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NORTH HERTFORDSHIRE DISTRICT COUNCIL

28 January 2025	Our Ref	Finance, Audit and Risk Committee 5 February 2025
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To: Members of the Committee Councillors: Sean Nolan (Chair), Vijaiya Poopalasingham (Vice-Chair), Tina Bhartwas, Ruth Brown, Dominic Griffiths, Steven Patmore, Paul Ward and Stewart Willoughby

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

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

NOTICE IS HEREBY GIVEN OF A

MEETING OF THE FINANCE, AUDIT AND RISK COMMITTEE

to be held in the

COUNCIL CHAMBER, DISTRICT COUNCIL OFFICES, LETCHWORTH GARDEN CITY, SG6 3JF

On

WEDNESDAY, 5TH FEBRUARY, 2025 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 08 JANUARY 2025** To take as read and approve as a true record the minutes of the meeting of the Committee held on the 8 January 2025.	(Pages 5 - 14)
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.	**SIAS PROGRESS REPORT 2024-25** REPORT OF THE SHARED INTERNAL AUDIT SERVICE To receive the Internal Audit Service progress report 2024-25 of the SIAS.	(Pages 15 - 32)

7. **BUDGET 2025/26 (REVENUE BUDGET AND INVESTMENT STRATEGY)** (Pages 33 - 108)
REPORT OF THE SERVICE DIRECTOR – RESOURCES

To consider the revenue budget and investment strategy for 2025/26.

8. **STATEMENT OF ACCOUNTS 2023/24** (Pages 109 - 276)
REPORT OF THE SERVICE DIRETOR – RESOURCES

To consider the statement of accounts 2023/24.

9. **ANNUAL GOVERNANCE STATEMENT 2023/24 AND ACTION PLAN FOR 2024/25** (Pages 277 - 294)
THE REPORT OF THE POLICY AND COMMUNITIES MANAGER

For the Finance, Audit & Risk Committee to approve the Annual Governance Statement (AGS) for the year 2023/24. The Statement reviews the Council's governance arrangements for the 2023/24 period. The report also presents an update on the action plan which seeks to improve governance arrangements during the 2024/25 financial year.

10. **POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS**
The Chair to lead a discussion regarding possible agenda items for future meetings.

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NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE COUNCIL CHAMBER, DISTRICT COUNCIL OFFICES, LETCHWORTH GARDEN CITY, SG6 3JF ON WEDNESDAY, 8TH JANUARY, 2025 AT 7.30 PM

MINUTES

Present: *Councillors: Sean Nolan (Chair), Vijaiya Poopalasingham (Vice-Chair), Tina Bhartwas, Ruth Brown, Dominic Griffiths, Caroline McDonnell, Ralph Muncer and Stewart Willoughby.*

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

In Attendance: *Amy Cantrill (Trainee Committee, Member and Scrutiny Officer), Faith Churchill (Democratic Services Apprentice), Ian Couper (Service Director - Resources) and James Lovegrove (Committee, Member and Scrutiny Manager).*

Other Presenters: *There were no other presenters.*

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

Councillor Ian Albert was in attendance as Executive Member for Finance and IT.

42 APOLOGIES FOR ABSENCE

Audio recording – 1 minute 31 seconds

Apologies for absence were received from Councillors Paul Ward and Steven Patmore.

Having given due notice, Councillor Ralph Muncer substituted for Councillor Patmore and Councillor Caroline McDonnell substituted for Councillor Ward.

43 MINUTES - 13 NOVEMBER 2024

Audio Recording – 1 minute 58 seconds

Councillor Sean Nolan, as Chair, proposed and Councillor Stewart Willoughby seconded and, following a vote, it was:

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

44 NOTIFICATION OF OTHER BUSINESS

Audio recording – 2 minutes 47 seconds

There was no other business notified.

45 CHAIR'S ANNOUNCEMENTS

Audio recording – 2 minutes 53 seconds

(1) The Chair advised that, in accordance with Council Policy, the meeting would be recorded.

(2) The Chair drew attention to the item on the agenda front pages regarding Declarations of Interest and reminded Members that, in line with the Code of Conduct, any Declarations of Interest needed to be declared immediately prior to the item in question.

(3) The Chair advised that section 4.8.23(a) of the Constitution did not apply to this meeting.

46 PUBLIC PARTICIPATION

Audio recording – 3 minutes 42 seconds

There was no public participation at this meeting.

47 INTERNAL AUDIT REPORT – REVIEW OF FINANCE, AUDIT AND RISK COMMITTEE

Audio recording – 3 minutes 50 seconds

The Service Director – Resources presented the report entitled 'Internal Audit Report – Review of Finance, Audit and Risk Committee' and highlighted the following:

- The annual audit by SIAS had been completed, which included interviews with two members of the Committee, as well support Officers.
- The recommendations from SIAS were included as an appendix at page 24 of the report.
- The proposed annual self-assessment was previously conducted at the Council, however this was not well completed by Members. This could be reintroduced to allow more focussed training to be provided but would require Members to complete and return the assessment.
- This Committee still received finance reports, which was not the best approach but had been considered pragmatic. This recommendation was not for this Committee to decide, as would need to be part of the ongoing Constitutional Review.
- Members of the Committee could request to speak with auditors and, whilst this had not been taken up to date, Officers can provide relevant signposting.
- It was recommended that risk reports should have more detailed summaries included, and feedback on this change would be appreciated.
- Committee members were encouraged to attend training, where possible, and sessions ahead of the meeting had been set up for this Committee. Feedback was welcomed on this to ensure that training provided was effective at addressing the needs of the Committee.

The following Members asked questions:

- Councillor Ruth Brown
- Councillor Vijaiya Poopalasingham
- Councillor Ralph Muncer
- Independent Member John Cannon

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

- The pre-meeting training sessions could be recorded and uploaded to GrowZone for Members unable to attend.

- A meeting with the auditors could be arranged alongside the pre-meeting training for this Committee, at the meetings which the auditors would present reports.
- This Committee was the Audit Committee, however the issue identified was that financial reports were brought to this Committee. These reports were approached as providing critical governance advice on these items. However, it was felt this meant the Committee was too involved.
- The proposals would mean that financial reports would need to go to Overview and Scrutiny Committee, or another new Committee to consider these.
- Trends from both this audit and the recently completed Corporate Peer Challenge report highlighted that reports to this Committee should focus on governance and risk.
- Training sessions were not mandatory, but Members were strongly encouraged to attend, especially sessions provided at the start of each civic year.
- Providing training required a balance between making it accessible for new councillors, whilst trying to provide more detail for more experienced members.

Councillor Vijaiya Poopalasingham proposed and Councillor Ruth Brown seconded to approve the recommendation.

The following Members took part in the Debate:

- Councillor Sean Nolan
- Councillor Ruth Brown
- Independent Member John Cannon
- Councillor Ralph Muncer

The following points were made as part of the Debate:

- The Chair had recently attended a session with other Audit Committee Chairs, where this Council was an outlier in its approach to financial reports.
- Most Members did not look at these items daily and therefore the training provided to assist with discussions and provide knowledge of the areas was welcomed.
- The previous Peer Challenge report had also highlighted the Council as an outlier in this way of working, however changes were delayed until after the all-out election. There had been discussions around this at the Constitutional Review Working Group, but there would need to be specific consideration of this change and the potential impact of another Committee.
- Due to its size, the Council may not always be able to mirror the practices at larger organisations.

Having been proposed and seconded and, following a vote, it was:

RESOLVED: That the Committee commented on and noted the Internal Audit report as attached at Appendix A.

REASON FOR DECSION: To allow the Committee to discuss the findings of the Internal Audit report, and contribute to the actions to improve the effectiveness of the Committee.

48 REVENUE AND CAPITAL BUDGETS FOR 2025/26 ONWARDS

Audio recording – 28 minutes 24 seconds

The Service Director – Resources presented the report entitled 'Revenue and Capital Budgets for 2025/26 Onwards' and highlighted that:

- The recommendations outlined that this Committee was to comment on the recommendations to Cabinet, having considered the robustness of the process rather than the policy decision.
- The standard approach to budget setting began with Officers and Executive Members looking at proposals around additional spend, additional income streams, potential savings and others.
- These are then presented at the two budget workshops with the administration and opposition parties, which then fed into the Cabinet report. There is then a further report which is referred onto Council in February.
- Since the workshops took place, further information relating to local government funding had been received, which would not increase the core spending power of the Council, as had been estimated. However, there was additional funding from EPR for 2025/26 only.
- There were no long term funding details provided and therefore the funding settlement was still for one year.
- Cabinet are requested to consider the schemes they wish to proceed with next year, noting that in cost terms the proposals would be more expensive than outlined in the Medium Term Financial Strategy and they needed to consider achieving an overall balanced budget.

The following Members asked questions:

- Councillor Ruth Brown
- Councillor Dominic Griffiths
- Councillor Ralph Muncer
- Independent Member John Cannon

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

- The commitment from government had always been that authorities would receive new burden funding for ongoing costs of food waste collection, as it would be a statutory requirement.
- It was not always a contractual requirement, with contracted out services, to cover National Insurance rises and the Council was still negotiating this with contractors.
- In terms of the funding the Council may receive to cover increased National Insurance contributions, this would be part of the final settlement. However, concerns had been raised that the pot was too small, and the wrong methodology had been used and would favours some Councils over others.
- The Council would lose some funding with the Business Rates reset. The Council had previously been in a pool for Business Rates, which had resulted in gains of nearly £1m which was put into reserves to support budgets going forward. The Council would not be in a pool next year, so the benefit would be lower.
- This budget would use around £2-2.5million of reserves, from both Business Rates reserves and General Fund reserves, but mostly from the Business Rates reserves. This was around 10% of the overall budget in percentage terms.
- Good budget management over many years meant this Council had a higher level of General Fund reserves compared to some other authorities.
- It was a decision for Council as to whether it uses reserves to balance the budget for a longer period or achieve an in-year balanced budget more quickly.

- If the budget cannot be balanced, then Officers would warn Members of potential issues. The Council currently had reserves, but this needed to be managed by Members.
- There was a need to make changes, and big savings would be required in future budgets. The earlier these savings are made, the more reserves would be retained, which could allow for spend on one-off projects.
- Everything known about the changes to the Public Sector Decarbonisation Scheme project would be included in the budget reports. One option presented to Cabinet would increase spending on this project, if this option was taken it would be referred onto Council immediately for final consideration.
- The list of proposals was for Cabinet to consider and decide which would be in line with their priorities.
- Executive Members speak with Service Directors to understand what is needed in their area and this was fed into the budget workshops process, which allowed Members to challenge and provide feedback on proposals, but it was not formally prioritised.
- It would be possible to provide some commentary around the statutory and non-statutory proposals.
- Prioritisation of proposals by Service Directors would be arbitrary, as there would be no one set of criteria for prioritisation and there would be no comparison of prioritisation between directorates, but some further commentary could be provided.
- He considered proposals in both immediate and 5-year terms and had more concerns for proposals which had a implication in the later years compared to higher implications which only occurred in first two years, as there would be an ongoing impact of those with long term implications.

In response to questions, Councillor Ian Albert, as Executive Member for Finance and IT, advised that:

- The current position on reserves was set out at 8.7 of the report, which were currently healthy, but there would be difficult choices over the period of the Medium Term Financial Strategy (MTFS). This would require cross-party working and engagement with residents.
- The previous government had considered that too much was held in reserves by authorities.
- One risk that cannot be fully reflected were the proposals around devolution. It was possible that this Council may not exist by the end of the MTFS period.
- It was disappointing that opposition groups did not provide feedback after their budget workshop, but he would welcome feedback at a later stage.
- Cabinet would need to consider proposals in terms of what was statutory, or more necessary, for the Council to provide.

Councillors Ruth Brown and Ralph Muncer, as leaders of the Liberal Democrat group and Conservative group respectively, advised that their groups would provide a response once plans had been proposed by the administration.

Councillor Vijaiya Poopalasingham proposed and Councillor Ruth Brown seconded and, following a vote, it was:

RECOMMENDED TO CABINET: The Finance, Audit and Risk Committee commented on the recommendations to Cabinet, which are:

(1) That Cabinet notes the Council's expected funding for 2025/26.

(2) That Cabinet confirms (in line with the Medium-Term Financial Strategy) that budget forecasts should be based on increasing Council Tax by 2.99% (the maximum amount allowable without a local referendum). Noting that Government have assumed Council Tax will increase by the maximum allowed in calculating Core Spending Power.

(3) That Cabinet notes that the Council may see real-term reductions in its funding in future years.

(4) That, in the context of the above, Cabinet agree which proposals (revenue and capital) should be taken forward as part of the budget-setting process for 2025/26.

REASON FOR REFERRAL: To ensure that all relevant factors are considered in arriving at a proposed budget, Investment Strategy and Council Tax level for 2025/26, to be considered by Full Council on 27 February 2025.

49 REPORT ON RISK MANAGEMENT GOVERNANCE (MID-YEAR UPDATE)

Audio recording – 1 hour 06 minutes 33 seconds

The Service Director – Resources presented the report entitled 'Report on Risk Management Governance (Mid-Year Update)' and advised that:

- This report was provided twice a year to ensure that the Committee had oversight of risk management with the Council.
- Risk monitoring of projects had been moved to the Overview and Scrutiny Committee previously and this Committee was asked to look at how risk management was operating.
- In line with the Audit Report recommendations, the Executive Summary provided the specific areas where risk had moved and the key highlights.
- This report provided some commentary on the highest risk areas, with detail of work completed and ongoing work. Future reports would track where ongoing work has been completed and the impact this has had on the overall risk score.
- Some risks, despite ongoing work, would get stuck at a rating due to external factors. The report provides additional detail on the background which would demonstrate that actions are being taken, despite this not impacting the overall risk score.
- Until a project was complete the risk generally remained high but would usually drop off once complete.
- The Council had three, overarching risks which have causes that fall outside of the control of the Council and would remain high, and these areas were cyber-attacks, finances and resourcing.

The following Members asked questions:

- Councillor Ralph Muncer
- Independent Member John Cannon
- Councillor Sean Nolan

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

- All information included in the report came from the risk register. This provided a summary of the risks, provide assurance that risk reviews were taking place and that both new and archived risks were being managed.
- The Council could improve on identifying and recoding emerging risks, where they tended to be added on a reactionary basis, and these could be added earlier on.
- Emergency planning sat slightly outside of risk, as there was always a risk of an emergency, such as flooding, but it was not possible to predict or plan where and what this may be. However, there was ongoing planning to ensure the Council is prepared for any emergency situation.
- This report focussed only on corporate risks, and the terminology in the report should reflect that. All risks, including non-corporate risks, were included on Ideagen which was available to Members.

- Risk e-learning was available to all Officers, which a specific focus on Service Managers who are more likely to deal with projects with higher risk. Sessions were provided to the Senior Management Group on a semi-regular basis.
- The Council had a good Risk Officer in place who could provide support and training to Officers across the authority.

As part of the debate, Councillor Ruth Brown welcomed that risk e-learning was mandatory for managers and the training provided to Members ahead of this meeting was helpful. The report and matrices provided were clear and useful.

Councillor Dominic Griffiths proposed and Councillor Vijaiya Poopalasingham seconded and, following a vote, it was:

RESOLVED: That Finance, Audit and Risk Committee noted and provided recommendations to Cabinet on this mid-year Risk Management governance update.

RECOMMENDED TO CABINET: That Finance, Audit and Risk Committee commented on the changes to the Risk Management Framework and recommended to Cabinet that they approve the changes.

REASONS FOR REFERRAL:

(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.

N.B. Following the conclusion of this item, there was a short break in proceedings and the Committee reconvened at 20.57.

50 SECOND QUARTER REVENUE BUDGET MONITORING 2024/25

Audio recording – 1 hour 27 minutes 12 seconds

The Service Director – Resources presented the report entitled ‘Second Quarter Revenue Budget Monitoring 2024/25’ and highlighted that:

- The report provided a background on the budget throughout the year.
- Variances for the year and the implications of these were outlined at 8.1 of the report and explanations had been provided where over £25k.
- Overall, the report highlighted that there was a net reduction in spend of £550k, however £317k of carry forwards were requested.
- The report provided detail on the process of monitoring the savings which were due to be delivered and outlined how well these were being achieved.
- Financial health indicators in relation to income were provided at 8.6 and 8.7 of the report.
- Minimum reserve levels depend on the risk assessments completed and the accuracy of these. If the number was negative, then the assessment had not been completed well enough, but if it remained positive then a prudent assessment had been made.
- The debt write-offs and reasons for these were included at 8.16 and 8.17 of the report.

In response to questions from Councillor Ruth Brown, the Service Director – Resources advised that:

- It would be difficult to advise on acceptable limits on underspend, the most important part was the explanations provided and ensuring that the reasons given for underspend were understood.

- Any issues with carry forwards related to grant funds would be flagged by Officers to ensure that it was highlighted where this could not be taken forward and needed to be spent.

As part of the debate, Councillor Sean Nolan noted that a number of the carried over funds and reduction in spend related to staffing issues, which had been identified as a risk. Whilst on paper a reduction in spend is good, it was not good for provision of services in the long term.

Councillor Ruth Brown noted that it was disappointing when projects were delayed but it could not be helped as issues were generally down to resourcing.

Councillor Vijaiya Poopalasingham proposed and Councillor Ruth Brown seconded and, following a vote, it was:

RECOMMENDED TO CABINET: The Finance, Audit and Risk Committee commented on the recommendations to Cabinet, which are:

(1) That Cabinet note this report.

(2) That Cabinet approves the changes to the 2024/25 General Fund budget, as identified in table 3 and paragraph 8.2, a £550k decrease in net expenditure.

(3) That Cabinet notes the changes to the 2025/26 General Fund budget, as identified in table 3 and paragraph 8.2, a total £306k increase in net expenditure. These will be incorporated in the draft revenue budget for 2025/26.

(4) That Cabinet approve the debt write-offs detailed in paragraphs 8.16 and 8.17.

REASON FOR REFERRAL: 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.

51 SECOND QUARTER INVESTMENT STRATEGY (CAPITAL AND TREASURY) REVIEW 2024/25

Audio recording – 1 hour 37 minutes 08 seconds

The Service Director – Resources presented the report entitled ‘Second Quarter Investment Strategy (Capital and Treasury) Review 2024/25’ and highlighted that:

- Details on capital slippage had been provided in this quarter two report, rather than later into the year as previously, which had meant the figures were bigger than usual.
- It was hoped this would be a realistic end-of-year figure. Whilst slippage was still likely to increase, this should be more accurate than previous Q2 figures.
- An explanation of why a difference exists had been provided and resourcing was an issue in some areas.
- There was potential that the museum storage may progress quicker, if an option other than developing the existing site was chosen, which would lead to less slippage into next year.
- There had been a £14M reduction in 2024/25, but this was to be moved into future years.
- It was still currently forecast that the Council would need to borrow a little this year to fund the capital programme. However, this may be possible to fund from capital reserves with a little more slippage.
- Some areas were bringing spend forward and these were outlined at 8.9 of the report.
- There was potential that the budget may need to increase slightly, but this would be presented to and considered by Cabinet.

- Money invested by the Council was mostly with other authorities, as detailed at 8.12, where interest rates were generally higher. However, all interest rates were higher than had become the normal, around 5%, and all rates on investments were set out at 8.13.

The following Members asked questions:

- Councillor Ralph Muncer
- Councillor Sean Nolan
- Independent Member John Cannon
- Councillor Tina Bhartwas

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

- He would push consultants and contractors to have the financial forecasts relating to the Leisure Centre Decarbonisation project by budget setting in February.
- There was only one example of where an external party was involved in a delay.
- A detailed report on the Museum Storage Options had been provided to Cabinet, following consideration by Overview and Scrutiny Committee. The options ranged from do nothing, through to redevelopment of the existing site or moving to an off-site option, with different options on funding provided for these.
- Cabinet wanted to do something to provide a permanent storage solution.
- There were too many items to have on permanent display, with the items with the broadest interest kept in the museum itself and the storage would be for other items that still had historical significance for the district but with less general public interest.
- The final report on the Museum Storage would be presented to Overview and Scrutiny Committee for consideration, ahead of the final decision by Cabinet. Depending on the option selected and the value of funding required, it may need referral onto Council.
- The number of quotes required under the procurement processes at the Council was determined by the value of what was being procured. If costs came in higher than expected, then further quotes may be required, which can lead to delays. But it was an important process that higher costs were challenged and that Officers were sure it was a required expenditure.

In response to questions, the Chair advised that there were elements within the museum storage which were held on behalf of other organisations and the facility was required to protect these, as well as ensure the museum retained its accreditation.

Councillor Vijaiya Poopalasingham proposed and Councillor Dominic Griffiths seconded the motion.

Councillor Ralph Muncer proposed an amendment to recommendation 2.4 to include 'subject to the revised assessments following the decision by Cabinet regarding the Public Sector Decarbonisation Scheme on 14 January 2025'. This was seconded by Councillor Ruth Brown.

There was debate amongst Members to understand the meaning of the amendment and this was clarified by Councillors Muncer and Brown.

Councillor Ian Albert, as Executive Member for Finance and IT, noted that this was a prudent amendment as conversations so far had not considered what would happen with the brought forward work, should the Public Sector Decarbonisation Scheme not progress, as these were linked to be conducted at the same time.

Having been proposed and seconded, following a vote, the amendment was ***AGREED.***

Having been proposed and seconded and, following a vote, the substantive motion was:

RECOMMENDED TO CABINET: The Finance, Audit and Risk Committee provided comments on the recommendations to Cabinet, which are:

(1) That Cabinet notes the forecast expenditure of £15.699M in 2024/25 on the capital programme, paragraph 8.3 refers.

(2) 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.

(3) That Cabinet recommends to Council that it notes the position of Treasury Management activity as at the end of September 2024.

(4) That Cabinet recommends to Council that it approves capital budgets in 2025/26 for a new flume (£300k) and a refurbishment of the pool changing rooms (£250k) at North Herts Leisure Centre, subject to the revised assessments following the decision by Cabinet regarding Public Sector Decarbonisation Scheme on 14 January 2025.

REASONS FOR REFERRAL:

(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.

(3) The proposal to approve the 2025/26 capital budgets at North Herts Leisure Centre in January (rather than in the usual budget report at the end of February) means that the works can take place at the same time as the decarbonisation works, and therefore not require two periods where the pool cannot be used. It also provides a more obvious benefit to users of the facility.

52 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio recording – 2 hours 8 minutes 52 seconds

The Chair led a discussion regarding possible agenda items for future meetings and no further items were suggested.

The meeting closed at 9.40 pm

Chair

INTERNAL AUDIT PROGRESS REPORT

NORTH HERTS COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE
5 FEBRUARY 2025

RECOMMENDATIONS

- Note the SIAS Progress Report for the period to 17 January 2025.
- Note the implementation status of the reported high priority recommendations.
- Note the plan amendments to the 2024/25 Annual Audit Plan.

Contents

Appendices

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 2024/25 as at 17 January 2025.
b) In-Year Audit Plan review and proposed plan amendments.
c) An update on performance indicators as at 17 January 2025.
d) The implementation status of high priority internal audit recommendations.

Background

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

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

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

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

2.1 As at 17 January 2025, 71% of the 2024/25 Audit Plan days had been delivered.

2.2 There have been two final internal audit report issued as part of the approved 2024/25 Internal Audit Plan since the papers were issued for the 13 November 2024 FAR Committee meeting:

Audit Title	Assurance Opinion	Recommendations
Public Sector Decarbonisation Scheme (Salix Grant) (Third Interim Report)	N/A	2 Advisory Actions
FAR Committee Review	N/A – Consultancy and Advisory	3 Medium and 1 Low Priority

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 Two high priority findings were made in the Estates audit with respective implementation dates in September and December 2024. The service has advised that implementation of both should be complete by a revised target date of 1 March 2025. The original recommendations and agreed management actions are included at Appendix D.

Proposed Amendments

2.5 The Audit Plan approved by the FAR Committee in March 2024 contained an allocated number of plan days against audit areas such as General Audits, IT Audits and Consultancy and Advisory, but did not include an estimated number of plan days for completion of the planned individual internal audit projects. During the financial year, SIAS applies an estimated number of plan days against all individual internal audit projects as part of resource allocation and planning. These estimates are included in Appendix A – Progress against the 2024/25 Internal Audit Plan.

2.6 The Audit Plan is however designed to be dynamic and responsive to changed risk, circumstances and priorities, requests for new internal audit work, outcomes from scoping and planning of individual internal audit projects and amended resourcing requirements. Estimated plan days may also need to be changed as a result, and these amendments are communicated to the FAR Committee.

2.7 There has been one audit plan amendment agreed with management within this reporting period:

a) The UK Shared Prosperity Fund (UKSPF) audit has been deferred to 2025/26 and replaced by a Performance Indicators audit commencing in Q4. This will be included as part of the 2025/26 Internal Audit Plan. Performance management and performance indicators featured in the narrative and recommendations of the LGA Corporate Peer Challenge Report, and this will form the basis of the review.

Performance Management: Reporting of Audit Plan Delivery Progress

2.9 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 a summary of performance based on the latest performance information reported at Appendix A.

Status	No of Audits at this Stage	% of Total Audits	Profile to 17 January 2025
Draft / Final Report Issued	10 (2/8)	45%	55% (12)
In Fieldwork / Quality Review	8 (4/4)	36%	31% (7)
Terms of Reference Issued / In Planning	3 (1/2)	14%	14% (3)
Not Yet Started	1	5%	0% (0)

2.10 Annual performance indicators and associated targets were approved by the SIAS Board in March 2024. At 17 January 2025, 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 17 January 2025	Actual to 17 January 2025
1. **Annual Internal Audit Plan Delivery** – the percentage of the Annual Internal Audit Plan delivered (measured in audit days)	95%	75% (196 / 260 days)	71% (184 / 260 days)
2. **Project Delivery** Percentage of audit plan projects delivered to draft report stage by 31 March 2025.	90%	55% (12 / 22 projects)	45% (10 / 22 projects)
Percentage of audit plan projects delivered to final report stage as reported within the CAE Annual Assurance and Opinion report.	100%	27% (6 / 22 projects)	36% (8 / 22 projects)
3 **Client Satisfaction -** Percentage of client satisfaction questionnaires returned at 'satisfactory overall' level (minimum of 39/65 overall)	100%	100%	100% for those returned. (2 returned from 15 issued since 1 April 2024)
4 **Number of High Priority Audit Recommendations agreed %**	95%	100%	100%

Percentage of critical and high priority recommendations accepted by management.			

2.11 In respect of delivery of Planned Days, performance is behind the profiled target. Based on the original profiling at the start of the financial year, it was anticipated that fieldwork would have been able to commence, be further advanced or complete on more of the internal audit projects scheduled for commencement.

2.12 Five projects with profiled quarter two start dates were rescheduled for commencement in the third and fourth quarter. This is for a combination of factors linked to Council management requests, knock on effects of similar scheduling changes at other SIAS partners, internal matters within SIAS such as staff changes due to two vacancies and mobilisation time required where internal audit work is re-assigned either within SIAS or to our external delivery partners (BDO). Several of these have now started and are in various stages of completion, but there are nonetheless risks to the timely delivery of the Internal Audit Plan. Further details of the projects concerned are contained in Appendix B. Some degree of flexibility in scheduling is always anticipated, and every attempt is made to bring another project forward in place of one pushed back, however this does not always happen seamlessly and may not be optimal for either the Council or SIAS.

2.13 As previously reported, the project / embedded assurance and through year work on the Public Sector Decarbonisation Scheme and Assurance Mapping internal audit work is dependent on the timing, pace and progress of the underlying Council project being supported. The Churchgate and New Finance System audits were originally due to follow the project / embedded assurance but are now standalone audits.

2.14 In respect of Planned Projects, it was anticipated that a draft report would have been issued for the Equality / Equity, Diversity and Inclusion (EDI) Maturity Assessment and Training, Induction and Awareness work based on original planning and commencement, however the audits are at Quality Review stage.

2.15 SIAS have allocated resource to all remaining projects in the 2024/25 Internal Audit Plan and start dates have already been scheduled or in are in the process of being agreed with the relevant service areas. SIAS appreciate the co-operation and goodwill of Council staff and value the relationships it has fostered over an extended period. These are crucial in ensuring successful delivery of the Plan and delivering sufficient work to support the annual assurance opinion.

2.16 One new customer satisfaction survey has been received since the last SIAS Progress Update Report to FAR Committee in November 2024. Any learning points arising from customer satisfaction surveys are shared with the relevant member of internal audit team through their regular appraisal process and personal and professional development plans.

2.17 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2024/25 Head of Assurance's Annual Report:

- **5. Public Sector Internal Audit Standards** – the service conforms with the standards.
- **6. Internal Audit Annual Plan Report** – approved by the March Audit Committee or the first meeting of the financial year should a March committee not meet.
- **7. Chief Audit Executive's Annual Assurance Opinion and Report** – presented at the first Audit Committee meeting of the financial year.

APPENDIX A – PROGRESS AGAINST THE 2024/25 AUDIT PLAN AS AT 17 JANUARY 2025

2024/25 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
General Audits (98 days)									
Churchgate - Project Assurance						12	SIAS	2.5	In Fieldwork
New Finance System						10	SIAS	2	ToR Issued
Public Sector Decarbonisation Scheme (Salix Grant)	N/A	0	0	1	5	12	SIAS	11	Three Interim Final Reports issued. Fieldwork through year and ongoing. Overall report to be issued at year end.
Training, Awareness and Induction						10	SIAS	9	Quality Review
Purchasing Cards						10	SIAS	9.5	Draft Report Issued
Performance Indicators						12	SIAS	1	In Planning
Operational Building Compliance						10	SIAS	4	In Fieldwork
Local Authority Trading Companies						12	SIAS	11	Quality Review
Homelessness						10	SIAS	0.5	In Planning
IT Audits (22 days)									

APPENDIX A – PROGRESS AGAINST THE 2024/25 AUDIT PLAN AS AT 17 JANUARY 2025

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Cyber Security – Cyber Governance and Culture						11	BDO	8.5	In Fieldwork
Cyber Security – Supply Chain Management						11	BDO	3	In Fieldwork
Consultancy and Advisory (64 days)									
Assurance Mapping						28	SIAS	20	Quality Review
FAR Committee Review	N/A	0	0	3	1	11	BDO	11	Final Report Issued
Equality / Equity, Diversity and Inclusion (EDI) Maturity Assessment						20	BDO	18	Quality Review
Garden Waste Reconciliation						5	SIAS	5	Draft Report Issued
Grant Claims / Charity Certification (5 days)									
King George V Playing Fields	Unqualified	0	0	0	0	1.5	SIAS	1.5	Final Report Issued
Workman's Hall	Unqualified	0	0	0	0	1.5	SIAS	1.5	Final Report Issued
Miscellaneous Grants						2	SIAS	0	Allocated
Contingency (0 days)									
Contingency						0		0	
Client Management - Strategic Support (38 days)									
CAE Annual Opinion report						3	SIAS	3	Complete
FAR Committee						8	SIAS	7	Through Year
Plan Monitoring						8	SIAS	8	Through Year

APPENDIX A – PROGRESS AGAINST THE 2024/25 AUDIT PLAN AS AT 17 JANUARY 2025

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Client Liaison						6	SIAS	5	Through Year
Audit Planning 2025/26						8	SIAS	4	Quarter 3/4
SIAS Development						5	SIAS	5	Through Year
2023/24 Carry Forward (33 days)									
Completion of outstanding 2023/24 projects:						4	SIAS	4	Complete
Business Continuity and Emergency Planning	Reasonable	0	0	0	1	5	SIAS	5	Final Report Issued
Project Management	Not Assessed	0	0	2	0	8	SIAS	8	Final Report Issued
Houses in Multiple Occupation	Limited	0	4	4	3	8	SIAS	8	Final Report Issued
Estates	Limited	0	2	1	0	8	SIAS	8	Final Report Issued
Total - North Herts D.C.		**0**	**6**	**11**	**10**	**260**		**184**	

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

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

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
General			Churchgate – Project Assurance **(In Fieldwork – moved to Q3 start from Q2)**	
General	Public Sector Decarbonisation Scheme (Salix Grant) (through year) **(In Fieldwork)**	Public Sector Decarbonisation Scheme (Salix Grant) (through year) **(In Fieldwork - 1st Interim Report Issued)**	Public Sector Decarbonisation Scheme (Salix Grant) (through year) **(In Fieldwork - 2nd and 3rd Final Interim Reports Issued)**	Public Sector Decarbonisation Scheme (Salix Grant) (through year) **(In Fieldwork – final overall report to be issued March 2025)**
General		New Finance System **(ToR Issued – moved to Q4 start)**		
General		Local Authority Trading Companies **(Quality Review – moved to Q3 start)**	UK Shared Prosperity Fund (UKSPF) (replaced by Performance Indicators and **moved to Q4**)	Performance Indicators (replaced UK Shared Prosperity Fund (UKSPF) (**In Planning and moved to Q4**)
General		Project Prioritisation – (replaced by Purchasing Cards and **moved to Q3 start**)	Operational Building Compliance **(In Fieldwork)**	
General		Training, Awareness and Induction **(Quality Review – moved to Q3 start)**	Purchasing Cards **(Draft Report Issued** – replaced Project Prioritisation from Q2**)**	Homelessness **(In Planning)**
IT			Cyber Security – Cyber Governance and Culture **(In Fieldwork)**	Cyber Security – Supply Chain Management **(In Fieldwork)**
C	FAR Committee Review **(Draft Report Issued)**	Equality / Equity, Diversity and Inclusion (EDI) Maturity Assessment **(Quality Review)**		
C	Assurance Mapping (through year) **(Quality Review)**	Assurance Mapping (through year) **(Quality Review)**	Assurance Mapping (through year) **(Quality Review)**	Assurance Mapping (through year) **(Quality Review)**
C	Garden Waste Reconciliation **(Draft Report Issued)**			

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

G/C				Workman's Hall **(Final Report Issued)**
				King George V Playing Fields **(Final Report Issued)**
C/F	2023/24 Carry Forward Audits **(Complete)**			
	Business Continuity and Emergency Planning **(Final Report Issued)**			
	Project Management **(Final Report Issued)**			
	Houses in Multiple Occupation **(Final Report Issued)**			
	Estates **(Final Report Issued)**			

Key:
General –Closely linked to the Council's AGS, Delivery Plan and Risk Register
IT – IT Audits
C – Consultancy and Advisory: Assignments will be delivered as part of the audit plan
G/C – Grant or charity certification to be completed as part of the audit plan
C/F – Carry Forward Audits from 2023/24

APPENDIX C – ASSURANCE AND FINDINGS DEFINITIONS 2024/25

	Audit Opinions	
	Assurance Level	Definition
Assurance Opinions	**Substantial**	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Assurance Opinions	**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.
Assurance Opinions	**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.
Assurance Opinions	**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.
Assurance Opinions	**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.
Grant Certification	**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.
Grant Certification	**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.
Grant Certification	**Adverse Opinion**	Based on the significance of the matters included within the report, the Council have not complied with the funding conditions associated with the funding received.

	Finding Priority Levels	
	Priority Level	Definition
Corporate	**Critical**	Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
Service	**High**	Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
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.
Service	**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
Estates	**Property Management / Estates Database** Finding During the audit, we were provided with a copy of the database used by the previous Properties and Estates Manager. This had not been updated since 2018 and contained rent review and lease renewal data that was out of date, incomplete and inaccurate and did not adequately facilitate the reporting and monitoring of the known rent review backlog, including which properties were affected, how many rent reviews were due, and how much time had elapsed since the rent review fell due. We noted that the Estates team are currently in the process of collating property data from across the Council to create an up-to-date master spreadsheet. This was an action in progress at the time of our review, and not yet completed. The team have a filing system which is currently shared with the Property Management Team. We noted that the system includes documents that are not of relevance to the Estates team, and it has proven difficult to locate key documentation to support internal audit testing. The Local Government Transparency Code 2015 states that “Local authorities must publish details of all land and building assets”. The team informed us that the Council’s asset register was last updated in 2022, and they are not sure how accurate the entries are. The team are aware that it is a piece of work they need to complete as part of their new role, and this will be facilitated by the work on the property database.	30 September 2024	**November 2024 FAR Committee Update** Verbal update provided. **February 2025 FAR Committee Update** Good progress has been made. The master spreadsheet has been populated with the core data from existing sources, including finance records. We are now cross referencing and doing a manual check of the data to confirm the correct status of all lettings. This action is therefore ongoing, with a revised target date of 1 March 2025. Once accurately captured in Excel form, this will enable us to satisfy the recommendations in the case of alerts for review dates and update the asset register. A review can then be undertaken to decide if the current property management system is updated, or a new system will be more appropriate for the Council’s needs and to deliver recommendations a) to e). The review of systems is also part of the Digital Transformation project work within the Council. They are undertaking a wider options evaluation for Uniform (the current system), to see if they can recreate the components in house. We have inputted into this so they can map out the processes and

Page 28

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
	SIAS Recommendation We recommend that: a) Once the data in the master Excel spreadsheet has been collated, the service create a formal property management system / database. The system should include automated notifications or alerts to support timely identification of properties requiring rent reviews and lease renewals such as trigger dates for action. b) The property management database presents the rent review and lease renewal data in a way which clearly records when it falls due as per the lease, when it took place took place, the frequency of rent reviews as outlined in the lease, and (where applicable) the length of time the rent review overran by (if relevant). c) The property management database has a performance functionality to facilitate production of monitoring and exception reports. d) The document management system is maintained so all leases, rent reviews, trigger letters, and correspondence are maintained in relevant folders, or attached to relevant properties on the database, and are easy to access. e) The Council's asset register should be updated on completion of the property master Excel spreadsheet. Management Response		functionality it provides and get an idea of what would need to be built (or possibly procured).

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
	The master up to date spreadsheet to accord with the leases in place, current rents and finance records is under construction. Once accurately captured in Excel form, a review will be undertaken to decide if the current property management system is updated, or a new system will be more appropriate for the Council's needs and to deliver recommendations a) to e).		
Estates	**Backlog of Rent Reviews** Finding Our sample testing of five properties confirmed that four out of five rent reviews were overdue by between one and three years. As acknowledged, there is a new Estates team in place, and they are still identifying the scale and extent of rent reviews not yet completed. Through discussion, we found all members of the team will be responsible for conducting reviews going forward, unless the reviews are complex and have to be allocated externally. The Principal Estates Surveyor stated that there is not currently a policy in place to establish the principles and approach by which the Council will set rent levels and service charges for its commercial properties. SIAS Recommendation Linked to recommendation one above on the property management database and existing action being taken by the Estates Team, we recommend that the Estates team have a means to ensure that rent reviews and lease renewals are identified, scheduled and	31 December 2024	**February 2025 FAR Committee Update** There has been a delay completing the required actions, which have taken longer to finalise alongside ongoing management work and other priorities. The Estates team have prepared a comprehensive master spreadsheet of lettings and are populating rent review and lease renewal dates to ensure they are identified, scheduled and prioritised to ensure they are initiated and completed in a timely manner. This work is close to completion and a revised target date of 1 March 2025 should be achievable. The team has been pressing ahead with identifying all outstanding rent reviews, together with rent reviews that will fall due over the next eleven months. As part of this, the team are finalising an estimate of the likely level of increase in rent following the review for each investment property, based on the estimated rent values provided by the valuer as part of last year's asset valuations. The likely level of increase in

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
	prioritised to ensure they are initiated and completed in a timely manner. The process needs to be supported by: a) Adequate capacity, skills and experience within the team, and b) Creation of relevant rent charging policies and / or procedures, that have been approved by senior officers and members (as appropriate). Management Response As per recommendation above plus additional procedures for undertaking the reviews.		rent will be of use in selecting which rent reviews from the backlog should be prioritised. We expect to complete this exercise and report with a schedule of the reviews in the next month to share with SLT and Exec Members. Preliminary consideration has been given as to whether external agents should be engaged to conduct some of the more significant outstanding rent reviews given current constraints on officer time. A conclusion should be reached on the appropriate way forward shortly. Pending finalisation of a programme for dealing with the backlog of rent reviews (and those which will fall due this year), we have been pressing ahead with resolving those rent reviews where the tenant has already engaged with the rent review process. Progress has also been made with rent reviews where the Council is the tenant rather than the landlord.

FINANCE, AUDIT AND RISK COMMITTEE
5 February 2024

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: BUDGET 2025/26 (REVENUE BUDGET AND INVESTMENT STRATEGY)

REPORT OF: THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: EXECUTIVE MEMBER FOR FINANCE AND IT

COUNCIL PRIORITY: SUSTAINABILITY

1. EXECUTIVE SUMMARY

1.1. Cabinet recommends a budget for 2025/26 to Council for their consideration and approval. The budget considers the following:

- The funding that the Council should expect to receive in 2025/26 and an estimate of future years funding.
- The forecast net spend required to enable the continued delivery of the Council services in 2025/26 and beyond.
- Choices to support the delivery of a balanced budget in the medium-term.
- Choices on spend that are aligned to the Council Plan.
- Capital budget proposals and the revenue costs of capital of those proposals.
- The risks in relation to the budget (e.g. higher spend or lower income) and providing reasonable financial protection against those risks.
- The implications of all the above on future years and ensuring that actions are in place to deliver a balanced budget in the medium term.
- Strategy for the investment of surplus cash and approach to future borrowing.

2. RECOMMENDATIONS

That Finance, Audit and Risk comments on the budget process, assumptions and risks contained within this report, in the context that Cabinet recommend to Council that:

2.1. Notes the position on the Collection Fund and how it will be funded.

2.2. Notes the position relating to the General Fund balance and that due to the risks identified a minimum balance of £2.6 million is recommended.

2.3. Notes the net revenue savings that are likely to be required in future years, combined with the Chief Finance Officer's section 25 report (Appendix D) which provides a commentary on the risks and reliability of estimates contained in the budget.

2.4. Approves the revenue savings and investments as detailed in Appendix B.

2.5. Approves the capital programme as detailed in Appendix C.

2.6. Approves a net expenditure budget of £22.792m, as detailed in Appendix E.

2.7. Approves a Council Tax increase of 2.99%, which is in line with the provisions in the Medium Term Financial Strategy.

2.8. Approves the Investment Strategy as detailed in Appendix F.

2.9. Approve the adoption of the four clauses in relation to the Code of Practice on Treasury Management (as detailed in paragraphs 8.32 to 8.35).

3. REASONS FOR RECOMMENDATIONS

3.1. To ensure that all relevant factors are considered in arriving at a budget (revenue and capital) and Council Tax level for 2025/26. To ensure that the budget is aligned to Council priorities for 2024-28 as set out in the Council Plan.

3.2. The Council's Investment Strategy is set to comply with relevant statutory guidance, including the CIPFA Prudential Code. The Strategy also sets out the Council's approach to risks in relation to the investment of surplus cash.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1. In seeking to address the funding gap detailed in the Council's Medium Term Financial Strategy for 2025-30, Political Groups and Officers have been asked for savings (reductions in costs and additional income) ideas and these are included in appendix B to this report.

4.2. The budget is based on the use of reserves to allow time for us to get greater certainty over our medium-term funding and carry out public consultation on our spend priorities. An alternative approach would be to seek to make savings more quickly and retain those reserves from any options for one-off investment in the district. However that strategy would need to be focused on reductions in service levels and/ or further increases to fees and charges.

4.3. Investments will generally be a combination of cost pressures to deliver existing services and new spend that is linked to the delivery of priorities identified within the Council Plan. Given the overall budget position, any ongoing investments should only be where there are unavoidable cost pressures (e.g. delivery of statutory services).

4.4. Capital spend is a combination of necessary expenditure to maintain and improve Council assets (to allow the continued delivery of services) and choices over investment in our communities and delivery of our priorities. From the decision at the Council meeting on 15th January 2025 investment towards decarbonisation is a priority for the Council. However, there is an option to only focus on necessary capital works. This would reduce capital spend and therefore also reduce the revenue impacts of capital spend.

4.5. The Council could take a different (but still compliant) approach to the investment of surplus cash. The proposed approach is considered to be a reasonable balance of risk with the generation of investment yield.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1. All Councillors were given an opportunity to comment on the revenue efficiency, revenue investment and capital proposals at the budget workshops.

5.2. Business Ratepayers will be consulted on the proposals within this report before the budget is discussed at Full Council on 27 February. Any feedback will be made available at the Council meeting. This is the only statutory consultation that is required. This consultation will be via the website/ e-mail, which is the method that has now been established.

5.3. If any saving proposal is anticipated to have a particular impact on a specific area (or areas) then it would be referred to the relevant Community Forum(s). The proposal for parking charges will be subject to consultation, including the Community Forums.

5.4. The Finance, Audit and Risk Committee review this budget report which allows them to comment on the governance of the budget setting process, the risks within the budget and the robustness of estimates and assumptions.

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 Medium Term Financial Strategy (MTFS), which provides the financial background for the Corporate Business Planning Process, was approved by Council in Spetmeber following recommendation by Cabinet (and review by the Finance, Audit and Risk Committee). The budget estimates within the MTFS included a number of assumptions. These have been updated as better information has become available. This final budget still contains some assumptions, hence monitoring reports are provided to Cabinet on a quarterly basis.

7.2. Political groups were given the opportunity to comment on the initial budget proposals (put forward by Officers and Executive Members) in early November. The feedback from those discussions was presented to Cabinet in January, which has resulted in the proposals contained within this report.

8. RELEVANT CONSIDERATIONS

Decisions made to deliver Council services and priorities

8.1 The Council's Medium Term Financial Strategy (MTFS) did not set a specific target for savings in 2025/26 as part of this budget process. Instead, the aim was for a net-nil impact budget (i.e. any ongoing investments would as a minimum be balanced out by any ongoing savings). However, this has been impacted by the following which relate to resourcing capacity to deliver existing services and commitments:

- The staffing capacity in Environmental Health needs to be increased to ensure the delivery of statutory services.
- Planning resource to support Local Plan work (review of the current Plan and delivery of transport projects)
- The capacity of Leadership Team as identified by the Corporate Peer Challenge.
- Investment in delivering Climate Change actions, made up of staffing resource (Climate Change and Sustainability Project Manager) and capital investment (decarbonisation phases 1 and 2).

8.2 At its meeting in January, Cabinet considered the feedback from the Budget Workshops. This resulted in the following changes being made relation to those proposals:

- Charging for parking on Sundays, evenings and Bank Holidays. This would be subject to consultation but supported the principle. The amount would be left as TBC as need to carry out more work on how and when it would be implemented. Any additional income in 2025/26 would be reflected in the quarterly budget monitoring reports.

- Environmental Health staffing. Given the concerns over the delivery of this statutory service, agreed to go with the higher level of staffing investment (i.e. not the revised prioritisation that was worked on following the budget workshops).
- Civic Secretary to Chair of Council. To be removed due to feedback from current and previous Chair that they would carry out the relevant tasks themselves.
- Central Grants Pot. To be removed as wanted to keep all grant considerations at a local level.
- Service Director capacity. Noted that the underspend on the inflation estimate for the 24/25 pay award could be notionally allocated towards this investment bid.
- Interactive Water Feature at North Herts Leisure Centre: Would be removed as not a key investment for the pool, especially in the context of other significant investment in our Leisure facilities.
- Royston Learner Pool. Whilst it is still a strong aspiration to deliver this project, there is not currently a viable plan for it. There will be a focus on trying to identify alternative funding sources to bridge the viability gap. It is also too late to add the works to the decarbonisation and gym extension project. So any works on a learner pool would have to take place after that project is completed.

8.3 In separate reports to the January Cabinet meeting, the following were agreed:

- Agreement in principle (subject to agreeing detailed terms) to an agency agreement for our Leisure services. This would provide a financial saving but the amount will be kept as TBC (and therefore in budget terms having a zero impact) as the legal details still need to be resolve and it is currently commercially confidential. The actual impact will be picked up through budget monitoring reports during 2025/26.
- A garden waste charge of £55 per year (with concessionary discounts) from April 2025. The impact of this is reflected in the revenue budget proposals in Appendix B.

8.4 The following are also updated in the budget proposals:

- Officers are still trying to reach agreements with businesses on the Solar for Business initiative. The savings of this will therefore be matched to the revenue costs of capital of the Council funded investment. This is estimated at around £21k per year. If there is no or limited take-up, then the capital allocation and assumed savings will be removed, with no net revenue budget impact.
- There are various terms in the new waste and street cleansing contract for inflation and adjustments to actual baseline costs for pay and fuel. These still need to be worked through in advance of the May start date. The current estimate is that the total provision that was allocated in the 2024/25 budget is reasonable. This was made up of ending the transfer to reserves to fund future waste vehicles and a very prudent capital allocation for the new vehicles. The capital allocation in the 2024/25 budget was for £8.5 million (based on contract estimates at the time), and has now reduced to £5.27 million. The reduction in effective Minimum Revenue Provision is estimated at around £300k. This is added to the revenue budget as a pressure, but the overall net impact is zero compared with last year. This is reduced by the cost of customer service staff that have already transferred to the Council (from the current contractor) and are already included in pay forecasts.
- The capital allocation for the phase 2 Decarbonisation project (Hitchin Town Hall and Museum, District Council Offices and North Herts Learner Pool) has been shown as a TBC value previously. This value has now been added in the capital programme proposals. There may be increased energy costs from the works, but these will be kept under review. The works will not go ahead as scheduled if the grant bid is not successful.
- The budget workshop proposals had a TBC impact from lost leisure income during the decarbonisation works. The work on developing the proposals around the larger

sized heat pumps (Council decision on 15th January) has meant that it has not been possible to get an estimate of this impact. It is therefore be included as a budget risk.

- The expected cost impact of the increased rate for employer National Insurance contributions. This is for Council employed staff only.
- The expected capital cost of machines outside the Windows environment (to use in case of a cyber attack) has reduced from £25k to £15k.
- As agreed in the July Council report on decarbonisation of our leisure centres, the one-off cost of exiting the CHP (combined heat and power) has already been added in to the revenue forecasts for 25/26.

General Funding

8.5. The Government provided a policy statement on Local Government funding on 28th November 2024. On the same day they also published guaranteed allocations (for 2025/26 only) for Extended Producer Responsibility (EPR) payments. This was followed by the draft Local Government Finance Settlement on 18th December 2023. The policy statement provided some earlier warning of the principles that would be applied. The relevant points for future funding are:

- The baseline amount of Business Rates that Councils can retain will continue to be increased in line with Consumer Price Index (i.e. inflationary increase). Councils will continue to be reimbursed for this inflation even when Government make policy decisions to not increase the amounts that are charged to businesses.
- "Negative Revenue Support Grant" (which would reduce the amount of Business Rates that can be retained) will continue to be eliminated.
- District Councils will be able to increase Council Tax by up to 2.99% without the requirement for a local referendum. It is looking like this threshold will now continue at 2.99% so our forecasting assumptions will now reflect this.
- New Homes Bonus will continue in 2025/26 using the same method as applied in 2024/25 (i.e. one year reward only with a 0.4% baseline applied).
- That all Council's would not see a decrease in their Core Spending Power, but unlike previous years this would be after assumptions around increases in Council Tax rates (i.e. that increases would be at the referendum limit). This guarantee is in cash terms, so there could be a decrease in real terms. Due to the targeting of funding to social care and areas with higher deprivation, our Core Spending Power is the same as 2024/25.
- Our allocation of EPR funding is £1.435 million, and is not ring-fenced.
- The promised National Insurance funding for the increase in the employers rate and cost for directly employed staff will be notified as part of the final settlement.

8.6. The final Local Government settlement is due late January/ early February, so was not available at the time of writing this report. Estimates are therefore based on the provisional settlement.

8.7. The position that has been taken by the Government on Core Spending Power is less generous that had been predicted in our budget assumptions. We had been assuming a small increase in cash terms, although still a reduction in real terms.

8.8. The allocation of EPR is guaranteed for 2025/26, and the actual amount received could be higher. There is no certainty over EPR in future years, and it could be incorporated in to general funding and therefore be subject to any commitments around Core Spending Power. Government should provide us with new burdens funding for food waste and separate fibre (card and paper) collections. For budgeting purposes, it is assumed that our ERP funding will continue, even if it effectively becomes our allocation for new burdens.

Table 1 – Estimated General Funding comparison (2025/26)

£000 Funding	2024/25 Budget £'000	2025/26 MTFS Forecast £'000	2025/26 Latest Forecast £'000	Comments
Council Tax	13,147	18,409 (not split out)	13,613	Increase in rate (2.99%) and small increase in base compared to 2024/25
Business Rates, including compensation for under-indexing the multiplier	3,686		3,766	Inflationary increase
Other general grant funding (including New Homes Bonus and Core Spending Power guarantees)	1,490		977	Reduction as off-sets the increases above
National Insurance funding	n/a	n/a	TBC	Not announced at time of writing this report
Extended Producer Responsibility funding	n/a	n/a	1,435	New funding stream
Less: Council Tax support to Parishes	(39)	(39)	(39)	Maintained at previous levels.
	18,284	**18,370**	**19,752**	

Table 2 – Estimated General Funding forecasts

£000 Funding	2026/27	2027/28	2028/29	2029/40	Comments
Council Tax	14,090	14,584	15,095	15,625	Assumed 2.99% increase in rate. Net 0.5% increase in tax base
Other funding	4,266	3,772	3,261	2,731	Included together as there will be a Business Rate reset which will affect retained Business Rates. Assume that Core Spending guarantee will continue at 0%
EPR/ New burdens funding	1,435	1,435	1,435	1,435	
Less: Council Tax support to Parishes	(39)	(39)	(39)	(39)	Retained at same rate
	19,752	**19,752**	**19,752**	**19,752**	

8.9. The numbers in the table above are just estimates, and we will not get any certainty on medium-term funding until later in 2025. The continuation of EPR as a separate funding stream seems unlikely, and waste new burdens funding may be much less than has been assumed. These will be used for modelling future budget positions and therefore savings requirements, as they provide a potentially realistic scenario. However overall, we will need to be ready to adapt to changes in funding levels.

Specific Funding

8.10 The Council also receives grants and contributions for specific purposes. Generally, these are built into service budgets and have therefore already been taken in to account when determining spend forecasts, so cannot be used towards funding the base budget. These amounts can be uncertain, and reductions in the amount can result in spending pressures that would need to be met from the General Fund. These have been reviewed and the main risks and opportunities are detailed in table 3 below, noting that this is not an exhaustive list:

Table 3 – Forecasts in relation to grants and other contributions

Grant/ Contribution	Amount expected in 2025/26 (£000)	Risk/ Opportunity
Healthy Hub funding	39	Whilst HCC have allocated Healthy Hub funding, they seem to have changed the specification of what they expect to be delivered, with a focus on more specialist Public Health services rather than longer term preventative activities. Subject to ongoing discussions there may be a need for further funding in 25/26 to continue the valued preventative work. There may be an opportunity for this to come from the UK SPF (below).
UK Shared Prosperity Fund (SPF)	£400k Revenue £99k Capital	The parameters for 2025/26 are that there should be increased local flexibility on how this is spent. There are three priorities (Communities and Place, Supporting Local Business, and People and Skills) with five themes and 12 sub-themes.
Homelessness Prevention and Rough Sleeping Grant	986	Funding has been confirmed from MHCLG of the 2025/26 allocations. This is broadly in line with the amount expected.
Domestic Abuse Safe Accommodation Grant	0	The New Burdens grant funding received in 2023/24 and 2024/25 to ensure that victims of domestic abuse and their children can access the right support in safe accommodation when they need it has been rolled into the Settlement funding calculation for 2025/26 (additional £36k included in 'other general grant funding' in table 1). Budget provision for the expenditure has therefore been added to the list of pressures in appendix B.
Housing Benefit Administration Grant	244	Notification is awaited from government of the grant allocation for 2025/26. Amount expected is based on the grant receipt for the current financial year.

Business Rates and Council Tax Collection Funds

8.11 The Council is required to maintain a Collection Fund to account for the income received and costs of collection for Council Tax and Business Rates. Estimates of the net income are made at the start of the year and based on this money is transferred out of the Collection fund to our General Fund and other precepting bodies. The Fund is required to break even over time and any surplus or deficit is transferred to the our fthGeneral Fund and other precepting bodies. For Business Rates, most of the deficits relate to reliefs introduced by Government. The Council receives funding for these which it holds in a specific reserve. This reserve is then released back to the General Fund as required. The net impact is forecast to be relatively low, and is included in the budget summary in Appendix E.

Review of balances and reserves

8.12 In setting its budget, the Council needs to consider the level of its reserves. This determines the extent to which the current budget can be supported by the use of reserves or requires a budget to be set that includes an allowance for increasing reserves. In addition to the General Fund balance, the Council has specific reserves and provisions. Specific reserves are amounts that are set aside for a determined purpose. This purpose can arise from a choice made by the Council, or where it is felt that there is an obligation. Provisions are where there is a requirement on the Council to meet future expenditure, and a reasonable estimate can be made of the amount and timing. In determining the risks that may need to be met from the General Fund, it is important to know which risks will already be covered by amounts that are set aside as a specific reserve or provision.

8.13 The Government have referred to Councils having high levels of reserves and that these should be used, rather than asking for more funding. The table below (table 4) demonstrate the reasons why reserves are being held, as well as forecasts of future balances. Apart from the Business Rates Grants reserve, all the balances are held for a specific purpose. The table below already notes that the Business Rates Grants reserve will mainly be used to smooth the impact of funding which has not kept pace with the level of inflation.

Table 4 – Specific Reserves

Name of Reserve	Purpose of Reserve	Balance at 1 April 2024	Estimated Balance at 31 March 2025	Estimated Balance at 31 March 2026
Childrens Services Reserve	Used to help fund Active Communities projects in the district funded from grant income and/or external contributions. Drawdown of the remaining balance is planned in the current year to support the activities of the Healthy Hub service.	10	0	0
Churchgate Development Reserve	Additional income over and above that necessary to off-set the treasury income that would have been generated from the capital used to purchase the shopping centre freehold (expected at around £175k per year) will be set aside in a reserve to support the planning and delivery of Churchgate regeneration project. The money will provide necessary professional advice via consultants, architects, quantity surveyors etc.	123	27	Unknown
Climate Change Grant Reserve	Grants awarded to help combat the effect of climate change. Being used for the additional costs (above available establishment) of employing a Trainee Policy Officer working on Climate Strategy.	17	18	13
Elections Admin Grant	Holds funding provided from government to support the delivery of the policies of the Elections Act 2022, which focused on the introduction of voter ID and improvements to accessibility for disabled voters. The reserve will be used to fund anticipated additional expenditure associated with the Act in administering future elections	67	67	Unknown
Environmental Health Grants Reserve	Holds funding amounts received for specific initiatives relating to the Council's Environmental Health service, such as air quality and housing checks. The reserve is used to finance the undertaking of the relevant initiatives and to help manage staffing and workload pressures within the service.	118	0	0
Growth Area Fund Reserve	Holds the revenue grant awarded. With the Local Plan now in place, this reserve is anticipated to be drawn down to fund relevant projects and activities.	24	24	Unknown
Homelessness Grants Reserve	To help prevent homelessness in the district. The grant is earmarked for different homelessness projects or resources.	398	230	105
Housing & Planning Delivery	Hold 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. This has also been previously added to by additional income from 20% increase in statutory planning fees.	691	600	511
Insurance Reserve	Used to finance potential claims for risks that are not covered by external policies together with higher excesses currently being borne by the Authority. It is good financial management practice to have an insurance reserve. The future balances will depend on the claims received and the level of relevant insurance.	34	Unknown	Unknown
Land Charges Reserve	Reserve originally established to help meet the potential cost should the financial risk of the repayment of personal search fees occur. In recent years some of this has been used for additional administration costs and software upgrades.	12	12	Unknown
Leased Assets Reserve	The incorporation of the accounting standard IFRS 16: Leases in the accounting code, effective from April 2024, means that the Council's cars provided to staff on operations will be considered for accounting purposes to have transferred to the Council and will be recorded on the Council's balance sheet at the end of 2024/25. The saving on the revenue account from these arrangements will be transferred to this reserve and ultimately used to finance the capital costs of replacement vehicles.	0	92	179

Name of Reserve	Purpose of Reserve	Balance at 1 April 2024	Estimated Balance at 31 March 2025	Estimated Balance at 31 March 2026
Leisure Management Maintenance Reserve	To help cover the cost of any future significant repair liabilities on the leisure facilities. The Leisure Contract requires a contribution from the Council for maintenance items over £15k, so therefore if funds are not available in the reserve then this would impact on the general fund. Use of the reserve depends on what arises and is therefore unknown. This reserve currently includes amounts that have been set-aside at the end of the SLL contract period. SLL are going through a liquidation process.	308	293	Unknown
MHCLG Grants Reserve	Balance of unapplied Section 31 business rate relief grants and pooling gains. Used to fund NNDR Collection Fund deficit contributions and levy payments in future years. A total of £5.4m will be released into the General Fund to help bridge the forecast funding gaps in the coming years. This is included in Appendix E.	5,735	6,481	Unknown
Museum Exhibits Reserve	Funds the purchase of museum exhibits and is funded from donations. Use of reserve will depend on donations and opportunities for acquisitions.	14	14	Unknown
Neighbourhood Plan Reserve	Funds received from Government to support neighbourhood planning have been transferred to reserve. The funding will be needed in future years as neighbourhood plans are developed and public examinations and public referendums are required.	132	130	110
Paintings Conservation Reserve	Used to help restore paintings. This is funded through donations and publication income. To be used against a list of items that require conservation.	11	11	Unknown
Shared Prosperity Fund Grants Reserve	Holds the balance of unspent grant funding received to date to support the Council's delivery of the three-year Investment Plan approved by Government in the autumn of 2022.	27	0	0
Street Name Plates	To fund Street Name Plates as and when required.	16	16	Unknown
Syrian Refugee Project	The Council has agreed to house Syrian Refugees under the government's resettlement scheme. The scheme is fully funded by the government based on expected costs and by using Registered Provider housing, the costs incurred are less than the grants awarded. The Council will look to use some of this funding to support linked housing pressures (around £100k per year).	737	835	765
Taxi Reserve	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.	11	11	Unknown
Town Centre Maintenance	For the implementation of the Town Wide Reviews and ad hoc town centre maintenance.	85	93	Unknown
Traffic Regulation Orders	An audit was done to identify TRO work to be carried out in the district. Amounts will be drawn down as and when the work is done.	372	367	362
Waste Reserve	Alternative Financial Model (AFM, funding from HCC to encourage increases in recycling) were previously transferred to help mitigate any potential risk to the waste service and support future service developments. Has been being spent on various projects., including the new waste contract procurement work and any spend related to options around a new waste depot. There will be no further AFM money.	836	836	776
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.	2,456	3,178	0
Welfare Reform Grants Reserve	Awarded to the Authority for different initiatives or changes relating to Housing & Council Tax benefit scheme, and more recently the Business Support and self-isolation grant schemes developed in response to the Covid-19 pandemic. The balance in reserve will be used to develop the service and drawn down when the initiatives or changes are carried out, and therefore the exact timing of usage is unknown.	455	359	286

8.14 As at the 31 March 2024 there was a total of £2.597m held as long-term provisions. These are comprised of:

- Business Rates appeals - £2.557m - the Council's estimated share of outstanding business rates appeals
- Insurance - £40k - covers the uninsured aspect of outstanding insurance claims.

8.15 We do not want to be in a position where we are holding such a high level of provision in relation to Business Rates appeals, but it reflects the number of outstanding appeals which need to be dealt with by the Valuation Office Agency (VOA). Until those appeals are resolved, the Council cannot use these amounts for another purpose, nor can they go back to businesses.

8.16 North Herts Council operates with a reserve balance for General Fund activities in order to provide a cushion against unexpected increases in costs, reductions in revenues and expenditure requirements. Guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) suggests that the revenue balances should be set at no less than 5% of net revenue expenditure, having taken account of the risks faced by the Authority in any particular year. As net expenditure is anticipated to be around £23 million, this means a minimum balance of about £1.1million. The Council's budget is also reliant on generating income to set a balanced budget, so an additional 3% of budgeted income (excluding Housing Benefit, grants and other contributions) is included in determining the minimum level. Income from fees, charges, interest and rentals is forecast to be around £13.9m and therefore an additional allowance of around £400k is added.

8.17 An assessment of the risks has been compiled for the coming year based on risks identified by each Service Director and cross-referenced to the risk register. The identified areas are where the financial impact is not wholly known, but an estimate can be made. The amount allocated is based on the forecast likelihood of occurrence. Where there is a high likelihood, 50% of the estimated financial impact is allowed for. For medium likelihood, it is 25%. For low likelihood, it is 0%. Table 5 summarises the risks, the forecast impact and the risk allowance to be made. A full list of these risks is shown in Appendix A.

Table 5- Budget Risks in 2025/26

Category	Number of Risks	Forecast Value of Impact (£000)	Risk Allowance (£000)
Low	14	3,759	0
Medium	12	1,128	282
High	11	1,590	795
Total	**37**	**6,477**	**1,077**

8.18 Combining the risk allowance for specific risks and unknown risks means that a General Fund balance of at least £2.6million should be maintained. This is what is recommended by the s151 Officer (Chief Finance Officer).

Expenditure Forecasts

8.19 The starting point for forecasting net expenditure for future years is the previous year's budget, as set in February 2024. This is then adjusted (where necessary) through the Quarterly budget monitoring reports, which highlight both in-year and ongoing impacts. An additional budget review is carried out during December for any additional significant ongoing variances. As the Quarter 2 monitoring report were considered by Cabinet in January (and included information known about after the end of Quarter 2), no further ongoing variances have been identified. Some further carry-forwards have been identified but these will be considered as part of the Quarter 3 monitoring report, which is reported to Cabinet in March.

8.20 Budget proposals were put forward for discussion at Group workshops in November. Comments on the proposals made by the Groups were outlined in the draft budget report presented at the December meeting of Cabinet. This has been covered in more detail in paragraphs 8.1 and 8.2 above. The complete final list of savings and investments is included at Appendix B.

Capital Programme and the revenue effects of capital

8.21 In previous years the capital programme has been considered as a separate report to the revenue budget report. The Council is due to be in a position where it will have a Capital Financing Requirement (CFR). This means that we will incur greater revenue costs in relation to funding our capital programme, through a Minimum Revenue Provision charge. This greater linkage between capital expenditure and revenue costs, means it is sensible to consider the two together.

8.22 The proposed capital programme is attached at Appendix C. This mainly reflects the items considered by the budget workshops. It has been updated for the changes referenced in paragraphs 8.2 and 8.4. It also reflects the increased capital allocation for the phase 1 decarbonisation project (leisure centres) following the decision by Council on 15th January 2025.

8.23 The Council incurs some interest costs in relation to historic borrowing for capital purposes. The small cost of this is reflected in budget estimates.

8.24 In general, revenue spend should be matched by funding. Although in the short-term it is possible to fund any budget gaps from reserves. This is the current strategy that the Council is adopting, with the need to develop a plan to achieve an in-year balanced budget in the medium term. This therefore means that the revenue budget is having an effect (i.e. reducing) on the balances available for investment.

8.25 Capital spend can be funded from sources which include grants, capital receipts and revenue (although usually this is not affordable). It can also be funded from borrowing. This borrowing can be external (e.g. from government or banks) or internal (i.e. against available cash reserves). In line with the Prudential Code (and as set out in the Investment Strategy), the Council plan to borrow internally against revenue balances first, and only when those balances are insufficient would we borrow externally. Borrowing internally is generally cheaper as the interest cost is the lost interest that would have been earned, rather than the external borrowing cost. Where the Council has a need to borrow (either internally or externally, as measured by its Capital Financing Requirement) then it must make a charge to the revenue budget called Minimum Revenue Provision (MRP).

8.26 The MRP aims to spread the cost of capital that is funded from borrowing over the expected life of the asset. This means the taxpayers that are getting the benefit of the asset are paying a contribution towards its cost. MRP is charged from the year after an asset is purchased or completed (where it is constructed).

8.27 Table 6 shows the amounts that need to be incorporated into the revenue budget to reflect the impacts of capital spend and income from investments:

Table 6- Revenue impacts from the Investment Strategy

£000	2025/26	2026/27	2027/28	2028/29	2029/30
Forecast external borrowing costs (existing borrowing)	34	33	32	31	30
Forecast external borrowing costs (new borrowing)	0	0	0	0	0
Forecast interest income from investments	(825)	(362)	(322)	(259)	(144)
Forecast MRP requirement	402	1,841	1,834	1,635	1,418
Net budget requirement	(389)	1,512	1,544	1,407	1,304
Current allocated budget*	149	732	1,080	1,255	n/a
Change in budget required	(538)	780	464	152	-

Investment Strategy

8.28 The proposed Investment Strategy is attached at Appendix F. Council are asked to approve this strategy, which includes the following:

- A total capital programme for the period of 2025/26 to 2029/30 of £35.4m.
- The current assets that the Council has, including investment assets.
- How the capital programme will be funded, including estimates of capital receipts.
- A Minimum Revenue Provision (MRP) policy.
- Adoption of a treasury strategy that covers borrowing and investment forecasts and limits, including prudential indicators.

The strategy itself provides further details of what it includes and why. It also explains the key technical terms.

Code of Practice on Treasury Management

8.29 The Code of Practice on Treasury Management requires that a report be submitted to Full Council setting out four clauses which should be formally passed in order to approve adoption of the code. The four clauses are detailed below, including how they are met by the Council. As recommended by CIPFA, where appropriate these are included within the Council's Constitution and Financial Regulations.

8.30 Clause 1 relates to creating and maintaining a Policy and practices as a cornerstone for effective treasury management.

8.31 Full Council are asked to approve the adoption of the following Treasury Management Policy Statement, which is the same as in previous years:

- That we define our treasury management activities as: "The management of the authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".
- That we define the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

- That we acknowledge that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

8.32 The Council has adopted treasury management practices (TMPs) which set out how the Council will carry out, manage and control the achievement of the policy above in practice. The majority of the TMPs are unchanged from last year and follow the recommendations contained within the Code, subject only to amendment where necessary to reflect the particular circumstances of the Council. Such amendments are minor and do not result in any material deviation from the Code's key principles. The TMPs are operationally focused and therefore the themes covered are detailed below, rather than providing the full document. Where relevant the detail is already covered in the Investment Strategy (e.g. approved instruments):

- TMP1- Risk Management
- TMP2- Performance Measurement
- TMP3- Decision making and analysis
- TMP4- Approved instruments, methods and techniques
- TMP5- Organisation, clarity and segregation of responsibilities, and dealing arrangements
- TMP6- Reporting requirements and management information arrangements
- TMP7- Budgeting accounting and audit arrangements
- TMP8- Cash and cash-flow management
- TMP9- Money laundering
- TMP10- Staff training and qualifications
- TMP11- Use of external service providers
- TMP12- Corporate Governance

8.33 Clause 2 relates to the reporting on treasury activities. These are set out in the Investment Strategy on page 3.

8.34 Clause 3 relates to the delegation of responsibility for the implementation and regular monitoring of its treasury management policies. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet (Constitution 5.7.9) and for the execution and administration of treasury management decisions to the Service Director: Resources (Constitution 14.6.12 (b) (iv) and Financial Regulations section 13) who will act in accordance with the Council's policy statement and treasury management practices and the CIPFA Standard of Professional Practice on Treasury Management.

8.35 Clause 4 relates to the scrutiny of treasury management strategy and policies. The Council nominates the Finance, Audit and Risk Committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies (Constitution 10.1.5 (c)).

Reliability of estimates

8.36 As part of the budget setting process, the Chief Finance Officer is required to comment on budget risks, the reliability of the estimates made and levels of Council reserves. This is known as a section 25 report. Note that this report is required alongside the budget every year, and is very different to a section 114 report. Although failure to take action on any risks highlighted in a section 25 could ultimately end in the need for a section 114 report. Therefore, Council should note the contents of the section 25 report which is attached at Appendix D.

Cumulative impact

8.37 The cumulative impact of all the estimates described in the previous sections is provided at Appendix E. This shows a forecast of funding and net expenditure for the next five years, including the impact on the General Fund balance. This can be updated when we are informed of the funding that Government will provide in relation to Employer National Insurance increase.

8.38 Appendix E also includes a forecast of the expected minimum level of savings that the Council still needs to deliver over the next 3 years. The level of savings that the Council needs to deliver have been affected by the additional capital investment in decarbonisation and the net revenue investments. It has been partly off-set by changes in funding assumptions. The forecast level of annual savings required is £2.9 million.

8.39 The profile of the savings to be delivered is shown across 2026/27 to 2029/30. This reflects the delivery of those savings. The identification of those savings should happen during 2025/26. The earlier that the savings can be delivered, will mean more of the General Fund balance could be used for investments in the District.

8.40 This level of savings still required to be identified assumes that the Council will continue to increase Council Tax at the maximum level permitted without the need for a referendum. Any increase in Council Tax below this level would further increase the savings required to balance the budget over the period and require greater drawdown on reserves. The proposal is therefore that Council Tax should be increased by the maximum allowed. It is expected that future Government forecasts of our required funding will assume that we have increased our Council Tax by the maximum amount allowed (without a local referendum).

8.41 We should receive more certainty over our funding during 2025, with an expectation that we will have a 3 year budget (up to 2028/29) by January 2026. The plan is to undertake a budget consultation exercise during 2025 to inform savings proposals to be included in the 2026/27 budget. This will enable much greater clarity as to how the Council will achieve a balanced medium-term budget.

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.

9.2 Cabinet’s terms of reference at 5.7.39 include recommending to Council the annual budget, including the capital and revenue budgets and the level of council tax and the council tax base. They also recommend a treasury management strategy statement (Constitution 5.7.40). Council's terms of reference at 4.4.1 (b) and 4.3 state that the Full Council’s responsibilities include approving or adopting the budget recommended by the Cabinet. Full Council can also approve the treasury management strategy statement (Constitution 4.4.1 (cc)).

9.3 Finance, Audit and Risk Committee’s terms of reference at 10.1.5 (d) include assisting the Council and the Cabinet in the development of its Budget and Policy Framework process by in-depth analysis of policy issues pertaining to finance, audit and risk. They will also consider the Council’s policy in relation to Treasury Management and make recommendations on the Annual Treasury Management and Investment Strategy, and Treasury Management Code of Practice (Constitution 10.1.5 (c)).

9.4 Members are reminded of the duty in accordance with the Local Government Finance Act 1992 to set a balanced budget and to maintain prudent general fund and reserve balances.

9.5 Local authorities are required by virtue of the Local Government Finance Act 1992 to calculate as part of their overall budget what amounts are appropriate for contingencies and reserves. The Council must ensure sufficient flexibility to avoid going into deficit at any point during the financial year.

9.6 The provisions of section 25 Local Government Act 2003 require that, when the Council is making the calculation of its budget requirement, it must have regard to the report of the Chief Finance Officer (s.151 officer) as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.

10 FINANCIAL IMPLICATIONS

10.1 These are generally covered in the body of the report.

10.2 We need to differentiate between revenue and capital spend, as they generally have different sources of funding. Revenue relates to ongoing costs, and any physical item that is purchased would have an expected life of less than one year. Low value items are also treated as revenue spend. Capital relates to the purchase or improvement of assets, which have a useful life of more than one year.

11 RISK IMPLICATIONS

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

11.2 The budget setting process includes a detailed assessment of financial risks, so these are covered in section 8, appendix A and appendix D.

11.3 There are significant uncertainties and risks with regard to the funding of the Council over the medium term. This uncertainty is reflected in our over-arching financial risk.

11.4 Capital investment is sometimes needed to mitigate against a risk to the Council. This is detailed to Members when a new investment comes forward. The risk implications of each individual scheme are considered in project plans as the schemes are progressed. The capital programme assumes a level of third party contributions and grants towards the cost of the schemes. There is a risk that not all the contributions are forthcoming.

11.5 Investment risks in relation to treasury management are covered in this report and the Investment Strategy. The TMPs (see 8.32) and Financial Regulations provide controls to manage other risks.

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 proposal comprising either £50k growth or efficiency, or affecting more than two wards, an equality analysis is required to be carried out; this has either taken place or will take place following agreement of efficiencies or growth.

12.3 The inclusion of banks on our counter-party list will consider the Country that they are in and an objective analysis of the approach to equalities in that Country. This will be in addition to any sovereign (Country) and institution credit rating.

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 The decarbonisation of our buildings would have a positive environmental impact. Some of the savings and investments identified in Appendix B are put forward to have a positive influence on the Council's environmental impact (e.g. ongoing climate change resource, use of HVO fuel). For others there may be a low level of indirect negative implications (e.g. recruiting additional staff could require increased travel), and for these the impacts will be managed as much as possible. Overall the Council still plans to deliver the commitments contained within its Climate Change Strategy. Some of the specific actions contained within the Climate Strategy will be dependent on opportunities and funding being available. They may not therefore be in this budget but could be incorporated in future years.

15 HUMAN RESOURCE IMPLICATIONS

15.1 Some of the investments relate to additional staffing resource. Depending on the level of additional work that these entail, these may have a positive impact on staffing capacity. Additional HR support will be needed to help recruit to these posts, but this can be absorbed within the existing team.

16 APPENDICES

16.1 Appendix A – Financial Risks 2025/26

16.2 Appendix B – Revenue Budget Savings and Investments

16.3 Appendix C – Capital Programme 2025-35

16.4 Appendix D - Section 25 report

16.5 Appendix E - Budget Summary 2025 – 2030

16.6 Appendix F- Investment Strategy

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18 **BACKGROUND PAPERS**

18.1 Medium Term Financial Strategy https://srvmodgov01.north-herts.gov.uk/documents/s26095/Appendix%20A%20MTFS%202025-30.pdf

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APPENDIX A
Financial Risks 2025/26

Risk	High/ Medium/ Low	Risk Value £	%	Total Risk Assessment £
Fines for breaches of the EU General Data Protection Regulation by the Council or by NHDC outsourced providers when handling and storing data originally collected by NHDC	L	500,000	0%	0
Bad Debt Provision may need to increase in light of the roll-out of Universal Credit and in particular the managed migration of working age housing benefit clients to Universal Credit.	L	70,000	0%	0
Ransomware attack results in the write-off of some IT hardware and infrastructure.	L	200,000	0%	0
Failure to meet projected Careline sales income as a result of the loss of a corporate client or fall in the number of private clients.	M	50,000	25%	12,500
Increased expenditure on new Careline equipment because of a reduction in the level of stock that can be refurbished and used for new client installations. This may be due to, for example, changes in technology making older equipment obsolete.	L	150,000	0%	0
Adverse possession of land/buildings (litigation costs). Protection of "Village Greens". Signs/fences need to be constructed to avoid residents claiming ownership rights.	L	35,000	0%	0
Reduction in income from Churchgate means that funds are not available for the external spend required to progress the regeneration project. Project spend is funded from excess income (above the cost of capital) being achieved since the purchase of the head leasehold interest.	M	100,000	25%	25,000
Lack of resilience in delivering key statutory services when staff absence occurs (other than normal leave) e.g. medium/long term sickness, staff resignations, redeployment to other duties and projects etc, increases expenditure on agency staff and / or consultancy advice or other method to maintain service provision.	H	150,000	50%	75,000
Increase in net cost of measures to address homelessness/rough sleeping and meeting obligations/projects as a result of for example: absence of government funding / reduced government funding, national and local situations etc.	M	150,000	25%	37,500
Enforcement – costs in relation to enforcement for example: investigations to enable consideration of enforcement action, specialist legal or other advice, direct action / appeal processes, recovery of illegal earnings.	M	100,000	25%	25,000
Cost of unexpected Unauthorised Encampments including the cost of baliffs to remove the encampment and grounds maintenance to repair and clean-up damage/litter etc	H	30,000	50%	15,000

Risk	High/ Medium/ Low	Risk Value £	%	Total Risk Assessment £
Disabled Adaptations: Hertfordshire Home Improvement Agency fail to recover sufficient fees, based upon application throughput, resulting in additional payment requested by HCC to cover costs. Increased level of fee exempt Building Control applications for which the Council must reimburse the fee to Hertfordshire Building Control.	H	15,000	50%	7,500
District by-election	M	8,000	25%	2,000
Legal team resources - requirement due to recruitment/retention issues to use temp. staff or outsource work. Additional external expertise for assistance with the delivery of key Corporate projects or Governance issues	H	150,000	50%	75,000
Legal expertise related to employment cases	M	50,000	25%	12,500
The Council is required to meet the cost of any award from new or ongoing judicial reviews.	M	100,000	25%	25,000
Possible procurement challenge. Legal costs and costs of re-tendering if necessary.	L	100,000	0%	0
Costs incurred from an increased number of prosecutions pursued in court, for example due to persistent flytipping.	M	50,000	25%	12,500
Domestic Homicide Review – requirement for additional resources to respond	H	15,000	50%	7,500
The council is forced to re-tender a major contract if a contractor is unable to deliver a contract for any reason .	L	300,000	0%	0
Loss of revenue due to full or partial closures of the Council's leisure centres while the decarbonisation and gym extension (Royston) works take place.	H	50,000	50%	25,000
Increase in the net cost of recycling services due to either or all of ; adverse changes in the market prices for commodities; a reduction in the volume of recyclates collected; a change in the material composition of the recyclates collected	H	500,000	50%	250,000
Reduction in funding from third party agency agreements for contracted grounds and/or tree maintenance works.	L	50,000	0%	0

Risk	High/ Medium/ Low	Risk Value £	%	Total Risk Assessment £
Costs resulting from a localised flooding event that is associated with water courses within the responsibility of NHDC to maintain.	L	50,000	0%	0
Cost of felling and destroying trees as a result of pests and tree disease.	L	50,000	0%	0
Cost of maintaining service provision in the event of major contract failure.	L	1,000,000	0%	0
Income from Trade Refuse is adversely affected by economic downturn.	M	300,000	25%	75,000
Dangerous structures - where the Council is unable to recover either or both of; the costs incurred in making the structures safe because, for example, the owner of the property is not known or the land/building is unregistered; the costs involved in seeking to recover the expenditure incurred.	L	50,000	0%	0
Specialist advice required with regard to planning applications, both submitted to the local authority and to the planning inspectorate, e.g. town centre schemes, specialist areas such as solar farms, other energy infrastructure and "hostile applications"	M	100,000	25%	25,000
Costs associated with a challenge to a forthcoming decision of the Council or one that has been made and any associated outcome costs, for example: legal challenges, tribunals, contracts, grant schemes, purchase notices, an appeal against a planning decision, judicial review or threat in advance of a planning decision, Secretary of State call in or holding direction etc..	H	500,000	50%	250,000
New duties and obligations associated with government policy, projects etc.. leads to requiring additional training or additional and/or specialist staff or consultancy support etc.. to deliver.	M	50,000	25%	12,500
Theft of, or damage to, parking pay & display equipment	M	20,000	25%	5,000
Assumed vacancy saving within staffing payroll budgets does not materialise as a slim staffing structure, and / or an increase in the level of demand for services, reduces the capacity to hold posts vacant for any significant period of time.	L	350,000	0%	0
Breach of partial-exemption calculation for VAT	L	300,000	0%	0
Increases in construction inflation increase the cost of property repairs and maintenance required.	H	20,000	50%	10,000

Risk	High/ Medium/ Low	Risk Value £	%	Total Risk Assessment £
Localisation of Business Rates – The council is directly exposed to a range of risks including; business rates levy, safety net.	L	225,000	0%	0
Member/Officer Indemnity Agreement is called upon	L	100,000	0%	0
Further payments are required under MMI scheme of arrangement	L	20,000	0%	0
Reduced staffing capacity means that the delivery of Council projects is delayed and / or additional staffing resource must be hired externally at a cost premium to the Council.	H	150,000	50%	75,000
Relates to an environmental warranty that was provided to North Herts Homes on the transfer of the Housing stock.	L	209,000	0%	0
Increase to the annual external audit fee negotiated between the Council's External Auditor and Public Sector Audit Appointments exceeds the amount of additional related grant funding received from government.	M	50,000	25%	12,500
Cost of annual Housing Benefit Subsidy Certification is higher than budgeted due to additional audit fieldwork required.	H	10,000	50%	5,000
		6,477,000		**1,077,000**

REVENUE BUDGET SAVINGS AND INVESTMENTS

New Revenue Efficiency Proposals and Savings Identified

Reference	Service Directorate	Description of Proposal	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
E1	Customers	Careline service income. Due to variations in health services and political boundaries, Careline's alarm monitoring and reassurance services outside of Hertfordshire are experiencing steady growth. Currently, referrals are bringing in approximately three new clients per week. A business case is in development, and should Careline choose to actively promote and expand this service, both the client base and potential income could see substantial growth. However, this would also entail a proportionate increase in associated costs.	(35)	(35)	(35)	(35)	(35)
E2	Enterprise	Rental income associated with the letting of the former meltax office and WC's in Royston. Achievement of the efficiency is subject to the approval of the corresponding capital investment proposal. Efficiency value allows for initial rent free period and stepped rent, with the ongoing annual rent of £5,000 pa subject to upward only rent reviews.	-	-	-	(3)	(5)
E3	Enterprise	Premises cost savings from the early surrender of the lease for Brotherhood Hall, Letchworth. This property is leased from Letchworth Garden City Heritage Foundation under a 99 year full repairing lease which ends June 2027. A decision has been taken, in principal, not to renew the lease and potentially to agree an early surrender with LGCHF, subject to terms and dilapidations, and LGCHF securing a suitable tenant. Value for 25/26 includes estimated cost of a financial settlement with landlord for dilapidations, a schedule of which the landlord's surveyor is currently preparing.	25	(11)	(11)	(11)	(11)
E4	Housing & Environmental Health	Environmental Health Commercial Team income. Estimated additional income from an increase in Environmental Health Commercial Team fees to bring them into line with fees charged by neighbouring authorities.	(6)	(6)	(6)	(6)	(6)
E5	Place	Recycling credit income from Herts County Council. Increase in eligible credit income is anticipated following the waste and recycling service changes from August 2025. Additional income value based on the collection of an additional 300 tonnes of soft plastic and 200 tonnes of additional recycling.	(48)	(48)	(48)	(48)	(48)
E6	Regulatory	Car Parking income. Review the opportunities with regard to parking charges, for example evening / weekend / Sunday / Bank Holiday charging, on-street charging and issuing special permits. To ensure that all users pay towards the cost of provision and to manage demand.	TBC	TBC	TBC	TBC	TBC
E7	Place	Garden waste income. Increase in charges to reflect charges by other Local Councils and increase in costs under the new contract.	(150)	(150)	(150)	(150)	(150)
E8	Place	Solar for Business. The income generated will at least off-set the cost of capital but may be higher depending what is negotiated with the businesses.	-	(21)	(21)	(21)	(21)
E9	Place	Proposal that our leisure provider moves to acting as our agent in running our leisure centres. This is expected to allow more VAT on expenditure to be recovered, which lowers the overall running costs. The benefit of this would be shared.	TBC	TBC	TBC	TBC	TBC
E10	Managing Director	Update to estimated interest income returns from treasury investments, based on Investment Strategy (Integrated Capital and Treasury) 2025-2035.	(219)	102	(57)	(72)	43
Total Net Budget Reduction from new efficiency proposals			**(433)**	**(169)**	**(328)**	**(346)**	**(233)**

New Revenue Pressures and Investment Proposals

Ref No	Service Directorate	Description of Proposal	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
R1	Customers	Careline Service staffing costs. Increase in management and administrative capacity through the replacement of provision for two admin officer roles with provision for two senior administrator posts. The investment will both enhance business resilience and facilitate the expansion of the service as it takes on new clients from outside of Hertfordshire, with the associated additional administration involved.	16	16	16	16	16
R2	Customers	Maintenance and support costs associated with the capital proposal to purchase 25 laptops that are outside of the Windows environment for disaster recovery (DR) purposes. This may be replaced by an option to lease the equipment if a DR event that affects IT access takes place.	11	11	11	11	11
R3	Enterprise	Economic Development Officer. Budget is requested for the shared post with East Herts District Council to continue in 2025/26 to deliver work associated with the new Commercial Strategy, which aims to support economic growth and engagement across the District, and the oversight of the Shared Prosperity Funding stream.	27	-	-	-	-
R4	Housing & Environmental Health	Reinstatement of the part time posts of Empty Homes Officer (0.5 FTE) and Housing Grants Officer (0.5FTE) and the full time Air Quality Officer position to the Council's permanent staffing establishment. These posts were deleted as part of a restructure in 2023/24 to release resource to meet other urgent staffing priorities. The requested reinstatement of these roles will enable the delivery of essential work to address empty homes in the district and to develop and support an air quality strategy in line with our climate emergency and the upcoming challenges to be faced regarding the proposed Luton Airport expansion.	77	77	77	77	77

Reference	Service Directorate	Description of Proposal	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
R5	Housing & Environmental Health	Creation of a part-time (0.5 FTE) Private Water Supply Officer (PWSO) post for the Environmental Health Commercial Team. The PWSO would support the existing Private Water Supply Scientific Officer in delivering the increased workload caused by the imposed changes to statutory guidance and water quality requirements and would also increase service resilience in this area.	26	26	26	26	26
R6	Housing & Environmental Health	Recruitment of an additional fully qualified Environmental Health Regulatory Officer into the Environmental Protection & Housing Team on a 4 year fixed-term contract to provide senior experience and higher competency whilst the technical officers progress through their training. The post will also provide cover/resilience for the other Senior Officer in this service in the event of unplanned additional work, as has been the case with the Baldock Industrial Estate fire, funeral homes inspections, and health and safety accidents/incidents.	64	64	64	64	-
R7	Housing & Environmental Health	Recruitment of an additional Senior Environmental Health / Food Officer in the Commercial Team, on a 4 year fixed-term contract, to accommodate the increased pro and reactive workload, including the additional food inspections required, and the additional Health & Safety interventions necessary for the service to achieve and maintain this legally required competency.	64	64	64	64	-
R8	Housing & Environmental Health	Permanent budget provision for an additional Environmental Health Regulatory Officer in the Commercial Team, initially at a junior level to support the senior officers in undertaking essential roles, including the food sampling programme and the assessment of those food businesses classed as lower concern. The officer would also provide advice to new businesses following the increase in new food registrations seen over recent years.	51	51	51	58	64
R9	Housing & Environmental Health	Year 4 funding for the Environmental Health Apprentice, which is a fixed term four-year post. Unspent salary budget (due to grant funding received) of £100k was identified at the end of 2023/24 and earmarked to cover the costs of the first three years of the apprenticeship. This request is for year 4 funding for the apprentice to complete the four year course.	-	-	-	35	-
R10	Housing & Environmental Health	Environmental Health service staffing costs. In light of recruitment issues in this service area and to facilitate the strategy agreed earlier this year, it is proposed to standardise the six existing technical officer posts to a career graded Environmental Health Regulatory Officer job profile. The plan is to recruit unqualified individuals and develop them into fully qualified officers over time. The additional investment reflects the higher than existing pay grades officers can progress through to as they complete their training and gain professional accreditation. While the maximum additional annual cost from this proposal is estimated at £86k, investment values reflect the anticipated additional cost over the next five years based on the current staffing position.	-	7	17	23	56
R11	Housing & Environmental Health	Environmental Health service training costs. To support the development of the proposed Environmental Health Regulatory Officers, the provision of additional dedicated training and development budget. The budget will cover annual training costs of approximately £3,000 per officer.	18	18	18	18	18
R12	Housing & Environmental Health	Housing Service staffing expenditure. Replacement of the existing fixed term contract for the Housing Register and Accommodation Officer (Refugee Support) with a permanent contract of employment, with the post added to the permanent staffing establishment. The balance held in the refugee project earmarked reserve can support this post for at least the next seven years, at which point the housing team structure will be reviewed. In the meantime this proposal will offer more security to both the employee and the housing team.	-	-	-	-	-
R13	Housing & Environmental Health	Community safety expenditure. Introduction of a crime prevention budget to contribute to, and attract, matched funding from community safety partnership partners such as the police, housing providers and the county council. It is anticipated that the resource will allow small scale, upstream interventions to prevent antisocial behaviour and crime from escalating.	10	10	10	10	10
R14	Legal & Community	Democratic Services staffing expenditure. Creation of permanent part-time (19 hours pw) post of Civic Secretary to Chair of the Council to provide a dedicated support to the Chair of Council (and Vice Chair when deputising) to enable the Chair to be more proactive. The role would be comparable to how some other neighbouring authorities provide this service. Central Bedfordshire Council has a part-time Chair's PA and Business Support Officer; Welwyn Hatfield has a PA and Mayor Support Officer; Stevenage Borough Council have 1.5 staff providing support to the Mayor and Councillors; Broxbourne has an Elections Officer/Mayor's Secretary; Hertsmere provides support as part of another post, St Albans has a Civic Officer, County Council has a full time officer providing support for the Lieutenancy and Councillors. **Proposed ongoing budget of £20k recommended to be removed by Cabinet at January 2025 meeting.**	-	-	-	-	-
R15	Legal & Community	Healthy Hub project expenditure. Budget is requested to cover the shortfall on the salary cost of the Health & Wellbeing Hub Coordinator in 2025/26 and 2026/27 and to ensure effective community wellbeing interventions continue to be delivered across the district tackling food poverty, poor emotional wellbeing, low levels of physical activity, social isolation and loneliness. Herts County Council have part funded the North Herts Healthy Hub since 2019. The current MOU ends in March 2025 and HCC have announced £35k of funding for 25/26 and 26/27. **Forecast shortfall in 25/26 proposed to be funded from the carry forward of unspent staffing cost budget in 2024/25**	-	12	-	-	-
R16	Legal & Community	Introduction of a district wide grant budget. This budget would cover those grant applications that cut across all community forums and not solely focus on one geographic area. The centralised funding pot will reduce the resource implications for the applying organisations and for officers reviewing and approving for member consideration. This could allow for greater impact of and effectiveness of community forum grants to voluntary organisations to support the needs of NH residents. This could be considered as a pilot for 2025/26 with regular reviews to assess the effectiveness of this proposal. **Proposed £10k budget in 2025/26 recommended to be removed by Cabinet at January 2025 meeting.**	-	-	-	-	-

Reference	Service Directorate	Description of Proposal	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
R17	Legal & Community	Introduction of a permanent career graded Policy and Strategy Officer post to replace the existing fixed term trainee role, which has to date been part funded from contributions from the Climate Change earmarked reserve. Grade progression would be dependent on completion of relevant training at first diploma and then degree level. The proposal will increase the scope, range, and ability of the Policy & Strategy team to support NHC officers, North Hertfordshire residents and district wide partnerships. The Team is becoming involved in more partnership work across the district (e.g., Herts Climate Change and Sustainability Partnership and associated subgroups, Equality and Diversity Networks) and corporate governance matters (the production of the Annual Governance Statement, associated Local Code of Governance and cumulative equality and environmental impact assessments). The permanence of this role will ensure that these obligations can be discharged to a consistent standard. Investment value reflects the maximum additional cost of this proposal and includes the removal of the budgeted contribution from reserve when the reserve balance reduces to zero.	7	11	16	16	16
R18	Managing Director	Leadership team restructure. Make permanent the seventh Service Director post, with realignment of responsibilities across the seven roles. This would be subject to consultation with affected staff and separate Full Council approval of the revised structure. This can in effect be part funded by the salary inflation provision for 2024/25 that wasn't all required.	112	112	112	112	112
R19	Place	Permanent budget provision for the Climate Change and Sustainability Manager role, which is currently funded on a fixed term basis until September 2026. The post will be necessary to help the Council make progress on its sustainability priority and net zero targets in future years.	-	31	62	62	62
R20	Place	Swimming pool tiling repairs at North Herts Leisure Centre. Annual underwater pool surveys are carried out to identify repair works and ensure they meet current Health & Safety legislation. Recent surveys carried out by Everyone Active have identified extensive grout works within the pool tanks required to ensure they remain in good condition. Investment value reflects current estimated cost of repairs required.	17	-	-	-	-
R21	Place	Swimming pool tiling repairs at Hitchin Swim Centre. Annual underwater pool surveys are carried out to identify repair works and ensure they meet current Health & Safety legislation. Recent surveys carried out by Everyone Active have identified extensive grout works within the pool tanks required to ensure they remain in good condition. Investment value reflects current estimated cost of repairs required.	69	-	-	-	-
R22	Place	Swimming pool tiling repairs at Royston Leisure Centre. Annual underwater pool surveys are carried out to identify repair works and ensure they meet current Health & Safety legislation. Recent surveys carried out by Everyone Active have identified extensive grout works within the pool tanks required to ensure they remain in good condition. Investment value reflects current estimated cost of repairs required.	34	-	-	-	-
R23	Place	Repairs and maintenance at Ransoms Rec, Hitchin. Following receipt of a number of complaints about the lighting and condition of this busy footway, repairs to the lighting and footpaths are required to ensure continued public safety.	25	-	-	-	-
R24	Place	Repair and maintenance of Letchworth War Memorial. Current condition of the existing memorial is tired and in need of refurbishment.	15	-	-	-	-
R25	Place	Repair of the balancing pond at Purwell Meadows, Hitchin. The balancing pond on the local nature reserve is now silted up and does not function as it should.	20	-	-	-	-
R26	Place	Waste contract client team staffing expenditure. Net cost of recruitment of two temporary full-time Mobilisation Contract Officers (one of which will be funded by East Herts DC) to support the mobilisation of the new waste and recycling services for up to 6 months, as originally proposed in the report to Cabinet in October 2022.	16	-	-	-	-
R27	Place	Addition of a new part-time (0.5 FTE) Commercial Waste Officer post to the Council's permanent staffing establishment. As originally proposed in the report to Cabinet in October 2022, the new role would support the implementation of Commercial Food Waste Collections, commercial clinical waste collections and evolve and develop the Commercial Waste and Recycling business. Half of the cost of the post will be funded by East Herts, with the aim for this post to be self-funding within 3 years.	9	7	5	-	-
R28	Place	Net cost (after East Herts 50% contribution) of recruitment to a six month temporary full time post that will be responsible for fixing issues which arise with containers, as detailed in the report to Cabinet in December 2023. This staff member would be issued with a van and would assist with container swaps, delivery of ad hoc missing containers, stickering containers and resident run throughs to help residents adjusting to the change. Investment estimate includes box van vehicle hire costs for 4 months.	13	-	-	-	-
R29	Place	Provision of Hydrogenated Vegetable Oil (HVO) fuel for the waste, recycling and street cleansing service vehicles. Based on the annual requirement for 280,000 litres, the additional cost is anticipated to be 12% higher than diesel and this cost is outside the provision of the waste contract. The use of HVO reduces CO2 emissions by approximately 90% in comparison to diesel, thus significantly reducing the carbon impact of the service. Investment value is based on the provision of 100% HVO, but HVO can be blended in proportions of 10% increments with diesel and this provides directly proportionate cost impacts and carbon savings (e.g. opting for 50% HVO would halve both the investment value and the carbon emission saving).	40	40	40	40	40
R30	Place	Commissioning of a waste compositional analysis (WCA). The last was completed in 2021 and is periodically completed to inform the Council of the effectiveness of recycling services. WCA will be a requirement of the data provision from Extended Producer Responsibility Funding (EPR) and undertaking a composition in late 25/26 will allow us to assess the effectiveness of the new services in comparison to the previous composition in 2021. The Hertfordshire Waste Partnership will collectively procure on behalf of the districts and boroughs to provider a wider Hertfordshire analysis for comparison.	20	-	-	-	-

Reference	Service Directorate	Description of Proposal	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
R31	Place	Provision of a comprehensive communications plan to support the roll out of waste and recycling service changes, as detailed in the previous Cabinet report of 9 July 2024. Costs are estimates and will vary depending on the number of collection day changes and the confirmation of costs following procurement.	100	-	-	-	-
R32	Place	Provision of a mobile application for residents to support the waste and recycling service provision. The app would provide service and collection updates via push notifications to those residents subscribed to the app, as well as look up functionality regarding collection days and options for recycling. The additional 'reporting' functionality via the app would also support the CRM. The app would have capabilities to be expanded to a wider range of council services including planning.	25	20	20	20	20
R33	Place	Storage of wheeled bins during mobilisation of new waste and recycling services. This will be required for a period of around 3 months. Site security and or rental may be required during this period once a site has been identified.	5	-	-	-	-
R34	Regulatory	Permanent budget provision for the Principal Planning Officer and career graded planning officer posts. Fixed term budget provision of five years for these posts was previously approved by Council to lead and support work on the Local Plan review. Cabinet resolved in January 2024 that the review of the Local Plan should be undertaken and initial work is ongoing. A further report to Cabinet in January 2025 will set out a proposed timetable for the key stages. Following the change of Government there is uncertainty over the regulatory framework and timeframe over which the Review will be undertaken. It is already anticipated that it will extend beyond the period for which these posts are funded, with funding for the Principle Planning officer ending in June 2027 and the funding for the Planning Officer post ending in July 2028. These posts are also involved in delivering a range of other planning activities which will continue regardless of, and beyond, the Review programme including Neighbourhood Planning, monitoring, supporting strategies, the Chilterns National Landscape Review and joint strategic planning work with neighbouring authorities.	-	-	53	112	133
R35	Regulatory	Planning service staffing expenditure. Increase in management and oversight capacity through the uplifting of one existing post into a team leader role. There are currently 46 planning posts arranged under three service managers and five team leader / principal roles. Some team leaders are now responsible for a large number of staff working across a wide range of disciplines, complex professional projects and / or substantial case loads.	9	9	9	9	9
R36	Regulatory	Recruitment of an additional Transport Officer for a fixed term of five years to; assist the Senior Transport Officer with the delivery of various transport projects emerging from the adopted Local Plan, the Growth Transport Plan and the Local Cycling and Walking Infrastructure Plan; to assist with the review of transport policies relating to the Local Plan review; to allow the Senior Transport officer to lead and input on transport initiatives associated with masterplanning for strategic site allocations in the Local Plan and to focus on key strategic transport projects working together with Herts County Council.	56	56	56	56	56
R37	Regulatory	Planning Control IT expenditure. The procurement of Agile AI, an Artificial Intelligence Planning Validator System which operates as an interface between the national Planning Portal and Council IT systems to reduce the manual workload with the checking and validation of planning applications. It reduces validation timescales by up to 65% leaving officer time to concentrate on other matters and improve planning performance. County-wide procurement currently being investigated under the guidance of HIPP and the Growth Board. Costs may be recoverable through planning fees if there was the ability to set fees at a break-even level.	25	5	5	5	5
R38	Regulatory	Planning Control IT expenditure. The installation of Idox Insights, a Uniform add-on that allows real-time access to information that would enable the Development & Conservation Manager to view performance to ensure alignment with performance targets for applications and appeals and gain access to data to enable more reliable and insightful decision-making. It will enable Team Leaders to review in real time the caseload and capacity of officers, easily identify bottlenecks that require attention and thereby improve performance. It allows case officers to prioritise effectively and handle workload efficiently through reducing the burden of administration. Costs may be recoverable through planning fees if there was the ability to set fees at a break-even level.	20	5	5	5	5
R39	Regulatory	Additional budget provision for specialist planning advice. The planning service requires specialist, qualified technical advice on key disciplines to inform decisions, the assessment of heritage impacts of development relating to matters such as archaeology, scheduled monuments and other heritage assets as well as reviews of conservation areas. The advice might take the form of an additional establishment post and most of the funding would come from the overspend that has already been reported from increase in fees from HCC to undertake some of this work.	6	6	6	6	6
R40	Customers	Two factor authentication to allow access to Staff and Councillors to access our IT environment. Previously a capital cost but has been moved to revenue as amount is now much lower.	-	3	-	3	-
R41	Place	Mobilisation of the new waste contract. All tenders were asked to provide separate costs for the mobilisation of the contract and implementation of service changes. These were evaluated as part of the contract award. These costs will be met from the waste reserve, so no General Fund impact. The remainder of the reserve will be a contribution towards the vehicle costs.	-	-	-	-	-
R42	Place	The leisure centre decarbonisation project will require some closures during the works, which will mean a reduction in the management fee that we receive. TO NOW BE COVERED VIA A BUDGET RISK.	-	-	-	-	-
R43	Housing & Environmental Health	Local Authority Domestic Abuse Duty. The Domestic Abuse Act 2021 placed new duties on local authorities across England to ensure that victims of domestic abuse and their children can access the right support in safe accommodation when they need it. The New Burdens grant funding received in 2023/24 and 2024/25 has now been rolled into the Settlement funding for 2025/26. The financing of this expenditure in 2025/26 is therefore included as an additional amount to the Council funding total.	36	36	36	36	36

Reference	Service Directorate	Description of Proposal	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
R44	All	Changes to the Class 1 National Insurance Contributions Secondary Threshold and the Secondary Class 1 National Insurance contributions rate from 6 April 2025. The Secondary Threshold is currently set at £9,100 a year, and will be reduced to £5,000 a year with effect from 6 April 2025 until 5 April 2028. Thereafter the Secondary Threshold will be increased in line with Consumer Prices Index (CPI). In addition, the employer contribution rate for remuneration above the secondary threshold will increase from 13.8% to 15%. Pressure value represents estimated impact for Council payrolled staff only. The government confirmed £515 million in support for local authorities in England to mitigate the additional impact of the increase in employer National Insurance Contributions (NICs) on their budgets, with final allocations to local authorities to be published with the final local government finance settlement in early 2025.	370	370	370	370	370
R45	Place	New waste and street cleansing contract expenditure. In last years budget there was a capital allocation for new vehicles. This has since been reduced. This pressure reflects the equivlant of the MRP reduction. This is reduced by the staffing cost for Customer Service staff that have TUPE transferred across to the Council (from the current contractor) that has already been incorporated in to staffing budgets. Overall this has zero net impact compared with last year,	220	220	220	220	220
R46	Managing Director	Revenue cost of internal borrowing required to finance the proposed capital programme 2024-2034. Amounts are additional to those estimated to finance the proposed capital programme 2024-2034. Value only reflects estimated Minimum Revenue Provision, as additional impact of lost interest income is included in the interest income projection.	(319)	678	521	224	7
Total Net Budget Increase from new pressures and investment proposals			**1,314**	**1,965**	**1,890**	**1,698**	**1,375**

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APPENDIX C: CAPITAL PROGRAMME FOR 25/26 ONWARDS

Project Ref	Responsible Service Director	Description of Proposal	Total Project Investment 2025/26 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2025/26	Proposed Investment in 2026/27	Proposed Investment in 2027/28	Proposed Investment in 2028/29	Proposed Investment in 2029/30	Proposed Investment 2030 - 2035	Anticipated Impact of Proposal
			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
ECP10	Service Director - Customers	Backup and Business Continuity Hardware	**105**	**0**	**57**	**0**	**0**	**16**	**0**	**32**	Hardware relating to Back Up and Disaster Recovery / Business Continuity. Items previously listed separately including: DR Hardware Refresh inc UPS Battery Pack for Unit 3 (DR site) - this includes, servers, switches and UPS at Unit 3 Back Up Diesel Generator at the DCO **(to continue with diesel option due to cost of alternative and how infrequently it is used).** 3 x 40 UPS Device or Battery replacement - lifespan of these items is 3 years therefore ongoing replacement is required to ensure the UPS continues to work effectively.
ECP11	Service Director - Customers	Infrastructure Hardware	**226**	**0**	**0**	**18**	**18**	**190**	**0**	**0**	Physical hardware supporting the corporate IT infrastructure which require updating at regular intervals. Includes Items previously listed separately: Dell servers - upgrade and maintenance of servers at regular intervals New Blade Enclosures - an integral part of the servers, require updating at the same time as the servers Core Backbone Switch - links the virtual servers to the Storage Area Network Data Switch Upgrade - The main data switch within the IT Server estate is a critical piece of hardware that connects the data packets moving between the Network Servers, Data Storage and the fibre infrastructure. It is critical to ensure that these are updated regularly Cabinet Switches to ensure that traffic is routed immediately from the servers to the desktops / laptops. **There will be costs for the period 2030-35, but all costs to be reviewed in 2027/28 as may be able to reduce spend if more software has moved to cloud based servers.**
ECP12	Service Director - Customers	Laptops - Refresh Programme	**1,056**	**0**	**319**	**79**	**35**	**40**	**349**	**234**	All staff now have laptops instead of desktops. Laptops need refreshing current budget profile allows for 4 yearly bulk refreshes, warranties are for 3 years. Interim budgets allow for replacements as required. Members also have laptops to support them in their role. **Previously treated as two separate refresh programmes, but the budget has now been combined.**
ECP14	Service Director - Customers	Microsoft Enterprise Software Assurance	**2,920**	**0**	**679**	**0**	**0**	**747**	**0**	**1,494**	MS E5 licences required for all staff to work. Amount is linked to existing staffing levels. An allocation of £747k is earmarked in 2031/32 for the renewal of the three-year licenses.
ECP15	Service Director - Customers	PC Refresh Programme	**41**	**0**	**7**	**8**	**5**	**8**	**5**	**8**	Periodic refresh of desk-based PCs that are required in the Council and cannot be replaced with laptops (i.e. self-serve pcs in reception).
ECP16	Service Director - Customers	Security - Firewalls	**90**	**0**	**0**	**18**	**0**	**18**	**0**	**54**	Firewalls help protect against cyber threats and it is important these stay up to date and current. Firewalls need updating every 2 years to keep ahead of threats.
ECP17	Service Director - Customers	Tablets - Android Devices	**40**	**0**	**10**	**10**	**4**	**4**	**4**	**8**	Periodic replacement of tablet devices
ECP18	Service Director - Customers	WiFi Upgrade	**40**	**0**	**40**	**0**	**0**	**0**	**0**	**0**	Wi-Fi upgrade within District Council Offices, Hitchin Town Hall/ North Hertfordshire Museum and Buntingford Depot.

Project Ref	Responsible Service Director	Description of Proposal	Total Project Investment 2025/26 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2025/26	Proposed Investment in 2026/27	Proposed Investment in 2027/28	Proposed Investment in 2028/29	Proposed Investment in 2029/30	Proposed Investment 2030 - 2035	Anticipated Impact of Proposal
			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
NCP2	Service Director - Customers	An alternative set of 25 machines that are outside of the Windows Environment for Disaster Recovery	**100**	**0**	**15**	**0**	**0**	**15**	**0**	**30**	To aid recovery in the event of a sucessful cyber attack. To also look at options to lease equipment in the event that it is required.
			4,618	**0**	**1,127**	**133**	**62**	**1,038**	**358**	**1,860**	
ECP29	Service Director - Enterprise	Museum and Commercial Storage Facility at Burymead Hitchin	**2000**	**0**	**2000**	**0**	**0**	**0**	**0**	**0**	The Museum Store in Burymead is no longer fit for purpose. Objects from the collection are being held in make shift storage units, garages and dilapidated structures. The original intention was that this would be a complete new build, and is still one of the options being considered. As the indicative costs that we received were much higher than we expected, we are now looking at alternative options. These options include refurbishment, smaller additions and new storage locations. A business case will be completed over the summer which will determine the approach to take. This may impact the final capital required. There is a £2million capital allocation in 2024/25, therefore the total estimated resource required is £4million.
ECP30	Service Director - Enterprise	Hitchin Town Hall Kitchen Enhancement	**25**	**0**	**0**	**25**	**0**	**0**	**0**	**0**	Further enhancements to the HTH kitchen area to improve catering quality. This will namely involve laying new more hygienic flooring and the purchase and installation of a heated pass for events and functions, which will require bringing power through the floor to the centre of the kitchen area. **May be brought forward to 2025/26 during the budget setting process, depedning on capacity to carry out the work sooner.**
NCP6	Service Director - Enterprise	Air conditioning at Hitchin Town Hall	**100**	**0**	**100**	**0**	**0**	**0**	**0**	**0**	To make the facility better for events. To consider the revenue implications (additional energey costs and any additional income that could be generated)
NCP7	Service Director - Enterprise	Mel Tax Offices, Royston	**25**	**0**	**25**	**0**	**0**	**0**	**0**	**0**	This property has been vacant for a number of years. It has not been formally marketed to date but there have been enquiries from prospective tenants. It has potential to be used for an alternative use, similar to the successful conversion of tsimilar properties (e.g. Kneesworth Street to a coffee shop- The Nest). To seek a pre-let based on the Council undertaking some main roof and structural works and the tenant fitting out, subject to suitable terms.
			2150	**0**	**2125**	**25**	**0**	**0**	**0**	**0**	
ECP2	Service Director - Housing and Env Health	S106 Projects - Funding for additional Social Housing	**193**	**193**	**193**	**0**	**0**	**0**	**0**	**0**	Payments are made in two tranches, 50% at start on site (made in 2023/24) and 50% at practical completion. The remaining £193K will be paid in December 2025/ January 2026. Total investment of £385k.

Project Ref	Responsible Service Director	Description of Proposal	Total Project Investment 2025/26 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2025/26	Proposed Investment in 2026/27	Proposed Investment in 2027/28	Proposed Investment in 2028/29	Proposed Investment in 2029/30	Proposed Investment 2030 - 2035	Anticipated Impact of Proposal
			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
ECP3	Service Director - Housing and Env Health	Private Sector Grants	**600**	**0**	**60**	**60**	**60**	**60**	**60**	**300**	HRAGs are a discretionary form of assistance specifically designed to provide practical help through a grant for small-scale works. This grant provides cash limited assistance up to £5K within any three-year period, for minor works for owner / occupiers and private tenants who meet certain criteria. HRAG funding is also used to support the Warm Homes Fund project where homes without central heating are provided with central heating **(either gas or zero carbon alternatives)**. HRAGs are means tested and help to eradicate CAT1 Hazards, such as excess cold.
			793	**193**	**253**	**60**	**60**	**60**	**60**	**300**	
ECP4	Service Director - Place	Playground Renovation District Wide	**1,800**	**0**	**180**	**180**	**180**	**180**	**180**	**900**	Moving forward from the previous policy to renovate a single play area annually to undertake a program of undertaking two locations each year. This ensures that each play area is renovated on an 18 year cycle, which still far exceeds manufacturer lifespan guidelines. **To be looked at as part of the next Green Space Management Stratgey review (in 2027). To develop a list of playgrounds with likley timings of need for renovations.**
ECP6	Service Director - Place	Walsworth Common Pavilion - contribution to scheme	**300**	**287**	**0**	**300**	**0**	**0**	**0**	**0**	**This is dependent on s106 funding. Moved back to 2026/27 to reflect more realistic timing. The cost is likley to increase based on latest estimate to around £500k, but left at current amount as will require a corresponding increase in 3rd party funding.**
ECP7	Service Director - Place	Wilbury Hills Cemetery Footpaths	**30**	**0**	**0**	**30**	**0**	**0**	**0**	**0**	Due to high volumes of visitors the existing footpath network through the site are wearing out. This program will support an investment program over a period of time to maintain current standards.
ECP8	Service Director - Place	Howard Park Letchworth Path Resurfacing	**20**	**0**	**0**	**10**	**10**	**0**	**0**	**0**	Phased approach to resurfacing the pathways at Howard Park.
NCP3	Service Director - Place	Priory Gardens bandstand	**50**	**0**	**50**	**0**	**0**	**0**	**0**	**0**	Replace or capital renovations to the existing bandstand due to poor condition of existing feature. Will also seek S106 contributions.
NCP4	Service Director - Place	Howard Gardens Play Area	**75**	**0**	**75**	**0**	**0**	**0**	**0**	**0**	Central piece of play equipment has failed due to major wooden supports rotting at ground level - this is to replace the existing item with a new item. Depending on other renovations required in 25/26, some of the cost may be covered by ECP4.

Project Ref	Responsible Service Director	Description of Proposal	Total Project Investment 2025/26 onwards £'000	Total Anticipated Funding from Grants or Other Contributions £'000	Proposed Investment in 2025/26 £'000	Proposed Investment in 2026/27 £'000	Proposed Investment in 2027/28 £'000	Proposed Investment in 2028/29 £'000	Proposed Investment in 2029/30 £'000	Proposed Investment 2030 - 2035 £'000	Anticipated Impact of Proposal
NCP5	Service Director - Place	Broadway Gardens resurfacing	**250**	**0**	**250**	**0**	**0**	**0**	**0**	**0**	Current york stone area is uneven and wil become unsafe and is breaking up due to use and frost. This project is to resurface this area with like for like but may be other alternatives. This will require confirmation by Planning due to the location being in a conservation area.
			2,525	**287**	**555**	**520**	**190**	**180**	**180**	**900**	
ECP20	Service Director - Place	HSC: Change Village Refurbishment	**225**	**0**	**0**	**225**	**0**	**0**	**0**	**0**	The Change village was last refurbished in 2014. To ensure customer satisfaction is maintained, refurbishment is programmed to take place on a 10-15 year cycle. **To review in 2025/26 to see if it can be pushed back another year, and/or whether it could be a partial refurbishment.**
ECP22	Service Director - Place	NHLC Male, Female and accessible wet change refurbishment	**250**	**0**	**0**	**250**	**0**	**0**	**0**	**0**	The wet side changing rooms were last refurbished in 2016. To ensure customer satisfaction is maintained refurbishment is programmed to take place on a 10-15 year cycle. Consideration will be given to reconfiguring area to accommodate a change village in line with HSC and RLC.
ECP23	Service Director - Place	NHLC: Interactive Water Feature	**120**	**0**	**0**	**0**	**120**	**0**	**0**	**0**	Proposal to transform the small pool into a highly interactive water play area for children of all age and ability groups. **To be discussed with Everyone Active as to whether it would generate additional use, and may be removed.**
ECP24	Service Director - Place	NHLC: Pool Flume Replacement	**300**	**0**	**0**	**0**	**300**	**0**	**0**	**0**	The pool flume was installed in 1992 and due to its age a proposal to replace the flume with a newer model is proposed. This will ensure continued customer satisfaction for users of the leisure pool. **Brought forward from 2028/29 and estimated cost increased from £150k.**
ECP25	Service Director - Place	Royston Leisure Centre Dry Side Toilet Refurbishment	**30**	**0**	**30**	**0**	**0**	**0**	**0**	**0**	To ensure customer satisfaction is maintained a project to fully refurbish the male, female and disabled dry side toilet areas is proposed.
ECP26	Service Director - Place	Royston Leisure Centre Café	**20**	**0**	**20**	**0**	**0**	**0**	**0**	**0**	The Council's new leisure provider put forward a proposal that if the Council provided capital funding for the capital investments within their bid, that they would provide additional management fee income. The additional management fee would be greater than the Council's cost of capital.
ECP27	Service Director - Place	RLC: Fitness Equipment Replacement	**350**	**0**	**350**	**0**	**0**	**0**	**0**	**0**	The Council's new leisure provider put forward a proposal that if the Council provided capital funding for the capital investments within their bid, that they would provide additional management fee income. The additional management fee would be greater than the Council's cost of capital.

Project Ref	Responsible Service Director	Description of Proposal	Total Project Investment 2025/26 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2025/26	Proposed Investment in 2026/27	Proposed Investment in 2027/28	Proposed Investment in 2028/29	Proposed Investment in 2029/30	Proposed Investment 2030 - 2035	Anticipated Impact of Proposal
			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
ECP28	Service Director - Place	RLC: Fitness Facility Refurbishment	**452**	**0**	**452**	**0**	**0**	**0**	**0**	**0**	The Council's new leisure provider put forward a proposal that if the Council provided capital funding for the capital investments within their bid, that they would provide additional management fee income. The additional management fee would be greater than the Council's cost of capital.
			1,747	**0**	**852**	**475**	**420**	**0**	**0**	**0**	
ECP32	Service Director - Place	Refuse and Recycling Bins	**900**	**0**	**90**	**90**	**90**	**90**	**90**	**450**	Wheeled bins are considered to have on average a 10-12 year life. The bin replacement cycle for the purple residual waste bins means we are likely to see increased bin purchases over the coming years.
ECP33	Service Director - Place	Fibre Waste Bins	**1,170**	**0**	**1,170**	**0**	**0**	**0**	**0**	**0**	In line with the decision by Cabinet for a 3:3:3 waste collection schedule, a new blue lidded 240L bin will be issued to residents as the new 'paper and cardboard' bin, replacing the box. This is the estimated cost of purchasing and delivery of the additional bin to households.
ECP34	Service Director - Place	Vehicle fleet replacement program (Waste and Recycling)	**11,770**	**2,300**	**5,270**	**0**	**0**	**0**	**0**	**5,500**	We will be providing funding for the new vehicles required for the new cobntract in return for a reduction in the contract cost. The investment reflects the Council's expected share of the total cost of vehicles. It includes that all vehicles under 7.5 tonnes will be electric. Expected vehicle life is generally around 8 years so provision for replecement in around 2033.
ECP35	Service Director - Place	Waste depot facility co-located with a residual waste transfer facility	**6,000**	**0**	**0**	**0**	**0**	**3,000**	**3,000**	**0**	Herts County Council are planning to build a waste and recycling transfer station. There may be an option to co-locate a waste depot on the same site, to replace the current Letchworth depot. The current Letchworth depot is not of sufficent size to accomodate the additional vehicles that will come with population growth. A new depot would also be planned to include facilities to allow the decrabonisation of the waste fleet.

Project Ref	Responsible Service Director	Description of Proposal	Total Project Investment 2025/26 onwards	Total Anticipated Funding from Grants or Other Contributions	Proposed Investment in 2025/26	Proposed Investment in 2026/27	Proposed Investment in 2027/28	Proposed Investment in 2028/29	Proposed Investment in 2029/30	Proposed Investment 2030 - 2035	Anticipated Impact of Proposal
			£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
NCP1	Service Director - Place	EV charging at the existing Letchworth depot	**100**	**0**	**100**	**0**	**0**	**0**	**0**	**0**	The installation of EV charging at the current depot for vehicles under 7.5 tonnes. Includes provision for increasing the overall supply to the site, which is likley to be required. Trying to obtain grant fuding.
			19,940	**2,300**	**6,630**	**90**	**90**	**3,090**	**3,090**	**5,950**	
ECP1	Service Director - Resources	Capital maintenance to Council builidings	**500**	**0**	**50**	**50**	**50**	**50**	**50**	**250**	Condition surveys have been carried out on a substantial number of the Authority's premises (substantially consists of Community Centres and Pavilions). This bid relates to those premises which are not currently subject to separate plans or review. The surveys have identified necessary works within priority bands required to ensure the continued use of the premises and to maintain premises in a reasonable condition. Enhancement works of this nature will reduce reliance on reactive maintenance repairs.
ECP5	Service Director - Resources	Remote testing equipment - Emergency Lights and Water Temperature Monitoring	**13**	**0**	**13**	**0**	**0**	**0**	**0**	**0**	Provision of remote testing Emergency Lights and Water Temperature Monitoring at at least 4 small pavilion and cemetery sites.
ECP31	Service Director - Resources	Off Street Car Parks resurfacing and enhancement	**139**	**0**	**19**	**43**	**77**	**0**	**0**	**0**	Condition surveys have identified the need for a proactive programme of resurfacing for the council's off street car parking. Resurfacing, re-lining and enhancing the lighting enables the car parks to be used safely, reducing insurance claims for trips and falls, and allows the continued enforcement of the relevant traffic regulation orders. A. Planned maintenance programme should enable reduction in reactive repairs. B. No programme of repairs will require additional revenue maintenance funds for responsive repairs, and loss of income as Traffic regulation orders will become unenforceable. **Updated assesment of condition includes works to Priory Gardens (25/26), King James Way (26/27), Bancroft (26/27 and 27/28) and the Warren (28/29). To be kept under review and will require further work in later years.**
NCP8	Service Director - Resources	CCTV Control Room upgrade	**45**	**0**	**45**	**0**	**0**	**0**	**0**	**45**	Stevenage BC (who operate the control room on bahalf of the partnership and company) have been notified that the core control room infrastructure is in need of an upgrade, as it will no longer be supported from the end of 24/25.The total cost is split between company and the partners. This is the estimated North Herts partnership (Council) share. May need to bring the spend forward to 24/25.
NCP9	Service Director - Resources	Public Sector Decarbonisation- phase 2	**TBC**	**0**	**730**	**2,001**	**423**	**0**	**0**	**0**	Consultatnts are looking at the decarbonisation options in relation tp DCO, Hitchin Town Hall and District Museum and North Herts Learner Pool. This may lead to a sucessful decarbonisation fund bid, which would require a Council capital contribution.
			697	**0**	**857**	**2,094**	**550**	**50**	**50**	**295**	
TOTAL			**32,469**	**2,780**	**12,398**	**3,397**	**1,372**	**4,418**	**3,738**	**9,305**	

Appendix D- Chief Finance Officer's section 25 report

As part of this report, under section 25 of the Local Government Act, the Council's Chief Finance Officer is required to comment on the robustness of estimates and the adequacy of reserves.

The major external factor affecting the Council continues to be uncertainty over future funding.

Future funding

In the draft Local Government settlement, Government have only provided a guarantee that Core Spending Power will not fall. With additional funding being targeted towards social care and areas with higher derivation, this is the situation that the Council finds itself in. The guarantee is only in cash terms (i.e. no provision for inflation) and is applied after increase in the rate of Council Tax. This is what was implied in the policy statement as well, so is a reasonable base for planning beyond 2025/26.

The policy statement provided a clear direction that there will be a 3-year settlement for the period from 26/27 to 29/30. However it is feasible that this ambition could be affected by the ambitions in the Local Government devolution and reform White Paper.

The positive news for the Council was the Extended Producer Responsibility (EPR) funding. This is guaranteed minimum and on top of Core Spending Power in 2025/26. The period from 2026/27 is more uncertain. EPR itself does not place any new burdens on Councils, at least not of the scale of the funding provided. Recycling reforms in relation to mandatory food waste and separate fibre collections do place new burdens on Councils, albeit our new contract had been designed to deliver these. These new burdens will need to be funded. The base assumption used in our budget estimates is that our EPR funding allocation will essentially transform in to new burdens funding.

So, in summary, the base funding assumption for future years is based on:

- A Council Tax referendum limit of 3%.
- Net growth in our tax base (after direct costs linked to new properties) of 0.5% per year.
- A Core Spending Power guarantee of 0%, that is applied after Council Tax rate increases and assuming average growth in the tax base.
- EPR funding to be a proxy for waste new burdens funding, and to stay at a flat cash amount (i.e. no inflation).

It is worth noting that the Core Spending Power guarantee in the form above makes the Council Tax referendum limit irrelevant in terms of the funding that the Council will receive. It merely further shifts the burden of our funding to Local Council Taxpayers.

The policy statement referred to shifting grant funding away from Councils that could generate funding through Council Tax. A more positive scenario could be that the Government allowed Councils to keep some of the gains from Council Tax rate increases, on top of the 0% Core Spending Power guarantee. That would help Councils (especially those deemed to be at floor level) with some contribution towards inflationary cost pressures. It would also mean that Council Tax rises would have some local benefit rather than just off-setting reductions in Government funding. If we were able to keep all of the rate gains (at a 3% increase) it would be additional funding of around £400k in 26/27, increasing to over £1.7 million by 2029/30. Note that this would still likely to be a below inflation increase overall, and would not provide any additional population based funding. It might be that Government only let us keep part of the gain and/or limited Council Tax rate increases to 2%. If we are able to keep 1% of gain per year then that would be around £140k in 26/27, and around

£550k by 2029/30. At 2% per year it would be around £270k in 26/27, and around £1.1 million by 2029/30.

A worse case scenario would see the ERP funding being removed, either in one go or over time. Whilst we should expect to receive waste new burdens funding, there are previous examples of such funding either being insufficient initially, or eroded over time (e.g. through the impact of inflation and/or redistribution). For example, the effective new burdens funding could be just £500k by 2029/30.

There are clearly scenarios that could be described as best or worst case scenarios that would fall beyond those already described. However it seems unlikely that negative RSG will return, at the negative end. And it seems there is insufficient overall money to provide more central funding (i.e. not raised from local Council Tax) and still target funding towards areas of higher deprivation.

It is my view that the assumption made is a reasonable one to make with limited information available. As will become a theme through this section 25 report, there will be a need to be ready to react as better information becomes available. That means having a set of plans that are developed and being ready to make decisions that ensures the ongoing sustainability of the Council.

Impact of inflation

Each year, we apply increases to our budgets to reflect forecasts of contract inflation and pay inflation. Contract inflation is usually linked to specific indicators and we use published economic forecasts to predict what these will be. Once we have worked through the initial adjustments for the new waste and street cleansing contracts, we will have two of our big contracts having been recently retendered and greater cost certainty. However we will still be exposed energy price inflation, and the risk that this is above general inflation and/or it acts as a driver for general inflation.

We have estimated pay inflation at 3% in 2025/26 and then 2% per year thereafter. The overall result for the 2024/25 pay inflation was actually slightly less than the 4% estimate. Even with recent pay increases being higher at the lower grades, increases in the National Living Wage still put pressure on further significant pay increases at these grades. This puts direct pressure on the middle grades and maintaining pay differentials, and pressure on the higher grades which have seen lower increases and have tracked even further behind inflation. Whilst I think the current budget assumption is a reasonable one to take (and is consistent with many other Councils), I am concerned that it may turn out to be an under-estimate.

We set our capital budgets over a 10-year time horizon, and therefore our estimates are susceptible to inflation between when they are added to the programme and when the expenditure is ultimately incurred. For more discretionary capital spend, this can have an impact on viability when estimates are updated. For example, the allocation for a pavilion at Walsworth Common is now too low, and there is a need to identify more third party funding to maintain this as a deliverable project (without a much more significant Council contribution). At a more significant level, the allocation for a new waste depot is likely to be insufficient, unless it can be delivered in a different way or with a change in scope of what is required. The estimates will need to be reviewed as we get closer to the need and opportunity to deliver such a project.

Some of the Grounds Maintenance forecasts do not get adjusted (e.g. the play area refurbishment allocations), although the extent of some of these can be adjusted to fit the budget available.

There are some revenue budgets that do not get inflated each year, i.e. budgets that do not relate to pay or where known contract inflation can be applied. These are generally low value budgets that pay for ad-hoc items, but it is acknowledged that the spending power of those budgets is being eroded. In the quarterly budget monitoring process we have not seen any pattern of overspend against these budgets. Although staff training is one of these budget types, we have generally found creative ways to get the most out of these budgets (e.g. use of our apprentice levy, use of other organisations unused levy). Although this will be kept under review, as it vital that we value staff training.

The inflation that is applied to fees and charges budgets is done in accordance with the assumptions agreed in the MTFS. In some areas this acts as a clear plan for how the level of fees and charges will be adjusted, although there is still uncertainty over the level of demand for those services. For car parking charges there is an additional level of risk over the total income that will be received. The MTFS assumption acts as a budget forecasting estimate only, and there will be a subsequent report to Cabinet to consider the actual changes to parking tariffs. That report will need to consider the wider implications and justification for any tariff changes. Whilst the percentage increase is moderate (2%), the total impact equates to around £50k. I feel that this is a balanced assumption, but there is an element of risk to highlight.

Demand pressures and grant funding

In relation to the potential impact of reduced demand (either at current prices or where prices are inflated), there are various factors that provide me with confidence that the forecasts are reasonable. Firstly, we have been carrying out budget monitoring through the first 8 months of the year and have not seen any significant in-year drops in demand that needs to be adjusted on an ongoing basis. Secondly, whilst the most significant increase in charge is for garden waste (relative to previous increases), the assumptions allow for some drop-off in demand, the charging is in line with or below other Councils and they have not reported any significant falls in demand. Thirdly, the proposed new charging that is proposed is for car parking in the evenings and on Sundays, but the financial impact is currently shown as TBC (which equates to zero) which allows the impact (if adopted following consultation) to only be incorporated when we see the actual impact.

Housing is the main service area where we see demand pressures, which usually result in an increase in the need to use hotel and B&B placements. The excess cost of these placements is currently being covered through specific housing grants, and we have seen an increase in the specific grant that we have been awarded. The conversion of Anderson House (in Hitchin) in to homeless accommodation will also help by increasing the supply, especially for those requiring greater support. But it remains an area to keep a focus on through quarterly monitoring.

As detailed in the main budget report, the risks in relation to other specific grant funding have also been considered.

Capital spend, capital funding and debt

Capital spend comes with a revenue cost, which ranges from lost treasury income through to external interest charges and Minimum Revenue Provision. There is therefore a need to ensure that our capital spend forecasts continue to be realistic, both in terms of cost forecasts for items that are progressing, as well as being prepared to remove those items that are no longer deliverable.

The impact of inflation on capital spend forecasts is considered above. The need to fund capital spend from borrowing comes with an increased revenue cost, compared with being able to fund it from capital receipts. It is therefore necessary to consider the assumptions made in relation to generating new capital receipts.

Recent reports to Council (July 24 and January 25) requesting additional budget for the leisure centre decarbonisation scheme shows that major capital projects are susceptible to capital cost inflation and changes in revenue forecasts (e.g. changes in costs/ income). The second decarbonisation bid is lower value and scale, but there is still the potential for cost increases, and it will need to be kept under review. Whilst the plans for Churchgate area regeneration (in Hitchin) are still being developed, there are options that could make it a very large project. The inherent risk of such a project could require an increase in the recommended minimum General Fund balance, which would reduce the flexibility over the timing of the delivery of savings.

There has been a delay in the timing and amount of capital receipts compared to previous forecasts. This is due to previous vacancies in the Estates team and some site-specific changes that have now come to light. As we have reaching the tipping point where we are running out of existing capital reserves, the Estates team are being prudent in the timing of their forecast receipts. This results in a higher forecast Minimum Revenue Provision charge than may be required, but I consider this to be necessarily prudent.

As it currently stands, we have a small amount of historic external debt that it is not economic to repay. In the short-term we have the option to borrow internally against our revenue reserves and delay any further external borrowing as long as possible. This is both a more prudent approach, and likely to reduce longer term costs as it is likely that the cost of borrowing will reduce in the medium term (although not to the exceptionally low levels seen from 2008-2022).

Savings requirement

The plan (as detailed in the MTFS) is to use Business Rate pooling gains (that are held in reserve) and General Fund reserves to support balancing the budget in 2025/26. This will be further helped by the ERP funding which will reduce the call on those reserves (at least in 2025/26). This is contingent on the commitment to take action during 2025/26 (including public consultation) to make decisions on savings to be implemented in 2026/27 onwards.

As there is not a savings target in place for the current year, any savings that have been put forward have not been due to pressure being placed on Budget Managers. Therefore, I consider the savings that have been put forward as part of this budget to be achievable and I do not need to flag any risks or concerns.

Council Reserves and the CIPFA Resilience Index

At the start of 2025/26 we expect our General Fund reserves to be £14.4m and we also have £6.5m of previous Business Rate gains and grants held in reserve. As detailed in the budget report this is substantially above the recommended Minimum General Fund reserve levels. This gap helps to provide further comfort against the risks and concerns that I have highlighted in this section 25 report.

The Chartered Institute for Public Finance and Accountancy (CIPFA) produce a Resilience Index for Councils. CIPFA recommend that Chief Finance Officers consider the results from the index in compiling their section 25 reports.

The index is published on the CIPFA website (https://www.cipfa.org/services/financial-resilience-index). At the time of writing this report the version on the website was still based on March 2023 data. CIPFA had provided a pre-release version using 2024 data to Chief Finance Officers, and the considerations below are based on that version. I hope that version is published on the CIPFA website soon.

The Resilience Index includes some important measures in relation to level of reserves and how quickly they are being used. However, as it is based on data from the previous financial year-end, it obviously is not current data. Any key messages that are highlighted by the Resilience Index, would usually have been being flagged by the Council's Chief Finance Officer long before they show up on the Resilience Index. However, the Index can help as a wake-up call to reiterate the need for action.

The Index is based on comparisons, both with others and over time. In our case we can compare ourselves against all Districts or our statistical near neighbours. This can help with highlighting with where you are different to other Councils and not just rely on the fact that it is difficult for everyone.

When compared with our nearest neighbours the two measures which are showing as higher risk are: change in reserves and level of earmarked reserves. Our results are that our change in reserves was -10% (comparative range of -89% to +29%). However, this is in accordance with our short-term strategy and needs to be considered in the context of our overall level of reserves. Our overall level of reserves (compared with net expenditure) is at the lowest risk level. The story in relation to earmarked reserves is similar and we have been shifting earmarked reserves that aren't really that targeted in to the General Fund. So that would explain the levels and reductions in those levels. My conclusion is that our reserves are at a reasonable level for the risks that we are exposed to. Some Councils may have higher reserves as a way to mitigate against the higher risks (e.g. in relation to investments or borrowing) that they face. There is capacity for our reserves to drop as we respond to the budget pressures that we expect to have to face. But is worth noting that our reserves are not so high to allow for an excessively delayed response. They are at a level that allows for measured but prompt response but reflecting that savings will take some time to implement.

Conclusion

Overall, I consider that the budget is proposed based on robust estimates. I have highlighted where I feel that there are elements of higher risk, but I am satisfied that there are mechanisms in place to be able to respond to these if required.

My overall conclusion is focused on the medium-term. It is almost certain that there will be a be a need to act. Even the more optimistic projections on funding would require savings to be identified and delivered of over £1m (and more likely in the range £2.5m - £3.5m). There will need to be some difficult decisions over areas of priority during 2025/26, to help inform the 2026/27 budget process. As long as action is taken then the Council can be sustainable in the medium-term and beyond. But if action is not taken then our reserves could fall very quickly. The Corporate Peer Challenge also highlighted the benefits of achieving a balanced budget more quickly and then using any reserves that are deemed to be surplus for investment in the district.

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Appendix E - Budget Summary 2025/26 to 2029/30

All amounts £000	2025/26	2026/27	2027/28	2028/29	2029/30
Net expenditure brought forward	19,376	22,792	21,852	21,162	20,448
Planned delivery of savings previously identified	-1,090	-975	-53	-339	-158
Planned Investments previously approved	1,317	371	128	106	-20
Other previously identified adjustments in future years	16	-19	17	-19	17
Savings and Cost Reductions reported in year	-100	-25	0	0	0
Investments and Pressures reported in year	1,235	-776	0	0	0
New savings proposals	-433	264	-159	-18	113
New investment proposals	1,314	651	-75	-192	-323
Net pay increments	173	50	50	50	50
Pay inflation	554	300	300	300	300
Pension contribution inflation	32	0	0	0	0
Forecast Contractual Inflation	272	325	325	325	325
Forecast Income Inflation	-261	-219	-223	-228	-231
2024/25 Budgets Carried Forward	388	-388	0	0	0
Further savings tbc	0	-500	-1,000	-700	-700
Total Net Expenditure	**22,792**	**21,852**	**21,162**	**20,448**	**19,820**
Council Tax Income	-13,613	-14,090	-14,584	-15,095	-15,625
Council Tax Collection Fund (Surplus) / Deficit	-144	0	0	0	0
Other Funding	-4,743	-4,266	-3,772	-3,261	-2,731
Extended Producer Responsibility funding	-1,435	-1,435	-1,435	-1,435	-1,435
Council Tax Support to Parishes	39	39	39	39	39
Total Funding	**-19,896**	**-19,752**	**-19,752**	**-19,752**	**-19,752**
Net funding position (use of reserves)	**2,896**	**2,100**	**1,410**	**696**	**68**

General Fund b/f	14,401	14,401	14,401	13,394	12,698
MHCLG Grants Transfer	-2,896	-2,100	-404	0	0
General Fund c/f	14,401	14,401	13,394	12,698	12,630

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Appendix F

Investment Strategy
(Integrated Capital and Treasury Strategy)

Part 1- Overview

Introduction

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's risk appetite, providing adequate security and liquidity initially before considering investment returns.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending plans. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses.

The Chartered Institute of Public Finance and Accountancy (CIPFA) define treasury management as:

> *"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

This strategy provides an integrated view of capital spend and income, alongside treasury management. This is because long-term Treasury management is inextricably linked to the funding of the capital programme. There is also a requirement to apply treasury management principles to any capital spend that is not related to service provision.

The format of this strategy is as follows:

Part 2- Capital Spend

- A summary of the Council's current capital assets. For those assets that are not held for service provision, an assessment against the principles of Security, Liquidity and Yield.
- Forecasts of the capital and revenue spend required to maintain those assets.
- Planned spend on new capital assets, with the additional assessment of risk, security, liquidity and yield for those assets that are not being acquired for service provision.
- This part of the strategy therefore gives a complete picture of forecast capital spend.

Part 3- Capital balances, receipts and the Capital Financing Requirement (CFR)

- Forecasts of expected receipts from the sale of surplus capital assets.
- Comparing capital spend forecasts with capital reserve balances and forecast future receipts gives the Capital Financing Requirement, which is the Council's need to borrow.

Part 4- Borrowing Strategy and Minimum Revenue Provision (MRP)

- This leads to the setting of a borrowing strategy which sets out how to borrow, when to borrow and for how long.
- Where the Council has a borrowing requirement, then it is required to set a policy on Minimum Revenue Provision.

Part 5- Investment Strategy

- This is then all combined to determine the levels of cash that the Council will have available for investment. This leads to an investment strategy that determines where to invest any balances, including limits on types of investments.

Part 6- Overall Risk considerations

- To consider the cumulative risks that the Council faces that arise from the totality of this strategy.

Part 7- Glossary of terms

- To explain the various terms used in this strategy.

The strategy sets a number of prudential and treasury indicators. A prudential indicator is one which is required by statutory guidance, whereas a treasury indicator is one that is set locally to provide information on performance.

<u>Reporting requirements</u>

Full Council will receive and approve three reports during the year:
- The Integrated Capital and Treasury strategy (this report)
- A mid-year review
- An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management strategy.

Each of these reports will be reviewed by the Finance, Audit and Risk (FAR) Committee and Cabinet. The FAR Committee and Cabinet will also receive reports on the position as at the end of the first (to end of June) and third (to end of December) quarters. The FAR Committee undertakes an oversight role.

These reports will provide relevant updates on performance against the prudential and treasury indicators.

<u>Basis of Estimates</u>

The estimates contained within this strategy are based on the best information that can reasonably be obtained. For forecasts of spend on assets (revenue maintenance, capital maintenance and capital acquisitions) this is based on a combination of previous experience, indicative quotes, condition surveys and professional advice. The estimates of capital receipts are provided by the Council's Estates Team and are prudent estimates based on expected use, type of sale, market conditions and (where applicable) the status of negotiations to date.

The Council has experienced cost increases on capital projects in the past. These have generally arisen from delays in the start of the project and subsequent inflation, rather than incorrect estimates. Budget Holders have been asked to be as realistic as they can be about the timing of projects and ensure that forecast costs are aligned to the expected timing. There will also be external factors that affect estimates, particularly current economic conditions and the impact of inflation. For capital projects, there is some flexibility to the extent to which they can overspend without further approval (ranging from 5% to 20% dependant on value) and this is considered in setting this overall strategy and in the quarterly monitoring.

<u>Treasury Management Policy and Treasury Management Practices</u>

In line with guidance from the Chartered Institute of Public Finance and Accountancy, the Council sets the following treasury management policy:

1. This Council defines its treasury management activities as: The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
2. The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.
3. The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The Council also has treasury management practices (TMPs) which set out how the Council will carry out, manage and control the achievement of the policy above in practice. These TMPs follow the recommendations contained within the Code of Practice on Treasury Management (published by CIPFA), subject only to amendment where necessary to reflect the particular circumstances of the Council. Such amendments are minor and do not result in any material deviation from the Code's key principles. The TMPs cover the following areas:

- TMP1- Risk Management
- TMP2- Performance Measurement
- TMP3- Decision making and analysis
- TMP4- Approved instruments, methods and techniques
- TMP5- Organisation, clarity and segregation of responsibilities, and dealing arrangements
- TMP6- Reporting requirements and management information arrangements
- TMP7- Budgeting accounting and audit arrangements
- TMP8- Cash and cash-flow management
- TMP9- Money laundering
- TMP10- Staff training and qualifications
- TMP11- Use of external service providers
- TMP12- Corporate Governance

Treasury Consultant

The Council undertook a tender to provide treasury management advice for a three year period. The contract was awarded to Link Asset Services to provide treasury management advice for the three year period April 2023 –March 2026 with the option to extend for a further two years. Link have since been taken over by MUFG Pension and Market Services (“MUFG”). It is recognised that the responsibility for treasury management decisions remains with the Council at all times and the Council will ensure that undue reliance is not placed upon MUFG. However, there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented.

The performance of the treasury consultant is assessed through regular meetings and the justifications for the advice provided.

Skills and culture

It is important that decision makers are given the information that they need to make those decisions. Given that treasury and risk management can be a complex area; this should be accompanied by the availability of appropriate training. To address the availability of information, all Council, Cabinet and Committee reports include sections on both financial and risk implications. Where a decision is more financial in nature then these considerations will be detailed throughout the report. Table 1 details the key groups in relation to decision making and the training that has been made available. This strategy is required to disclose the steps that have been taken to provide training, and it is up to individual members of those groups to ensure that they take advantage of the opportunities offered.

Table 1

Group	Reason for training	Training that has been made available
Full Council (All Councillors)	Required to formally adopt this Strategy. Required to approve any capital purchase over £2.5m.	Annual training that provides an introduction to Local Authority funding and accounting was provided in June 2024. All Councillors were invited to attend, with a particular focus on new Members, Cabinet members and Finance, Audit and Risk Committee members.
Finance, Audit and Risk (FAR) Committee	To review the Council's policies on Treasury, Capital and the Medium-Term Financial Strategy. To monitor the effective development and operation of risk management.	There is a standing item for future agenda items, which includes training ideas. This allows the targeting of specific training. This has enabled a number of training sessions to take place in advance of the regular FAR meetings. For 2025/26, the Committee have agreed to resume carryng out an annual skills self-assessment. Where relevant (particularly early in the civic year) the presenter of reports provides a more detailed introduction to ensure the key information and context is fully understood. Regular reporting to the Committee on Capital, Risk and Treasury provides the opportunity to ask questions.
Chief Finance Officer and Finance Team	Responsibility for the financial management of the Council (under s151 of Local Government Act, 1972), including capital and treasury management. Provide advice to Budget Holders in respect of financial management. Responsible for reviewing and amending the financial implications sections of reports.	Ongoing Continuing Professional Development for all qualified members of the finance team, including focused training for specific areas of responsibility.
Leadership Team (LT)	Individual Service Directors will be responsible for putting forward proposals. Proposals will be reviewed by the Senior Management Team prior to taking through the Committee process. Members of SMT are likely to be involved in negotiating commercial deals.	Previous training session on risk, risk appetite and assessing risk. Regular updates on the Council's funding and finances, including significant changes in regulations. Updates on the core principles of the prudential framework.

Part 2- Capital Spend

Current Capital Assets
As at 31st March 2024, a summary of the capital assets owned by the Council is shown in table 2 below.

Table 2

Asset Type	Asset	Reason for ownership	Value (£000)
Investment Properties	Various	Retained to generate income	27,017
Churchgate, Hitchin	Shopping Centre	Regeneration	3,340
Surplus Land and buildings	Various	Held for future sale or development	8,618
Offices and Storage	Offices	Staff offices, customer service centre and democratic facilities	3,793
Offices and Storage	Unit 3 / Depots	Off-site storage, back-up IT and emergency planning	582
Leisure Facilities	Hitchin Swim Centre / Archers	Service use	8,614
Leisure Facilities	Letchworth Outdoor Pool	Service use	3,252
Leisure Facilities	North Herts Leisure Centre	Service use	13,218
Leisure Facilities	Royston Leisure Centre	Service use	8,357
Leisure Facilities	Pavilions / Bandstands	Service use	2,186
Leisure Facilities	Recreation Grounds / Play Areas / Outdoor Gym Equipment / Gardens/Allotments	Service use	5,764
Leisure Facilities	Decarbonisation Project	Service Use	16
Community Centres and Halls	Various	Community facilities, generally operated by third parties	12,634
Markets	Hitchin Market	To provide a market	163
Museums and Arts	Hitchin Town Hall and District Museum	District-wide museum and community facility	7,041
Museums and Arts	Letchworth and Hitchin museums, Burymead store	Museum storage	1,737
Cemeteries	Various	Service use	1,565
Community Safety	Various CCTV cameras	Service use	63
IT	Various computer equipment and software	To enable the delivery of other services	373
Parking	Various car parks	Service use	11,384
Waste Collection	Bins	Service use	290
Waste Collection	Vehicles	Service use	605
Public Conveniences	Various	Subject to leases/ management arrangements	561
Other	Various	Various	547
Total			**121,720**

Table 3 shows the capital expenditure that has been incurred during the year, or is forecast to be spent in the remainder of the year:

Table 3

Asset Type	Asset	Reason for purchase/ expenditure	Value (£000)
CCTV	Various	CCTV Replacement	132
Cemeteries	Wilbury Hills	Path Enhancement	10
Grants	John Barker Place	Contribution to redevelopment	1,096
Grants	Various	Private Sector Housing Grants	100
Grants	Various	S106 Grants (REFCUS)	12
Grants	Various	Shared Prosperity Fund	280
Investment Properties	Residential Housing	To enable the conversion of Harkness Court to increase housing provision in the District	3
IT	Various computer equipment and software	To maintain IT service and provision of equipment	718
Leisure Facilities	Hitchin Swim Centre / Fitness	Enhancements	821
Leisure Facilities	Letchworth Outdoor Pool	Enhancements to Café	53
Leisure Facilities	North Herts Leisure Centre	Enhancements	1,212
Leisure Facilities	Recreation Grounds / Play Areas / Gardens / Allotments	Refurbishment of play areas.	576
Leisure Facilities	Royston Leisure Centre	Enhancements	670
Leisure Facilities	Various	Decarbonisation Project	8,590
Leisure Facilities	Various	Environmental Improvements	78
Museums	Museums	Museum and Commercial Storage	1,350
Parking	Off Street	Match Funding for Electric Vehicle Charging	100
Parking	Off Street	Upgrade pay and display machines and resurfacing	677
Various	IFRS16	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.	456
Various	Various	Capital maintenance of Council buildings/land	305
Waste	Bins	Service Use	130
Waste	Bury Mead Road Transfer Facility	Service Use	30
Total			**17,399**

Capitalisation Policy:

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.

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.

The Authority's de-minimis level is £20,000 for property and £10,000 for vehicles, plant and equipment. Lower limits may be applied where it relates to grant funding

The Council will provide grants that fund works on assets that it does not own. This expenditure can be treated as capital expenditure, even though it does not create an asset that the Council would then own or recognise. This is known as revenue expenditure allowed to be funded by capital under statute (or REFCUS).

For the assets that the Council owns (or plans to purchase in the year) that are **not** for service delivery, the security, liquidity and yield in relation to these have been considered. For these assets it is up to the Council to determine how it balances these, and this will depend on its risk appetite. This analysis is shown in Table 4. In most cases, assets are grouped together by type. Assets that are held for income generation purposes are revalued annually. This valuation is on a fair value basis. Unless detailed below the asset is considered to provide sufficient security.

Definitions:

Security- In traditional treasury terms, this is the possibility that other parties fail to pay amounts due to the Authority. For commercial investments it relates to how susceptible they are to changes in value and market conditions.

Liquidity- This is the possibility that the Authority may not have funds available to meet its commitments to make payments. In general it relates to how easy it is to sell an asset.

Yield- The income return on an investment or asset, such as the interest received or rental income from holding a particular investment or asset.

Table 4

Asset (or type of asset)	Security	Liquidity	Yield
Ground leases- mainly of commercial premises in Royston, Letchworth and Hitchin (£24.6m by value)	Generally subject to long leases where the land has been built on. The building would become owned by the Council if there was a default on the lease agreement. Therefore, high security.	It is possible that the Council could try and sell to the leaseholder. Otherwise low liquidity in common with commercial premises.	The assets have been owned for a number of years. Valuations are based on the yield generated.
Letchworth Town Hall (value £0.8m)	25 year lease (from 2012) where the tenant has provided significant investment.	Very low liquidity as would require someone to be interested in this type of building. Listed so would limit redevelopment.	Valuations are based on the yield generated.
Beverley Close Store, Royston (value £0.2m)	15 year lease from 2017	Low liquidity in common with commercial premises.	Valuations are based on the yield generated. Previously used as a Council store and a decision was made to retain for rental income.
Residential housing (Harkness Court) (value £0.7m)	The property is on a long lease to Broadwater Hundred. The property would ultimately revert to the Council if the company did not pay the rent due. The demand for housing is high (shown by how quickly the properties were let) and so the security is considered to be high.	High demand should mean the property has high liquidity if the Council and company agreed to sell the property. The liquidity is lowered as currently leased to the company.	Generating a yield from the lease to Broadwater Hundred.
Other assets valued at less than £0.1m (£0.5m in total)	Not fully assessed	Not fully assessed	Not fully assessed

Definitions:

Fair Value: The price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

For each of the assets in table 4, there is also a requirement to carry out a fair value assessment that demonstrates that the underlying assets provide security for the capital invested. There is a further requirement to carry out an assessment of the risk of loss. This assessment generally relates to investments in commercial activities so includes items that may be less relevant to the majority of our assets. In total the risk assessment covers:

- Assessment of the market that competing in, including nature and level of competition, market and customer needs including how these will evolve over time, barriers to entry and exit, and ongoing investment required.

- Use of external advisers and how the quality of these is monitored
- Whether credit ratings are used and how these are monitored
- Any other sources of information that are used

The assessments described above are shown in table 5. In most cases the assets are grouped together by type.

Table 5

Asset (or type of asset)	Fair value assessment	Assessment of the risk of loss
Ground leases- mainly of commercial premises in Royston, Letchworth and Hitchin (£24.6m by value)	Valued on a fair value basis. The valuation is based on rental yields.	Subject to competition from other sites within the same industrial areas and other locations. Difficult (uneconomic) for current lessees to exit due to lease terms and investment in the site. Any maintenance is the responsibility of the leaseholder.
Letchworth Town Hall (value £0.8m)	Valued on a fair value basis. The valuation is based on rental yields.	The building has some unique features in relation to its prominence and location. However, overall, there currently is an over-supply of office accommodation in Letchworth. Difficult (uneconomic) for current lessees to exit due to lease terms and investment in the building. Any maintenance during the lease term is the responsibility of the leaseholder.
Beverley Close Store, Royston (value £0.2m)	Valued on a fair value basis. The valuation is based on rental yields.	Subject to competition from other sites within the same industrial areas and other locations. Currently let to a company with significant property interest nearby. Might be difficult to re-let.
Residential housing (Harkness Court) (value £0.7m)	Valued on market value	Due to national (and local) housing shortage, there is high demand. The risk of loss is low, and will generally only be due to short-term voids.
Other assets valued at less than £0.1m (£0.5m in total)	Not fully assessed	Not fully assessed

Under the ‘Use of Capital Receipts Direction’, the Council can treat certain specified revenue spend as capital. Further details of the direction are shown below. Where this direction is used, the spend is included in the capital forecasts in tables 3, 6 and 7.

Use of Capital Receipts Direction:

The Capital Receipts direction was last used to fund the decommissioning of pavilions and play areas in 2018/19. There are no plans to make further use of the Direction in the period 2025/26– 2029/30. This is because the Council has high revenue reserves and low available capital receipts.

For all assets the future capital cost of maintaining those assets has been considered, and gives the following future capital spend requirements (table 6). For some of the elements of some items (marked with an asterisk) the spend could be included in table 7 but is included here to make the tables shorter.

Table 6

Asset	Description of future capital expenditure	Forecast Capital Expenditure (£000)					
		2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31 to 2034/35**
Existing Capital Programme-schemes 2025/26 onwards							
Various	Capital maintenance based on condition surveys	50	50	50	50	50	250
Cemeteries	Wilbury Hills footpath resurfacing	0	30	0	0	0	0
Computer Software & Equipment	To maintain IT services	1,112	133	62	1,023	358	1,830
Hitchin Swim Centre*	Refurbish Changing Village	0	225	0	0	0	0
North Herts Museum & Community Facility	Weatherproof solution to allow all year round use of the Terrace Gallery balcony space / Town Hall Kitchen Enhancement	48	25	0	0	0	0
North Herts Leisure Centre*	Accessible wet change refurbishment / Interactive Water Feature	550	0	0	0	0	0
Royston Leisure Centre	Refurbishments / Learner Pool	1,852	0	0	0	0	0
Various	Private sector housing grants (REFCUS)	165	60	60	60	60	300
Various Off-Street Car Parks	Resurfacing / Enhancements	365	43	77	0	0	0
Various Parks and Playgrounds	Enhancements	1,356	190	190	180	180	900
Waste and Recycling	Bin replacements	1,260	90	90	90	90	450
New Capital Programme							
Various Parks and Playgrounds	Priory Gardens Bandstand	50	0	0	0	0	0
Total		**6,808**	**846**	**529**	**1,403**	**738**	**3,730**

The totals for 2030/31 to 2034/35 are estimates only and could be subject change. These should be treated as early indications only, and formal approval of these amounts is not required.

The revenue maintenance of these assets has also been considered. The Council has chosen to allocate a central budget of £230k per year for this purpose.

<u>New Capital Assets</u>

There are also proposals for the following capital expenditure on new capital assets and expenditure on existing assets that is not related to capital maintenance (table 7).

Table 7

Asset	Reason for capital expenditure	Forecast Capital Expenditure (£000)					
		2025/26	2026/27	2027/28	2028/29	2029/30	2030/31 to 2034/35
Existing Capital Programme-schemes 2025/26 onwards							
Charnwood House	Refurbish and update the building for community use.	366	0	0	0	0	0
Newark Close	Replace Road	45	0	0	0	0	0
NH Museum and Community Facility	Museum Storage Solution / Replace Chiller	730	2,000	0	0	0	0
Public Sector Decarbonisation Project phase 1	Public Sector Decarbonisation Project	5,000	0	0	0	0	0
Remote testing equipment	Emergency Lights and Water Temperature Monitoring	13	0	0	0	0	0
S106 Projects	Fund community projects	192	0	0	0	0	0
Solar for Business	Install Solar Panels (on 3rd party property)	563	0	0	0	0	0
Various	Refurbishment and improvement of community facilities	48	0	0	0	0	0
Various Grant Funded Projects	GAF funded implementations	713	0	0	0	0	0
Various on-street parking	Installation of trial on-street charging	50	0	0	0	0	0
Walsworth Common Pavilion	New pavilion	0	300	0	0	0	0
Waste and Recycling	Vehicles and Northern Transfer Station	5,270	0	0	3,000	3,000	5,500
New Capital Programme							
CCTV Control Room	Upgrade Control Room	45	0	0	0	0	45
Computer Software & Equipment	An alternative set of 25 machines that are outside of the Windows Environment for Disaster Recovery	15	0	0	15	0	30
Hitchin Town Hall	Air conditioning	100	0	0	0	0	0
Letchworth Deport	EV charging	100	0	0	0	0	0
Mel Tax Offices, Royston	Roof and structural works	25	0	0	0	0	0

Various Parks and Playgrounds	Replace play equipment and resurfacing	325	0	0	0	0	0
Public Sector Decarbonisation Project phase 2	Public Sector Decarbonisation Project	730	2001	423			
Total		**14,330**	**4,301**	**423**	**3,015**	**3,000**	**5,575**

Below is an estimate of the total capital expenditure to be incurred in the years 2025/26 to 2029/30. This is based on tables 6 and 7. This is a Prudential Indicator and the Council is required to set a target for it and monitor against it during the year.

Prudential Indicator 1: Estimate of total capital expenditure to be incurred in years 2025/26 to 2029/30

Year	£m
2025/26	24.218
2026/27	3.416
2027/28	0.649
2028/29	4.428
2029/30	3.738

A list of the capital programme from 2025/26 is provided in Appendix C.

Where this proposed expenditure does not relate to service delivery, the security, liquidity and yield in relation to this spend has to be considered. The capital allocations do not include any spend that is not linked to service delivery, but the Council will continue to consider opportunities in relation to residential property and other investments where they support regeneration or support Council priorities. If these opportunities arise then they will be brought to Council for consideration, alongside an updated Investment Strategy. The table below (table 8) provides an analysis of security, liquidity and yield in relation to these types of investment.

Table 8

Asset (or type of asset)	Security	Liquidity	Yield
Residential Property (including developing housing on Council land)	The underlying value of residential property generally appreciates over the medium term due to the overall shortage of supply. Any focus on developing new properties or converting existing properties to residential will also help to ensure security due to the expected uplift in value. Individual market factors will be considered prior to acquisition. Where retained it is likely that the property will be held through a company, although various funding structures can be considered (e.g. loan funding, equity funding or leasing the assets to the	Property is a medium to long-term asset due to the costs of buying and selling. However, it is generally possible to sell residential property within a reasonable time-frame if priced accordingly.	The expected rental yield will be compared to the costs of acquisition or construction as part of the business case.

	company for onward rental). Maximum security would be achieved through loan funding (with the loan secured against the property) or an onward leasing arrangement. But there may be instances where higher levels of equity funding are considered appropriate.		
Other investments	The primary reason for any other investment would be to enable regeneration and/ or to support the delivery of Council priorities. But given overall Council finances, the security of investments will be given a high weighting in determining whether to take any forward. However there will always be some risk relating to both general market conditions and specific factors relevant to individual properties.	Property is a medium to long-term asset due to the costs of buying and selling, and that property markets can be cyclical in nature.	To reflect the risk of property investment a net surplus of 1% (above revenue costs of capital, administration and acquisition costs) will be targeted as a minimum. Any target surplus will be commensurate with the level of risk.

For these assets, table 9, also details an assessment of the risk of loss. This covers the same factors that have been detailed previously. Where relevant, assets have been grouped together.

Table 9

Asset (or type of asset)	Assessment of the risk of loss
Residential Property	This will be fully assessed as part of the business case for the acquisition of any properties.
Other investments	This will be fully assessed as part of the business case for the acquisition of any properties.

Part 3- Capital balances, receipts and the Capital Financing Requirement (CFR)

Capital Funding

The Council forecasts the following additions to its capital receipts (table 10). All the planned disposals are surplus land that is being sold to generate capital receipts. The disposals will also reduce the risks and costs of holding the land. Due to the potential impact on negotiations over disposal values, individual values are not detailed. Table 8 above mentions potential opportunities for the Council to develop residential properties on existing land. If these were to be progressed, then that would require a refresh of the Investment Strategy. If the properties were then sold at the end, then that would result in a delayed (but expected to be greater) capital receipt. If some (or all of) the properties were retained, then that would swap a capital receipt for an expected revenue income stream. The valuations used are prudent for selling with limited restrictions and assuming that planning permission can be obtained. If the Council requires enhanced conditions in relation to affordable housing provision, then that could result in a reduced capital receipt. An allowance has been incorporated for higher environmental standards for new disposals, but the impact is uncertain as it will be affected by the cost of those enhanced standards (which is expected to fall over time) and any premium that the end purchaser of the property is prepared to pay. If there were changes in the receipts that could be achieved, then it may be necessary to revise the Investment Strategy. That would increase the borrowing requirement, increase borrowing costs and therefore have a greater revenue impact (due to revenue costs of capital). The Council has other limited surplus land that may have a value but is not included in the forecasts below as the amount and/or timing of the receipt is too uncertain.

Table 10

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Balance B/Fwd	2,331	0	0	2,336	2,560	0
Used in Year	2,331	0	3,864	776	2,560	0
Forecast Receipts (£000)	0	0	6,200	1,000	Tbc (0)	Tbc (0)
Balance C/Fwd	0	0	2,336	2,560	0	0

The above timing and values are an estimate only. Actual timings will depend on market conditions and time taken for planning permission to be granted (where sales values are subject to planning). The Council will seek to get the best value it can from land sales.

As a result of planned expenditure in 2024/25 and future years, the Council forecasts the following use of funding for capital (table 11).

Table 11

Funding Source	Brought forward (at 31/3/24)	Forecast expenditure and funding sources (£000)						
		2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31 to 2034/35
Capital Expenditure		17,399	21,138	5,147	952	4,418	3,738	9,305
Less: Set-aside receipts used	2,582	2,489	93	0	0	0	0	0
Less: Capital receipts used	2,331	2,331	0	3,864	776	2,560	0	0
Less: Grant funding used		8,053	807	996	176	0	0	0
Less: IT Reserve used		0	0	0	0	0	0	0
Less: S106 receipts used		539	276	37	0	0	0	0
Less: Funding from revenue		30	3,200	0	0	0	0	0
Less: Other Capital Contributions		10	48	250	0	0	0	0
Borrowing requirement		**3,947**	**16,714**	**0**	**0**	**1,858**	**3,738**	**9,305**
Cumulative borrowing requirement		**3,947**	**20,661**	**20,661**	**20,661**	**22,519**	**26,257**	**35,562**

Definitions:

Capital receipts- money received from the sale of surplus assets.

Set-aside receipts- previously money generated from the sale of surplus assets was not defined as capital receipt. The residual funding that the Council has (which is mainly from the sale of its housing stock to North Herts Homes) is treated as a set-aside receipt. In essence these are treated in the same way as capital receipts.

The borrowing requirement is the balancing item. It is also known as the Capital Financing Requirement (CFR). This is a Prudential Indicator and the Council is required to set a target for it and monitor against it during the year.

Prudential Indicator 2: Capital Financing Requirement

Year	£m
As at 31st March 2024 (actual)	-2.6
As at 31st March 2025 (forecast)	3.9
As at 31st March 2026 (forecast)	20.7
As at 31st March 2027 (forecast)	20.7
As at 31st March 2028 (forecast)	20.7
As at 31st March 2029 (forecast)	22.5

Where the Council has a Capital Financing Requirement (i.e. the borrowing requirement is positive) then it:

- Must make a charge to revenue for a Minimum Revenue Provision.
- Can choose whether to borrow internally or externally.

Part 4- Borrowing Strategy and Minimum Revenue Provision (MRP)

Borrowing strategy

Definitions:

Internal Borrowing- Even when the Council has no capital reserves, it can borrow internally against its revenue balances and reserves. This uses the cash that is available and is different to funding capital from revenue. The Council is still required to have a Minimum Revenue Provision but does not incur any external interest costs. Interest income from investing the revenue balances and reserves would be lost.

External Borrowing- Borrowing from a third party (e.g. Public Works Loans Board, a Local Authority or a financial institution). Interest costs would be incurred, as well as having to make a Minimum Revenue Provision.

Based on Prudential Indicator 2 above the Council has a Capital Financing Requirement from 2024/25 (although based on monitoring at Qtr 2 of 2024/25 had not yet reached having a positive Capital Financing Requirement) onwards and therefore does have a need to borrow.

If the Council had a borrowing requirement, then in order to determine whether to borrow internally or externally, it must consider the level of revenue reserves and provisions that it has, and when it expects that these will be spent. Forecasts of the revenue budget give the following estimates (table 12). These totals are also used in determining the cash that it has available for investment.

Table 12

Revenue balance	Brought forward (at 31/3/24)	Forecast balance at year end					
		2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
General Fund[1]	14,057	14,401	14,401	14,401	13,394	12,698	12,630
Add back MRP	0	0	402	1,840	1,834	1,635	1,513
Revenue Reserves[2]	12,689	13,627	7,553	5,453	5,049	5,049	5,049
S106 balances	4,863	5,176	4,900	4,863	4,863	4,863	4,863
Provisions	2,597	2,597	2,597	2,597	2,597	2,597	2,597
Outstanding Debt	347	325	305	290	275	265	250
Total	**34,553**	**36,126**	**30,158**	**29,444**	**28,012**	**27,107**	**26,902**

1 Based on General Fund forecasts from Appendix E.
2 Revenue Reserve balance as at 31/3/24. Incorporates use of Business Rate reserve and waste vehicle reserve. For simplicity this ignores some of the fluctuations in reserve balances, as these do not have a material impact.

MRP is added back as it is not an outflow of cash and can be used for internal borrowing. The cash outflow happens when the borrowing is repaid. The Revenue budget includes forecasts of the MRP charge.

The Prudential Code (published by the Chartered Institute of Public Finance and Accountancy) provides a framework for Councils to develop investment plans that are affordable, prudent and sustainable. This details that an expectation that Councils will use cash reserves (i.e. borrow internally) before they borrow externally. The reason for this is that it reduces costs as not paying external interest. However, in the longer term it will introduce financing risk, as there will come a time when the Council will have diminished its cash reserves (except amounts held for cashflow purposes) and will need to borrow externally. This will need to be planned so that borrowing can be achieved at a reasonable rate.

Current forecasts (see tables 11 and 12) are that the Council will have revenue reserves in excess of its borrowing requirement. Therefore all borrowing (except any cashflow borrowing) will be internal over the period of the Investment Strategy.

Table 13

	Brought forward (at 31/3/24)	Forecast amount of borrowing in year (£000)							Carried forward (at 31/3/35)
		2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31 to 2034/35	
Total borrowing requirement	346	3,947	16,714	0	0	1,858	3,738	9,305	
Made up of:									
Internal borrowing	0	3,947	16,714	0	0	1,858	3,738	9,305	35,562
External borrowing	346	(21)	(20)	(15)	(15)	(10)	(8)	(7)	250

The brought forward borrowing total is made up of historic borrowing that it is not cost effective to pay off. This is because the interest that would be payable over the course of the remaining loan has to be paid upfront instead. The reduction is due to these being loans that are repaid in instalments.

Definitions:

Operational Boundary: This is the limit beyond which external debt is not normally expected to exceed. Set as £1m (rounded to the nearest £0.1m) above the forecast external debt.

Authorised Limit: This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable or required in the longer term. This is set at £5m above the operational boundary.

Prudential Indicator 3: External Debt

Year	Forecast Borrowing £m	Forecast other long-term liabilities[1] £m	Less: Internal Borrowing £m	Forecast Total External Debt £m	Operational Boundary £m	Authorised Limit £m
As at 31st March 2024 (actual)	0.347	0.516	0	0.863	2.0	7.0
As at 31st March 2025 (forecast)	4.272	0.562	(3.947)	0.887	2.0	7.0
As at 31st March 2026 (forecast)	20.966	5.984	(20.661)	6.289	9.0	14.0
As at 31st March 2027 (forecast)	20.951	5.122	(20.661)	5.412	7.0	12.0
As at 31st March 2028 (forecast)	20.936	4.258	(20.661)	4.533	6.0	11.0
As at 31st March 2029 (forecast)	22.784	3.395	(22.519)	3.660	5.0	10.0
As at 31st March 2030 (forecast)	26.514	2.531	(26.257)	2.788	4.0	9.0

1 Comprises the finance lease relating to Letchworth Multi-storey car park, Grounds Maintenance Vehicles / Machinery and Leased 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 (table 14). 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. This is reflected in the indicators set out as Treasury Indicator 4 below.

Table 14

Loan Type	Start date	Duration (years)	Maturity date	Amount Borrowed (£)	Balance Outstanding 31/03/25 (£)	Interest Rate (actual or forecast) (%)	Current Annual interest cost (£)
PWLB	08/01/49	80	Oct 2025	5,346	178	3.125	10
	16/09/49	80	Jul 2029	380	22	3.0	1
	10/05/46	80	Jan 2026	10,150	323	3.125	17
	12/11/48	80	Jul 2028	13,885	1,514	3.0	55
	01/10/65	60	Jul 2025	33,976	1,019	6.0	149
	05/07/66	60	Jan 2026	35,000	2,069	6.0	212
	02/08/66	60	Jul 2026	50,000	4,368	6.0	384
	18/03/68	60	Jan 2028	40,000	7,914	7.375	710
	03/01/69	60	Jul 2028	53,027	13,009	8.125	1,247
	06/03/70	60	Jan 2030	20,100	7,041	8.75	688
	24/11/70	60	Jul 2030	18,714	7,510	9.5	785
	26/01/71	60	Jan 2031	25,000	10,912	9.75	1,159
	05/03/71	60	Jan 2031	12,500	5,255	9.25	530
	05/03/71	60	Jan 2031	25,000	10,513	9.25	1,061
	31/05/46	80	Jan 2026	9,570	319	3.125	17
	28/02/47	80	Jan 2027	5,832	328	2.5	11
	18/10/46	80	Jul 2026	1,527	65	2.5	2
	20/02/48	80	Jan 2028	14,952	1,408	3.0	52
	22/09/50	80	Jul 2030	654	109	3.0	4
	27/08/82	60	Jul 2042	250,000	250,000	11.5	28,750
	07/12/45	80	Sep 2025	1,500	34	3.125	2
	16/09/49	80	Sep 2029	640	89	3.0	3
	20/03/53	80	Mar 2033	1,020	298	4.125	14
	23/10/53	80	Sep 2033	750	219	4.0	9
	20/11/53	80	Sep 2033	420	125	4.0	5
	25/04/52	80	Mar 2032	480	126	4.25	6
	30/01/48	80	Sep 2027	1,560	123	3.0	5
	20/09/45	80	Sep 2025	16,690	553	3.125	34
Total					**325,443**		

Definitions:
Refinancing Risk (or Maturity Risk): The risk that if all borrowing becomes due for repayment at the same time that this will be at a time when the costs for taking out new borrowing (refinancing) are very high.

To manage refinancing risk, the Council sets limits on the maturity structure of its borrowing. However, these indicators are set at a high level 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. Due to the low level of existing borrowing, all the limits have a broad range. This is particularly necessary for the 'under 12 months' limit, to allow for cash-flow borrowing (if it was required).

Treasury Indicator 4: Maturity Structure of Fixed Interest Rate Borrowing

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

The Council does not place any restrictions on where it can borrow from. This is because the Council will hold the money and therefore there is not a risk around the security of the funds. In practice any borrowing is likely to come from the Public Works Loan Board, UK banks, UK building societies and other Local Authorities. All borrowing will be denominated in GBP Sterling. The decision on any borrowing will be made by the Chief Finance Officer and reflect the advice of the Council's treasury advisers.

The Council can enter in to borrowing arrangements at both fixed and variable rates. Variable rate borrowing has a greater risk and so therefore Treasury Indicator 5 limits the amount of borrowing that can be at a variable rate. To aid administration and monitoring, the limits are shown as £ values but are based on percentages of the Operational Boundary. Borrowing at fixed rates can be up to 100% (inclusive) of the Boundary, and variable rate borrowing can be up to 30% of the Boundary.

Definitions:

Fixed Rate: The rate of interest is set at the point the borrowing is taken out and remains at the same percentage rate for the full term of the loan.

Variable Rate: The rate of interest varies during the term of the loan and usually tracks prescribed indicator rate (e.g. Bank of England base rate)

Treasury Indicator 5: Fixed and Variable Borrowing Rate Exposure

Year	Operational Boundary relating to borrowing excluding long term liabilities £m	Limit on Fixed Rate borrowing £m	Limit on Variable Rate borrowing £m
2024/25	1.4	1.4	0.4
2025/26	3.0	3.0	0.9
2026/27	1.9	1.9	0.6
2027/28	1.7	1.7	0.5
2028/29	1.6	1.6	0.5
2029/30	1.5	1.5	0.4

There is a requirement for the Council to consider the proportionality of the income that it generates from its non-service (investment) assets and how this compares to any borrowing that is linked to those assets. Current and planned investment assets were detailed in table 3 and table 8. Treasury indicator 6 shows the capital value and expected income from these assets, alongside any borrowing that is attached to those assets and the expected cost of that borrowing.

The totals below are based on existing investment assets and estimates of the income that they are expected to generate. As there is no borrowing linked to investment assets, the expected annual borrowing costs are shown as zero.

Treasury Indicator 6: Income from investment assets and the costs of associated borrowing

Year	Capital value of investment assets £m	Expected annual income from investment assets £m	Total borrowing linked to investment assets £m	Expected annual borrowing costs for loans linked to investment assets £m
2025/26	28.906	1.554	0	0
2026/27	29.556	1.541	0	0
2027/28	31.556	1.541	0	0
2028/29	31.556	1.541	0	0
2029/30	31.556	1.541	0	0

Borrowing in advance of need

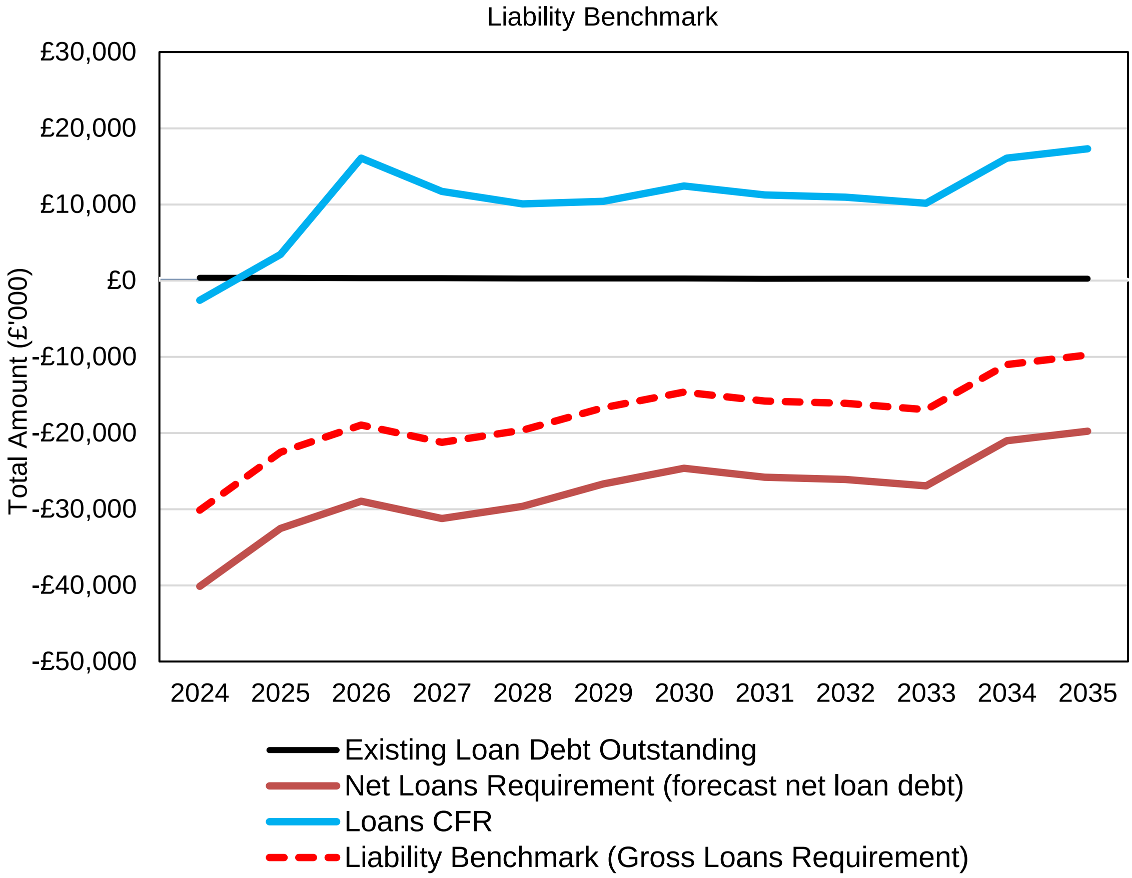
The Council would not borrow money in advance of need or at a low rate to try and reinvest that money to earn a higher interest rate, and profit from the margin between the two rates. However, the waste contract requires the use of vehicles that are provided by the contractor. The Council has taken the view that it receives the risks and rewards of those vehicle assets. Under accounting regulations, it is therefore required to treat this as a finance lease embedded within the contract. This requires the Council to recognise the vehicle assets as belonging to it, alongside a liability. The liability is effectively repaid through the contract sums over the seven years of the contract. For the new contract commencing in May 2025, it is better value for the Council to purchase the vehicles and avoid the financing costs that would be incurred by the contractor.

The extended definition of borrowing in advance of need now covers borrowing for capital investments where they are acquired purely to generate profit. The change to the PWLB rules also means that this borrowing cannot be accessed if there is any capital spend that is primarily to generate income, even if that spend was intended to be financed from reserves. The capital programme has been reviewed and there are no investments which have a primary purpose of generating income.

As part of the revised CIPFA Treasury Management Code and Prudential Code, Councils are required to adopt a Liability Benchmark (LB) treasury indicator to support the financing risk management of the capital financing requirement. The Authority is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

1. **Existing loan debt outstanding**: the Authority's existing loans and their repayment over time (black line).
2. **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on forecast capital spend and MRP charges (light blue line).
3. **Net loans requirement:** this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.



The Liability Benchmark is effectively the Net Borrowing Requirement of a local authority plus a liquidity allowance. In its simplest form, it is calculated by deducting the amount of investable resources available on the balance sheet (reserves, cash flow balances) from the amount of outstanding external debt and then adding the minimum level of investments required to manage day-to-day cash flow.

The purpose of this indicator is to compare the authority's existing loans outstanding (the black line) against its future need for loan debt, or liability benchmark (the orange line). If the black line is below the orange line, the existing portfolio outstanding is less than the loan debt required, and the authority will need to borrow to meet the shortfall. If the black line is above the orange line (as above), the authority will (based on current plans) have more debt than it needs, and the excess will have to be invested. The chart therefore tells an authority how much it needs to borrow and when. It therefore shows that the Council does not need to take out any further external borrowing.

Minimum Revenue Provision

When the Council has a Capital Financing Requirement (CFR) it is required to make a charge to the General Fund (revenue budget) called a Minimum Revenue Provision (MRP). Subject to guidelines, the Council sets its MRP policy, which is detailed below:

Minimum Revenue Provision:

The Council is required to have a Minimum Revenue Provision (MRP) policy, and when required make charges to revenue in accordance with that policy.

The Council will use the asset life method. The MRP amount will be spread over the estimated life of the assets with no charge levied in the first year, in accordance with the regulations. The Council will apply one of the two approaches below based on the project(s) that the borrowing is used for and the benefits derived from the project(s).

- Equal instalments – The principal repayment made is the same each year.

Or

- Annuity – the principal repayments increase over the life of the asset. This has the advantage of linking MRP to the benefits arising from capital expenditure, where these benefits are expected to increase over the life of the asset.

The Council has a need to borrow in 2024/25 if the Capital programme is fully spent (as at Q2 forecast there will be a small borrowing need but this may be eliminated if there is further slippage) and will therefore need to apply a Minimum Revenue Provision (MRP). The current capital programme is mainly spent on service provision. Therefore, it is considered appropriate to adopt an equal instalment MRP policy.

There is a prudential indicator that compares the net cost of financing (i.e. borrowing costs less income generated from investments) with the net revenue budget of the Council. This will be looked at later in this document after considering investments and their forecast returns. However, the indicator below considers the cost of borrowing as a % of the net revenue budget of the Council.

Treasury Indicator 7: Cost of borrowing (interest and MRP) as a % of the net revenue budget 2024/25 to 2029/30

Year	Estimated cost of borrowing (£m)	Forecast net revenue budget (£m)	Estimated cost of borrowing as a % of net revenue budget (%)
2024/25	0.036	19.588	0.2
2025/26	0.436	22.792	1.9
2026/27	1.873	21.852	8.6
2027/28	1.866	21.162	8.8
2028/29	1.666	20.448	8.2
2029/30	1.543	19.820	7.8

Part 5- Investment Strategy

Based on the assumptions above the following available investment balances are assumed. This includes a forecast of revenue reserves, capital reserves, capital financing requirement and external borrowing (table 15).

Total	**34,553**	**36,126**	**30,158**	**29,444**	**28,012**	**27,107**	**26,902**

Table 15

Balances	Brought forward (at 31/3/24)	Forecast balance at year end (£000)					
		2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Revenue balances (including MRP added back)	34,553	36,126	30,158	29,444	28,012	27,107	26,902
Capital Receipts	2,331	0	0	0	0	0	0
Capital Grants Unapplied	899	899	186	186	186	186	186
Add: Long-term liabilities[1]	516	562	562	562	562	562	562
Less: Capital Financing Requirement	-2,583	3,853	20,660	20,660	20,660	22,518	26,256
Less: Borrowing repayments	20	21	20	15	15	10	8
Total forecast of available for investment	**40,862**	**33,713**	**10,226**	**9,517**	**8,085**	**5,327**	**1,386**

1 The net position of money owed by the Council or to the Council can lead to increased or decreased cash available for investment. The Council has previously capitalised the cost of waste vehicles which had created a liability which varied over time. Under the new contract the Council will fund the vehicles up-front, in return for a lower contract cost. This means that there will now be no material variations in the liability balance.

The Council needs to consider the following in determining how long it will invest any surplus cash for:

- The period that any particular cash balance is available for. If a balance is expected to be available over a long period then it is possible to invest it over a long period.
- How much might be required to cover short term variations in cash. For example, it could be forecast that the cash at the start and end of the month will be the same. But if there is a need to pay out half that cash at the start of the month before getting an equivalent amount just before the end, then there is a need to plan.
- The risk of investing for longer periods as it increases the chance that the counterparty could have financial problems and therefore not pay back the principal invested and/ or the interest due.
- The risk of investing for longer periods as it could lead to a lost opportunity. If the investment is at a fixed rate and then there is a general rise in rates available (e.g. due to an unexpected Bank of England base rate rise) then it would not be possible to take advantage of the new improved rates until the investment matures.

Before considering where the Council will invest any surplus cash in treasury investments, it firstly needs to consider any loans that it may want to make for other purposes. A local authority can choose to make loans to local enterprises, local charities, wholly owned companies and joint ventures. These loans can relate to service provision or to promote local economic growth. These loans may not seem prudent when considered purely in relation to security and liquidity. Table 16 details current and planned loans and shows the reasons for these loans, how their value is proportionate, the risk of loss and credit control arrangements that are in place.

Table 16

Loan	Amount	Reason for Loan	Proportionality of value	Expected Credit Loss model and credit control
Building Control	Currently £107k, provision for it to increase up to £172k	To support the formation of the company. The Council is also a shareholder in the company, owning 1/8th of the shares.	Insignificant in the context of overall cash balances.	Regular monitoring of financial forecasts and business plans. The continuation of the company to provide Building Control services is more significant than the value of the loan.
Wholly owned Property Company	Up to £50k, current loan £20k	The loan is used for cashflow purposes to enable the company to become established.	As above.	As the loan is just for cashflow purposes it is unsecured. The Council receives regular reports on lettings performance which is the key indicator of company performance.
Stevenage Leisure Ltd	£308K	To purchase Technogym Equipment, which enables the provision of fitness activities at the Leisure Centres.	As above.	The Covid-19 pandemic affected the financial performance of SLL, and a repayment holiday was agreed. Whilst SLL returned to paying a full management fee during 2023/24, they have not been able to make loan repayments. As at the end of the contract in March 2024 the loan remained unpaid and SLL went in to liquidation in July 2024. The liquidation is still in progress. As at 31st March 2024 there was a bad debt provision of £158k. There are other transactions and accrued amounts (both positive and negative) that need to be resolved through the liquidation process.

When the Council invests its surplus cash, it seeks to find reliable counterparties to ensure that the amount invested (and the interest earned) is returned. The Council has decided that it is prepared to take on a higher level of risk than recommended by its treasury advisers in relation to unrated Building Societies and the duration of its investments. This risk is mitigated by reviewing published information in relation to unrated Building Societies (i.e. “Pillar 3” reports). Whilst the Council has in the past been fairly highly exposed to Building Societies, it has rebalanced this exposure during the last couple of years to make greater use of other investment types.

The following criteria are used to determine the list of counterparties:

- UK Local Authorities- as they are able to raise additional funds from taxation
- UK Government- Debt Management Office provides highly liquid investments at the lowest risk as backed by the UK Government
- UK Banks and Building Societies with a Fitch Credit rating of BBB (long-term)/ F3 (short-term) or greater- as they have been subject to UK 'stress tests' and also have a high credit rating
- Part-nationalised UK banks- as they have been subject to UK 'stress tests' and the UK government has an increased interest in not allowing them to fail.
- The Council's own banker (Lloyds) that it uses for transactional purposes. Although if its credit rating falls below BBB then any balances will be kept to a minimum (i.e. for cashflow purposes only)
- Non-UK banks with a UK subsidiary that have a Fitch Credit rating of BBB (long-term)/ F3 (short-term) or greater, and are subject to the same stress tests as UK banks
- Non-UK banks where the Country has a AA- rating and the institution has an A+ and above rating. The Service Director: Resources will exclude any countries with concerns over Governmental, Social and Human Rights issues.
- Unrated UK Building Societies- as organisations have to pay to obtain a rating; most Building Societies do not get one. They do produce annual reports known as Pillar 3 reports, and these will be used to assess their credit worthiness. Furthermore, the Council will only invest in Building Societies that have assets of at least £300m, which limits the potential exposure.
- Money Market funds that are AAA rated.
- Property funds that hold property within the UK.
- Ultra Short Dated Bond Funds- These funds invest in fixed income instruments with very short maturity dates, usually up to one year. This generally provides better returns than money market funds. Whilst this does introduce some capital risk, this is minimised by the short-term nature of such investments. Where AAA rated.
- Multi-asset Funds- These funds invest in a variety of assets including equities, bonds and cash and can be spread over a broad range of strategies, styles, sectors and regions. Risk is diversified by the spread of investments held.

All investments will be denominated in Sterling.

The Council will seek to appropriately diversify its investments across a range of types and counterparties. This means that if there were any security or liquidity issues with a particular type of investment or counterparty, the Council would still have access to the majority of its funds. The limits are initially based on a percentage of total funds but are converted to actual values to make the administration of investments more efficient. The values are calculated by applying the percentages to the expected average balance during the year (2025/26)* and then rounded up to the nearest £1m. If these limits are set too low then it limits the investment opportunities available and also increases the administration as there is then a need to find more places to invest available funds. Given the significant expected decrease in funds during the year, the percentage limits have been set lower than last year (the previous percentages are included as a comparison). The limits are shown in table 17 below.

* This is the balance taken from table 15 above of the average closing balance 24/25 and 25/26 £22m

Table 17

Investment Type	Max. amount in type of investment (£m)	Maximum amount in group (£m)	Maximum amount with any individual counterparty (£m)	Rationale and details
Debt Management Office (UK Government)	No limit			Short-term investment with UK Government that is therefore the lowest possible risk
UK Local Authorities	No limit	n/a	3	10% (previously 15%) with any one counterparty, no limit on total with Local Authorities due to tax raising powers
UK Banks and UK subsidiaries of foreign banks that are subject to the same stress tests as UK banks (excluding Lloyds current account)- includes Deposits and Certificates of Deposit	11	4	3	Rating F3 or above (short-term) or BBB or above (long-term) and part nationalised banks. 10% with any one counterparty, 15% with institutions in the same banking group, 50% (previously 60%) with banks in total
Combined Lloyds Current Account and Call Account		n/a	5	Used for cashflow purposes
Non-UK banks- includes deposits and Certificates of deposit		4	3	AA- or above Country rating and A+ or above institution rating. Maximum of 10% with any one counterparty. Maximum of 15% (previously 20%) in non-UK banks.
UK Building Societies- assets of £300m to £1bn	n/a	11	1	Review of Pillar 3 reports and KPMG report on comparative profits. 10% with any one counterparty subject to maximum of £1m. Maximum of 50% (previously 60%) with UK Building Societies and Property Funds combined.
UK Building Societies- assets of over £1bn			2	As above, but £2million
Rated UK Building Societies			3	Rating F3 or above (short-term) or BBB or above (long-term). 10% with any one counterparty.
UK Property Funds	1		1	Due to long-term nature of investment 10% of 2029/30 year end cash balance to be invested in any one fund or combination of funds. No durational limits.
Money Market Funds	3	n/a	2	AAA rated. Maximum of 10% (previously 20%) in MMFs and 5% (previously 10%) with any one fund.
Ultra-Short Dated Bond Funds	2		1	AAA rated. Maximum of 5% (previously 10%) in USDBFs and £1M with any one fund.

UK Multi-Asset Funds	1		1	Due to long-term nature of investment 10% of 2029/30 year end cash balance to be invested in any one fund or combination of funds. No durational limits.

The Council will primarily limit its liquidity risk by only investing money until it thinks it will next need it. On top of this it will also have a general limit on investments that are greater than 1 year (365 days). This limit is based on 25% of total investments but is again reflected as an absolute value of **£6m**, which is based on 25% of the expected average level of balances during the year (rounded up to nearest £1m). Investments with a set term of greater than 2 years will be subject to approval by the Chief Finance Officer, which will include a consideration of how much the investment will be as a percentage of total funds at the date it matures. It will be ensured that this is less than 25% of the estimated balance. No fixed investment term will exceed 5 years.

Investment funds (money market funds, multi-asset funds and property funds) do not have a set term and funds can be requested to be withdrawn at any time. Investment balances will be kept under review to ensure that they do not exceed the maximum amount set by this or subsequent treasury strategies. However, there is no time limit on the period that funds can be held invested for. For property funds there are both up-front set up and exit costs. Furthermore, the capital value of these funds also fluctuates over time. So, whilst in general it is possible to exit these funds at any time, there are likely to be more optimum times to do so. Therefore, it is expected that the period of investment could exceed 5 years. For multi-asset funds, the capital value of these funds also fluctuates over time. So, whilst in general it is possible to exit these funds at any time, there are likely to be more optimum times to do so. Therefore, it is expected that the period of investment could exceed 5 years.

Within the investment market, the opportunity for 'green' and ESG (environmental, social and governance) investments is starting to emerge. However, they can be more difficult to access. In some cases these can offer returns that are similar to, or the same as, non-green/ ESG alternatives for the same level of risk. Subject to these investments being compliant with other aspects of the treasury strategy (including simplicity of dealing with the institution and any minimum investment values), then these investments will be prioritised over non-green/ ESG alternatives.

Where the Council makes use of credit ratings these will be assessed immediately prior to placing an investment. The Council then receives alerts whenever ratings change and will monitor these alerts to see if an investment has fallen below the minimum criteria. For fixed term investments, it generally will not be possible to do anything in relation to a rating change. Although for a significant drop, enquiries will be made as to the exit costs involved. If these are not significant then the Council will end the investment early. For open term investments, the Council will seek to disinvest, although it will consider any exit costs.

There is a link between the interest rates that the Council can expect to achieve on its investments and the Bank of England base rate. Our treasury advisors (MUFG) have provided the following forecasts of base rates over the next 3 years. Using this and the investment limits above, we have estimated an average interest rate that the Council will achieve on its investments in each year.

Table 18

Year	Forecast of Bank of England Base Rate as at end of the year (%)	Forecast of average interest earned on investments (%)
2025/26	3.75	4.00
2026/27	3.5	3.625
2027/28	3.5	3.50

The 2027/28 rate is then used for investments in subsequent years.

Combining these average interest rates with expected balances, gives a forecast of the interest that will be earned in each year. Although the Council has retained the option to invest in longer term Property and Multi-asset funds, these type of investments are unlikely to happen so have not been assumed in calculating the forecast interest returns.

Table 19

	2025/26	2026/27	2027/28	2028/29	2029/30
Forecast of average balance available for investment (£m)- short to medium term	22	10	9	7	4
Forecast of interest earned (£m)	0.825	0.362	0.322	0.259	0.144
Current interest assumed in the revenue budget.	0.606	0.464	0.265	0.187	0.187

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.

Prudential Indicator 8: Forecast of Financing Costs as a percentage of net revenue budget

Year	Cost of borrowing £m	Less: Forecast of interest earned £m	Net Financing costs £m	Net Revenue Budget £m	Financing Costs as a % of Net Revenue Budget £m
2024/25	0.036	2.797	-2.761	19.588	-14.1
2025/26	0.436	0.825	-0.389	22.792	-1.7
2026/27	1.873	0.362	1.511	21.852	6.9
2027/28	1.866	0.322	1.544	21.162	7.3
2028/29	1.666	0.259	1.407	20.448	6.9
2029/30	1.543	0.144	1.399	19.820	7.1

Part 6- Overall Risk Considerations

The risk exposures for each of the elements of this strategy are generally independent, and therefore can be considered in isolation.

The Council's investments assets generally comprise of ground leases on commercial properties that are all within North Hertfordshire. A property fund generally invests in building (and land) assets that provide higher yields, and also diversifies across the United Kingdom. They also currently tend to focus on industrial, warehouses and office buildings. This means that there is limited cross-over in risk exposure, and before investing in a property fund (current investments are zero) the Council would review the current investments of the selected fund. Furthermore, this strategy limits any investment in a property fund to a maximum of £1m.

Part 7- Glossary

A number of definitions are included in the strategy when they are first referenced. These are not duplicated here. This part provides a list of other terms used in this report, as well as those used in the statutory guidance.

Borrowing- a written or oral agreement where the Council temporarily receives cash from a third party (e.g. a Bank, the Public Works Loan Board or another Local Authority) and promises to return it according to the terms of the agreement, normally with interest.

Investment: This covers all of the financial assets of the Council as well as other non-financial assets that the Council holds primarily or partially to generate a profit; for example, investment property portfolios. This will include investments that are not managed as part of normal treasury management processes or under treasury management delegations. Furthermore, it also covers loans made by the Council to one of its wholly-owned companies or associates, to a joint venture, or to a third party. The term does not include pension funds or trust fund investments, which are subject to separate regulatory regimes.

Within this strategy, the term investment is used in the following contexts:

- Capital investment- expenditure to acquire or improve a capital asset.
- Investment properties- assets that are held for the purpose of generating an income.
- Cash/ treasury investments- the cash that the Council has, which is made up of revenue reserves, capital reserves and the effects of cashflow timings. These amounts are invested to manage the risks of holding cash and to generate investment income.

Financial investments: These are made up of Cash/ Treasury investments and loans. This term is defined within the statutory guidance (as specified investments, loans and unspecified investments) but has not been directly used in this strategy. Part 5 of the Strategy is focused on these investments.

Specified Investment: These are essentially short-term Cash/ Treasury investments. To be a specified investment, it needs to meet the following criteria:

- The investment is denominated in sterling and any payments or repayments in the respect of the investment are payable only in sterling.
- The investment is not a long term investment. This means that the local authority has contractual right to repayment within 12 months, either because that is the expiry term of the investment or through a non-conditional option.
- It is not capital expenditure.
- The investment is considered to be high quality or is with the UK Government, another Local Authority or a Parish/ Community Council.

High Quality investment: These are investments (specified and non-specified) which are assessed on the priority basis of security, liquidity and yield. Where relevant they make use of relevant additional information, such as credit ratings. The investments set out in part 5 are considered by the Council to be 'high quality'.

- The investment is denominated in sterling and any payments or repayments in the respect of the investment are payable only in sterling.
- The investment is a long term investment. This means that the local authority has contractual right to repayment in greater than 12 months.
- It is not capital expenditure.

- The investment is considered to be high quality or is with the UK Government, another Local Authority or a Parish/ Community Council.

Unspecified investment: In the statutory guidance, these are financial assets that are not specified investments or loans. This creates a circular definition. The Council considers that they meet the following definition:

Loan: a written or oral agreement where the Council temporarily transfers cash to a third party, joint venture, subsidiary or associate who promises to return it according to the terms of the agreement, normally with interest. This definition does not include a loan to another local authority, which is classified as a specified investment. The Council will meet the following conditions when providing such loans:

- Total financial exposure to these type of loans is proportionate;
- An allowed “expected credit loss” model has been used as set out in Accounting Standards
- Appropriate credit control arrangements are in place to recover overdue repayments; and
- The total level of loans by type is in accordance with the limits set out in this Strategy.

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FINANCE, AUDIT AND RISK COMMITTEE

5 FEBRUARY 2024

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: STATEMENT OF ACCOUNTS 2023/24

REPORT OF: SERVICE DIRECTOR: RESOURCES

EXECUTIVE MEMBER: NON-EXECUTIVE

COUNCIL PRIORITY: SUSTAINABILITY

1. EXECUTIVE SUMMARY

The Committee have been made aware of the issues with External Audit backlogs in Local Government and the plans to address them. This includes a series of back-stop dates. The first of these was 13 December 2024 for 2022/23 (and earlier) accounts. The next one is 28 February 2025 for 2023/24 accounts.

KPMG LLP (KPMG, as the Council's auditors for 2023/24 onwards) have recently completed the work that they are going to undertake on those accounts. They have therefore issued their draft reports on the Accounts (Appendices B and C). As the 2022/23 audit opinion was disclaimed, it was not possible for KPMG to undertake enough audit work to issue an unqualified opinion. Instead, they have issued a partially disclaimed opinion. This means that they have been able to fully look at some areas of the Accounts, but not others. This is the situation that we expected to be in as it will take time to get the whole process back to normal.

During the audit that KPMG have carried out they have found some non-material errors and proposed corrections. In most of these we have corrected these but have not made changes in relation to some pension adjustments (see paragraph 8.3) and the resultant Statement of Accounts is attached at Appendix A.

The reports from KPMG include their Value for Money report. They have not identified any significant weaknesses, which is a positive assessment. They have made some recommendations on improvements that we can make. All these are low priority (level 3). A verbal update will be provided to the meeting on the actions to address these recommendations.

The Council's Annual Governance Statement (AGS) should be approved in advance of approving the Statement of Accounts. This is the preceding item on the agenda for the meeting.

2. RECOMMENDATIONS

2.1. That the Committee note the KPMG Annual Report as attached at Appendix B and the KPMG Year End Report to the Finance, Audit and Risk Committee at Appendix C.

2.2. That the Committee approve the 2023/24 Statement of Accounts as attached at Appendix A (with the Auditors Report to be added), and that they can be signed by the Chair.

2.3. That the Committee approve the signing of a Management Representation by the Chair of the Committee. This will be a standard format and is in the process of being finalised by KPMG.

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. Furthermore, to meet the back-stop deadlines set out in the Accounts and Audit (Amendment) Regulations 2024.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1. None, the approval of the Statement of Accounts is a statutory requirement.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1. Consultation with Members on the Statement of Accounts is not required.

5.2. The draft Statement of Accounts for 2023/24 were published on our website in September 2024. This was later than when we were supposed to publish them. The delay was due to the Accounts team focusing on implementing a new finance IT system, the continuing work on the 2022/23 accounts and waiting for information in relation to pensions disclosures. We knew that the delay would not impact on when the audit work by KPMG would be carried out. 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 and ran from 18 September to 29 October 2024. No one took up the opportunity to inspect the accounts.

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 Committee have been made aware of the issues with External Audit backlogs in Local Government and the plans to address them. This includes a series of back-stop dates. The first of these was 13 December 2024 for 2022/23 (and earlier) accounts. The next one is 28 February 2025 for 2023/24 accounts.

7.2. Like most Councils, our audit appointments are arranged through Public Sector Audit Appointments (PSAA). They determine who our auditor will be and set scale fees for audits. For 2023-24 onwards (for an initial term of 5 years) our auditors are KPMG.

8. RELEVANT CONSIDERATIONS

8.1 KPMG have recently completed the work that they are going to undertake on those accounts. They have therefore issued their draft reports on the Accounts. These are an Annual Report (attached at Appendix B) and a the KPMG Year End Report to the Finance, Audit and Risk Committee (attached at Appendix C). As the 2022/23 audit opinion was disclaimed, it was not possible for KPMG to undertake enough audit work to issue an unqualified opinion. This is because an audit would usually get assurances (e.g. in relation to prior year balances and comparative information) from the prior year audit work. Instead, they have issued a partially disclaimed opinion. This means that they have been able to fully look at some areas of the Accounts, but not others. This is the situation that we expected to be in as it will take time to get the whole process back to normal.

8.2 The reports detail the audit work that KPMG have been able to carry out and which areas of the Accounts are subject to a disclaimed opinion, and which are not. A disclaimed opinion (not able to review some or all of the accounts due to time constraints) is different from a qualified opinion (arises when there are material errors in the accounts), and is not a negative reflection on the accounts.

8.3 During their audit work, KPMG found some non-material errors and we have corrected most of these. We have not corrected three errors which relate to the pension fund disclosures. These are fully detailed on pages 29 and 30 of Appendix C. We have chosen not to correct these errors, as they would require the time and cost of getting a new pension valuation report. As the differences arise from incorrect data used by the actuary and different assumptions, we will make the County Council (as pension fund administrator) aware of this, to try and avoid it happening again. Two of the errors are subject to an asset ceiling, and none of the errors have any impact on the General Fund. An uncorrected non-material error would not result in a qualified audit opinion.

8.4 KPMG (as per their audit requirements) also carry out Value for Money work. This is also set out in their completion report. They identified two significant risks as part of their work, but no significant weaknesses arising from those risks. This is a positive outcome for the Council. They have identified some control deficiencies as detailed on pages 31 and 32 of Appendix C. A verbal update will be provided at the meeting to detail the steps that we will take to address these.

8.5 The Statement of Accounts (with the errors that have been corrected as per paragraph 8.3) are attached at Appendix A. These are the Accounts that the Committee are asked to approve, including that they can be signed by the Chair. Prior to signing, the Auditors Report will need to be added. This report will reflect the substance of what is contained in Appendix B.

8.6 There will also be a requirement to sign a Management Representation letter. KPMG are still working on the format of that letter to reflect partly disclaimed opinions. This letter will be a standard format and will reflect that we have fulfilled our responsibilities.

8.7 In advance of approving the Statement of Accounts the Committee must approve the Annual Governance Statement (AGS) for 2023/24. This is the preceding item on the agenda of this meeting.

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.

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

9.5 The Accounts and Audit (Amendment) Regulations 2024' have introduced the back-stop dates and a revision to the date when Councils should publish their draft Statement of Accounts.

10. FINANCIAL IMPLICATIONS

10.1. None of the minor changes made to the Accounts (as identified in the audit work by KPMG) affect the the year-end General Fund balance (or other usable reserves) compared to that reported to Cabinet and Council in July 2024.

11. RISK IMPLICATIONS

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

11.2. The process of 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. The audit process also provides assurances. The role of audit is weaker where it provides a partly disclaimed option, although a full Value for Money review has been undertaken.

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” 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 There are the resource implications of preparing our Statement of Accounts and supporting the audit work that by KPMG. The timing of this causes issues when it follows so soon after the approval of the 22/23 Statement of Accounts, and at the same time as in-year budget monitoring (for 2024/25) and preparing the budget for 2025/26. This should improve over time as audit work moves back towards the correct timing in the year.

16. APPENDICES

16.1 Appendix A: Statement of Accounts 2023/24

16.2 Appendix B: KPMG Annual Report

16.3 Appendix C: KPMG Year End Report to the Finance, Audit and Risk Committee

17. CONTACT OFFICERS

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

18. BACKGROUND PAPERS

18.1 *None*

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Unaudited Statement of Accounts 2023/2024

North Hertfordshire District Council

Contents

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 2024 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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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 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 initially set out some of the projects that would be delivered to support the priorities set out above. In March 2022, we 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 is reviewed by Cabinet on a quarterly basis, assisted by the Overview and Scrutiny Committee. During 2023-24 (for setting the plan for 2024-25) we have been looking at how we can better focus on our key projects using a project prioritisation process. In 2024-25 we will also use performance indicators that better reflect how we are performing overall, rather than just focusing on project progress and delivery.

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

Narrative Report

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 59,000 households
- 55% of household waste sent for re-use, recycling and composting
- Clean over 400 miles of roads
- Provide support to the homeless in our District.
- Collecting Council Tax and Business Rates.
- Planning for the second largest district in Hertfordshire at 145 square miles.
- Regulation and enforcement, e.g. Parking, Fly-tipping, Licensing and Environmental Health.

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
- Improvement of our environment and the combat of climate change
- Run active community events, like our Healthy Hubs.

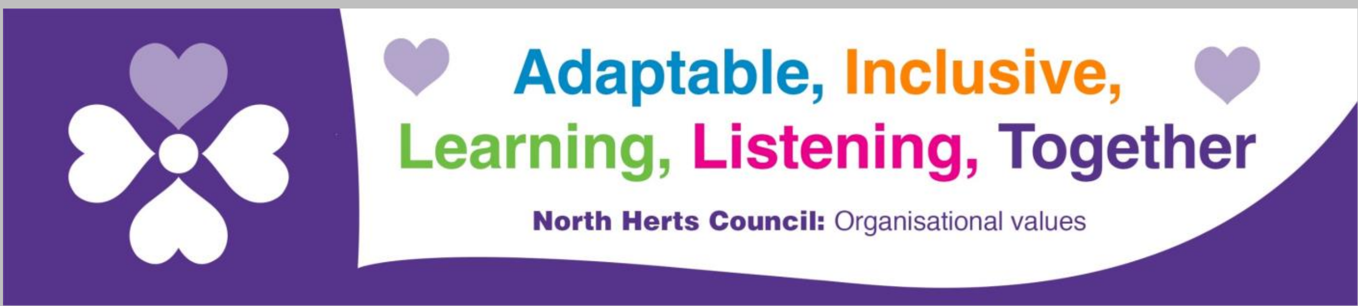
The graphic below shows our key service areas and the relative amounts that we spend on them:

Narrative Report

District and County Council

As a District Council we only provide some of the Council services in the North Herts area. Other Council services are provided by Hertfordshire County Council. The graphic below shows who does what:

Our Organisational Values:



Narrative Report

Climate Emergency

The Council declared a climate emergency in May 2019, and then developed a climate change strategy. The current version of the strategy is for the period 2022-27 and is published on our website. The strategy sets out 4 objectives (carbon neutrality for Council operations by 2030, operations and services that are resilient to climate change, net zero carbon district by 2040 and to become a district that is resilient to unavoidable impacts of climate change). The priorities for achieving this are Taking Action, Enabling Carbon Savings and Inspiring the Community.

We have established a Cabinet Panel on the Environment to engage with local people on matters relating to the climate emergency and advise the council on how to achieve these climate change objectives. A Climate Change Implementation group of Councillors and Officers meets regularly to produce plans and monitor progress. Actions taken or currently underway include switching to green electricity, moving our fleet to electric vehicles, incentives for low emission taxis, expanding tree planting, working to cut food waste and implementing a solar for business scheme.

The Council is also a member of the Hertfordshire Climate Change and Sustainability Partnership, working with other councils across Hertfordshire to reduce the county's carbon emissions and climate impact.

We will look to access Government (and other) grants wherever we can to enable changes that help deliver climate change. Capital budgets will also be allocated to fund projects that help reduce emission and energy use, but the wider financial picture means that project paybacks will need to be considered. We have been successful in being awarded Public Sector Decarbonisation Scheme funding which would be used to decarbonise our leisure centres through various improvements including heat pumps, solar panels and improved insulation.

Ecological Emergency

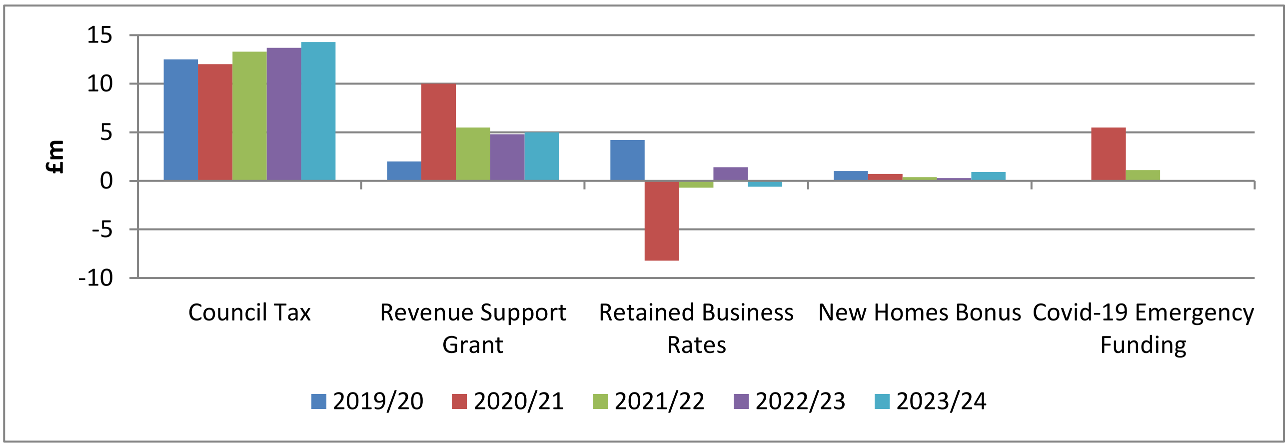
The Council has declared an ecological emergency and we are committed to addressing the ecological emergency and nature recovery by identifying appropriate areas for habitat restoration and biodiversity net gain whilst ensuring that development limits impact on existing habitats in its process.

We have set out to do that by a) setting measurable targets and standards for biodiversity increase, in both species and quantities, seeking to increase community engagement, b) to work with our partners to establish a Local Nature Partnership for Hertfordshire and to develop Nature Recovery Networks and Nature Recovery Strategy for Hertfordshire and c) to investigate new approaches to nature recovery such as habitat banking that deliver biodiversity objectives and provide new investment opportunities.

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 2023/24 we raised our element of Council Tax by 2.99% for a band D property (with other bands pro-rata to this), which was the maximum possible without a referendum.

The General Grants total includes section 31 grants, which is where Central Government provides reimbursements for reliefs and discounts in relation to Business Rates. We no longer receive any ongoing funding to support general expenditure. In 2023-24 we received £110k of Services Grant.

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 our assessed need is a lot lower than the income we collect, we have 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 7p out of every £1 that we collect. Due to the uncertainty over Business Rate revaluations and resets we were not part of a Business Rates Pool in 2023/24. We will be part of a Pool again in 2024/25.

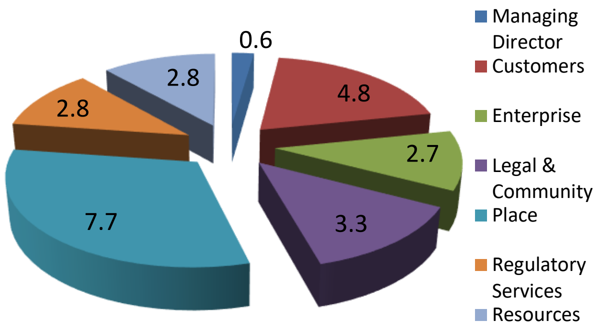
Income from New Homes Bonus increased up to 2016/17 as the period for which the Bonus was paid increased each year. In 2016/17 Authorities received the bonus for new housing in the previous 6 years. For 2017/18, the period reduced to 5 years, and has further reduced year by year since then. Alongside this a baseline was also introduced, so the Bonus is only paid if housing growth for that year is above a certain level. In 2023/24 we had a relatively high level of housing growth and also had 332 previously empty homes that were brought back in to use.

For 2023/24, our funding (as determined by a Government measure of 'Core Spending Power') was guaranteed to increase by 3%. That 3% was applied before any decisions on Council Tax increases and based on an assumption around growth in tax base (the number of properties paying Council Tax). Due to the increase in New Homes Bonus, our funding increase was already above the 3% level.

Spend by service area

Our substantive structure is that we are managed under 6 Service Directorates and the Managing Director area. During 2023/24 a temporary Service Director was appointed to cover Housing and Environmental Health for an 18-month period. This has given the Regulatory Service Director more opportunity to focus on some key projects in relation to planning and parking. Spend against the substantive Service Directorates (with the Housing & Environmental Health) was as follows:

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



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.

During 2023/24 we launched a budget hub. We are using this inform our residents about how we set our budgets and the problems we face. We will also use it to consult with residents on what their priorities are and the service areas that they most value. This will help us in making decisions about our future budgets. There are more details on our consultations page on our website (https://www.north-herts.gov.uk/consultations).

Future Funding

Reforms to Council funding are expected to happen at some time, but it is now very uncertain when this will take place. It will certainly be after the General Election. The indications from recent national Government budgets is that Local Authorities could see a real terms drop in funding. 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. So after accounting for inflation we could see a smaller share of a smaller pot of funding. Any change in the allocation formula will be phased in, although it is expected that this phasing will be quite short.

Budgeting for Risk

In setting the budget each year the Council's Chief Finance Officer, the Service Director: Resources, 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 2023-24, this resulted in a recommended minimum General Fund level of £2.5 million. The budgeted balance was £10.5 million at the start of the year and £10.5 million at the end of the year. The actual balance at 31st March 2024 was £14.1 million (this includes £1.5 million of funding carried forward to 2024/25).

Medium Term forecasts

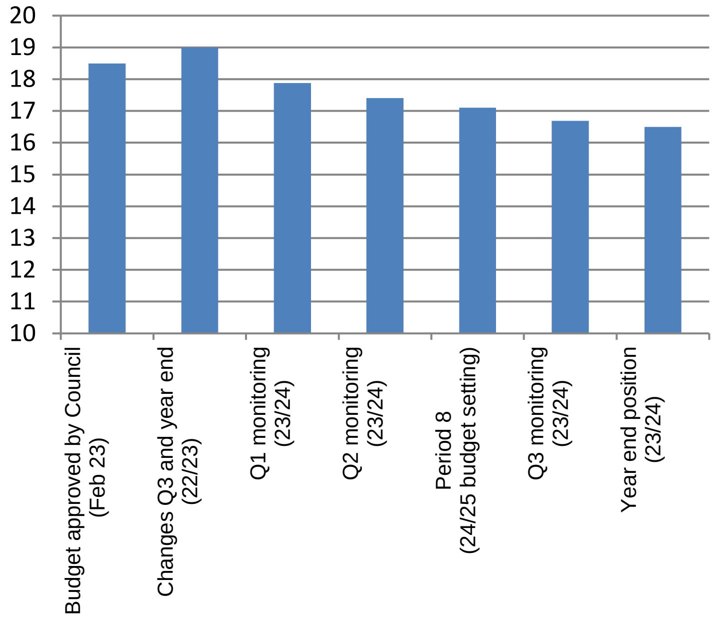
The Council expects to face a challenging time balancing its budget in the medium term (the next 5 years). As well as the expected changes to Government funding, there is the challenge of pay inflation, contract inflation and the unknown impact of the waste and street cleansing contract that is being reprocured. In setting the budget for 2024/25 it was highlighted that annual savings (reductions in spend/ increases in income) of at least £2.7 million may be needed. Whilst the General Fund balance being significantly above the recommended minimum level gives some time to make decisions, Senior Officers and Councillors are aware that difficult decisions are likely to be required.

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 also review the financial performance of the Council. They receive the same reports and are able to make recommendations to Cabinet.

Reported spend forecasts in 2022/23 (£m)



Success at achieving savings

Budgeted revenue savings achieved by year since 2010/11 (efficiencies, income generation and service change).

Year	Savings Achieved (£m)
2010/11	1.3
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
2022/23	1.2
2023/24	2.8
Total	**16.4**

In some years the savings achieved may not have an ongoing impact. For example, savings arising from higher treasury investment returns will reflect changes in underlying interest rates and available cash balances.

Corporate Financial Health Indicators (Income)

In addition to overall monitoring, the quarterly reports also detail performance in relation to 6 of the Council's key sources of income. Each indicator is given a status of red, amber, or green. A green indicator means the budgeted level of income has been, or is forecast to be, matched or exceeded. An amber indicator (not relevant to Q4) means there is a risk the budgeted level of income would not be met. A red indicator means the budgeted level of income has not been, or is not forecast to be, achieved.

Income category	Budgeted Income (£'000)	Q1 Status	Q2 Status	Q3 Status	Q4 Status	Actual Income (£'000)
Leisure Centres Management Fee	599	Red	Red	Red	Red	535
Garden Waste Subscriptions	1,140	Green	Green	Green	Green	1,244
Commercial Waste & Recycling	1,269	Green	Red	Red	Red	1,238
Planning Application Fees	1,008	Green	Amber	Red	Red	585
Car Parking Fees	2,026	Amber	Red	Red	Red	1,780
Penalty Charge Notices	573	Green	Green	Green	Green	730

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 £347k (as at 31st March 2024) which is not worth repaying early.

During 2023/24 the Council's capital expenditure was funded from the following sources:

	£'000
S106 Developer Contributions	344
Other Contributions	752
Capital Receipts and Set-aside receipts	1,313
Total	**2,409**

As at the end of the year, the Council had a balance of £4.9m of Capital Receipts and Set-aside receipts remaining. This had been increased (before use of receipts detailed above) by £0.75m from the sale of surplus land.

Significant Capital Projects in 2023/24

Soft Play at North Herts Leisure Centre
Local Authority Housing Fund phases 1 and 2
Shared Prosperity Funding for outdoor gym equipment and town centre improvements
CCTV camera replacement
Royston Skate Park
Icknield Way cemetery
New Council finance system
S106 contribution to social housing
Refuse and recycling bins

All projects with capital works during 2023-24 with actual or forecast spend greater than £100,000.

The Council's capital assets

The total value of the Authority's capital (long-term) assets is £125.3 million.

The main components of this are:

- Property, Plant and Equipment (£94.9 million) used to deliver services
- Heritage assets (£0.9 million), the museum collections and public artwork
- Investment properties (£26.8 million) that generate an annual income from being leased out (£1.1 million in 2023/24)

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

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 2024, the value of the liability was £13.3 million, though this was prepared on a different basis to the previous year (on an equivalent basis the valuation was a £7.2 million asset value compared with £2.9 million liability value at 31st March 2023). During the year, the Council made contributions of £3.4 million (of which £965k was a lump sum relating to past shortfalls) and its employees contributed £0.8 million.

Narrative Report

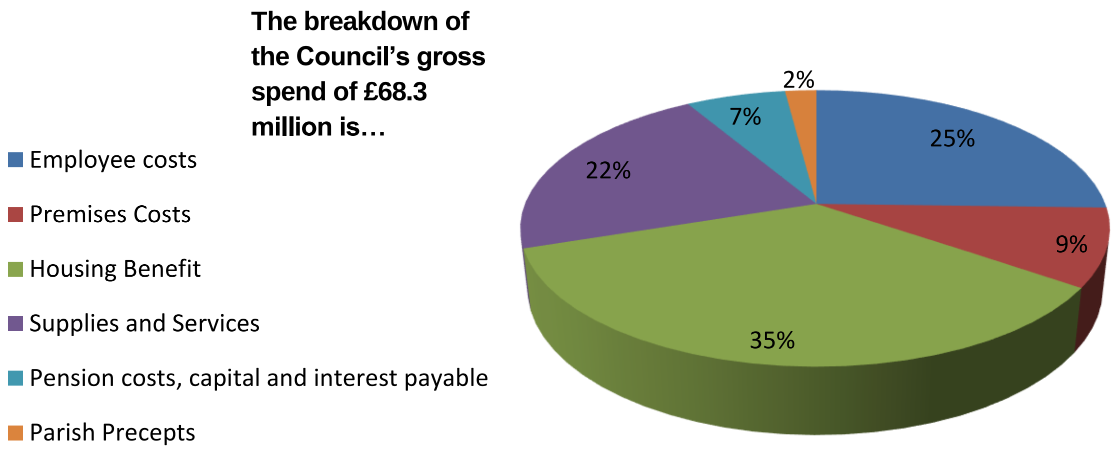
Governance

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.

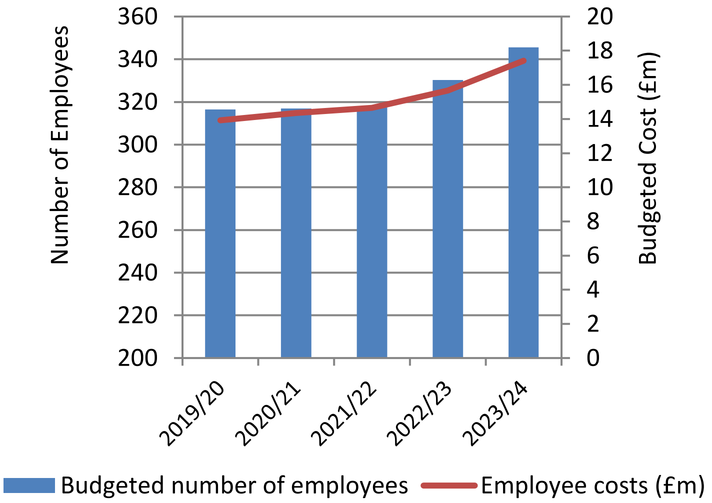
The Action Plan was last (during 2023/24) considered by the Committee at their meeting on 13th March 2024.

Spend by type, including employee spend



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:



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
Project not completed by due date	0	0	0	1
Project milestone not met by due date	5	12	13	12
Not due for completion in year or has not reached due date	22	14	14	8
Project Completed	0	1	0	6
	27	**27**	**27**	**27**

The aim is that the reporting is as current as possible, so the reports will reflect the progress at (close to) the time the report is presented, rather than the position at the end of the previous quarter.

The projects that completed during the year were:

- Create and communicate a place narrative (completed for Q2 report, removed from Q3 onwards).
- Digital Transformation (added for Q3)
- Cycling Network (complete Q4)
- Health Inequalities (complete Q4)
- Solar PV options (complete at Q4 - incorporated into Public Sector Decarbonisation Scheme decision).
- Leisure Contract Procurement (complete at Q4)
- Playground renovation (complete at Q4)
- Shared Prosperity Fund (complete at Q4 – 23/24 projects completed)

The project with a red status at the Q4 report was solar thermal at Royston Leisure Centre. Due to the Public Sector Decarbonisation Scheme (PSDS) grant criteria, the plan now does not include solar thermal. If the PSDS grant is not progressed, then solar thermal will be reassessed.

The amber projects at Q4 were a combination of delays and not having a specific defined project (i.e. Charnwood House, Museum Storage, Delivering housing on Council land, and waste depot).

Narrative Report

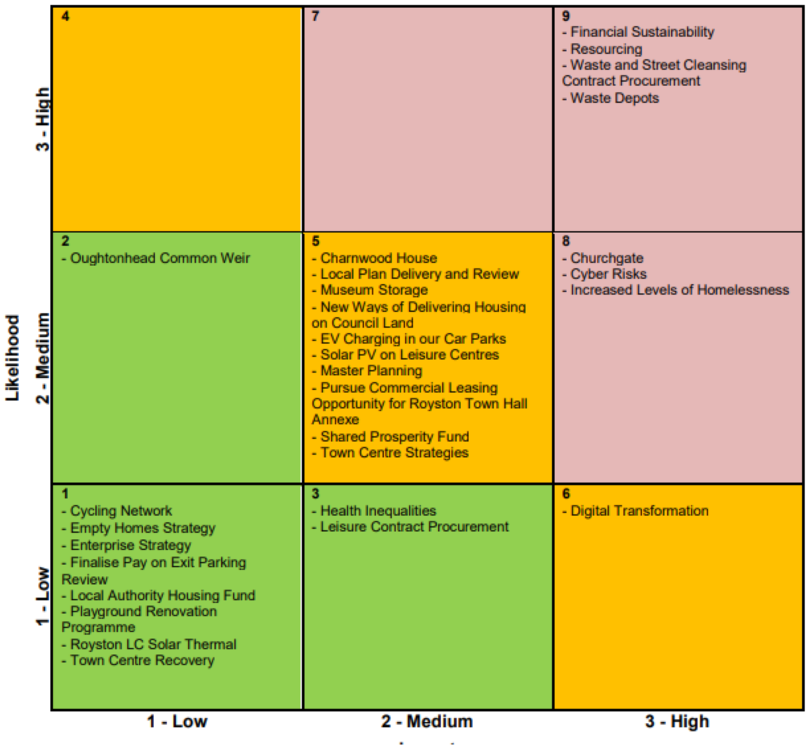
Monitoring Risk and Opportunities

The Council's processes for the development and operation of risk management are monitored by the Finance, Audit and Risk Committee. The Committee receives two reports per year, and can make recommendations to Cabinet.

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

Overview and Scrutiny Committee review those risks that could affect the delivery of the Council Delivery Plan. Risk updates are integrated in to the Council Delivery Plan reports, which are reported on a quarterly basis

The rating of the risks in relation Council Delivery Plan at the end of the year were:



Monitoring Performance

The Council Delivery Plan report also includes performance indicators that help to describe the outputs and outcomes achieved. The current number of indicators is quite low, as a lot of the indicators are at the implementation stage. A lot of the previous indicators are still monitored, but as they are operational, they are not reported to Overview and Scrutiny Committee on regular basis. Performance indicators will be refreshed for 2024/25 with a focus on corporate performance, rather than delivery of individual projects.

The current indicators (as at 2023/24 year end report) reported to Overview and Scrutiny are:

Performance Indicator	Year end target	Year end position	Status
Museum visitor numbers	27,500	30,910	✓
Percentage of NNDR collected in year	93%	97.5%	✓
Percentage of Council Tax collected in year	95%	97.9%	✓
Percentage of raised sales invoices due for payment that have been paid	97%	97.2%	✓
% of payments received that were paid by electronic methods	99.3%	99.4%	✓
Miles driven by Council full electric vehicles	55,000	104,300	✓
Kg of residual waste per household	350kg	334kg	✓
Percentage of household waste sent for reuse, recycling or composting	56.5%	57.1%	✓
Electricity and gas energy consumption (kWh)	2.416M	2.062M	✓

Narrative Report

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 (leisure contract up to 31st March 2024), 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 Department for Levelling Up, Housing and Communities, 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.

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 area. This arrangement is between Stevenage Borough Council, North Herts 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 (now seven other Councils, 8 in total). 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

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 2023/24 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 £19.6 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 £1.1m, 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 deficit of £11.9million) also includes the impact of the revaluation of non-current (e.g. land and buildings) assets and the net pension liability.

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 £2.1 million, which means that the balance at the start of the year of £12.0 million is now £14.1 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 2024 is £141.7million. Key assets and liabilities include:

- Property, Plant and Equipment used to deliver services: £94.9million
- Investment properties used to generate income: £26.8million
- Short Term Treasury investments: £42.7million
- Pension liabilities: -£13.3 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 2023/24 financial year and the position at the year-end of 31 March 2024. 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 under Section 21 of the 2003 Local Government Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, 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.

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.

Statement of Accounting Policies

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

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.

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.

Statement of Accounting Policies

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.

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.

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.

Statement of Accounting Policies

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.

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.

Statement of Accounting Policies

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.

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).

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.

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.

Statement of Accounting Policies

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.

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.

Statement of Accounting Policies

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).
- 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. 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

Statement of Accounting Policies

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 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.

Statement of Accounting Policies

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

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.

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.

2022/23				2023/24		
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**	**Directorate**	**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**
1,546	(1,293)	253	Managing Director	1,388	(835)	553
3,786	1,495	5,281	Customers	4,290	518	4,808
845	2,003	2,848	Enterprise	1,170	1,494	2,664
2,379	1,025	3,404	Legal & Community	2,825	430	3,255
4,745	2,723	7,468	Place	5,351	2,385	7,736
1,703	424	2,127	Regulatory	1,861	905	2,766
2,485	284	2,769	Resources	2,743	102	2,845
17,489	**6,661**	**24,150**	**Net Cost of Services**	**19,628**	**4,999**	**24,627**
1,277	(1,370)	(93)	Other Operating Expenditure	1,388	(88)	1,300
(2,186)	37	(2,149)	Financing and Investment Income and Expenditure	(3,743)	(808)	(4,551)
(12,689)	(7,777)	(20,466)	Taxation and Non-Specific Grant Income and Expenditure	(21,369)	1,046	(20,323)
3,891	**(2,449)**	**1,442**	**(Surplus) or Deficit on Provision of Services**	**(4,096)**	**5,149**	**1,053**
(10,607)			**Opening General Fund Balance**	**(11,990)**		
3,891			(Surplus) or Deficit on General Fund Balance in year	(4,096)		
(5,274)			Transfers to / (from) Earmarked Reserves	2,028		
(11,990)			**Closing General Fund Balance at 31st March**	**(14,058)**		

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.

2022/23				Note	2023/24		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
398	(145)	253	Managing Director		762	(209)	553
31,706	(26,425)	5,281	Customers		34,464	(29,656)	4,808
3,783	(935)	2,848	Enterprise		3,578	(914)	2,664
4,505	(1,101)	3,404	Legal & Community		4,299	(1,044)	3,255
12,291	(4,823)	7,468	Place		12,657	(4,921)	7,736
7,576	(5,449)	2,127	Regulatory		8,880	(6,114)	2,766
2,828	(59)	2,769	Resources		2,882	(37)	2,845
63,087	**(38,937)**	**24,150**	**Cost of Services**		**67,522**	**(42,895)**	**24,627**
		(93)	Other Operating Expenditure	13			1,300
		(2,149)	Financing and Investment Income & Expenditure	14			(4,551)
		(20,466)	Taxation and Non-Specific Grant Income & Expenditure	15			(20,323)
		1,442	**(Surplus) or Deficit on Provision of Services**				**1,053**
		(3,979)	(Surplus) or Deficit on revaluation of non-current assets				(205)
		(39,721)	Re-measurements of the net defined benefit liability	39			11,034
		(43,700)	**Other Comprehensive Income and Expenditure**				**10,829**
		(42,258)	**Total Comprehensive Income and Expenditure**				**11,882**

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	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2022	**10,607**	**15,935**	**3,194**	**899**	**30,635**	**80,687**	**111,322**
Movement in Reserve during 2022/23							
Surplus or (deficit) on provision of services	(1,442)	0	0	0	(1,442)	0	(1,442)
Other Comprehensive Expenditure and Income	0	0	0	0	0	43,700	43,700
Total Comprehensive Expenditure and Income	**(1,442)**	**0**	**0**	**0**	**(1,442)**	**43,700**	**42,258**
Adjustments between accounting basis & funding basis under regulations **(Note 12)**	(2,449)	0	(436)	0	(2,885)	2,885	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(3,891)**	**0**	**(436)**	**0**	**(4,327)**	**46,585**	**42,258**
Transfers to/from Earmarked Reserves **(Note 27)**	5,274	(5,274)	0	0	0	0	0
Increase / (Decrease) in Year	**1,383**	**(5,274)**	**(436)**	**0**	**(4,327)**	**46,585**	**42,258**
Balance at 31 March 2023	**11,990**	**10,661**	**2,758**	**899**	**26,308**	**127,272**	**153,580**
Movement in Reserve during 2023/24							
Surplus or (deficit) on provision of services	(1,053)	0	0	0	(1,053)	0	(1,053)
Other Comprehensive Expenditure and Income	0	0	0	0	0	(10,829)	(10,829)
Total Comprehensive Expenditure and Income	**(1,053)**	**0**	**0**	**0**	**(1,053)**	**(10,829)**	**(11,882)**
Adjustments between accounting basis & funding basis under regulations **(Note 12)**	5,149	0	(502)	0	4,647	(4,647)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**4,096**	**0**	**(502)**	**0**	**3,594**	**(15,476)**	**(11,882)**
Transfers to/from Earmarked Reserves **(Note 27)**	(2,028)	2,028	0	0	0	0	0
Increase / (Decrease) in Year	**2,068**	**2,028**	**(502)**	**0**	**3,594**	**(15,476)**	**(11,882)**
Balance at 31 March 2024	**14,058**	**12,689**	**2,256**	**899**	**29,902**	**111,796**	**141,698**

Balance Sheet as at 31 March 2024

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'.

31 March 2023 £'000		**Note**	**31 March 2024 £'000**
97,938	Property, Plant and Equipment	16	94,913
932	Heritage Assets	17	932
26,011	Investment Property	18	26,808
555	Intangible Assets	19	356
2,000	Long Term Investments (non-property)		2,000
265	Other Long Term Debtors		265
127,701	**Long Term Assets**		**125,274**
162	Inventories	21	91
5,673	Short Term Debtors	22	7,934
39,269	Short Term Non Property Investments	20	42,733
588	Assets Held for Sale	24	0
11,690	Cash & Cash Equivalents	23	3,311
57,382	**Current Assets**		**54,069**
(27)	Short Term Borrowing	20	(28)
(17,216)	Short Term Creditors	25	(13,039)
(8,842)	Receipts in Advance	25	(8,272)
0	Provisions (< 1 year)	26	0
(26,085)	**Current Liabilities**		**(21,339)**
(347)	Long Term Borrowing	20	(325)
(833)	Long Term Creditors	38	(106)
(1,366)	Provisions (> 1 year)	26	(2,597)
(2,906)	Liability related to Pension Scheme	39	(13,310)
34	Deferred Credits		32
(5,418)	**Long Term Liabilities**		**(16,306)**
153,580	**Net Assets**		**141,698**
26,308	Usable Reserves	27	29,902
127,272	Unusable Reserves	28	111,796
153,580	**Total Reserves**		**141,698**

The un-audited accounts were authorised for issue on 17th September 2024.

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.

2022/23 £'000		2023/24 £'000
(1,442)	Net surplus or (deficit) on the provision of services	(1,053)
(8,289)	Adjustments to net surplus or deficit on the provision of services for non-cash movements **(Note 29)**	391
(4,803)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities **(Note 29)**	(1,771)
(14,534)	**Net cash flows from operating activities**	**(2,433)**
(5,704)	Investing Activities **(Note 29)**	(2,351)
8,903	Financing Activities **(Note 29)**	(3,595)
(11,335)	**Net Increase or (decrease) in cash and cash equivalents**	**(8,379)**
23,025	Cash and Cash Equivalents at the beginning of the year	11,690
11,690	**Cash and Cash Equivalents at the end of the year**	**3,311**

Notes to the Core Financial Statements

Index of Explanatory Notes to the Core Financial Statements

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 2023/24 (the Code) and the accounting policies set out prior to the financial statements. The notes that follow (1 to 41) 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 2024/25 Code:

a) IFRS 16 Leases issued in January 2016 (but only for those local authorities that have not decided to voluntarily adopt IFRS 16 in the 2023/24 year).

b) Classification of Liabilities as Current or Non-current (Amendments to IAS1) issued in January 2020. The amendments:
   - Specify that an entity's right to defer settlement must exist at the end of the reporting period
   - Clarify that classification is unaffected by managements intentions or expectations about whether the entity will exercise its right to defer settlement.
   - Clarify how lending conditions affect classification, and
   - Clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

c) Lease Liability in a sale and leaseback (amendments to IFRS16) issued in September 2022. The amendments to IFRS16 add subsequent measurement requirements for sale and lease back transactions.

d) Non-current liabilities with covenants (Amendments to IAS1) issued in October 2022. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants.

e) International Tax Reform: Pillar Two Model Rules (Amendments to IAS12) issued in May 2023. Pillar Two applies to multinational groups with a minimum level of turnover. The amendments introduced:
   - a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes, and
   - targeted disclosure requirements for affected entities

f) Supplier Finance Arrangements (Amendments to IAS7 and IFRS7) issued in May 2023. The amendments require an entity to provide additional disclosures about its supplier finance arrangements. The IASB developed the new requirements to provide users of financial statements with information to enable them to:
   - assess how supplier finance arrangements affect an entity's liabilities and cash flows, and
   - understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

It should be noted that; item a) will only be applicable to local authorities that intend to voluntarily implement IFRS 16 in 2023/24. North Herts Council has instead opted to implement IFRS 16 in 2024/25. Item B, C, D and F will not have a significant impact on the statement of accounts. Items E is not relevant to North Herts.

Notes to the Core Financial Statements

The adoption of IFRS 16 *Leases* from April 2024 will replace accounting standards IAS 17: *Leases* and IFRIC 4: *Determining whether an arrangement contains a lease*. The impact on lease accounting will only be significant for leases where the Council is the lessee; accounting for the leases where the Council is the lessor will remain fundamentally unchanged.

Where the authority is the Lessee, IFRS 16 removes the current classifications of finance and operating leases when accounting for leases; most leases will instead be recognised on the Council's balance sheet as a matching "Right of Use" asset and lease liability. Where existing lease payments are peppercorn, at nominal amount or where there is nil consideration, the Rights of Use asset will be recognised in the balance sheet at fair value, with the gain on recognition accounted for as a donated asset. The two specific exemptions to the above are assets procured under short-term leases, defined in the Code as a lease term of 12 months or less at the commencement date, and where the underlying asset is of low value when new, which this authority would determine as a value of £10,000 or less.

The adoption of IFRS 16 also has implications for the approach to the consideration of contracts that do not have the legal form of a lease, as the definition of a lease is different from the previous guidance within IAS 17 and IFRIC 4, with a possibility that some contract arrangements will change their classification under the modified approach in IFRS16. This authority will however apply the IFRS 16 definition only to new or modified contracts from April 2024 and will grandfather its assessments made under the old standards of whether existing service contracts contain a lease.

On transition to IFRS 16 on 1 April 2024, the standard will be applied retrospectively without prior year restatement.

For North Herts Council, the adoption of IFRS16 will primarily affect the accounting for the Council's fleet of lease cars. The Council currently operates 19 vehicles procured via lease contracts. The duration of each car lease contract is typically between 3 to 5 years.

The summary impacts of the application of IFRS 16 on the authority's statement of accounts for 2024/25 are estimated to be as follows:

Balance Sheet	**£'000**
Additional Right of Use Assets	228
Additional lease liabilities	(228)
Net Impact on Balance Sheet	**0**

Comprehensive Income and Expenditure Statement (CIES)	**£'000**
Additional Depreciation charged to Cost of Services	82
Additional interest payable and similar charges	14
Lease payments no longer charged to Cost of Services	(92)
Net Impact on CIES	**4**

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 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 £0.6million). 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 acquired the leasehold interest in the Churchgate Shopping Centre in 2022/23. This has been combined with the freehold interest that was already owned. The reason for the acquisition was to enable regeneration of the Shopping Centre and land in the surrounding area. This property is therefore classified as Property, Plant and Equipment. Carrying value as at 31st March 2024 is £3.3 million.

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 2024 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	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.	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 £350k for every year that useful lives had to be reduced.
Investment Properties	Investment Properties are not depreciated but are revalued annually according to market conditions. 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 £2.1million (this is a simple estimation for illustration only and does not consider the complexities and circumstances of individual assets).
Debtors	At 31 March 2024 the Authority had a balance of short term debtors of £10.3million. 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	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. 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 2017/18.	A provision of £2.5m has been made as at 31 March 2024 for the Authority's share of refunding outstanding appeals that are ultimately successful. For the 2017 listing this amount is based on the details of outstanding appeals with the Valuation Office Agency as at 31 March 2024, after applying a success factor of 25% and likely reduction in RV of 16%, to give an overall appeals factor of 4%. For 2023/24 unlodged appeals a percentage factor of 6.9% has been applied to nets rate payable. An increase in this appeals provision factor will result in an increase of £600k.
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, with the latest undertaken in 2022/23. The authority's actuaries advised that the net pension position in 23/24 is a surplus of £7,152,000, primarily due to higher interest rate returns on pension scheme assets than anticipated. However, as detailed in note 38, the net asset value is subject to restrictions as per

Notes to the Core Financial Statements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
		accounting standards. Adopting the methodology advised by the actuary, the outcome is a deficit position of £13,310,000. While alternative approaches could lead to a different overall position, these would not result in a different impact on the available resources to the Council.

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 cannot 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 £2.9million in 2023/24 (£2.9m in 2022/23).
Customers	Housing and Council Tax Benefits	The Authority paid a total of £24.1million of Housing Benefit payments in 2023/24 (£20.5million in 2022/23). This was funded by a grant subsidy from the Department for Work and Pensions of £23.8million (£20.0million in 2022/23).
Place	Grounds Maintenance Contract	Contract payments for the core service maintenance of amenity areas, burial grounds and rivers totalled £1.6million in 2023/24 (£1.3million in 2022/23).
Place	Waste and Recycling Contract	Waste and Recycling Contract expenditure totalled £4.3million in 2023/24 (£4.0million in 2022/23).
Place	Commercial Waste and Recycling Service Income	Total income from waste and recycling services provided to commercial customers in 2023/24 was £1.2m (£1.1m in 2022/23).
Place	Garden Waste Service Income	Total income of £1.2m from residents subscribed to the Council's Garden Waste Collection Service in 2023/24 (£1.3m in 2022/23).
Regulatory	Off-Street Car Parking Income	Off-Street Car Parking income received by the authority totalled £1.8millon in 2023/24 (£1.8m in 2022/23).

6. EVENTS AFTER THE REPORTING PERIOD

There were no events that occurred after the reporting period that need disclosing in 2023/24.

7. PRIOR PERIOD ADJUSTMENTS

There were no prior period adjustments that need disclosing in 2023/24.

8. ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations during 2023/24 or 2022/23. These would normally arise following boundary changes or from legislation, neither of which affected North Hertfordshire District Council during 2023/24. 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.

2022/23					2023/24			
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	(1,046)	(247)	**(1,293)**	Managing Director	0	(962)	127	**(835)**
406	1,089	0	**1,495**	Customers	437	81	0	**518**
1,795	208	0	**2,003**	Commercialisation	1,480	14	0	**1,494**
666	359	0	**1,025**	Legal & Community	403	27	0	**430**
2,454	269	0	**2,723**	Place	2,365	20	0	**2,385**
(309)	733	0	**424**	Regulatory	853	52	0	**905**
(31)	315	0	**284**	Resources	80	22	0	**102**
4,981	**1,927**	**(247)**	**6,661**	**Net Cost of Services**	**5,618**	**(746)**	**127**	**4,999**
(1,370)	0	0	**(1,370)**	Other Operating Expenditure	(88)	0	0	**(88)**
(1,058)	1,095	0	**37**	Financing and Investment Income and Expenditure	(924)	116	0	**(808)**
(306)	0	(7,471)	**(7,777)**	Taxation and Non-Specific Grant Income and Expenditure	(752)	0	1,798	**1,046**
(2,734)	**1,095**	**(7,471)**	**(9,110)**	**Other Income and Expenditure from the Expenditure and Funding Analysis**	**(1,764)**	**116**	**1,798**	**150**
2,247	**3,022**	**(7,718)**	**(2,449)**	**Difference between the General Fund Surplus or Deficit and the CIES surplus or deficit on the provision of services**	**3,854**	**(630)**	**1,925**	**5,149**

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.

Directorate	2022/23 £'000	2023/24 £'000
Managing Director	(1,765)	(3,907)
Customers	(26,425)	(29,655)
Enterprise	(2,227)	(2,029)
Legal & Community	(1,101)	(1,044)
Place	(4,823)	(4,922)
Regulatory	(5,449)	(6,114)
Resources	(59)	(37)
Total Directorate Income	**(41,849)**	**(47,708)**
Other Income Received		
Non-Ringfenced Government Grants	(5,085)	(5,991)
Income from Council Tax and Business Rates	(15,076)	(13,580)
Total Income within Surplus or Deficit on the Provision of Services	**(62,010)**	**(67,279)**

11. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2022/23 £000	2023/24 £000
Employee costs	18,705	17,379
Other Service Expenditure	19,185	21,004
Housing Benefit Payments	20,520	24,144
Interest Payments	399	301
Net Pension Costs	1,095	116
Capital Charges:		
- Depreciation of Property, Plant & Equipment	3,385	3,648
- Amortisation of Intangible Assets	287	251
- Impairment / Downward Revaluation of Assets	1,545	1,108
- Impairment Reversal	(523)	0
(Increase) / Decrease in Fair Value of Investment Properties	(1,053)	(919)
(Gain) / Loss on the Disposal of Assets	(1,370)	(88)
Parish Council Precepts	1,277	1,388
Total Expenditure	**63,452**	**68,332**
Fees and Charges	(10,053)	(10,437)
Interest and Rental Income	(3,268)	(4,665)
Housing Benefit Subsidy	(20,040)	(23,770)
Grants and Contributions	(13,573)	(14,827)
Income from Council Tax and Business Rates	(15,076)	(13,580)
Total Income	**(62,010)**	**(67,279)**

Notes to the Core Financial Statements

(Surplus) or Deficit on the Provision of Services	1,442	1,053

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 2022/23:

2022/23	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£'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	(2,907)	0	0	2,907
Revaluation losses on property, plant and equipment	(1,500)	0	0	1,500
Movements in the market value of Investment Properties	1,053	0	0	(1,053)
Amortisation of Intangible Assets	(287)	0	0	287
Capital Grants and contributions applied	622	0	0	(622)
Revenue Expenditure funded from capital under statute	(603)	0	0	603
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	(2,763)	0	0	2,763
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	1	0	0	(1)
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	4,181	(4,181)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	4,569	0	(4,569)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(48)	48	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	(6,091)	0	0	6,091
Employers pensions contributions and direct payments to pensioners payable in year	3,069	0	0	(3,069)
Adjustments primarily involving the Collection Fund Account:				
Movement in the Authority's share of the Collection Fund surplus / deficit	7,471	0	0	(7,471)
Adjustments primarily involving the Accumulated Absences Account:				
Accrued employee absence adjustment	247	0	0	(247)

Notes to the Core Financial Statements

Total Adjustments	**2,449**	**436**	**0**	**(2,885)**

The following table shows the adjustments made in 2023/24:

2023/24	**Usable Reserves**			**Movement in Unusable Reserves**
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£'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	(3,648)	0	0	3,648
Revaluation losses on property, plant and equipment	(1,108)	0	0	1,108
Movements in the market value of Investment Properties	919	0	0	(919)
Amortisation of Intangible Assets	(251)	0	0	251
Capital Grants and contributions applied	1,096	0	0	(1,096)
Revenue Expenditure funded from capital under statute	(954)	0	0	954
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	(588)	0	0	588
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the financing of capital investment	5	0	0	(5)
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	675	(675)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	1,177	0	(1,177)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	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	(2,578)	0	0	2,578
Employers pensions contributions and direct payments to pensioners payable in year	3,208	0	0	(3,208)
Adjustments primarily involving the Collection Fund Account:				
Movement in the Authority's share of the Collection Fund surplus / deficit	(1,798)	0	0	1,798
Adjustments primarily involving the Accumulated Absences Account:				
Accrued employee absence adjustment	(127)	0	0	127
Total Adjustments	**(5,149)**	**502**	**0**	**4,647**

Notes to the Core Financial Statements

13. OTHER OPERATING EXPENDITURE

2022/23 £000		2023/24 £000
1,277	Parish council precepts	1,388
(1,370)	(Gains) / losses on disposal of non-current assets	(88)
(93)	**Total**	**1,300**

14. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2022/23 £000		2023/24 £000
399	Interest payable and similar charges	301
1,095	Pensions interest cost and expected return on pensions assets	116
(1,314)	Interest receivable and similar income	(2,945)
(1,053)	Change in Fair Value of Investment Properties	(919)
(1,276)	Income and expenditure in relation to investment properties	(1,104)
(2,149)	**Total**	**(4,551)**

15. TAXATION & NON-SPECIFIC GRANT INCOME AND EXPENDITURE

2022/23 £000		2023/24 £000	2023/24 £000
(13,701)	Council Tax Income		(14,190)
(20)	Section 31 Council Tax Discount for Family Annexes grant*		0
0	Council Tax Hardship Grant		(75)
0	Revenue Support Grant		(152)
(4,457)	Section 31 Business Rates Reliefs Grant		(4,721)
(295)	New Homes Bonus		(933)
(125)	Lower Tier Services Grant		0
(188)	Services Grant		(110)
	National Non-Domestic Business Rates (NNDR)		
(12,909)	Share of total collectible income	(15,182)	
13,264	NNDR Tariff and Levy	15,843	
(1,729)	NNDR Collection Fund (Surplus) / Deficit	(51)	
(1,374)	Net Recognised NNDR		610
(306)	Capital Grants and Contributions (see below)		(752)
(20,466)			**(20,323)**

* This grant was rolled into the calculation of Revenue Support Grant funding for 2023/24.

2022/23 £000	**Capital Grants and Contributions**	2023/24 £000
0	DLUHC – Shared Prosperity Fund	226
0	DLUHC – Local Authority Housing Fund Round 1	247
0	DLUHC – Local Authority Housing Fund Round 2	274
25	Herts County Council - Careline Laptops	5
38	Keep Britain Tidy – Street Cleaning and Gum Removal Machine	0
243	DEFRA - Park Home Insulation	0

306	**Total**	752

16. PROPERTY, PLANT AND EQUIPMENT

The movement on property, plant and equipment balances during the year and in the 2022/23 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, Retail and Pavilions
Infrastructure Assets – Capital Works to Public Roads and Drainage Schemes
Community Assets – Commons and Parks

REVALUATIONS

The Authority has a five year rolling revaluation programme for its properties. The Authority's Investment properties are valued annually. Revaluations completed during the year are reflected as at 31 March of the financial year when the valuation takes place. 2023/24 valuations were provided by Reynolds Butler Ltd. The revaluations undertaken in 2023/24 have resulted in a net decrease to the carrying value of property, plant and equipment of £0.903million.

The following table shows which class of assets have been scheduled for revaluation over the last 5 years:

2019/20	2020/21	2021/22	2022/23	2023/24
Industrial Properties	Investment Properties	Investment Properties	Investment Properties	Investment Properties
Investment Properties	Assets Held for Sale	Assets Held for Sale	Assets Held for Sale	Assets Held for Sale
Assets Held for Sale	Surplus Assets	Surplus Assets	Surplus Assets	Surplus Assets
Surplus Assets				
	Operational Assets:	Operational Assets:	Operational Assets:	Operational Assets:
	Amenity Land *	Amenity Land *	Car Park *	Retail
	Burial Ground *	Burial Ground *	Offices *	
	Car Park *	Car Park *	Public Halls	
	Community Centres	Community Centres	Storage *	
	Industrial	Industrial	Trust Property*	
	Leisure Centres	Leisure Centres	Retail	
	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	**116**	**3,001**	**417**	**99**	**0**	**166**
Valued at Current Value as at:						
2018/19	**449**			**0**	**0**	
2019/20	**0**			**0**	**0**	
2020/21	**0**			**0**	**0**	
2021/22	**62,421**			**4,787**	**0**	
2022/23	**11,453**			**0**	**1,120**	
2023/24	**3,340**			**0**	**7,543**	
Total	**77,779**	**3,001**	**417**	**4,886**	**8,663**	**166**

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

Notes to the Core Financial Statements

Level 3 Unobservable

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 2024 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 £8.663m at 31 March 2024. The sites of material value included within the total are:
- Land at The Snipe, Weston
- Land off Yeomanry Drive, Clothall Common, Baldock
- Baldock Road & Radburn Way Land
- Land at Radburn Way, Letchworth
- Land at Meadow Way, Therfield
- Depot at Icknield Way

DISPOSALS

The Authority sold two sites during 2023/24:
- Clare Crescent
- North End Kelshall

The combined carrying value of these assets at the time of disposal was £0.588million. The combined total of receipts received was £0.619million.

Notes to the Core Financial Statements

MOVEMENT ON BALANCES OF PROPERTY, PLANT AND EQUIPMENT IN 2022/23

	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 2022	**82,848**	**15,657**	**336**	**7,035**	**7,177**	**422**	**113,475**
Additions	4,499	696	58	3	0	322	**5,578**
Disposals	0	0	0	0	0	0	**0**
Reclassifications	1,800	18	0	0	(154)	(318)	**1,346**
Write Off to Revenue	0	0	0	0	0	0	**0**
Upward and Downward Revaluations recognised in the Revaluation Reserve	2,430	0	0	0	1,240	0	**3,670**
Upward Revaluations / Impairment reversals recognised in the Surplus/Deficit on Provision of Services	372	0	0	0	151	0	**523**
Impairments / Downward Revaluations recognised in the Surplus/Deficit on the Provision of Services	(1,545)	0	0	0	0	0	**(1,545)**
At 31 March 2023	**90,405**	**16,371**	**394**	**7,038**	**8,414**	**426**	**123,048**
Depreciation & Impairments							
At 1 April 2022	(7,385)	(12,758)	(60)	(1,811)	(20)	0	**(22,034)**
Depreciation Charge for 2022/23	(2,390)	(798)	(15)	(181)	(1)	0	**(3,385)**
Disposals	0	0	0	0	0	0	**0**
Reclassifications	0	0	0	0	0	0	**0**
Depreciation written out to the Revaluation Reserve	277	0	0	0	32	0	**309**
At 31 March 2022	**(9,498)**	**(13,556)**	**(75)**	**(1,992)**	**11**	**0**	**(25,110)**
Balance Sheet amount at 31 March 2023	**80,907**	**2,815**	**319**	**5,046**	**8,425**	**426**	**97,938**
Balance Sheet amount at 1 April 2022	**75,463**	**2,899**	**276**	**5,224**	**7,157**	**422**	**91,441**

Included in the Land and Buildings total is a donated asset with a carrying value of £1.5 million.

Notes to the Core Financial Statements

MOVEMENT ON BALANCES OF PROPERTY, PLANT AND EQUIPMENT IN 2023/24

	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 2023	**90,405**	**16,371**	**394**	**7,038**	**8,414**	**426**	**123,048**
Additions	429	671	116	17	0	156	**1,389**
Disposals	0	0	0	0	0	0	**0**
Reclassifications	359	155	0	5	34	(417)	**136**
Write Off to Revenue	0	0	0	0	0	0	**0**
Upward and Downward Revaluations recognised in the Revaluation Reserve	0	0	0	0	205	0	**205**
Upward Revaluations / Impairment reversals recognised in the Surplus/Deficit on Provision of Services	0	0	0	0	0	0	**0**
Impairments / Downward Revaluations recognised in the Surplus/Deficit on the Provision of Services	(1,108)	0	0	0	0	0	**(1,108)**
At 31 March 2024	**90,085**	**17,197**	**510**	**7,060**	**8,653**	**165**	**123,670**
Depreciation & Impairments							
At 1 April 2023	(9,498)	(13,556)	(75)	(1,992)	11	0	**(25,110)**
Depreciation Charge for 2023/24	(2,808)	(640)	(17)	(182)	0	0	**(3,647)**
Disposals	0	0	0	0	0	0	**0**
Reclassifications	0	0	0	0	0	0	**0**
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	**0**
At 31 March 2024	**(12,306)**	**(14,196)**	**(92)**	**(2,174)**	**11**	**0**	**(28,757)**
Balance Sheet amount at 31 March 2024	**77,779**	**3,001**	**418**	**4,886**	**8,664**	**165**	**94,913**
Balance Sheet amount at 1 April 2023	**80,907**	**2,815**	**319**	**5,046**	**8,425**	**426**	**97,938**

Included in the Land and Buildings total is a donated asset with a carrying value of £1.5 million.

17. HERITAGE ASSETS

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

	Museum Collections £'000	Public Sculpture / Artwork £'000	Total Heritage Assets £'000
1 April 2022	883	49	932
31 March 2023	**883**	**49**	**932**
1 April 2023	883	49	932
31 March 2024	**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 2024.

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 2023-2024 the museum received 33 new objects or sets of objects.

One item was purchased by the Council:
Charles Lee Migrates to Letchworth – drawing by William Heath Robinson – purchased for £300.

Donated items included:

Art
Where Neighbours Meet - painting by local artist Hector Connell.
Three paintings by local artist Bob Waldock (Covering Preston, Great Offley and Hitchin Market).
Two paintings by Ronald Maddox including one of Whitwell Watercress Farm.

Archaeology
Coins of Tetricus I and Gratian from Weston

Costume
WW2 Civil Defence Uniform belonging to Hartford King, Director of G.W. King engineering works.
Costume relating to the Womans Royal Voluntary Service linked to locals Pauline and Ron Smith.

Archive
Three folders of archive about Taplin family who moved from Holwell to Australia as £10 Poms, before eventual return home to North Herts.
Nature notebooks of Brian Sawford, covering North Hertfordshire (Brian was a naturalist and former Natural History Curator).

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:

	2022/23 £'000	2023/24 £'000
Rental Income from Investment Property	(1,292)	(1,116)
Direct Operating Expenses arising from Investment Property	16	12
Net Gain / (Loss)	**(1,276)**	**(1,104)**

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:

	2022/23 £'000	2023/24 £'000
Balance at Start of the Year	**26,379**	**26,011**
Additions: Construction / Subsequent Expenditure	49	14
Net Gains / (Losses) from Fair Value adjustments	1,053	919
Transfers: (to) / from Property, Plant and Equipment	(1,470)	(136)
Balance at End of Year	**26,011**	**26,808**

19. INTANGIBLE ASSETS

	Purchased Software Licences £'000
Original Cost	3,243
Amortisations to 1 April 2023	(2,688)
Balance at 1 April 2023	**555**
Expenditure in Year	52
Amortisation in Year	(251)
Balance at 1 April 2024	**356**

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 2023 £'000	31 March 2024 £'000	31 March 2023 £'000	31 March 2024 £'000
Financial Liabilities at amortised cost:				
Creditors payable within one year	0	0	6,438	5,492
Borrowing	347	325	27	28
Total Financial Liabilities:	**347**	**325**	**6,465**	**5,520**
Financial Assets:				
Debtors (loans and receivables)	2,265	2,265	3,958	6,034
Investments	0	0	39,269	42,733
Cash & Cash Equivalents	0	0	11,690	3,310
Total Financial Assets:	**2,265**	**2,265**	**54,917**	**52,077**

Notes to the Core Financial Statements

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	
	2023	2024	2023	2024	2023	2024
Interest Expense	(399)	(300)	0	0	(399)	(300)
Interest Payable & Similar Charges	**(399)**	**(300)**	**0**	**0**	**(399)**	**(300)**
Interest Income	0	0	1,310	2,941	1,310	2,941
Interest & investment income	**0**	**0**	**1,310**	**2,941**	**1,310**	**2,941**
Net gain/(loss) for year	**(399)**	**(300)**	**1,310**	**2,941**	**911**	**2,641**

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 2024 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

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 2023		31 March 2024	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities	6,812	7,039	5,846	6,041

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.

Notes to the Core Financial Statements

	31 March 2023		31 March 2024	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans & Receivables	57,075	57,336	54,235	54,966

The fair value of the loans & receivables is more 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 2023/24 or 2022/23. The table below details the investment limits for 2023/24.

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 2024* £'000
Banks	£31M	UK Clearing Banks	£5M	1,000
		UK Clearing Banks (Wholly owned Subsidiaries)	£5M	0
		Non-UK Clearing Banks	£5M	1,000
UK Building Societies and UK Property Market Funds	£25M	Rated Building Societies	£5M	0
		Building Societies (Assets £1bn and over)	£4M	0
		Building Societies (Assets £0.3bn to £1bn)	£2M	0
		Property Market Funds	£3M	0
Money Market Funds	£11M	Money Market Funds	£5M	0
UK Local Authorities	No limit	Other Local Authorities	£7M	44,000
UK Government	No limit	Debt Management Office	No limit	0
		Total Invested		**46,000**

* This column shows the total invested in all counterparties in the group (for example, there was £44.0million invested in sixteen separate Local Authorities).

Notes to the Core Financial Statements

The analysis of the £46.0million 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	0	2,000	0	0	44,000	0	**46,000**

* 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. £0.652M of the total £1.643M sundry debtor balance at 31 March 2024 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**	**Provision Percentage**	**Provision Required**	**Net Sundry Debtors**
	£'000		£'000	£'000
Within payment terms	991	0%	0	991
1-3 months over term	266	0%	0	266
3-12 months overdue	110	25%	(28)	82
12-24 months overdue	147	75%	(110)	37
More than 24 months overdue	129	100%	(129)	0
Total at 31 March 2024	**1,643**		**(267)**	**1,376**

The equivalent position at the end of 2022/23 is shown in the table below:

Age of Debt	**Sundry Debtors**	**Provision Percentage**	**Provision Required**	**Net Sundry Debtors**
	£'000		£'000	£'000
Within payment terms	461	0%	0	461
1-3 months over term	55	0%	0	55
3-12 months overdue	170	25%	(43)	127
12-24 months overdue	61	75%	(46)	15
More than 24 months overdue	96	100%	(96)	0
Total at 31 March 2023	**843**		**(185)**	**658**

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 2023/24 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 2023 £'000	**31 March 2024 £'000**
Public Works Loan Board	367	347
Banks and Other Monetary Sectors	0	0
Total Borrowing	**367**	**347**
Less: Debt Maturing in 12 Months	20	21
Total Long Term Borrowing	**347**	**326**

At 31 March 2024 the average rates of interest on the different varieties of loans were as follows:

	%
Public Works Loan Board	10.48

The consolidated rate of interest, the rate used for internal transactions, was 10.35%.

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	41
Maturing in more than 5 and less than 10 years	15
Maturing in more than 10 years	250
Total	**326**

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.
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 2024 if interest rates had been 1% higher with all other variables held constant, there would have been no effect seen in the Income and Expenditure Statement as there were no variable investments held during the year. The fair value of the loans outstanding would have been £5k higher (cost of repayment would have increased). This is shown below:

	£'000
Increase in interest receivable on variable rate investments	(0)
Impact on Income and Expenditure Account	**(0)**
Increase in fair value of fixed rate loans	5

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.

Notes to the Core Financial Statements

21. INVENTORIES

	31 March 2023 £'000	31 March 2024 £'000
Inventory:		
Paper and Stationery	1	1
Postage	2	3
Waste & Recycling equipment	7	6
Museum merchandise	12	10
Careline Telecare equipment	135	63
Hitchin Town Hall Bar/Café Supplies	4	7
Other	1	1
Total	**162**	**91**

22. DEBTORS

	31 March 2023 £'000	31 March 2024 £'000
Central Government Bodies	511	947
Impairment	0	0
Net Total Central Government Bodies	**511**	**947**
Other Local Authorities	1,798	3,573
Impairment	0	0
Net Total Other Local Authorities	**1,798**	**3,573**
NHS Bodies	0	1
Impairment	0	0
Net Total	**0**	**1**
Ratepayers / Council Tax Payers	1,983	2,087
Impairment	(1,018)	(1,135)
Net Total Ratepayers / Council Tax Payers	**965**	**952**
Housing Benefit Overpayments	1,220	1,030
Impairment	(574)	(674)
Net Total Housing Benefit Overpayments	**646**	**356**
Other Entities and Individuals	2,119	2,713
Impairment	(366)	(608)
Net Total Other Entities and Individuals	**1,753**	**2,105**
Total Net Debtors	**5,673**	**7,934**

23. CASH AND CASH EQUIVALENTS

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

31 March 2023 £000		31 March 2024 £000
12	Cash held by the Authority	114
2,178	Bank current accounts	1,197
2,000	Short-term Deposits with Banks/Building Societies	0
5,000	Short-term Deposits with Other Local Authorities	2,000
2,500	Short-term Deposits with Central Government	0
11,690	**Total**	**3,311**

Notes to the Core Financial Statements

24. ASSETS HELD FOR SALE (Non-Current)

	2022/23 £'000	2023/24 £'000
Balance Outstanding at Start of Year	**3,227**	**588**
Assets newly classified as held for sale:		
Property Plant & Equipment	124	0
Assets Sold	(2,763)	(588)
Balance Outstanding at End of Year	**588**	**0**

25. SHORT TERM CREDITORS AND RECEIPTS IN ADVANCE

Short Term Creditors	31 March 2023 £000	31 March 2024 £000
Central government bodies	10,594	7,546
Other local authorities	2,562	1,673
Other entities and individuals*	4,060	3,820
Total	**17,216**	**13,039**

* As at 31 March 2024 there was £183k of prepayments received in the last few days of the year (£139k as at 31 March 2023).

Receipts in Advance	31 March 2023 £000	31 March 2024 £000
Central government bodies	1,611	1,327
Other local authorities	162	111
Other entities and individuals	7,069	6,834
Total	**8,842**	**8,272**

26. PROVISIONS

	Provisions > 1 year		Total
	Insurance Fund	NNDR Appeals	
	£'000	£'000	£'000
Balance at 1 April 2023	**(18)**	**(1,348)**	**(1,366)**
Additional provisions made in 2023/24	(37)	(1,452)	(1,489)
Amounts used in 2023/24	15	243	258
Unused amounts reversed in 2023/24	0	0	0
Balance at 31 March 2024	**(40)**	**(2,557)**	**(2,597)**

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 lodged appeals against 2017 published ratings and unlodged and lodged against 2023 published ratings. The calculation is based on information from the Valuation Office (VOA) and an assumption of the success of the appeals and RV reductions. The total at the end of 2023/24 was £6.4million (£3.4million in 2022/23) and, as this is shared between North Herts Council, Herts County Council and Central Government, the North Herts proportion reflected in the balance sheet was £2.6million (£1.3million in 2022/23). The increase in the overall provision primarily relates to the new provisions necessary for lodged and unlodged appeals against the published business rates listing effective from April 2023.

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 2023	Net Movement in Year	Balance at 31 March 2024
	£'000	£'000	£'000
Usable Capital Receipts	2,758	(502)	2,256
Earmarked Reserves	10,661	2,028	12,689
Capital Grants Unapplied	899	0	899
General Fund Reserve	11,990	2,068	14,058
Total Usable Reserves	**26,308**	**3,594**	**29,902**

Usable Capital Receipts

	2022/23 £'000	2023/24 £'000
Amounts receivable	4,181	675
Amounts applied to finance new capital investment	(4,569)	(1,177)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(48)	0
Total increase / (decrease) in realised capital resources	**(436)**	**(502)**
Balance brought forward at 1 April	3,194	2,758
Balance carried forward at 31 March	**2,758**	**2,256**

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 at 31st March 2022	Transfers out 2022/23	Transfers in 2022/23	Balance at 31st March 2023	Transfers out 2023/24	Transfers in 2023/24	Balance at 31st March 2024
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cemetery Mausoleum Reserve	**175**	(175)	0	**0**	0	0	**0**
Childrens Services Reserve	**46**	0	1	**47**	(37)	0	**10**
Churchgate Development Reserve	**0**	0	138	**138**	(15)	0	**123**
Climate Change Grant Reserve	**21**	(2)	0	**19**	(2)	0	**17**
DLUHC Grants Reserve	**9,367**	(9,211)	4,198	**4,354**	(3,178)	4,559	**5,735**
Elections Admin Grant	**0**	0	19	**19**	0	48	**67**
Environmental Health Grants Reserve	**0**	0	84	**84**	(23)	57	**118**
Growth Area Fund Reserve	**32**	(13)	5	**24**	0	0	**24**
Homelessness Grants Reserve	**502**	(150)	0	**352**	(146)	192	**398**
Housing & Planning Delivery Reserve	**1,016**	(163)	34	**887**	(196)	0	**691**
Information Technology Reserve	**23**	0	0	**23**	(23)	0	**0**
Insurance Reserve	**34**	0	0	**34**	0	0	**34**

Land Charges Reserve	**36**	(24)	0	**12**	0	0	**12**
Leisure Management Maintenance Reserve	**68**	0	0	**68**	0	240	**308**
Museum Exhibits Reserve	**14**	0	0	**14**	0	0	**14**
Neighbourhood Plan Reserve	**120**	(5)	0	**115**	(23)	40	**132**
Paintings Conservation Reserve	**11**	0	0	**11**	0	0	**11**
Shared Prosperity Fund Grant Reserve	**0**	0	17	**17**	(5)	15	**27**
Special Reserve	**640**	(640)	0	**0**	0	0	**0**
Street Name Plates	**16**	0	0	**16**	0	0	**16**
Syrian Refugee Project	**566**	(8)	61	**619**	(71)	189	**737**
Taxi Licences Reserve	**7**	0	4	**11**	0	0	**11**
Town Centre Maintenance	**69**	0	8	**77**	0	8	**85**
Traffic Regulation Orders	**381**	(5)	0	**376**	(4)	0	**372**
Waste Reserve	**836**	0	0	**836**	0	0	**836**
Waste Vehicles Reserve	**1,341**	0	509	**1,850**	0	606	**2,456**
Welfare Reform Grants Reserve	**614**	(209)	253	**658**	(322)	119	**455**
Total Earmarked Reserves	**15,935**	**(10,605)**	**5,331**	**10,661**	**(4,045)**	**6,073**	**12,689**

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** was 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. This reserve was released in 2022/23 as there was no longer the demand to justify building new niches.

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

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

Department of Levelling Up, Housing and Community (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 retained by the Council.

The **Elections Admin Grant reserve** holds funding provided from government to support the delivery of the policies of the Elections Act 2022, which focused on the introduction of voter ID and improvements to accessibility for disabled voters. The reserve will be used to fund anticipated additional expenditure associated with the Act in administering future elections.

The **Environmental Health Grants Reserve** holds funding amounts received for specific initiatives relating to the Council's Environmental Health service, such as air quality and housing checks. The reserve is used to finance the undertaking of the relevant initiatives and to help manage staffing and workload pressures within the service.

Growth Area Fund Reserve is the reserve where revenue Growth Area Grant has been transferred. With the Council's Local Plan now adopted, this reserve is anticipated to be drawn down to fund relevant projects and activities.

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.

Notes to the Core Financial Statements

The Information Technology Reserve has been used to help ensure the Authority has adequate resources to purchase hardware and software items when they are required. With the reserve balance reduced to zero at the end of 2023/24, future IT needs will be covered through revenue and capital budgets.

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 originally established to help meet the potential cost should the financial risk of the repayment of personal search fees occur. In recent years some of this has been used for additional administration costs and software upgrades.

The **Leisure Management Maintenance Reserve** is to cover the cost of any future significant repairs liabilities on the leisure facilities. The Leisure Contract requires a contribution from the Council for maintenance items over a certain value. With the new Leisure Facilities Management contract from April 2024, this value has increased from £5k to £15k.

The **Museum Exhibits Reserve** funds the purchase of museum exhibits and is funded from donations. Use of the reserve depends on donations and opportunities for acquisitions.

The **Neighbourhood Plan Reserve** is where funds received for neighbourhood plans from MHCLG 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 **Shared Prosperity Fund grant reserve** holds the balance of unspent grant funding received to date to support the Council's delivery of the three year Investment Plan approved by Government in the autumn of 2022. The grant is transferred from reserve as corresponding costs are incurred over.

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 was 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. The reserve was released at the end of the 2022/23 financial year.

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 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.

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 mitigate any potential risk to the waste service and support future service developments, for example any spend related to options around a new waste depot.

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. The grants held in reserve are used to fund revenue expenditure incurred when the initiatives or changes are carried out.

28. UNUSABLE RESERVES

	Balance at 1 April 2023	Net Movement in Year	Balance at 31 March 2024
	£'000	£'000	£'000
Revaluation Reserve (note 28A)	**55,090**	(2,042)	**53,048**
Capital Adjustment Account (note 28B)	**73,654**	(1,105)	**72,549**
Pensions Reserve (note 28C)	**(2,906)**	(10,404)	**(13,310)**
Collection Fund Adjustment Account (note 28D)	**1,844**	(1,798)	**46**
Short Term Accumulating Compensated Absences Account (note 28E)	**(410)**	(127)	**(537)**
Total Unusable Reserves	**127,272**	**(15,476)**	**111,796**

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.

2022/23 £'000			2023/24 £'000
57,105	**Balance at 1 April**		**55,090**
6,423	Upward revaluation of assets	628	
(2,444)	Downward revaluation of assets and Impairment losses not charged to the surplus/deficit on the Provision of Services.	(423)	
3,979	**Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services**		**205**
(1,886)	Difference between fair value depreciation and historical cost depreciation.	(1,759)	
(4,108)	Accumulated gains on assets sold or scrapped.	(488)	
(5,994)	**Amount written off to the capital adjustment account**		**(2,247)**
55,090	**Balance at 31 March**		**53,048**

Note 28B – Capital Adjustment Account

Notes to the Core Financial Statements

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

2022/23 £'000			2023/24 £'000
69,471	**Balance at 1 April**		**73,654**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(2,907)	Depreciation and impairment of non-current assets	(3,648)	
(1,500)	Revaluation losses on property, plant and equipment	(1,108)	
(287)	Amortisation of Intangible assets	(251)	
(603)	Revenue expenditure funded from capital under statute	(954)	
1,345	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	(100)	
(3,952)			(6,061)
1,886	Adjusting amounts written out of the Revaluation Reserve.		1,759
(2,066)	**Net written out amount of the cost of non-current assets consumed in the year**		**(4,301)**
	Capital financing applied in the year:		
4,569	Use of the Capital Receipts Reserve to finance new capital expenditure	1,177	
622	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	1,096	
4	Statutory provision for the financing of capital investment charged against the General Fund	5	
1	Capital expenditure charged against the General Fund	0	
5,196			2,278
1,053	Movements in the market value of investment properties		919
73,654	**Balance carried forward at 31 March**		**72,549**

Note 28C – Pension Reserve

Notes to the Core Financial Statements

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.

2022/23 £'000		2023/24 £'000
(39,605)	**Balance at 1st April**	**(2,906)**
39,721	Actuarial gains or losses on pension assets and liabilities	(11,034)
(6,091)	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	(2,578)
3,069	Employer's pensions contributions and direct payments to pensioners payable in the year.	3,208
(2,906)	**Balance at 31st March**	**(13,310)**

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.

2022/23 £'000		2023/24 £'000
(5,627)	**Balance at 1 April**	**1,844**
7,471	Movement in the Authority's share of the Collection Fund surplus / deficit	(1,798)
1,844	**Balance at 31 March**	**46**

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.

2022/23 £'000		2023/24 £'000
(657)	**Balance at 1 April**	**(410)**
247	Amounts accrued at the end of the current year	(127)
(410)	**Balance at 31 March**	**(537)**

29. NOTES RELATING TO THE CASH FLOW STATEMENT

Cash Flow Statement - Operating Activities

Notes to the Core Financial Statements

The cash flows for operating activities include the following items:

2022/23 £'000		2023/24 £'000
806	Interest Received	1,748
(400)	Interest Paid	(301)

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

2022/23 £'000		2023/24 £'000
3,386	Depreciation	3,647
(478)	Impairments and downward revaluations	1,108
287	Amortisation of intangible assets	251
(12,561)	Movement in Creditors	(3,804)
(4,336)	Movement in Debtors	(1,152)
354	Movement in Inventories	71
3,022	Pension Liability	(630)
2,763	Carrying amount of non-current assets sold	588
(726)	Movement in other provisions	312
(8,289)	**Net Adjustment for non-cash movements**	**391**

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

2022/23 £'000		2023/24 £'000
(622)	Grants applied to the financing of capital expenditure	(1,096)
(4,181)	Proceeds from the sale of non-current assets and investments	(675)
(4,803)	**Net Adjustment for investing or financing activities**	**(1,771)**

Cash Flow Statement - Investing Activities

2022/23 £'000		2023/24 £'000
(6,036)	Purchase of property, plant and equipment, investment property and intangible assets	(1,391)
(123,971)	Purchase of short-term and long-term investments	(93,731)
0	Other payments for investing activities	0
4,181	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	675
119,500	Proceeds from short-term and long-term Investments	91,000
622	Other receipts from investing activities	1,096
(5,704)	**Net cash flows from investing activities**	**(2,351)**

Cash Flow Statement - Financing Activities

2022/23 £'000		2023/24 £'000
0	Cash receipts of short and long-term borrowing	0
9,435	Council Tax and NNDR adjustments	(2,964)
(513)	Cash payments for the reduction of finance leases liabilities	(611)
(19)	Repayments of short and long-term borrowing	(20)
8,903	**Net Cash flows from financing activities**	**(3,595)**

Notes to the Core Financial Statements

30. MEMBERS' ALLOWANCES

The following table shows the amounts paid under the Council's Members' Allowance Scheme in 2023/24 compared to the previous financial year:

	2022/23 £'000	2023/24 £'000
Allowances	337	362
Expenses	1	2
Total	**338**	**364**

31. EMPLOYEES REMUNERATION

Senior Employee Remuneration in 2023/24

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 2023/24. The second table details the equivalent information for the comparative year, 2022/23. The Authority is voluntarily opting to disclose the name of the 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) £
Anthony Roche Managing Director		136,072	0	0	136,072	25,754	161,827
Service Director - Legal and Community		86,798	0	0	86,798	16,243	103,041
Service Director - Commercial		86,636	0	0	86,636	16,212	102,847
Service Director - Regulatory		86,572	0	0	86,572	16,199	102,770
Service Director - Resources		86,546	0	0	86,546	16,194	102,740
Service Director - Customers		81,697	0	0	81,697	15,248	96,945
Service Director - Place	1	64,220	0	0	64,220	11,970	76,190
Service Director - Housing and Environmental Health	2	46,976	0	0	46,976	9,207	56,183

1. The Service Director - Place post is 0.81 FTE.
2. The Service Director - Housing and Environmental Health joined the authority on an 18-month secondment from Hertfordshire County Council from 14th August 2023. The annualised salary excluding fees and allowances was £70,862.

Notes to the Core Financial Statements

Senior Employee Remuneration in 2022/23

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) £
Anthony Roche Managing Director		131,718	0	0	131,718	23,756	155,474
Service Director - Regulatory	1	89,735	0	0	89,735	16,040	105,775
Service Director - Resources		83,689	0	0	83,689	14,915	98,604
Service Director - Customers		76,715	0	0	76,715	13,618	90,333
Service Director - Place	2	60,237	0	0	60,237	10,676	70,913
Service Director - Legal and Community		83,991	0	0	83,991	14,971	98,962
Service Director - Commercialisation		81,465	0	0	81,465	14,502	95,967
Service Director - Transformation	3	8,850	0	0	8,850	0	8,850

1. The Service Director Regulatory undertook the role of Deputy to the Managing Director until 31st December 2022 and received additional payments of £5,869 equivalent to 10% of the Service Director salary as compensation for the additional responsibility.
2. The Service Director Place post is 0.81 FTE.
3. The Service Director Transformation was a fixed term post until 31st May 2022. The annualised salary for 0.4 FTE excluding fees was £53,951

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 redundancy payments. The remuneration is shown in each bracket of a scale in multiples of £5,000.

The table below includes two employees who received redundancy payments in the 2022/23 financial year whose remuneration would not normally have been greater than £50,000.

Remuneration Band	**2022/23**	**2023/24**
	Employees	Employees
£50,000-£54,999	7	4
£55,000-£59,999	12	15
£60,000-£64,999	11	13
£65,000-£69,999	1	2
£70,000-£74,999	1	0
£75,000-£79,999	1	0
Total	**33**	**34**

32. TERMINATION BENEFITS AND EXIT PACKAGES

The Authority terminated the contracts of 2 employees in 2023/24, incurring liabilities of £8,969 (£90,628 incurred in 2022/23 from the termination of 3 employee contracts) 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 redundancies and other departures are set out in the table below. The amounts disclosed in the table include redundancy payments, compensation and payments in lieu of notice.

(a)	**(b)**		**(c)**		**(d)**		**(e)**	
Exit package cost band (including special payments)	**Number of compulsory redundancies**		**Number of other agreed departures**		**Total number of exit packages by cost band**		**Total cost of exit packages in each band**	
	2022/23	**2023/24**	**2022/23**	**2023/24**	**2022/23**	**2023/24**	**2022/23**	**2023/24**
							£	**£**
£0 - £19,999	1	1	0	1	**1**	**2**	**1,177**	**8,969**
£20,000 - £39,999	0	0	0	0	**0**	**0**	**0**	**0**
£40,000 - £59,999	2	0	0	0	**2**	**0**	**89,451**	**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	0	0	**0**	**0**	**0**	**0**
Total Cost included in bandings and in CIES							**90,628**	**8,969**

Notes to the Core Financial Statements

33. 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.

	2022/23 £000	2023/24 £000
External audit services carried out by the appointed auditor for the year	49	150
External audit services carried out by the appointed auditor for prior years	27	15
Certification of Housing Benefit subsidy grant claims for the year	7	22
Certification of Housing Benefit subsidy grant claims for prior years	18	0
Total	**101**	**187**

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.

34. 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:

	2022/23 £'000	2023/24 £'000
Developer Contributions	316	344
Total	**316**	**344**

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

	2022/23 £'000	2023/24 £'000
Benefits Administration and Fraud Initiative Grants	625	460
Housing and Council Tax Benefit Subsidy	20,040	23,771
Waste minimisation – Herts County Council contribution	125	278
Waste Service Transport Subsidy	3	10
National Non-Domestic Rates Administration Grant	178	182
Sustainable Warmth Fund	7	50
Refugees Syrian Project	75	84
Employee Resilience and Wellbeing Funding HCC	10	4
Homelessness Prevention Grant	387	938
Afghanistan Refugee Project	97	191
Planning Control Grants – DLUHC	24	2
DLUHC Neighbourhood Plans	0	40
Electoral Integrity Programme New Burdens	0	43
Shared Prosperity Funding DLUHC	38	284
LGA Cyber Security	15	0
DWP Kickstarter Fund	4	0
Hertfordshire Museums – Lottery Fund	12	7
DLUHC Covid Outbreak Management Funding	39	0
Land Registry New Burdens	0	17
Healthy Hub	45	35
Council Tax Rebate DLUHC	198	0
Council Tax Rebate New Burdens	176	46
Business Support Grant DLUHC	31	0
Business Support Grant New Burdens	39	0

Notes to the Core Financial Statements

	2022/23 £'000	2023/24 £'000
Self Isolation Fund DLUHC	-5	0
DEFRA Smoke Control Areas	12	12
Tier 2 Open Business DLUHC	17	0
DLUHC Taxis New Burdens	4	0
Keep Britain Tidy Street Cleansing Project	9	10
Health and Safeguarding National Lottery Community Fund	5	5
Health Inequalities Project HCC	50	30
Sports England Project	10	0
HCC Ukrainian Housing Checks	72	46
Community Wealth Fund	55	0
DEFRA Biodiversity Grant	5	49
Environmental Health Covid Support HCC	476	125
Covid Community Grant Funding - HCC	100	0
Household Support Funding – HCC	114	110
Audit Fees Support Grant – DLUHC	22	21
Temporary Pavement Licensing – DLUHC	4	4
Winter Grants Schemes – HCC	2	1
HCC Covid Contractors Funding	5	0
Transparency Grant – DLUHC	8	8
Total	**23,133**	**26,863**

35. 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 2023/24, the Authority made grants payments totalling £267k under Memorandum of Understanding (MOU) agreements to organisations in which 11 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 £205k to Citizens Advice North Herts, £27k to North Herts CVS and £18k to North Herts Minority Ethnic Forum.

Other grants totalling £163k were paid to organisations in which 9 members declared an involvement. This includes payments of £77k to one organisation from the Homelessness Prevention Grant. Also included were payments of £66k to the Hitchin, Letchworth and Royston First Business Improvement Districts from the Shared Prosperity Fund. A £16k payment to one organisation from the Shared Prosperity Fund.

Works and services to the value of £5k were commissioned from organisations in which 1 member had an interest.

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 £52k (2022/23: £45k). Royston Town Council also received £5k in respect of Section 106 project funding.

Eight 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.

Notes to the Core Financial Statements

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 2023/24, there are no disclosures.

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 deficit for the year ended 31 March 2024 is £44.1k (2022/23: £1.5k deficit). 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 Hertsmere 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 2023/24 total payments to the Partnership of £113k (£126k 2022/23) were charged to the Council's Comprehensive Income and Expenditure Statement. In 2023/24 the Partnership reported a deficit of which NHDC share is £1.9k (2022/23: £11.2k surplus).

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 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 2024 is £13.5k (2022/23: £3.1k surplus). No payments were made by the Council for services provided by Hertfordshire CCTV Partnership Limited in 2023/24

36. 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 £2.409million, only £2.273million has been financed immediately, resulting in an increase of £0.136million 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 (£2.588million at 31 March 2024) because the Authority has set aside capital receipts that exceed the amount of outstanding loans and borrowings.

	2022/23 £'000	2023/24 £'000
Capital Investment:		
Operational Assets		
Land & Buildings	4,499	429
Infrastructure	58	116
Vehicles, Plant & Equipment	696	671
Community Assets	3	17
Investment Properties	50	13
Non-Operational Assets		
Assets Under Construction	322	156
Intangible Assets – Software	692	52
Revenue Expenditure Funded from Capital under Statute	603	955
Total Capital Investment	**6,923**	**2,409**

Sources of Finance:		
Capital Receipts	4,569	1,177
Government Grants and Other Contributions	622	1,096
Sums set aside from Revenue	1	0
Total Finance Sources	**5,192**	**2,273**
Increase / (Decrease) in CFR	**1,731**	**136**

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

37. 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 2023/24 was £88,658 (2022/23 £48,526).

Property
The Authority paid £62,156 in rent / leasing charges for properties in 2023/24. The most significant amount of £29,000 was paid for the King James Way Car Park.

Commitments under operating leases
The Authority was committed at 31 March 2024 to making payments of £1.314 million under operating leases over the following periods:

	31 March 2023 £'000	31 March 2024 £'000
Not later than one year	107	156
Later than one year and not later than five years	170	235
Later than five years	934	923
	1,211	**1,314**

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 2023 £'000	31 March 2024 £'000
Land and Buildings	2,326	2,093
Vehicles, Plant & Equipment	908	454
	3,234	**2,547**

Notes to the Core Financial Statements

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 2023 £'000	31 March 2024 £'000
Finance Lease Liabilities	1,433	833
Finance costs in future years	477	214
Minimum Lease Payments	**1,910**	**1,047**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2023 £'000	31 March 2024 £'000	31 March 2023 £'000	31 March 2024 £'000
Not later than one year	874	874	610	727
Later than one year and not later than five years	917	58	743	25
Later than five years	130	115	95	74
	1,921	**1,047**	**1,448**	**826**

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:

	2022/23 £'000	2023/24 £'000
Not later than one year	(1,641)	(1,623)
Later than one year and not later than five years	(4,831)	(5,154)
Later than five years	(49,951)	(50,298)

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 2023/24 no material contingent rents were receivable by the Council.

38. 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.

Notes to the Core Financial Statements

Surplus / Asset Ceilings

As at 31st March 2024, the pension scheme actuaries advised there is an estimated surplus position on the pension fund of £7,152,000. However accounting standards place restrictions on the surplus recorded in the accounts to being only the economic benefit the employer can gain from the surplus, as measured through the calculation of an asset ceiling. The asset ceiling is the present value of any reduction in future contributions to the scheme. The surplus recognized in the accounts must be the lower of the IAS19 estimated surplus or the asset ceiling. However a minimum funding requirement (MFR) restricts the employer's ability to enjoy the benefit of the surplus and may give rise to an additional liability. The MFR is the agreed past service contributions that have been committed to be paid to the fund and are added to the net asset position. The present value of agreed past service contributions is £13,310,000. As the economic benefit available as a reduction in future contributions is lower, there is an additional liability to recognise and an adjustment of £20,462,000 is required for the effect of the asset ceiling, to give a deficit position of £13,310,000.

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	**2022/23**	**2023/24**
Comprehensive Income and Expenditure Account:	**£'000**	**£'000**
Cost of Services:		
Service cost comprising:		
Current Service Cost *	4,996	2,462
Past Service Costs	0	0
Financing and Investment Income and Expenditure:		
Net Interest Expense	1,095	116
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**6,091**	**2,578**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
Re-measurement of the net defined liability comprising:		
Return on Plan Assets	14,133	(6,706)
Actuarial (gains) and losses arising on changes in demographic assumptions	(1,305)	(837)
Actuarial (gains) and losses arising on changes in financial assumptions	(63,589)	(6,243)
Changes in the effect of the asset ceiling	0	(20,462)
Other	11,038	4,552
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(33,632)**	**(29,696)**

* The service cost figures include an allowance for administration expenses of 0.6% of payroll.

Movement in Reserves Statement:	**2022/23**	**2023/24**
	£'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	(6,091)	(2,578)
Actual Amount charged against the General Fund balance for pensions in the year:		
• Employers' contributions payable to the scheme **	3,067	3,402
Net chargeable amount against the General Fund balance	**3,067**	**3,402**

** The figure of £3.402million for employer's contributions are the actual contributions paid for 2023/24.

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	**2022/23**	**2023/24**
	£'000	**£'000**
Present value of the defined benefit obligation	(143,005)	(143,487)
Fair Value of plan assets	140,099	150,639
Sub-total	(2,906)	7,152
Changes in the effect of the asset ceiling	0	(20,462)
Other movements in the liability (asset)	0	0
Net liability arising from defined benefit obligation	**(2,906)**	**(13,310)**

Reconciliation of the Movements in the Fair Value of Scheme Assets:

Local Government Pension Scheme	**2022/23**	**2023/24**
	£'000	**£'000**
Opening fair value of scheme assets	151,846	140,099
Interest Income	4,074	6,590
Re-measurement gain / (loss):		
The return on plan assets, excluding the amount included in the net interest expense	(14,133)	6,706
Other	0	0
The effect of changes in foreign exchange rates		
Contributions from employer	3,067	3,402
Contributions from employees into the scheme	719	769
Benefits paid	(5,474)	(6,927)
Closing fair value of scheme assets	**140,099**	**150,639**

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

Local Government Pension Scheme	**2022/23**	**2023/24**
	£'000	**£'000**
Opening balance at 1 April	191,451	143,005
Current service cost	4,996	2,462
Interest cost	5,169	6,706
Contributions from scheme participants	719	769
Re-measurement (gains) and losses:		
Actuarial (gains) / losses arising from changes in demographic assumptions	(1,305)	(837)
Actuarial (gains) / losses arising from changes in financial assumptions	(63,589)	(6,243)
Other	11,038	4,552
Past Service Cost	0	0
Benefits paid	(5,474)	(6,927)
Closing balance at 31 March	**143,005**	**143,487**

Notes to the Core Financial Statements

Local Government Pension Scheme assets comprised:

	Fair Value of scheme assets (Quoted Prices) 31 March 2023			31 March 2024		
	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	9,415.8	0	7%	10,047.7	0	7%
Equity instruments:						
Consumer	2,154.1	0	2%	1,911.3	0	1%
Manufacturing	1,180.9	0	1%	2,354.3	0	2%
Energy and utilities	0	0	0%	0	0	0%
Financial Institutions	804.2	0	1%	1,761.3	0	1%
Health and care	1,173.0	0	1%	1,319.9	0	1%
Information technology	2,598.7	0	2%	1,929.5	0	1%
Other	0	0	0%	0	0	0%
Sub-total equity	7,910.9	0	7%	9,276.3	0	6%
Bonds:	5,844.6	3,761.4	7%	6,689.0	3,807.7	7%
Private equity:						
All	0	12,406.1	9%	0	13,237.6	9%
Real Estate:						
UK Property	0	10,362.2	7%	0	9,956.9	6%
Overseas Property	0	8,005.5	6%	0	7,000.6	5%
Sub-total real estate	0	18,367.7	13%	0	16,957.5	11%
Investment funds and Unit Trusts:						
Equities	52,792.4	0	38%	59,525.3	0	39%
Bonds	19,632.3	0	14%	20,953.9	0	14%
Commodities	0	0	0%	0	0	0%
Infrastructure	0	161.2	0%	0	244.5	0%
Other	1,219.0	8,381.2	7%	1,157.9	8,832.3	7%
Sub-total other investment funds	73,643.7	8,542.4	59%	81,637.1	9,076.8	60%
Derivatives:						
Forward foreign exchange contracts	0	206.4	0%	0	(90.7)	0%
Total assets	**96,815.0**	**43,284.0**		**107,650.1**	**42,988.9**	

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 2020 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2024 £'000
Present Value of Liabilities	(156,375)	(197,431)	(191,451)	(143,005)	(143,487)
Fair Value of Assets	125,684	151,455	151,846	140,099	150,639
Effect of asset ceiling on net asset/(liability)					(20,462)
Deficit in the scheme	**(30,691)**	**(45,976)**	**(39,605)**	**(2,906)**	**(13,310)**

Notes to the Core Financial Statements

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 £143.487million has a substantial impact on the net worth of the Authority, as recorded in the Balance Sheet, resulting in a negative overall balance of £13,310million. 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 2025 is £3,240,000.

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 2023 %	**31 March 2024 %**
Mortality Assumptions:		
Longevity at 65 for current pensioners*:		
Men	21.9	21.7
Women	24.3	24.1
Longevity at 65 for future pensioners**		
Men	22.9	22.7
Women	25.9	25.6
Rate of increase in salaries	3.50	3.30
Rate of increase in pensions	3.00	2.80
Rate for discounting scheme liabilities	4.75	4.80
Proportion of Employees opting to take a commuted sum		
- pre April 2008 service	45.0	45.0
- post April 2008 service	45.0	45.0

* Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2022 model with a 25% weighting of 2022 data, a 0% weighting of 2021 (and 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.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme and is on an actuarial basis using the projected unit credit method.

Notes to the Core Financial Statements

	Impact on the Defined Benefit Obligation in the scheme	
	% Increase to Liability £'000	Monetary amount £'000
Real Discount Rate (decrease by 0.1%)	2%	2,398
Member Life Expectancy (increase by 1yr)	4%	5,739
Rate of increase in salaries (increase by 0.1%)	0%	106
Rate of increase in pensions (increase by 0.1%)	2%	2,334

39. CONTINGENT ASSETS

There are no contingent assets for 2023/24.

40. CONTINGENT LIABILITIES

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 2024 the council have no outstanding liability claims with MMI.

41. 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 2023, 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	2,686	118	-32
King George V Playing Fields Trust	85	35	-
Smithson Recreation Ground Trust	17	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 within current liabilities.

The total value of all S106 contributions, as at the 31 March 2024, available to fund capital and revenue activities is £4,863,666 (2022/23 £4,499,365).

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

2022/23 Council Tax £'000	2022/23 Business Rates £'000	2022/23 Total £'000		Note	2023/24 Council Tax £'000	2023/24 Business Rates £'000	2023/24 Total £'000
			Income				
(102,642)		(102,642)	Council Tax Receivable	2	(107,648)		(107,648)
(0)		(0)	Council Tax Hardship Scheme		(79)		(79)
	(33,636)	(33,636)	Business Rates Receivable	1		(35,103)	(35,103)
	0	0	Transitional Protection Payments Receivable			(5,754)	(5,754)
			Contribution towards previous year deficit:				
(5)	(1,336)	(1,341)	Hertfordshire County Council	3	0	0	0
0		0	Hertfordshire Police Authority	3	0		0
	(6,681)	(6,681)	Central Government	3		0	0
(2)	(5,345)	(5,347)	North Hertfordshire District Council	3	0	0	0
(102,649)	**(46,998)**	**(149,647)**	**Total Income**		**(107,727)**	**(40,857)**	**(148,584)**
			Expenditure				
			Precepts, Demands and Shares	4			
76,412	3,156	79,568	Hertfordshire County Council		81,347	4,035	85,382
11,142		11,142	Hertfordshire Police Authority		12,058		12,058
12,248	12,623	24,871	North Hertfordshire District Council		12,791	16,138	28,929
1,277		1,277	Parishes, Town & Community Councils		1,388		1,388
	15,778	15,778	Central Government			20,174	20,174
			Distribution of previous years Surplus				
0		0	Hertfordshire County Council		793	113	906
1		1	Hertfordshire Police Authority		116		116
0		0	North Hertfordshire District Council		138	453	591
			Central Government		0	566	566
			Charges to Collection Fund				
0	178	178	Cost of Collection Allowance	1	0	182	182
	307	307	Transitional relief Payable			0	0
	33	33	Energy Payments			51	51
			Interest Payments			21	21
210	339	549	Write off uncollectible amounts	1/2	6	19	25
	(2,787)	(2,787)	Increase / (decrease) in provision for appeals	1		3,024	3,024
43	(889)	(846)	Increase / (decrease) in bad debt provision	1/2	50	276	326
101,333	**28,738**	**130,071**	**Total Expenditure**		**108,687**	**45,052**	**153,739**
(1,316)	**(18,260)**	**(19,576)**	**Movement on Fund Balance**		**960**	**4,195**	**5,155**
443	13,938	14,381	Balance at beginning of year		(873)	(4,322)	(5,195)
(873)	**(4,322)**	**(5,195)**	**Balance at end of year**		**87**	**(127)**	**(40)**
			Share of Balance:				
(661)	(432)	(1,093)	Hertfordshire County Council		66	(13)	53
(96)		(96)	Hertfordshire Police Authority		9		9
(116)	(1,729)	(1,845)	North Hertfordshire District Council		12	(51)	(39)
	(2,161)	(2,161)	Central Government			(63)	(63)
(873)	**(4,322)**	**(5,195)**			**87**	**(127)**	**(40)**

Collection Fund Accounts

1. INCOME FROM BUSINESS RATES

The Council collects non-domestic rates (NNDR) from businesses 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 Herts Council is £117.8 million (£102.7 million 2022/2023). The NNDR multiplier for 2023/24 was unchanged at 51.2p in the pound and so too the small business non-domestic rating multiplier at 49.9p in the pound.

The business rates retention scheme was introduced in 2013/14. The scheme allows the Council to retain a proportion of the total NNDR collected. In 2023/24, North Herts share was 40% with the remainder paid over to Hertfordshire County Council (10%) and Central Government (50%). 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.

Central Government sets a baseline level for each Authority that identifies the expected total of business rates collected. The baseline total is then subject to a top up or tariff amount to ensure that all authorities retain only, or receive at least, their assessed 'baseline need' amount of income. The Council must pay a levy of 50% to Central Government for any business rates 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 the level of retained rates income fall below this. The business rate shares payable for 2023/24 were estimated before the start of the financial year as £20.174 million to Central Government, £4.035 million to Hertfordshire County Council and £16.138 million to North Hertfordshire District Council. These sums have been paid in 2023/24 and charged to the Collection Fund.

The business rates tariff liability for North Herts for 2023/24, charged to the Council's General Fund, was £15.062milllion. In 2023/24 North Herts was not part of a business rates pool and a levy of £536k was paid to Central Government. In 2024/25 the authority will be a member of the Hertfordshire Business Rates pool with Herts County Council and two other Hertfordshire Local Authorities, with the expectation that the contribution required to the business rates pool levy in 2024/25 will be lower than the levy amount otherwise payable directly to central government if outside the business rates pool.

The total net amount of NNDR income collectable in 2023/24, after all reliefs and deductions, was £37.284 million. This was less than the estimated income of £40.347 million declared to Government in January 2023 and resulted in an in-year deficit of £3.063 million. With the opening surplus balance, however, the overall position on the business rates collection fund at the end of the year is a surplus of £127k, of which North Herts share is £51k. The in-year deficit recorded includes the cost of certain reliefs that Councils must issue to businesses. The Government pays Local Authorities Section 31 grants to compensate for the lost income. The amount of Section 31 grant receivable for North Herts in the year for reliefs in 2023/24 was £4.721million. Total provision for outstanding amounts not subsequently paid (bad debts) was £1.502 million at 31 March 2024 (£1.226 million at 31 March 2023). A total of £19k of outstanding business rates were written off during 2023/24.

The business rates retention scheme has also meant responsibility has transferred to the Authority, as the agent, for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. 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. The latest revaluation was effective from April 2023. Provision of £3.445million has been made for appeals not yet lodged against the 2023 listing and provision for lodged appeals, based on the details of outstanding check/challenges lodged with the Valuation Office, is £186k. Provision for appeals lodged against the previous ratings list, effective from April 2017, has reduced by £603k to a total of £2.762 million, with the residual provision of £4k against the 2010 listing reduced to zero. The movement in the overall provision for appeals is therefore an increase of £3.024m for 2023/24.

Collection Fund Accounts

2. COUNCIL TAX

The amounts credited to the Collection Fund can be analysed as follows:

	2022/23		2023/24	
	£'000	**£'000**	**£'000**	**£'000**
Original Debt	121,155		128,192	
Additional Debt	12,455		11,267	
		133,610		**139,459**
Less:				
Council Tax Reductions		7,752		9,043
Discounts		9,421		9,769
Amounts Written-off, Exemptions & Allowances		13,795		12,999
		102,642		**107,648**

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, £2,196.76, (£1,997.44 2022/2023) 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	3,430	0.67	1,464.50
B	9,404	0.78	1,708.59
C	20,267	0.89	1,952.68
D	10,407	1.00	2,196.76
E	7,433	1.22	2,684.93
F	4,835	1.44	3,173.10
G	3,585	1.67	3,661.26
H	358	2.00	4,393.52
Total	**59,719**		

An increase of £56k has been made for the provision of outstanding amounts that are not subsequently paid (bad debts) bringing the total provision to £2.696million as at 31 March 2024. A total of £6k of outstanding council tax was written off during 2023/24

3. PAYMENT OF SURPLUS/ DEFICITS FROM THE COLLECTION FUND

The element of the surplus/ deficit on the Collection Fund at 31 March 2024 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 2023/24 is £87k, North Herts share is £12k.

Collection Fund Accounts

4. PRECEPTS

	2022/23 £'000	2023/24 £'000
Hertfordshire County Council	76,412	81,347
Hertfordshire Police	11,142	12,058
North Hertfordshire District Council and Local Town and Parish Councils	13,525	14,179
	101,079	**107,584**

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: • 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	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: • 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 was 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	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: • 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)	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. Investments, other than those in relation to the pension fund, that do not meet the above criteria should be classified as current assets.
Investments (Pension Fund)	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.
Investment Property	Property which is held solely to earn rentals and/or for capital appreciation but not used for the purpose of service delivery.
Levy	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.
Liabilities	Money owed to somebody else.
Minimum Revenue Provision	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.
Net Book Value	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.
Net current replacement cost	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.

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	Two or more parties are related parties when at any time during the financial period: • 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	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: • 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 Council, but also in relation to its related party.

Glossary of Financial Terms

Term	Definition
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.

KPMG

Auditor's Annual Report for North Hertfordshire District Council

Year-ended 31 March 2024

—

XX February 2025

Contents

DRAFT

Page 218

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This report is addressed to North Hertfordshire District Council (the Council). We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public 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.

01

Executive Summary

North Hertfordshire District Council

Executive Summary

DRAFT

Purpose of the Auditor's Annual Report

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2023-24 audit of North Hertfordshire District Council (the 'Council'). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the Council alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:

Accounts - We provide an opinion as to whether the accounts give a true and fair view of the financial position of the Council and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the CIPFA/LASSAC Code of Practice in Local Authority Accounting ('the Code').

Narrative Report - We assess whether the narrative report is consistent with our knowledge of the Council.

Value for money - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Council's use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.

Other powers - We may exercise other powers we have under Local Audit and Accountability Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

In addition to the above, we respond to valid objections received from electors.

Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

Accounts	We issued a disclaimed opinion on the Council accounts on XX February 2024. The reason we disclaimed our opinion has been set out in greater detail on page 7. We have provided further details of the key risks we identified and our response on pages 8-9.
Narrative Report	We did not identify any significant inconsistencies between the content of the narrative report and our knowledge of the Council.
Value for money	We are required to give an opinion as to whether the Council has appropriate arrangements in place to secure economy, efficiency, and effectiveness in the use of resources. Our opinion is that the Council does have appropriate arrangements place. We identified no significant weaknesses in respect of arrangements to secure economy, efficiency, and effectiveness in the use of resources. Further details are set out on page X.
Other powers	See overleaf.

Page 220

Executive Summary

DRAFT

There are several actions we can take as part of our wider powers under the Local Audit and Accountability Act:

Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the Council is required to consider it and to bring it to the attention of the public.

We have not issued a Public Interest Report this year.

Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action the Council is taking. We may also apply to the courts for a declaration that an item of expenditure the Council has incurred is unlawful.

We have not applied to the courts this year.

Recommendations

We can make recommendations to the Council. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Local Audit and Accountability Act. If we do this, the Council must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, the Council does not need to take any action, however, should the Council provide us with a response, we will include it within this report.

We made no recommendations under Schedule 7 of the Local Audit and Accountability Act.

We have not raised any other recommendations.

Advisory notice

We may issue an advisory notice if we believe that the Council has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

If we issue an advisory notice, the Council is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

We have not issued an advisory notice this year.

In addition to these powers, we can make performance improvement observations to make helpful suggestions to the Council. Where we raise these; we report these to management and the Finance, Audit and Risk Committee. The Council is not required to take any action to these, however it is good practice to do so and we have included any responses that the Council has given us.

02

Audit of the financial statements

North Hertfordshire District Council

Audit of the financial statements

DRAFT

KPMG provides an independent opinion on whether the Council's financial statements:

Basis for disclaimer of opinion:

The Accounts and Audit (Amendment) Regulations 2024 (the "Amendment Regulations") require the Authority to publish its financial statements and our opinion thereon for the year ended 31 March 2024 by 28 February 2025 (the "Backstop Date").

We have been unable to obtain sufficient appropriate audit evidence over a number of areas of the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the financial statements ahead of the Backstop Date. These areas include, but were not limited to, Plant, Property and Equipment, Investment Properties, short-term deposits, debtors, long-term assets, liabilities, collection fund and housing benefits income and expenditure and reserves for the year ended 31 March 2024 in relation to the Authority.

In addition, we have been unable to obtain sufficient appropriate evidence over the disclosed comparative figures for the year ended 31 March 2023 due to the Backstop Date. Therefore, we were unable to determine whether any adjustments were necessary to the opening balances as at 1 April 2023 or whether there were any consequential effects on the Authority's income and expenditure for the year ended 31 March 2024.

Any adjustments from the above matters would have a consequential effect on the Authority's net assets and the split between usable reserves, including the unusable reserves as at 31 March 2024 and 31 March 2023, the Collection Fund and on its income and expenditure and cash flows for the years then ended.

We conduct our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We also fulfil our ethical responsibilities under, and ensure we are independent of the Council in accordance with, UK ethical requirements including the FRC Ethical Standard. We are required to ensure that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Our audit opinion on the financial statements

We have issued a disclaimed opinion on the Council financial statements on XX February 2024.

The full audit report is included in the Council's Annual Report and Accounts for 2023/24 which can be obtained from the Council's website.

Further information on our audit of the financial statements is set out overleaf.

Audit of the financial statements

DRAFT

The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings
Valuation of land and buildings Risk that the value for the land and building assets is materially over or under-estimated.	We have undertaken risk assessment and planning procedures over this balance only, in line with our intent to issue a disclaimed opinion, as noted on Page 7.	As noted, substantive response not undertaken.
Valuation of investment property Risk that the value for the investment property assets are materially over or under-estimated.	We have undertaken risk assessment and planning procedures over this balance only, in line with our intent to issue a disclaimed opinion, as noted on Page 7.	As noted, substantive response not undertaken.
Management override of controls Risk that the process around posting ledger transactions is utilised to manipulate accounting results.	We have undertaken risk assessment and planning procedures over this balance only, in line with our intent to issue a disclaimed opinion, as noted on Page 7.	As noted, substantive response not undertaken.

Audit of the financial statements

DRAFT

Significant financial statement audit risk	Procedures undertaken	Findings
Valuation of post retirement benefit obligations Risk that the valuation for the post retirement benefit (pension) liability is materially under-estimated.	Evaluated the competency and objectivity of the actuaries to confirm their qualifications and the basis for their calculations; Performed inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets; Agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation; Evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability; Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data; Confirmed that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice; Considered the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions.	We identified two misstatements relating to; employer contributions recognised in the Plan Asset calculations; and the project period used to determine the defined benefit obligation. These have not been corrected by management. Updating this would lead to a reduction in the Net Pension surplus, however we did not consider this material. We raised a recommendation relating to management review of the actuarial report. We considered the estimate to be balanced based on the procedures performed.

03

Value for Money

North Hertfordshire District Council

Value for Money

DRAFT

Introduction

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or 'value for money'. We consider whether there are sufficient arrangements in place for the Council for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:

- **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.
- **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

Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor's Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We make performance improvement observations where we identify opportunities to improve in areas where we have not identified any weaknesses.

Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	13-14	15-16	17-18
Identified risks of significant weakness?	✗ No	✗ No	✓ Yes
Actual significant weakness identified?	✗ No	✗ No	✗ No
2022-23 Findings	No significant weakness identified	No significant weakness identified	Risk of significant weakness noted but did not materialise into significant weakness
Direction of travel	←→	←→	←→

Value for Money

DRAFT

National context

We use issues affecting Councils nationally to set the scene for our work. We assess if the issues below apply to this Council.

Financial performance

Over recent years, Councils have been expected to do more with less. Central government grants have been reduced, and the nature of central government support has become more uncertain in timing and amount. This has caused Councils to cut services and change the way that services are delivered in order to remain financially viable.

Some Councils have initiated innovative plans to raise new funds, such as through increasing commercial activity. Examples have included purchasing commercial assets such as shops and offices with a view to generate rental income, others have set up novel joint ventures to deliver regeneration schemes. Some have questioned whether commercialisation activities open Councils to excessive risk or could be a poor use of taxpayer monies.

Some Councils have issued what are known as “section 114” notices, in this instance a declaration that they cannot generate sufficient resources to meet the costs they need to incur. In some instances, this has resulted in a need for exceptional financial support from central government (such as approval to sell council buildings to meet costs) and severe cutbacks to services.

Local context

The audit team note the following local factors identified which could have a potential impact on VFM:

- The Council is experiencing staffing shortages and difficulties in recruitment.
- The Council saw significant change in its membership because of the May 2024 elections
- The Council works with a number of external supplies to manage multiple contracts. While there are materially significant contracts around areas of significant spend (e.g. waste, street cleaning) we have drawn a focus on the leisure centres and shopping centre contracts due to circumstances identified in the year. Detailed contract management is vital to ensure the council is achieving value for money from these contracts.
- The Corporate Peer Challenge (CPC) has been completed post year end by the Local Government Association (LGA). This raised 10 recommendations to the Council around developing the golden thread, being clear to the team regarding priorities, promoting the place narrative, building leadership, creating an organisational plan that accounts for future challenges, resetting ways of working, improving the rigour and transparency of performance management, modernisation and project management . These recommendations all cover best practice to support the Council rather than fundamental recommendations.

There are no significant inspectorate findings to report, or matters arising from our media review to note.

Financial Sustainability

DRAFT

How the Council plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Council plans to bridge its funding gaps and identifies achievable savings;
- How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Council 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; and
- How the Council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Page 229

- The Council has adhered to its governance processes for setting a balanced budget and regularly updating its Medium Term Financial Strategy (MTFS). The 23/24 budget and MTFS are underpinned by assumptions that we deemed reasonable and are well supported. The Council has a detailed process for setting its annual budget. Budget proposals go through the Leadership Team and Political Liaison Board, and then to informal budget workshops for comments and questions. A final draft budget went to Full Council for final approval at the end of February 2023. It is our view that this is a comprehensive process with appropriate challenge and review.
- In-year budget monitoring reports are completed on a quarterly basis for reporting to Finance, Audit and Risk Committee (FAR) and Cabinet, this ensures appropriate and timely scrutiny of budget vs. actual performance. It is noted from our procedures and inquiry that for any significant variances from budget to actual, there is detailed commentary included within these quarterly reports.
- We have looked at the reserve levels in both the current and the prior financial periods and note that there is consistency in the level of usable reserves, at £26,308k, with no movement against the prior year. This is a relatively strong reserves position overall, considering the size of the Council and the national context.
- Previous financial period budgets, have been set expecting a planned use of reserves but, due to underspends and prudent budget setting these have not been needed. The 23/24 budget included a planned use of previous Business Rate gains, and utilisation of some General Fund reserve. However, due to in year underspends (treasury returns) the Council have transferred historical Business Rate gains from the specific reserve to the General Fund reserve, and there has been no usage of the General Fund reserves. In 24/25 the plan is to use £1.7m of retained Business Rates, and over 5 years there is a plan to use £2.9m of General Fund reserves. That would still leave reserves at £10.6m which is £8m more than the recommended minimum level.
- Cost improvements were approved as part of the budget set at the end of February 2023. Efficiency requirements are identified and communicated in advance through the Leadership Team as part of the budget setting process. The quarterly monitoring reports look at overall financial position and the performance of specific efficiencies. We have looked at the updated targets set by the 2024-29 MTFS for each of the next five years, with a cumulative £3.1 million savings identified to be delivered to ensure the Council can achieve a fully balanced budget by 2028/29. This has been subsequently amended per the latest MTFS to an amount of £2.5m cumulative over 5 years to achieve a fully balanced budget by 2029/30.
- For 2024/25, the Council approved a net revenue budget of £19.898 million in February 2024.

Financial Sustainability

DRAFT

How the Council plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Council plans to bridge its funding gaps and identifies achievable savings;
- How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Council 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; and
- How the Council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

- Year end borrowing was negligible, being a total of £353k (2022/23: £374k). This is in line with our understanding from our assessment and inquiry that the Council adopt a lower risk position in regard to spend and borrowing. While this could have the effect of placing limits on what the Council is able to achieve, it also reduces the financial risk to which the Council is exposed.
- The year end cash position was £3,311k, (2022/23: £11,690k), while short-term investments have increased to £42,733k (2022/23: £39,269k)..The Council has a strong cash and investment position, and a healthy usable reserves position.
- The Council needs to continue to ensure it mitigates further unplanned use of reserve balances to support the revenue budget, by taking steps to ensure that any in-year overspends are minimised and future budget gaps are identified early with savings/efficiency schemes put in place, without compromising front line service delivery.
- The outcome of the capital plan vs budget is significantly below that forecast. The capital spend was forecasted downwards throughout the financial year by almost 50%.
- we have assessed performance against the capital programme for the year, and have noted from procedures performed that the actual spend was below forecast. Initial forecast spend was £8,516k (per the budget approved at Full Council in February 2023). This was revised at Q3 reporting to a forecast of £4,122k. Per the final Outturn actual spend was £2,409k against an initial budget of £8,516k. There are a myriad of factors behind the underspend, but the key drivers have been noted as i) identified cost savings and ii) underspend in the year where projects have moved to 24/25. It is acknowledged that the capital budget set in year, includes aspirational plans and is not reflective of capital projects that can always be realistically delivered in year. We found that the spend is tracked, monitored and adjusted through the quarterly review process. This tracking demonstrates that management and Those Charged With Governance can effectively monitor any movements and progress against the budget and adjust accordingly. As such we deem there to be effective control, and do nor conclude that there is a significant risk.

Based on the work performed no significant risks, or significant weaknesses have been identified in regard to Financial Sustainability.

Governance

DRAFT

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

We have considered the following in our work:

- how the Council monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council 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, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

- The Council's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent and accountable to local people. The Constitution of the Council defines the responsibilities and roles of members and management appropriately.
- The Council published their draft 2023/24 financial statements for audit on 18 September 2024. This publication was not in accordance with the Audit and Accounts regulations. The accounts were advertised and held an inspection period for members of the public in line with these regulations. The delay in the production and publication of the draft accounts was due to constraints on resourcing due to multiple ongoing historical audits and the implementation of a new finance system. Appropriate notification was made, and therefore we do not find that there is a significant risk in this regard but have raised a recommendation in relation to his finding. The Council has not had any significant reorganisation within its Senior Management Team or Committee roles and responsibilities in year. The Council's Governance structures are in line with best practice. Our audit procedures have found senior management are well-informed of the purpose of their Service and the key challenges and roles of their services.
- The Shared Internal Audit Service's (SIAS) have given reasonable assurance for 2023/24 over the adequacy and effectiveness of the Council's framework of governance, risk management and control. 3 audits received unqualified opinions and contributed to the overall assurance opinion.
- The Council has an effective risk management process and a live risk register, which is used for managing and tracking risks. We found the key risks detailed within the risk register to be consistent with the findings of our Service Line Inquiries e.g. staffing shortages. The register is reviewed on a quarterly basis.
- There has been a lower than desired uptake of Member Training. At the time of our procedures the uptake of essential Member training, was below the 50% threshold recommended. While the impact is predominantly in the post-year end period (after the May 2024 election), we also identified concerns regarding membership training completion rates prior to the May 2024 elections. . We have raised a recommendation to address this finding, however our audit procedures have observed continued appropriate scrutiny and challenge being raised by Members, as such we do not consider there to be a significant risk.

Governance

DRAFT

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

We have considered the following in our work:

- how the Council monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council 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, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

- The Council has in place standardised policies which are circulated and accessible to staff members for example the Code of Conduct. We note that these policies are in line with our expectation. The Council maintains a register of interests of staff and members.
- The Council have demonstrated appropriate channels in regard to whistleblowing and fraud; we noted from review a historic case that the Council was able to effectively prosecute in the current year on the basis of the control processes in place, which demonstrated good governance in respect of effective counter-fraud processes.

There is no significant risk to report. However, we have raised recommendations in regard to the following:

- Developing a detailed work plan to ensure preparation of the draft accounts in line with the national timetable and monitoring progress against this plan; noted from discussion with management that the circumstances driving the delayed submission in current year (delivery to multiple statutory auditors and the implementation of a new finance system) were unique to 2023/24, and they do not anticipate there being a repeat of the delayed submission moving forward.
- that members be encouraged and reminded to complete training in a timely manner - the Council should consider factors which are driving lower uptake, whether they be messaging, reminders or the training itself or content delivery (e.g. is it engaging enough). Messaging around potential consequences for non-compliance should also be strengthened.

Improving economy, efficiency and effectiveness

DRAFT

How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

- The Council’s projects and performance are monitored by the Overview and Scrutiny (O&S) Committee. The O&S Committee receives quarterly update reports on projects and an end of year report in June.
- The Council has a Delivery Plan Report which includes performance indicators that help to describe the outputs and outcomes achieved. The Council documents operational performance primarily through the Council Delivery Plan, which goes to the Scrutiny and Cabinet Committees for review. The Council Delivery Plan report includes progress reports and KPIs against key projects. This ensures that there is sufficient focus on those projects that have been determined to be important components of delivering the Council Plan. Other areas of performance that are monitored in this manner include the customer service centre, waste and recycling, planning and HR. Where comparable data is available then this will be used to identify who the Council can learn from across their peer group. Collation of performance data is supported by the Performance and Risk Officer.
- The Council’s procurements are governed by the Council's Contract and Procurement Rules (part of the Council's Constitution). Compliance with these is monitored by Procurement/ Legal and the Contract Procurement Group. Section 20 of Constitution considers the Contract Procurement Rules. Each contract has a contract manager who is responsible for ensuring that the contracted service is delivered.
- We understand there to be a number of staffing shortages at the Council which can impact on the Council’s ability to delivery projects on time and leading to a requirement to prioritise key services. Our risk assessment procedures found this to be a consistent concern across the Senior Management Team and a key risk on the Council’s risk register. significant risk. The Council has pursued alternative approaches to address the difficulties experienced in recruitment e.g. apprenticeship and training schemes, secondment of staff, buying staff time from other Authorities within the area and agency. Two factors have been noted regarding the difficulties in recruitment and retention – a) salaries when compared to the nearby London local government market and b) salaries and prospects in the private sector. Given the pervasive nature of this messaging in our inquiries, we have noted a significant risk in this matter.
- During the financial year, the Council’s Internal Audit team have highlighted issues identified in respect of the Council's lease management contract for the Churchgate shopping centre. There was a period of time with the Council was engaging a third party to manage the lease agreement, however there was not a signed contract in place. We have raised a recommendation in respect of the Council ensuring it has effective processes in place to ensure prompt review of contract delivery and signing.
- The Council’s leisure centre provider, SLL (Stevenage Leisure Limited), was showing signs of financial difficulty and went into liquidation on 7 July 2024. This external event had the potential to expose the Council to a loss of resources and also a risk that leisure facilities would not be effectively delivered to the public. We therefore recognised a significant risk on this matter.

Improving economy, efficiency and effectiveness

DRAFT

How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

- The Council has one full-time procurement. The procurement officer supports teams in making sure that the correct processes are followed and provides expert procurement advice. Officers are expected to use the guidance published on the Intranet to ensure that procurement tenders are compliant with Council policy. The procurement officer will oversee more significant or complex procurements.
- The Council shares services across the Hertfordshire area where practical and appropriate to the needs of the Council. For example, the Internal Audit function and Anti-Fraud Service are both sourced from Hertfordshire County Council shared services.

Our risk assessment procedures have identified two significant risks which require further assessment. They are:

1. Maintenance of appropriate staffing levels within the Council, both through recruitment and retention.
2. Management of third party contracts to mitigate potential losses and potential loss of delivery.

We have raised a recommendation in regards to the following:

- that management implement effective contract management processes to ensure that contract delivery is monitored, and compliance matters (e.g. signing) are completed in a timely manner.

Significant Value for Money Risk

DRAFT

1 Staffing Levels

Risk that value for money arrangements may contain a significant weakness linked to Improving Economy, Efficiency and Effectiveness

Significant Value for Money Risk

Significant risk in regard to the maintenance of appropriate staffing levels within the Council, both through recruitment and retention.

We understand there to be a number of staffing shortages at the Council which can impact on the Council's ability to delivery projects on time and leading to a requirement to prioritise key services. Our risk assessment procedures found this to be a consistent concern across the Senior Management Team and a key risk on the Council's risk register. significant risk. The Council has pursued alternative approaches to address the difficulties experienced in recruitment e.g. apprenticeship and training schemes, secondment of staff, buying staff time from other Authorities within the area and agency. Two factors have been noted regarding the difficulties in recruitment and retention – a) salaries when compared to the nearby London local government market and b) salaries and prospects in the private sector. Given the pervasive nature of this messaging in our inquiries, we have noted a significant risk in this matter.

Our response

Response

We have carried out further assessment of management's response to tracking and managing the risk in regard to staffing levels.

We have carried out further assessment of management's response to mitigate and address the risk in regard to staffing levels through alternative staffing sources.

Our findings

Reported overleaf.

Significant Value for Money Risk

DRAFT

1 Staffing Levels

Risk that value for money arrangements may contain a significant weakness linked to Improving Economy, Efficiency and Effectiveness

Our findings

Findings

We have found that through appropriately monitoring and tracking the risk on the Corporate Risk Register, as item CDP42, management have been able to direct an appropriate response. All services are well aware of the risk, and across our service inquiries senior management have been very open in highlighting their concerns in this area.

We note that while the issue does cause some operational delivery issues for the Council, mitigating actions are being taken by the Council through the engagement of agency staffing, implementing apprenticeship schemes and seeking private sector secondments. We have not identified any statutory duties not to have been delivered in year. The issue is mitigated and managed in a way that ensures delivery of required services continues.

We have also assessed that where possible the Council will procure external funding for staffing requirements – e.g. funded consultancy positions being built into contract bids. Again, this is demonstrative of the mitigations management have put in place to manage shortages.

It has been noted in mitigation that there has been a low turnover in senior staff at the Council – the issue impacts on lower staff grades – and as such the level of risk from staff turnover is significantly reduced.

Conclusion

Based on the findings above we have not identified any significant weaknesses in arrangements.

Significant Value for Money Risk

DRAFT

2 Leisure Contract Delivery and Return

Risk that value for money arrangements may contain a significant weakness linked to Improving Economy, Efficiency and Effectiveness

Significant Value for Money Risk

Management of third party contracts to mitigate potential losses and potential loss of delivery.

The Council's leisure centre provider, SLL (Stevenage Leisure Limited), was showing signs of financial difficulty and went into liquidation on 7 July 2024. This external event had the potential to expose the Council to a loss of resources and also a risk that leisure facilities would not be effectively delivered to the public. We therefore recognised a significant risk on this matter.

Our response

Response

We have carried out further assessment of management's response to managing the exit from the SLL Leisure contract, including mitigations put in place ahead of the entity going into liquidation.

We have also assessed the financial exposure from the exit process.

Our findings

Reported overleaf.

Significant Value for Money Risk

DRAFT

2 Leisure Contract Delivery and Return

Risk that value for money arrangements may contain a significant weakness linked to Improving Economy, Efficiency and Effectiveness

Our findings

Findings

We have found that while SLL did not go into liquidation until after the contract period had ended (and Everyone Active had started operating the Council leisure facilities), albeit management were aware that SLL had already lost their two other larger contracts. Management therefore correctly identified that there was a going concern issue regarding SLL. This was factored into the contract monitoring control, and procurement decisions made. For the remainder of the contract duration with SLL, management mitigated any potential lack of service delivery through the setup of a Local Authority Company (LATCo) to continue operation of the facilities in the event of the contract becoming unviable. The contract continued to be under close scrutiny and contract management of delivery through to the end of the contract term, and subsequently regarding the recovery of debts.

While the Council continues to pursue recovery of outstanding debts from the company's creditors, the maximum potential exposure under the contract to the Council is immaterial. This position has been achieved through effective contract risk management by the Council. The contract was reviewed to ensure that the Council have the right to offset any amounts owed to SLL against amounts owed by SLL, which has been used to effectively reduce exposure. While the contract was ongoing it was effectively monitored and managed to ensure that only contractually due amounts were paid over.

We therefore are able to conclude that management have appropriately managed the risk around the contract exit, specifically through rigorous contract management to reduce financial exposure, and contingency planning to ensure continued delivery of service.

Conclusion

Based on the findings above we have not identified any significant weaknesses in arrangement.

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Year End Report to the Finance, Audit and Risk Committee

North Hertfordshire District Council

Year end report for the year ended 31 March 2024

22 January 2025

KPMG required communications for all entities

Page 242

Introduction

To the Finance, Audit and Risk Committee of North Hertfordshire District Council

We are pleased to have the opportunity to meet with you on 5 February 2025 to discuss the results of our audit of North Hertfordshire District Council as at and for the year ended 31 March 2024.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This report should be read in conjunction with our audit plan, presented on 19 June 2024. We will be pleased to elaborate on the matters covered in this report when we meet.

The engagement team

We expect to be in a position to sign our audit opinion on the approval of the financial statements and auditor's representation letter by the 28 February 2025, provided that the outstanding matters noted on page 6 of this report are satisfactorily resolved.

We will be issuing a disclaimer audit opinion for the reasons outlined on page 4.

We draw your attention to the important notice on page 3 of this report, which explains:

- The purpose of this report
- Limitations on work performed
- Status of our audit and the implications of the statutory backstop.

Yours sincerely,

Jessica Hargreaves

Director

KPMG LLP

22 January 2025

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality management and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

Contents	Page

Important notice

This report is presented under the terms of our audit under Public Sector Audit Appointments (PSAA) contract.

The content of this report is based solely on the procedures necessary for our audit.

Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of North Hertfordshire District Council prepared in accordance with International Financial Reporting Standards ('IFRSs') as adapted by the Code of Practice on Local Council Accounting in the United Kingdom 2023/24, as at and for the year ended 31 March 2024.

This Report has been prepared for the Council's Finance, Audit and Risk Committee, a sub-group of those charged with governance, in order to communicate matters that are significant to the responsibility of those charged with oversight of the financial reporting process as required by ISAs (UK), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

This report summarises the key issues identified during our audit.

Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Council's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Status of our audit and implications of the statutory backstop

Page 4 'Our audit and the implications of the statutory backstop' explains the impact of the statutory backstop and our resulting conclusion to issue a disclaimer opinion on the financial statements.

Our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status. Page 6 'Our Audit Findings' outlines the outstanding matters in relation to the audit.
Our conclusions will be discussed with you before our audit report is signed.

This report is addressed to North Hertfordshire District Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public 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.

DRAFT

Our audit and the implications of the statutory backstop

Measures to resolve the backlog

The Government has introduced measures to resolve the local government financial reporting and audit backlog. Amendments have been made to the Accounts and Audit Regulations and NAO's Code of Audit Practice which have allowed auditors to give disclaimed opinions over any open, incomplete audits up to the period ending 31 March 2023. These were required to be delivered by 13th December 2024. For North Hertfordshire District Council this has resulted in a disclaimed audit opinion for the financial year 2022/23.

Those same amendments to the Accounts and Audit Regulations require the Council to publish its audited 2023/24 financial statements and accompanying information on or before 28 February 2025. In accordance with the Code, as auditors we are required to provide our audit report on those financial statements in sufficient time to enable the Council to publish its audited financial statements by this date, irrespective of if the audit is complete or not.

The Appendix 'Local Audit - Reset and Recovery' provides more detailed information regarding this. The appendix also provides more detail on the implication of this in future audits, in respect of rebuilding assurance.

Impact on our audit of the financial statements

The impact of the above means that for the financial year 2023/24 we have not been able to obtain sufficient appropriate audit evidence in respect of the 2023/24 opening balances and the comparatives balances relating to 2022/23. The work we have performed in 2023/24 is explained on the next page.

As explained in the previously referenced appendix, the level of rebuilding assurance has been limited in 2023/24 as we have determined that there is insufficient time to complete our audit to obtain sufficient appropriate audit evidence, and, in our view, this is pervasive to the financial statements as a whole.

As a result of the above and irrespective of the level of work completed on 2023/24 balances, we intend to issue a disclaimer opinion on the financial statements.

Other matters

As required by the ISAs (UK) when we are disclaiming our audit opinion, our audit report will not report on other matters that we would usually report on, most notably the use of the going concern assumption in the preparation of the financial statements; the extent to which our audit was considered capable of detecting irregularities, including fraud; and whether there are material misstatements in the other information presented within the Statement of Accounts.

Although we are disclaiming our audit opinion we have, in this report, reported matters that have come to our attention and, where appropriate, we intend to include in our audit report.

Value for Money

The amendments to the Accounts and Audit Regulations do not impact on our responsibilities in relation to the Council's Value for Money arrangements. We are responsible for forming a view on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Page 18 provides a summary of our findings. Further details are also available in our Auditor's Annual Report for 2023/24.

Our audit and the implications of the statutory backstop

Work completed in 2023/24

Our audit plan, presented to you on 19 June 2024 set out our audit approach including our significant risks and other audit risks. We have updated our response to those significant risks, in the pages overleaf, identifying the work we have and have not been able to complete.

Although we are disclaiming our audit opinion, we have reported matters that have come to our attention during the audit and, where appropriate, we intend to include in our audit report.

Specifically in relation to 2023/24 we have completed our work on the following areas in addition to our planning and risk assessment work:

Significant risks

- Valuation of post retirement benefit obligations
- Assessment of the Design and Implementation of key controls of all significant risk areas

Other areas

- Recognition the net pension asset surplus
- Fees and charges income
- Interest and rental income
- Grants and contributions income
- Cash in bank testing
- Employee Expenditure
- Confirmation of the PPE classification for the Churchgate asset - We have undertaken consultation with our technical team related to the Churchgate Shopping Centre classification issue. We have assessed that the recognition of Churchgate as Property, plant and equipment is appropriate and is in line with the CIPFA code where an asset is not held purely for rental income and capital accumulation.
- Other service expenditure

We have been unable to complete our work on the following areas:

- Opening balances;
- Movements in usable and unusable reserves for the year ended 31 March 2024;
- Work associated with significant risks on: Valuation of land and buildings, Valuation of investment property, Management override of control
- Other work areas: Short-term deposits and investments, Debtors, Creditors, PPE additions and disposals, Collection Fund income and expenditure, Housing Benefits income and expenditure, Other long-term assets
- Disclosures testing

ISA required communications for all entities

DRAFT

Page 246

Our audit findings

We have set out below the status of our work and key findings from the work we were able to perform before the backstop date. On page 4 we have discussed the reasons for the disclaimer audit opinion.

Significant audit risks	Pages 8 - 11
Significant audit risks	**Our findings**
Valuation of post retirement benefit obligation	We assessed as reasonable the assumptions underpinning the valuation.

Key accounting estimates	Page 14
Valuation of Pension Liabilities/Assets	We assessed as reasonable the assumptions underpinning the valuation.

Number of Control deficiencies	Pages 30-31
Significant control deficiencies	0
Other control deficiencies	4
Prior year control deficiencies remediated	0

Uncorrected Audit Misstatements		Page 29
Understatement/ (overstatement)	**£k**	**%**
Revenues	-	-
Surplus for the year	-	-
Total assets	(1,039)	0.05
Total taxpayers' equity	-	-
Disclosure Note	-	-

Other areas	
Churchgate classification	We have assessed that the recognition of Churchgate as PPE is appropriate.

Status of audit work

Our audit is not yet complete with below outstanding matters:

- Resolution of pensions work queries
- Review comments on Statement of Accounts
- Receipt of final Statement of Accounts
- Signed Management Representation Letter

DRAFT

Page 247

Significant risks and Other audit risks

We discussed the significant risks which had the greatest impact on our audit with you when we were planning our audit.

Our risk assessment draws upon our knowledge of the business, the industry and the wider economic environment in which North Hertfordshire District Council operates.

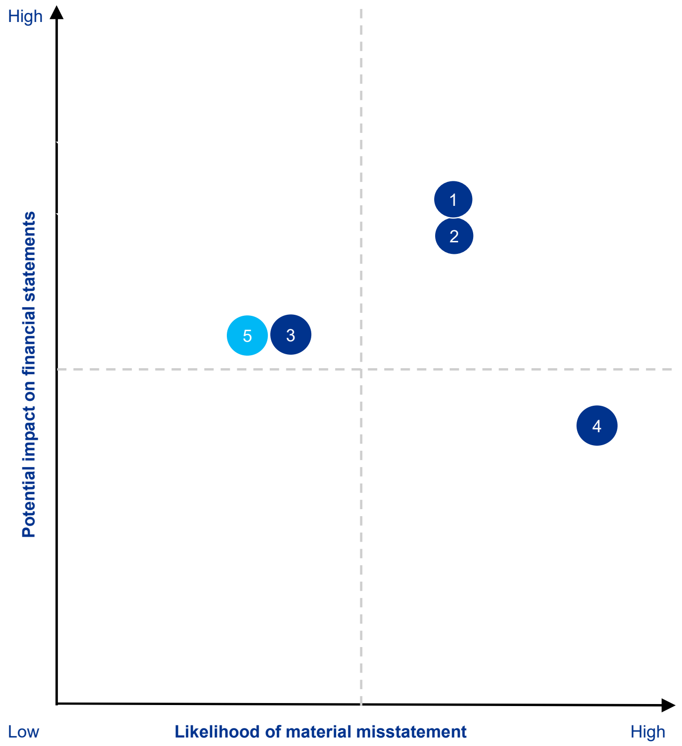
We also use our regular meetings with senior management to update our understanding and take input from local audit teams and internal audit reports.

In the pages overleaf we have reported the work we have completed on significant risks and other audit risks. Where work has not been completed in line with page 6 – we have not re-produced the slides that we presented in the audit plan.

Significant risks	
1.	Valuation of land and buildings
2.	Valuation of investment property
3.	Management override of controls
4.	Valuation of post retirement benefit obligations

Other audit risks	
5.	Recognition of surplus on the net pension asset

Key:
- # Significant financial statement audit risks
- Increasing or decreasing risk compared with planning
- # Key audit matter and significant financial statement audit risk
- # Other audit risk
- # Significant financial statement audit risks



DRAFT

Audit risks and our audit approach (cont.)

1 Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation

Cautious | Neutral | Optimistic

Key: Prior year | Current year

Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Councill.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme
- Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.

Our response

We have performed the following procedures designed to specifically address this significant risk.

- Understood the processes the Council have in place to set the assumptions used in the valuation;
- Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Performed inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Confirmed that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice;
- Considered the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions;
- Where applicable, assessed the level of surplus that should be recognised by the entity; and
- Assessed the impact of a new triennial valuation model and/or any special events, where applicable.

DRAFT

Page 249

Audit risks and our audit approach (cont.)

1 Valuation of post retirement benefit obligations (cont.)

An inappropriate amount is estimated and recorded for the defined benefit obligation

Cautious Neutral Optimistic

Key: Prior year Current year

Our findings

We have the following audit findings to report to you:

- We are mandated to consider the design of controls around approval of the pension assumptions because these relate to a significant audit risk. The control currently in place is a management review control ('MRC'). Such controls are now subject to enhanced scrutiny by auditors and must comply with a series of prescriptive criteria to be considered effective. From discussion with management, it has been determined that although the actuarial assumptions are assessed on a high level, the review is not performed on a detailed enough basis to reliably and consistently address the risk that the assumptions used in the valuation may not be appropriate. Additionally, management do not produce control documentation to evidence the performance of this review, therefore the MRC has been deemed ineffective. Whilst the control as designed does not meet the requirements of a management review control as outlined in the auditing standards, it is sufficient for purpose at NHDC and we have not raised a recommendation to address this finding.
- We evaluated the capability, competency and objectivity of the actuaries to confirm their qualifications and the basis for their work with no issues noted. Our inquiries with the LGPS Actuaries did not identify any unusual transactions.
- We considered the assumptions used in valuing the defined benefit obligation and found the assumptions to be balanced compared to our central actuarial benchmarks. See page 11 for details.
- Individually all assumptions are balanced except mortality future improvements, which is considered as cautious but within our reasonable range. This is driven by management's specialist considering 1.50% as an appropriate long-term trend rate as compared to our central rate of 1.25%.
- There is no change in methodology used when setting the actuarial assumptions except for the mortality assumptions, which are set in line with the most recent triennial funding valuation and allowance for future improvement has been updated from CMI 2021 model to the CMI 2022 model to reflect the latest available industry data. Our actuaries have assessed the change and believe it is reasonable.
- The Actuarial Funding Valuation for the Fund, with an effective valuation date of 31 March 2022, was completed and signed in the prior accounting period. Given this is the first year of audit for KPMG, we have considered the following areas and noted no issues:
  - Funding position and agreed contributions
  - Areas of uncertainty around data or benefits
  - The completeness, existence and accuracy of benefits paids
  - Valuation adjustments

DRAFT

Page 250

Audit risks and our audit approach (cont.)

1 Valuation of post retirement benefit obligations (cont.)

An inappropriate amount is estimated and recorded for the defined benefit obligation

Cautious Neutral Optimistic

Key: Prior year Current year

Our findings

- We have verified the cashflows data i.e., input data used within the calculation of the scheme valuation by obtaining the direct confirmation from auditors of the pension fund and noted an overstatement in contributions paid during the year. Refer to page 29 for more details.
- Our work on below areas are still ongoing:
  - Assessment of the special events i.e., pass through arrangements
  - Adequacy of the Council's disclosures and the accounting treatment that entity applies to

ISA required communications for all entities

Page 251

DRAFT

Audit risks and our audit approach (cont.)

3 Valuation of post retirement benefit obligations (cont.)

An inappropriate amount is estimated and recorded for the defined benefit obligation

Level of prudence compared to KPMG central assumptions

Audit misstatement | *Cautious* *Balanced* *Optimistic* | *Audit misstatement*

Reasonable range

Overall assessment of assumptions for audit consideration						*Balanced*	
Underlying assessment of individual assumptions	**Methodology**	**Consistent methodology to prior year?**	**Compliant methodology with accounting standard?**	**Employer**	**KPMG central**	**Assessment**	**Significant assumption**
Discount rate	AA yield curve	✓	✓	4.80%	4.81%		✓
CPI inflation	Deduction to inflation curve with adjustment for recent inflation experience	✓	✓	2.80%	2.85%		✓
Pension increases	In line with CPI	✓	✓	2.80%	2.88%		
Salary increases	CPI + 1%, In line with most recent Fund valuation	✓	✓	CPI plus 1%	In line with long-term remuneration policy		
Mortality – Base tables	In line with most recent Fund valuation	✓ See slide 4	✓	Fund-specific based on Club Vita Curves	In line with best-estimate Fund experience		✓
Mortality – Future improvements	In line with most recent Fund valuation, updated to use latest CMI model	✓ See slide 4	✓	CMI 2022 projections model, 1.5% long-term trend rate, initial addition parameter of 0.25% and default other parameters	CMI 2022,1.25% long-term trend rate and default other parameters		✓
Other demographics	In line with most recent Fund valuation	✓	✓	Member can take 52% of the maximum additional tax-free cash up to HMRC limits	In line with Fund experience		

DRAFT

Audit risks and our audit approach (cont.)

2 Recognition of surplus on the net pension asset

Management's assessment of the level of recognisable surplus may not be in line with requirements

Other audit risk

- Recent changes to market conditions have meant that more Local Government entities are finding themselves moving into surplus in their Local Government pension scheme. As at 31 March 2023, NHDC found their share of LGPS in a surplus position.
- Participations in surplus pose an additional risk to Councils, as the entity will need to assess the level of surplus that it can recognise. The requirements of accounting standards on recognition of these surpluses are complicated and requires actuarial involvement.
- This will need to be assessed each year, and the conclusion can change as it depends upon market conditions at the year end and any changes in the contributions committed to under the rates and adjustments certificate.

Our response

We have performed the following procedures:

- Tested the data and valuations provided by the actuary in their FRS 102 report for completeness and consistency with the other information provided by the Council;
- Considered, and if necessary, challenged the Council's estimate of the recognisable surplus; and
- Considered the adequacy of the Council's disclosures in respect of the assumptions or judgements made in determining the level of recognisable surplus.

DRAFT

Audit risks and our audit approach (cont.)

2 Recognition of surplus on the net pension asset

Management's assessment of the level of recognisable surplus may not be in line with requirements

Other audit risk

- Recent changes to market conditions have meant that more Local Government entities are finding themselves moving into surplus in their Local Government pension scheme. As at 31 March 2023, NHDC found their share of LGPS in a surplus position.
- Participations in surplus pose an additional risk to Councils, as the entity will need to assess the level of surplus that it can recognise. The requirements of accounting standards on recognition of these surpluses are complicated and requires actuarial involvement.
- This will need to be assessed each year, and the conclusion can change as it depends upon market conditions at the year end and any changes in the contributions committed to under the rates and adjustments certificate.

Our findings

- In the 2023/24 draft accounts published for audit the Council recognised a net pension liability balance of £13.3m. In line with IAS19 the Council has restricted the pension surplus to nil and recorded an additional liability of £13m in respect of a minimum funding requirement. Under IAS 19, if the surplus is greater than asset ceiling, the surplus may need to be restricted. Furthermore, an additional liability in respect of a minimum funding requirement may need to be recognised.
- However, the estimated projection period (20 years) used in the calculation of the additional liability differs from the KPMG Actuaries of what is a reasonable projection period (18 years). A shorter projection period results in a lower calculated liability balance. Under the KPMG methodology the net defined benefit obligation at balance sheet would be lower by £845k. We have highlighted this as an audit misstatement. Refer to page 29 for more details.
- Our work on below areas are still ongoing:
  - Adequacy of the Council's disclosures and the accounting treatment that entity applies to

Page 254

DRAFT

Key accounting estimates and management judgements – Overview

Our view of management judgement

Cautious | Neutral | Optimistic

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.

Asset/liability class	Our view of management judgement (Cautious / Neutral / Optimistic)	Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates (Needs improvement / Neutral / Best practice)	Further comments
Post retirement benefit obligation	Neutral	£143m	-£0m	Neutral	We have assessed the accounting results, including the individual balance sheet, P&L, OCI elements and the sensitivity of the Defined Benefit Obligation (DBO) to changes in key assumptions. Overall, the DBO estimate has been found to be balanced.
Pension assets	Neutral	£151m	+£11m	Neutral	The fair value of an employer's assets in the fund for the purpose of IAS19 is determined using a roll forward methodology and noted to be balanced.

DRAFT

Page 255

Other significant matters

Control deficiencies

While we are disclaiming our audit opinion we are still required to identify our audit findings based on the work performed.

We obtain an understanding of internal control to design appropriate audit procedures, but not to express an opinion on the effectiveness of the Council's internal control.

Our audit procedures have not identified any significant control deficiencies. We have highlighted the deficiencies identified as part of our financial statements audit. Further details of these findings are included on page 30.

Key:

Red	These are significant control deficiencies which increase the likelihood and potential magnitude of a material misstatement in the financial statements. We have not identified any significant control deficiencies in the current year.
Amber	These are matters of sufficient importance to note such as weaknesses which were subsequently corrected and matters that could be significant in the future if left unaddressed. We have not identified of such deficiencies in the current year.
Green	These are less significant weaknesses but which we considered to be of sufficient importance to merit management's attention. We have raised 5 related observations in the current year.

Management review of actuarial assumptions

We identified that there is no criteria or threshold developed for investigation/identification of outliers for pension assumptions. Therefore, it does not allow for an objective criteria to perform their review on and therefore it is ineffective. Management see this process as an annual occurrence and although they do review the output of the actuary, there is no evidence of the review. Thus, there is not sufficiently well-defined process in place for it to meet the criteria of an effective review control.

Late submission of draft accounts

The 2023/24 draft accounts were published on the Council's website for public inspection on the 18 September 2024. This was 3 months after the statutory deadline of 31 May 2024.

IT policies

We found that key policies supporting IT operations such as privileged access policy, information security policy, and phishing incident response plan were in the process of being developed. A change management policy had not been drafted.

Page 256

Other matters

Narrative report

While we are disclaiming our audit opinion and not reporting on the narrative report, we have identified the following based on the work performed:

- We have not identified any inconsistencies between the contents of the Narrative Report and the financial statements.
- We have not identified any material inconsistencies between the knowledge acquired during our audit and the statements of the Council.

As Finance, Audit and Risk Committee members you confirm that you consider that the Narrative Report and financial statements taken as a whole are fair, balanced and understandable and provides the information necessary for regulators and other stakeholders to assess the Council's performance, model and strategy.

However, we note that we have not obtained sufficient appropriate audit evidence to issue an unmodified audit opinion. Due to this, and the possible consequential effect on the related disclosures in the Narrative Report, we are unable to determine whether there are material misstatements in the Narrative Report.

Annual Governance Statement

While we are disclaiming our audit opinion and not reporting on the Annual Governance Statement, we have identified the following based on the work performed:

- We have completed the work to consider it complies with Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE; and
- It is not misleading and is consistent with other information we are aware of from our audit of the financial statements.

However note that we have not obtained sufficient appropriate audit evidence to issue an unmodified audit opinion. Due to this, and the possible consequential effect on the related disclosures in the Annual Governance Statement, we are unable to determine whether there are material misstatements in the Annual Governance Statement.

Whole of Government Accounts

As required by the National Audit Office (NAO) we carry out specified procedures on the Whole of Government Accounts (WGA) consolidation pack.

We have confirmed that, for North Hertfordshire District Council the threshold at which detailed testing is required has not been exceeded. We have not completed our work in respect of the WGA consolidation pack, until we have completed this work, we are unable to certify the we have completed the audit of the financial statements.

Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

Audit Fees

Our PSAA 2023/24 audit scale fee for the audit was £180,718 plus VAT.

Value for money

Value for money

We are required under the Audit Code of Practice to confirm whether we have identified any significant weaknesses in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources irrespective of the statutory backstop as explained on page 4.

In discharging these responsibilities we include a statement within the opinion on your accounts to confirm whether we have identified any significant weaknesses. We also prepare a commentary on your arrangements that is included within our Auditor's Annual Report, which is required to be published on your website alongside your annual report and accounts.

Commentary on arrangements

We have prepared our Auditor's Annual Report and a copy of the report is included within the papers for the Committee alongside this report. The report is required to be published on your website alongside the publication of the annual report and accounts.

Response to risks of significant weaknesses in arrangements to secure value for money

As noted on the right, we have identified two risks of a significant weakness in the Council's arrangements to secure value for money. On the page(s) overleaf we have set out the risk(s), our response and findings.

Performance improvement observations

As part of our work, we have identified any performance improvement observations. Refer to page 30.

Summary of findings

We have set out in the table below the outcomes from our procedures against each of the domains of value for money:

Domain	Risk assessment	Summary of arrangements
Financial sustainability	No significant risks identified	No significant weaknesses identified
Governance	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	2 significant risks identified	No significant weaknesses identified

Page 258

03

North Hertfordshire District Council Appendices

Year ended 31 March 2024

—

22 January 2025

Appendices

Contents | **Page**

DRAFT

Local Audit - Reset and Recovery

Background

It has been widely reported the level of delays in Local audit had grown to an unacceptable level. As a result, Central Government has been working with the Financial Reporting Council (FRC), as incoming shadow system leader and other system partners to develop proposals to address issues in the local audit. These consist of three stages:

Phase 1: **Reset** involving clearing backlog of historical audit opinions.

Phase 2: **Recovery** from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycle.

Phase 3: **Reform** involving address systemic challenge in the local audit system and embedding timely financial reporting and audit.

Page 261

Implementation of Reset and Recovery

The Accounts and Audit (Amendment) Regulations 2024, introduced backstop dates by which local bodies must publish audited accounts and the NAO have also issued the revised 'Code of Audit Practice 2024 **Code of Audit Practice** that requires auditors to give an opinion in time to enable local bodies to comply with the backstop date. The table overleaf identifies the backstop dates and the status of your audits where impacted.

The NAO has also published Local Audit Rest And Recovery Implementation Guidance (LARRIGs), which have been prepared and published with the endorsement of the FRC and are intended to support auditors in meeting their requirements under the Act https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors

Local Audit - Reset and Recovery

Financial year	Date
Up to 2022/23	13 December 2024
2023/24	28 February 2025
2024/25	27 February 2026
2025/26	31 January 2027
2026/27	30 November 2027
2027/28	30 November 2028

Recovery period and audit work

The implication of receiving a disclaimed audit opinion for the financial year 2022/23 means that for the financial year 2023/24 we have not been able to rely on the opening balances from 2022/23.

To obtain sufficient appropriate audit evidence over opening balances, auditing standards identify two approaches. One of those is to use the working papers and other information available on the prior year audit file, which as noted above has not been possible as the outgoing auditor has not been able to complete their audit. An alternative approach is the performance of specific audit procedures to obtain evidence regarding opening balances.

The LARRIGs, in particular LARRIG 05 *Rebuilding assurance following a disclaimed audit opinion,* was only finally published in September 2024 and further guidance, mentioned in the LARRIG in the format of a case study was only released in December 2024.

We also note there is an ongoing sector wide process, convened by the Financial Reporting Council (FRC) with other stakeholders to determine the appropriate level of work to perform to obtain sufficient appropriate audit evidence over opening balances. This, along with the backstop date for 2022/23 being only 2 months prior to that of the 2023/24 period, has limited the extent of building back assurance that has been possible in 2023/24.

During our audit of 2023/24 we have completed certain work on the closing balances for 2023/24 and in year transactions (see page 5) and this will contribute to rebuilding assurance.

The table overleaf identifies an indicative pathway to returning to an unmodified opinion. However, it must be noted this is only an indicative pathway and the speed of progress will depend on a range of factors including the level of work required to provide assurance on opening balances, in particular PPE balances and reserves balances.

DRAFT

Local Audit – Reset and Recovery

Rebuilding assurance

Given the importance and complexity of reserves balances and management, a detailed risk assessment will be undertaken to understand the level of work required to obtain sufficient appropriate audit evidence on the reserves balances.   As noted on the previous page, there is an ongoing sector wide process with other stakeholders to determine the appropriate level of work to perform to obtain sufficient appropriate audit evidence over opening balances.

We note there may be other factors which impact on the speed of this work – such as the support provided by the audited entity and availability and quality of audit evidence. Where such support is not provided and the availability and quality of audit evidence is not present this will significantly impact on the time taken to build back assurance and the likely cost of such a process in terms of audit fees. As we complete our debrief with management, we can discuss how assurance can be gained on individual account balances and ultimately lead to a position that unmodified opinions can be issued in future years.

Indicative pathway based is reproduced from the LARRIGs

2023/2024	Disclaimer of Opinion	Auditors will begin work to rebuild assurance, gaining sufficient assurance over some, but not all, closing balances. No assurance will be possible over brought forward balances from 2022-23 or comparatives, therefore this will lead the audit to be disclaimed as it cannot be concluded that the financial statements are free from material and pervasive misstatement.
2024/2025	Disclaimer of Opinion / Qualified (Except For)	Auditors will now have obtained sufficient evidence over most, if not all, closing balances in 2024-25, but does not yet have assurance over the brought forward balances that were not audited in 2023-24. This will likely lead the auditor to disclaim, however where auditors have gained assurance over in-year movements, they may be able to issue a qualified opinion instead.
2025/2026	Qualified (Except For)	Auditors should have assurance over the opening and closing balances plus in year movements, but may not have sufficient assurance over the comparative figures. This will likely lead to a qualification by limitation of scope to exclude assurance over the comparative figures – a material, but not pervasive misstatement.
2026/2027 2027/2028	Unmodified	It is expected that most audits, will have assurance over opening balances, closing balances, in-year movements and prior year comparatives. This will result in an unmodified opinion being issued.

KPMG

Page 264

DRAFT

Required communications

Our response to these required communications reflects the status of the audit at the point of the backstop.

Type	Status	Response
Our draft management representation letter	OK	We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2024
Adjusted audit differences	OK	We have not identified any adjusted audit differences.
Unadjusted audit differences		We have identified two unadjusted audit differences. See page 29 for further information.
Related parties	OK	We have been unable to complete our work on related parties for the reasons on pages 4.
Other matters warranting attention by the Audit Committee	OK	There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	OK	We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	OK	No actual or suspected fraud involving the Council management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
Issue a report in the public interest	OK	We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters.

Type	Status	Response
Significant difficulties	OK	No significant difficulties were encountered during the audit
Modifications to auditor's report	x	Our audit opinion will be disclaimed. See page 4 and 5 for further details.
Disagreements with management or scope limitations	OK	The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	OK	No material inconsistencies were identified related to other information in the annual report, Strategic and Directors' reports. The Strategic report is fair, balanced and comprehensive, and complies with the law.
Breaches of independence	OK	No matters to report. The engagement team and others in the firm, as appropriate, the firm and, when applicable, KPMG member firms have complied with relevant ethical requirements regarding independence.
Accounting practices	OK	Over the course of our audit, we have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspondence with management	OK	The implication of the backstop date were discussed, or subject to correspondence, with management.
Certify the audit as complete	OK	We have not yet certified the audit as complete because our work on WGA is outstanding.
Provide a statement to the NAO on your consolidation schedule	OK	We will issue our report to the National Audit Office following the completion of our work.

DRAFT

Fees

Audit fee

Our fees for the year ending 31 March 2024 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2023/24 (£'000)
Statutory audit	£180.7
ISA315	£11.6
VFM Significant Risks	TBC
Additional procedures in respect of identified pension misstatements	TBC
Technical consultation regarding the classification of Churchgate	TBC
TOTAL	**TBC**

Page 265

Billing arrangements

- Fees have been billed in accordance with the milestone completion phasing that has been communicated by the PSAA.
- As per PSAA's Scale Fees Consultation, the scale fees did not include new requirements of ISA315 revised (risk of material misstatement); or ISA 240 (auditor's responsibilities relating to fraud.
- Additional audit procedures were required to be completed during the course of our audit. These additional fees will be subject to the fees variation process as outlined by the PSAA.

DRAFT

Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Partner and audit staff is not impaired.

Page 266

To the Audit and Risk Committee members

Assessment of our objectivity and independence as auditor of North Hertfordshire District Council

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity except for those detailed below where additional safeguards are in place

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

There are no non-audit services applicable.

DRAFT

Confirmation of Independence (cont.)

Disclosure	Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the year ended 31 March 2024 £	Value of Services Committed but not yet delivered £
1	Housing benefit grant certification for year ending 31 March 2024	Management Self review Self interest	• Standard language on non-assumption of management responsibilities is included in our engagement letter. • The engagement contract makes clear that we will not perform any management functions. • The work is performed after the audit is completed and the work is not relied on within the audit file. • Our work does not involve judgement and are statements of fact based on agreed upon procedures.	Fixed	N/A – KPMG were not the financial statement auditors at 31 March 2023	£32,300

Confirmation of Independence (cont.)

Summary of fees

We have considered the fees charged by us to the Group and its affiliates for professional services provided by us during the reporting period.

Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be 0:1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2023/24
	£'000
Scale Fee and agreed fee variations	£180.7
ISA315	£11.6
VFM Significant Risks	TBC
Additional procedures in respect of identified pension misstatements	TBC
Technical consultation regarding the classification of Churchgate	TBC
Total Fees	**TBC**

Application of the FRC Ethical Standard 2019

Your previous auditors will have communicated to you the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit and Risk Committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Director and audit staff is not impaired.

This report is intended solely for the information of the Audit and Risk Committee of the Group and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP

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Uncorrected audit misstatements

Given we are disclaiming our audit opinion as described on page 4 there may be other audit misstatements our audit procedures would have identified if we completed our audit procedures as initially planned. In this section, we have reported uncorrected audit misstatements that we have identified.

Under UK auditing standards (ISA (UK) 260) we are required to provide the Finance, Audit and Risk Committee with a summary of uncorrected audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Finance, Audit and Risk Committee, details of all adjustments greater than £102k are shown below:

Uncorrected audit differences (£'000s)

No.	Detail	CIES Dr/(cr)	Balance Sheet Dr/(cr)	Comments
1	Dr Other Comprehensive Income: Re-measurement of the net defined liability	£194	-	**Overstatement in employer contributions** We have verified the cashflows data i.e., input data used within the calculation of the scheme valuation by obtaining the direct confirmation from auditors of the pension fund and noted an overstatement in contributions paid during the year. Note that because of the application of the asset ceiling, which restricts the recognition of the pension surplus within the fund to £nil, this adjustment would not impact on the net liability balance recognised on the balance sheet.
	Cr Gross Plan assets	-	(£194)	
	Dr Changes in the effect of the asset ceiling	-	£194	
	Cr Other Comprehensive Income: Re-measurement of the net defined liability	(£194)	-	
2	Cr Other Comprehensive Income: Re-measurement of the net defined liability	(£845)	-	**Overstatement of net defined liability due to different projection periods used in the minimum funding calculations** The estimated projection period (20 years) used in the calculation of the additional liability differs from the KPMG Actuaries of what is a reasonable projection period (18 years). A shorter projection period results in a lower calculated net liability balance.
	Dr Defined Benefit Obligation	-	£845	

DRAFT

Page 270

Uncorrected audit misstatements (cont.)

Uncorrected audit differences (£'000s)

No.	Detail	CIES Dr/(cr)	Balance Sheet Dr/(cr)	Comments
3	Dr Cost of Services	£250	-	**Understatement in pension service costs**
	Cr Defined Benefit Obligation	-	(£250)	The Authority's actuary has determined an annual service cost charge of £2,462k. Based on the high level scheme information available, KPMG have derived a best estimate charge of £2,700k. As the difference is outside of our acceptable range and above our reporting threshold we are required to report it. We note that this is a judgemental audit difference and if further information had been provided by the Fund Actuary, KPMG could have determined a more fund specific best estimate which might have reduced this difference.
	Cr Other Comprehensive Income: Re-measurement of the net defined liability	(£250)	-	
	Dr Changes in the effect of the asset ceiling		£250	Note that because of the application of the asset ceiling, which restricts the recognition of the pension surplus within the fund to £nil, this adjustment would not impact on the net liability balance recognised on the balance sheet.
Total		**(£845)**	**£845**	

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Control Deficiencies

Although we are disclaiming our audit opinion we have reported recommendations as a result of our work in the current year are as follows:

Priority rating for recommendations

1 **Priority one:** issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.

2 **Priority two:** issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.

3 **Priority three:** issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
Financial Statements Audit			
1	3	**Late submission of draft accounts** The 2023/24 draft accounts were published on the Council's website for public inspection on the 18 September 2024. This was 3 months after the statutory deadline of 31 May 2024. We understand this was due to competing pressures for the finance team due to multiple ongoing audits. Following resolution of the historical outstanding financial statement audits, the finance team should develop a work plan for the production of the 2024/25 financial statement audits which allows publication in line with the regulatory requirements. Progress against this work plan should be monitored and reported on to senior leadership. We are raising a control deficiency over this for best practice recommendation for regulatory compliance.	TBC
2	3	**IT policies** We inquired with management to understand the use of IT policies, we noted that key policies supporting IT operations such as privileged access policy, information security policy, and phishing incident response plan were in the process of being developed. A change management policy had not been drafted. These policies have not been previously approved. As the council did not have approved final policies in place at the time of our review our during the majority of the 23/24 financial year we have identified this as a control deficiency. The Council should ensure these policies are finalised as a priority and publicised to ensure ongoing compliance with their requirements.	TBC

Page 271

Page 272

Control Deficiencies

Although we are disclaiming our audit opinion we have reported recommendations as a result of our work in the current year are as follows:

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
Value for Money Audit			
3	3	**Contract compliance review** From inquiry and review of internal audit as part of our VFM procedures, it was identified that the delivery on the Churchgate lease management contract was not being effectively monitored (e.g. late payments, contract not signed, and compliance queries not being responded to in a timely manner). We recommend the council perform a review of its contract management arrangements to identify the cause of these issues and to revise its processes to avoid similar deficiencies arising in the future.	TBC
4	3	**Member completion of training** As part of our VFM procedures, we noted that Member uptake on training was below the expected completion targets. We recommend a formal plan is developed to assist members in understanding what training is available and when it is expected to be completed by. Completion of this training should then be monitored and reported on. The Council should consider factors which are driving lower uptake, whether they be messaging, reminders or as a content on the training itself. Messaging around potential consequences for non-compliance should be strengthened.	TBC

DRAFT

ISA (UK) 240 Revised: changes embedded in our practices

Ongoing impact of the revisions to ISA (UK) 240

ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) The auditor's responsibilities relating to fraud in an audit of financial statements included revisions introduced to clarify the auditor's obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.

We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.

Matters related to fraud that are, in our judgement, relevant to the responsibilities of Those Charged with Governance

Our assessment of the risks of material misstatement due to fraud may be found on the audit plan presented on 19 June 2024. We also considered the following matters required by ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) *The auditor's responsibilities relating to fraud in an audit of financial statements*, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud:

- Concerns about the nature, extent and frequency of management's assessments of the controls in place to prevent and detect fraud and of the risk that the financial statements may be misstated.
- A failure by management to address appropriately the identified significant deficiencies in internal control, or to respond appropriately to an identified fraud.
- Our evaluation of the entity's control environment, including questions regarding the competence and integrity of management.
- Actions by management that may be indicative of fraudulent financial reporting, such as management's selection and application of accounting policies that may be indicative of management's effort to manage earnings in order to deceive financial statement users by influencing their perceptions as to the entity's performance and profitability.
- Concerns about the adequacy and completeness of the authorization of transactions that appear to be outside the normal course of business.

KPMG

DRAFT

Page 274

ISA (UK) 315 Revised: changes embedded in our practices

Summary

In the prior period, ISA (UK) 315 Revised "Identifying and assessing the risks of material misstatement" was introduced and incorporated significant changes from the previous version of the ISA.

These were introduced to achieve a more rigorous risk identification and assessment process and thereby promote more specificity in the response to the identified risks. The revised ISA was effective for periods commencing on or after **15 December 2021**.

The revised standard expanded on concepts in the existing standards but also introduced new risk assessment process requirements – the changes had a significant impact on our audit methodology and therefore audit approach.

What impact did the revision have on audited entities?

With the changes in the environment, including financial reporting frameworks becoming more complex, technology being used to a greater extent and entities (and their governance structures) becoming more complicated, standard setters recognised that audits need to have a more robust and comprehensive risk identification and assessment mechanism.

The changes result in additional audit awareness and therefore clear and impactful communication to those charged with governance in relation to (i) promoting consistency in effective risk identification and assessment, (ii) modernising the standard by increasing the focus on IT, (iii) enhancing the standard's scalability through a principle based approach, and (iv) focusing auditor attention on exercising professional scepticism throughout risk assessment procedures.

Implementing year 1 findings into the subsequent audit plan

Entering the second year of the standard, the auditors will have demonstrated, and communicated their enhanced insight into their understanding of your wider control environment, notably within the area of IT.

In year 2 the audit team will apply their enhanced learning and insight into providing a targeted audit approach reflective of the specific scenarios of each entity's audit.

A key area of focus for the auditor will be understanding how the entity responded to the observations communicated to those charged with governance in the prior period.

Where an entity has responded to those observations a re-evaluation of the control environment will establish if the responses by entity management have been proportionate and successful in their implementation.

Where no response to the observations has been applied by entity, or the auditor deems the remediation has not been effective, the audit team will understand the context and respond with proportionate application of professional scepticism in planning and performance of the subsequent audit procedures.

What will this mean for our on-going audits?

To meet the on-going requirements of the standard, auditors will each year continue to focus on risk assessment process, including the detailed consideration of the IT environment.

Subsequent year auditor observations on whether entity actions to address any control observations are proportionate and have been successfully implemented will represent an on-going audit deliverable.

Each year the impact of the on-going standard on your audit will be dependent on a combination of prior period observations, changes in the entity control environment and developments during the period. This on-going focus is likely to result in the continuation of enhanced risk assessment procedures and appropriate involvement of technical specialists (particularly IT Audit professionals) in our audits which will, in turn, influence auditor remuneration.

DRAFT

ISA (UK) 600 Revised: Summary of changes

Low High

Summary

ISA (UK) 600 (Revised): Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors) is effective for periods commencing on or after 15 December 2023.

The new and revised requirements better aligns the standard with recently revised standards such as ISQM 1, ISA (UK) 220 (Revised) and ISA (UK) 315 (Revised). The revisions also strengthen the auditor's responsibilities related to professional skepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and documentation.

Area	Summary of changes and impact	Effect on audit effort
Risk-based approach	The nature and extent of risk assessment procedures performed by the group auditor at group level may increase, which may include further inquires of group and/or component management and those charged with governance; analytical procedures, attendance of walkthroughs at components, and inspection and/or observation of additional component information. Consequently, while we will continue to work across the group audit to be as efficient in our interactions with you as possible, group and component management will typically receive additional, and more specific/granular requests, for information from both the group and component auditors.	
Group auditor responsibilities	Through a more targeted audit response to address the group Risks of Material Misstatement, we may perform audit work and communicate with component management at a greater number of components within the group, and we may request less information from component management at certain components where we previously performed full scope audits for the Group audit, if we determine that a full scope audit is no longer necessary. While statutory audit requirements will still apply, this change may be beneficial for overall audit effort where a statutory audit is not required.	
Flexibility in defining components	You may also see changes in the planned scope and timing of the audit in communications to group management and those charged with governance, such as changes to the identification of components and the work to be performed on their financial information, and/or changes to the nature of the group auditor's planned involvement in the work to be performed by component auditors. The impact will be greater where there are more components.	
Quality management	Enhanced leadership, direction, supervision and review responsibilities of the group engagement partner may result in the group engagement partner needing to engage more extensively with group management, your component management and component auditors throughout the audit.	
Robust communication	If the group auditor determines that the increased work effort is needed, this determination will impact how much, and the type of, information you will need to provide to the group auditor or component auditors. The group auditor is required to prescribe required work at a more granular level. This may mean there is increased work for component auditors, particularly in year one, to align the requirements of the group audit and local statutory audits. We will continue to work closely to minimise this.	
Application of materiality and aggregation risk	Changes in component performance materiality may result in changes to the nature, timing and extent of component auditor's work. If so, this may impact how much, and the type of, information you will need to provide to the group auditor or component auditors.	
Revised independence principles	This may make it more challenging to address auditor rotation and other independence requirements for component auditors we may plan to involve in the group audit and mean more matters impacting independence may need to be communicated to you. Potential changes to the component auditor firms engaged to perform work on financial information of components.	

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FINANCE, AUDIT & RISK COMMITTEE
5th February 2025

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: ANNUAL GOVERNANCE STATEMENT 2023/24 AND ACTION PLAN FOR 2024/25

REPORT OF: POLICY AND COMMUNITIES MANAGER

EXECUTIVE MEMBER: [NON-EXECUTIVE FUNCTION]

COUNCIL PRIORITY: THRIVING COMMUNITIES/ACCESSIBLE SERVICES/ RESPONSIBLE GROWTH/SUSTAINABILITY

1. EXECUTIVE SUMMARY

1.1 For the Finance, Audit & Risk Committee to approve the Annual Governance Statement (AGS) for the year 2023/24. The Statement reviews the Council's governance arrangements for the 2023/24 period. It also includes an Action Plan to update/improve those arrangements for the next financial year (2024/25).

2. RECOMMENDATIONS

2.1 That the Committee is recommended to approve the amended AGS and Action plan at 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 2024-25 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 A copy of the draft was sent to KPMG; the Shared Internal Audit Service (SIAS); and the Shared Anti-Fraud Service (SAFS) in May 2024 for comment. Comments were received from SIAS. At the Committee meeting on the 19th June 2024, members were asked to provide feedback on the draft AGS that was presented at that meeting. The committee request the following from the Policy & Strategy Team Leader:

- Further details regarding the Information Commissioners Office (ICO) case. Details on this were subsequently sent to Committee Services.
- For wording on Principle E on page 111 of the public reports pack to be reviewed. The section in question has been reviewed, amended, and is reflected in this version.

5.2 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 19th June 2024 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 guidance[1]. 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 guidance[2]). The detailed Leadership Self-Assessment document has not been appended. It has been loaded on the Council's Corporate Governance webpage and will remain on the site until the next review is undertaken.[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

[1] CIPFA/SOLACE Delivering good governance in Local Government Guidance Notes for English Authorities 2016 Edition.
[2] *As above (ibid)*
[3] CIPFA/SOLACE Delivering good governance in Local Government Guidance Notes for English Authorities 2016 Edition.

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 2023-24 is attached as Appendix A for approval.

8.3. The Council will publish the approved 2023-24 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 (as amended by the Amendment Regulations 2021) the 2023/24 AGS should be approved by this Committee by no later than 30th September, in advance of the approval of the Statement of Accounts. Where this date for the Statement of Accounts is not achieved then the Council must publish a notice on its website stating that this is the case and the reason for the delay. The 30th September date was not met. Therefore in-line with the Chief Finance Officer (and a recent CIPFA bulletin – see link below) the final AGS approval has been delayed until the audit of the accounts has taken place and the AGS is to be approved effectively at the same meeting as the accounts are considered/approved to meet (a delayed) Regulation 9(2)(b) LAAA 2014 requirement. See bullet: https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-16-local-audit-delays-and-the-publication-of-the-annual-governance-statement . *Note that this means the Council will not have met the legal requirements; the Monitoring Officer is aware, and highlights this to Councillors with reference to section 5 of the Local Government and Housing Act 1989. The Chief Finance Officer has confirmed, however, that this Council is in the same position as almost all the Councils legally in the country. No further action is therefore proposed in respect of this non-compliance.*

9.2 Other legal implications are set out under section 7 above.

9.3 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 review of the draft AGS therefore falls within the Committee’s remit.

10. FINANCIAL IMPLICATIONS

10.1 The final 2023-24 AGS will ultimately accompany the final 2023-24 Statement of Accounts. Other than this there are no financial implications arising from this report.

11. RISK IMPLICATIONS

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

11.2 The process of assessing the Council's governance 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.

12.2 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 Policy & Strategy Team. Where appropriate an impact assessment will be undertaken, and mitigation measures identified. The Policy & Strategy Team undertake an Annual Cumulative Equality Impact Assessment and publishes it on the website.

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 direct environmental implications of this report or the AGS. Council reports include any environmental implications and are assessed by the Policy & Strategy Team. Where appropriate an impact assessment will be undertaken, and mitigation measures identified. The Policy & Strategy Team undertake an Annual Cumulative Environment Impact Assessment and publishes it on the website.

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 2023-24
16.2 Appendix B – Action Plan for 2024-25 and Progress Updates

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18. BACKGROUND PAPERS

18.1 The Leadership AGS self-assessment is published 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.

18.2 Report: Draft Annual Governance Statement 2023/24

18.2 Annual Cumulative Equality Impact Assessment published on the website.

18.3 Annual Cumulative Environment Impact Assessment published on the website.

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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.

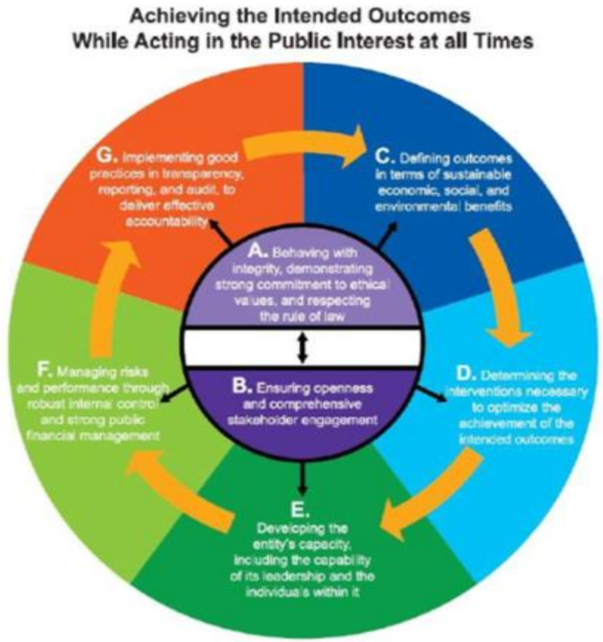
NHDC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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:



www.cipfa.org/services/networks/better-governance-forum

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 Service 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 2024 which incorporate the Framework 2016 Principles.
- ❖ a 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 takes place following elections.

❖ The Council has a Member Training Protocol which sets out which elements of training are compulsory. The training programme was reviewed and further developed in 2023-24 in anticipation of the 'all out' elections which took place in May 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 July 2023. 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 reviewed annually and often in-year as issues arise. Constitutional amendments were made in April 2023, and in January 2024 when an amendment report was taken to Full Council.

❖ 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, Risk, Social Value, and Equality and Environmental Implications requirements). 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 and are available on-line.

❖ During 2023/24 there was a drive to increase uptake of ethical awareness training amongst staff and Members. As such, the Shared Anti-Fraud

[1] https://www.north-herts.gov.uk/fraud-prevention

Service (SAFS) presented at a staff briefing, Senior Managers Group meeting, and Full Council meeting during this year to reiterate the importance of completing ethical awareness training.

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 2023-24 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 2023)

❖ 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 requirements[2] 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 decisions[3] 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.

❖ The Council's community Hub consists of a climate change page 'North Herts Climate Hive' that has proved successful in engaging residents on topical climate projects, tips and news, the page has over 250 subscribers. Also 'Churchgate Conversation' was launched for engagement on the regeneration of Churchgate.

❖ 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 September 2023]. The SCI was adopted in September 2023 following a public consultation. A draft updated SCI was published in March 2023 and consultation was opened 11th May 2023 and closed 27th June 2023. The Statement was formally adopted by the Council on 19th September 2023.

❖ The Council conducts a District Wide Survey Community Survey with the latest taking place in March-June 2023. The digital survey will now run twice per year to give residents more frequent opportunities to engage. The survey was conducted by Zencity on behalf of the council and the report of key findings is available here: Community Survey Results March – June 2023

❖ The Council also has an internal Staff Consultation Forum, a Joint Staff Consultative Committee (JSCC) and a Staff Consultation Policy.

❖ The Council Inclusion Group continued to convene. It aims to gain an understanding of 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

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

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.

❖ The Council's Customer Care Standards aims to put people first [Customer Care Standards]. The Communications Strategy 2024-28 [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, X (formelyTwitter) 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 3 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.

❖ Councillor Surgeries, Area Forums and Environment Panel meetings are held virtually via Zoom to ensure continued openness and engagement with residents. Area Forums can meet virtually, hybrid or a set location.

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 at the Overview & Scrutiny Committee. It sets out the key projects the Council is looking to carry out during the year and shows key risks and performance indicators.

❖ The Equality, Diversity and Inclusion Strategy contains four 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 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 Ideagen 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. Budget workshops are provided to Political groups prior to budget setting/ budget approval, and this helps to optimise achievements.

❖ The Investment Strategy (integrated Capital and Treasury) was considered by Finance, Audit, and Risk in January 2023 and approved by Full Council on 23rd February 2023.

❖ The Council's Procurement Strategy was updated in February 2023, becoming the Procurement Strategy 2023-2024. The shorter-term strategy aims to put in place some of the Council's aspirations for the district as they relate to the Council plan.

❖ The Council has a Community Grants Policy and during 2023/24 gave grants to organisations working to support children and young people, older people, mental and physical health and wellbeing, arts and leisure, sport, and the environment. 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.

❖ In February 2024 the Council awarded £99,998 from its Community Investment Fund to enable capacity building activities within the VCFSE sector. All capacity building activities were required to result in something of community value, and applications were assessed according to a criteria.

❖ The Council has an Investment Plan for the Shared Prosperity Fund which sets our proposals around improving town centres, supporting local businesses, and developing health and wellbeing initiatives, and capacity developing in the VCFSE sector.

❖ 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.

❖ 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 peer support provided by the Local Government Association to Finance Audit and Risk, and Overview & Scrutiny Committee, action plans for each committee were agreed in June 2023 and taken forward.

❖ 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 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. A subgroup of the Inclusion Group has been formed to further consider the gender pay gap and actions for reducing it. The subgroup first convened in September 2023 and will report their progress to the Leadership Team.

❖ 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.

❖ 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: Manging 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, the Risk Management Framework Policy, and operational guide. The Ideagen system supports the logging/monitoring process by identifying performance indicators, individual risks and relevant 'ownership'. These are reported to Leadership Team and O&S Committee 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 2022.

❖ SIAS' Annual Assurance Statement was delivered to Finance, Audit, and Risk Committee in June 2024. SIAS provided an overall assurance opinion of Reasonable Assurance. They also 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, distributed biannually (Summer and Winter Edition).

❖ 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 2023/24, 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 2024 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 2022-23 presented in June 2023. 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 2023/24 was delivered in March 2024 and reported that as of 26th February 2024 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. During 23/24 SIAS reported on 24 areas of which 1 received a Substantial assurance, 13 a Reasonable assurance, 3 a limited assurance, 3 not assessed, 3 unqualified, and 1 not complete. The limited assurance opinions related to Churchgate Landlord Compliance, Estates, and Agency Staffing, with three high priority recommendations being made. An overall assurance opinion of Reasonable Assurance was given, meaning a generally sound system of governance, risk-management, and control is in place. Further details can be found in the Annual Assurance Statement and Internal Audit Annual Report 2023/24.

- In the Annual Assurance Statement and Internal Audit Report 2023/24, reported to FAR Committee in June 2023, 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.

- The Local Government Association provided a peer support process for Finance, Audit, and Risk; and Overview and Scrutiny Committee in 2022. In June 2023 reports were taken to both committees which outlines a draft action plan. The action plans were subsequently approved by Cabinet and taken forward by the two committees.

- The Council's external auditors provide assurance on the accuracy of the year-end Statement of Accounts, the consistency of the Annual Governance Statement and the adequacy of value for money arrangements. In 2022, the External Auditors Annual Report replaced the Annual Audit Letter. The Annual report for the 2021-22 year was presented to FAR Committee in September 2023. The report was generally positive, with Ernst & Young issuing an unqualified opinion on the Council's financial statements. The report did not identify any risks of significant weaknesses in the Council's value for money arrangements for 2021-22.

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 composed of the Managing Director and the Service Directors and meetings are chaired by the Managing Director. The AGS self-assessment follows the CIPFA/SOLACE recommended self-assessment process of reviewing the Council's arrangements against the 2016 Framework Principles/sub-principles and providing examples. This is usually undertaken during March - June and taken to a Leadership Team meeting so that Leadership can confirm satisfaction that the appropriate governance arrangements are in place. The AGS Action Plan is developed to work on areas for governance improvement. The detailed AGS self-assessment is available on the Corporate Governance page[4].

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. In the Mid-Year Risk Governance update reported to Finance Audit and Risk Committee in December 2023, the top risks (scoring a 9 on the risk matrix) for the Council were Waste and Street Cleansing Procurement; Financial Sustainability; Waste Depots; and Resourcing. Other risks scoring highly on the matrix (8s) are: the Churchgate Project; Homelessness Prevention; and Cyber Risks.

- ***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.

- ***Resourcing*** was upgraded to a score of 9 on the risk matrix, having previously been rated as an 8. It refers to issues around additional tasks/actions and the knock-on impact this may have on delivery of projects within the Council Delivery Plan. It also refers to staff shortages and difficulties in recruiting to some areas.

- The risks around the ***Waste and Street Cleansing Procurement*** include costs being over budget, and the Government's Resources and Waste Strategy differing from the specification.

- ***The Waste Depot*** risk includes the depot not being fit for purpose, and money for capital works not being available.

- ***The Churchgate project*** refers to plans to regenerate a shopping centre and the surrounding areas. It is a high-rated risk, with the risk relating to the affordability of the regeneration, and the possibility of failing to meet the expectations of stakeholders.

- The risk around ***Homelessness*** refers to an unmanageable demand for housing services, lack of alternative housing options, increase in levels of homelessness, and increased use of hotel accommodation for homeless households.

- ***Cyber Risks*** refers to the possibility of disruption to or failure of IT systems and infrastructure as a result of breaches of cyber security, resulting in inability to deliver projects/services.

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

- An update on Member complaints was given to the Standards Committee in a report delivered by the Service Director for Legal and Community in March 2024. During the 2023 calendar 11 complaints against members were received. This was a reduction compared to 2022, where 30 complaints had been received. At the time of the report, it was noted that 4 complaints had been received so far during 2024.

Whistle Blowing Complaints

- In line with the published Whistleblowing Policy, we received one complaint / concern during the 2022-23 period. A concern was raised that a member of staff had allegedly committed an act of wrongdoing externally. Further enquires were made but no information was provided, and therefore no further action was possible.

Information Commissioner's Office (ICO)

- The Review time limit supplements the statutory one for handling requests (20 working days) and during 2023 calendar year, the Council only failed to handle 2% of the 719 FOIs/EIRs requests within that period. There were 5 reviews, 0 of which were successful and the information released, 0 of which were partially successful, and 5 of which were unsuccessful. There was 1 ICO case.

- In respect to requests for information under the Data Protection Act - 226 Data Protection cases (including 20 Subject Access Requests) were received in the 2023 calendar year, of which 98.7% were successfully answered within the 40-calendar day deadline.

- During the 2023 calendar year there were no complaints lodged at the ICO.

[4] https://www.north-herts.gov.uk/corporate-governance

Conclusion:

❖ No significant governance issues have arisen as a result of the review of effectiveness for the 2023/24 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 Daniel Allen, Leader of the Council

Anthony Roche, Managing Director

Action Plan 2024/25

1. Monitor and evaluate the success of the 2024 Member Induction Programme and reflect whether any changes are needed as a result. (Democratic Services, HR, Leadership Team)
2. Evaluate officer uptake of essential training modules and review options for increasing uptake where completion rates are below 75%. (HR, Leadership Team)
3. Develop improved oversight of cyber security risks (via new Cyber Security Board) and develop controls or actions to limit exposure. (Cyber Security Board, IT, Leadership Team)
4. Further develop the Budget Hub and opportunities for residents to engage via this platform once the General Election has passed. (Communications Team, Leadership Team)
5. Develop and implement an action plan to respond to the recommendations of the upcoming Corporate Peer Challenge. (Leadership Team)
6. Continue to develop processes for collecting Social Value that has been committed and has been delivered for contracts above £50k, but either below the threshold for using the Social Value Portal or not relevant to use the Social Value Portal. This will include any Social Value provided through alternative contracting routes e.g. framework contracts. (Procurement Team)
7. Share the information accumulated around Social Value collection (including data from the Social Value Portal) with contract managers to improve the awareness of the Social Value that can be delivered. (Procurement Team)
8. Develop reporting (e.g. value committed and value delivered) on Social Value so that it can be provided as part of performance reporting. (Procurement Team, Leadership Team)
9. Review organisational structure following adoption of the Council Plan for the four-year administration. (Leadership Team)

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Action	Officer update
1. Monitor and evaluate the success of the 2024 Member Induction Programme and reflect whether any changes are needed as a result. (Democratic Services, HR, Leadership Team)	Democratic Services have met with Group Leaders to discuss feedback on the Induction programme. The feedback was generally positive, with a few points to consider for future induction. Generally positive feedback was also received through an online survey of Members, and further feedback has been raised with the Committee, Member, and Scrutiny Manager by individual Members. Feedback has been taken on board and a Development Week is due to be held in May 2025.
2. Evaluate officer uptake of essential training modules and review options for increasing uptake where completion rates are below 75%. (HR, Leadership Team)	Uptake of training is monitored by HR and the Leadership Team at regular intervals. As of the most recent update, only the Fraud Prevention module had a completion rate of less than 75%. As of December 2024, the Fraud Prevention module had not yet been rolled out on the new learning system. This is due to be done in early 2025. The new system will allow for more detailed reporting and chasing to increase completion rates.
3. Develop improved oversight of cyber security risks (via new Cyber Security Board) and develop controls or actions to limit exposure. (Cyber Security Board, IT, Leadership Team)	A Cyber Resilience Board was formed in May 2024, with the first full Board Meeting taking place in August. The Board includes amongst others the Managing Director; The Service Director for Customers; The Service Director for Resources, as well as Members from both the administration and opposition.
4. Further develop the Budget Hub and opportunities for residents to engage via this platform once the General Election has passed. (Communications Team, Leadership Team)	The Budget Hub is available for residents to access and includes information on how Council Tax is spent and how we set our budget. The timeline is also laid out, highlighting when the budget consultation will launch in 2025. North Herts Council: North Herts Budget Hub
5. Develop and implement an action plan to respond to the recommendations of the upcoming Corporate Peer Challenge. (Leadership Team)	The Corporate Peer Challenge report was presented to Cabinet in January. The action plan is being worked on and will be considered by Cabinet in March.
6. Continue to develop processes for collecting Social Value that has been committed and has been delivered for contracts above £50k, but either below the threshold for using the Social Value Portal or not relevant to use the Social Value Portal. This will include any Social Value provided through alternative contracting routes e.g.	We are collecting this information where it is available. There is further work to do to simplify the process, ensure all information is provided, and standardise the content.

	framework contracts. (Procurement Team)	
7.	Share the information accumulated around Social Value collection (including data from the Social Value Portal) with contract managers to improve the awareness of the Social Value that can be delivered. (Procurement Team)	This is a regular item for the Contracts and Procurement Group. It will remain as a standing item.
8.	Develop reporting (e.g. value committed and value delivered) on Social Value so that it can be provided as part of performance reporting. (Procurement Team, Leadership Team)	This remains in progress. It is linked to the preceding two actions, and also delayed by work to implement the Procurement Act 2023.
9.	Review organisational structure following adoption of the Council Plan for the four-year administration. (Leadership Team)	Organisational structure is being considered as part of the constitution review, and the Managing Director is currently reviewing the structure of the Leadership Team and Senior Managers. A consultation on these proposals was launched during the week commencing 6th January 2025, with all employees invited to comment. All feedback must be received by 7th February, at which point feedback will be considered and will inform the proposal that is put before Full Council.