District Wide	Place	262,500	180,000	180,000	180,000	180,000	900,000	0	0	0	0	1,882,500
Private Sector Grants	Regulatory	148,100	60,000	60,000	60,000	60,000	180,000	0	0	0	0	568,100
Provide housing at market rents.	Enterprise	2,500	0	0	0	0	0	0	0	0	0	2,500
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	93,800	0	0	0	0	0	0	0	0	0	93,800

Project	Service Directorate							Funding				
		2023/24 Funding £	2024/25 Funding £	2025/26 Funding £	2026/27 Funding £	2027/28 Funding £	2028/29 - 2032/33 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
Refuse and Recycling Bins	Place	135,000	90,000	90,000	90,000	90,000	360,000	0	0	0	0	855,000
Remote testing equipment - Emergency Lights and Water Temperature Monitoring	Resources	0	13,000	0	0	0	0	0	0	0	0	13,000
Renovate play area Howard Park, Letchworth	Place	4,600	0	0	0	0	0	0	0	0	0	4,600
Renovate skate park at KGV Hitchin	Place	250,000	0	0	0	0	0	0	0	0	0	250,000
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	0	150,000	0	0	0	0	0	0	0	0	150,000
RLC swim showers and change village toilet refurbishment	Place	75,000	0	0	0	0	0	0	0	0	0	75,000
Royston Leisure Centre Boiler Replacement	Place	0	0	0	0	100,000	0	0	0	0	0	100,000
Royston Leisure Centre Dry Side Toilet Refurbishment	Place	0	0	30,000	0	0	0	0	0	0	0	30,000
Royston Leisure Centre extension	Place	0	0	1,000,000	0	0	0	0	0	168,000	0	832,000
Royston Leisure Centre Fitness Equipment Replacement	Place	0	0	0	150,000	0	0	0	0	0	0	150,000
Royston Leisure Centre Fitness Facility Refurbishment	Place	0	0	0	50,000	0	0	0	0	0	0	50,000
Royston Leisure Centre Members Changing Refurbishment	Place	0	150,000	0	0	0	0	0	0	0	0	150,000
Royston Leisure Centre Solar Thermal Installation	Place	67,400	0	0	0	0	0	0	0	0	0	67,400
S106 Projects	Various	31,000	0	0	0	0	0	0	0	31,000	0	0
S016 Funding for additional social housing	Regulatory	385,000	0	0	0	0	0	0	0	385,000	0	0
Security - Firewalls	Customers	7,600	16,000	0	18,000	0	18,000	0	0	0	0	59,600
Shared Prosperity Fund Community and Place Intervention: Community Engagement Schemes	Enterprise	0	163,000	0	0	0	0	0	163,000	0	0	0
Shared Prosperity Fund Community and Place Intervention: Creation of and improvements to local green spaces	Enterprise	20,000	100,000	0	0	0	0	0	120,000	0	0	0
Shared Prosperity Fund Community and Place Intervention: Local sports facilities, tournaments, teams and leagues	Resources	100,000	100,000	0	0	0	0	0	200,000	0	0	0
Shared Prosperity Fund Community and Place Interventions	Resources	60,000	0	0	0	0	0	0	60,000	0	0	0
Solar PV installation at Hitchin Swim Centre	Place	142,000	0	0	0	0	0	0	0	0	0	142,000
Solar PV installation at North Herts Leisure Centre	Place	338,000	0	0	0	0	0	0	0	0	0	338,000
Solar PV installation at Royston Leisure Centre	Place	241,000	0	0	0	0	0	0	0	0	0	241,000
St Johns Cemetery Footpath	Place	0	40,000	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	26,700	10,000	10,000	10,000	4,000	16,000	0	0	0	0	76,700
Telephony system	Customers	3,200	0	0	0	0	0	0	0	0	0	3,200
Thomas Bellamy House, Hitchin	Enterprise	64,300	0	0	0	0	0	0	0	0	0	64,300
Transport Plans implementation (GAF)	Regulatory	250,000	0	0	0	0	0	0	250,000	0	0	0

								Funding				
Project	Service Directorate	2023/24 Funding £	2024/25 Funding £	2025/26 Funding £	2026/27 Funding £	2027/28 Funding £	2028/29 - 2032/33 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
Walsworth Common Pavilion - contribution to scheme	Place	0	0	300,000	0	0	0	250,000	0	37,000	0	13,000
Waste and Street Cleansing Vehicles	Place	0	0	4,000,000	0	0	0	0	0	0	3,200,000	800,000
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	0	40,000	0	0	0	0	0	0	0	40,000
Wilbury Hills Cemetery Footpaths	Place	15,300	10,000	0	30,000	0	0	0	0	0	0	55,300
		10,437,600	8,113,000	10,184,000	1,411,000	707,000	3,907,000	303,400	1,891,000	991,400	3,200,200	28,373,600

Treasury Management Update

Quarterly report
30th June 2023

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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Contents

Treasury Management Update	3
Quarter Ended 30th June 2023.....	3
1. Economics update	3
2. Interest rate forecasts.....	5
3. Annual Investment Strategy.....	9
4. Borrowing	13
5. Debt rescheduling.....	155
6. Compliance with Treasury and Prudential Limits	155
APPENDIX 1: Prudential and Treasury Indicators for 2023-24 as of 30th June 2023	16

Treasury Management Update

Quarter Ended 30th June 2023

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 2023/24 saw:
 - A 0.2% m/m rise in real GDP in April, partly due to fewer strikes;
 - CPI inflation falling from 10.1% to 8.7% in April, before remaining at 8.7% in May. This was the highest reading in the G7;
 - Core CPI inflation rise in both April and May, reaching a new 31-year high of 7.1%;
 - A tighter labour market in April, as the 3myy growth of average earnings rose from 6.1% to 6.5%;
 - Interest rates rise by a further 75bps over the quarter, taking Bank Rate from 4.25% to 5.00%;
 - 10-year gilt yields nearing the “mini-Budget” peaks, as inflation surprised to the upside.
- The economy has weathered the drag from higher inflation better than was widely expected. The 0.2% m/m rise in real GDP in April, following March’s 0.3% m/m contraction will further raise hopes that the economy will escape a recession this year. Some of the strength in April was due to fewer strikes by train workers and teachers in that month. Moreover, some of the falls in activity in other areas in April were probably temporary too. Strikes by junior doctors and civil servants contributed to the fall in health output (0.9% m/m) and the meagre 0.1% m/m increase in public administration.
- The fall in the composite Purchasing Managers Index (PMI) from 54.0 in May to a three-month low of 52.8 in June (>50 points to expansion in the economy, <50 points to contraction) was worse than the consensus forecast of 53.6. Both the services and manufacturing PMIs fell. The decline in the services PMI was bigger (from 55.2 to 53.7), but it remains consistent with services activity expanding by an annualised 2%. The fall in the manufacturing PMI was smaller (from 47.1 to 46.2), but it is consistent with the annual rate of manufacturing output falling from -0.8% in April to around -5.0%. At face value, the composite PMI points to the 0.1% q/q rise in GDP in Q1 2023 being followed by a 0.2% q/q gain in Q2 2023.
- Meanwhile, the 0.3% m/m rise in retail sales volumes in May was far better than the consensus forecast of a 0.2% m/m decline and followed the robust 0.5% m/m rise in April. Some of the rise was due to the warmer weather. Indeed, the largest move was a 2.7% m/m jump in non-store sales, due to people stocking up on outdoor-related goods. But department stores also managed to squeeze out a 0.6% m/m rise in sales and the household goods sub-sector enjoyed a reasonable performance too. Overall, the figures were far better than analysts had expected. In addition, the GfK measure of consumer confidence rebounded from -27 to a 17-month high of -24 in June.
- The recent resilience of the economy has been due to a confluence of factors including the continued rebound in activity after the pandemic, households spending some of their pandemic savings, and the tight labour market and government handouts both supporting household incomes. That said, as government support fades, real household incomes are unlikely to grow rapidly. Furthermore, higher interest rates will mean GDP is likely to contract later this year. Our central assumption is that inflation will drop to the 2.0% target only if the Bank triggers a recession by raising rates from 5.00% now to at least 5.5% and keeps rates there until at least mid-2024. Our colleagues at Capital Economics estimate that around 60% of the drag on real activity from the rise in rates has yet to bite, and the drag on the quarterly rate of real GDP growth over the next year may be about 0.2ppts bigger than over the past year.
- The labour market became tighter over the quarter and wage growth reaccelerated. Labour demand was stronger than the consensus had expected. The three-month change in employment rose from +182,000 in March to +250,000 in April. Meanwhile, labour supply continued to recover as the size of the labour force grew by 303,000 in the three months to April. That was supported by a further 140,000 decline in inactivity as people returned to work from retirement and caring responsibilities (while inactivity due to long-term sick

continued to rise). But it was not enough to offset the big rise in employment, which meant the unemployment rate fell from 3.9% to 3.8%

- The tighter labour market supported wage growth in April, although the 9.7% rise in the National Living Wage on 1st April (compared to the 6.6% increase in April last year) probably had a lot to do with it too. The 3myy rate of average earnings growth reaccelerated from 6.1% to 6.5% (consensus 6.1%) and UK wage growth remains much faster than in the US and the Euro-zone. In addition, regular private sector wage growth increased from 7.1% 3myy to 7.6%, which left it well above the Bank's forecast for it to fall below 7.0%. Overall, the loosening in the labour market appears to have stalled in April and regular private sector wage growth was well above the Bank's forecast.
- CPI inflation stayed at 8.7% in May (consensus 8.4%) and, perhaps more worryingly, core CPI inflation rose again, from 6.8% to a new 31-year high of 7.1%. The rise in core inflation built on the leap from 6.2% in March to 6.8% and means it is accelerating in the UK while it is slowing in the US and the Euro-zone (both fell to 5.3%). A further decline in fuel inflation, from -8.9% to -13.1%, and the second fall in food inflation in as many months, from 19.3% to 18.7%, explained why overall CPI inflation didn't rise. And the scheduled fall in the average annual utility price from £2,500 to £2,074 on 1st July means overall CPI inflation will probably ease in the coming months. But the problem is that the recent surge in core inflation and the reacceleration in wage growth shows that domestic inflationary pressures are still strengthening.
- This suggests the Bank may have more work to do than the Fed or ECB. Indeed, the Bank of England sounded somewhat hawkish in the June meeting. This came through most in the MPC's decision to step up the pace of hiking from the 25bps at the previous two meetings. The 7-2 vote, with only two members voting to leave rates unchanged at 4.50%, revealed support for stepping up the fight against high inflation.
- That said, the Bank has not committed to raising rates again or suggested that 50bps rises are now the norm. What it did say was that "the scale of the recent upside surprises in official estimates of wage growth and services CPI inflation suggested a 0.5 percentage point increase in interest rates was required at this particular meeting". Moreover, the Committee did not strengthen its forward guidance that any further rate hikes would be conditional on the data. However, it looks highly probable, given the on-going strength of inflation and employment data, that the Bank will need to raise rates to at least 5.5% and to keep rates at their peak until the mid-point of 2024. We still think it is only a matter of time before the rise in rates weakens the economy sufficiently to push it into recession. That is why instead of rising to between 6.00%-6.25%, as is currently priced in by markets, we think rates are more likely to peak between 5.50-6.00%. Our forecast is also for rates to be cut in the second half of 2024, and we expect rates to then fall further than markets are pricing in.
- Growing evidence that UK price pressures are becoming increasingly domestically generated has driven up market interest rate expectations and at one point pushed the 10-year gilt yield up to 4.49% in late June, very close to its peak seen after the "mini-budget". Yields have since fallen slightly back to 4.38%. But growing expectations that rates in the UK will remain higher for longer than in the US mean they are still more than 70 bps above US yields. While higher interest rates are priced into the markets, the likely dent to the real economy from the high level of interest rates is not. That's why we think there is scope for market rate expectations to fall back in 2024 and why we expect the 10-year PWLB Certainty Rate to drop back from c5.20% to 5.00% by the end of this year and to 4.20% by the end of 2024.
- The pound strengthened from \$1.24 at the start of April to a one-year high at \$1.26 in early May, which was partly due to the risks from the global banking issues being seen as a bigger problem for the US than the UK. The pound then fell back to \$1.23 at the end of May, before rising again to \$1.28 in the middle of June as the strong core CPI inflation data released in June suggested the Bank of England was going to have to raise rates more than the Fed or ECB in order to tame domestic inflation. However, sterling's strong run may falter because more hikes in the near term to combat high inflation are likely to weaken growth (and, hopefully, at some point inflation too) to such a degree that the policy rate will probably be brought back down, potentially quite quickly, as the economic cycle trends downwards decisively. This suggests that additional rate hikes are unlikely to do much to boost the pound.
- In early April, investors turned more optimistic about global GDP growth, pushing up UK equity prices. But this period of optimism appears to have been short-lived. The FTSE 100 has fallen by 4.8% since 21st April, from around 7,914 to 7,553, reversing part of the 7.9% rise since 17th March. Despite the recent resilience of economic activity, expectations for equity earnings have become a bit more downbeat. Nonetheless, further down the track, more rate cuts than markets anticipate should help the FTSE 100 rally.

MPC meetings 11th May and 22nd June 2023

- On 11th May, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate by 25 basis points to 4.50%, and on 22nd June moved rates up a further 50 basis points to 5.00%. Both increases reflected a split vote – seven members voting for an increase and two for none.
- Nonetheless, with UK inflation significantly higher than in other G7 countries, the MPC will have a difficult task in convincing investors that they will be able to dampen inflation pressures anytime soon. Talk of the Bank's inflation models being "broken" is perhaps another reason why gilt investors are demanding a premium relative to US and Euro-zone bonds, for example.
- Of course, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has already hiked short-term rates to a range of 5.00%-5.25%, but a further increase is pencilled in for July, whilst the ECB looks likely to raise its Deposit rate at least once more to a peak of 3.75%, with upside risk of higher to come.

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.

The latest forecast, made on 26th June, sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, against a backdrop of a stubbornly robust economy and a tight labour market.

You will note that our forecasts have steadily increased during the quarter as the data continued to spring upside surprises, and the Bank of England continued to under-estimate how prevalent inflation is, and how tight the labour market is. The Government has also noted that despite immigration increasing markedly, high levels of ill-health amongst the workforce has led to wage demands remaining strong until such time as there is a loosening in demand for business services.

Our current and previous PWLB rate forecasts below are based on the Certainty Rate.

Link Group Interest Rate View 26.06.23													
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
BANK RATE	5.00	5.50	5.50	5.50	5.25	4.75	4.25	3.75	3.25	2.75	2.75	2.50	2.50
3 month ave earnings	5.30	5.60	5.50	5.30	5.00	4.50	4.00	3.50	3.00	2.70	2.60	2.50	2.50
6 month ave earnings	5.80	5.90	5.70	5.50	5.10	4.60	4.00	3.50	3.00	2.70	2.60	2.60	2.60
12 month ave earnings	6.30	6.20	6.00	5.70	5.30	4.80	4.10	3.60	3.10	2.80	2.70	2.70	2.70
5 yr PWLB	5.50	5.60	5.30	5.10	4.80	4.50	4.20	3.90	3.60	3.40	3.30	3.30	3.20
10 yr PWLB	5.10	5.20	5.00	4.90	4.70	4.40	4.20	3.90	3.70	3.50	3.50	3.50	3.40
25 yr PWLB	5.30	5.40	5.20	5.10	4.90	4.70	4.50	4.20	4.00	3.90	3.80	3.80	3.70
50 yr PWLB	5.00	5.10	5.00	4.90	4.70	4.50	4.30	4.00	3.80	3.60	3.60	3.50	3.50

Link Group Interest Rate View 24.05.23													
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
BANK RATE	4.75	5.00	5.00	4.75	4.50	4.00	3.50	3.25	2.75	2.50	2.50	2.50	2.50
3 month ave earnings	4.80	5.00	5.00	4.80	4.50	4.00	3.50	3.30	2.80	2.50	2.50	2.50	2.50
6 month ave earnings	5.10	5.20	5.10	4.90	4.50	3.90	3.40	3.20	2.90	2.60	2.60	2.60	2.60
12 month ave earnings	5.40	5.40	5.30	5.00	4.50	3.90	3.40	3.20	2.90	2.70	2.70	2.70	2.70
5 yr PWLB	5.00	5.00	5.00	4.80	4.50	4.10	3.70	3.50	3.30	3.20	3.20	3.10	3.10
10 yr PWLB	5.00	5.00	5.00	4.80	4.40	4.10	3.80	3.60	3.50	3.40	3.30	3.30	3.30
25 yr PWLB	5.30	5.30	5.20	5.10	4.80	4.50	4.20	4.00	3.80	3.70	3.60	3.60	3.60
50 yr PWLB	5.10	5.10	5.00	4.90	4.60	4.30	4.00	3.80	3.60	3.50	3.40	3.40	3.40

Link Group Interest Rate View	27.03.23											
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
BANK RATE	4.50	4.50	4.25	4.00	3.50	3.25	3.00	2.75	2.75	2.50	2.50	2.50
3 month ave earnings	4.50	4.50	4.30	4.00	3.50	3.30	3.00	2.80	2.80	2.50	2.50	2.50
6 month ave earnings	4.50	4.40	4.20	3.90	3.40	3.20	2.90	2.80	2.80	2.60	2.60	2.60
12 month ave earnings	4.50	4.40	4.20	3.80	3.30	3.10	2.70	2.70	2.70	2.70	2.70	2.70
5 yr PWLB	4.10	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.20	3.10
10 yr PWLB	4.20	4.20	4.00	3.90	3.80	3.70	3.50	3.50	3.40	3.30	3.30	3.20
25 yr PWLB	4.60	4.50	4.40	4.20	4.10	4.00	3.80	3.70	3.60	3.50	3.50	3.40
50 yr PWLB	4.30	4.20	4.10	3.90	3.80	3.70	3.50	3.50	3.30	3.20	3.20	3.10

- LIBOR and LIBID rates ceased at the end of 2021. In a continuation of previous views, 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.

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- Our central forecast for interest rates was previously updated on 25th May and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened to a degree, especially as it moved to a more aggressive 0.5% hike in June but, with inflation remaining elevated, we anticipate that Bank Rate will need to increase to at least 5.5%, if not higher, to sufficiently slow the UK economy and loosen the labour market.
- Moreover, we also still anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but timing on this will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged. Our current judgment is that rates will have to increase and stay at their peak until the second quarter of 2024 as a minimum.
- In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine and whether there are any further implications for Russia itself following the recent aborted mutiny by the Wagner group.
- On the positive side, consumers are still estimated to be sitting on excess savings left over from the pandemic, which could cushion some of the impact of the above challenges and may be the reason why the economy is performing somewhat better at this stage of the economic cycle than may have been expected. However, most of those excess savings are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

PWLB RATES

- Gilt yield curve movements have shifted upwards, especially at the shorter end of the yield curve since our previous forecast but remain relatively volatile. PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.90% to 5.60%.
- We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the elevated inflation outlook.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is to the downside.

Downside risks to current forecasts for UK gilt yields and PWLB rates include: -

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, the rising gilt yields we have seen of late).
- **The Bank of England** increases Bank Rate too fast and too far over the coming months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Geopolitical risks**, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.
- **A broadening of banking sector fragilities**, which have been successfully addressed in the near-term by central banks and the market generally, but which may require further intervention if short-term interest rates stay elevated for longer than is anticipated.

Upside risks to current forecasts for UK gilt yields and PWLB rates: -

- Despite the recent tightening by 0.5%, the **Bank of England proves too timid** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.
- **The pound weakens** because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Longer-term **US treasury yields** rise strongly if inflation remains more stubborn than the market currently anticipates, pulling gilt yields up higher consequently.
- Projected **gilt issuance, inclusive of natural maturities and QT**, could be too much for the markets to comfortably digest without higher yields compensating.

3. Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2023/24, which includes the Annual Investment Strategy, was approved by the Council on **23/02/23**. 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 seek out value available in periods up to 24 months.

As shown by the interest rate forecasts in section 2, investment rates have improved dramatically during the first quarter of 2023/24 and are expected to improve further as Bank Rate continues to increase over the next few months.

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.

CDS prices

For UK banks, these have retreated from the spikes caused by the Truss / Kwarteng policy approach in September. 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 **£53.4m**. 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).

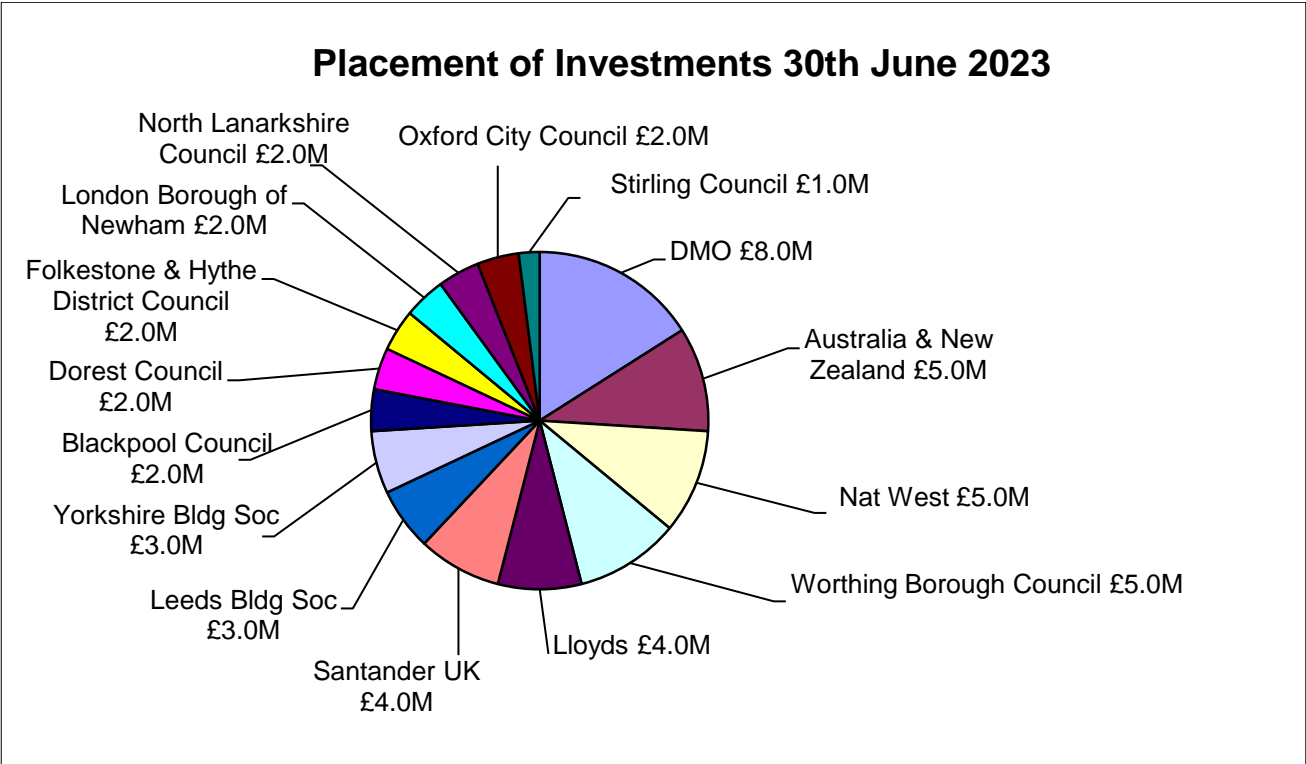
	Amount	Average
	£	Interest Rate %
Managed By NHC		
Banks	18,000,000	4.64
Building Societies	6,000,000	4.21
Local Authorities	18,000,000	4.29
Government	8,000,000	4.77
Total	50, 000,000	4.47

In percentage terms, this equates to:

	Percentage
Government	16
Banks	36
Local Authorities	36
Building Societies	12

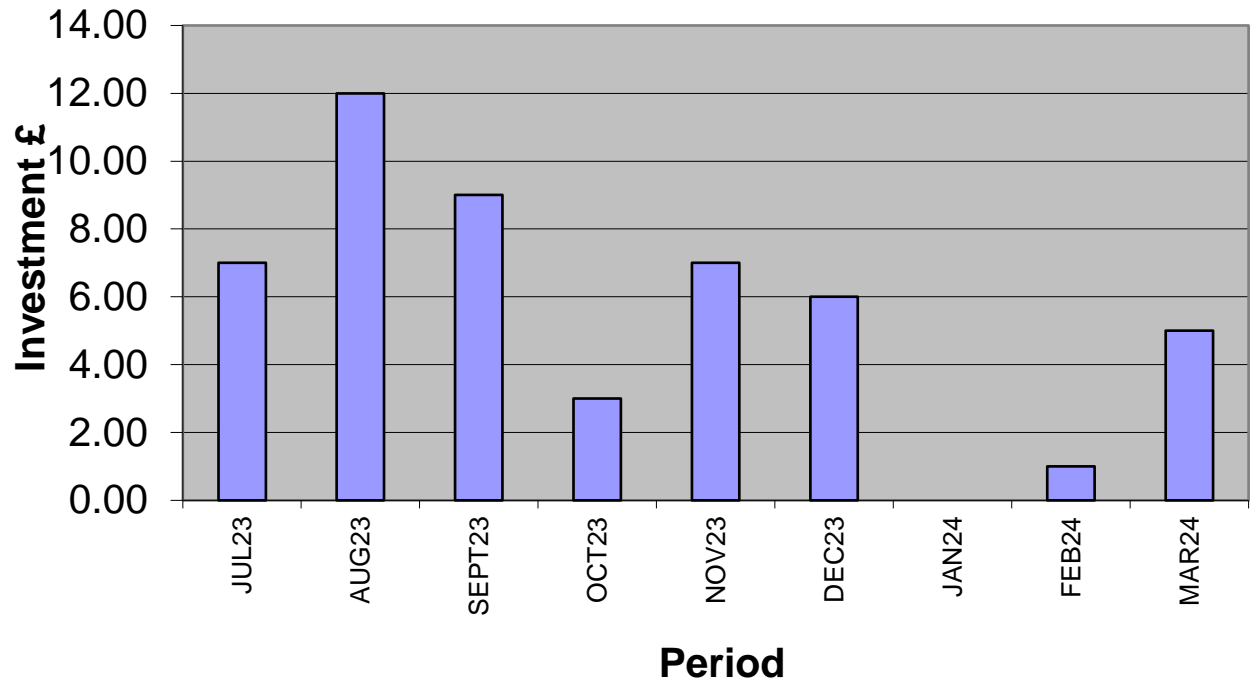
The approved 23/24 strategy is that no more than 60% of investments should be placed with Building Societies and Property Funds with a maximum value of £25M. The value at 30 June was £6.0M.

The pie chart below shows the spread of investment balances as at 30 June 2023. This is a snapshot in time that demonstrates the diversification of investments.

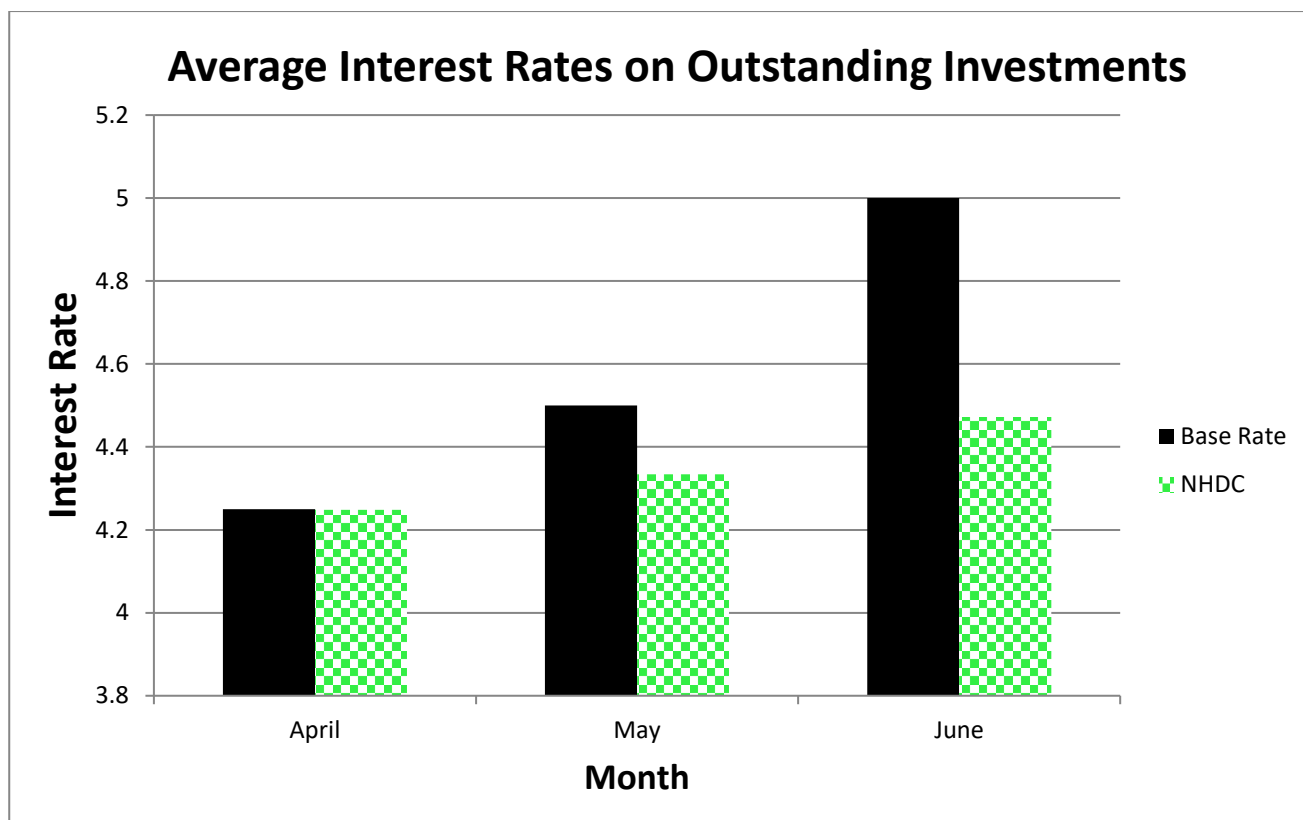


The chart below shows the Council's investment maturity profile.

Investment Maturity 30th June 2023



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 2023.

4. Borrowing

No borrowing was undertaken during the quarter ended 30th June 2023.

It is anticipated that further borrowing will not be undertaken during this financial year but this is dependant on the profiled spend in the Capital Programme and incoming Capital receipts. Borrowing is forecast next year but again, will be dependant on spend on the Capital Programme.

Loans Outstanding at 30 June 2023:

	Amount	Average Interest Rate
	£	%
Public Works Loans Board	£367k	10.28

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 2024 (Forecast)	0.347	0.224	0	0.571	2.0	7.0
31 st March 2025 (Forecast)	1.015	0.106	0.689	0.432	2.0	7.0
31 st March 2026 (Forecast)	7.524	4.100	7.218	4.406	13.0	18.0
31 st March 2027 (Forecast)	8.920	3.592	8.629	3.883	14.0	19.0
31 st March 2028 (Forecast)	9.612	3.082	9.336	3.358	14.0	19.0

* 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
2023/24	0.037	17.842	0.207
2024/25	0.067	18.678	0.359
2025/26	0.360	18.545	1.940
2026/27	0.421	18.464	2.282
2027/28	0.452	18.491	2.445

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
2023/24	0.037	2.602	-2.565	17.842	-14.376
2024/25	0.067	1.021	-0.954	18.678	-5.108
2025/26	0.360	0.533	-0.173	18.545	-0.934
2026/27	0.421	0.490	-0.069	18.464	-0.372
2027/28	0.452	0.471	-0.019	18.491	-0.102

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 2023, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2023/24. The Service Director: Resources 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 2023-24 as of 30th June 2023

Treasury Indicators	2023/24 Budget £'000	31.03.23 Actual £'000
Authorised limit for external debt	7,000	367
Operational boundary for external debt	2,000	367
Gross external debt	367	367
Investments	40,700	50,000
Net borrowing	40,333	49,633

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	50	50
5 years to 10 years	25	25
Upper limit for principal sums invested over 365 days	17,000 Max	0

Prudential Indicators	2023/24 Budget £'000	31.06.23 Actual £'000
Capital expenditure *	11,291	191
Capital Financing Requirement (CFR) *	-1,469	-2,664
In year borrowing requirement	0	0
Ratio of financing costs to net revenue stream	-8.442%	-2.67%