

**NORTH HERTFORDSHIRE DISTRICT COUNCIL**



30 May 2025

Our Ref Finance, Audit and Risk Committee 11  
June 2025  
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To: Members of the Committee Councillors: Sean Nolan (Chair), Vijaiya Poopalasingham (Vice-Chair), Ruth Brown, Dominic Griffiths, Sarah Lucas, Steven Patmore, Paul Ward and Stewart Willoughby

Substitute Councillors: Cathy Brownjohn, Sam Collins, Ralph Muncer, Daniel Wright-Mason and Matt Barnes

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, 11TH JUNE, 2025 AT 7.30 PM**

Yours sincerely,

Jeanette Thompson  
Director – Governance

**\*\*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**

<b>Item</b>		<b>Page</b>
<b>1. APOLOGIES FOR ABSENCE</b>	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.	
<b>2. MINUTES - 12 MARCH 2025</b>	To take as read and approve as a true record the minutes of the meeting of the Committee held on the 12 March 2025.	(Pages 5 - 12)
<b>3. NOTIFICATION OF OTHER BUSINESS</b>	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.	
<b>4. CHAIR'S ANNOUNCEMENTS</b>	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.	
<b>5. PUBLIC PARTICIPATION</b>	To receive petitions, comments and questions from the public.	
<b>6. SIAS ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT ANNUAL REPORT 2024-25 REPORT OF THE SHARED INTERNAL AUDIT SERVICE</b>	To receive the SIAS Annual Assurance Statement and Annual Report 2024 – 25.	(Pages 13 - 46)

7. **EXTERNAL AUDIT PLAN & STRATEGY 24/25 (KPMG)** (Pages  
REPORT OF DIRECTOR – KPMG 47 - 76)

To receive the Audit Plan for 2024/25.

8. **DRAFT ANNUAL GOVERNANCE STATEMENT 2024/25** (Pages  
REPORT OF THE POLICY AND COMMUNITIES MANAGER 77 - 92)

This draft Annual Governance Statement reviews the Council's governance arrangements for the 2024/25 period. It also includes a proposed Action Plan to update and improve these arrangements for the next financial year (2025/26).

9. **REVENUE BUDGET OUTTURN 2024/25** (Pages  
REPORT OF THE DIRECTOR - RESOURCES 93 - 114)

To consider the Revenue Budget Outturn 2024/25.

10. **INVESTMENT STRATEGY (CAPITAL AND TREASURY) END OF YEAR REVIEW 2024/25** (Pages  
REPORT OF THE SERVICE DIRECTOR – RESOURCES 115 -  
148)

To consider the Investment Strategy (Capital and Treasury) End of Year Outturn Review.

11. **FINANCE, AUDIT AND RISK COMMITTEE ANNUAL REPORT 2024-25** (Pages  
REPORT OF THE SERVICE DIRECTOR – RESOURCES 149 -  
162)

To consider the Annual Report of the Finance, Audit and Risk Committee for the 2024/25 Civic Year.

12. **REPORT ON RISK MANAGEMENT GOVERNANCE (YEAR-END UPDATE)** (Pages  
REPORT OF THE SERVICE DIRECTOR – RESOURCES 163 -  
180)

A year-end report on the Councils' Risk Management Governance for 2024/25.

13. **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, 12TH MARCH, 2025 AT 7.30 PM

#### MINUTES

**Present:** *Councillors: Sean Nolan (Chair), Vijaiya Poopalasingham (Vice-Chair), Ruth Brown, Sam Collins, Steven Patmore, Paul Ward and Stewart Willoughby.*

*John Cannon and Councillor Ian Albert Non-voting advisory role.*

**In Attendance:** *Amy Cantrill (Trainee Committee, Member and Scrutiny Officer), Georgina Chapman (Policy & Strategy Team Leader), Ian Couper (Service Director - Resources) and James Lovegrove (Committee, Member and Scrutiny Manager).*

**Other Presenters:** *Darren Bowler (Counter-Fraud Manager, Shared Anti Fraud Service) and Chris Wood (Head of Assurance Services (HCC) & Client Audit Manager (NHDC)).*

**Also Present:** *There were no members of the public in attendance for the duration of this meeting.*

#### 63 APOLOGIES FOR ABSENCE

*Audio recording – 1 minute 30 seconds*

Apologies for absence were received from Councillor Dominic Griffiths.

Having given due notice, Councillor Sam Collins substituted for Councillor Griffiths.

Councillor Tina Bhartwas was absent.

#### 64 MINUTES - 5 FEBRUARY 2025

*Audio Recording – 1 minute 54 seconds*

Councillor Stewart Willoughby noted that there were spelling errors within the Minutes which needed to be corrected.

Councillor Sean Nolan, as Chair, proposed and Councillor Ruth Brown seconded and, following a vote, it was:

**RESOLVED:** That the Minutes of the Meeting of the Committee held on 5 February 2025 be approved, as amended, as a true record of the proceedings and be signed by the Chair.

#### 65 NOTIFICATION OF OTHER BUSINESS

*Audio recording – 3 minutes 36 seconds*

There was no other business notified.

**66 CHAIR'S ANNOUNCEMENTS**

*Audio recording – 3 minutes 40 seconds*

- (1) The Chair advised that, in accordance with Council Policy, the meeting would be recorded.
- (2) The Chair drew attention to the item on the agenda front pages regarding Declarations of Interest and reminded Members that, in line with the Code of Conduct, any Declarations of Interest needed to be declared immediately prior to the item in question.
- (3) The Chair advised that section 4.8.23(a) of the Constitution did not apply to this meeting.
- (4) The Chair advised that the following changes to the order of Agenda had been made since publication, Agenda Item 11 would now follow Agenda Item 8.

**67 PUBLIC PARTICIPATION**

*Audio recording – 4 minutes 34 seconds*

There was no public participation at this meeting.

**68 SAFS ANTI-FRAUD PLAN PROGRESS UPDATE 2024/25**

*Audio Recording – 4 minutes 40 seconds*

The Counter Fraud Manager presented the report entitled 'SAFS Anti-Fraud Plan Progress Update 2024-25' and highlighted that:

- The report showed that the performance at the end of December 2024 was in line with the Key Performance Indicators (KPIs) laid out in the annual plan.
- The KPIs highlighted in green were complete and those in yellow were expected to be met but were not yet complete.
- So far this year there were 87 allegations of fraud of which 33 were live investigations.
- In 5 cases SAFS have identified £34k lost, a further £21k prevented from loss and £20k recovered.
- 5 civil penalties had been being issued, of which 2 were cases of providing false allegations.
- SAFS were working together with the National Fraud Team as part of the Fraud Hub.

The following Members asked questions:

- Councillor Sam Collins
- Councillor Paul Ward
- Independent Person John Cannon

In response to questions, the Counter Fraud Manager advised that:

- Two of the KPIs in appendix B could not be monitored, these were left in the report due to being part of the plan, these KPIs were being met but there was no data available to show this in the report.
- It was hard to predict what would happen in terms of fraud cases but at the moment it was expected there would be fewer instances than previous years. The final data would be presented in the end of year report.
- Data on trends year on year was not available, but it would be circulated to the appropriate Officers when available.

- The anti-fraud week was an international media campaign. SAFS participate in the campaign to promote anti-fraud services throughout Hertfordshire and Bedfordshire.

Councillor Stewart Willoughby proposed and Councillor Vijaiya Poopalasingham seconded and, following a vote, it was:

**RESOLVED:** That the Committee noted the progress by officers and the Shared Anti-Fraud Service to deliver the Anti-Fraud Plan for the Council.

## 69 SAFS PROPOSED ANTI-FRAUD PLAN 2025/26

*Audio Recording – 16 minutes 31 seconds*

The Counter Fraud Manager presented the report entitled 'SAFS Proposed Anti-Fraud Plan 2025-26' and highlighted that:

- In preparing this report SAFS used theory from five publications on how to prevent fraud, these were listed on paragraph 3 of the report.
- The report was similar to the previous plan for 2024/25, and it outlined how to prevent and deter fraud and corruption, as well as the controls used to reduce fraud.
- The objectives and KPIs for 2025/26 were set out through pages 30-34.

The following Members asked questions:

- Councillor Ruth Brown
- Councillor Paul Ward
- Councillor Sam Collins

In response to questions, the Counter Fraud Manager advised that:

- There were two short appendices on page 25.
- KPIs that related to service delivery were not binary as they were more flexible. For example, meeting with the council was quarterly, but the report used the wording 'regularly' to allow SAFS and the Council to control the frequency of meetings due to need throughout the year.
- Attending the resources meetings allowed SAFS to prepare papers and give an input to issues raised by the Council, for example how do SAFS deal with individual instances of fraud.
- The current standard response time was 24 hours for all reports of fraud. The system used by SAFS did not have the capacity to measure the high priority reports, therefore the KPI was for all reports to be dealt with within 48 hours to build in for delays due to the reporting service being available 24/7.

In response to questions, the Service Director - Resources advised that it was within the remit of this Committee to amend wording in relation to the KPIs included. The Committee could delegate authority to the Service Director – Resources and SAFS to amend these as requested by Members.

Councillor Ruth Brown proposed with an additional recommendation 2.2 and Councillor Sam Collins seconded and, following a vote, it was:

**RESOLVED:**

- (1) That Committee reviewed and approved the Anti-Fraud Plan 2025/26.

- (2) That the Committee delegated authority to the Service Director – Resources to review and update the language, alongside SAFS, to make the KPIs, attached at Appendix B, more specific, particularly in relation to 1 and 3.

## 70 SIAS PROPOSED PLAN 2025/26

*Audio Recording – 34 minutes 50 seconds*

The SIAS The SIAS Head of Assurance presented the report entitled 'SIAS Proposed Plan 2025-26' and highlighted that:

- The Internal Audit Strategy was shown in Appendix E and was for Members to comment on.
- SIAS board would approve the strategy in June 2025 after it was reviewed by all partner audit Committees.
- There was an error in the report and the client satisfaction target on page 46 of the report should be 90%, instead of 100%. This Paper was published before the SIAS board approved KPIs.
- There was a group of General Internal Audits totalling 48 days. These potential projects are listed at page 53 of the report. These had not yet been formally confirmed, and the Committee would be informed when these were finalised.

The following Members asked questions:

- Councillor Ruth Brown
- Councillor Sean Nolan
- Councillor Paul Ward

In response to questions, the SIAS Head of Assurance advised that:

- The projects that were audited would be decided by doing a risk assessment in conjunction with Service Directors.
- Changes to Professional Standards did not impact this report but some of the new Standards required more around root cause analysis.
- Each progress update, the last one was 5 February 2025, had the implementation status of high priority SIAS recommendations and the inclusion of an audit in the Audit Plan was reflective of the interest this Committee took in the implementation status high priority recommendations. This was appreciated.

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

**RESOLVED:** That Committee

- (1) Approved the proposed North Herts Council Internal Audit Plan for 2025/26.
- (2) Noted the SIAS Internal Audit Strategy and provide any comments prior to approval by the SIAS Board.

## 71 LOCAL CODE OF CORPORATE GOVERNANCE 2025

*Audio Recording – 45 minutes 47 seconds*

The Policy & Strategy Team Leader presented the report entitled 'Local Code of Corporate Governance 2025' and highlighted that:

- It was good practice for The Local Code of Corporate Governance to be reviewed annually and it had been a year since the last update.
- The 2025 version was based on the CIPFA/Solace framework 2016 principles.
- Appendix A showed the Code in a diagram which laid out all the principles.
- As approved the Code would go on the Councils web page and would provide a basis for the Annual Governance Statement (AGS) for 24/25.

In response to a question by Independent Member John Cannon, the Policy & Strategy Team Leader advised that there were no changes this year but there was an ongoing consultation on an addendum which would go into next year's update.

Councillor Ruth Brown proposed, and Councillor Stewart Willoughby and, following a vote, it was:

**RESOLVED:** That Committee approved the Local Code of Corporate Governance 2025 (Appendix A).

**REASONS FOR DECISION:** It is recommended practice to review the Local Code of Corporate Governance each year to ensure it remains up to date and relevant.

## 72 THIRD QUARTER REVENUE BUDGET MONITORING 2024/25

*Audio Recording – 49 minutes 50 seconds*

The Service Director – Resources presented the report entitled 'Third Quarter Revenue Budget Monitoring 2024/25' and highlighted the following:

- Table 3 of the report highlighted changes and carry forward, indicating the predicted spends on these areas would not be achieved this year. However, money would still, in the main, be spent the following year and therefore there would be no net improvement.
- The final column of Table 3 showed the ongoing impact of any over and underspend, showing an increase in planned spend for next year of £76,000. Reasons show for over or underspend were included and although this level of overspend was concerning, it was not at a level the Council needed to take drastic action.
- Paragraph 8.4 of the report referred to carry forward from the previous year. Some of these were ongoing underspends due to lack of capacity or outside factors meaning works had not been achieved yet.
- The Corporate Financial Health Indicators were shown numerically in Table 4 of the report and then further context to these included at Table 5 of the report.
- The General Fund showed a £840k increase due to a lower net expenditure, most of which was carry forward to next year.
- The report also monitored financial risk and as this was towards the end of the year, most risks would now have been realised if they were going to happen, but it was still important to be aware of them despite it being less likely to encounter a risk.

The following Members asked questions:

- Councillor Sam Collins
- Councillor Ruth Brown
- Councillor Paul Ward
- Independent Member John Cannon

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

- The underspend seen within the apprentice scheme included those apprentices remaining within the Council and finding other roles before the end of their apprenticeship. The Council currently had 10 apprentices, which was above the ongoing budget of 8.
- In terms of the general staffing issues, this was resulting in the Council not undertaking or postponing work which resulted in carry forward of budgets.
- Staffing gaps were an issue experienced across local authorities, with specific issues in certain difficult to recruit areas, such as planning or legal.
- Some of the cause may be due to pay levels, the Council had been using an LGA tool to benchmark pay against other authorities and was working on interpreting the data.
- The latest Staff Survey showed that most staff found the Council a good place to work and would recommend the Council as a place to work to others. However, in some cases, it was proving challenging to replace staff when they did decide to leave.
- The Council would continue to work on recruitment, including around non-pay benefits and the advertising of roles.
- While recruitment is challenging project prioritisation was important.
- The Council were competing with the private sector, which had bigger resources and therefore could pay more. In response to this, the Council was working on growing talent in house, through career graded positions.
- There had previously been trends with the number of burials going down and then up again. At this stage, the Council were observing current trends rather than reflecting to the impact of ongoing reduced income too early.
- The budget for included additional resource to try to increase revenue from commercial refuse and recycling; however, it was about providing a service to businesses that covered costs, not making a substantial profit.
- Planning applicants pay a fee when submitting an application, however this can only be reflected as income when the application has been resolved. Therefore, these were highlighted as funds that are coming but were not yet available to the Council.

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

- The Council had a wonderful array of staff and improvements to recruitment and retention had been made through the introduction of flexible working policies, which allowed people to work from around the country and attracted talent from further away.
- The Corporate Peer Challenge was presented to the Overview and Scrutiny Committee and a key part of this was to develop a new HR Strategy, which would reflect the new priorities of the Council.

Councillor Vijaiya Poopalasingham proposed and Councillor Stewart Willoughby seconded and, following a vote, it was:

**RECOMMENDED TO CABINET:** The Finance, Audit and Risk Committee commented on the assumptions and information contained within this report, in the context that Cabinet agrees that:

- (1) That Cabinet note this report.
- (2) That Cabinet approve the changes to the 2024/25 General Fund budget, as identified in table 3 and paragraph 8.2, a £840k decrease in net expenditure.
- (3) That Cabinet approve the changes to the 2025/26 General Fund budget, as identified in table 3 and paragraph 8.2, a total £807k increase in net expenditure.

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

**73 THIRD QUARTER INVESTMENT STRATEGY (CAPITAL AND TREASURY) REVIEW 2024/25**

Audio Recording – 1 hour 16 minutes 4 seconds

*N.B. Cllr Paul Ward declared an interest in this item due to his employment and left the chamber.*

The Service Director – Resources presented the report entitled 'Third Quarter Investment Strategy (Capital and Treasury) Review 2024/25' and highlighted the following:

- The Q2 Investment Strategy Review highlighted a significant amount of slippage. Due to this being caught earlier there was less slippage in Q3, which was detailed at Table 2 of the report.
- Table 3 of the report highlighted changes to forecast spend, with some slippage moving forward into this financial year.
- The Council had forecast a positive CFR by end of the year; meaning the Council would move into a borrowing position and would borrow internally against cash reserves.
- Paragraph 8.9 of the report onwards detailed the surplus cash.
- All investments were in accordance with the Council treasury strategy and paragraph 8.11 of the report highlighted where these investments were.
- The Local Authority Market currently had the best returns and therefore most of the Council's investments were there, however there were some investments in banks and with DMO.

The following Members asked questions:

- Councillor Sam Collins
- Councillor Vijaiya Poopalasingham

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

- If Local Government restructuring happened, then the money this Council invested in other Councils would be transferred into the new Authority that North Hertfordshire Council became part of.
- If this Council became part of a different Local Authority, then assets and money transfer across to the new Local Authority.
- The number of Home Repair Assistance grants given out in the last financial year was not currently available but could be provided to Members.

Councillor Vijaiya Poopalasingham proposed, and Councillor Stewart Willoughby 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 noted the forecast expenditure of £16.816M in 2024/25 on the capital programme, paragraph 8.3 refers.
- (2) That Cabinet approved the adjustments to the capital programme for 2024/25 onwards, as a result of the revised timetable of schemes detailed in table 2 and 3, increasing the estimated spend in 2025/26 by £0.627M.

- (3) That Cabinet noted 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.
- (4) Cabinet is asked to note the position of Treasury Management activity as at the end of December 2024.

**REASON FOR RECOMMENDATIONS:**

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

*N.B. Cllr Paul Ward returned to the Chamber at 20:55.*

**74 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS**

*Audio recording – 1 hour 24 minutes 46 seconds*

The Chair led a discussion regarding possible agenda items, and training needs for meetings in the next civic year.

Councillor Paul Ward requested training with an insight into the working of the fraud area, with worked examples.

Independent Member John Cannon suggested training based on Local Government Reorganisation and the potential consequences in regard to finance and risk.

The meeting closed at 8.55 pm

Chair





# **ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT ANNUAL REPORT 2024/25**

**NORTH HERTS COUNCIL  
FINANCE, AUDIT AND RISK COMMITTEE  
JUNE 2025**

## **RECOMMENDATIONS**

Members are recommended to:

- Note the Annual Assurance Statement and Internal Audit Annual Report
- Note the results of the self-assessment required by the Global Internal Audit Standards (GIAS) and the Quality Assurance and Improvement Programme (QAIP)
- Approve the SIAS Audit Charter for 2025/26
- Seek management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2024/25

## **Contents**

1. Purpose and Background
  - 1.1 Purpose
  - 1.2 Background
2. Annual Assurance Statement for 2024/25
  - 2.1 Scope of Responsibility
  - 2.2 Control Environment
  - 2.3 Review of Effectiveness - compliance with the GIAS and QAIP
  - 2.10 Confirmation of independence of internal audit and assurance on limitations
  - 2.11 Assurance Opinion on Corporate Governance and Risk Management
3. Overview of Internal Audit Activity at the Council in 2024/25
4. Performance of the Internal Audit Service in 2024/25
  - 4.1 Performance Indicators
  - 4.2 Service Developments
5. Audit Charter 2025/26

## **Appendices**

- A Final position against the Council's 2024/25 Audit Plan
- B Definitions of Assurance Recommendation Priority Levels 2024/25
- C Definitions of Root Cause Analysis
- D Action Plan Arising from the Global Internal Audit Standards Self-Assessment as of May 2025
- E Internal Audit Charter 2025/26

## **1. Purpose and Background**

### Purpose of Report

#### **1.1 This report:**

- a) Details the Shared Internal Audit Service's (SIAS) overall opinion on the adequacy and effectiveness of North Herts Council's (the Council) framework of governance, risk management and control. Reference is made to significant matters and key themes.
- b) Shows the outcomes of the self-assessment against the Global Internal Audit Standards (GIAS) incorporating the requirements of the Quality Assurance and Improvement Programme (QAIP).
- c) Summarises the audit work that informs this opinion.
- d) Shows SIAS performance in respect of delivering the Council's audit plan.
- e) Presents the 2025/26 Audit Charter for approval.

### Background

- 1.2 The purpose of internal audit is to strengthen the Council's ability to create, protect, and sustain value by providing Members and management with independent, risk-based, and objective assurance, advice, insight, and foresight.
- 1.3 A key duty of the Chief Audit Executive (CAE - the Council's Client Audit Manager) is to provide an annual internal audit opinion, concluding on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. This opinion informs the conclusions of the Council's Annual Governance Statement.
- 1.4 The assurance opinion in this report is based on the 2024/25 internal audit work which was planned and amended to give sufficient assurance on the Council's management of its key risks. Also considered is any relevant work undertaken in 2025/26 before the Audit Committee report deadline.
- 1.5 The audit plan remained dynamic during the year, with plan changes made to reflect the changing risks of the Council, or pace of transformation or change that would impact on the value of audits originally included in the plan. All plan changes during 2024/25 were communicated to, and approved by, the Finance, Audit and Risk Committee within the SIAS progress reports.
- 1.6 The International Professional Practices Framework (IPPF) organises the authoritative body of knowledge for the professional practice of internal auditing. The IPPF includes Global Internal Audit Standards (GIAS), Topical Requirements (designed to enhance the consistency and quality of internal audit services related to specific audit subjects) and Global Guidance. The Public Sector Internal Audit Standards, which

encompassed the mandatory elements of the IPPF, have been replaced by the Application Note Global Internal Audit Standards in the UK Public Sector.

- 1.7 Taken together, the GIAS and the Application Note form the basis of UK public sector internal audit effective from 1 April 2025. The Note states that a professional, independent, and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector.
- 1.8 When the Global Institute of Internal Auditors published the GIAS, it recognised that in the public sector, governance structures or other laws or regulations may impact on how the essential conditions can be applied. This is the case in UK local government. The GIAS itself provides for the chief audit executive to reach agreement with those in governance roles and senior management on alternative conditions that still allow for conformance with the GIAS. The CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government provides the route to satisfying the essential conditions in the GIAS in the UK public sector, tailored for UK local government. The Application Note GIAS in the UK public sector directs the local government sector bodies to apply this Code.
- 1.9 The GIAS (UK Public Sector) sets out matters that SIAS must report to the Audit Committee. SIAS conform with these requirements through inclusion in the Annual Assurance Statement and Internal Audit Annual Report 2024/25. The summarised requirements that SIAS must adhere to are set out below:

<b>Standard</b>	<b>Description</b>
Domain III 6.1	<b>Internal Audit Mandate</b> The Chief Audit Executive (CAE) must provide the board and senior management with the information necessary to establish the internal audit mandate. The internal audit charter must include the legal requirements of the mandate.
Domain III 6.2	<b>Internal Audit Charter</b> The CAE must develop and maintain an internal audit charter that specifies, at a minimum, the internal audit function's: <ul style="list-style-type: none"> <li>• Purpose of Internal Auditing.</li> <li>• Commitment to adhering to the Global Internal Audit Standards.</li> <li>• Mandate, including scope and types of services to be provided, and the board's responsibilities and expectations regarding management's support of the internal audit function.</li> <li>• Organisational position and reporting relationships.</li> </ul>
Domain III 7.1	<b>Organisational Independence</b>

	<p>The CAE must confirm to the board the organisational independence of the internal audit function at least annually. This includes communicating incidents where independence may have been impaired, and the actions or safeguards employed to address the impairment.</p>
Domain III 7.2	<p><b>CAE Qualifications</b></p> <p>The CAE must maintain and enhance the qualifications and competencies necessary to fulfil the roles and responsibilities expected by the board.</p>
Domain III 8.1	<p><b>Board Interaction</b></p> <p>The CAE must provide the board with the information needed to conduct its oversight responsibilities. The CAE must report to the board and senior management:</p> <ul style="list-style-type: none"> <li>• Changes potentially affecting the mandate or charter</li> <li>• Potential impairments to independence.</li> <li>• Results of internal audit services, including conclusions, themes, assurance, advice, insights, and monitoring results</li> <li>• Results from the quality assurance and improvement program.</li> </ul> <p>The CIPFA Code goes further, indicating that the audit committee must review the CAE's annual report, including the annual conclusion on governance, risk management and control, and internal audit's performance against its objectives.</p>
Domain III 8.3	<p><b>Quality</b></p> <p>The CAE must develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program includes two types of assessments:</p> <ul style="list-style-type: none"> <li>• External assessments.</li> <li>• Internal assessments.</li> </ul> <p>At least annually, the CAE must communicate the results of the internal quality assessment to the board and senior management. The results of the external quality assessments must be reported when completed. In both cases, such communications include:</p> <ul style="list-style-type: none"> <li>• The internal audit function's conformance with the Standards and achievement of performance objectives.</li> <li>• If applicable, compliance with laws and/or regulations relevant to internal auditing.</li> <li>• If applicable, plans to address the internal audit function's deficiencies and opportunities for improvement.</li> </ul>
Domain III 8.4	<p><b>External Quality Assessment</b></p> <p>The CAE must develop a plan for an external quality assessment and discuss the plan with the board. The external assessment must be performed at least once every five years by a qualified, independent assessor or assessment team.</p>

## Annual Assurance Statement and Internal Audit Annual Report - North Herts Council

Domain IV 9.3	<b>Methodologies</b> The CAE must establish methodologies to guide the internal audit function in a systemic and disciplined manner to implement the internal audit strategy, develop the internal audit plan, and conform with the Standards.
Domain IV 11.3	<b>Communicating Results</b> The CAE must communicate the results of internal audit services to the board and senior management periodically and for each engagement as appropriate. The CAE must understand the expectations of the board and senior management regarding the nature and timing of communications. The results of internal audit services can include: <ul style="list-style-type: none"> <li>• Engagement conclusions.</li> <li>• Themes such as effective practices or root causes.</li> <li>• Conclusions at the level of the business unit or organisation.</li> </ul>
Domain IV 12.1	<b>Internal Quality Assessment</b> The CAE must develop and conduct internal assessments of the internal audit function's conformance with the Global Internal Audit Standards and progress toward performance objectives. The chief audit executive must establish a methodology for internal assessments that includes: <ul style="list-style-type: none"> <li>• Ongoing monitoring of the internal audit function's conformance with the Standards and progress toward performance objectives.</li> <li>• Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices to evaluate conformance with the Standards.</li> <li>• Communication with the board and senior management about the results of internal assessments.</li> </ul>
Domain IV 15.2	<b>Confirming the Implementation of Recommendations or Action Plans</b> Internal auditors must confirm that management has implemented internal auditors' recommendations or management's action plans following an established methodology, which includes: <ul style="list-style-type: none"> <li>• Inquiring about progress on the implementation.</li> <li>• Performing follow-up assessments using a risk-based approach.</li> <li>• Updating the status of management's actions in a tracking system.</li> </ul>

1.10 Section 2 of this report details how SIAS complies with these requirements.

1.11 SIAS is grateful for the co-operation and support it has received from client officers during 2024/25.

## 2. Annual Assurance Statement 2024/25

### Context

#### *Scope of responsibility*

- 2.1 Council managers are responsible for ensuring Council business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. They are also responsible for ensuring internal controls are robust and risk management arrangements are appropriate.

#### *Control environment*

- 2.2 The control environment comprises three key areas: governance, risk management, and internal control. Together these aim to manage risk to an acceptable level, but it is accepted that it is not possible to completely eliminate it. A robust control environment helps ensure that the Council's policies, priorities, and objectives are achieved.

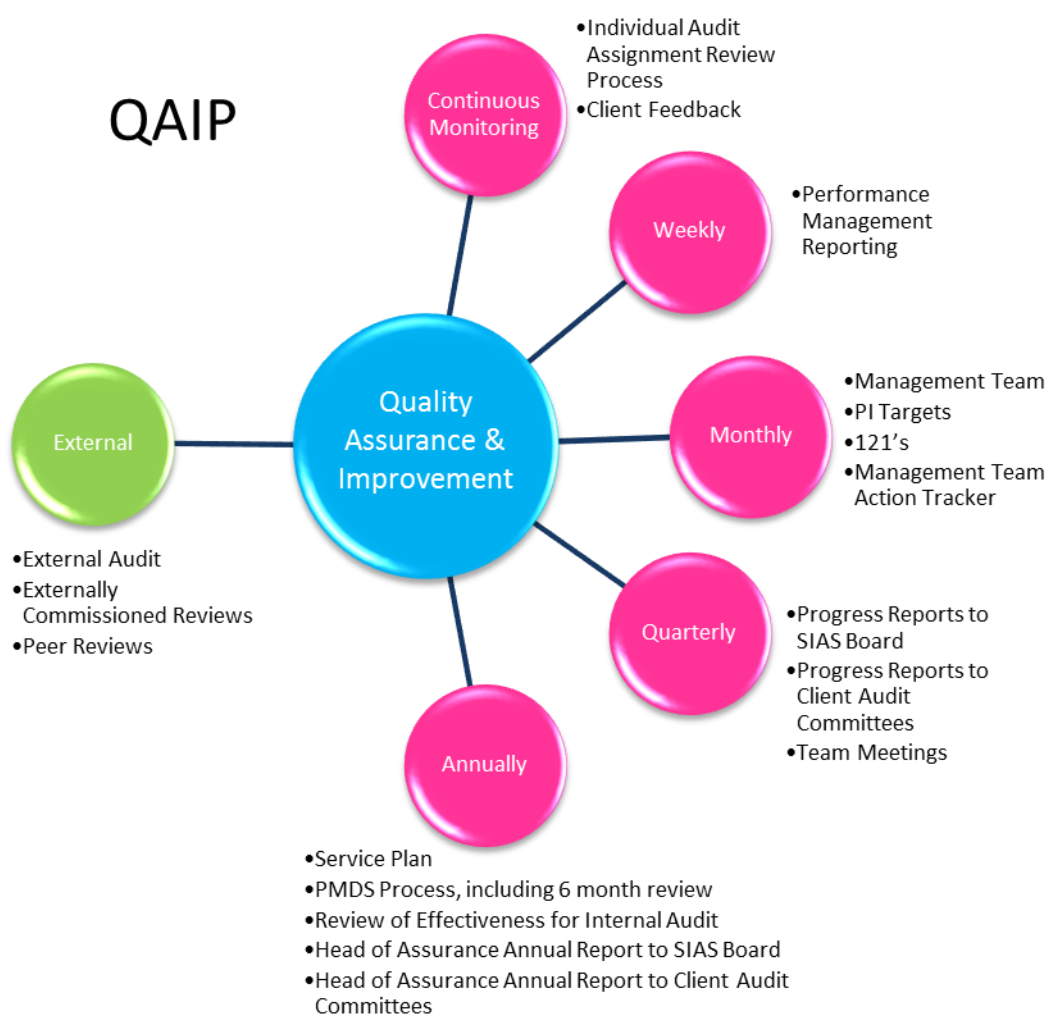
#### *Review of effectiveness*

- 2.3 The CAE must confirm annually that the internal audit function is suitably qualified to carry out the work that informs the assurance opinion. This includes that the CAE maintains and enhance their own qualifications and competences. SIAS can confirm that the service is suitably resourced and qualified to undertake its work, including the qualifications and competences of the CAE.
- 2.4 As part of our Quality Assurance and Improvement Programme, an internal quality self-assessment was conducted to review our conformance with the Global Internal Audit Standards (GIAS).
- 2.5 The GIAS also requires that the SIAS be subject to an external quality assessment (EQA) at least once every five years. This should be conducted by a qualified, independent assessor or assessment team from outside the organisation. This review was completed in June 2021 (the previous review being undertaken in 2015/16), with the result of the assessment reported to the Finance, Audit and Risk Committee in December 2021. The next EQA is due in 2026/27 and SIAS will shortly be seeking to appoint assessors to undertake the future review.
- 2.6 Based on the results of the 2024/25 GIAS self-assessment, the CAE has concluded that SIAS 'generally conforms' with the GIAS (UK Public Sector).
- 2.7 The self-assessment identified one area of continued agreed non-conformance in relation to the role of the Board (Audit Committee) in the appointment, removal, performance management and remuneration of



the CAE, this reflecting the unique nature of a shared service or partnership arrangement. A further five areas were also highlighted within the self-assessment where, whilst we assessed SIAS as conforming to the GIAS, we will undertake further work during 2025/26 to improve the evidence held to demonstrate compliance.

- 2.8 A summary of the outcomes of the GIAS self-assessment are detailed in Appendix C. There are no significant deviations from these Standards, or the Public Sector Internal Audit Standards that were in place during 2024/25, which warrant inclusion in the Council's Annual Governance Statement.
- 2.9 The SIAS QAIP includes both internal and external monitoring and reporting to assess the efficiency and effectiveness of internal audit activity and identify opportunities for improvement. The diagram below details the methods used to monitor and report on these. Detailed information outlining activity in each area is contained in the SIAS Audit Manual.



*Confirmation of independence of internal audit and assurance on limitations*



2.10 The Head of Assurance confirms that during the year:

- a) No matters threatened SIAS's independence; and
- b) SIAS was not subject to any inappropriate scope or resource limitations.

Annual Assurance Statement for 2024/25

*Assurance opinion on internal control*

2.10 Based on the internal audit work undertaken at the Council in 2024/25, SIAS can provide the following opinion on the adequacy and effectiveness of the Council's control environment.



*Assurance opinion on Corporate Governance and Risk Management*

2.11 SIAS has concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice guidance on corporate governance. This conclusion is based on the work undertaken by the Council and reported in its draft Annual Governance Statement (AGS) for 2024/25 (most recent available), the AGS Action Plan Update 2024/25 and the specific coverage of governance and risk management arrangements related to the areas included within the approved internal audit plan.

**Chris Wood**  
**Chief Audit Executive (HCC Head of Assurance)**  
**May 2025**

### 3. Overview of Internal Audit Activity at the Council in 2024/25

- 3.1 This section summarises work undertaken at the Council by SIAS in 2024/25. It highlights any significant internal control matters and opportunities for improvement.
- 3.2 Appendix A shows the final position against the audit plan, assurance levels and the number of recommendations made. A summary of assurance levels and recommendation priorities is shown in the tables below (2023/24 data in brackets).

Assurance Level	Number of reports 2024/25 (2023/24 data in brackets)	Percentage of reports 2024/25 (2023/24 data in brackets)
Substantial	0 (1)	0% (13%)
Reasonable	9 (13)	42% (54%)
Limited	2 (3)	10% (4%)
No	0 (0)	0% (0%)
Not Assessed	6 (3)	28% (13%)
Unqualified	2 (3)	10% (13%)
Not Complete	2 (1)	10% (3%)
<b>Total</b>	<b>21 (24)</b>	<b>100% (100%)</b>

Recommendation Priority Level	Number of recommendations 2024/25 (2023/24 data in brackets)	Percentage of recommendations made 2024/25 (2023/24 data in brackets)
Critical	0 (0)	(0%)
High	7 (3)	12% (5%)
Medium	28 (39)	47% (63%)
Low / Advisory	25 (20)	41% (32%)
<b>Total</b>	<b>60 (62)</b>	<b>100% (100%)</b>

- 3.3 **The Reasonable overall assurance opinion** has been concluded from eleven audits where assurance opinions were provided. Nine received Reasonable assurance and two received Limited assurance. This generally indicates that the Council has satisfactory systems of internal control for a wide range of areas. Seven high priority recommendations and twenty-eight medium priority recommendation were made across these audits. Whilst the issues raised in the High priority recommendations and Limited assurance reports (see paragraph 3.7 to 3.9) are significant, the audit conclusions on their own are insufficient to reduce the overall annual assurance opinion for the Council.

- 3.4 There were six consultancy / advisory projects that provided consultancy advice on the planned control environment and had an assurance level of 'Not Assessed'. From these, there were fourteen medium priority recommendations raised and five low priority or advisory actions. Although these projects were not provided with an assurance opinion, the outcomes of the work nonetheless informed the overall assurance opinion for the Council.
- 3.5 Two further projects received Unqualified opinions and contributed to the overall assurance opinion. These were audits of charitable trust accounts run through the Council's bank accounts, both of which certified that the accompanying final accounts presented an accurate picture of the activities and transactions undertaken through the account and of the financial position at the end of the year.
- 3.6 Four audits (Emergency Planning, Estates, Project Management and Houses in Multiple Occupation) from 2023/24 which were not included in the overall assurance opinion for that year, have been included within the overall assurance opinion for 2024/25.

Critical and High Priority Recommendations

- 3.7 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 made. It is Internal Audit's responsibility to advise Members of progress on the implementation of critical and high priority recommendations; it is the responsibility of Officers to implement the recommendations by the agreed date.
- 3.8 Seven high priority recommendations were made within work carried out during 2024/25, these arising from the Houses in Multiple Occupation, Estates and Churchgate Project Assurance audits. Finance, Audit and Risk Committee Members have received copies of these final audit reports and will continue to receive updates on the implementation progress of critical and high priority recommendations through the SIAS quarterly progress reports to the Committee.
- 3.9 The implementation status of seven high priority recommendations against their original due date was reported as part of the SIAS Progress Update reports to the Finance, Audit and Risk (FAR) Committee during 2024/25. Management assurance to FAR Committee on implementation of the recommendations has contributed to the overall assurance opinion contained in this report. A summary is provided below:

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North Herts Council**

<b>Audit Title</b>	<b>No. and description of high priority recommendations made</b>	<b>Implementation status</b>
Houses in Multiple Occupation	<p>4 – HMO Policies, Procedures, Guidance and Evidence Requirements</p> <p>Consulting with the Fire Officer</p> <p>Consultation Period and Draft Notices of Intention to Issue HMO Licence</p> <p>Renewal of HMO Licences after Expiry</p>	All reported as fully implemented.
Estates	<p>2 – Property Management / Estates Database</p> <p>Backlog of Rent Reviews</p>	Reported as partially implemented in the last progress update to FAR Committee.
Churchgate Project Assurance (Embedded Assurance)	1 – Expiry of call-off Contract	Not yet due for implementation.

Assurance Mapping

- 3.10 Assurance mapping was completed in year based on the registered projects and risks in the Council Delivery Plan. It did not encompass all potential controls surrounding the projects and risks, rather the sources and levels of assurance and therefore should not be used as a comprehensive evaluation of all the Council's risk management activities. Assurance mapping entailed meetings with all Directors listed as owner for each project and risk, senior management working on the listed projects or managing the risks and the Council's Performance and Risk Officer who provided support and knowledge in each of the meetings.
- 3.11 Review of the assurance map for each project or risk indicated that there is a largely sound framework of assurance activities with several sources of good assurance across the three lines model. This reflects Internal Audits professional judgement and should not relieve management of responsibility for ensuring effective controls exist and risk management processes exist. This map should therefore be viewed as a part of the wider risk management framework rather than as a standalone evaluation of risk.

### Root Cause Analysis

- 3.12 Root cause analysis was implemented in year at the end of quarter 3 in 2024/25 as part of implementing the GIAS, along with a new internal audit report format. As a result of the consultancy work performed, 2023/24 carry forward projects and projects completed prior to the introduction of root cause analysis, only twenty-one of the sixty total recommendations had associated root causes determined.
- 3.13 A summary of root causes is provided in the table below demonstrating the possible root causes and the number of instances each cause was determined:

Root Causes	Number of Instances
Resources	4
Competencies & Training	0
Systems	1
Motivation & Incentives	0
Standards & Policies	2
Governance	5
Process & Procedures	4
Accountability	2
Assurance & Monitoring	3
<b>Total</b>	<b>21</b>

- 3.14 Due to the relatively small sample size and fairly even distribution of root causes, we have not been able to identify any specific themes of wider concern for the Council.

## 4. Performance of the Internal Audit Service in 2024/25

### Performance indicators

- 4.1 The table below compares SIAS's performance at the Council against the 2024/25 targets set by the SIAS Board.

Indicator	Target 2024/25	Actual to 31 March 2025	Actual to 27 May 2025
<b>1 SIAS Planned Days</b> – percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	<b>95%</b>	<b>94%</b> (245.5 / 260 days)	<b>95%</b> (247 / 260 days)
<b>2 SIAS Planned Projects</b> – percentage of actual completed	<b>90%</b>	<b>91%</b>	<b>91%</b>

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projects to draft report stage against planned completed projects by 31 <sup>st</sup> March 2025		(19 / 21 audit projects)	(19 / 21 audit projects)
<b>3 SIAS Planned Projects –</b> percentage of actual completed projects to final report stage against planned completed projects by the production of the Annual Report	<b>100%</b>	<b>48%</b> (10 / 21 audit projects)	<b>91%</b> (19 / 21 audit projects)
<b>4 Client Satisfaction –</b> percentage of client satisfaction questionnaires returned at 'satisfactory' level	<b>100%</b>	<b>100%</b> (3 / 3 received from 18 issued)	<b>100%</b> (3 / 3 received from 18 issued)
<b>5 Number of High and Critical Priority Audit Recommendations –</b> agreed as a percentage	<b>95%</b>	100% (6 of 6 made)	100% (6 of 6 made)
<b>6 Annual Plan –</b> prepared in time to present to the March meeting of Audit Committee. If there is no March meeting, then the Plan should be prepared for the first meeting of the financial year.	<b>Achieved</b>	Achieved	Approved in March 2025
<b>7 Head of Assurance's Annual Report –</b> presented at the first Audit Committee meeting of the financial year.	<b>Deadline Met</b>	Achieved	The 2023/24 Annual Report was presented to the June 2024 FAR Committee

Service Developments

4.2 During 2024/25, the main service and development activities for SIAS included:

- a) **Recruitment** – Despite operating in a challenging recruitment market, SIAS have achieved some success in filling our vacancies. Two Trainee Auditors were recruited in January 2025, and three Trainee Auditors were promoted to Auditor positions in November 2024 (two) and January 2025 (one) respectively.

- b) **Training and Development** – We continue to adopt our ‘grow your own strategy’ to provide the future talent for the Service and improve succession planning, in what remains a challenging recruitment market. Several members of the team have had a successful year in respect of progressing their professional qualifications. Two Auditors have recently completed their level 4 internal audit apprenticeship. A further four Auditors have passed their IA practitioner qualification. In addition to the professional training above, the SIAS management team continued to deliver a programme of lite bite training sessions linked to modern professional practice.
- c) **Commercial Strategy** – In 2023/24 the SIAS Partnership Board agreed to plans for growing the service through new business, this was driven by the need to minimise inflationary pressures for existing partners. SIAS secured their first new customer during 2024/25, with a further two new customers also secured for the 2025/26 financial year. Income generation targets are on track to be achieved. A key principle within the SIAS strategy is to ensure that growth is undertaken on an incremental basis to protect both the capacity and capabilities of SIAS to deliver our core assurance services to SIAS partners. This was achieved during 2024/25 with key performance indicators for SIAS partners being met. In respect of governance, clear delegation structures have been agreed in relation to decision making for assessing new opportunities and a suite of key performance indicators have been agreed which are reported to the SIAS Partnership Board on a quarterly basis to support oversight and challenge of delivery and rates of return.
- d) **Audit Practice** – as part of our continued work to adopt best practice from across the profession and to implement the new GIAS, our audit plans for 2024/25 included time allocations for the rolling out of new approaches to obtaining and providing assurance. This included assurance mapping and embedded (or continuous) assurance. A new audit report template was also developed and rolled out, including the new GIAS requirement to analyse the Root Cause of findings.

## **5. Audit Charter 2025/26**

- 5.1 The GIAS require a local authority to formally adopt an Audit Charter which covers the authority and responsibility for an internal audit function.
- 5.2 The SIAS Audit Charter sets out the framework within which it discharges its internal audit responsibilities to those charged with governance in the partner councils. It details the permanent arrangements for internal audit and key governance roles and responsibilities to ensure the effectiveness of internal audit provision.
- 5.3 The Audit Charter is reviewed annually. Amendments were made in May 2024 to align the Audit Charter with the GIAS (Public Sector). The review in May 2025 resulted in amendments to paragraphs 6.1 and 6.3. The 2025/26 Charter is attached at Appendix D.



## APPENDIX A – FINAL POSITION AGAINST THE 2024/25 INTERNAL AUDIT PLAN

### North Herts Council Audit Plan – 2024/25

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
<b>General Audits</b>							
Churchgate - Project Assurance	Reasonable	0	1	0	2	12	Final Report Issued*
LA Trading Companies	Reasonable	0	0	0	5	12	Final Report Issued
Training, Awareness and Induction	Reasonable	0	0	2	1	10	Final Report Issued*
Operational Building Compliance	Reasonable	0	0	1	1	10	Final Report Issued*
Purchasing Cards	Reasonable	0	0	2	2	10	Final Report Issued
Public Sector Decarbonisation Scheme (Salix Grant) (Embedded Assurance)	Reasonable	0	0	1	5	14	Final Report Issued
New Finance System	Not Complete	-	-	-	-	10	In Fieldwork
Homelessness	Not Complete	-	-	-	-	10	In Planning
<b>Grant Claims / Charity Certifications</b>							
Grant / Charity Audits		-	-	-	-	2	Days reallocated to charity certifications
Workman's Hall	Unqualified	-	-	-	-	1.5	Final Report Issued
King George V Playing Fields	Unqualified	-	-	-	-	1.5	Final Report Issued
<b>IT Audits</b>							



## APPENDIX A – FINAL POSITION AGAINST THE 2024/25 INTERNAL AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
Cyber Governance and Culture	Reasonable	0	0	2	0	11	Final Report Issued*
Supply Chain Management	Reasonable	0	0	2	0	11	Final Report Issued*
<b>Consultancy Assignments / Assurance Mapping</b>							
Equality, Diversity and Inclusion Maturity Assessment	Not Assessed***	0	0	2	1	20	Final Report Issued*
FAR Committee Review	Not Assessed***	0	0	3	1	11	Final Report Issued
Assurance Mapping	Not Assessed***	0	0	2	0	28	Final Report Issued*
Green Waste Reconciliation	Not Assessed***	0	0	4	0	5	Final Report Issued*
Performance Indicators	Not Assessed***	0	0	0	3	12	Final Report Issued*
<b>Contingency</b>							
Contingency	-	-	-	-	-	0	
<b>Client Management – Strategic Support</b>							
Chief Audit Executive Annual Opinion Report	-	-	-	-	-	3	Complete
Audit Committee	-	-	-	-	-	8	Complete
Performance Monitoring	-	-	-	-	-	8	Complete

## APPENDIX A – FINAL POSITION AGAINST THE 2024/25 INTERNAL AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
Client Liaison	-	-	-	-	-	6	Complete
Audit Planning 2025/26	-	-	-	-	-	8	Complete
SIAS Development	-	-	-	-	-	5	Complete
<b>2023/24 Projects Requiring Completion</b>							
Emergency Planning	Reasonable	0	0	0	1	5	Final Report Issued
Estates	Limited	0	2	1	0	8	Final Report Issued
Project Management	Not Assessed***	0	0	2	0	8	Final Report Issued
Houses in Multiple Occupation	Limited	0	4	4	3	8	Final Report Issued
<b>Total</b>		<b>0</b>	<b>7</b>	<b>28</b>	<b>25</b>	<b>260</b>	

\* At Draft Report stage on 31 March 2025, Final Report issued after year end.

\*\* Draft Report issued after year end










\*\*\* Not Assessed means an assurance opinion was not required based on the nature of the consultancy work being performed.

Key to Recommendation Priority Levels: C = Critical priority recommendations; H = High priority recommendations; M = Medium priority recommendations; LA = Low/Advisory priority recommendations.

## APPENDIX B – DEFINITIONS OF ASSURANCE AND RECOMMENDATION PRIORITY LEVELS 2024/25

Audit Opinions		
Assurance Level		Definition
Assurance Reviews		
<b>Substantial</b>		A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable</b>		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.
<b>Limited</b>		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.
<b>No</b>		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.
<b>Not Assessed</b>		This opinion is used in relation to consultancy or embedded assurance activities, where the nature of the work is to provide support and advice to management and is not of a sufficient depth to provide an opinion on the adequacy of governance or internal control arrangements. Recommendations will however be made where required to support system or process improvements.
Grant / Funding Certification Reviews		
<b>Unqualified</b>		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.
<b>Qualified</b>		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.
<b>Disclaimer Opinion</b>		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.
<b>Adverse Opinion</b>		Based on the significance of the matters included within the report, the Council have not complied with the funding conditions associated with the funding received.
Recommendation Priority Levels		
Priority Level		Definition
<b>Corporate</b>	<b>Critical</b>	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.
<b>Service</b>	<b>High</b>	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.
	<b>Medium</b>	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.
	<b>Low</b>	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 C – DEFINITIONS OF ROOT CAUSE ANALYSIS 2024/25

Root Cause	Icon	Definition
<b>Resources</b>		The extent to which the service has sufficient, capable resources, enabling it to carry out all aspects of its operational duties efficiently and effectively.
<b>Competencies &amp; Training</b>		The extent to which staff are appropriately qualified, trained or experienced to carry out their role.
<b>Systems</b>		The extent to which systems are fit-for-purpose and support the service to carry out its operations effectively.
<b>Motivation &amp; Incentives</b>		The extent to which factors such as organisational or personnel change have impacted on staff desire to carry out their role efficiently and effectively.
<b>Standards &amp; Policies</b>		The extent to which expected standards have been made clear to staff and the necessary policies are in place to support these standards.
<b>Governance</b>		The extent to which the service is governed by a clear structure that sets out the roles and responsibilities of officers, and the service is supported by appropriate risk management and control systems.
<b>Process &amp; Procedures</b>		The extent to which established processes are operating effectively and are supported by defined procedures.
<b>Accountability</b>		The extent to which roles and responsibilities for decision-making have been defined and are accepted and acted on by all parties.
<b>Assurance &amp; Monitoring</b>		The extent to which internal and/or external checking controls exist to monitor the effectiveness of, and provide assurance to, the service.

## APPENDIX D – POSITION AGAINST GLOBAL INTERNAL AUDIT STANDARDS AT MAY 2025 – ACTION PLAN

During 2024/25 all areas apart from those identified below were conforming.

Domain	Standard	Requirement (Summary or relevant extract)	Self- Assessment Outcome	Commentary	Action Proposed	Target Date
II	2.1 – Individual Objectivity	Professional objectivity requires internal auditors to apply an impartial and unbiased mindset and make judgments based on balanced assessments of all relevant circumstances. Internal auditors must be aware of and manage potential biases.	Improvement in documentation to evidence conformance	All SIAS staff complete annual conflicts of interest declarations, those team members completing professional studies have exposure to objectivity requirements and our Internal Audit Charter has the required section on objectivity.	A specific training session on impairments to objectivity will be included within the SIAS Lite Bite training schedule for team members.	August 2025
				However further training could be provided to staff to increase awareness of wider impairments to objectivity. In addition, assessments to review any potential impairments at the outset of an audit basis could be improved.	Audit working papers will be updated to include a requirement for the auditor assigned to confirm that they do not have any conflicts of interest or impairments in relation to the area of audit.	
II	5.2 – Protection of Information	Internal auditors must be aware of their responsibilities for protecting information and demonstrate respect for the confidentiality, privacy, and ownership of information acquired when performing internal audit services or as	Improvement in documentation to evidence conformance	SIAS team members are made aware of the importance of protecting the confidentiality and privacy of information throughout induction and during training sessions. Whilst all SIAS staff are required to follow the host authority's Code of Conduct and Data Protection guidance, the introduction	All existing SIAS staff and any new employees will be required to complete a declaration to confirm that they understand their responsibilities for protecting information and maintaining confidentiality.	August 2025

## APPENDIX D – POSITION AGAINST GLOBAL INTERNAL AUDIT STANDARDS AT MAY 2025 – ACTION PLAN

Domain	Standard	Requirement (Summary or relevant extract)	Self- Assessment Outcome	Commentary	Action Proposed	Target Date
		the result of professional relationships.		of a declaration for completion at the outset of employment would add further strength to existing arrangements. Our Internal Audit Charter has the required section on confidentiality.		
III Page 34	7.1 – Organisational Independence	<p>Board Authorise the appointment and removal of the chief audit executive. Provide input to senior management to support the performance evaluation and remuneration of the chief audit executive.</p> <p>Senior Management • Provide input to the board on the appointment and removal of the chief audit executive. • Solicit input from the board on the performance evaluation and remuneration of the chief audit executive.</p>	Current Intentional Non- Conformance	<p>The Executive Director of Resources, Director of Finance and Director of Law and Governance, in consultation with the Board of the Shared Internal Audit Service, approves decisions relating to the appointment and removal of the CAE for HCC.</p> <p>This is as provided for in the governance of the Shared Internal Audit Service.</p>	As part of the Client Audit Manager's annual performance appraisal, the Chief Executive and Chair of the Audit Committee will be invited to provide input to the process.	March 2026
III	8.4 – External Quality	Board	Not assessed as not yet due -	Currently, the arrangements for the oversight of the required five-yearly	Alongside applying the new GIAS and Application Note:	To be confirmed

## APPENDIX D – POSITION AGAINST GLOBAL INTERNAL AUDIT STANDARDS AT MAY 2025 – ACTION PLAN

Domain	Standard	Requirement (Summary or relevant extract)	Self- Assessment Outcome	Commentary	Action Proposed	Target Date
Page 35	Assessment (EQA)	<ul style="list-style-type: none"> <li>• Discuss with the CAE the plans to have an EQA of the Internal audit function conducted by an independent, qualified assessor or assessment team.</li> <li>• Collaborate with senior management and the chief audit executive to determine the scope and frequency of the EQA.</li> <li>• Review and approve the CAE's plan for the performance of an EQA.</li> <li>• Require receipt of the complete results of the EQA or self-assessment with independent validation directly from the assessor.</li> <li>• Review and approve the CAE's action plans to address identified deficiencies and opportunities for improvement.</li> <li>• Approve a timeline for completion of the action</li> </ul>	seeking further guidance and clarification.	<p>EQA, including all approvals, commissioning, outcomes and completion of resulting actions are managed by SIAS and overseen by the SIAS Board, as the best way of managing the process within our shared services arrangements. There were brief updates to all our individual partner Audit Committees on the pending 2021 EQA, as well as reporting on the outcomes of the last EQA within the SIAS progress reports.</p>	<p>GIAS in the UK Public Sector within our shared service arrangements, we are cognisant of CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government.</p> <p>Subject to any clarification from CIPFA, we will look to share the plan for the next EQA due in 2026 with our partner Audit Committees, including the scope, options and suggested timing, as well as the SIAS Board's agreement on assessor and method of assessment.</p> <p>We will also share the results of the assessment, the chief audit executives action plan to address any recommendations and updates on implementation of recommendations. The SIAS Board will continue to provide the overarching</p>	

## APPENDIX D – POSITION AGAINST GLOBAL INTERNAL AUDIT STANDARDS AT MAY 2025 – ACTION PLAN

Domain	Standard	Requirement (Summary or relevant extract)	Self- Assessment Outcome	Commentary	Action Proposed	Target Date
		plans and monitor the CAE's progress.			monitoring and oversight of these.	
V	15 - Communicate Engagement Results and Monitor Action Plans	If the engagement is not conducted in conformance with the Standards, the final engagement communication must disclose the following details about the non-conformance: <ul style="list-style-type: none"> <li>• Standard(s) with which conformance was not achieved.</li> <li>• Reason(s) for non-conformance.</li> <li>• Impact of nonconformance on the engagement findings and conclusions.</li> </ul>	Improvement in documentation to evidence conformance	Internal audit reports currently include references to issues that may have impacted on coverage, where these limit the ability to provide an assurance opinion on areas included within the Terms of Reference. However, the existing audit report template would benefit from an optional section to include should any engagement not be conducted in conformance with the GIAS.	A standard section, to provide details where engagements are not conducted in accordance with standards, will be created and made available for inserting into the SIAS audit report template in the exceptional instances where it is required.	August 2025
II to V	General	Audit Manual	Improvement in documentation to evidence conformance	The GIAS reference key requirements in relation to the structure, approach and documentation of the audit function and process. Whilst we are satisfied that the key elements are followed in practice, the SIAS Audit Manual requires updating to ensure that these are fully referenced.	During 2025/26, the SIAS Audit Manual will be updated to ensure that it fully details the structures, systems and processes that SIAS has in place to comply with the GIASs.	March 2026





## SIAS Audit Charter 2025/2026

### 1. Introduction and Purpose

- 1.1. Internal auditing is an independent and objective assurance and consulting activity. It is guided by a philosophy of adding value to the operations of an organisation. It assists a council in achieving its objectives and ultimately provides assurance to the public by systematically evaluating and improving the effectiveness and efficiency of risk management, control, and governance processes.
- 1.2. The purpose of the Shared Internal Audit Service (SIAS) is to provide independent, objective assurance and consulting services designed to add value and improve client operations. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. SIAS helps clients accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

### 2. Statutory Basis of Internal Audit

- 2.1. Local government is statutorily required to have an internal audit function. The Accounts and Audit Regulations 2015 require that 'a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
- 2.2. In addition, a council's Chief Finance Officer has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority's financial affairs. To fulfil this requirement, the S151 Officer relies, amongst other sources, upon the work of internal audit.
- 2.3. The above provides the mandate for the provision of an Internal Audit function within each SIAS partner in accordance with the Global Internal Audit Standards.

### 3. Role

- 3.1. SIAS internal audit activity is overseen by North Herts Council's Finance, Audit and Risk Committee. It is charged with fulfilling audit committee responsibilities and is herewith referred to as the Audit Committee. As part of its oversight role, the Audit Committee is responsible for defining the responsibilities of SIAS via this Charter.

- 3.2. SIAS may undertake additional consultancy activity requested by management. The Head of Assurance will determine such activity on a case-by-case basis, assessing the skills and resources available. Significant additional consultancy activity not already included in the Internal Audit Plan will only be accepted and carried out following consultation with the Finance, Audit and Risk Committee.

### 4. Professionalism

- 4.1. SIAS commits to adhering to the Global Internal Audit Standards (GIAS). They set out the fundamental requirements for the professional practice of internal auditing and include the Purpose of Internal Auditing, Ethics & Professionalism, Governing the Internal Audit Function, Managing the Internal Audit Function and Performing Internal Audit Services.
- 4.2. SIAS also recognises the Mission of Internal Audit as identified within the IPPF, 'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight' and the Core Principles for the Professional Practice of Internal Auditing, which demonstrate an effective internal audit function, achieving internal audit's mission.
- 4.3. SIAS operations are guided by its operating procedures manual as well as applicable, Chartered Institute of Internal Auditors (CIIA) and Chartered Institute of Public Finance and Accountancy (CIPFA) Position Papers, Practice Advisories and Guides, and relevant council policies and procedures, including compliance with the Bribery Act 2010.
- 4.4. Should non-conformance with the GIAS be identified, the Head of Assurance will investigate and disclose, in advance, if possible, the exact nature of the non-conformance, the reasons for it and, if applicable, its impact on a specific engagement or engagement outcome.

### 5. Authority and Confidentiality

- 5.1. Internal auditors are authorised full, free, and unrestricted access to all a client's records, physical property, and personnel as necessary to fulfil the internal audit mandate. All client employees are requested to assist SIAS in fulfilling its roles and responsibilities. Information obtained during an engagement is safeguarded and confidentiality respected in accordance with the Council's GDPR and information security policies.
- 5.2. Internal auditors will only use information obtained to complete an engagement. It will not be used in a manner that would be contrary to the law, for personal gain, or detrimental to the legitimate and ethical objectives of the client organisation(s). Internal auditors will disclose all material facts known, which if not disclosed could distort a report or conceal unlawful practice.

### 6. Organisation

- 6.1. The Head of Assurance and their representatives have free and unrestricted direct access to the S151 Officer; the Monitoring Officer; the Chief Executive; the Audit Committee Chair; the Leader of the Council and the Council's External Auditor. The

Head of Assurance will communicate with all the above parties at both committee meetings and between meetings as appropriate.

- 6.2. The Chair of the Finance, Audit and Risk Committee has free and unrestricted direct access to the Head of Assurance.
- 6.3. The Head of Assurance is line managed by the host authority's Director of Law and Governance (HCC). The Executive Director of Resources, Director of Law and Governance, and Director of Finance approves all decisions regarding the appointment, or removal of the Head of Assurance, in consultation with the SIAS Board. Each client's Section 151 Officer is asked to contribute to the annual appraisal of the Head of Assurance.

### 7. Stakeholders

The following groups are defined as stakeholders of SIAS:

- 7.1. The Head of Assurance, working with the Head of SIAS, are both suitably experienced and qualified (CCAB and / or CMIIA), is responsible for:
  - hiring, remunerating, appraising, and developing SIAS staff in accordance with the host authority's HR guidance
  - maintaining up-to-date job descriptions which reflect the roles, responsibilities, skills, qualifications, and attributes required of SIAS staff
  - ensuring that SIAS staff possess or obtain the skills, knowledge, and competencies (including ethical practice) needed to effectively perform SIAS engagements
  - seeking approval from the SIAS Board for the level of human resources and finance required for SIAS to deliver services in accordance with its mandate
- 7.2. The Finance, Audit and Risk Committee is responsible for overseeing the effectiveness of SIAS and holding the Head of Assurance to account for delivery. This is achieved through the approval of the annual audit plan, approval of performance targets set by the SIAS Board and receipt of regular reports. The Committee should champion the internal audit function to enable it to fulfil the purpose of internal auditing and pursue its strategy and objectives.
- 7.3. The Finance, Audit and Risk Committee is also responsible for the effectiveness of the governance, risk, and control environment within the Council, holding operational managers to account for its delivery.
- 7.4. Where stated in its Terms of Reference, the Finance, Audit and Risk Committee provides an annual report to the Council detailing the Committee's activities through the year. In addition, and as required, the Committee ensures that there is appropriate communication of, and involvement in, internal audit matters from the wider publicly elected Member body.
- 7.5. The Head of Assurance is responsible for ensuring that the outcome of all final Internal Audit reports is reported to all members of the Finance, Audit and Risk Committee in a format agreed with these relevant parties.

- 7.6. Senior Management, defined as the Head of Paid Service, Chief Officers, and their direct reports, are responsible for helping shape the programme of assurance work. This is achieved through analysis and review of key risks to achieving the Council's objectives and priorities. Senior Management should also support recognition of the internal audit function throughout the organisation, and in providing full, free, and unrestricted access to all a client's records, physical property, and personnel as necessary to fulfil the internal audit mandate.
- 7.7. The SIAS Board is the governance group charged with monitoring and reviewing the overall operation of SIAS, with SIAS reporting key information to the Finance, Audit and Risk Committee within progress and annual reports, including:
- resourcing and financial performance
  - operational effectiveness through the monitoring performance indicators
  - any restrictions on internal audit scope, access, authority, or resources limiting the ability to carry out its responsibilities effectively.
  - the overall strategic direction of the shared service.
8. Independence and Objectivity
- 8.1. No element in the organisation should interfere with audit selection, scope, procedures, frequency, timing, or report content. This is necessary to ensure that internal audit maintains the necessary level of independence and objectivity.
- 8.2. As well as being impartial and unbiased, internal auditors will have no direct operational responsibility or authority over any activity audited. They will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that might impair their judgment.
- 8.3. When asked to undertake any additional roles/responsibilities outside internal auditing, the Head of Assurance will highlight to the Finance, Audit and Risk Committee any potential or perceived impairment to independence and objectivity having regard to the principles contained within the GIAS Code of Ethics as well as any relevant requirements set out in other professional bodies to which the Head of Assurance may belong. The Finance, Audit and Risk Committee will approve and periodically review any safeguards put in place to limit any impairments to independence and objectivity.
- 8.4. Where SIAS has been required to provide assurance to other partnership organisations, or arm's length bodies such as trading companies, the Head of Assurance will ensure that the risks of doing so are managed effectively, having regard to the Head of SIAS's primary responsibility to the management of the partners for which they are engaged to provide internal audit services.
- 8.5. The Head of Assurance will confirm to the Finance, Audit and Risk Committee, at least annually, the organisational independence of SIAS.
9. Conflicts of Interest
- 9.1. Internal auditors will exhibit clear professional objectivity when gathering, evaluating, and communicating engagement information. When forming judgments, they will make a balanced assessment of all relevant circumstances and not be influenced by their own interests or the views and interests of others.

- 9.2. Each auditor will comply with the ethical requirements of his/her professional body and proactively declare any potential conflict of interest, whether actual or apparent, prior to the start of an engagement.
- 9.3. All auditors sign an annual declaration of interest to ensure that the allocation of work avoids conflict of interest. Auditors who undertake consultancy work or are new to the team will be prohibited from auditing in those areas where they have worked in the past year. Audits are rotated within the team to avoid over-familiarity and complacency.
- 9.4. SIAS procures an arrangement with an external delivery partner to provide service resilience, i.e., additional internal audit days on request. The external delivery partner will be used to deliver engagements as directed by the Head of Assurance in particular providing advice and assistance where SIAS staff lack the required skills or knowledge. The external delivery partner will also be used to assist with management of potential and actual conflicts of interest in internal audit engagements, providing appropriate independence and objectivity as required.
- 9.5. In the event of a real or apparent impairment of independence or objectivity, (acceptance of gifts, hospitality, inducements, or other benefits) the Head of Assurance will investigate and report on the matter to appropriate parties.
- 9.6. Hertfordshire County Council's Head of Assurance not only leads and has overall management responsibility for SIAS, but also the similarly constituted Shared Anti-Fraud Service (SAFS).
- 9.7. Given that SIAS will potentially undertake internal audit activity in relation to SAFS, this relationship is formally disclosed, and appropriate safeguards will be put in place against any potential impairment to independence. The Head of SIAS will manage the internal audit engagement of this service and report findings directly to the Head of Finance in their capacity as S151 Officer.
10. Responsibility and Scope
- 10.1. The scope of SIAS encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes (as they relate to the organisation's priorities and objectives) and the promotion of appropriate ethics and values.
- 10.2. Internal control and risk management objectives considered by internal audit extend to the organisation's entire control and risk management environment and include:
- consistency of operations or programs with established objectives and goals, and effective performance
  - effectiveness and efficiency of governance, operations, and employment of resources
  - compliance with significant policies, plans, procedures, laws, and regulations
  - design, reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information
  - safeguarding of assets

- 10.3. SIAS is well placed to provide advice and support on emerging risks and controls and will, if requested, deliver consulting and advisory services, or evaluate specific operations.
- 10.4. SIAS is responsible for reporting to the Finance, Audit and Risk Committee and senior management, significant risk exposures (including those to fraud addressed in conjunction with the SAFS), control and governance issues and other matters that emerge from an engagement.
- 10.5. Engagements are allocated to (an) internal auditor(s) with the appropriate skills, experience, and competence. The auditor is then responsible for carrying out the work in accordance with the SIAS Operating Procedures Manual, and must consider the relevant elements of internal control, the needs and expectations of clients, the extent of work required to meet the engagement's objectives, its cost effectiveness, and the probability of significant error or non-compliance.
- 11. Role in Anti-Fraud
  - 11.1. The SIAS work programme, designed in consultation with Senior Management, the Finance, Audit and Risk Committee and seeks to provide assurance on how the council manages the fraud risks to which it is exposed.
  - 11.2. SIAS must have sufficient knowledge to evaluate the risk of fraud and the way it is managed by the Council but are not expected to have the expertise of a person or team whose primary responsibility is detecting and investigating fraud.
  - 11.3. SIAS will exercise due professional care by considering the probability of significant errors, fraud, or non-compliance when developing audit scopes and objectives.
  - 11.4. North Herts Council is a partner of both SIAS and SAFS and benefits from collaboration and intelligence sharing between the teams. This informs both horizon scanning as part of the internal audit planning process and individual audit engagements.
  - 11.5. The Head of Assurance should be notified of all suspected or detected fraud, corruption, or impropriety so that the impact upon control arrangements can be evaluated.
- 12. Internal Audit Plan
  - 12.1. Following discussion with appropriate senior management, the Head of Assurance will submit a risk-based plan to the Finance, Audit and Risk Committee for review and approval. This will occur at least annually. The plan sets out the engagements agreed by Directors and subsequently the Section 151 Officer, and Senior Leadership Team collectively led by the Chief Executive and demonstrates the priorities of both SIAS (the need to produce an annual internal audit opinion) and those of the organisation. Also included will be any relevant declarations of interest.
  - 12.2. The plan will be accompanied by details of the risk assessment approach used and other assurance considered during the planning process. Also shown will be the timing of an engagement, its budget in days, details of any contingency for new or changed risks, time for planning and reporting and a contribution to the development of SIAS.



12.3. The plan will be subject to regular review in year and may be modified in response to changes in the organisation's business, risks, operations, programmes, systems, and controls. All significant changes to the approved internal audit plan will be communicated in the quarterly update reports.

### 13. Reporting and Monitoring

13.1. A draft written Terms of Reference will be prepared and issued to appropriate personnel at the start of an engagement. It will cover the intended objectives, scope and reporting mechanism and will be agreed with the client. Changes to the terms of reference during the engagement may occur and will be agreed following consultation with the client.

13.2. A report will be issued to management on completion of an engagement. It will include a reasoned opinion, details of the time and scope within which it was prepared, management's responses to specific risk prioritised findings and recommendations made and a timescale within which corrective action will be / has been taken. If recommended action is not to be taken, an explanation for this will also be included.

13.3. SIAS will follow-up the implementation of agreed recommendations in line with the protocol at each client. As appropriate, the outcomes of this work will be reported to the audit committee and may be used to inform the risk-based planning of future audit work. Should follow-up activity identify any significant error or omission, this will be communicated by the Head of Assurance to all relevant parties.

13.4. In consultation with senior management, the Head of Assurance will consider, on a risk-basis, any request made by external stakeholders for sight of an internal audit report.

13.5. Quarterly update reports to the Finance, Audit and Risk Committee will detail the results of each engagement, including significant risk exposures and control issues. In addition, an annual report will be produced giving an opinion on the overall control, governance, and risk management environment (and any other issues judged relevant to the preparation of the Annual Governance Statement) with a summary of the work that supports the opinion. The Head of Assurance will also make a statement of conformance with PSIAS, using the results of the annual self-assessment and Quality Assurance and Improvement Plan (QAIP) required by the PSIAS. The statement will detail the nature and reasons for any impairments, qualifications, or restrictions in scope for which the Committee should seek reassurances from management. Any improvement plans arising will be included in the annual report.

### 14. Periodic Assessment

14.1. GIAS require Hertfordshire County Council's Head of Assurance and the SIAS Board to arrange for an independent review of the effectiveness of internal audit undertaken by a suitably knowledgeable, qualified, and competent individual or organisation. This should occur at least every five years.

14.2. Hertfordshire County Council's Head of Assurance will ensure that continuous efforts are made to improve the efficiency, effectiveness, and quality of SIAS. These will include the Quality Assurance and Improvement Programme, client feedback,

appraisals, and shared learning with the external audit partner as well as coaching, supervision, and documented review.

- 14.3. A single review will be carried out to provide assurance to all SIAS partners with the outcomes included in the partner's Annual Report.

15. Review of the Audit Charter

- 15.1. The Head of Assurance will review this Charter annually and will present to the first Finance, Audit and Risk Committee meeting of each financial year, any changes for approval.

- 15.2. The Head of Assurance reviewed this Audit Charter in May 2025. It will next be reviewed in April 2026.

### Glossary of Terms

Audit Committee	<p>The GIAS defines the Audit Committee as “The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.”</p> <p>The Finance, Audit and Risk Committee operates in accordance with its terms of reference contained in North Herts Council's Constitution.</p> <p>CIPFA's <i>Audit Committees Practical Guidance for Local Authorities and Police 2022 Edition</i> indicates that for a local authority, it is best practice for the audit committee to report directly to full council rather than to another committee, as the council itself most closely matches the body of ‘those charged with governance’. This is the case at EHC.</p>
Audit Plan	<p>The programme of risk-based work carried out by the Shared Internal Audit Service (SIAS) on behalf of its clients.</p>
Board	<p>The GIAS defines the ‘Board’ as “The highest-level governing body (e.g., a board of directors, a supervisory board, or a board of governors or trustees) charged with the responsibility to direct and/or oversee the organisation's activities and hold senior management accountable. Although governance arrangements vary among jurisdictions and sectors, typically the board includes members who are not part of management. If a board does not exist, the word “board” in the Standards refers to a group or</p>



	<p>person charged with governance of the organisation. Furthermore, “board” in the Standards may refer to a committee or another body to which the governing body has delegated certain functions (e.g., an Audit Committee).</p> <p>For the purposes of the SIAS Audit Charter, the Board as referred to in the GIAS shall be North Herts Council’s Finance, Audit and Risk Committee. All references to the Audit Committee in the SIAS Audit Charter should be read in this context.</p>
Chief Audit Executive (CAE)	<p>The GIAS describes the role of CAE as “a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the mandatory elements of the International Professional Practices Framework. The CAE or others reporting to the CAE will have appropriate professional certifications and qualifications. The specific job title and/or responsibilities of the CAE may vary across organisations.”</p> <p>The CAE is fundamental to the success of the service and to the extent to which it complies with the Standards. Regular reference is made to this role throughout the GIAS, including some specific requirements relating to whoever is designated the role.</p> <p>For the purposes of the SIAS Audit Charter, the CAE as referred to in the GIAS shall be EHC’s-Client Audit Manager. All references to the Client Audit Manager in the SIAS Audit Charter should be read in this context.</p>
Global Internal Audit Standards	<p>The Standards guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function. At the heart of the Standards are 15 guiding principles that enable effective internal auditing.</p>
Management	<p>Operational officers of the Council responsible for creating corporate policy and organising, planning, controlling, and directing resources to achieve the objectives of that policy. Senior management is defined as the Head of Paid Service, Chief Officers, and their direct reports.</p>
Shared Internal Audit Service (SIAS)	<p>SIAS is a local authority partnership comprising Hertfordshire County Council (HCC) and seven Hertfordshire district and borough councils. SIAS</p>

	also provides internal audit services to a limited number of external clients. HCC is the host authority for the partnership and provides support services such as HR, technology, and accommodation.
SIAS Board	The Board that comprises officer representatives from the partner authorities and is responsible for the governance of the SIAS partnership.

Note:

For readability, the term ‘internal audit activity’ as used in the GIAS guidance has been replaced with ‘SIAS’ in this Charter.

# North Hertfordshire District Council

## Report to the Finance, Audit and Risk Committee

**DRAFT**

Indicative External Audit Plan & Strategy for the  
year ended 31 March 2025

28 May 2025

# 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 11 June 2025 to discuss our audit of the financial statements of North Hertfordshire District Council for the year ended 31 March 2025.

This report provides the Finance, Audit and Risk Committee with an opportunity to review our planned audit approach and scope for the 2024/25 audit. The audit is governed by the provisions of the Local Audit and Accountability Act 2014 and in compliance with the NAO's 2024/25 Code of Audit Practice, auditing standards and other professional requirements.

This report outlines our risk assessment and planned audit approach. Our planning activities are still ongoing and we will communicate any significant changes to the planned audit approach.

We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

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## The engagement team

Salma Younis (ACA) is the engagement director on the audit. She has over 20 years of industry experience.

Salma Younis shall lead the engagement and is responsible for the audit opinion.

Other key members of the engagement team include Henry Lau, Manager, and Marshal Ngwarai, Assistant Manager, with 6 years and 8 years of experience respectively.

Yours sincerely,

**Salma Younis,**  
**Director - KPMG LLP**

28 May 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 controls and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We depend on well planned timing of our audit work to avoid compromising the quality of the audit. This is also heavily dependent on receiving information from management and those charged with governance in a timely manner.

We aim to complete all audit work no later than 2 days before audit signing. As you are aware, we will not issue our audit opinion until we have completed all relevant procedures, including audit documentation.

We are committed to providing you with a high-quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Salma Younis ([salma.younis@kpmg.co.uk](mailto:salma.younis@kpmg.co.uk)), the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with the response, please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Tim Cutler ([tim.culter@kpmg.co.uk](mailto:tim.culter@kpmg.co.uk)). After this, if you are still dissatisfied with how your complaint has been handled you can raise your complaint as per the following process [Complaints](#).

# Impact of backstop on our audit

## Ongoing measures to resolve the backlog

As previously reported the Government has introduced measures to resolve the legacy local government financial reporting and audit backlog.

Last year amendments were made to the Accounts and Audit Regulations and NAO's Code of Audit Practice which 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 the Council this had the impact of our disclaimed audit opinion for 2022/23 financial year (as issued by the previous auditors). We issued a disclaimed audit opinion for 2023/24 on 20<sup>th</sup> February 2025 to comply with the backstop date relevant to our audit.

## Impact on our audit of the financial statements

As explained in previous reporting to the audit committee the level of rebuilding assurance related to the years prior to our appointment was limited in 2023/24. This was because we concluded there was insufficient time before the February 2025 backstop to complete our audit to obtain sufficient appropriate audit evidence, and, in our view, this was pervasive to the prior year financial statements as a whole.

The impact of the above means that for the financial year 2024/25 elements of the opening balances and 2023/24 comparatives are still impacted by previous disclaimers and as such our audit opinion is likely to be modified in relation to this matter.

Work is ongoing in the sector to develop guidance to help support appropriate audit procedures for audits where further work on is required to build back assurance.

## Value for Money

The amendments to the Accounts and Audit Regulations do not impact on our responsibilities in relation to the Authority's Value for Money arrangements. We are responsible for forming a view on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources and as such our work will proceed as normal.

# Overview of planned scope including materiality

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## Our materiality levels

We determined materiality for the Council financial statements at a level which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We used a benchmark of expenditure which we consider to be appropriate given the sector in which the entity operates, its ownership and financing structure, and the focus of users. We considered qualitative factors such as stability of legislation, lack of shareholders and limited debt arrangements when determining materiality for the financial statements as a whole.

To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of materiality (£1.1m / 65% of materiality) driven by our expectations of increased level of undetected or uncorrected misstatements in the period.

## We will report misstatements to the Finance, Audit and Risk Committee including:

- Corrected and uncorrected audit misstatements above £85k.
- Errors and omissions in disclosure (Corrected and uncorrected) and the effect that they, individually in aggregate, may have on our opinion.
- Other misstatements we include due to the nature of the item.

## Materiality

Materiality for the financial statements as a whole

£1.7m

2.5% of total expenditure  
(2023/24: £1.85m  
3% of total expenditure)

Performance Materiality

£1.1m

65% of materiality  
(2023/24: £1.2m)

Misstatements reported to the audit committee

£85k

(2023/24: £92.5k)

## Materiality

£1.7m

2.5% of Council's total 23/24 expenditure £68.3m

# Overview of planned scope including materiality (cont.)

## Timing of our audit and communications

- We will maintain communication led by the engagement partner and manager throughout the audit. We set out below the form, timing and general content of our planned communications:
- Kick-off meeting with management in April 2025 where we discussed management's progress in key areas;
- Finance, Audit and Risk Committee meeting on 11 June 2025\* where we present our final audit plan;
- Status meetings with management throughout the audit where we communicate progress on the audit plan, any misstatements, control deficiencies and significant issues;
- Closing meeting with management in December 2025\* where we discuss the auditor's report and any outstanding deliverables;
- Finance, Audit and Risk Committee meeting in February 2026\* where we communicate audit misstatements and significant control deficiencies; and
- Biannual private meetings can also be arranged with the Committee Chair if there is interest.

## Using the work of others and areas requiring specialised skill

We outline below where, in our planned audit response to audit risks, we expect to use the work of others such as Internal Audit or require specialised skill/knowledge to perform planned audit procedures and evaluate results.

Others	Extent of planned involvement or use of work
<b>Internal Audit</b>	We will review the reporting prepared by Internal Audit, however we do not plan to place any reliance on their work.
<b>KPMG Pensions Centre of Excellence (PCoE) and KPMG Actuaries</b>	We involve KPMG Pensions Centre of Excellence and KPMG Actuaries to assist the audit team in assessing the valuation of the Local Government Pension Scheme's gross liability. They will undertake all relevant procedures as outlined on page 9 and liaise directly with management.
<b>KPMG IT Audit Team</b>	We will involve KPMG specialist IT Auditors to undertake walkthroughs and document relevant processes and controls with regard to the Council's General ledger migration, IT environment and any automated controls which could impact on the financial statements audit.

\* Dates for issuing deliverables are preliminary and based on information available at planning. They are therefore subject to change.

# Significant risks, Higher assessed risks and Other audit risks

Our risk assessment draws upon our understanding of the applicable financial reporting framework, knowledge of the business, the sector 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 sector and internal audit reports.

Due to the current levels of uncertainty there is an increased likelihood of significant risks emerging throughout the audit cycle that are not identified (or in existence) at the time we planned our audit. Where such items are identified we will amend our audit approach accordingly and communicate this to the Finance, Audit and Risk Committee.

## Value for money

We are required to provide commentary on the arrangements in place for ensuring Value for Money is achieved at the Council and report on this via our Auditor's Annual Report. This will be published on the Council's website and include a commentary on our view of the appropriateness of the Council's arrangements against each of the three specified domains of Value for Money: financial sustainability; governance; and improving economy, efficiency and effectiveness.

Our risk assessment procedures are ongoing and we will report the findings at a later Committee meeting.

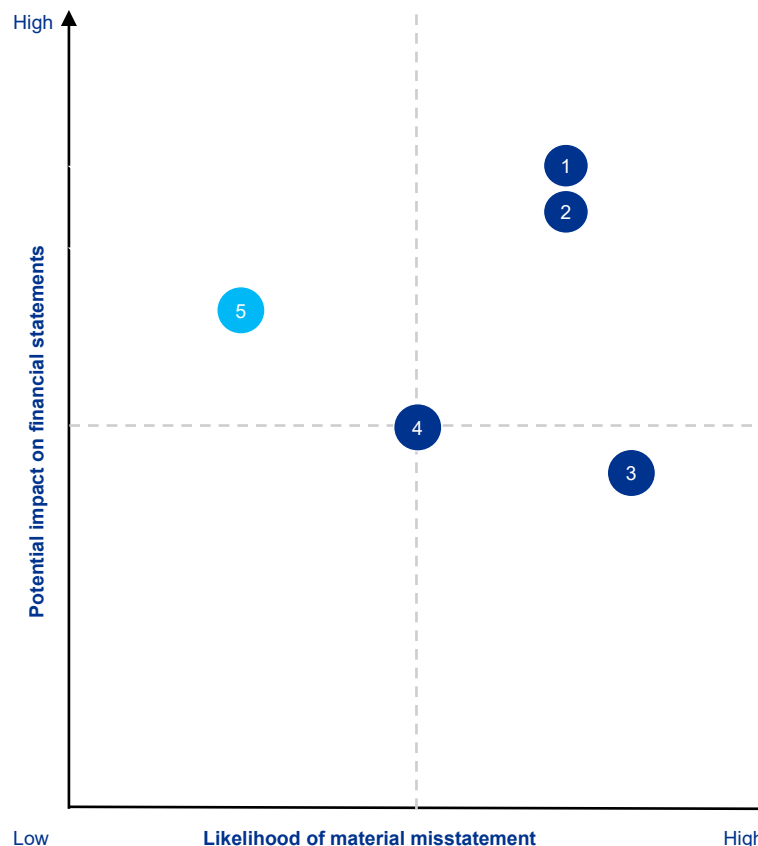
### Significant risks

1. Valuation of land and buildings
2. Valuation of investment property
3. Valuation of post retirement benefit obligations
4. Management override of controls

### Other audit risks

5. General ledger migration

Key: # Significant financial statement audit risks  
# Other audit risk





# Audit risks and our audit approach (cont.)

1

## Valuation of land and buildings

The carrying amount of revalued Land & Buildings differs materially from the fair value



### Significant audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five-year cycle.

This creates a risk that the carrying value of assets not revalued in year differs materially from the year end current value.

A further risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the engaged valuers (Lambert Smith Hampton for operational assets and Reynolds Butler for surplus assets).



### Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the valuation:

- We will critically assess the independence, objectivity and expertise of the valuers (Lambert Smith Hampton and Reynolds Butler) used in developing the valuation of the Council's properties at 31 March 2025;
- We will inspect the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We will review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised; and
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

# Audit risks and our audit approach (cont.)

2

## Valuation of investment property

The carrying amount of revalued investment property differs materially from the fair value



### Significant audit risk

The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property. The portfolio had a value of £26.8m as at 31 March 2024.

There is a risk that investment properties are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts are often engaged to undertake the valuations.



### Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the valuation:

- We will critically assess the independence, objectivity and expertise of the valuers (Lambert Smith Hampton and Reynolds Butler) used in developing the valuation of the Council's investment property as at 31 March 2025;
- We will inspect the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We will review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised; and
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

# Audit risks and our audit approach (cont.)

3

## Valuation of post retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation



### 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 Council.
- 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.



### Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the valuation:

- Understand the processes the Council has in place to set the assumptions used in the valuation;
- Evaluate the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Perform 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;
- Agree the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Evaluate 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;
- Challenge, 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;
- Confirm that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice;
- Consider the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions; and
- Where applicable, assess the level of surplus that should be recognised by the entity.

# Audit risks and our audit approach (cont.)

4

## Management override of controls(a)

Fraud risk related to unpredictable way management override of controls may occur



### Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.

*Note: (a) Significant risk that professional standards require us to assess in all cases.*



### Planned response

Our audit methodology incorporates the risk of management override as a default significant risk.

We will perform the following procedures designed to specifically address the significant risk associated with management override of controls:

- Assess accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias;
- Evaluate the selection and application of accounting policies;
- In line with our methodology, evaluate the design and implementation of controls over journal entries and post closing adjustments;
- Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates;
- Assess the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business, or are otherwise unusual; and
- We will analyse all journals through the year using data and analytics and focus our testing on those with a higher risk, such as journals impacting revenue, cash or borrowings.

# Audit risks and our audit approach (cont.)

5

## General Ledger Migration

The data migrated from the old to new general ledger system is incomplete or inaccurate



### Other audit risk

The Council migrated its general ledger software in August 2024.

This migration poses a risk of incomplete or inaccurate data having been migrated over and therefore a risk of there being inaccurate ledger balances and inaccurate preparation of the year-end financial statements.

As the timing of the migration was during the financial year, there is also an increased risk relating to the control environment as different processes will have been in operation before and after the migration.



### Planned response

We will perform the following procedures:

- We will understand and evaluate the design and implementation of controls in place around the migration to ensure the complete and accurate transfer of data;
- We will consider the impact the migration will have on our understanding of the business processes and perform additional risk assessment procedures to ensure that we have appropriately and sufficiently documented its impact;
- We will understand the changes to the IT environment and involve KPMG IT audit specialists where applicable;
- We will test the migration of data to ensure completeness and accuracy of the transferred data; and
- We will verify the accuracy of the opening trial balance of the new general ledger system and reconcile it to the closing trial balance of the old general ledger system to confirm that the ledger balances have accurately transferred across.

# Audit risks and our audit approach

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## Revenue – Rebuttal of Significant Risk

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. Due to the nature of the revenue within the sector we have rebutted this significant risk. We have set out the rationale for the rebuttal of key types of income in the table below.

Description of Income	Nature of Income	Rationale for Rebuttal
<b>Council tax</b>	This is the income received from local residents paid in accordance with an annual bill based on the banding of the property concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of properties in the area and the fixed price that is approved annually based on a band D property. We do not deem there to be any incentive or opportunity to manipulate the income.
<b>Business rates</b>	Revenue received from local businesses paid in accordance with an annual demand based on the rateable value of the business concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of businesses in the area and the fixed amount that is approved annually. We do not deem there to be any incentive or opportunity to manipulate the income.
<b>Fees and charges</b>	Revenue recognised from receipt of fixed fee services, in line with the fees and charges schedules agreed and approved annually.	The income stream represents high volume, low value sales, with simple recognition. Fees and charges values are agreed annually. We do not deem there to be any incentive or opportunity to materially manipulate the income.
<b>Grant income</b>	Predictable income receipted primarily from central government, including for housing benefits.	Grant income at a local authority typically involves a small number of high value items and an immaterial residual population. These high value items frequently have simple recognition criteria and can be traced easily to third party documentation, most often from central government source data. There is limited incentive or opportunity to manipulate these figures.

## Expenditure – rebuttal of Significant Risk

Practice Note 10 states that the risk of material misstatement due to fraudulent financial reporting may arise from the manipulation of expenditure recognition is required to be considered. Having considered the risk factors relevant to the Council and the nature of expenditure within the Council, we have determined that a significant risk relating to expenditure recognition is not required.

Specifically, the financial position of the Council, (whilst under pressure) is not indicative of a position that would provide an incentive to manipulate expenditure recognition, and the nature of expenditure has not identified any specific risk factors. In 2024/25, the Council are forecasting a deficit but has sufficient reserves.

# Mandatory communications - additional reporting

## Going concern

Under NAO guidance, including Practice Note 10 - A local authority's financial statements shall be prepared on a going concern basis; this is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganization) do not negate the presumption of going concern.






However, financial sustainability is a core area of focus for our Value for Money opinion.

## Additional reporting

Your audit is undertaken to comply with the Local Audit and Accountability Act 2014 which gives the NAO the responsibility to prepare an Audit Code (the Code), which places responsibilities in addition to those derived from audit standards on us. We also have responsibilities which come specifically from acting as a component auditor to the NAO. In considering these matters at the planning stage we indicate whether:

Work is completed throughout our audit and we can confirm the matters are progressing satisfactorily 	We have identified issues that we may need to report 	Work is completed at a later stage of our audit so we have nothing to report 
--	--	--

We have summarised the status of all these various requirements at the time of planning our audit below and will update you as our work progresses:

Type	Status	Response
Our declaration of independence		No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence.
Issue a report in the public interest		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 to date.
Provide a statement to the NAO on your consolidation schedule		This "Whole of Government Accounts" requirement is fulfilled when we complete any work required of us by the NAO to assist their audit of the consolidated accounts of DLUHC.
Provide a summary of risks of significant weakness in arrangements to provide value for money		We are required to report significant weaknesses in arrangements. Work to be completed at a later stage.
Certify the audit as complete		We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.

# Mandatory communications

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Type	Statements
<b>Management's responsibilities (and, where appropriate, those charged with governance)</b>	<p>Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error.</p> <p>Provide the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.</p>
<b>Auditor's responsibilities</b>	Our responsibilities set out through the NAO Code (communicated to you by the PSAA) and can be also found on their website, which include our responsibilities to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.
<b>Auditor's responsibilities – Fraud</b>	This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.
<b>Auditor's responsibilities – Other information</b>	Our responsibilities are communicated to you by the PSAA and can be also found on their website, which communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information.
<b>Independence</b>	Our independence confirmation at page 24 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm's independence and the integrity and objectivity of the audit engagement partner and audit staff.



# Value for money

## Our approach

# Value for money

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## Our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.

Our responsibility is to conclude on significant weaknesses in value for money arrangements.

The main output is a narrative on each of the three domains, summarising the work performed, any significant weaknesses and any recommendations for improvement.

We have set out the key methodology and reporting requirements on this slide and provided an overview of the process and reporting on the following page.

## Risk assessment processes

Our responsibility is to assess whether there are any significant weaknesses in the Council's arrangements to secure value for money. Our risk assessment will consider whether there are any significant risks that the Council does not have appropriate arrangements in place.

In undertaking our risk assessment we will be required to obtain an understanding of the key processes the Council has in place to ensure this, including financial management, risk management and partnership working arrangements. We will complete this through review of the Council's documentation in these areas and performing inquiries of management as well as reviewing reports, such as internal audit assessments.

## Reporting

Our approach to value for money reporting aligns to the NAO guidance and includes:

- A summary of our commentary on the arrangements in place against each of the three value for money criteria, setting out our view of the arrangements in place compared to industry standards;
- A summary of any further work undertaken against identified significant risks and the findings from this work; and
- Recommendations raised as a result of any significant weaknesses identified and follow up of previous recommendations.

The Council will be required to publish the commentary on its website at the same time as publishing its annual report online.

### Financial sustainability

*How the body manages its resources to ensure it can continue to deliver its services.*

### Governance

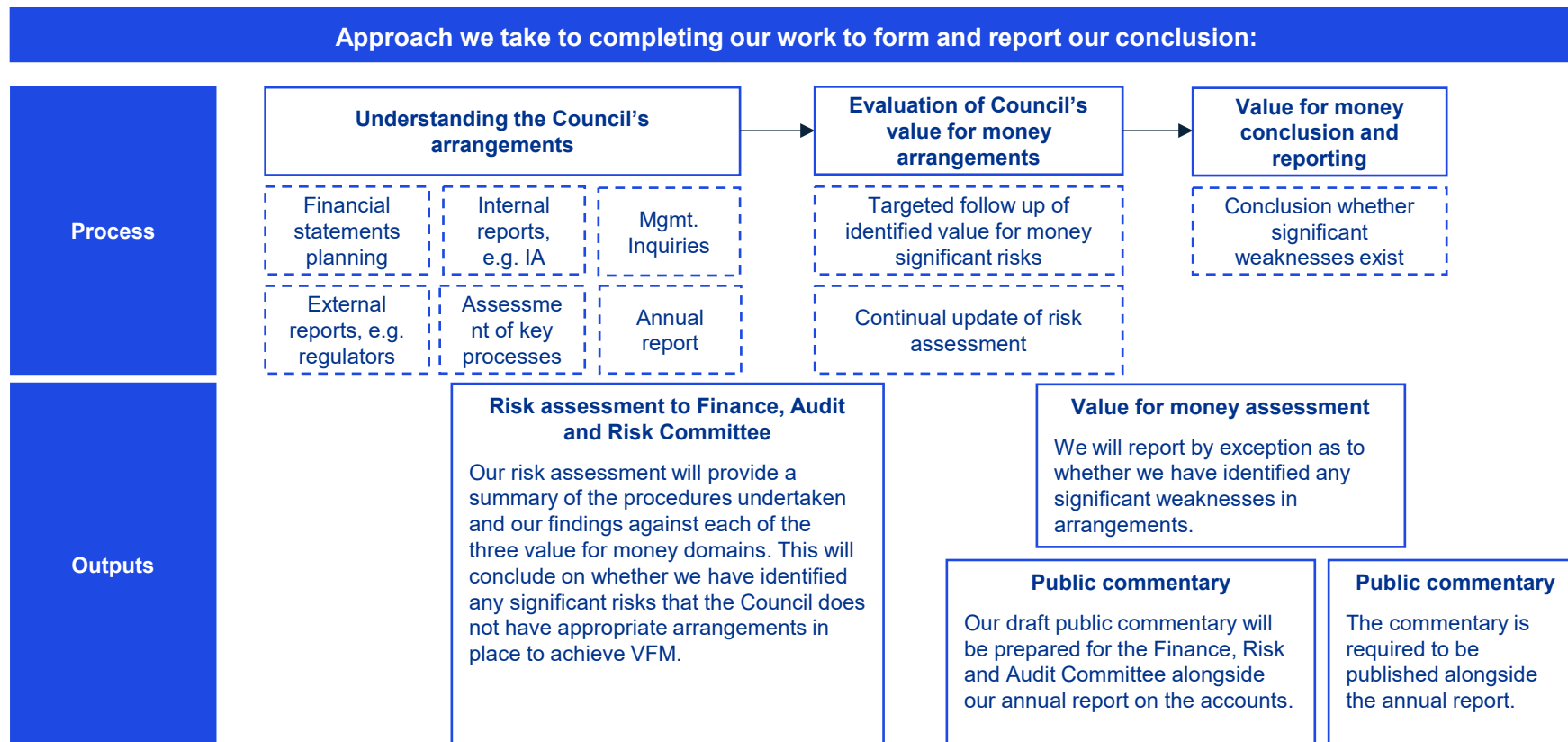
*How the body ensures that it makes informed decisions and properly manages its risks.*

### Improving economy, efficiency and effectiveness

*How the body uses information about its costs and performance to improve the way it manages and delivers its services.*

# Value for money

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Our risk assessment procedures are ongoing and we will report the findings at a later Committee.

# Appendices

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# Audit team and rotation

Your audit team has been drawn from our specialist local government audit department and is led by key members of staff who will be supported by auditors and specialists as necessary to complete our work. We also ensure that we consider rotation of your audit director and firm.



Salma Younis is the director responsible for our audit. She will lead our audit work, attend the Finance, Audit and Risk Committee and be responsible for the opinions that we issue.



Henry Lau is the manager responsible for our audit. He will co-ordinate our audit work, attend the Finance, Audit and Risk Committee and ensure we are co-ordinated across our accounts and VFM work.



Marshal Ngwarai is the in-charge responsible for our audit for the second year. He will be responsible for our on-site fieldwork. He will complete work on more complex sections of the audit.

To comply with professional standard we need to ensure that you appropriately rotate your external audit director. There are no other members of your team which we will need to consider this requirement for:



This will be Salma's first year as your engagement lead. She is required to rotate every five years, extendable to seven with PSAA approval.

# Audit timeline

We have developed our audit timeline based on management’s financial reporting timetable. If we need to make significant changes to the audit timeline below, then we will communicate the reasons to you on a timely basis.

	2025											
Activity	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Risk assessment and planning												
VFM risk assessment*												
Audit plan discussed and approved												
Year-end audit fieldwork*												
Clearance meeting *												
Approval of accounts by FARC*												
Audit report issued by Feb 2026												
Audit debrief *												

\* Dates for issuing deliverables are preliminary and based on information available at planning. They are therefore subject to change.

# Fees

## Audit fee

Our fees for the year ended 31 March 2025 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2024/25 (£'000)	2023/24 (£'000)
Statutory audit	164,329	149,516
Agreed PY fee variations	-	36,345*
<b>TOTAL</b>	<b>164,329</b>	<b>185,861</b>

*\*subject to PSAA final review and confirmation*

The fees also assume no significant risks are identified as part of the Value for Money risk assessment. Additional fees in relation to these areas will be subject to the fees variation process as outlined by the PSAA.

## Billing arrangements

Fees will be billed in accordance with the milestone completion phasing that has been communicated by the PSAA.

## Basis of fee information

Our fees are subject to the following assumptions:

- The Council's audit evidence files are completed to an appropriate standard (we will liaise with you separately on this);
- Draft statutory accounts are presented to us for audit subject to audit and tax adjustments;
- Supporting schedules to figures in the accounts are supplied;
- The Council's audit evidence files are completed to an appropriate standard (we will liaise with management separately on this);
- A trial balance together with reconciled control accounts are presented to us;
- All deadlines agreed with us are met;
- We find no weaknesses in controls that cause us to significantly extend procedures beyond those planned;
- Management will be available to us as necessary throughout the audit process; and
- There will be no changes in deadlines or reporting requirements.

We will provide a list of schedules to be prepared by management stating the due dates together with pro-formas as necessary.

Our ability to deliver the services outlined to the agreed timetable and fee will depend on these schedules being available on the due dates in the agreed form and content.

Any variations to the above plan will be subject to the PSAA fee variation process.

# 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 Director and audit staff is not impaired.

To the Finance, 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*

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out on the table overleaf.



# 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 2025 £k	Value of Services Committed but not yet delivered £k
1	Housing benefit grant certification	Management Self review Self interest	<ul style="list-style-type: none"> <li>• Separate teams</li> <li>• Standard language on non-assumption of management responsibilities is included in our engagement letter.</li> <li>• The engagement contract makes clear that we will not perform any management functions.</li> <li>• The work is performed after the audit is completed and the work is not relied on within the audit file.</li> <li>• Our work does not involve judgement and are statements of fact based on agreed upon procedures.</li> </ul>	Fixed	£32.3	TBC

# 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 0.2: 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.

	2024/25
	£'000
Statutory audit	164.3
Other Assurance Services	32.3
<b>Total Fees</b>	<b>196.6</b>

## 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 partner 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**

# Understanding of IT



## Summary

**The release of ISA 315 (UK) revised brought an increased focus on Understanding of IT in the audit, and it continues to be an area of focus.**

Stakeholders now expect auditors to not only understand IT in detail, but also to consider the impact of the findings from their risk assessment procedures on their planned audit approach.

### Why is Understanding of IT so important?

Businesses continue to embrace increasingly complex and sophisticated IT systems and place more and more reliance on automated IT processing not simply for a competitive advantage, but also for "business as usual" operations.

This increased reliance means that to effectively audit accounts, balances and transactions, auditors are required to understand and challenge more around how those IT system and process work.

Therefore, Understanding of IT is a crucial building block of our audit strategy and influences our planned audit approach at every stage.

This is true regardless of whether controls reliance is planned or the audit is expected to be fully substantive in nature.

### What kind of things might we identify?

As part of our risk assessment procedures, we perform:

- An assessment of the formality, or otherwise, of certain financially relevant IT processes
- An evaluation of the design and implementation of related general IT controls
- An evaluation of the design and implementation of automated process level controls

As a result of these procedures, we may identify IT control deficiencies or IT process informalities that may have an impact on our planned audit approach.

Additionally, we may identify findings related to the wider control environment or threats to the accuracy or completeness of the information used by both entity management and auditors alike.

### What does this mean for our audits?

Auditors are being asked to consider the findings from their risk assessment procedures over IT in relation to the planned audit approach.

The findings may impact any area of the audit, however there are three main areas of focus where we anticipate that most impact as a result of identifying IT deficiencies or IT process informality;

- Increased risk to data integrity
- Additional fraud risk factors
- Additional high-risk criteria to be used in journals analysis

It is important to understand that these findings may have an impact regardless of planned reliance on automated controls and general IT controls.

# Appendix F ISA (UK) 600 Revised: Summary of changes



## 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 2020.

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.	

# FRC's areas of focus

The FRC released their **Annual Review of Corporate Reporting 2023/24** ('the Review') in September 2024 having already issued three thematic reviews during the year.

The Review and thematic reviews identify where the FRC believes companies can improve their reporting. These slides give a high level summary of the key topics covered. We encourage management and those charged with governance to read further on those areas which are significant to their entity.



## Key expectations for 2024/25 annual reports

### Overview

The Review identifies that the quality of reporting across FTSE 350 companies has been maintained this year, but there is a widening gap in standards between FTSE 350 and non-FTSE 350 companies. This is noticeable in the FRC's top two focus areas, 'Impairment of assets' and 'Cash Flow Statements'.

'Provisions and contingencies' has fallen out of the top ten issues for the first time in over five years. This issue is replaced by 'Taskforce for Climate-related Financial Disclosures (TCFD) and climate-related narrative reporting'.

The FRC re-iterates that companies should apply careful judgement to tell a consistent and coherent story whilst ensuring the annual report is clear, concise and company-specific.

### Pre-issuance checks and restatements

The FRC expects companies to have in place a sufficiently robust self-review process to identify common technical compliance issues. The FRC continues to be frustrated by the increasing level of restatements affecting the presentation of primary statements. This indicates that thorough, 'step-back' reviews are not happening in all cases.

### Risks and uncertainties

Geopolitical tensions continue and low growth remains a concern in many economies, particularly with respect to going concern, impairment and recognition/recoverability of tax assets and liabilities. The FRC continue to push for enhanced disclosures of risks and uncertainties. Disclosures should be sufficient to allow users to understand the position taken in the financial statements, and how this position has been impacted by the wider risks and uncertainties discussed elsewhere in the annual report.

### Financial reporting framework

The FRC reminds preparers to consider the overarching requirements of the UK financial reporting framework in determining the information to be presented. In particular the requirements for a true and fair view, along with a fair, balanced, and comprehensive review of the company's development, position, performance, and future prospects.

The FRC does not expect companies to provide information that is not relevant and material to users, and companies should exercise judgement in determining what information to include.

Companies should also consider including disclosures beyond the specific requirements of the accounting standards where this is necessary to enable users to understand the impact of particular transactions or other events and conditions on the entities financial position, performance and cash flows.

# FRC's areas of focus (cont.)

## Impairment of assets

Impairment remains a key topic of concern, exacerbated in the current year by an increase in restatements of parent company investments in subsidiaries.

Disclosures should provide adequate information about key inputs and assumptions, which should be consistent with events, operations and risks noted elsewhere in the annual report and be supported by a reasonably possible sensitivity analysis as required.

Forecasts should reflect the asset in its current condition when using a value in use approach and should not extend beyond five years without explanation.

Preparers should consider whether there is an indicator of impairment in the parent when its net assets exceed the group's market capitalisation. They should also consider how intercompany loans are factored into these impairment assessments.

## Cash flow statements

Cash flow statements remain the most common cause of prior year restatements.

Companies must carefully consider the classification of cash flows and whether cash and cash equivalents meet the definitions and criteria in the standard. The FRC encourage a clear disclosure of the rationale for the treatment of cash flows for key transactions.

Cash flow netting is a frequent cause of restatements and this was highlighted in the ['Offsetting in the financial statements'](#) thematic.

Preparers should ensure the descriptions and amounts of cash flows are consistent with those reported elsewhere and that non-cash transactions are excluded but reported elsewhere if material.

## Climate

This is a top-ten issue for the first time this year, following the implementation of TCFD.

Companies should clearly state the extent of compliance with TCFD, the reasons for any non-compliance and the steps and timeframe for remedying that non-compliance. Where a company is also applying the Companies Act 2006 Climate-related Financial Disclosures, these are mandatory and cannot be 'explained', further the required location in the annual report differs.

Companies are reminded of the importance of focusing only on material climate-related information. Disclosures should be concise and company specific and provide sufficient detail without obscuring material information.

It is also important that there is consistency within the annual report, and that material climate related matters are addressed within the financial statements.

## Financial instruments

The number of queries on this topic remains high, with Expected Credit Loss (ECL) provisions being a common topic outside of the FTSE 350 and for non-financial and parent companies.

Disclosures on ECL provisions should explain the significant assumptions applied, including concentrations of risk where material. These disclosures should be consistent with circumstances described elsewhere in the annual report.

Companies should ensure sufficient explanation is provided of material financial instruments, including company-specific accounting policies.

Lastly, the FRC reminds companies that cash and overdraft balances should be offset only when the qualifying criteria have been met.

## Judgements and estimates

Disclosures over judgements and estimates are improving, however these remain vital to allow users to understand the position taken by the company. This is particularly important during periods of economic and geopolitical uncertainty.

These disclosures should describe the significant judgements and uncertainties with sufficient, appropriate detail and in simple language.

Estimation uncertainty with a significant risk of a material adjustment within one year should be distinguished from other estimates.

Further, sensitivities and the range of possible outcomes should be provided to allow users to understand the significant judgements and estimates.

# FRC's areas of focus (cont.)

## Revenue

Disclosures should be specific and, for each material revenue stream, give details of the timing and basis of revenue recognition, and the methodology applied. Where this results in a significant judgement, this should be clear.

## Presentation

Disclosures should be consistent with information elsewhere in the annual report and cover company-specific material accounting policy information.

A thorough review should be performed for common non-compliance areas of IAS 1.

## Income taxes

Evidence supporting the recognition of deferred tax assets should be disclosed in sufficient detail and be consistent with information reported elsewhere in the annual report.

The effect of Pillar Two income taxes should be disclosed where applicable.

## Strategic report and Companies Act

The strategic report must be 'fair, balanced and comprehensive'. Including covering all aspects of performance, economic uncertainty and significant movements in the primary statements.

Companies should ensure they comply with all the statutory requirements for making distributions and repurchasing shares.

## Fair value measurement

Explanations of the valuation techniques and assumptions used should be clear and specific to the company.

Significant unobservable inputs should be quantified and the sensitivity of the fair value to reasonably possible changes in these inputs should provide meaningful information to readers.

## Thematic reviews

The FRC has issued three thematic reviews this year: 'Reporting by the UK's largest private companies' (see below), 'Offsetting in the financial statements', and 'IFRS 17 Insurance contracts –Disclosures in the first year of application'. The FRC have also performed Retail sector research (see below).

### UK's largest private companies

The quality of reporting by these entities was found to be mixed, particularly in explaining complex or judgemental matters. The FRC would expect a critical review of the draft annual report to consider:

- internal consistency
- whether the report as a whole is clear, concise, and understandable; notably with respect to the strategic report
- whether it omits immaterial information, or
- whether additional information is necessary for the users understanding particularly with respect to revenue, judgments and estimates and provisions

### Retail sector focus



Retail is a priority sector for the FRC and the research considered issues of particular relevance to the sector including:

- Impairment testing and the impact of online sales and related infrastructure
- Alternative performance measures including like for like (LFL) and adjusted e.g. pre-IFRS 16 measures
- Leased property and the disclosure of lease term judgements, particularly for expired leases.
- Supplier income arrangements and the clarity of accounting policies and significant judgements around measurement and presentation of these.

## 2024/25 review priorities

The FRC has indicated that its 2024/25 reviews will focus on the following sectors which are considered by the FRC to be higher risk by virtue of economic or other pressures:

 Industrial metals and mining  
 Retail

 Construction and materials  
 Gas, water and multi-utilities

 Food producers  
 Financial Services



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<b>FINANCE, AUDIT &amp; RISK COMMITTEE</b>
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<b>11<sup>th</sup> June 2025</b>
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<b>*PART 1 – PUBLIC DOCUMENT</b>
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**TITLE OF REPORT: DRAFT ANNUAL GOVERNANCE STATEMENT 2024/25 AND ACTION PLAN FOR 2025/26**

REPORT OF: POLICY & COMMUNITY MANAGER

EXECUTIVE MEMBER: [NON-EXECUTIVE FUNCTION]

COUNCIL PRIORITY: ACCESSIBLE SERVICES

**1. EXECUTIVE SUMMARY**

- 1.1. For the Finance, Audit & Risk Committee to review the draft Annual Governance Statement (AGS) for the year 2024/25. The Statement reviews the Council's governance arrangements for the 2024/25 period. It also includes a proposed Action Plan to update/improve those arrangements for the next financial year (2025/26).

**2. RECOMMENDATIONS**

- 2.1. That the Committee is recommended to review and comment on the draft AGS and Action Plan at Appendix A

**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 Reporting the draft AGS and Action Plan at this stage provides an opportunity for the Committee to assess and comment on the draft, before it is finalised and brought back for approval.

**4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1. There are no alternative options to be considered.

## **5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

- 5.1 No prior external consultation has taken place, although a copy of the draft AGS has been sent to the Shared Internal Audit Service (SIAS), the Shared Anti-Fraud Service (SAFS), and the external auditors, KPMG. Consideration will be taken of any comments made by them and this Committee on the draft AGS before it is finalised and brought back to this Committee for approval.

The draft 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 The Local Audit and Accountability Act 2014 ('LAAA 2014') and the Accounts and Audit Regulations 2015/234 ('AAR 2015' made under the LAAA 2014) place a requirement on NHDC, as a relevant authority, to conduct an annual review of the effectiveness of the system of internal controls and prepare an AGS.
- 7.2 This must be considered by Members of this Committee and the AGS approved under Regulation 6(4)(a) AAR 2015 in advance of the relevant authority approving the Statement of Accounts (in accordance with Regulation 9(2)(b)). The review should be undertaken as against the relevant CIPFA/ SOLACE Framework, which is the *Delivering good governance in Local Government Framework 2016 Edition* and any CIPFA/ SOLACE guidance<sup>1</sup>.
- 7.3 The draft AGS has been prepared following an in-depth review/input and scoring of arrangements by the Leadership Team against the Framework 2016 Principles (in accordance with the guidance<sup>2</sup>). The Leadership Team reviews and provides details of systems and examples that met the 2016 Principles and scored the arrangements on the assurance level basis:
- Full: There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives. No weaknesses have been identified.
  - Substantial: Whilst there is a largely sound system of control, there are some minor weaknesses, which may put a limited number of the system objectives at risk.
  - Moderate: Whilst there is basically a sound system of control, there are some areas of weakness, which may put some of the system objectives at risk.
  - Limited: There are significant weaknesses in key control areas, which put the system objectives at risk.
  - No: Control is weak, leaving the system open to material error or abuse.
- 7.4 In terms of format of the AGS, CIPFA indicate that the AGS should be a '*meaningful but brief communication*'; there is no requirement to repeat all the arrangements that have been comprehensively assessed. Nevertheless, the AGS should draw out a few key areas with reference to the 2016 Principles, identify any actions and include an overall conclusion on the arrangements.

<sup>1</sup> CIPFA/SOLACE Delivering good governance in Local Government Guidance Notes for English Authorities 2016 Edition.

<sup>2</sup> As above (*ibid*)

- 7.5 Members are reminded that the AGS must be approved before the Statement of Accounts, and it must be published alongside them. The Council will include the 2024/25 AGS with the Statement of Accounts (as it has in previous years).

## **8. RELEVANT CONSIDERATIONS**

- 8.1. The preparation of the AGS provides the Council with an opportunity to consider the robustness of its governance and internal control arrangements. The means to do so are through the Leadership Team self-assessment document, external bodies review and presentation at the Finance and Audit committee, both at draft stage and then final approval stage. It highlights areas where governance can be further improved or further reinforced.
- 8.2. The AGS for 2024/25 is attached at Appendix A for approval.
- 8.3. The Council will publish the approved 2024/25 AGS alongside the Statement of Accounts as it has in previous years. Updates to the Action Plan will be reported to this Committee at future meetings.

## **9. LEGAL IMPLICATIONS**

- 9.1 Under the LAAA 2014/ AAR 2015 Regulations (as amended by the Accounts and Audit (Amendment) Regulations 2024)<sup>3</sup>, the statutory backstop date for the publication of the 2024/25 Statement of Accounts is 27<sup>th</sup> February 2026. The 2024/25 AGS should be approved by this Committee in advance of the approval of the Statement of Accounts in line with this amended timeline. 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.
- 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 2024-25 AGS will ultimately accompany the final 2024-25 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

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<sup>3</sup> [CIPFA Bulletin 18 Local audit backlog in England | CIPFA](#)

quickly and effectively to change. When taking decisions, risks and opportunities must be considered.

- 11.2 The process of assessing the Council's governance arrangements enables any areas of weakness to be identified and improvement actions put in place, therefore reducing the risk to the Council.

## **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 for 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 2025/26.

## **16. APPENDICES**

- 16.1 Appendix A – Annual Governance Statement for 2024/25.

## **17. CONTACT OFFICERS**

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### **18. BACKGROUND PAPERS**

- 18.1 The Leadership AGS self-assessment will be 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 [Annual Cumulative Equality Impact Assessment](#)
- 18.3 [Annual Cumulative Environment Impact Assessment](#)

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## Introduction

North Hertfordshire District Council (NHDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

NHDC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

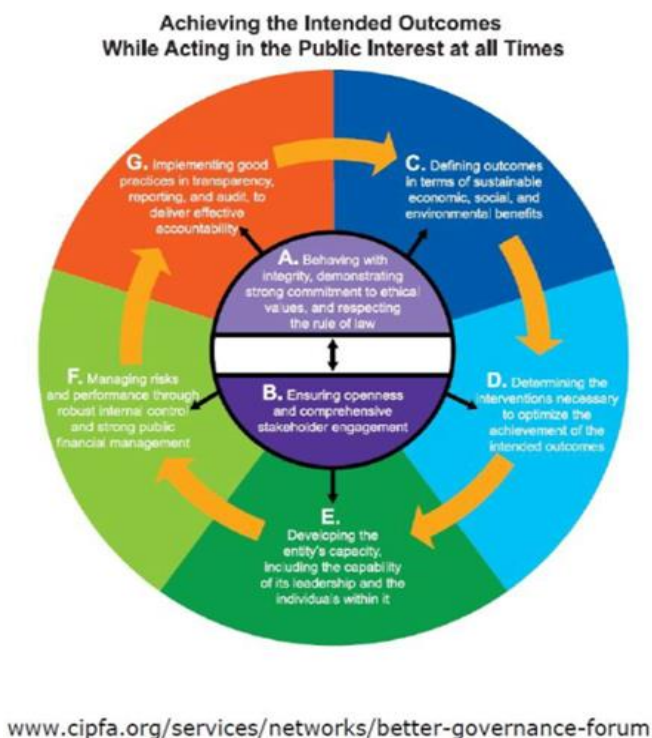
In discharging this overall responsibility, NHDC should have proper arrangements for the governance of its affairs in place. It is legally required to review arrangements and prepare an Annual Governance Statement ('AGS'). It should prepare this Statement in accordance with proper practices set out in the Chartered Institute of Public Finance and Accountancy (CIPFA)/the Society of Local Authority Chief Executives and Senior Managers (SOLACE) Delivering Good Governance in Local Government: Framework 2016. This AGS explains how NHDC has complied with these requirements. The Finance, Audit & Risk (FAR) Committee Members have been informed of progress on producing this AGS and will review it and evaluate the robustness of the underlying assurance statements and evidence. FAR Committee approves the final AGS and monitors the actions identified.

## Delivering good governance:

The Governance Framework comprises of systems, processes, culture and values, by which the

authority is directed and controlled. It enables NHDC to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) applies to AGS prepared for the 2016/17 financial year onwards. The Principles are further supported by examples of what good governance looks like in practice. The Principles are set out in the diagram below:



## Key Elements of the Governance Framework:

- ❖ Council, Cabinet and Strong Leader model that provides leadership, develops, and sets policy.
- ❖ A decision-making process that is open to the public and decisions are recorded / available on the NHDC website.
- ❖ An established Shared Internal Audit Service (SIAS) that undertakes detailed reviews.
- ❖ Risk Management and performance procedures that enable risks to be identified and these to be monitored by the Leadership Team and Members on a quarterly basis.
- ❖ Overview & Scrutiny (O&S) Committee reviewing performance and policies.
- ❖ An effective FAR Committee as the Council's Audit Committee that reviews governance and financial arrangements.
- ❖ The Council has a strategic officer leadership team which meets weekly. This includes the Head of Paid Service (Chief Executive) and Directors (which includes all statutory officers). The Statutory Officers also meet every 2 months.

## How the NHDC complies with the 2016 Governance Framework:

### NHDC has approved and adopted:

- ❖ a [Local Code of Corporate Governance](#) in March 2025 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 these, awareness of key policies and reporting / investigating any allegations of breaching those Codes. Code of conduct training took place after the 2024 local elections.

❖ The Council has a Member Training Protocol which sets out which elements of training are compulsory. The training programme was reviewed in anticipation of the 'all out' elections which took place in May 2024 and was delivered following this election.

❖ 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 Independent Persons (IPs) 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 2024. 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 and September 2024, when amendment reports were taken to Full Council. Further to this, the Monitoring Officer and Chief Finance Officer were authorised to make the necessary amendments to the Council's Constitution following changes to the Leadership Team and Senior Management structure which were approved by Full Council in February 2025.

❖ 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.<sup>1</sup> 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 Deputy Monitoring Officer attends Full Council and Cabinet, and Lawyers attend 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

<sup>1</sup> <https://www.north-herts.gov.uk/fraud-prevention>



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.

- ❖ As part of the Corporate Peer Challenge recommendations, a Scrutiny Charter has been developed and adopted by Overview & Scrutiny Committee in September 2024 to define what scrutiny is and ensure meetings of the committee are conducted with independence, initiative, and integrity

**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 2024](#))

- ❖ 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<sup>2</sup> 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<sup>3</sup> 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 400 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 11<sup>th</sup> May 2023 and closed 27<sup>th</sup> June 2023. The Statement was formally adopted by the Council on 19<sup>th</sup> September 2023.

- ❖ The Council conducts a District Wide Survey Community Survey with the latest taking place in March-May 2024. The digital survey will now run twice per year to give residents more frequent opportunities to engage. The survey was conducted by Zensity on behalf of the council and the report of key findings is available here: [Community Survey Results March – May 2024](#)

- ❖ The Council also has an internal Staff Consultation Forum, a [Joint Staff Consultative Committee](#)

<sup>2</sup> 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

<sup>3</sup> Made under The Openness of Local Government Bodies Regulations 2014/2095

[\(JSCC\)](#) and a Staff Consultation Policy.

❖ The Council Inclusion Group continued to meet regularly. 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 to inclusion and diversity. The Group 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 Marketing and 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 (formerly Twitter) and Instagram). The use of social media sites and text alerts is geared towards engagement with the IT adept and/ or younger residents.

❖ The Council is also part of [Hertfordshire Futures](#) 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 Hertfordshire Futures). The [Growth Board](#) is the vehicle in which the county is working together to manage future growth and support economic recovery. It has developed its 6 new missions, one of which is Sustainable County.

The HCCSP is specifically mentioned within this mission in relation to various action around sustainability, and is given a particular remit around developing a Local Area Energy Plan for Hertfordshire and developing a retrofit strategy.

❖ 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, Community 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 Thriving Communities, Accessible Services, Responsible Growth and Sustainability. 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 new Sustainability Strategy will cover a broader scope of themes to align with the new Council Plan priorities.

❖ 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 2023-24 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 2024 and approved by Full Council on 29th February 2024.

❖ The Council's Procurement Strategy 2025-2028 is currently in the approval process to replace the previous short term 2023-2024 strategy. The strategy aims to put in place some of the Council's aspirations for the district as they relate to the Council plan. The Procurement Rules (Section 20 of the constitution) and were updated in February to take into account the new Procurement Act.

❖ The Council has a Community Grants Policy and during 2024/25 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 July 2024 the Council awarded launched a one off North Herts Prosperity Fund as part of the UK Share Prosperity fund allocation for 2022-2025. £210,000 was made available to community groups/organisations to improve pride in place and increase life chances across the district, investing in communities and place, supporting local business, and people and skills, all applications were assessed according to a criteria.

❖ The Council has an Investment Plan for the Shared Prosperity Fund which sets out proposals around improving town centres, supporting local businesses, and developing health and wellbeing initiatives, and capacity developing in the VCFSE sector.

❖ 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.

❖ 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.

❖ A process established for deputisation for the Chief Executive Officer, in the event of long-term absence.

❖ Statutory officers meet regularly with political leaders where relevant standard issues are raised. Service Directors convene monthly briefings with relevant Executive Members.

❖ 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 continues to 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 values shape how we aim to act as an organisation. They are: *TOGETHER: We work together and support*

*LISTENING: We listen to and consider the views of each other, our partners and our customers*

*LEARNING: We learn from others and are open to change*

*ADAPTABLE: We are adaptable in finding solutions for each other, our partners and our customers.*

*INCLUSIVE: We are inclusive and value diversity*

❖ The Recruitment & Selection Policy was last reviewed and updated in 2020/21 as part of the policy review process. This is currently under review.

#### **Principle F: Managing risks and performance through robust internal control and strong public financial**

❖ ***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 January 2025.

❖ 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 2023-24 presented in June 2024](#). 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 September 2024 SIAS presented their annual report for 2023/24 to FAR committee which highlighted that they had delivered 94% of planned days against a target of 95% and had issued 91% of audits in draft against a target of 90%. This was nevertheless a good outcome in view of recruitment and retention pressures. The last [Internal Audit Progress Report](#) of 2024/25 was delivered in February 2025 and reported that as of 17th January 2025 71% of the Internal Audit Plan Days had been delivered.

❖ [The Annual Report of the FAR Committee](#) for 2023/24 was brought to Full Council in July 2024. The report provided Council with assurance as to the

effectiveness of the Finance, Audit and Risk Committee.

❖ 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 [24/25 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](#). The Annual Assurance Statement and Internal Audit Report for 2024/25 are due to be presented at the June 2025 FAR meeting, with the report again highlighting an overall opinion of Reasonable Assurance.

❖ In the Annual Assurance Statement and Internal Audit Report 2023/24, reported to FAR Committee in June 2024, 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.

❖ In December 2024, SIAS brought their [report](#) on their review of the FAR committee to the FAR committee. They made three medium priority and one low priority recommendation in the areas of Self-Assessment Reviews; Practices of the Council/FAR Committee; Training attendance; and Refresher training.

❖ 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 (VFM) arrangements. In September 2024, Ernst & Young (EY) provided a completion report for 2022-2023. As allowed under the Accounts and Audit (Amendment) Regulations 2024" (the SI) this provided a disclaimed opinion on the accounts due to the work they were able to complete by the backstop date of 13 December 2024. A full VFM review was carried out which found no significant weaknesses. In February 2025 KPMG provided a [report](#) for the 2023-24 accounts. As allowed under

the Accounts and Audit (Amendment) Regulations 2024 this provided a partially disclaimed opinion due to the work they were able to complete by the backstop date of 28 February 2025. A full VFM review was carried out which found no significant weaknesses. It should be noted that delays in the statement of accounts work and disclaimed opinion are not the fault of the council and are instead the result of the national issues around local audit backlog. This is outside of the council's control.

#### 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<sup>4</sup>.

#### Assurance from the Shared Anti-Fraud Service

❖ The Shared Anti-Fraud Service (SAFS) are responsible for all proactive and reactive counter-fraud activity at North Herts Council (NHC), and keep the Council informed of any actual, suspected or alleged fraud affecting the Authority. Where there is an impact on internal audit work, there is a mutual exchange of information to ensure that the control environment is strengthened.

❖ The knowledge of actual, suspected or alleged fraud is summarised in the regular progress reports from SAFS to the Council's Finance Audit & Risk Committee.

❖ Based on collaboration with SAFS, we have knowledge of 113 allegations of suspected fraud in 2024/2025. This included areas such as blue badge abuse, housing services, revenues and benefits, and business rates. The most commonly reported type of fraud related to council tax with 78 reports of fraud in this area. Housing fraud was the second most reported, with 19 reports. The majority of reports to SAFS are made by the public and council staff.

❖ SAFS continues to provide anti-fraud services to the Council through its contracted provision including fraud awareness training for staff, public campaigns to prevent/deter fraud, providing fraud alerts and insight into new and emerging fraud trends and proactive work including oversight of the National Fraud Initiative and local data matching/analysis to identify fraud through the Herts FraudHub.

#### 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 January 2025, the top risks (scoring a 9 on the risk matrix) for the Council were Waste and Street Cleansing Contract; Financial Sustainability; and Resourcing. Other risks scoring highly on the matrix (8s) were: the Churchgate Project; Leisure Centre Decarbonisation; 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** has remained as a score of 9 on the risk matrix, having previously been rated as an 8 in 2022/23. 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 Contract** include insufficient resources/capacity to deliver mobilisation work in a shortened mobilisation timeframe, uncertainty over some cost elements, capability to develop/integrate new online forms, and public confusion around contract mobilisation and service changes.

❖ **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

<sup>4</sup> <https://www.north-herts.gov.uk/corporate-governance>



possibility of failing to meet the expectations of stakeholders.

❖ **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.

❖ *The risk around **Leisure Centre Decarbonisation** is around delivery of the works within the timeframe required by Salix, due to the large grant fund contribution, as well as potential additional costs during the course of the works.*

#### Assurance from Scrutiny

❖ As part of the previous Corporate Peer Challenge recommendations, a Scrutiny Charter was developed and adopted by Overview & Scrutiny Committee in September 2024 to define what scrutiny is and ensure meetings of the committee are conducted with independence, initiative, and integrity.

❖ Key considerations for the Overview & Scrutiny Committee during the 24/25 year included the leisure centre decarbonisation project; museum storage options; parking charges and on-street and off-street charging tariffs; key performance indicators for 24/25; the Scrutiny Charter, and the RIPA annual report. They made recommendations to Cabinet on increasing the capital expenditure for the leisure centre works; using portions of the allocated budget for museum storage for developing more details on particular options and discounting other options; reconsidering proposed on-street and off-street charging tariffs, and considering the increase in parking charges based on updated modelling; adoption of the KPIs; and adoption of the updated RIPA policy.

#### Assurance from Corporate Peer Challenge

❖ A Corporate Peer Challenge was conducted in autumn 2024. The report highlighted that the council

‘performs well...and is delivering for its residents’. It made recommendations around the themes of Local priorities and outcomes; Organisational and place leadership; Governance and culture; Financial planning and management; and Capacity for improvement. The Action Plan was approved by Cabinet in March 2025. Progress will be monitored by the Leadership Team and Political Liaison Board (PLB), with oversight from Cabinet and Overview & Scrutiny.

#### Assurance from Complaints outcomes

##### Local Government Ombudsman (LGO)

❖ The Council reports complaints to Leadership and O&S. The summary for the full period 2023/2024 was presented at the June 2024 Overview and Scrutiny meeting. The summary indicated that the number of complaints received by both the Council and our contractors decreased from 4173 in 22/23 to 384 in 23/24. Of the total 384, 2052 (53.46%) relate to services delivered by our key contractors. The LGO received 5 complaints during the 2024/25 period. These cases are shown in the LGO's Annual Review Letter. 2 of the 5 were upheld by the LGO. One required a formal Monitoring Officer report to Cabinet on the failings in relation to statutory nuisance which was reported on 14 January 2025 [\[Report\]](#). Recommendations have been complied with and a referral to Council on this matter led to amendments to the Constitution. Some further work is still required during 2025-2026 on the Complaints policy as per recommendation 2.4 and this work should commence in May – June 2025.

##### 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 2025. During the 2024 calendar 19 complaints against Councillors within the District were received. This was an increase compared to 2023, where 11 complaints had been received, this remains lower than 2022 and 2021 where 30 and 50 complaints

were received respectively. 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 no complaints during this period, The Policy, procedure and approach was undertaken by the Monitoring Officer and the Standards Committee in March 2025. A new form and information was circulated. Further work and training will be undertaken with staff during 2025.

#### Information Commissioner's Office (ICO)

❖ The Review time limit supplements the statutory one for handling requests (20 working days) and during the 2024 calendar year, the Council only failed to handle 1.5% of the 758 FOIs/EIRs requests within that period. There were 3 reviews, 1 of which were successful and the information released, 0 of which were partially successful, and 2 of which were unsuccessful. There were 0 ICO cases.

❖ In respect to requests for information under the Data Protection Act - 240 Data Protection cases (including 22 Subject Access Requests) were received in the 2024 calendar year, of which 100% were successfully answered within the 40-calendar day deadline.

❖ During the 2024 calendar year there were no complaints lodged at the ICO.

#### How we have improved our governance arrangements:

❖ Our most recent [update on the 2024/25 action plan](#) was brought to FAR committee in February 2025. This highlighted the actions we have taken to improve our governance arrangements. In terms of further update, the Corporate Peer Challenge Action Plan was approved by Cabinet in March 2025, and the Leadership Team and Senior Management

restructure was approved by Full Council in February 2025 and was effective as of April 2025. Actions related to Social Value are not yet complete and are therefore being carried over to this action plan.

## Forward Look on Governance:

❖ The action plan for 2025/26 aims to address the key governance challenges identified. As such we have proposed actions around essential training uptake, reviewing sub-delegations, and ensuring those who deputise for directors understand the relevant constitutional powers. Particular challenges remain with regards to cyber security and resilience and this is addressed in the action plan. Looking further ahead to devolution and local government reorganisation, we will be working with partners to ensure that appropriate governance arrangements are in place for any new authorities created in consequence of the ambitions laid out in the Devolution White Paper, ensuring new authorities are safe and legal when they launch.

## Conclusion:

❖ No significant governance issues have arisen as a result of the review of effectiveness for the 2024/25 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.

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Cllr Daniel Allen, Leader of the Council

Anthony Roche, Chief Executive

## Action Plan 2025/26

1. Review and increase Annual Declaration Letter return rate to 95%, using internal communications and automatic chasers from the Learning Management System. (HR; Leadership Team)
2. Review and improve staff completion rates for all mandatory training, aiming for 85% completion in 25/26, 90% completion in 26/27, and 95% completion in 27/28. (HR; Leadership Team)
3. Review sub-delegations post organisational restructure, ensuring a 100% completion rate and updates made where required. (Each Director; the Monitoring Officer)
4. Provide training to ensure those deputising for the Emergency Planning Officer are aware of and understand the relevant emergency planning powers which they can or may need to exercise as per the Constitution. (Emergency Planning Officer/ Director – Resources)
5. Provide training for those deputising for Statutory Officers and Directors to ensure they understand the relevant Constitutional powers which they can or may need to exercise (Each Director; the Monitoring Officer).
6. Provide further training to staff and councillors on cyber security, aiming for a 100% compliance with simulated phishing exercises. (Cyber Security Board; Leadership Team)
7. Further develop the Cyber Resilience Plan and test once finalised (Cyber Security Board).
8. Continue to implement the Corporate Peer Challenge Action Plan and review progress at the Local Government Association follow-up in autumn 2025. (Leadership Team)
9. Develop reporting and internal sharing of best practice for Social Value as outlined in the AGS 2023/24 [actions 6-8] (Procurement Team; Leadership Team).
10. Review and update the Gender Pay Gap Action Plan based on the latest pay gap figures. (The Gender Pay Gap Subgroup)
11. Finish developing and publish the new Sustainability Strategy 2025-2030 and establish a process for monitoring progress. (Director for Environment and relevant teams).
12. Review the process for considering and reporting Equality and Environmental Implications (Policy & Strategy; Leadership Team)
13. Review the 3 Cs (Comments, Compliments, Complaints) Policy to incorporate reporting mechanisms to the Monitoring Officer and two other Statutory Officers (Customer Services; Leadership Team).



<b>CABINET</b> <b>18 March 2025</b>
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<b>PART 1 – PUBLIC DOCUMENT</b>
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**TITLE OF REPORT: REVENUE BUDGET OUTTURN 2024/25**

REPORT OF: DIRECTOR - RESOURCES

EXECUTIVE MEMBER: EXECUTIVE MEMBER FOR RESOURCES

COUNCIL PRIORITY: SUSTAINABILITY

**1. EXECUTIVE SUMMARY**

- 1.1. The purpose of this report is to inform Cabinet of the summary position on revenue income and expenditure at the end of the financial year 2024/25. The net outturn of £17.889m represents a £860k decrease from the net working budget of £18.749million. Explanations for all the significant variances are provided in table 4. There are corresponding requests to carry forward £521k of unspent budget to fund specific projects and initiatives that will now take place or continue into 2025/26. There is a further forecast impact on the 2025/26 base budget of a £361k decrease.

**2. RECOMMENDATIONS**

- 2.1. That Cabinet note this report.
- 2.2. That Cabinet approves a decrease of £860k in the 2024/25 net General Fund expenditure, as identified in section 8, to a total of £17.889million.
- 2.3. That Cabinet approves the changes to the 2025/26 General Fund budget, as identified in table 4 and paragraph 8.3, a total £361k decrease in net expenditure.

**That Cabinet recommends to Council**

- 2.4. That Council approves the net transfer to earmarked reserves, as identified in table 9, of £1.035million.

**3. REASONS FOR RECOMMENDATIONS**

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

**4. ALTERNATIVE OPTIONS CONSIDERED**

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

## 5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

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

## 6. FORWARD PLAN

- 6.1. The report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 17<sup>th</sup> April 2025.

## 7. BACKGROUND

- 7.1. Council approved the revenue budget for 2024/25 of £19.933million in February 2023. At the end of the financial year, the working budget has decreased to £18.749million. Table 1 below details the approved changes to this budget to get to the current working budget:

**Table 1 - Current Working Budget**

	<b>£k</b>
Original Revenue Budget for 2024/25 approved by Full Council	19,933
Quarter 3 2023/24 Revenue Budget Monitoring report – 2024/25 budget changes approved by Cabinet (March 2024)	410
2023/24 Revenue Budget Outturn Report – 2024/25 budget changes approved by Cabinet (June 2024)	634
Community Governance Review Terms of Reference report - additional budget required for the use of the Association of Electoral Administrators consultancy service to assist with delivering the Community Governance Review – approved by Council (July 2024)	20
First Quarter Revenue Monitoring 2024/25 report - 2024/25 variances approved by Cabinet (September 2024)	(858)
Second Quarter Revenue Monitoring 2024/25 report - 2024/25 variances approved by Cabinet (January 2025)	(550)
Third Quarter Revenue Monitoring 2024/25 report - 2024/25 variances approved by Cabinet (March 2025)	(840)
<b>Current Working Budget</b>	<b>18,749</b>

- 7.2. The Council was managed under Service Directorates during 2024/25. Table 2 below confirms the current net direct resource allocation of each Service Directorate and how this has changed from the original net direct budget allocations for 2024/25.

**Table 2 – 2024/25 Service Directorate Budget Allocations**

	Managing Director	Customers	Enterprise	Housing & Env Health	Legal & Community	Place	Regulatory Services	Resources	Total
	£k	£k	£k	£k	£k	£k	£k	£k	£k
<b>Original Budget</b>	<b>658</b>	<b>4,309</b>	<b>9</b>	<b>1,788</b>	<b>2,671</b>	<b>6,651</b>	<b>736</b>	<b>3,111</b>	<b>19,933</b>
Q3 2023/24	107	39	0	78	20	68	108	(10)	410
Outturn 2023/24	207	120	0	105	17	44	167	(26)	634
<b>Budget at start of 2024/25</b>	<b>972</b>	<b>4,468</b>	<b>9</b>	<b>1,971</b>	<b>2,708</b>	<b>6,763</b>	<b>1,011</b>	<b>3,075</b>	<b>20,977</b>
Q1 2024/25	(1,350)	(2)	(35)	76	(50)	447	67	(11)	(858)
Council July 2024	0	0	0	0	20	0	0	0	20
Q2 2024/25	(298)	(128)	(9)	(225)	(21)	8	143	(20)	(550)
Q3 2024/25	(142)	(98)	(30)	0	50	(37)	(610)	27	(840)
Other Changes	(327)	98	126	115	(14)	126	35	(159)	0
<b>Current Budget</b>	<b>(1,145)</b>	<b>4,338</b>	<b>61</b>	<b>1,937</b>	<b>2,693</b>	<b>7,307</b>	<b>646</b>	<b>2,912</b>	<b>18,749</b>

## 8. RELEVANT CONSIDERATIONS

- 8.1. Cabinet are asked to approve the net expenditure on the General Fund in 2024/25 of £17.889million (recommendation 2.2). This is a net decrease of £860k on the working budget of £18.749million. Table 3 below confirms the net expenditure for each Service Directorate and the variance with the current working budget. The major changes reported during the year are recorded at Appendix A.

**Table 3 - 2024/25 Revenue Outturn by Service Directorate**

Directorate	Net Direct Working Budget	Net Direct Outturn*	(Under) / Overspend
Managing Director	(1,145)	(1,439)	(314)
Customers	4,338	4,329	(9)
Enterprise	61	194	133
Housing & Environmental Health	1,937	1,933	(4)
Legal & Community	2,693	2,643	(50)
Place	7,307	7,217	(90)
Regulatory Services	646	221	(425)
Resources	2,912	2,791	(121)
<b>TOTAL</b>	<b>18,749</b>	<b>17,889</b>	<b>(860)</b>

\* Directorate outturn totals exclude year-end finance lease accounting entries. These entries have a net zero impact on the Council's General Fund, but their inclusion would distort the Directorate performance indicated in the table.

- 8.2. Table 4 below highlights and explains the most significant variances, which are generally more than £25k. The final columns detail if there is expected to be an impact on next year's (2025/26) budget:

**Table 4 - Summary of significant variances**

<b>Budget Area</b>	<b>Working Budget</b>	<b>Forecast Outturn</b>	<b>Variance</b>	<b>Reason for difference</b>	<b>Carry Forward Request</b>	<b>Estimated Impact on 2025/26</b>
<b>£k</b>	<b>£k</b>	<b>£k</b>	<b>£k</b>		<b>£k</b>	<b>£k</b>
<b>Managing Director</b> Apprenticeship Scheme	75	0	(75)	2024/25 budget included investment in contingency budget for project management to support delivery of key projects; it is requested that this budget is carried forward to 2025/26 to fund recruitment of additional Management Trainee graduates. Management Trainees are being used to provide support to key projects such as Churchgate and digital transformation. Management Trainees are funded from the apprenticeship scheme budget, so the project management contingency budget has been merged into the apprenticeship scheme budget.	75	0
<b>Managing Director</b> Treasury Investments Interest Income	(2,955)	(2,983)	(28)	Overachievement of interest income is a combination of interest rates remaining higher than anticipated during the final quarter and higher cash balances available for investment than estimated due to capital expenditure in the final quarter being made later than anticipated.	0	0
<b>Managing Director</b> Strategic Priorities Fund	69	0	(69)	This fund was created to enable short-term investments in Council priorities. This funding will be used in 2025/26 to support work on Local Government Reorganisation, including our contribution towards joint work/ consultancy support (where not covered by Government grant funding) and other associated implications.	69	0
<b>Customers</b> Directorate Staffing Costs	6,297	6,181	(116)	Underspend variance relates mainly to vacancies held in the Careline and Revenues & Benefits services during the year.	0	0
<b>Customers</b> Document Scanning Contract	53	27	(26)	Upgrades and new modules relating to the Document Scanning contract were expected to be purchased in 2024/25. Due to a lack of available resource in IT to support their installation, the upgrades are now scheduled for quarter 3 of the new financial year, with a carry forward of the unspent budget therefore requested to fund the expenditure in the next financial year.	26	0

Budget Area	Working Budget	Forecast Outturn	Variance	Reason for difference	Carry Forward Request	Estimated Impact on 2025/26
	£k	£k	£k		£k	£k
<b>Customers</b> Postage contract	190	158	(32)	Underspend on postages is due to both a reduction in postage volumes and contract unit prices. The number of postal items has reduced from 100,271 in 2023/24 to 95,212 in 2024/25, including a reduction in first class items from 9,912 to 6,990, while there was the full year impact of the cost per item also reducing for both 1st and 2nd class post when the new contract commenced in December 2023.	0	(32)
<b>Customers</b> Land Charges Income	(164)	(205)	(41)	Overachievement of income is indicative of an increase in activity, with the number of land searches requested in the year rising to a total of 1,403, an increase of 195 on the 1,208 searches ordered in the prior year.	0	0
<b>Customers</b> Careline Supplies and Services	0	(34)	(34)	In the absence of receiving an invoice for the amount due, the expected full cost of services ordered from a supplier has been accrued in the last two financial years to recognise the liability as a creditor in the Council's accounts. Despite previous approaches from officers, there has been no meaningful engagement from the supplier to pursue payment. Given the time that has subsequently elapsed, it is now considered highly unlikely that a claim will be made for the outstanding amount and hence it is proposed to cease accruing this amount in the accounts.	0	0
<b>Customers</b> Contribution to Sales Ledger Bad Debt Provision	10	172	+162	The greater than expected contribution to the bad debt provision mainly reflects an increase in the value of outstanding debt amounts between 3-12 months past their payment due date, for which a provision is made in the accounts to recognise the risk that some of the debt outstanding may not be collected. The increase in debt follows the suspension of income recovery during the year with the transition to the new finance system, with the recovery team requiring training on recovery processes on the new system. Ultimately it is expected that debt will be recovered at similar levels to previous years.	0	0
<b>Customers</b> Revenues & Benefits Service Government Grant Income	0	(37)	(37)	A grant receipt has been received from government for the Council's participation in the Covid-19 Pathfinder pilot project. The project requires the Council to carry out assurance checks on the grants that were paid out during the pandemic and has been delivered within existing staffing resource.	0	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2025/26 £k
<b>Customers</b> Net Housing Benefit Expenditure	307	367	+60	Higher than anticipated outturn is attributed primarily to the level of overpayments identified in 2024/25 (as highlighted below). Benefit amounts paid that are identified as overpayments are eligible for only 40% reimbursement through Housing Benefit subsidy grant received from government.	0	0
<b>Customers</b> Housing Benefit Overpayments Income	(193)	(245)	(52)	With the migration of working age adult claimants to Universal Credit, DWP initiatives on housing benefit accuracy have focused on older claimants. This has contributed to an increase in the level of overpayments identified, with officer reviews finding some older clients holding previously undeclared capital. This attracts a tariff income and reduces their Housing Benefit award. The debt amount raised in year would also include any claw back of benefits overpaid in prior years, which further increases the value.	0	0
<b>Customers</b> Contribution to Housing Benefit Overpayments Income Bad Debt Provision	50	232	+182	Where working age Housing Benefit clients have migrated to Universal Credit (UC), administered by the DWP, the Council can no longer collect overpayments debt from deductions to ongoing housing benefit payments. This has contributed to a reduction in overpayments debt collected and an increase in the provision required. The Council can apply for deductions from earnings via HMRC, however this is only a prescribed amount dependent on salary, and also has the option to apply for UC deductions, however other debts such as Council Tax and utility bills take priority, with benefit overpayments 13th on the list of debts to be repaid. An increase in the bad debt provision was identified as a financial risk when the original budget was approved by Council in February 2024.	0	0
<b>Enterprise</b> Rental income from commercial properties	(1,235)	(1,169)	+66	Overall adverse variance results mainly from the settlement during the year of a rent review dating back to 2011, with agreement ultimately reached at an annual rent amount lower than had been assumed in the previous forecasts. The outturn for this year therefore includes the impact of the necessary backdated adjustments. The impact has been partially offset by other rent reviews completed during the year where the rental values were increased.	0	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2025/26 £k
<b>Enterprise</b> Net rental income from Churchgate Shopping Centre	(440)	(139)	+301	Shortfall in anticipated surplus is due to the number of vacant units, including several of the larger premises. As well as the adverse impact on rent income, there are associated expenditure pressures with empty property rates payable, plus higher than expected repairs and maintenance spend necessary. While lease incentives to secure new lettings have also contributed to the income shortfall in this year, these should improve the position for 2025/26.	0	0
Transfer to Earmarked Reserve	216	0	(216)	The ongoing budget expectation is for Churchgate to generate a sufficient annual return to both; cover the annual cost of capital and the loss of freehold rent from the acquisition of the head leasehold; provide additional financial resource to support the regeneration project. The level of return in this financial year has meant no additional contribution has been made to the Churchgate Regeneration Project earmarked reserve (as confirmed in table 9 below).	0	0
<b>Net General Fund Impact</b>	<b>(224)</b>	<b>(139)</b>	<b>+85</b>		<b>0</b>	<b>0</b>
<b>Enterprise</b> Riverside hub footpath	26	2	(24)	A delay was caused to the project while a decision was made on whether to repair the existing surface of the walkway. This required the input of the structural engineer advising on the delivery of Riverside Walk, as it would not have been cost-effective to repair the existing surface if it would have needed to have been replaced as part of the works to create the Riverside Walk. It is now considered that the surface is acceptable for use by the public, so repairs are likely to take place during the 25/26 financial year. The carry forward of the unspent budget is requested to fund the works in the next financial year.	24	0
<b>Housing &amp; Environmental Health</b> Community Safety Projects and Initiatives	14	0	(14)	Unspent budget relates to the projects for the upgrading of lamp posts for CCTV and a Jackmans Youth Club respectively. The lamp post upgrades are now due to commence in May this year. Match funding for the youth club project, a condition of the Council funding, is also expected to be finalised in May. A carry forward of the unspent budget is therefore requested to finance the expenditure in the next financial year.	14	0

Budget Area	Working Budget	Forecast Outturn	Variance	Reason for difference	Carry Forward Request	Estimated Impact on 2025/26
	£k	£k	£k		£k	£k
<b>Housing &amp; Environmental Health</b> Housing Services Staffing Costs	595	515	(80)	£80k of staffing costs of the housing team in 2024/25 have been funded from government grant received rather than the Council's staffing budget. MHCLG have provided funding for a service with BEAM to help people into the private rented sector and secure employment.	0	0
Transfer to earmarked reserve	0	80	+80	It is requested to transfer the value of the staff cost saving to the Homelessness grants earmarked reserve in order that resource remains available for the BEAM contract, which is expected to be fully delivered in 2025/26.	0	0
<b>Place</b> Waste Management IT Systems integration	40	0	(40)	The work on the integration of waste management IT systems and online reporting for residents was completed in-house without the need for additional consultancy.	0	0
<b>Place</b> Commingled Recyclates – Net cost of Haulage and Processing	482	529	+47	The budget was increased by £101k at Q3 as marked decreases in the basket price achieved for the sale of the recyclates in the second half of the financial year, most notably glass and plastic, had contributed significantly to the increase in net cost. This trend continued in the final few months of the year. Adverse movement in material prices and changes in the material composition increasing the net cost of recycling services was identified as a financial risk when the original budget was approved. Due to the volatility in the market, there is not currently an assumption of an ongoing impact.	0	0
<b>Place</b> Refuse Service – Contract Variation Orders	61	21	(40)	The working budget for this year anticipated an increase in container delivery requests as a result of the new services coming into effect in 2025. A delay in the stock delivery means these are being processed in the 25/26 financial year.	0	0
<b>Place</b> Street cleansing – litter bins replacement and repairs	27	4	(23)	The contractor was unable to complete the removal of all litter bins as part of the litter bin rationalisation project as some areas required the reinstatement of pavements. Any outstanding works will be completed in 25/26 either by Veolia, or a separate ground works contractor, with a carry forward of some of the unspent budget requested to finance the activity.	10	0



Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2025/26 £k
<b>Place</b> Street cleansing - Fly tipping costs	130	97	(33)	The cost of cleansing varies year on year as some elements are dependent on the behaviour of others. The permanent budget for the cost of fly tipping was increased by £68k at the third quarter of 2023/24, to recognise the continued experience of a higher number of instances and larger sizes of fly tips, in particular white goods, commercial waste and green waste. Underspend in this year is therefore indicative of fly tipping levels and quantities in this year not being as high as recent years.	0	0
<b>Place</b> Garden Waste Service Printing Costs	39	13	(26)	Due to a delay in processing the direct debits from subscribers, garden waste permit production was delayed to the 2025/26 financial year. The costs will therefore be charged in the next financial year and hence a carry forward of the unspent budget is requested.	26	0
<b>Place</b> Leisure Facilities Management Contract Fee Income	(779)	(807)	(28)	As part of the Leisure and Active Communities contract, the Council has financed capital investments in its Leisure Centres that were identified and are being delivered by its leisure operator, Everyone Active. Everyone Active have agreed that the contract management fee will be adjusted to reflect the costs that they would have incurred if they had funded the works through the contract. With the investment in this year totalling £1.070million, the Council can expect an additional £28k per month of management fee income for four years from March 2025. The Outturn variance therefore represents the first month of additional income receivable.	0	(339)
<b>Place</b> Leisure Consultancy Fees	50	17	(33)	Budget included provision of £25k for specialist consultants to develop a 'Long Term Built Leisure Strategy', with the view to ensuring NHC deliver sufficient leisure provision to meet demand arising over the period of the next Local Plan review. The built leisure strategy however cannot be developed until the playing pitch & outdoor sport strategy is complete, which is currently under review by Planning Officers. In addition, consultancy has been required in exploring the change in contractual arrangements with the Leisure Operator to an agency model. With both activities ongoing, it is requested that the unspent budget requested is carried forward to fund progress in the next financial year.	33	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2025/26 £k
<b>Place</b> Leisure Facilities – Liquidation of Stevenage Leisure Limited				The Council's previous Leisure Centres operator, Stevenage Leisure Limited (SLL), entered liquidation during this financial year. With liquidation significantly increasing the risk that any debts outstanding will not be fully recovered, a provision has been charged in the accounts for those amounts receivable when the Council's contract with SLL expired at the end of the last financial year. The provision relates to both membership income received in advance by SLL (e.g. where members paid for a full year) that was not transferred to the new provider and leisure centre management contract fee income outstanding (February and March 2024). In addition, a further contribution has been made to the loan impairment allowance in respect of the remaining principal outstanding from the £510k loan to SLL for the purchase of gym and fitness equipment at Hitchin and Royston Leisure Centres approved by Council in August 2017. With the loan repayments ceasing at the onset of the Covid-19 related restrictions on leisure centre operations and uncertainty over the period of recovery, a contribution to the impairment allowance equivalent to 50% of the loan principal outstanding was previously charged to the General Fund at the end of 2021/22 financial year.		
Contribution to Provision	0	272	+272		0	0
Contribution to loan impairment allowance	0	158	+158		0	0
Leisure Facilities Repairs and Maintenance	2	134	+132		0	0
Transfer from earmarked reserve	(26)	(266)	(240)	The impact on the General Fund has been partially mitigated by the release of amounts held in the Leisure Centre maintenance earmarked reserve.	0	0
<b>Net General Fund Impact</b>	<b>(24)</b>	<b>298</b>	<b>+322</b>		<b>0</b>	<b>0</b>

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2025/26 £k
<b>Place</b> Climate Change Strategy Expenditure	100	81	(19)	Some of the sustainability strategy actions developed in 2024/25 are now only able to be delivered in the next financial year. It is requested that the unspent budget is carried forward to fund delivery in 2025/26.	19	0
<b>Regulatory</b> Planning Policy Staffing Costs	662	636	(26)	Government grant funding for Biodiversity Net Gain has been used to part fund the salary of the Council's Senior Ecologist, resulting in an underspend on the original budget available for the post. At Quarter Three, Cabinet approved the carry-forward of the Directorate's unspent staffing budget to fund agency staff in difficult to fill positions. This additional underspend is requested to be carried forward on the same grounds, noting that since the Quarter Three report was presented to Cabinet, the interim arrangements for the Director - Place role have led to the recruitment of an agency worker to backfill existing duties.	26	0
<b>Regulatory</b> Building Control Expenditure	97	55	(42)	The number of disabled adaptations processed by Herts Building Control had been increasing year on year, however since September 2024 the number of applications processed has reduced significantly. The level of demand for disabled adaptations in 25/26 will hence be monitored closely over the coming months, with a recommendation to reduce the budget permanently included in future finance reporting if demand remains low.	0	0
<b>Regulatory</b> Planning Policy – Town Centre Strategies Consultants Expenditure	150	31	(119)	An early draft of a district-wide town centre strategy was presented to the Council's Project Board in October 2024. Further work was requested before the strategy could be presented to Cabinet. The temporary contractor that was leading on this work has subsequently left the Council and Lichfields - who prepared the underlying retail expenditure evidence - have been appointed to review, update and represent the draft strategy. This is now expected in Summer 2025. The carry forward of the remaining unspent budget is requested to allow for completion of this work, any future consultation exercise(s), finalisation of the strategy and any subsequent follow-on work to be discussed and agreed in liaison with Cabinet, Project Board and / or the relevant Executive Members.	119	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2025/26 £k
<b>Regulatory</b> Planning Policy – Local Plan Review	55	37	(18)	The majority of the Local Plan budget was approved to be carried forward at Quarter Three. The forecast outturn at that point anticipated the initial costs of implementing a new software solution to be incurred in the final quarter of the year. However, this was not implemented within the financial year and this additional underspend is now requested to be carried forward to meet those costs expected in the next financial year and help ensure the Local Plan is delivered within currently identified resources.	18	0
<b>Regulatory</b> Planning Policy – Supplementary Planning Documents (SPDs)	30	16	(14)	The majority of the SPDs budget was approved for carry-forward at Quarter Three. The forecast outturn at Quarter Three anticipated costs associated with a further round of workshops for the Design Code SPD to be incurred during Quarter Four. Due to scheduling difficulties, these were held in the first half of April 2025, with the additional underspend in financial year 2024/25 now requested to be carried forward.	14	0
<b>Regulatory</b> Planning Applications Income	(997)	(1,076)	(79)	While the income expectation in the working budget was reduced by £200k at Quarter Two based on the experience of the first half of the year, income from pre-application advice has been boosted by changes to NHC's approach to accepting amendments to applications, whereby major changes are only accepted if a planning application has been subject to pre-application advice, and the removal of the 'free-go' for second applications on a proposed site. Income from planning applications has also overachieved the working budget, due to some larger planning applications resolved later in the year.	0	0
<b>Regulatory</b> Parking Lines and Signs maintenance	37	25	(12)	Due to officers being focused on the implementation of the new parking machines, there has been a delay in completing the programmed lines and signs replacement programme for 2024/25. This will be implemented alongside the 2025/26 programme of works. In addition, planned spend on tariff board upgrades and additional signage associated with the electric vehicle charging points could not commence before April 2025. It is therefore requested that the remainder of this budget is carried forward to fund these outstanding projects in the next financial year.	12	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2025/26 £k
<b>Regulatory</b> Letchworth Multi-Storey Car Park lighting	25	0	(25)	Delays in the supply of materials caused these works to be deferred to April 2025. A carry forward of the unspent budget is requested to cover the costs incurred in the next financial year.	25	0
<b>Regulatory</b> Princes Mews Car Park in Royston	39	(14)	(53)	Improved position in 2024/25 follows a new agreement reached with the landlord of the car park after Morrison's supermarket vacated the site. The financial impact is however not ongoing, as the landowners have subsequently terminated the licence agreement, and the car park was closed permanently from 7 <sup>th</sup> April 2025.	0	0
<b>Resources</b> Directorate Staffing Costs	1,718	1,633	(85)	Underspend is due to a higher level of vacancies held, including one post in the Property Services team being vacant for the entire financial year as recruitment attempts were unsuccessful.	0	0
<b>Resources</b> Insurance funded works at Walsworth Community Centre	35	25	(10)	Works funded from an insurance payout received for a claim relating to Walsworth Community Centre, have not yet been completed. It is requested that the unspent balance is carried forward to cover the cost of the works in the next financial year.	10	0
<b>Total of explained variances</b>	<b>4,892</b>	<b>4,543</b>	<b>(349)</b>		<b>520</b>	<b>(371)</b>
Other minor balances	13,857	13,346	(511)		1	10
<b>Overall Total</b>	<b>18,749</b>	<b>17,889</b>	<b>(860)</b>		<b>521</b>	<b>(361)</b>

8.3. Cabinet are asked to approve the estimated impact on the 2025/26 budget, an overall increase in budget of £160k (recommendation 2.3), which comprises;

- £521k of budget carry-forwards from 2024/25 to 2025/26 for projects that were not completed by the end of the financial year. These are shown in the penultimate column of table 4 above. This will take the total budget carried forward to £1.639million, after including those reported and approved at Quarters One, Two and Three.
- £361k decrease in budget to reflect the estimated net impact in 2025/26 and beyond of variances identified at Outturn. These are shown in the final column of table 4 above.

8.4. The original approved budget for 2024/25 (and therefore working budget) included efficiencies totalling £699k, which were agreed by Council in February 2024. At the end of the year a net total of £515k of efficiencies have been achieved in 2024/25, representing a net underachievement of planned efficiencies of £184k. The forecast at Quarter Three was a net underachievement of £264k. The change at Outturn relates to the delivery of the planning income efficiency, with the shortfall lower than previously forecast, as highlighted in table 4 above.

8.5. The working budget for 2024/25 includes budgets totalling £1.456million that were carried forward from the previous year. These are generally carried forward so that they

can be spent for a particular purpose that had been due to happen in 2023/24 but was delayed into 2024/25. At Quarter Three, it was forecast that £603k of the budget carried forward will not be spent in this year. At the end of the year £856k of the budget carried forward has not been spent. The increase of £253k relates to budgets carried forward for:

- Strategic Priorities Fund. £69k of the £76k carry forward budget was not spent during this financial year and is requested to be carried forward again, as highlighted in table 4 above.
- Riverside hub footpath. £24k of the £26k carry forward budget was not spent during this financial year and is requested to be carried forward again, as explained in table 4 above.
- Waste Management IT Systems integration. The £20k budget carried forward was not spent this year and is no longer required, as noted in table 4 above.
- Town Centre Strategies Consultants Expenditure. £69k of the £100k carry forward budget was not spent during this financial year and is requested to be carried forward again, as explained in table 4 above.
- Local Plan Supplementary planning documents. £135k (increase of £14k on the forecast at Quarter Three) of the £144k budget carried forward was unspent at the end of the year and is requested to be carried forward again, as highlighted in table 4 above.
- Local Plan post adoption review. £71k (increase of £18k on the forecast at Quarter Three) of the £108k budget carried forward was not spent in 2024/25 and is requested to be carried forward again, as highlighted and explained in table 4 above.
- Letchworth Multi-Storey Car Park lighting. The £25k budget carried forward was not spent in this financial year and is requested to be carried forward again, as noted in table 4 above.
- Parking Lines and Signs maintenance. £14k of the £39k budget carried forward was not spent in this financial year and has been requested to be carried forward again, as highlighted and explained in table 4 above.

8.6. Six corporate 'financial health' indicators were identified in relation to key sources of income for the Council in 2024/25. Table 5 below shows the performance for the year. A comparison is made to the original budget to give the complete picture for the year. Each indicator is given a status of red, amber, or green. A green indicator means that income recorded matched or exceeded the budgeted level of income. A red indicator means that the outturn has not met the budgeted level of income. An amber indicator is only used during the year to highlight that there is a risk that the budgeted level of income may not be met.

8.7. At the end of the year, four of the indicators are red and two are green. At Quarter Three, three of the indicators were red and three were green. The additional red indicator relates to car parking fees income, with a minor shortfall in income recorded for the year compared to the original budget expectation (variance included in 'other minor variances' total in table 4 above).





**Table 5 - Corporate financial health indicators**

Indicator	Status	Original Budget £k	Outturn £k	Variance £k
Leisure Centres Management Fee Income	Red	(1,130)	(807)	+323
Garden Waste Collection Service Subscriptions Income	Green	(1,029)	(1,097)	(68)

Commercial Refuse & Recycling Service Income	Red	(1,282)	(1,244)	+38
Planning Application Fees (including fees for pre-application advice)	Red	(1,186)	(997)	+110
Car Parking Fees Income	Red	(1,948)	(1,937)	+11
Parking Penalty Charge Notices (PCNs)	Green	(573)	TBC	TBC

- 8.8. Table 6 below indicates current activity levels, where these drive financial performance, and how these compare to the prior year to indicate the direction of current trends. As performance against the planning applications fee income budget is generally determined by the number of large applications resolved in the year (rather than the total number of applications received), and this distinction is not captured in the data available, this indicator is omitted from table 6.

**Table 6 - Corporate financial health indicators – activity drivers**

Indicator	Activity Measure	Performance 2024/25	Performance 2023/24	Percentage Movement	Direction of Trend
Leisure Centres Management Fee	Number of Leisure Centre visits	1,724,052	1,609,760	+7.1%	
Garden Waste Collection Service	Number of bin subscriptions	34,386	31,082	+10.6%	
Commercial Refuse & Recycling Service	Number of customers	1,044	1,062	-1.7%	
Car Parking Fees	Car park tickets sold / average ticket price sold	TBC / TBC	1,136,408 / £1.72	TBC / TBC	TBC
Parking Penalty Charge Notices	Number of PCNs issued	16,602	15,395	+7.8%	

## **FUNDING, RISK AND GENERAL FUND BALANCE**

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

- 8.11. The Council's share of the Council Tax Collection Fund at the end of the year is a surplus balance of £132k. This represents a decrease of £12k on the forecast surplus of £144k estimated in January. The slight deterioration in the position in the final quarter will be incorporated in the calculation of the surplus/deficit position for 2025/26 and hence impact the level of Council Tax funding available in 2026/27. It is the forecast surplus of £144k that will be transferred from the General Fund to the Collection Fund in the next financial year and increase the amount of Council Tax funding available in 2025/26, as was shown in Appendix E to the Budget 2025/26 (revenue budget and investment strategy) report.
- 8.12. The Council receives a Council Tax Support Fund grant amount annually from Government to support the operation of the Council's Council Tax Reduction Scheme. While there is a restriction that the grant must only be used to fund the costs of a localised Council Tax support scheme to help low-income and vulnerable households, there is no condition on the grant received that requires unspent funding to be returned to the Government department (MHCLG). As such, at the end of the year, the accumulated amount of grant unspent has been transferred to an earmarked reserve, as shown in table 9 below. It is anticipated that the full balance held in reserve will be used in funding the cost of the Council Tax Reduction Scheme approved for 2025/26 Council Tax billing.
- 8.13. The Council's share of the Business Rates Collection Fund at the end of the year is an overall surplus balance of £2.404million. This represents an increase of £2.306million on the estimated surplus of £98k declared in the NNDR1 return submitted to Government in January. The increase in the surplus at the end of the year is primarily due to a reduction in the provision calculated to be required at the end of the year for the impact of business rates appeals. The provision amount has been calculated based on the experience to date following the most recent triennial Business Rates revaluation, effective from April 2023, with there now being only one year left for businesses to submit an appeal against their rating value. To this point, the number of appeals registered with the Valuation Office, as well as the value of refunds issued following successful appeals, has been much lower than previously estimated. Like the Council Tax Collection Fund, it is the forecast surplus amount of £98k that will be transferred to the General Fund in the next financial year.
- 8.14. The Council is also subject to a business rates levy from Central Government as it collects more in business rates than the baseline need determined by Central Government. In 2024/25 the Council is a member of the Hertfordshire Business Rates Pool with Hertfordshire County Council and two other Hertfordshire Local Authorities. The Pool was formed with the expectation that this should reduce the business rates levy amount otherwise payable at the end of the year, referred to as the 'pooling gain', though this would be dependent on the actual level of rates collected across the Pool authorities. Based on draft business rate returns shared with the consultants to the Pool at the end of May, the Council has accrued an amount of £701k for the cost of the levy contribution for 2024/25. If the accrued amount is ultimately the final levy contribution amount payable to the Pool, this would represent a pooling gain of £1.546million on the £2.247million business rates levy that would have been due to government if the Council was outside the business rates pool. The accrued levy contribution has been funded from the grant held in earmarked reserve and therefore has had a net zero impact on the General Fund balance at the end of the year.
- 8.15. The Council receives compensation in the form of a grant from Central Government for business rate reliefs introduced, which goes into our funds rather than the Collection Fund. The total grant amount receivable for 2024/25 is £5.340million, which includes an amount of £589k received as compensation for the Government's previous decisions to cap the increases in the business rates multiplier. The multiplier compensation is included in the funding total in table 7 below, with the rest of the grant received



transferred to reserve. Some of the amount held in reserve has been used to fund the business rates levy payable for this year, while a further £2.7 million has been used to top up the business rates income charged to the General Fund in 2024/25 to the baseline funding amount anticipated when the budget was set. In addition, as shown in table 7 below, £1.727million has been transferred from the reserve to the General Fund in 2024/25 to bridge the funding gap anticipated when the budget was set.

- 8.16. Table 7 below summarises the impact on the General Fund balance of the outturn position detailed in this report. It should be noted however that the accounts for 2024/25 are yet to be audited and changes to the General Fund balance may arise as a result of the final accounts audit.

**Table 7 – General Fund impact**

	<b>Working Budget</b>	<b>Projected Outturn</b>	<b>Difference</b>
	<b>£k</b>	<b>£k</b>	<b>£k</b>
<b>Brought Forward balance (1<sup>st</sup> April 2024)</b>	<b>(14,057)</b>	<b>(14,057)</b>	<b>-</b>
Net Expenditure	18,749	17,889	(860)
Funding (Council Tax, Business Rates, NHB, Services Grant, Funding Guarantee)	(18,229)	(18,229)	0
Funding from Reserves (including Business Rate Relief Grant)	(1,727)	(1,727)	0
<b>Carried Forward balance (31<sup>st</sup> March 2025)</b>	<b>(15,264)</b>	<b>(16,124)</b>	<b>(860)</b>

- 8.17. The minimum level of General Fund balance was determined based on known and unknown risks. Known risks are those things that we think could happen and we can forecast both a potential cost if they happen, and percentage likelihood. The notional amount is based on multiplying the cost by the potential likelihood. The notional amount for unknown risks is based on 5% of net expenditure. There is not an actual budget set aside for either of these risk types so, when they occur, they are reflected as budget variances (see table 4). We monitor the level of known risks that actually happen, as it highlights whether there might be further variances. This would be likely if a number of risks come to fruition during the early part of the year. We also use this monitoring to inform the assessment of risks in future years. The notional amount calculated at the start of the year for known risks was £1,060k, and at the end of the year a total of £518k has come to fruition. The identified risks realised in the final quarter relate to:

- Housing benefit overpayments bad debt provision - need to increase provision in light of the roll-out of Universal Credit, as explained in table 4 above - £182k.
- Increase in the net cost of recycling services - adverse changes in the market price for commodities and change in material composition, as highlighted in table 4 above - £47k.

**Table 8 – Known financial risks**

	<b>£'000</b>
<b>Original allowance for known financial risks</b>	<b>1,060</b>
Known financial risks realised in Quarter 1	(50)
Known financial risks realised in Quarter 2	(60)
Known financial risks realised in Quarter 3	(179)
Known financial risks realised in Quarter 4	(229)
<b>Remaining allowance for known financial risks</b>	<b>542</b>

## EARMARKED RESERVES

- 8.18. The Council has a number of earmarked reserves, which have been used to fund revenue expenditure during the year. These are detailed in Table 9 below. A total of £6.998million has been contributed to the reserves in 2024/25 and a total of £5.963million has been transferred out of the reserves to the General Fund.

**Table 9 – Earmarked Reserves**

	Balance at 1 April 2024	Contributions to reserve	Transfers out from reserves	Balance at 31 March 2025
	£'000	£'000	£'000	£'000
Children's Services Reserve	10	0	(9)	1
Churchgate Development Reserve	123	0	(89)	24
Climate Change Grant Reserve	17	6	(3)	20
Council Tax Hardship Grant Reserve	0	269	0	269
Elections Admin Grant Reserve	67	54	0	121
Environmental Health Grants Reserve	118	10	(113)	15
Growth Area Fund Reserve	24	0	0	24
Homelessness Grants Reserve	398	80	(203)	275
Housing & Planning Delivery Reserve	691	231	(90)	832
Insurance Reserve	34	0	0	34
Land Charges Reserve	12	0	0	12
Leased Assets Reserve	0	63	0	63
Leisure Management Maintenance Reserve	308	0	(275)	33
MHCLG Grants Reserve	5,735	5,349	(4,856)	6,228
Museum Exhibits Reserve	14	0	0	14
Neighbourhood Plan Reserve	132	20	(31)	121
Paintings Conservation Reserve	11	0	0	11
Shared Prosperity Fund Grant Reserve	27	0	(27)	0
Street Name Plates	16	0	0	16
Syrian Refugee Project	737	136	(115)	758
Taxi Licences Reserve	11	0	0	11
Town Centre Maintenance	85	8	0	93
Traffic Regulation Orders	372	0	(5)	367
Waste Reserve	836	0	0	836
Waste Vehicles Reserve	2,456	722	0	3,178
Welfare Reform Grants Reserve	455	50	(147)	358
<b>Total Revenue Reserves</b>	<b>12,689</b>	<b>6,998</b>	<b>(5,963)</b>	<b>13,724</b>

## 9. LEGAL IMPLICATIONS

- 9.1. The Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. Specifically, 5.7.8 of Cabinet's terms of reference state that it has remit "*to monitor quarterly revenue expenditure and agree adjustments within the overall budgetary framework*". By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council. The Council is under a duty to maintain a balanced budget and to maintain a prudent balance of reserves.
- 9.2. The requirement for financial reserves is acknowledged in statute. Sections 31A, 32 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. The

Council must ensure sufficient flexibility to avoid going into deficit at any point during the financial year. The Chief Financial Officer is required to report on the robustness of the proposed financial reserves, under Section 25 of the Local Government Act 2003.

- 9.3. Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs. The level of the general reserve is a matter for the Council to determine having had regard to the advice of the S151 Officer. This is a requirement of the Council Procedure Rules as set out in Part 4.4.1 (b) and 4.4.1 (k) of the Council's Constitution.
- 9.4. Council's terms of reference at paragraph 4.4.1 (dd) state that it will "determine those financial matters reserved to Council by the Financial Regulations". The Financial Regulations at paragraph 10.2 include that "[t]he creation and movements in reserves need to be formally approved by Full Council, which is incorporated in to Revenue Budget Outturn report."

## **10. FINANCIAL IMPLICATIONS**

- 10.1. Members have been advised of any variations from the budgets in the body of this report and of any action taken by officers.
- 10.2. General Fund balance of £16.124million (table 7) is significantly above the recommended minimum balance of General Fund reserves of £2.46million agreed when the budget was set. The Statement of Accounts is however yet to be audited and changes to the General Fund balance may arise as a result of the final audit. As the Housing Benefit claim is also yet to be audited, the relevant values included in the reported outturn are based on un-audited figures.

## **11. RISK IMPLICATIONS**

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

## **12. EQUALITIES IMPLICATIONS**

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

## **13. SOCIAL VALUE IMPLICATIONS**

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

**14. ENVIRONMENTAL IMPLICATIONS**

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

**15. HUMAN RESOURCE IMPLICATIONS**

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

**16. APPENDICES**

- 16.1. Appendix A - Significant Revenue Budget Variances in 2024/25.

**17. CONTACT OFFICERS**

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**18. BACKGROUND PAPERS**

- 18.1. None.

## Appendix A - Significant Revenue Budget Variances in 2024/25

Directorate	Significant Service Area Variances	Net Direct Budget at April 2024	Net Direct Outturn	(Under) / Overspend	Summary Explanation	Relevant Report
Managing Director	Treasury Investments Interest Income	(1,150)	(2,983)	(1,833)	Higher than anticipated interest rates during the year and higher cash balances due to the reprofiling of planned capital investments.	Q1, Q2, Q3 & Outturn 2024/25
	Other budgets with variances under £100k	1,795	1,543	(252)		
	<b>Directorate Total</b>	<b>645</b>	<b>(1,440)</b>	<b>(2,085)</b>		
Customers Directorate	Customers Directorate Staffing Costs	6,523	6,182	(341)	Underspend results from various vacant posts due to difficulty in recruiting temporary and permanent staff in Revenues & Benefits, IT Services, the Customer Service Centre and Careline service.	Q1, Q2, Q3 & Outturn 2024/25
	Contribution to Sales Ledger Bad Debt Provision	10	172	162	Increase in outstanding debt amounts between 3-12 months past their payment due date as recovery was suspended with the transition to the new finance system. Ultimately expected that debt will be recovered at similar levels to previous years	Outturn 2024/25
	Net Housing Benefit expenditure	233	367	134	Reliance on nightly paid units to accommodate homeless households, where the eligible amount of Housing Benefit Subsidy is capped at less than the housing benefit payment, and higher levels of benefit overpayments, eligible for only 40% reimbursement through Housing Benefit subsidy.	Q2 & Outturn 2024/25
	Housing Benefit Overpayments Income - Contribution to bad debt provision	50	232	182	Where working age Housing Benefit clients have migrated to Universal Credit (UC), the Council can no longer collect overpayments debt from deductions to ongoing housing benefit payments.	Outturn 2024/25
	Other budgets with variances under £100k	(2,017)	(2,256)	(239)		
	<b>Directorate Total</b>	<b>4,566</b>	<b>4,330</b>	<b>(236)</b>		
Enterprise Directorate	Churchgate Shopping Centre - net rental income	(440)	(139)	301	Number of vacant units, including several of the larger premises, reducing rent income and increasing associated expenditure with empty property rates payable, plus higher repairs and maintenance spend.	Outturn 2024/25
	Transfer to Churchgate Regeneration Project reserve	216	0	(216)	The level of return in this financial year has meant no additional contribution has been made to the Churchgate Regeneration Project earmarked reserve	Outturn 2024/25
	Other budgets with variances under £100k	359	333	(26)		
	<b>Directorate Total</b>	<b>135</b>	<b>194</b>	<b>59</b>		
Housing & Environmental Health	Environmental Health Apprenticeship	100	0	(100)	Due to staffing pressures within the Environmental Health service, the recruitment process has not yet started. Recruitment will now begin in the new financial year to get an apprentice in place before the start of the new academic year.	Q2 2024/25
	Other budgets with variances under £100k	1,985	1,932	(53)		
	<b>Directorate Total</b>	<b>2,085</b>	<b>1,932</b>	<b>(153)</b>		
Legal & Community Directorate	<b>Directorate Total (all budgets have variances under £100k)</b>	<b>2,694</b>	<b>2,643</b>	<b>(51)</b>		

Directorate	Significant Service Area Variances	Net Direct Budget at April 2024	Net Direct Outturn	(Under) / Overspend	Summary Explanation	Relevant Report
Place Directorate	Leisure Centres Management Contract Income	(1,130)	(807)	323	Rebasing of Leisure Centre staffing costs, in advance of the new Leisure contract commencing in April 2024, to capture the actual increase of 9.8% in the National Living Wage from April 2024.	Q1 & Outturn 2024/25
	Leisure Centres Repairs and Maintenance	2	134	132	Contract required that the facilities were handed over to the new leisure operator in a good condition. With previous operator SLL in liquidation, the Council was liable for cost of rectifying dilapidations identified.	Outturn 2024/25
	Leisure Centres - Contribution to Provision	0	272	272	The Council's previous Leisure Centres operator, Stevenage Leisure Limited (SLL), entered liquidation during this financial year, significantly increasing the risk that debts outstanding will not be fully recovered.	Outturn 2024/25
	Leisure Centres - Fitness Equipment Loan – Contribution to Impairment Allowance	0	158	158	With SLL in liquidation, further impairment required of the loan principal outstanding from the £510k loan to SLL for the purchase of gym and fitness equipment at Hitchin and Royston Leisure Centres approved by Council in August 2017.	Outturn 2024/25
	Leisure Centres - Transfer from reserve	(26)	(266)	(240)	Impact on the General Fund partially mitigated by the release of amounts held in the Leisure Centre maintenance earmarked reserve	Outturn 2024/25
	Waste and Recycling Contract Expenditure	5,612	5,370	(242)	Additional cost from indexation applied to the contract in each of the last two years has been lower than the provision for contract inflation included in the budget.	Q3 2024/25
	Commingled Recycling Haulage and Processing	381	529	148	Marked decreases in the basket price achieved for the sale of the recyclates in the second half of the financial year, most notably glass and plastic.	Q3 & Outturn 2024/25
	Other budgets with variances under £100k	2,050	1,828	(222)		
	<b>Directorate Total</b>	<b>6,889</b>	<b>7,218</b>	<b>329</b>		
Regulatory Services Directorate	Supplementary Planning Documents	162	16	(146)	Most of the work on documents and processes supporting the Local Plan have been carried out in-house. This includes the adopted SPDs on Developer Contributions and Sustainability as well as work to support Biodiversity Net Gain.	Q3 & Outturn 2024/25
	Local Plan Review	244	37	(207)	Delivery of full review contingent on new legislation and guidance from Government. A proposed timetable and way forward for the Local Plan was presented to Cabinet in January 2025. This will see substantial work and external costs being incurred from 2025/26 onwards.	Q3 & Outturn 2024/25
	Town Centre Strategies	150	31	(119)	An early draft of a district-wide town centre strategy was presented to the Council's Project Board in October 2024. Further work was requested before the strategy could be presented to Cabinet. The temporary contractor that was leading on this work has subsequently left the Council and Lichfields - who prepared the underlying retail expenditure evidence - have been appointed to review, update and represent the draft strategy. This is now expected in Summer 2025.	Outturn 2024/25
	Planning Applications Income	(1,197)	(1,076)	121	Lower number of minor applications, which is a trend nationally. Larger applications subject to the master planning process as opposed to the previous paid pre-application advice, with fee income from subsequent reserved matters applications therefore being deferred.	Q2 & Outturn 2024/25
	Other budgets with variances under £100k	1,688	1,213	(475)		
	<b>Directorate Total</b>	<b>1,047</b>	<b>221</b>	<b>(826)</b>		
Resources Directorate	<b>Directorate Total (all budgets have variances under £100k)</b>	<b>2,916</b>	<b>2,791</b>	<b>(125)</b>		
<b>OVERALL TOTAL</b>		<b>20,977</b>	<b>17,889</b>	<b>(3,088)</b>		

**FINANCE, AUDIT AND RISK COMMITTEE**  
**11 June 2025**

**\*PART 1 – PUBLIC DOCUMENT**

**TITLE OF REPORT: INVESTMENT STRATEGY (CAPITAL AND TREASURY) END OF YEAR REVIEW 2024/25**

REPORT OF: SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: FINANCE AND I.T.

COUNCIL PRIORITY: SUSTAINABILITY

**1 EXECUTIVE SUMMARY**

- 1.1 As at the end of financial year 2024/25, there is a reduction in Capital spend compared to quarter 3 of **£5.454million**. The majority of this change is due to revisions to the profile of planned project spend, with **£5.239million** that will now instead be incurred in 2025/26.
- 1.2 During the year the Council has generated **£2.983million** of interest from its investments. This is an increase on the budget reported Quarter 3 (£2.955M), and significantly more than the original budget of £1.150million.
- 1.3 The Council has repaid £0.022million of borrowing during the year as it has matured. The Council has £0.325million of remaining borrowing. This borrowing is at a fixed rate for a fixed period. The premium incurred from repaying this borrowing early means that it is not worthwhile to do so.
- 1.4 The Council complied with its legislative and regulatory requirements throughout the year.

**2. RECOMMENDATIONS**

That the Committee comment and make recommendations on the risks and assumptions in relation to the recommendations that are made to Cabinet, which are:

- 2.1 That Cabinet notes expenditure of £11.362million in 2024/25 on the capital programme, paragraph 8.3 refers.
- 2.2 That Cabinet approves the adjustments to the capital programme for 2025/26 as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend by £5.202million.

- |     |  |
|-----|--|
| 2.3 | That Cabinet notes the position of the availability of capital resources, as detailed in table 4 paragraph 8.7 and the requirement to keep the capital programme under review for affordability.   |
| 2.4 | That Cabinet approves the application of £3.787million of capital receipts/set aside towards the 2024/25 capital programme, paragraph 8.7 refers.  |
| 2.5 | Cabinet is asked to note the position of Treasury Management activity as at the end of March 2025.   |
| 2.6 | Cabinet is asked to recommend this report to Council and ask Council to:<br><br>1) Approve the actual 2024/25 prudential and treasury indicators as detailed in Appendix B.<br>2) Note the annual Treasury Management Review for 2024/25 (Appendix B). |

### **3. REASONS FOR RECOMMENDATIONS**

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

### **4. ALTERNATIVE OPTIONS CONSIDERED**

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

### **5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

- 5.1 Consultation on the capital expenditure report is not required. Members will be aware that consultation is incorporated into project plans of individual capital schemes as they are progressed.



- 5.2 There are regular meetings with Treasury advisors (MUFG, previously known as Link).

## **6. FORWARD PLAN**

- 6.1 This report contains a recommendation on a key Executive decision that was first notified to the public in the Forward Plan on the 17th April 2025.

## **7. BACKGROUND**

- 7.1 In February 2024, Council approved the Integrated Capital and Treasury Strategy for 2024/25 to 2033/34.
- 7.2 The Council will seek opportunities to utilise capital funding for 'invest to save' schemes. This is one way the Council will allocate resources to support organisational transformation that will reduce revenue expenditure. Capital spend will also be necessary to ensure the continued provision of services and delivery of priorities.
- 7.3 MUFG are contracted to provide Treasury advice. The service includes:
- Regular updates on economic and political changes which may impact on the Council's borrowing and investment strategies
  - Information on investment counterparty creditworthiness
  - Technical updates
  - Access to a Technical Advisory Group.

## **8. RELEVANT CONSIDERATIONS**

- 8.1 The Council has £122million of capital assets that it currently owns (as at 31 March 2024). The Investment Strategy set out the reasons for owning assets that are not for service delivery, including an assessment of Security, Liquidity, Yield and Fair Value. There have been no significant changes in relation to these since the Strategy was set.

### **Capital Programme 2024/25**

- 8.2 The full capital programme is detailed in Appendix A and shows the revised costs to date, together with the actual spend from 2024/25 to 2034/35 and the funding source for each capital scheme.
- 8.3 The Outturn Capital expenditure for 2024/25 is **£11.362million**. This is a reduction of **£5.454million** on that reported at the end of the third quarter. The decrease in spend is largely due to re-profiling spend into 2025/26. Table 1 below details the changes from what was reported at Quarter 3.

**Table 1- Current Capital Estimates**

	2024/25 £M	2025/26 £M	2026/27 to 2034/35 £M
<b>Budget Reported at Q3</b>	<b>16.816</b>	<b>21.690</b>	<b>23.560</b>
<b>Public Sector Decarbonisation project</b>		<b>1.143</b>	
<b>Changes as detailed in this report</b>	<b>-5.454</b>	<b>5.202</b>	
<b>Current Capital Estimates</b>	<b>11.362</b>	<b>28.035</b>	<b>23.560</b>

8.4 Table 2 lists the schemes in the 2024/25 Capital Programme that will start or continue in 2025/26:

**Table 2: Scheme Timetable Revision:**

(Key: - = reduction in capital expenditure, + = increase in capital expenditure)

<b>Scheme</b>	<b>2024/25 Working Budget £'000</b>	<b>2024/25 Outturn £'000</b>	<b>Difference £'000</b>	<b>Reason for Difference</b>	<b>Estimated impact on 2025/26 £'000</b>
Public Sector Decarbonisation Project	8,590	6,442	-2,148	The PSDS Project spans over 2024/25-2025/26. Year 1 spend includes pre-construction fees and early order of materials. Y2 includes construction contract.	2,148
Museum Commercial Storage	1,350	0	-1,350	Purchase was agreed the tail end of last financial year and is expected to complete in the next month or so	1,350
Infrastructure Hardware	375	0	-375	Carrying forward the spend to 25/26 and implementing in August-November 25 will allow us to procure technology and systems more appropriate for the next 4 years.	375
NHLC Air Handling Units	250	0	-250	Budget merged with PSDS	250
Parking Charging Payments Management System	235	0	-235	Linked to the parking machine replacement works.	235
Parking Machines Replacement	291	140	-151	Reflects the cost of the work completed by the end of the year, with further upgrades to take place in 25/26.	151
Property Improvements	165	39	-126	Some works identified by previous surveys as being required in the future have	126

Scheme	2024/25 Working Budget £'000	2024/25 Outturn £'000	Difference £'000	Reason for Difference	Estimated impact on 2025/26 £'000
				found not to be necessary by our Building Surveyor and a variety of works that were previously funded from this capital budget do not meet the criteria to be capitalised and consequently are funded through the revenue budget. In addition a few premises are awaiting longer term strategic decisions on their future.	
Match Funding Electric Vehicle charging	100	0	-100	Not required so far to enable EV charging installation which has been funded by grants and private sector. To be reviewed during 25/26 as may not be needed.	100
RLC Members Change Refurb	200	127	-73	Members accessible changing refurbishment to take place June 2025	73
Lairage Stairwells Windows/doors Decoration	75	6	-69	New PVC windows have been installed to two of the stairwells. There were plans to apply a coating to the concrete stairs however, since the budget was approved it's been decided to seek a full structural survey of the car park and as a result this work has been put on hold.	69
Community Centres Flat Roof Safety	43	0	-43	Two community centres were identified as requiring safety rail upgrade works. Since then, it was discovered that the roof at one of the community centres is in poor condition and as a consequence the roof safety rail works has been placed on hold.	43
Royston Leisure Centre Extension	250	212	-38	Budget merged with PSDS	38
Upgrade 25 Parking Machines	56	18	-38	Reflects the cost of the work completed by the end of the year, with further upgrades to take place in 25/26.	38

<b>Scheme</b>	<b>2024/25 Working Budget £'000</b>	<b>2024/25 Outturn £'000</b>	<b>Difference £'000</b>	<b>Reason for Difference</b>	<b>Estimated impact on 2025/26 £'000</b>
Home Repair Assistance	75	38	-37	The Carry forward will enable more of our residents the opportunity to seek financial assistance should they need to, and should they qualify. The spend on this budget is demand led and a review of the provisions of these grants is planned during 25/26 to raise awareness and make this money available to more local residents.	37
Bury Mead Road Transfer Facility	30	0	-30	The work has not yet been completed as this impacts on the operational availability of the site and other planned works to improve the site being facilitated by HCC. It is anticipated to be completed in 25/26.	30
Total Minor (under £25k) slippage on other projects	280	103	-176		176
Changes to 25/26 Budget					-37
<b>Total Revision to Budget Profile</b>			<b>-5.239</b>		<b>5.202</b>

- 8.5 There are also changes to the overall costs of schemes in 2024/25. These changes total a net decrease of £0.215million and are detailed in Table3.

**Table 3: Changes to Capital Schemes Commencing in 2024/25:**

(Key: - = reduction in capital expenditure, + = increase in capital expenditure)

<b>Scheme</b>	<b>2024/25 Working Budget £'000</b>	<b>2024/25 Spend £'000</b>	<b>Difference £'000</b>	<b>Comments</b>
Leased Vehicles and Grounds Maintenance Vehicles and Machinery	456	210	-246	This budget was set for an accounting requirement to show vehicles (and equipment) as our assets when previously they have been shown as lease costs or part of a contract total. The budget was set when this was first going to be implemented as an accounting requirement but was then delayed. The variance is mainly due to us now having more leased vehicles (+£69k), but following detailed assessment the vehicles contained within the Grounds contract should not be treated as our asset (-£315k). These accounting adjustments do not affect the amounts that we pay for leases/ contract sums.
Technology One Implementation	156	190	34	Overspend due to additional consultancy support to implement the new finance system. This was to reduce the pressure on Officers and also reflected the complexity of the Accounts Receivable module.
Environmental Improvements to Leisure Centres	78	0	-78	Works completed within budget in 23/24
<b>Other minor changes</b>			<b>75</b>	
<b>Total revision to scheme spend</b>			<b>-215</b>	

8.6 The following capital schemes have been completed during 2024/25:

- Completion of all remaining works on the Playground Renovation projects for 23/24
- Technology One Implementation
- Old Hale Way Allotments
- Newmarket Road Skatepark
- Oughtonhead Common Footpaths
- Bancroft & Priory Splash Pads
- St Johns Cemetery Footpaths
- Ivel Springs Footpaths
- John Barker Place
- Various Leisure Facilities Refurbishments

### Capital Programme 2024/25 Funding onwards

8.7 Table 4 below shows how the Council have funded the 2024/25 capital programme.

**Table 4: Funding the Capital Programme:**

	2024/25 Balance at start of year £M	2024/25 Additions £M	2024/25 Funding Used £M	2024/25 Balance at end of year £M
Useable Capital Receipts and Set-aside Receipts	4.914	0.070	(3.783)	1.201
S106 receipts			(1.029)	
Other third party grants and contributions			(6.550)	
Revenue Contributions / IT Reserve			0	
Planned Borrowing			0	
<b>Total</b>			<b>(11.362)</b>	

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

8.9 The Council's Capital Financing Requirement (CFR) at 31<sup>st</sup> March 2025 was negative £0.578 million (negative £2.583 million 31<sup>st</sup> March 2024). As the CFR is negative the Council does not have a need to borrow to fund capital spend. However, should the Capital programme be fully spent in 25/26 there will be a potential need to borrow £20.9M. This will have an impact on the revenue budget by way of a Minimum Revenue Provision (MRP) charge in 26/27. We will look to borrow internally against cash reserves,

so as the money is spent it will reduce the income we generate from treasury investments (which is currently over 5%, but is expected to decrease over time).

### **Treasury Management 2024/25**

- 8.10 The Council has operated both within the treasury and prudential indicators set out in the Treasury Management Strategy Statement and in compliance with the Treasury Management Practices. There was a minor breach of investment limits for one day, as detailed in Appendix B.
- 8.11 The Council generated £2.983M of interest during 2024/25. The average interest rate agreed on new deals during the year was 5.26%. The average interest rate on all outstanding investments at the 31<sup>st</sup> March was 5.1%.
- 8.12 The Council's activities expose it to a variety of risks (credit, liquidity and market). The Treasury Strategy sets out the Authority's appetite for the level of exposure to these risks.
- 8.13 **Security Risk** – The possibility that other parties fail to pay amounts due to the Authority.

The Council's counterparty list for 2024/25 comprised UK building societies and UK banks with a Fitch (a credit rating agency) credit rating greater than BBB, non-UK banks with a credit rating greater than AA- with a AAA Country rating, other Local Authorities and Public Corporations. It also includes smaller Building Societies that do not have a credit rating.

- 8.14 **Liquidity Risk** – the possibility that the Authority may not have funds available to meet its commitments to make payments.
- 8.15 **Market Risk** - the possibility that financial loss might arise as a result of changes in interest rates.

Investing long term (greater than one year) currently achieves lower interest rates than short term deals. The risks of long term deals are:

- (i) The longer the time period the longer the investment is exposed to default.
- (ii) If the investment has a fixed interest rate, interest rates could rise and the potential to invest at a higher rate will be lost until the investment matures. Conversely, rates could fall and it is better to have locked in to a higher rate.

- 8.16 Members have indicated that they are prepared to accept this risk within the limits expressed in the Treasury Strategy, which allows no more than £7M of outstanding investments to be invested for longer than 365 days at any one time. At the end of the year the Council didn't have any investments invested for longer than 365 days.
- 8.17 **Interest (Yield)** – The Bank of England decreased Bank Rate three times during 2024/25 starting the year at 5.25% and ending at 4.5%. With investments being kept relatively short for cashflow the yield on investments reduced as the year went on. £2.983million of interest was received during the year compared to £2.941million in 2023/24.
- 8.18 The investments outstanding at the 31 March 2025 were £45.0million. This compares to a balance of £46.0million at 31 March 2024. Investment in capital projects will continue

during 2025/26 and the estimated investment interest for 2025/26 was set at £0.8250million. This estimate will be revised in the 1<sup>st</sup> quarter monitoring report to reflect a higher level of balances available to invest due to capital slippage and a higher interest rate than anticipated.

## **9. LEGAL IMPLICATIONS**

- 9.1 Cabinet's terms of reference under 5.6.7 specifically includes "to monitor expenditure on the capital programme and agree adjustments within the overall budgetary framework". The Cabinet also has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council. The Council is under a duty to maintain a balanced budget.
- 9.2 Finance, Audit and Risk Committee's terms of reference under 10.1.5 (f) contain "[t]o review the financial performance of the Council in relation to its policy objectives, and budgetary amounts, and to make recommendations to Cabinet (unless legally reserved to Full Council) on any matter arising out of the finance monitoring and review process within the terms of this Committee".
- 9.3 Section 151 of the Local Government Act 1972 states that:  
"every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs."
- 9.4 Asset disposals must be handled in accordance with the Council's Contract Procurement Rules.
- 9.5 The Prudential Indicators comply with the Local Government Act 2003.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 The main financial implications are covered in section 8 of the report.
- 10.2 The Authority operates a tolerance limit on capital projects that depends on the value of the scheme and on this basis over the next ten-year programme it should be anticipated that the total spend over the period could be £4.039million higher than the budgeted £51.595million.
- 10.3 The capital programme will need to remain under close review due to the limited availability of capital resources and the affordability in the general fund of the cost of using the Council's capital receipts. When capital receipts are used and not replaced the availability of cash for investment reduces. Consequently interest income from investments reduces. £1.0million currently earns the Authority approximately £42k per year in interest (4.2%). The general fund estimates are routinely updated to reflect the reduced income from investments. When the Capital Financing Requirement (CFR) reaches zero the Council will need to start charging a minimum revenue provision to the general fund for the cost of capital and will need to consider external borrowing for further



capital spend. The CFR at the 31 March 2025 was negative £0.578million. This may turn positive in 25/26.

- 10.4 The Council also aims to ensure that the level of planned capital spending in any one year matches the capacity of the organisation to deliver the schemes to ensure that the impact on the revenue budget of loss of cash-flow investment income is minimised.

## **11. RISK IMPLICATIONS**

- 11.1 Good risk management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.
- 11.2 The inherent risks in undertaking a capital project are managed by the project manager of each individual scheme. These are recorded on a project risk log which will be considered by the Project Board (if applicable). The key risks arising from the project may be recorded on Ideagen (the Council's Performance & Risk management software).
- 11.3 Risks associated with treasury management and procedures to minimise risk are outlined in the Treasury Management Practices document, TMP1, which was adopted by Cabinet in July 2003 and is revisited annually as part of the Treasury Strategy review. The risk on the General Fund of a fall of investment interest below the budgeted level is dependent on banks and building societies need for borrowing.

## **12. EQUALITIES IMPLICATIONS**

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

## **13. SOCIAL VALUE IMPLICATIONS**

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

## **14. ENVIRONMENTAL IMPLICATIONS**

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

## **15. HUMAN RESOURCE IMPLICATIONS**

- 15.1 There are no direct human resource implications.

## **16. APPENDICES**

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

## **17. CONTACT OFFICERS**

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## **18. BACKGROUND PAPERS**

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

									Funding				
		2024/25 Funding £	2025/26 Funding £	2026/27 Funding £	2027/28 Funding £	2028/29 Funding £	2029/30 Funding £	2030/31 - 2034/35 Funding £					
Project	Service Directorate								Funded from Other Grants	Funded from Government Grant	Funded from s106 contributions	Funded from Revenue / IT Reserve	Balance funded from Capital Receipts/ Set- aside receipts/ Borrowing
40 KVA UPS Device or Battery Replacement	Customers	0	12,000	0	0	0	0	0	0	0	0	0	12,000
Air conditioning at Hitchin Town Hall	Enterprise	0	100,000	0	0	0	0	0	0	0	0	0	100,000
Air Handling Humidification	Enterprise	0	15,000	0	0	0	0	0	0	0	0	0	15,000
Alternative to safeword tokens for staff/members working remotely	Customers	0	9,900	0	0	0	0	0	0	0	0	0	9,900
An alternative set of 25 machines that are outside of the Windows Environment for Disaster Recovery	Customers	0	15,000	0	0	15,000	0	30,000	0	0	0	0	60,000
Audio Improvements to Mountford Hall	Enterprise	0	15,000	0	0	0	0	0	0	0	0	0	15,000
Avenue Park Floodlights	Place	1,000	0	0	0	0	0	0	0	0	0	0	1,000
Avenue Park Splash Park	Place	0	70,000	0	0	0	0	0	0	0	0	0	70,000
Baldock Road Recreation Ground Letchworth	Place	0	30,000	0	0	0	0	0	0	0	0	0	30,000
Bancroft & Priory Splash Pads	Place	13,100	0	0	0	0	0	0	0	0	0	0	13,100
Bancroft Lighting	Place	0	45,000	0	0	0	0	0	0	0	0	0	45,000
Broadway Gardens Resurfacing	Place	0	250,000	0	0	0	0	0	0	0	0	0	250,000
Burymead Road Transfer Facility	Place	0	30,000	0	0	0	0	0	0	0	0	30,000	0
Cadcorp Local Knowledge & Notice Board Software	Customers	0	5,400	0	0	0	0	0	0	0	0	200	5,200
CCTV at PCO & Hitchin Town Hall	Customers	2,400	12,500	0	0	0	0	0	0	0	0	0	14,900
CCTV Control Room Upgrade	Resources	0	45,000	0	0	0	0	45,000	0	0	0	0	90,000
CCTV Replacement	Customers	132,200	0	0	0	0	0	0	0	0	0	0	132,200
Charwood House	Enterprise	19,800	370,800	0	0	0	0	0	0	0	0	0	390,600
Community Centres Flat Roof Safety Barriers	Resources	0	43,000	0	0	0	0	0	0	0	0	0	43,000
Conference Calling Solutions in Large Meeting Rooms at District Council Offices	Customers	7,000	6,000	0	0	0	0	0	0	0	0	0	13,000
Council Property improvements following condition surveys	Resources	38,900	176,300	50,000	50,000	50,000	50,000	250,000	0	0	0	0	665,200
Cyber Attacks - Events Monitoring Software Solution	Customers	0	2,000	0	0	0	0	0	0	0	0	0	2,000
Cycle Strategy implementation (GAF)	Regulatory	0	278,000	0	0	0	0	0	0	278,000	0	0	0
DR Hardware Refresh Inc UPS Battery Pk (unit 3)	Customers	0	65,000	0	0	16,000	0	32,000	0	0	0	0	113,000
Email Encryption Software Solution	Customers	0	17,700	0	0	0	0	0	0	0	0	0	17,700
Environmental Improvements	Place	0	0	0	0	0	0	0	0	0	0	0	0
EV Charging at the existing Letchworth Depot	Place	0	100,000	0	0	0	0	0	0	0	0	0	100,000
Fibre Waste Bins	Place	0	1,170,000	0	0	0	0	0	0	0	0	0	1,170,000
Green Infrastructure implementation (GAF)	Regulatory	0	185,000	0	0	0	0	0	0	185,000	0	0	0
Grounds Maintenance Vehicles & Machinery	Resources	0	0	0	0	0	0	0	0	0	0	0	0
Hitchin Lairage car park - cosmetic coating to four stairwells and replacement windows and doors	Resources	5,900	69,100	0	0	0	0	0	0	0	0	0	75,000
Hitchin Swim Centre Café	Place	41,600	0	0	0	0	0	0	0	0	0	0	41,600
Hitchin Swimn Centre Pool View	Place	70,000	0	0	0	0	0	0	0	0	0	0	70,000
Hitchin Swim Centre Reception Toilet Refurbishment	Place	39,300	0	0	0	0	0	0	0	0	0	0	39,300
Hitchin Swim Centre: Archers Member Change and Relaxation Area Refurbishment	Place	0	300,000	0	0	0	0	0	0	0	0	0	300,000
Hitchin Swim Centre: Changing Village Refurbishment	Place	0	0	225,000	0	0	0	0	0	0	0	0	225,000

Project	Service Directorate								Funding				
		2024/25 Funding £	2025/26 Funding £	2026/27 Funding £	2027/28 Funding £	2028/29 Funding £	2029/30 Funding £	2030/31 - 2034/35 Funding £	Funded from Other Grants	Funded from Government Grant	Funded from s106 contributions	Funded from Revenue / IT Reserve	Balance funded from Capital Receipts/ Set- aside receipts/ Borrowing
Hitchin Swim Centre: Fitness Equipment Replacement	Place	391,400	0	0	0	0	0	0	10,000	0	0	0	381,400
Hitchin Swim Centre Outdoor Boiuler	Place	2,700											2,700
Hitchin Town Hall Kitchen Enhancement	Enterprise	0	0	25,000	0	0	0	0	0	0	0	0	25,000
Howard Park Kiosk Refurbishment	Enterprise	15,400	0	0	0	0	0	0	0	0	0	0	15,400
Howard Park Letchworth Path Resurfacing	Place	6,200	13,800	10,000	10,000	0	0	0	0	0	0	0	40,000
Infrastructure Hardware	Customers	0	375,000	18,000	18,000	190,000	0	0	0	0	0	0	601,000
Installation of trial on-street charging (GAF)	Regulatory	0	50,000	0	0	0	0	0	0	50,000	0	0	0
Ivel Springs Footpaths	Place	8,300	0	0	0	0	0	0	0	0	0	0	8,300
King George V Muga Hitchin	Place	0	55,000	0	0	0	0	0	0	0	55,000	0	0
John Barker Place, Hitchin	Regulatory	1,096,000	0	0	0	0	0	0	0	0	786,900	0	309,100
Laptops - Refresh Programme	Customers	19,900	339,100	49,000	35,000	40,000	349,000	234,000	0	0	0	0	1,066,000
Leased Cars	Resources	209,800	0	0	0	0	0	0	0	0	0	0	209,800
Letchworth Outdoor Pool Café	Place	59,600	0	0	0	0	0	0	0	0	0	0	59,600
Letchworth Outdoor Pool Boiler	Place	2,700											2,700
Local Authority Housing Fund Pt 2	Regulatory	300	0	0	0	0	0	0	0	300	0	0	0
Match funding for Electric Vehicle charging	Regulatory	0	100,000	0	0	0	0	0	0	0	0	0	100,000
Mel Tal Offices, Royston	Enterprise	0	25,000	0	0	0	0	0	0	0	0	0	25,000
Members Laptops Refresh Programme	Customers	0	0	30,000	0	0	0	0	0	0	0	0	30,000
Microsoft Enterprise Software Assurance	Customers	2,200	679,000	0	0	747,000	0	1,494,000	0	0	0	0	2,922,200
Museum Storage Facility	Enterprise	0	2,000,000	2,000,000	0	0	0	0	0	0	0	0	4,000,000
Newmarket Road Royston Skatepark & Access	Place	100,000	0	0	0	0	0	0	0	0	45,000	0	55,000
NH Museum & Community Facility	Enterprise	0	48,300	0	0	0	0	0	48,300	0	0	0	0
NH Museum Chiller	Enterprise	0	80,000	0	0	0	0	0	0	0	0	0	80,000
NHLC Air Handling Units	Place	0	0	0	0	0	0	0	0	0	0	0	0
NHLC Café	Place	14,200	0	0	0	0	0	0	0	0	0	0	14,200
NHLC Gym Platform Lift Replacement	Place	14,900	0	0	0	0	0	0	0	0	0	0	14,900
NHLC Gym Equipment	Place	388,800	0	0	0	0	0	0	0	0	0	0	388,800
NHLC Gym Refurbishment	Place	335,900	0	0	0	0	0	0	0	0	0	0	335,900
NHLC Lift Replacement	Place	0	90,000	0	0	0	0	0	0	0	0	0	90,000
NHLC Male, Female and Accessible Wet Change Refurbishment	Place	0	0	0	0	0	0	0	0	0	0	0	0
NHLC Pool Flume Replacement	Place	0	300,000	0	0	0	0	0	0	0	0	0	300,000
NHLC Pool View	Place	90,000	0	0	0	0	0	0	0	0	0	0	90,000
Northern Transfer Station	Place	0	0	0	0	3,000,000	3,000,000	0	0	0	0	0	6,000,000
Norton Common Bowls Pavilion	Place	0	55,000	0	0	0	0	0	0	0	28,000	0	27,000
Norton Common Footpaths	Place	0	10,000	0	0	0	0	0	0	0	0	0	10,000
Norton Common Letchworth Tennis Courts	Place	0	48,700	0	0	0	0	0	0	0	0	0	48,700
Off Street Car Parks resurfacing and enhancement	Resources	4,300	34,700	43,000	77,000	0	0	0	0	0	0	0	159,000
Old Hale Way Allotments Hitchin	Place	18,400	0	0	0	0	0	0	0	0	0	0	18,400
Oughtonhead Common Footpaths	Place	20,000	0	0	0	0	0	0	0	0	0	0	20,000
Oughtonhead Common Hitchin Weir	Place	40,200	323,400	0	0	0	0	0	0	0	0	0	363,600
Oughtonhead Common Signage and Interpretation	Place	0	10,000	0	0	0	0	0	0	0	0	0	10,000
Parking Charging, Payments & Management	Regulatory	0	235,000	0	0	0	0	0	0	0	0	0	235,000
Parking Machines Replacement	Regulatory	140,100	151,100	0	0	0	0	0	0	0	0	0	291,200
Parking Machines Upgrade - Contactless Payment Facility Installation	Regulatory	18,000	38,000	0	0	0	0	0	0	42,000	0	0	14,000
PC's - Refresh Programme	Customers	22,600	11,000	8,000	5,000	8,000	5,000	8,000	0	0	0	0	67,600

Project	Service Directorate								Funding				
		2024/25 Funding £	2025/26 Funding £	2026/27 Funding £	2027/28 Funding £	2028/29 Funding £	2029/30 Funding £	2030/31 - 2034/35 Funding £	Funded from Other Grants	Funded from Government Grant	Funded from s106 contributions	Funded from Revenue / IT Reserve	Balance funded from Capital Receipts/ Set- aside receipts/ Borrowing
Playground Renovation District Wide	Place	157,100	343,400	180,000	180,000	180,000	180,000	900,000	0	0	0	0	2,120,500
Priory Gardens Bandstand	Place	0	50,000	0	0	0	0	0	0	0	0	0	50,000
Priory Memorial Gardens MUGA Royston	Place	0	55,000	0	0	0	0	0	0	0	0	0	55,000
Private Sector Grants	Regulatory	37,700	227,000	60,000	60,000	60,000	60,000	300,000	0	0	0	0	804,700
Provide housing at market rents.	Enterprise	3,000	0	0	0	0	0	0	0	0	0	0	3,000
Public Sector Decarbonisation Fund	Place	6,442,000	9,829,200	0	0	0	0	0	0	7,743,300	0	0	8,527,900
Public Sector Decarbonisation Fund Phase 2	Place	0	730,000	2,001,000	423,000	0	0	0	0	1,172,000	0	0	1,982,000
Ransoms Rec Footpaths, Gates and Railing	Place	0	20,000	0	0	0	0	0	0	0	0	0	20,000
Refurbishment and improvement of community facilities	Legal and Community	42,800	5,000	0	0	0	0	0	0	0	0	0	47,800
Refuse and Recycling Bins	Place	126,400	90,000	90,000	90,000	90,000	90,000	450,000	0	0	0	0	1,026,400
Remote testing equipment - Emergency Lights and Water Temperature Monitoring	Resources	0	13,000	0	0	0	0	0	0	0	0	0	13,000
Renovate skate park at KGV Hitchin	Place	20,000	228,700	0	0	0	0	0	0	0	0	0	248,700
Replacement of Newark Close, Royston	Enterprise	900	65,000	0	0	0	0	0	0	0	0	0	65,900
Replacement of the timber access bridge at Norton Common	Place	73,400	1,600	0	0	0	0	0	0	0	0	0	75,000
Resurface Lairage Car Park	Resources	0	346,300	0	0	0	0	0	0	0	0	0	346,300
Riverside walkway, Biggin Lane	Place	0	53,000	0	0	0	0	0	0	0	0	0	53,000
RLC change village refurbishment – replacement of cubicles, lockers, vanity area and group change.	Place	0	150,000	0	0	0	0	0	0	0	0	0	150,000
RLC Post View	Place	0	20,000	0	0	0	0	0	0	0	0	0	20,000
Royston Leisure Centre Dry Side Toilet Refurbishment	Place	0	30,000	0	0	0	0	0	0	0	0	0	30,000
Royston Leisure Centre extension	Place	211,700	0	0	0	0	0	0	0	0	168,000	0	43,700
RLC Gym Equipment	Place	70,000	0	0	0	0	0	0	0	0	0	0	70,000
RLC Gym Refurbishment	Place	0	349,800	0	0	0	0	0	0	0	0	0	349,800
Royston Leisure Centre Members Changing Refurbishment	Place	0	452,000	0	0	0	0	0	0	0	0	0	452,000
S106 Projects	Various	127,100	72,900	0	0	0	0	0	0	0	0	0	200,000
S016 Funding for additional social housing	Regulatory	28,700	0	0	0	0	0	0	0	0	28,700	0	0
Security - Firewalls	Customers	0	192,500	0	0	0	0	0	0	0	192,500	0	0
Shared Prosperity Fund Community and Place Intervention: Community Engagement Schemes	Enterprise	0	23,600	18,000	0	18,000	0	54,000	0	0	0	0	113,600
Shared Prosperity Fund Community and Place Intervention: Creation of and improvements to local green spaces	Enterprise	202,800	0	0	0	0	0	0	0	202,800	0	0	0
Shared Prosperity Fund Community and Place Intervention: Local sports facilities, tournaments, teams and leagues	Resources	89,600	0	0	0	0	0	0	0	89,600	0	0	0
Solar Together	Place	64,400	0	0	0	0	0	0	0	64,400	0	0	0
St Johns Cemetery Footpath	Place	0	563,000	0	0	0	0	0	0	44,000	0	0	519,000
Swinburne Recreation Ground Hitchin	Place	29,600	0	0	0	0	0	0	0	0	0	0	29,600
Tablets - Android Devices	Customers	0	30,000	0	0	0	0	0	0	0	0	0	30,000
Technology One Financial System	Resources	5,900	18,000	10,000	4,000	4,000	4,000	8,000	0	0	0	0	53,900
Thomas Bellamy House, Hitchin	Enterprise	190,100	0	0	0	0	0	0	0	0	0	0	190,100
Transport Plans implementation (GAF)	Regulatory	0	6,000	0	0	0	0	0	0	0	0	0	6,000
Transport Plans implementation (GAF)	Regulatory	0	250,000	0	0	0	0	0	0	250,000	0	0	0

									Funding				
Project	Service Directorate	2024/25 Funding £	2025/26 Funding £	2026/27 Funding £	2027/28 Funding £	2028/29 Funding £	2029/30 Funding £	2030/31 - 2034/35 Funding £	Funded from Other Grants	Funded from Government Grant	Funded from s106 contributions	Funded from Revenue / IT Reserve	Balance funded from Capital Receipts/ Set- aside receipts/ Borrowing
Walsworth Common Pavilion - contribution to scheme	Place	0	0	300,000	0	0	0	0	250,000	0	37,000	0	13,000
Waste and Street Cleansing Data Mgmt	Place	0	470,000	0	0	0	0	0	0	0	0	0	470,000
Waste and Street Cleansing Vehicles	Place	0	4,800,000	0	0	0	0	5,500,000	0	0	0	3,200,000	7,100,000
Weston Hills Baldock	Place	12,200	0	0	0	0	0	0	0	0	0	0	12,200
Weston Hills LNR Footpath Renovation	Place	23,800	0	0	0	0	0	0	0	0	0	0	23,800
WiFi Upgrade	Customers	0	40,000	0	0	0	0	0	0	0	0	0	40,000
Wilbury Hills Cemetery Footpaths	Place	9,400	0	30,000	0	0	0	0	0	0	0	0	39,400
		11,361,700	28,034,800	5,147,000	952,000	4,418,000	3,738,000	9,305,000	308,300	10,121,400	1,341,100	3,230,200	47,955,500

Classification: Choose classification

# Annual Treasury Management Review 2024/25

English Local Authorities

DATE 08 APRIL 2025

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## **ABBREVIATIONS USED IN THIS REPORT**

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**CE:** Capital Economics - is the economics consultancy that provides MUFG Corporate Markets Treasury Limited, with independent economic forecasts, briefings and research.

**CFR:** capital financing requirement - the Authority's annual underlying borrowing need to finance capital expenditure and a measure of the Authority's total outstanding indebtedness.

**CIPFA:** Chartered Institute of Public Finance and Accountancy – the professional accounting body that oversees and sets standards in local authority finance and treasury management.

**CPI:** consumer price index – the official measure of inflation adopted as a common standard by the UK and countries in the EU. It is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

**MHCLG:** the Ministry for Housing, Communities and Local Government - the Government department that directs local authorities in England.

**ECB:** European Central Bank - the central bank for the Eurozone

**EU:** European Union

**EZ:** Eurozone - those countries in the EU which use the euro as their currency

**Fed:** the Federal Reserve System, often referred to simply as "the Fed," is the central bank of the United States. It was created by the Congress to provide the nation with a stable monetary and financial system.

**FOMC:** the Federal Open Market Committee – this is the branch of the Federal Reserve Board which determines monetary policy in the USA by setting interest rates and determining quantitative easing/tightening policy. It is composed of 12 members - the seven members of the Board of Governors and five of the 12 Reserve Bank presidents.

**GDP:** gross domestic product – a measure of the growth and total size of the economy.

**G7:** the group of seven countries that form an informal bloc of industrialised democracies - the United States, Canada, France, Germany, Italy, Japan, and the United Kingdom - that meets annually to discuss issues such as global economic governance, international security, and energy policy.

**Gilts:** gilts are bonds issued by the UK Government to borrow money on the financial markets. Interest paid by the Government on gilts is called a coupon and is at a rate that is fixed for the duration until maturity of the gilt, (unless a gilt is index linked to inflation); while the coupon rate is fixed, the yields will change inversely to the price of gilts i.e., a rise in the price of a gilt will mean that its yield will fall.

**HRA:** housing revenue account.

**IMF:** International Monetary Fund - the lender of last resort for national governments which get into financial difficulties.

**MPC:** the Monetary Policy Committee is a committee of the Bank of England, which meets for one and a half days, eight times a year, to determine monetary policy by setting the official interest rate in the United Kingdom, (the Bank of England Base Rate, commonly called Bank Rate), and by making decisions on quantitative easing/tightening.

**MRP:** minimum revenue provision - a statutory annual minimum revenue charge to reduce the total outstanding CFR, (the total indebtedness of a local authority).

**PFI:** Private Finance Initiative – capital expenditure financed by the private sector i.e., not by direct borrowing by a local authority.

**PWLB:** Public Works Loan Board – this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.

**QE/QT:** quantitative easing – is an unconventional form of monetary policy where a central bank creates new money electronically to buy financial assets, such as government bonds, (but may also include corporate bonds). This process aims to stimulate economic growth through increased private sector spending in the economy and also aims to return inflation to target. These purchases increase the supply of liquidity to the economy; this policy is employed when lowering interest rates has failed to stimulate economic growth to an acceptable level and to lift inflation to target. Once QE has achieved its objectives of stimulating growth and inflation, QE will be reversed by selling the bonds the central bank had previously purchased, or by not replacing debt that it held which matures. This is called quantitative tightening. The aim of this reversal is to ensure that inflation does not exceed its target once the economy recovers from a sustained period of depressed growth and inflation. Economic growth, and increases in inflation, may threaten to gather too much momentum if action is not taken to 'cool' the economy.

**RPI:** the Retail Price Index is a measure of inflation that measures the change in the cost of a representative sample of retail goods and services. It was the UK standard for measurement of inflation until the UK changed to using the EU standard measure of inflation – Consumer Price Index. The main differences between RPI and CPI is in the way that housing costs are treated and that the former is an arithmetical mean whereas the latter is a geometric mean. RPI is often higher than CPI for these reasons.

**SONIA:** the Sterling Overnight Index Average. Generally, a set of indices for those benchmarking their investments. The benchmarking options include using a forward-looking (term) set of reference rates and/or a backward-looking set of reference rates that reflect the investment yield curve at the time an investment decision was taken.

**TMSS:** the annual treasury management strategy statement reports that all local authorities are required to submit for approval by the Full Council before the start of each financial year.

**VRP:** a voluntary revenue provision to repay debt, in the annual budget, which is additional to the annual MRP charge, (see above definition).

# Annual Treasury Management Review 2024/25

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## Purpose

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2024/25. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2024/25 the minimum reporting requirements were that the Full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 29/02/2024)
- a mid-year, (minimum), treasury update report (Council 23/01/2025)
- an annual review following the end of the year describing the activity compared to the strategy, (this report)

In addition, Cabinet and the Finance, Audit and Risk (FAR) Committee have received quarterly treasury management update reports.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Finance, Audit and Risk (FAR) Committee before they were reported to Cabinet / Full Council. Members are provided with an annual training session on Local Government finance, which takes place in June each year. All members are invited, with a focus on new members attending. Members of Finance, Audit and Risk Committee are provided with a short training session before most meetings. The content of these sessions is guided by Members needs, and treasury management will be considered as a topic for 2025/26.

## Executive Summary

During 2024/25, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Prudential and treasury indicators	31.3.24 Actual £000	2024/25 Original £000	31.3.25 Actual £000
Capital expenditure	2.409	22.633	11.362
Capital Financing Requirement:	-2.583	11.856	-0.578
Gross borrowing	0.347	11.857	0.325
External debt	0.347	0.325	0.325
Investments	46.000	25.500	45.000
Net borrowing	-45.653	-25.175	-44.675

Other prudential and treasury indicators are to be found in the main body of this report. The Director- Resources (s151 Officer) also confirms that no new borrowing was only undertaken and the statutory borrowing limit, (the authorised limit), was not breached.

## Introduction and Background

This report summarises the following:-

- Capital activity during the year;
- Impact of this activity on the Authority's underlying indebtedness, (the Capital Financing Requirement);
- The actual prudential and treasury indicators;
- Overall treasury position identifying how the Authority has borrowed in relation to this indebtedness, and the impact on investment balances;
- Summary of interest rate movements in the year;
- Detailed debt activity; and
- Detailed investment activity.

### 1. The Council's Capital Expenditure and Financing

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

<b>£m General Fund</b>	<b>31.3.24 Actual</b>	<b>2024/25 Budget</b>	<b>31.3.25 Actual</b>
<b>Capital expenditure</b>	<b>2.409</b>	<b>22.633</b>	<b>11.362</b>
<b>Financed in year</b>	<b>2.273</b>	<b>8.621</b>	<b>9.353</b>
<b>Unfinanced capital expenditure</b>	<b>0.136</b>	<b>14.012</b>	<b>2.009</b>

## 2. The Council's Overall Borrowing Need

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2024/25 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies, (such as the Government, through the Public Works Loan Board [PWLb], or the money markets), or utilising temporary cash resources within the Council.

The Council's 2024/25 MRP Policy, (as required by MHCLG Guidance), was approved as part of the Revenue Budget and Investment Strategy Report for 2024/25 on 29/02/2024.

The Council's CFR for the year is shown below, and represents a key prudential indicator.

CFR (£m): General Fund	31.3.24 Actual	2024/25 Budget	31.3.25 Actual
Opening balance	-2.719	-2.156	-2.587
Add unfinanced capital expenditure (as above)	0.136	14.012	2.009
Less MRP/VRP*	0	0	0
Less PFI & finance lease repayments	0.004	0	0
Closing balance	-2.587	11.856	-0.578

The negative closing balances mean that the Council does not have a need to borrow.

Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

**Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2023/24) plus the estimates of any additional capital financing requirement for the current (2024/25) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator as all borrowing is historic and it is not economical to repay it.

	31.3.24 Actual £'m	2024/25 Budget £'m	31.3.25 Actual £'m
Gross borrowing position	0.347	0.325	0.325
CFR	-2.583	11.856	-0.578

**The authorised limit** - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2024/25 the Council has maintained gross borrowing within its authorised limit.

**The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

**Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

	2024/25 £'m
Authorised limit	7.0
Maximum gross borrowing position during the year	0.347
Operational boundary	2.0
Average gross borrowing position	0.337
Financing costs as a proportion of net revenue stream	-16.54%

### 3. Treasury Position as of 31st March 2025

The Council's treasury management debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the end of 2024/25 the Council's treasury position, (excluding borrowing by PFI and finance leases) was as follows:-

DEBT PORTFOLIO	31.3.24 Principal £'m	Rate/ Return	31.3.25 Principal £'m	Rate/ Return
Fixed rate funding:				
-PWL	0.347	10.28%	0.325	10.72%
-Market	0.000		0.00	
Variable rate funding:				
-PWL	0.000		0.000	
-Market	0.000		0.000	
<b>Total debt</b>	<b>0.347</b>	<b>10.28%</b>	<b>0.325</b>	<b>10.72%</b>
<b>CFR</b>	<b>-2.579</b>		<b>-0.954</b>	
<b>Over / (under) borrowing</b>	<b>2.926</b>		<b>1.279</b>	
<b>Total investments</b>	<b>46.0</b>	<b>5.47%</b>	<b>45.0</b>	<b>5.1%</b>
<b>Net debt</b>	<b>(45.653)</b>		<b>(44.675)</b>	

The maturity structure of the debt portfolio was as follows:

	31.3.24 Actual £'000	31.3.25 Actual £'000
Under 12 months	21	20
12 months and within 24 months	20	15
24 months and within 5 years	40	33
5 years and within 10 years	15	7
10 years and above	250	250



INVESTMENT PORTFOLIO	31.3.24 Actual £'m	31.3.24 Actual %	31.3.25 Actual £'m	31.3.25 Actual %
<b>Treasury investments</b>				
Banks	2	4	0	0
Building societies – rated	0	0	0	0
Building societies – unrated	0	0	0	0
Local authorities	44	96	36	80
DMADF (H M Treasury)	0	0	9	20
<b>TOTAL TREASURY INVESTMENTS</b>	46	100	45	100

The maturity structure of the investment portfolio was as follows:

	31.3.24 Actual £m	31.3.25 Actual £m
Investments Longer than 1 Year	2.0	0
Investments Up to 1 Year	44.0	45.0

## 4. The Strategy for 2024/25

The strategy in 2024/25 was to continue lending to UK banks, building societies, money market funds and Local Authorities and allow investments with non-UK banks with a credit rating greater than AA- with a AAA Country rating. Only UK banks that met credit rating criteria ("BBB" or above for longer term deals, and F3 or above for short term deals) were on the Council's lending list. (These are Fitch definitions of ratings). Not all building societies are credit rated but this did not preclude them from the lending list as lending to a building society was dependant on their asset size. Where a society did have a rating, this was considered at the time of the deal taking into account the amount of investment and the length of the deal.

### 4.1 Investment strategy and control of interest rate risk

Investment returns remained robust throughout 2024/25 with Bank Rate reducing steadily through the course of the financial year (three 0.25% rate cuts in total), and even at the end of March the yield curve was still relatively flat, which might be considered unusual as further Bank Rate cuts were expected in 2025/26.

Bank Rate reductions of 0.25% occurred in August, November and February, bringing the headline rate down from 5.25% to 4.5%. Each of the Bank Rate cuts occurred in the same month as the Bank of England publishes its Quarterly Monetary Policy Report, therein providing a clarity over the timing of potential future rate cuts.

As of early April 2025, market sentiment has been heavily influenced of late by President Trump's wide-ranging trade tariffs policy. Commentators anticipate a growing risk of a US recession, whilst UK GDP is projected by the Office for Budget Responsibility to remain tepid, perhaps achieving 1% GDP growth in 2025/26.

Looking back to 2024/25, investors were able to achieve returns in excess of 5% for all periods ranging from 1 month to 12 months in the spring of 2024 but by March 2025 deposit rates were some 0.75% - 1% lower. Where liquidity requirements were not a drain on day-to-day investment choices, extending duration through the use of "laddered investments" paid off.

That is not to say that investment choices were straight-forward. Concerns over rising inflation after the Autumn Statement in October led to reduced expectations for Bank Rate to fall. Indeed, the CPI measure of inflation is expected to reach c3.75% by the autumn of 2025, which could provide for some presentational issues for a Bank whose primary mandate is to ensure inflation is close to 2% on a two-to-three-year timeframe. At the end of March, only two further rate cuts were priced into the market for 2025 (4% at December 2025). A week later and sentiment has changed dramatically in the wake of the equity market sell-off to the extent that markets now expect three Bank Rate reductions between May and December 2025 (Bank Rate to fall to 3.75%).

### 4.2 Borrowing strategy and control of interest rate risk

The policy of avoiding new borrowing by running down spare cash balances which has served well over the last few years continued during 24/25.

Interest rate forecasts initially suggested gradual reductions in short, medium and longer-term fixed borrowing rates during 2024/25. Bank Rate did peak at 5.25% as anticipated, but the initial expectation of significant rate reductions did not transpire, primarily because inflation concerns remained elevated. Forecasts were too optimistic from a rate reduction perspective, but more recently the forecasts, updated from November 2024 onwards, look more realistic.

At the start of April 2025, following the introduction of President Trump's trade tariffs policies, the market now expects Bank Rate to fall to 3.75% by the end of December 2025, pulling down the 5- and 10-year parts of the curve too.

This should provide an opportunity for greater certainty to be added to the debt portfolio, although a significant fall in inflation will be required to underpin any material movement lower in the longer part of the curve.

MUFG Corporate Markets Interest Rate View 05.02.24													
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

## 5. Borrowing Outturn

### **Borrowing**

No new borrowing was undertaken during the year

### **Borrowing in advance of need**

The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

### **Rescheduling**

No rescheduling was done during the year as the approximate 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

### **Repayments**

£22K of PWLB loans were repaid during the year, as they became due. balances.

6. Investment Outturn

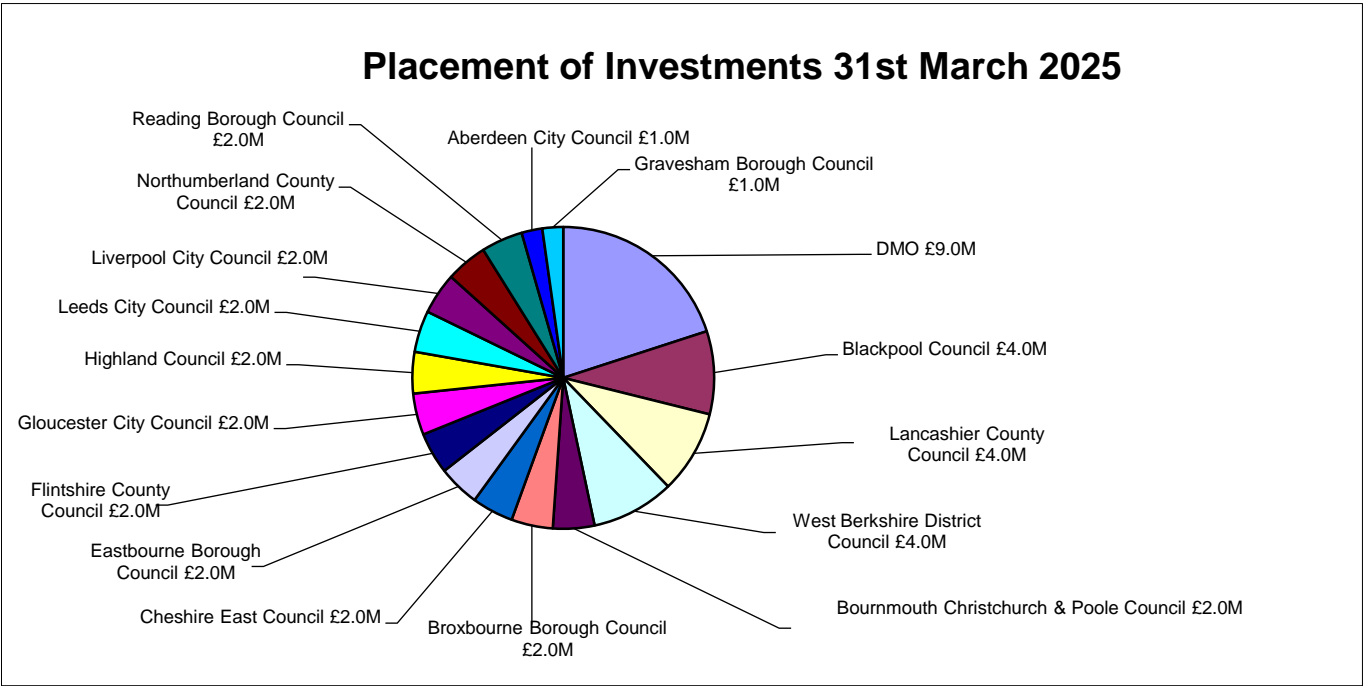
**Investment Policy** – the Council’s investment policy is governed by MHCLG investment guidance, which has been implemented in the annual investment strategy approved by the Council in February 2024. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Authority had no liquidity difficulties. However, the £5M combined limit on the Council’s Current Account and Call Account was exceed on 20th March for one day. The combined total on both accounts was £10.9M. The Treasury Officer had to take emergency leave on the day so the planned deals were actioned the following morning. This occurred on the same day as other leave in the team.

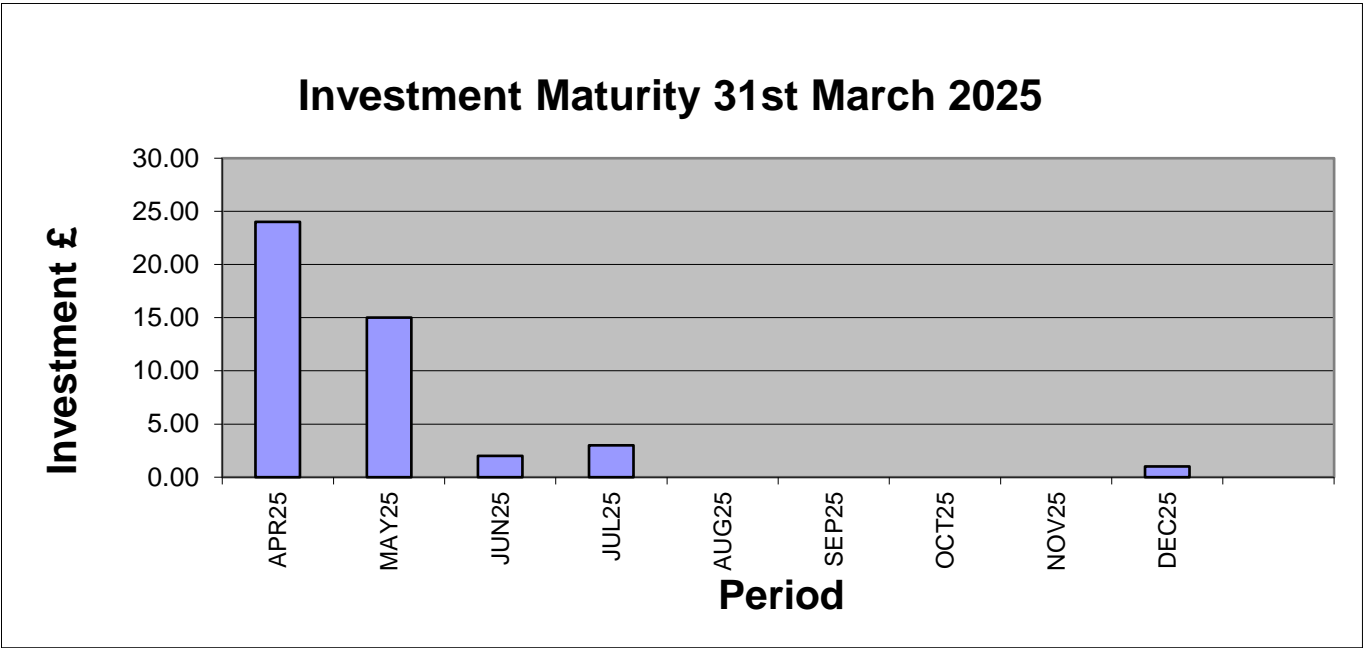
**Investments held by the Council**

- The Council maintained an average Investment balance of £57.3M during the year.
- Total investment income for the year was £2.983M
- Average Interest rate for the year was 5.17%

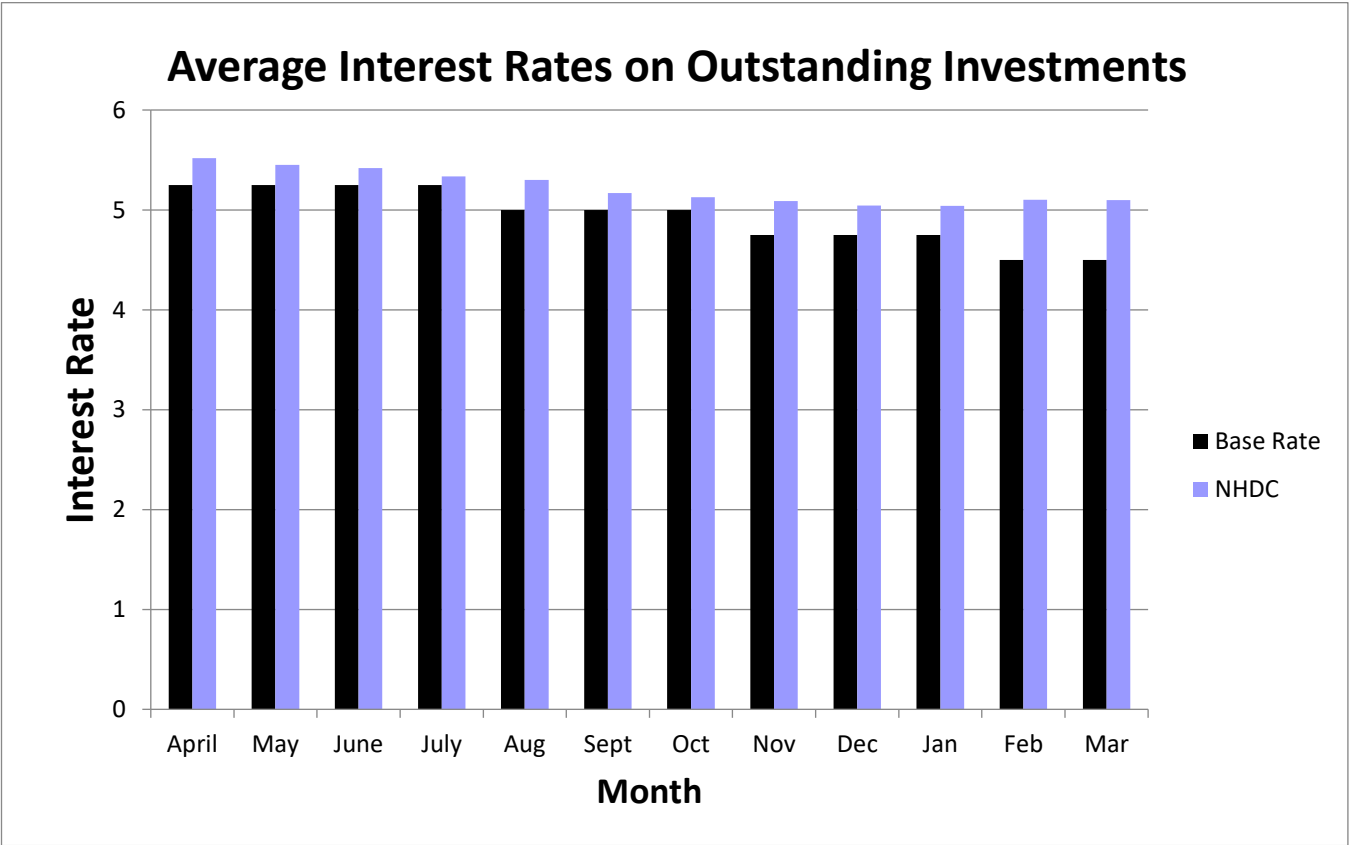
The pie chart below shows the spread of investment balances as at 31 March 2025. This is a snapshot in time that demonstrates the diversification of investments.



The graph below shows the maturity profile of investments at 31st March 2025.



The graph below shows the average interest rates on outstanding Investments at month end throughout the year.



The level of risk of any investment will be affected by the riskiness of the institution where it is invested and the period that it is invested for. Where an institution has a credit rating this can be used to measure its riskiness. This can be combined with the period remaining on the investment to give a historic risk of default percentage measure. The table below shows the Historic Risk of Default for outstanding investments at 31 March. The most risky investment still has a risk of default of only around 0.015%. It should also be noted that in general the interest rate received is correlated to the risk, so the interest income received would be less if it took on less risk. All investments

have been made in accordance with the Investment Strategy. The risk of default is also affected by the length of the investment.

<b>Borrower</b>	<b>Interest Rate %</b>	<b>Principal</b>	<b>Days to Maturity from 31/03/25</b>	<b>Risk of Default %</b>	<b>Expected Credit Loss £</b>
DMO	4.45	9,000,000	1	0.000	0
Lancashire County Council	5.05	1,000,000	7	0.000	0
Reading Borough Council	4.75	2,000,000	7	0.000	0
Blackpool Council	4.75	3,000,000	24	0.001	0
Gravesham Borough Council	5.20	1,000,000	25	0.001	0
Leeds City Council	5.05	2,000,000	25	0.001	0
Gloucester City Council	5.70	3,000,000	30	0.002	0
Lancashire County Council	5.20	3,000,000	30	0.002	0
Highland Council	5.10	2,000,000	36	0.002	0
Blackpool Council	5.70	1,000,000	39	0.002	0
Bournemouth, Christchurch & Pool Council	4.80	2,000,000	42	0.003	0
Eastbourne Borough Council	5.75	2,000,000	42	0.003	0
Cheshire East Council	5.20	2,000,000	52	0.003	0
West Berkshire District Council	4.95	2,000,000	52	0.003	0
Flintshire Council	5.80	2,000,000	57	0.003	0
West Berkshire District Council	5.10	2,000,000	59	0.004	0
Northumberland County Council	4.85	2,000,000	79	0.005	0
Broxbourne Borough Council	5.70	1,000,000	98	0.006	0
Liverpool City Council	4.85	2,000,000	120	0.007	0
Aberdeen City Council	5.50	1,000,000	254	0.015	0
<b>Total</b>	<b>5.1</b>	<b>45,000,000</b>		<b>0.002</b>	<b>0</b>

Under IFRS 9, the Code does not recognise a loss allowance where the counterparty is central government or a local authority since relevant statutory provisions prevent default.

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<b>FINANCE, AUDIT AND RISK COMMITTEE</b> <b>11 JUNE 2025</b>
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<b>*PART 1 – PUBLIC DOCUMENT</b>
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**TITLE OF REPORT: FINANCE, AUDIT AND RISK COMMITTEE ANNUAL REPORT 2024-25**

REPORT OF: DIRECTOR: RESOURCES

EXECUTIVE MEMBER: NON-EXECUTIVE FUNCTION

COUNCIL PRIORITY: SUSTAINABILITY

**1. EXECUTIVE SUMMARY**

To consider the Annual Report of the Finance, Audit and Risk Committee for the 2024/25 Civic Year.

**2. RECOMMENDATIONS**

- 2.1. That the Committee consider and comment on the Annual Report of the Finance, Audit and Risk Committee as attached at Appendix A, particularly in relation to feedback on how the Committee operated during 2024/25
- 2.2. That the Committee delegate to the Director – Resources, in consultation with the Chair of the Committee, to make any changes to Appendix A arising from discussion of this report.

That Finance, Audit and Risk Committee recommend to Full Council that:

- 2.3. The Annual Report of the Finance, Audit and Risk Committee be noted.

**3. REASONS FOR RECOMMENDATIONS**

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

**4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1. None, the constitution requires an Annual Report to be provided to Council.

**5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

- 5.1. The Chair of the Committee (who was also Chair during 204/25) has been consulted on the content of the report.

- 5.2. The current Members of the Committee have been provided with an opportunity to comment on the Report before it is presented to Full Council.

## **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 Chair of Finance, Audit and Risk Committee reports to Full Council each year providing an overview of the work that has been done over the previous Civic Year. It also provides a summary of the work planned for the forthcoming year.

## **8. RELEVANT CONSIDERATIONS**

- 8.1 The Annual Report for 2024-25 is attached at Appendix A. The Annual Report is intended to provide Full Council with assurance as to the effectiveness of the Finance, Audit and Risk (FAR) Committee.
- 8.2 It is best practice for the Committee to consider its effectiveness, and this is reflected in the Annual Report. This Committee meeting is an opportunity for further discussion on this, and for further reflections to be included in the report to Full Council.

## **9. LEGAL IMPLICATIONS**

- 9.1 The Constitution (4.4.1 (ee)) states that Full Council will receive an Annual Report from the Finance, Audit and Risk Committee.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 Providing Full Council with assurance over the effectiveness of the Finance, Audit and Risk (FAR) Committee gives confidence that the areas of its work (including commenting on processes and assumptions on financial management) are being managed effectively.

## **11. RISK IMPLICATIONS**

- 11.1. Providing Full Council with assurance over the effectiveness of the Finance, Audit and Risk Committee gives confidence that the areas of its work (including oversight of risk) are being managed effectively.

## **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 no direct HR implications arising from this report.

**16. APPENDICES**

16.1 Appendix A- Finance, Audit and Risk Committee Annual Report 2024-25.

**17. CONTACT OFFICERS**

17.1 Ian Couper  
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**18. BACKGROUND PAPERS**

18.1 Reports to and minutes of the Finance, Audit and Risk Committee during the Civic Year 2024-25

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Finance, Audit and Risk Committee  
Annual Report 2024-25

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## Introduction from the Chair of the Committee

I am pleased to present the Annual Report of the Finance, Audit & Risk (FAR) Committee which describes the Committee's work and achievements over a 12 month period to March 2025.

Following the whole District elections in May 2024, we welcomed quite a few new Members to the Committee. In fact it was just me and our Independent Member who continued from the previous year. We have had a lot of training provided for us, and it has been a good experience to learn together. It has been great to see the level of interest from the Members (and substitutes) of the Committee, which has been evident from the level of discussion that we have seen.

At the start of every meeting, I highlight the importance of this Committee in relation to good governance. Good governance supports effective decision making, improved performance, and our response to risks and opportunities. I hope that this Annual Report helps to demonstrate this, and the importance of the role of the Finance Audit & Risk Committee

All of our meetings are open to the public and I would encourage residents to come along and see the Committee in action- either in person or via the Council's YouTube channel.

As well as elected members and our independent member, the Committee is supported by the Director: Resources. The Policy and Strategy Team Leader provides reports and information in relation to approving and reviewing the Annual Governance Statement. Similarly, representatives from the Shared Internal Audit Service (SIAS), the Shared Anti-Fraud Service (SAFS) and our External Auditors regularly attend the meetings of the Committee. Thank you to our auditors from Ernst and Young as they depart, and welcome to KMPG.

Both myself (in my role as Chair) and the Committee have received great support from the Committee Services team throughout the year, particularly Amy Cantrill, Sjanet Wickenden and James Lovegrove.

I would like to thank those Members of the Committee from last year and look forward to seeing those that are able to continue with us in 2025/26.

**Councillor Sean Nolan**

**May 2025**

## Role of the Committee

The purpose of the FAR Committee is to provide independent oversight and assurance of processes in relation to risk management, internal audit, anti-fraud, governance and internal control matters. It also reviews financial monitoring and budget reports to ensure that they are based on sound assumptions and consider relevant risks. This includes providing comments to Cabinet.

The Committee is also the Council's Audit Committee. This means that it reviews reports from our External Auditors and approves our Annual Governance Statement and Statements of Accounts.

The full Terms of Reference for this Committee are provided in the Council's Constitution.

[https://www.north-herts.gov.uk/sites/northherts-cms/files/S.10\\_0.pdf](https://www.north-herts.gov.uk/sites/northherts-cms/files/S.10_0.pdf)

## Effectiveness

The Chartered Institute of Public Finance and Accountancy (CIPFA) produced a publication on "Audit Committees: Practical Guidance for Local Authorities and Police". This recommends that Audit Committees should consider their effectiveness.

The 2024-25 Audit Plan included a SIAS review of the FAR Committee. A final report was published in December 2024 and was considered by the Committee at its meeting in January 2025. The report made 3 medium and 1 low priority recommendations. These are detailed below, with actions and progress against those actions.



<b>Recommendation and priority</b>	<b>Response</b>	<b>Progress</b>
The Committee should carry out an annual self-assessment of its effectiveness (medium priority)	This was included for discussion when the SIAS report was presented in February. The resulting discussion focused on other areas, and so there was not a clear action.	Whilst not following the full CIPFA guidance on assessing effectiveness, all Members of the Committee were written to in advance of preparing this report. They were asked to provide feedback on what had gone well during 2024/25, and areas still to work on. The feedback received is detailed below.
Practices of the Committee/ the Council, including (1) having a dedicated audit committee, (2) FAR members meeting privately with External Audit and SIAS, (3) risk reports should include a summary of the key issues.	(1) A decision for Council as part of Constitution/ Governance reviews. (2) To highlight to Members that External Audit and SIAS were open to private meetings. (3) Added to the January 2025 risk report.	(1) Discussion at FAR on the SIAS report noted that we were an outlier, but also the practical implications of any change. When presenting finance reports, the Committee are now asked to focus on governance aspects (e.g. assumptions, risks and the quality of the information provided). (2) Members were made aware at the January 2025 FAR meeting, and this message will be repeated regularly. (3) To be an ongoing part of future risk reports.
Members missing the training that has been made available (Medium)	The importance of training has been highlighted, but also noted that there may be difficulties in attending.	Discussion at FAR on the SIAS report considered other ways of accessing training, e.g. recording the training sessions, doing at alternative times. This will continue to be discussed with the Committee during 25/26.
Training should be provided on how Members can use their role to scrutinise, check and challenge Council Officers and activities.	To continue to seek feedback from members on the training that they would find useful.	The general member skills self-assessment for 25/26 included a specific section for FAR members. This will be used (alongside feedback during the year) to determine what training will be provided.

As mentioned above, Members of the Committee (including substitutes who had attended at least one meeting) were asked to provide feedback on how the Committee had operated during 2024/25. Officers who regularly attend the meetings were also asked for their thoughts. The feedback requested was to consider what went well and areas for improvement. The comments from the Chair are reflected in the introduction to this Annual Report. The other comments received related to:

- The importance of training and attendance at training. We will look at ways (including timings) to deliver training to make it more accessible.
- The focus of the last year (through questions on reports and training) has been on understanding the detail. Over the next year, with most of the Members continuing on the Committee, develop that in to taking more of a strategic outlook. For example, that could include ideas on how we could improve governance.
- To add any further comments arising from the discussion at the FAR meeting.

During 2022/23 we received peer support to look at improving the effectiveness of the Finance, Audit and Risk Committee (as well as the Overview and Scrutiny Committee). All the recommendations (except consideration of the role of the Committee in relation to finance reports) from that have been completed and (where relevant) are in place on an ongoing basis.

The SIAS review of this committee is not included in the audit plan for this year (2025/26), but will be considered for future years.

## Members of the Committee

The following Members were appointed to the Committee for 2024/25:

Councillor Sean Nolan	Labour and Co-operative	Chair
Councillor Vijaiya Poopalasingham	Labour and Co-operative	Vice-Chair
Councillor Tina Bhartwas	Labour and Co-operative	
Councillor Ruth Brown	Liberal Democrats	
Councillor Dominic Griffiths	Liberal Democrats	
Councillor Steven Patmore	Conservative	
Councillor Paul Ward	Liberal Democrats	
Councillor Stewart Willoughby	Labour and Co-operative	
John Cannon	Independent (non-voting)	

Substitutes:

Councillor Cathy Brownjohn	Labour and Co-operative
Councillor Sam Collins	Liberal Democrats
Councillor Nigel Mason	Labour and Co-operative
Councillor Caroline McDonnell	Liberal Democrats
Councillor Ralph Muncer	Conservative
Councillor Claire Strong	Conservative
Councillor Claire Winchester	Liberal Democrats
Councillor Daniel Wright-Mason	Labour and Co-operative

## Meetings

A work plan was set out at the start of the year, which included review of the following:

- Governance reports, including the Annual Governance Statement
- Reports of the External Auditor (initially Ernst and Young and then KPMG)
- Internal Audit Reports (Shared Internal Audit Service – SIAS) to enable monitoring of the delivery of the internal audit service
- Anti-fraud reports (Shared Anti-Fraud Service- SAFS) to enable monitoring of the effectiveness of anti-fraud activity
- Risk Management Updates
- Financial monitoring including Revenue budget and the Investment Strategy (Capital and Treasury)

As and when required, the planned Agenda is supplemented by reports where the Committee has requested additional information or assurance.

The Committee met six times in the year and the following reports were presented and discussed:

	<b>Jun 2024</b>	<b>Sep 2024</b>	<b>Nov 2024</b>	<b>Jan 2025</b>	<b>Feb 2025</b>	<b>Mar 2025</b>
Annual Governance Statement	Draft AGS 23/24				AGS 23/24 and Action Plan	Local Code of Governance
Reports from External Auditors (Ernst and Young)	Value for Money interim report 22/23		Completion report 22/23 Accounts			
Reports from External Auditors (KPMG)	External Audit Plan and Strategy 23/24				Reports on the 23/24 Accounts	
Statement of Accounts			Statement of Accounts 22/23		Statement of Accounts 23/24	
Internal Audit (SIAS) progress reports	Assurance Statement 23/24	Annual Report 23/24 and Progress Report 24/25	Progress Report 24/25		Progress Report 24/25	Audit Plan 25/26
Anti-Fraud (SAFS) reports		Annual Report 23/24 and progress 24/25	Progress update 24/25			25/26 Plan and 24/25 Progress
Budget monitoring reports	Outturn for 23/24	Q1 24/25		Q2 24/25		Q3 24/25
Risk Management	Annual Report on Risk Governance			Mid-year update		

Budget setting reports		Medium Term Financial Strategy		Draft Budget 25/26	Budget 25/26	
Other reports	FAR Annual Report 23/24  Leisure Investment Options	Procurement Rules	Code for Statutory Officers	SIAS Report-review of FAR Committee		

## Main Achievements

As an Audit Committee, it is important that FAR undertakes its key and regular tasks to ensure good governance. Training helps in understanding the topics, as well as developing skills to help analyse the reports that are presented.

In June there was a training session open to all Members covering Local Authority finances that was delivered by an external trainer. There have been regular training sessions in advance of FAR Committee meetings that have covered the role of the FAR Committee, Statements of Accounts, risk and internal audit. The topics were based on the reports being considered and the views of FAR members. There has also been general training (in advance of a Council meeting) on fraud awareness.

Legislation had been put in place to address the audit backlog. This set backstop dates for audits to be completed by, and two of those dates fell in 2024/25- the 13<sup>th</sup> December 2024 for the 22/23 Accounts and 28<sup>th</sup> February 2025 for the 23/24 Accounts. The legislation reflected that there was not capacity in the audit system to fully complete audits by the backstop dates, so disclaimed opinions would be used. The Committee received advice on what was meant by a disclaimed opinion (not able to carry out sufficient work to form an opinion) and how this compared to unqualified and qualified opinions. For the 22/23 accounts the opinion was fully disclaimed, but for 23/24 it was partially disclaimed (in some areas sufficient audit work was carried out). For both years, Value for Money assessments were carried out (as these were prioritised by the legislation) and these did not find any significant risks. During all the above the Council said goodbye to Ernst and Young (our auditors up to 22/23) and welcomed KMPG (our auditors from 23/24 onwards). Part of the transition involved getting used to the different format and presentation of their reports.

With a focus on governance, the Committee received reports on the changes to the Council's Procurement Rule and also considered the Code for Statutory Officers. Both reports prompted positive discussion and questions.

## Planned work for 2025-26

The Committee will receive the items that ensure it covers its remit. This is expected to include the following items:

	Jun 2025	Sept 2025	Nov 2025	Jan 2026	Feb 2026	Mar 2026
Annual Governance Statement	Draft AGS 24/25				Final AGS 24/25	
Reports from External Auditors (KPMG)	Audit Plan 24/25				Reports on the 24/25 Accounts	
Statement of Accounts					Accounts 24/25	
Internal Audit (SIAS) progress reports	Assurance Statement 24/25	Annual Report 24/25 and Progress Report 25/26	Progress Report			Audit Plan 26/27 and 25/26 Progress
Anti-Fraud (SAFS) reports		Annual Report 24/25 and progress 25/26		Progress Report		26/27 Plan and 25/26 Progress
Budget monitoring reports	Outturn for 24/25	Q1 25/26		Q2 25/26		Q3 25/26
Risk Management	Annual Report			Mid-year update		
Budget setting reports			Medium Term Financial Strategy	Draft Budget 26/27	Budget 26/27	
Other reports	FAR Annual Report 24/25		Financial Regulations			

The review of the Financial Regulations is due to the length of the time since the last review and any changes that can be put in place as a result of the new finance system and changes to other processes. There will be a balance between governance and being productive.

Members of the Committee can also make recommendations of other topic areas that they would like to discuss/ be reported on. However, there should be a focus on the terms of reference of the Committee.

Training will continue to be provided. The overall Councillor skills self-assessment includes a specific section for Members of this Committee. The training topics will be based on a combination of those assessments and conversations throughout the year. The format of the training will be reviewed to try and maximise uptake, as well as reflecting learning preferences.

All Members of the Committee are encouraged to take advantage of the various offers of training and development that will be made by Officers, as well as any relevant external courses that are available. All Members are also able to contact the Director: Resources or Committee Services for any support that they require.

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<b>FINANCE, AUDIT AND RISK COMMITTEE</b> <b>11 June 2025</b>
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<b>*PART 1 – PUBLIC DOCUMENT</b>
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**TITLE OF REPORT: REPORT ON RISK MANAGEMENT GOVERNANCE (YEAR-END UPDATE)**

REPORT OF: DIRECTOR - RESOURCES

EXECUTIVE MEMBER: RESOURCES

COUNCIL PRIORITY: ALL

**1. EXECUTIVE SUMMARY**

To provide the Committee with an update on the effectiveness of the Risk Management Governance arrangements at the Council. The review is referred on to Cabinet and the Committee can make recommendations on how we can improve our risk management arrangements.

The highest strategic risks are the four over-arching risks of Financial Sustainability, Resourcing, Cyber, and Local Government Reorganisation and Devolution, as well as the project risks for Churchgate, Engaging the Community on our Finances, Waste and Street Cleansing Contract, and Leisure Centre Decarbonisation. All Corporate Risks were reviewed during the six-month period October 2024 to March 2025, with updates to completed and planned mitigating activities.

During the six-month period, the risk scores for two project risks were reduced - Waste and Street Cleansing Contract (from 9 to 8) and Engaging the Community on our Finances (from 8 to 7) – although both are still assessed as high risk. The overarching risk of Local Government Reorganisation and Devolution was also introduced (by Cabinet, as part of the Quarter 3 Council Delivery Plan report).

**2. RECOMMENDATIONS**

- 2.1. That Finance, Audit and Risk Committee note and provide recommendations to Cabinet on this year-end Risk Management Governance update, for referral on to Full Council.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1. Cabinet has responsibility for ensuring the management of risks.
- 3.2. This Committee has responsibility to monitor the effective development and operation of risk management.

#### **4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1. There are no applicable alternative options.

#### **5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

- 5.1. Consultation has been undertaken with Leadership Team and the Risk and Performance Management Group (RPMG). The Executive Member for Finance and IT (now Resources), as Risk Management Member Champion, the Chair of Finance, Audit and Risk Committee and the Chair of Overview and Scrutiny Committee are invited to RPMG meetings, as well as key officers and members of both committees. Lead officers discuss risks with the relevant Executive Member.

#### **6. FORWARD PLAN**

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

#### **7. BACKGROUND**

- 7.1. In March 2022, Cabinet agreed that risks impacting on the delivery of the Council Plan and linked key projects would be reported to the Overview and Scrutiny Committee (O&S), along with details of key performance indicators. This forms part of the established Council Delivery Plan process and performance monitoring arrangements. The Finance, Audit and Risk Committee (FAR) focuses on its role (as set out in the Constitution) of “monitor[ing] the effective development and operation of risk management”. To achieve this, the Committee receives a mid-year (in December/January) and end of year (in June) report.
- 7.2. The Executive Member for Finance and IT (now Resources), in their role as the Risk Management Member Champion, is a regular attendee at quarterly RPMG meetings. The items discussed at these meetings inform the content of related committee reports.
- 7.3. The RPMG is chaired by the Director – Resources, the Officer Champion for Risk Management, who is responsible for the risk management function at a strategic and operational level. This function is delivered by the Controls, Risk and Performance Manager and the Performance and Risk Officer, including the provision of training and support to officers and Members.
- 7.4. Hertfordshire County Council (HCC) delivers the Council’s insurance services and their Risk and Insurance Manager attends RPMG meetings. This enables the Council to obtain an insight into emerging risks and issues at both HCC and other Hertfordshire local authorities. The SIAS Head of Assurance also attends RPMG meetings, helping to inform understanding of wider risk issues.
- 7.5. These reports provide a wider commentary on risk, a broader understanding of risks and mitigations, and assurance that risk governance arrangements are working and effective risk management processes are in place.



- 7.6. When the Committee considered the year-end report for 2023/24, there was a request for further information on risk mitigations. This was included in the mid-year report and again, at paragraph 8.2.6 of this report.

## **8. RELEVANT CONSIDERATIONS**

### **8.1. RISK MANAGEMENT GOVERNANCE**

- 8.1.1. The Councils Risk Management Framework requires us to:

- Identify and document key risks in all areas of our business, understand them and seek to proactively manage them.
- Assess each risk, identify existing controls, and further actions required to reduce the risk.
- Have Business Continuity Plans in place for each of our service areas, which identify the key functions, what the risks are and how they can be mitigated to allow them to continue operating.
- Develop capacity and skills in identifying, understanding, and managing the risks facing the Council.
- Regularly review the Risk Management Framework and update it in line with statutory and best practice requirements.

- 8.1.2. Changes to the Risk Management Framework were reported to this Committee in January 2025 as part of the mid-year update and were approved by Cabinet on 14 January 2025.

### **8.2. Risk Identification and Assessment**

- 8.2.1. Leadership Team and Cabinet are responsible for the Corporate Risks, with Cabinet ensuring these risks are managed appropriately and proportionately. These key risks are those that cut across the delivery of all services, relate to key projects, or could significantly affect the delivery of Council objectives. They are likely to require a high-level of resources to manage and need to be monitored at a strategic level.
- 8.2.2. The reporting of Corporate Risks to Cabinet, via quarterly Council Delivery Plan updates, allows details of the top risks facing the Council to be monitored. The half-yearly reports on risk management governance (to FAR and Cabinet) help to provide assurance over the processes that are in place to support risk management.
- 8.2.3. In March 2024, Cabinet decided that there would be 11 Council Delivery Plan projects and 3 over-arching Corporate Risks. Each Council Delivery Plan project has a risk assessment in place to determine the major risks to the delivery of the project and the mitigating actions required. The majority of the projects were carried forward from the previous Council Delivery Plan, although the scope of the waste and street cleansing project was changed from contract award to contract mobilisation and the scope of the leisure centre works project was changed to the delivery of all works forming part of the Public Sector Decarbonisation Scheme bid. There were new projects relating to Engaging the Community on our Finances and a new skate park at King George V

recreation ground, Hitchin. In March 2025, Cabinet approved a further over-arching Corporate Risk entitled Local Government Reorganisation and Devolution.

- 8.2.4. The following diagram highlights the definitions of likelihood and impact used in the Risk Management Framework:

<b>4 Likelihood High (3) Impact Low (1)</b>  Chance of it happening -More than 60% Consequences - Minor	<b>7 Likelihood High (3) Impact Medium (2)</b>  Chance of it happening - More than 60% Consequences - Noticeable effect on the Council	<b>9 Likelihood High (3) Impact High (3)</b>  Chance of it happening - More than 60% Consequences - Significant impact on the Council
<b>2 Likelihood Medium (2) Impact Low (1)</b>  Chance of it happening – between 20 – 60% Consequences - Minor	<b>5 Likelihood Medium (2) Impact Medium (2)</b>  Chance of it happening – between 20 – 60% Consequences – Noticeable effect on the Council	<b>8 Likelihood Medium (2) Impact High (3)</b>  Chance of it happening – between 20 – 60% Consequences – Significant impact on the Council
<b>1 Likelihood Low (1) Impact Low (1)</b>  Chance of it happening – less than 20% Consequences - Minor	<b>3 Likelihood Low (1) Impact Medium (2)</b>  Chance of it happening – less than 20% Consequences – Noticeable effect on the Council	<b>6 Likelihood Low (1) Impact High (3)</b>  Chance of it happening – less than 20% Consequences – Significant impact on the Council

- 8.2.5. The most recent Council Delivery Plan monitoring report contains the following risks, which have been plotted on the Corporate Risk Matrix to show a visual risk profile of the Plan:

Likelihood	3 - High	4	7 - Engaging the Community on our Finances	9 - Financial Sustainability - Local Government Reorganisation and Devolution - Resourcing
	2 - Medium	2 - King George V Skate Park - Oughtonhead Common Weir	5 - Local Plan Review - Resident/Public EV Charging in our Car Parks - Town Centre Strategies	8 - Churchgate - Cyber Risks - Leisure Centre Decarbonisation - Waste and Street Cleansing Contract
	1 - Low	1 - Pay on Exit Parking	3	6 - Digital Transformation
		1 - Low	2 - Medium	3 - High
		Impact		

8.2.6. The risks can also be assessed in the context of mitigating actions, including those that have been completed. Where mitigating actions are completed, there would be an expectation that these would have some impact on the risk score. The current completed actions and proposed mitigating actions are detailed below for each of the Council Delivery Plan high level risks. Actions completed since the mid-year update are in ***bold italics*** to indicate how mitigating activity is progressing.

Risk Title/ Risk Scores	Completed Mitigating Actions	Ongoing Controls and Mitigating Actions
<b>Churchgate</b> Current: 8 Target: 6	<ul style="list-style-type: none"> <li>- Secured both freehold and leasehold ownership.</li> <li>- Project Board appointed (November 2022).</li> <li>- Lead consultant (Lambert Smith Hampton) appointed (June 2023). LSH supported by design and transport consultants.</li> <li>- Appointed communications agency support (PLMR).</li> <li>- Detailed project risk log created. Issues log also created.</li> <li>- SIAS audit of Churchgate - Ongoing Project Assurance (reported May 2024). Recommendations implemented.</li> <li>- Engagement plan developed and approved by Project Board (July 2024).</li> <li>- <b>Formal engagement process commenced September 2024 and ended November 2024.</b></li> </ul>	Controls: <ul style="list-style-type: none"> <li>- Communications and consultation plan in place, which is kept updated.</li> <li>- Decisions explained, including that there will need to be compromises.</li> <li>- Financial and expert consultancy support is in place to provide expert advice and help us to move the project forward.</li> <li>- Cost effectiveness/value for money is a key part of assessing and developing options.</li> </ul> Project Management Controls: <ul style="list-style-type: none"> <li>- Regular Project Board meetings.</li> <li>- Project risk log and issues log regularly updated.</li> </ul>
<b>Waste and Street Cleansing Contract</b> Current: 8 Target: 6	<ul style="list-style-type: none"> <li>- New contract will change to 3-weekly collections.</li> <li>- Robust inflationary models used.</li> <li>- Included management mechanisms for anticipated changes in law.</li> <li>- New contract drafting to manage legislative and statutory guidance changes.</li> <li>- Workshops with Members to consider options for reducing/changing specification requirements.</li> <li>- Dialogue with bidders on reduced/changed specification requirements.</li> <li>- Project Board (Procurement) established.</li> <li>- Independent legal advice sought on draft statutory guidance.</li> <li>- EV charging feasibility assessments undertaken.</li> <li>- Secured use of Letchworth depot.</li> <li>- Pre-contract award uncertainty relating to Waste costs referenced in the MTFs 2024-29.</li> <li>- <b>Procured new long-term Materials Recovery Facility contract, thereby removing previous cost uncertainty relating to this contract.</b></li> <li>- <b>Procured new fleet vehicles. Will be delivered and on site for start of contract.</b></li> </ul>	<ul style="list-style-type: none"> <li>- Project Risk Log in place and reported to Project Board.</li> <li>- Support from consultants, and project management support from East Herts.</li> <li>- Remaining uncertainty relating to Waste contract costs referenced in the MTFs 2025-30.</li> <li>- Project Board (Mobilisation) in place and meets regularly.</li> <li>- Service Director - Place to ensure Leadership Team sufficiently considers resource needs of the project.</li> <li>- Risks relating to the development/integration of online forms being managed via the Digital Transformation project.</li> <li>- Development of a comprehensive Communications Plan and a budget setting bid to support delivery of related project comms.</li> <li>- Installation of 10 new EV charging points at Works Road depot. Due to be completed prior to start of contract.</li> </ul>

Risk Title/ Risk Scores	Completed Mitigating Actions	Ongoing Controls and Mitigating Actions
<b>Leisure Centre Decarbonisation</b> Current: 8 Target: 6	<ul style="list-style-type: none"> <li>- Project Board established.</li> <li>- Dedicated Project Manager appointed.</li> <li>- Detailed Project Risk Log created and reported to Project Board on an ongoing basis.</li> <li>- Appointed Quantity Surveyor to oversee NHC's interests.</li> <li>- Project Board decision to draw down Year 1 grant funding and place early orders for plant and materials including Air Source Heat Pumps and Solar PV, prior to entering the construction contract.</li> <li>- <b>Council decision on 15 January 2025 to proceed with the design and order of larger, bespoke heat pumps and to approve additional forecast capital and ongoing revenue costs, whilst noting the ongoing project risks associated with this decision.</b></li> </ul>	<ul style="list-style-type: none"> <li>- Weekly Project Team meetings.</li> <li>- Regular Project Board meetings.</li> <li>- Engagement with Planning.</li> <li>- Regular communication with Salix regarding grant change request and meeting grant conditions.</li> <li>- Discussions with DNO and regular updates on applications.</li> <li>- Contracts to include required savings guarantees and post-installation verifications.</li> <li>- Clarify grant funding implications if carbon savings are not achieved.</li> <li>- Communicate planned disruption to users, highlighting the wider aims of the project, and consider the need for a formal Communication Plan.</li> </ul>
<b>Engaging the community on our finances and how we spend our money, via the 'Prioritising our Pounds' Digital Budget Hub</b> Current: 7 Target: 2	<ul style="list-style-type: none"> <li>- Launched the Digital Budget Hub to communicate with those that are most engaged.</li> <li>- Started conversations with Executive Member and Shadow Executive Member over broad format of consultation.</li> <li>- Government confirmation of three-year settlement from 2026/27 onwards.</li> </ul>	<ul style="list-style-type: none"> <li>- Influence Government to ensure they deliver the needed budget certainty, and ideally improved funding.</li> <li>- Continue with communications to maintain engagement and also get more sign-ups.</li> </ul>
<b>Resourcing</b> Current: 9 Target: 8	<ul style="list-style-type: none"> <li>- Carry-forward of staffing underspend to help deliver some priorities.</li> <li>- Work on Baldock Fire recovery has subsided.</li> <li>- Council Delivery Plan reviewed for 2024/25 with a reduction in number of projects.</li> <li>- Recruitment website updated to make it more attractive to applicants.</li> <li>- <b>Some success in recruiting to previously hard to fill roles, although still some continuing issues in certain areas.</b></li> <li>- <b>Pressures identified in the budget setting process for 2025/26 for additional staffing, including training posts.</b></li> <li>- <b>Joined in with the national recruitment campaign for councils led by the LGA.</b></li> </ul>	<ul style="list-style-type: none"> <li>- Consider getting in additional staffing resource (especially where New Burdens funding available).</li> <li>- Signposting to external resources and support.</li> <li>- Process automation.</li> <li>- Continue HR projects to help make the Council a more attractive place to work and make the recruitment process easier.</li> <li>- Continue to review the Council Delivery Plan to ensure resources are targeted at those projects that are the highest priority and stop/delay work on those that are a low priority.</li> </ul>

Risk Title/ Risk Scores	Completed Mitigating Actions	Ongoing Controls and Mitigating Actions
<p><b>Cyber Risks</b> Current: 8 Target: 8</p>	<ul style="list-style-type: none"> <li>- In-house fully functional Disaster Recovery solution.</li> <li>- SLA from broadband provider in place (although loss of broadband service is out of our control).</li> <li>- <b><i>Financial Risk identified for 2025/26 to fund services to aid recovery, "Ransomware attack results in the write-off of some IT hardware and infrastructure" (Low Risk/£200K).</i></b></li> <li>- 2022/23 SIAS audits of IT Hardware (Reasonable assurance), Phishing (Reasonable assurance) and Cyber Risk (Reasonable assurance).</li> <li>- V3 laptop rollout completed for staff.</li> <li>- Implemented IT Hardware audit recommendations.</li> <li>- Test Immutable Cloud Back-up - Phase 1.</li> <li>- Implemented Immutable Cloud Back-up - Phase 2.</li> <li>- IT Information Team Leader and Technical Operations Manager completed the Certified Information Security Manager course.</li> <li>- Implemented Phishing audit recommendations.</li> <li>- Implemented Cyber Risk audit recommendations.</li> <li>- New email monitoring system Mimecast implemented and live. Backup server for mail routing in the event of attack on Microsoft 365 in place.</li> <li>- Windows 11 operating system with Microsoft Defender now deployed.</li> <li>- <b><i>Mimecast system now used to conduct more sophisticated Phishing Simulations.</i></b></li> <li>- <b><i>Website Access Control and Monitoring upgrade completed.</i></b></li> <li>- <b><i>2024/25 SIAS audits: Cyber Security Supply Chain Management (Reasonable assurance), Cyber Governance and Culture (Reasonable assurance).</i></b></li> <li>- <b><i>The Council has introduced a Cyber Resilience Board, which includes key officers and elected Members, and meets quarterly.</i></b></li> <li>- <b><i>The Council will not now appoint a Chief Information Security Officer. IT Manager to undertake the role of principal security officer as Cyber Security Lead.</i></b></li> </ul>	<p><u>Key Controls/Mitigations</u></p> <ul style="list-style-type: none"> <li>- Technology in place to cover systems being interrupted or damaged, and data being corrupted or erased: Computer virus (Realtime Virus Protection/Defender updated), Malware (Realtime Monitoring), Computer hacking (Firewalls/Admin restrictions).</li> <li>- Internal detailed IT risk register in place, which is continually monitored/updated, as individual ongoing risks are identified. (Ongoing)</li> <li>- Cyber Awareness training for all staff, including new requirement for annual refresh.</li> <li>- Continual evaluation and development of cyber policies and threat analysis.</li> <li>- Implementation of 2024/25 SIAS audit recommendations.</li> </ul> <p><u>Response Options</u></p> <ul style="list-style-type: none"> <li>- Successful cyber-attack would be managed by a complete disconnect, with no/limited service available until the breach is fixed. IT would have responsibility for initiating this.</li> <li>- Power failure would be managed by the generator/UPS, with a limited service available.</li> <li>- For Ransomware, go to backup and rebuild all devices. Ransomware policy discussed by February 2025 Cyber Board. In line with Government recommendations, no ransom will be paid.</li> </ul>

Risk Title/ Risk Scores	Completed Mitigating Actions	Ongoing Controls and Mitigating Actions
<b>Financial Sustainability</b> Current: 9 Target: 5	<ul style="list-style-type: none"> <li>- MTFS for 2025-30 agreed by Council in September 2024.</li> <li>- <b><i>Set budget for 2025/26, which identified additional pressures and incorporated revised funding assumptions.</i></b></li> <li>- Government confirmation of three-year settlement from 2026/27 onwards.</li> </ul>	<ul style="list-style-type: none"> <li>- Revise funding projections as a result of formula changes and insight of future direction.</li> <li>- MTFS sets out a strategy for addressing funding gaps, including how difficult service funding decisions will need to be made.</li> <li>- Regular budget monitoring to highlight any issues.</li> <li>- Budget consultation to ensure savings reflect resident priorities.</li> </ul>
<b>Local Government Reorganisation and Devolution</b> Current: 9 Target: 5	<ul style="list-style-type: none"> <li>- <b><i>The Council is part of the County-wide White Paper Working Group, which aims to provide the information required for a decision on future structure.</i></b></li> <li>- <b><i>Staff have been provided with regular updates and chances to ask questions, this has included reassurance that services will still need to be delivered under any structure.</i></b></li> </ul>	<p>Controls and Further Mitigating Activities:</p> <ul style="list-style-type: none"> <li>- To support White Paper Working Group sub-groups with providing relevant information for North Herts.</li> <li>- Continued support for staff.</li> <li>- Engagement and communication with stakeholders to seek views on outcomes and explain outcomes.</li> <li>- Maintain processes for decision making and ensure decisions are taken in the best interests of North Herts (irrespective of future structure).</li> </ul>

8.2.7. In addition to Corporate Risks, we also document and review service risks. As of 31 March 2025, there were 41 service risks. Twelve of these were rated as high (red) risks, 17 as medium (amber) risks and 12 as low (green) risks. The high rated risks related to:

- Procurement Risks
- Open Space in Major New Developments
- Unauthorised Encampments on NHC Land
- Sale of Recyclable Materials
- Kimpton Water Table
- Delivery of the Waste Collection and Street Cleansing Services Contract
- Waste Transfer Infrastructure
- EV Charging Points
- Resilience of and increasing demands on Environmental Health
- Increased Levels of Homelessness
- Virgin O2 2G Network Shutdown
- Waste Depots

### 8.3. Review of Risks

8.3.1. Risk reviews are scheduled within Ideagen (our performance and risk software), with automated reminders sent to assigned officers when risks are due to be reviewed. In line with Risk Management Framework (RMF) requirements, red risks are reviewed most regularly – every 3 months, with amber risks every 6 months and green risks being reviewed at least once a year. The Performance and Risk Officer assists service areas to ensure that information is captured in line with the RMF.

8.3.2. As of 31 March 2025, there were a total of 56 risks on the risk register. All of these had risk reviews scheduled in accordance with the RMF. During the six-month period October

2024 to March 2025, which followed the six-month period previously reported in the mid-year update, 83 risk reviews took place, with 75 (90%) of these taking place in line with strict RMF requirements. Of the eight reviews that were late, five were less than one week late. For the three reviews that were more than one week late, ranging from 16 to 28 days late, reasons for the delay have been investigated. The main reasons were resourcing and waiting for/collating information to allow a more accurate review to be undertaken. Of the eight late reviews, four related to Corporate Risks, with three of these being less than one week late.

#### 8.4. New and Archived Risks

8.4.1. During the six-month period to 31 March 2025, three new risks were created. These were:

- **Local Government Reorganisation and Devolution:** New Corporate Risk (included in the Council Delivery Plan) describing key risks associated with local government reorganisation and devolution and setting out key activities to control/mitigate these.
- **Agency workers' rights after 12 weeks:** Where agency workers exceed 12 weeks working at NHC, the risk of not applying their right to the same basic working and employment conditions they would have received if they were directly recruited.
- **Virgin O2 2G Network Shutdown:** The risks to Careline's dispersed alarm systems associated with the planned Virgin O2 2G network shutdown.

8.4.2. During the six-month period to 31 March 2025, 13 risks were archived. All of these related to either existing risks being updated and replaced for the current year, completed Council Delivery Plan projects or projects that had been subsequently removed from the current Council Delivery Plan.

8.4.3. These risks and the reasons for archiving are summarised in Appendix A.

#### 9. Insurance Review

9.1. Hertfordshire County Council continues to handle the Council's insurance arrangements under a shared service arrangement. The Council's insurance policies were renewed from 1 April 2025. Unfortunately, once again, due to the rising cost of claims in the insurance market, rates were increased by the liability and motor insurers.

9.2. The Council transfers some financial risks to its insurers. Public liability insurance provides the Council with insurance cover for claims made by the public for personal injury and/or property damage. These types of claims are subject to a £10,000 excess that is charged to the responsible service area. Areas that have been subject to a claim are identified and wherever possible, action is taken to prevent future damage to property or personal injury. As of 31 March 2025, there were three outstanding public liability claims against the council.

9.3. The Municipal Mutual Insurance (MMI) Scheme of Arrangement was triggered in 2013, and the Council now pays 25% of any new claims dating back to the period that MMI



was the Council's insurer (1974 to 1993). The Council's Financial Risks make provision for any new claims and any further levy demands relating to the period that MMI were the Council's insurers. As of 31 March 2025, there were no outstanding claims with MMI.

- 9.4. The Walsworth Community Centre suffered severe flood damage in September 2024. The claim for damage to the building was settled for the sum of £34,750 by the Council's insurers.

## **10. Business Continuity and Emergency Planning**

- 10.1. For Emergency Planning, a shortage of volunteers (e.g., to be used to open and staff a Rest Centre or to act as Site Liaison Officers) had already been identified prior to the flooding in Hitchin, so recruitment and training of more staff volunteers was in progress. Since the flooding incident, volunteer numbers have increased but still looking to recruit more.
- 10.2. Training sessions have included British Red Cross training on Reception Centres, Introduction to Emergency Planning sessions and training for new Tactical/Site Liaison Officer volunteers. Training through the Local Resilience Forum (LRF) included a Major Incident Exercise for CEXs, Directors.
- 10.3. A Groundwater Flood Alert for Kimpton from the Environment Agency was issued in March 2024 and cancelled in June 2024. A further alert was issued in December 2024, which remained in place until May 2025. Work has continued with Hertfordshire County Council to ensure that there are fully developed plans in place in case there is groundwater flooding in Kimpton. A site visit took place in January 2025 and multi-agency meetings have been held regularly.
- 10.4. Johnson Matthey is an upper-tier Control of Major Accident Hazards (COMAH) site in Royston. An External Emergency Plan is in place for the site. A site visit was arranged for the Chief Executive and Directors to attend. NHC Officers attended a multi-agency LRF exercise facilitated by HCC to test the External Emergency Plan.
- 10.5. A Cyber Incident Business Continuity Response Plan has been drafted to provide guidance on the corporate business continuity response in the event online systems become unavailable. During this year, there will be a training exercise linked to the plan.
- 10.6. Other areas of focus during 2025/26 will be updates to the pandemic plan (linking to the LRF plan and forthcoming exercises), a Widespread Power Outage Business Continuity Plan (linked to a LRF framework) and an Adverse Weather Business Continuity Plan.

## **11. Health and Safety**

- 11.1. Following concerns over certain packages received by the Council, which thankfully proved harmless, we reviewed and updated our bomb/suspicious packages procedures. These are available to all staff and councillors on SharePoint.
- 11.2. Following instances of members of the public gaining access to the council offices via the rear entrance, we issued reminders to staff and councillors of the need to make sure

the building is kept secure. Although there have been no further reported incidents, this is not a particularly easy thing to manage and relies on staff and councillors always following the guidance provided.

- 11.3. Discussions were held on the best ways to keep officers safe when they are lone working, especially when carrying out enforcement roles. Technological solutions are available, but these need a mobile signal, which is not available in some rural areas. We consulted with East Herts District Council (EHDC), as they have similar issues in respect of lack of mobile signals. EHDC use a device that uses a combination of GPS and Wi-Fi tracking alongside integration with What3Words. This information has been passed to managers with remote working staff, who are looking at a trial. The lone working policy also includes lower technology solutions e.g., making others aware of schedules and agreed check-in times.

## **12. Actions for 2024/25 and 2025/26**

- 12.1. The mid-year update detailed the following key actions for 2024/25 to enhance our Risk Management processes:

<b>Action</b>	<b>Due Date</b>	<b>Progress</b>
Undertake the annual review of Risk Management Framework documentation.	31/12/24	Completed and approved by Cabinet on 14 January 2025.
Assess how well the cyclical attendance of Service Directors at RPMG works.	31/12/24	Completed – cyclical attendance is taking place and allows broad risk coverage with expert input.
Senior Managers Group (SMG) review of emerging risks and opportunities.	31/12/24	Completed – reviewed by SMG at a meeting in early 2025.
Training for O&S (also open to other Members) on using Ideagen.	30/09/24	Completed - the offer of training was made. The demand for this type of training to be re-visited at regular intervals.
Training for FAR (also open to other Members) on carrying out a risk assessment.	30/09/24	Completed - other training was prioritised and this training took place in advance of a FAR meeting in early 2025.
Continue to refine the Council Delivery Plan.	31/03/25	This will continue as an ongoing activity.

12.2. The following key actions for 2025/26 aim to further enhance our Risk Management processes:

Action	Due Date	Progress
Undertake the annual review of Risk Management Framework documentation.	31/12/25	This is scheduled to take place in September/October 2025. Review outcomes should be reported to the RPMG in November 2025 and to relevant committees in December 2025.
Training exercise linked to the Cyber Incident Business Continuity Response Plan.	31/12/25	Plan close to being finalised, and training is being planned.
Senior Managers Group (SMG) review of emerging risks and opportunities.	31/03/26	This is likely to be undertaken in early 2026, to await publication of wider information on emerging risks e.g., Global Risks Report 2026, National Risk Register 2026.
Updates to Emergency and Business Continuity plans, as detailed in Section 10.	31/03/26	Waiting for information from other sources (e.g., LRF) before commencing.

### 13. LEGAL IMPLICATIONS

13.1. The Committee's Terms of Reference include "to monitor the effective development and operation of risk management and corporate governance, agree actions (where appropriate) and make recommendations to Cabinet" (Constitution 10.1.5 (t)).

### 14. FINANCIAL IMPLICATIONS

14.1. There are no direct financial implications arising from this report.

### 15. RISK IMPLICATIONS

15.1. 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.

15.2. The Risk Management Framework requires the Finance, Audit and Risk Committee to consider regular reports on the Council's risk management governance arrangements. Failure to provide the Committee with regular updates would conflict with the agreed Framework and would mean that this Committee could not provide assurance to Cabinet that the Council has appropriate risk management governance arrangements in place to manage risks effectively.

## **16. EQUALITIES IMPLICATIONS**

- 16.1. 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.
- 16.2. There are no direct equality implications relating to this report. Reporting on the management of risk provides a means to monitor whether the Council is meeting stated outcomes of district priorities, its targets, and is delivering accessible and appropriate services to the community to meet different people's needs. The Council's risk management approach is holistic, taking account of commercial and physical risks. It should consider the risk of not delivering a service in an equitable and accessible manner, especially to its most vulnerable residents, such as those who are homeless.

## **17. SOCIAL VALUE IMPLICATIONS**

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

## **18. ENVIRONMENTAL IMPLICATIONS**

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

## **19. HUMAN RESOURCE IMPLICATIONS**

- 19.1. The proposed Resourcing risk highlights the potential impact on staff of taking on new tasks.

## **20. APPENDICES**

- 20.1. Appendix A – Archived Risks (October 2024 to March 2025)

## **21. CONTACT OFFICERS**

- 21.1. Ian Couper, Service Director – Resources  
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## **22. BACKGROUND PAPERS**

- 22.1. None.

## Appendix A

### Archived Risks (October 2024 to March 2025)

13 risk entries archived between 1 October 2024 and 31 March 2025.

Code	Title	Reason Risk Entry Archived
RR602	Health Inequalities	Related 2023/24 Council Delivery Plan project completed. Last update reported to Cabinet on 25 June 2024. HCC funding was secured for 2024/25, and projects were delivered by our partners throughout the year. However, the risk has now in effect materialised, as the HCC funding stream related to the previous Council Delivery Plan items has ended and will not continue. Therefore, our involvement with these projects ceased at the end of March 2025, although the projects themselves may continue with other sources of funding. £94K has been allocated from 2025/26 Shared Prosperity Fund funding to deliver a range of Active Communities and Community Wellbeing projects. This aims to build on the wellbeing interventions delivered via the UKSPF in 2024/25. However, there remains a risk to the delivery of other NHC community wellbeing projects, as without an approved revenue budget, these are dependent on us continuing to secure external grant funding. Residual risk level assessed as low.
CDP04	Town Centre Recovery	Related project not included in the 2024/25 Council Delivery Plan and no longer a need to monitor associated risks corporately. At the time of the last review, assessed as a low risk area. Last reported to Cabinet on 25 June 2024.
CDP07	Resident/Public EV Charging in our Car Parks	Archived for administrative purposes only. Risk entry superseded by a new Council Delivery Plan risk for 2024/25 - CDP10 (2024/25).

Code	Title	Reason Risk Entry Archived
CDP08	Cycling Network	Related project in the 2023/24 Council Delivery Plan completed and therefore not taken forward into the 2024/25 Council Delivery Plan. This was reported to Cabinet on 25 June 2024, as part of the year-end monitoring report. HCC is responsible for leading on and delivering related cycling projects. We continue to direct officer effort at seeking funding to assist with the design and delivery of schemes outlined in the LCWIP, and to work effectively in partnership with HCC to help identify, fund, and deliver the best schemes for North Herts. Associated risks managed under existing controls at the target risk level.
CDP10	Royston Leisure Centre Solar Thermal	Related project in the 2023/24 Council Delivery Plan was cancelled, as solar thermal at Royston Leisure Centre was no longer something we were looking to install and was not included in the wider Public Sector Decarbonisation Scheme funded project. Therefore, described risks were no longer applicable/present. This was reported to Cabinet on 25 June 2024, as part of the year-end monitoring report.
CDP13	Pursue commercial leasing opportunity for Royston Town Hall Annexe	Related project not included in the 2024/25 Council Delivery Plan and no longer a need to monitor associated risks corporately. At the time of the last review, assessed as a medium risk area. Last reported to Cabinet on 25 June 2024. This is an operational activity managed by Estates as 'business-as-usual'. There are complications associated with the site, and we continue to work and engage with others to try to determine a clear way forward.
CDP17	Empty Homes Strategy	Related project not included in the 2024/25 Council Delivery Plan and no longer a need to monitor associated risks corporately. As the Strategy was adopted in February 2024, remaining risks relate to Environmental Health having sufficient resources to implement it. At the time of the last review, assessed as a low risk area. Last reported to Cabinet on 25 June 2024. There is a service risk recorded on the Risk Register entitled 'Resilience of and increasing demands on Environmental Health', which covers the risk of Environmental Health not having enough resources to achieve service objectives.

Code	Title	Reason Risk Entry Archived
CDP18	New Ways of Delivering Housing on Council Land	Related project not included in the 2024/25 Council Delivery Plan and no longer a need to monitor associated risks corporately. The intention is to treat each of the four opportunities individually on their own merits, undertaking work to determine the most beneficial disposal route for each site and to make a formal decision on how to proceed. Ultimately, risk levels will depend on whether we pursue a standard disposal route (lower risk) or choose to develop sites ourselves (higher risk).
CDP26	Charnwood House	Related project not included in the 2024/25 Council Delivery Plan and no longer a need to monitor associated risks corporately. At the time of the last review, assessed as a medium risk area. Last progress update reported to Cabinet on 25 June 2024, as part of the 2023/24 year-end monitoring report. Progressing this project is an operational activity managed by Estates as 'business-as-usual', and we remain committed to facilitating enduring and beneficial activities at Charnwood House for the Hitchin community. There are complications associated with the site, and we continue to work and engage with others to try to determine a clear way forward. At the Risk & Performance Management Group meeting on 21 May 2025, it was agreed that an updated risk entry should be added to the Risk Register once a related options paper on the preferred approach has been presented to relevant Directors/Executive Members, as there remains the potential for a mismatch between NHC priorities and market demand, leading to a lack of interest. This potentially has a number of implications e.g., maintenance, financial and reputational, should the Council have to retain the building.
CDP31	Create and Communicate a Place Narrative for North Herts	Council Delivery Plan project completed, and no residual project risks remained.
CDP35	Playground Renovation Programme	Related 2023/24 Council Delivery Plan actions completed - improvements at Serby Avenue Recreation Ground completed April 2024 and renovation of playground at Bancroft Recreation Ground completed May 2024. Last update reported to Cabinet on 25 June 2024.

Code	Title	Reason Risk Entry Archived
CDP38	Local Authority Housing Fund	Related 2023/24 Council Delivery Plan project completed. On 17 June 2024, settle confirmed they had completed on the final property, therefore delivering four units in total via Round Two allocated funding. Last update reported to Cabinet on 25 June 2024. Project and risk not carried forward to the 2024/25 Council Delivery Plan and therefore, no need to continue monitoring corporately.
CDP39	Leisure Contract Procurement	Procurement completed successfully. New contract with Sport and Leisure Management (SLM) trading under the brand name Everyone Active commenced on 1 April 2024. The new contract secured a business case for further investment into facilities and will improve the management fee received despite broadening the scope of services to include a new Active Communities Programme. Last Council Delivery Plan update reported to Cabinet on 25 June 2024. Therefore, described risks are no longer applicable.