

NORTH HERTFORDSHIRE DISTRICT COUNCIL



29 August 2025

Our Ref Finance, Audit and Risk Committee 10
September 2025
Contact. Committee Services
Direct Dial. (01462) 474655
Email. committee.services@north-herts.gov.uk

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, 10TH SEPTEMBER, 2025 AT 7.30 PM

Yours sincerely,

Isabelle Alajooz
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

Item		Page
1.	APOLOGIES FOR ABSENCE Members are required to notify any substitutions by midday on the day of the meeting. Late substitutions will not be accepted and Members attending as a substitute without having given the due notice will not be able to take part in the meeting.	
2.	MINUTES - 11 JUNE 2025 To take as read and approve as a true record the minutes of the meeting of the Committee held on the 11 June 2025.	(Pages 5 - 14)
3.	NOTIFICATION OF OTHER BUSINESS Members should notify the Chair of other business which they wish to be discussed at the end of either Part I or Part II business set out in the agenda. They must state the circumstances which they consider justify the business being considered as a matter of urgency. The Chair will decide whether any item(s) raised will be considered.	
4.	CHAIR'S ANNOUNCEMENTS Members are reminded that any declarations of interest in respect of any business set out in the agenda, should be declared as either a Disclosable Pecuniary Interest or Declarable Interest and are required to notify the Chair of the nature of any interest declared at the commencement of the relevant item on the agenda. Members declaring a Disclosable Pecuniary Interest must withdraw from the meeting for the duration of the item. Members declaring a Declarable Interest, wishing to exercise a 'Councillor Speaking Right', must declare this at the same time as the interest, move to the public area before speaking to the item and then must leave the room before the debate and vote.	
5.	PUBLIC PARTICIPATION To receive petitions, comments and questions from the public.	
6.	SAFS ANNUAL REPORT 2024/25 REPORT OF THE SHARED ANTI-FRAUD SERVICE (SAFS) A report providing details of the work undertaken by the Council and the Shared Anti-Fraud Service to protect the Council against the threat of fraud and the delivery of the Council's Anti-Fraud Action Plan for 2024/25.	(Pages 15 - 30)

- 7. SAFS PROGRESS REPORT 2025/26** (Pages 31 - 36)
REPORT OF THE SHARED ANTI-FRAUD SERVICE (SAFS)

To review the progress and delivery of the Anti-Fraud plan 2025/26.
- 8. SIAS PROGRESS REPORT 2025/26** (Pages 37 - 56)
REPORT OF THE SHARED INTERNAL AUDIT SERVICE

To receive the Internal Audit Service progress report 2024-25 of the SIAS.
- 9. FIRST QUARTER REVENUE BUDGET MONITORING 2025/26** (Pages 57 - 72)
REPORT OF THE DIRECTOR - RESOURCES

To inform Cabinet of the summary position on revenue income and expenditure forecasts for the financial year 2025/26, as at the end of the first quarter.
- 10. FIRST QUARTER TREASURY MANAGEMENT REVIEW 2025/26** (Pages 73 - 92)
REPORT OF THE DIRECTOR – RESOURCES

To update Cabinet on progress with delivering the Treasury Strategy for 2025/26, as at the end of June 2025.
- 11. FIRST QUARTER CAPITAL PROGRAMME MONITORING 2025/26** (Pages 93 - 104)
REPORT OF THE DIRECTOR – RESOURCES

To update Cabinet on progress with delivering the Capital Programme for 2025/26, as at the end of June 2025
- 12. POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS**
The Chair to lead a discussion regarding possible agenda items for future meetings.

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Public Document Pack Agenda Item 2

NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE COUNCIL CHAMBER, DISTRICT COUNCIL OFFICES,
LETCWORTH GARDEN CITY, SG6 3JF
ON WEDNESDAY, 11TH JUNE, 2025 AT 7.30 PM

MINUTES

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

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

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

Other Presenters: *Chris Wood (Head of Assurance Services (HCC) & Client Audit Manager (NHDC)) and Salma Younis (Engagement Director (KPMG)).*

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

Councillor Ian Albert was in attendance as Executive Member for Resources.

1 APOLOGIES FOR ABSENCE

Audio recording – 1 minute 27 seconds

Apologies for absence were received from Councillors Dominic Griffiths and Steven Patmore.

2 MINUTES - 12 MARCH 2025

Audio Recording – 1 minute 45 seconds

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

RESOLVED: That the Minutes of the Meeting of the Committee held on 12 March 2025 be approved as a true record of the proceedings and be signed by the Chair.

3 NOTIFICATION OF OTHER BUSINESS

Audio recording – 2 minutes 30 seconds

There was no other business notified.

4 CHAIR'S ANNOUNCEMENTS

Audio recording – 2 minutes 39 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.

5 PUBLIC PARTICIPATION

Audio recording – 3 minutes 26 seconds

There was no public participation at this meeting.

6 SIAS ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT ANNUAL REPORT 2024-25

Audio recording – 3 minutes 26 seconds

The SIAS Head of Assurance presented the report entitled 'SIAS Annual Assurance Statement and Internal Audit Annual Report 2024-25' and highlighted that:

- The report represented the work conducted in the civic year 2024/25 and an annual assurance opinion for the authority.
- There were two not yet completed audits, related to the 'New Finance System' and 'Homelessness'. The audit on 'Homelessness' was about to start and field work was complete before progressing to a closing meeting and reporting stage on the 'New Finance System'.
- Changes to the Global Internal Audit Standards, which took effect from 1 April 2025, were laid out in Table 1.
- As required the report confirmed the qualifications of the audit team were still up to standards, that SIAS maintained independence and was not subject to any inappropriate scope or resource limitations.
- The Annual Self-Assessment scored SIAS as 'generally conforms', which was the highest level and an External Quality Assessment was due in 2026.
- The SIAS Audit Charter set out the framework within which it discharges its internal audit responsibilities to those charged with governance in the partner councils.
- Assurance mapping was completed in year based on the registered projects and risks in the Council Delivery Plan. The outcomes of this work were new to the report for 2024/25.
- New root cause analysis as part of the Global Standards started in Quarter 3 and a summary for the first full year in operation would be available at the end of 2025/26 as part of the Annual Assurance Statement at that time.
- As part of the presentation the Director – Resources confirmed that SIAS was not subject to any inappropriate scope or resource limitations from the Council.

The following Members asked questions:

- Councillor Paul Ward
- Councillor Stewart Willoughby
- Councillor Sean Nolan
- Councillor Ruth Brown
- Independent Member John Cannon

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

- There was some variance in total medium and high priority recommendations compared to last year, this would vary year to year dependant on the nature and type of projects included in the Plan in any given year, but the overall number and prioritisation of recommendations contained in the report were of an acceptable level.
- The new Global Standards requires Root Cause Analysis for all issues this had been categorised in the table of underlying causes and would be used to identify patterns.
- Definitions of the categories of Root Cause Analysis were included at Appendix C.
- There will be a mid-year update on Route Cause analysis but as most of the work on this is done in the Quarters 3 and 4 there would not be a full picture until the end of year report.
- Experience to date indicates that some issues had multiple root causes and were difficult to categorise.

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

- The recommendations outlined on the Estates Audit had a target date of end of June 2025, most of the work was complete, this would be confirmed finished at next meeting of this Committee.
- Rent reviews had been completed and therefore it was expected there would be financial benefits from those, and these are linked to the Estates Audit, but there was no direct figure for them.

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

RESOLVED: That the Committee:

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

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

7 EXTERNAL AUDIT PLAN & STRATEGY 24/25 (KPMG)

Audio recording – 24 minutes 35 seconds

The Engagement Director KPMG presented the report entitled 'External Audit Plan & Strategy 24/25 (KPMG)' and highlighted that:

- The 2024/25 audit was impacted by the 2023/24 audit delay.
- Four areas of significant risks were identified through audit of the accounts, which were valuation of land and buildings, valuation of investment property, valuation of post-retirement benefit obligations, and management override of controls.
- The Council migrated the general ledger software in August 2024 which posed a risk of incomplete or inaccurate data having been migrated over.
- The approach of KPMG to value for money reporting was outlined on page 16.

In response to questions from the Independent Member John Cannon, the Engagement Director KPMG advised that public sector organisations did not have revenue recognition risks, but rather the risks were associated with expenditure. Currently, there had been no expenditure risk identified, but going forward the project overspends might occur and this could be identified as a specific audit area, but that would not be included here as a fraudulent risk, unless this was flagged in the risk assessment process.

In response to questions from the Independent Member John Cannon, the Director – Resources stated that the new General Ledger System was robust and was used by a number of other local authorities. The system was chosen following a full procurement process, which included evaluation and comparison with competitors.

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

RESOLVED: That the Committee noted the External Audit Plan & Strategy 24/25.

REASON FOR DECISION: To enable the Committee to be provided with the outlined approach by KPMG to the audit of the Council's financial statements for the year ending 31 March 2025.

8 DRAFT ANNUAL GOVERNANCE STATEMENT 2024/25 AND ACTION PLAN FOR 2025/26

Audio recording – 33 minutes 53 seconds

The Policy & Strategy Team Leader presented the report entitled 'Draft Annual Governance Statement 2024/25 And Action Plan For 2025/26' and highlighted that:

- The report was a draft which gave the Committee the opportunity to comment on the draft.
- The report was sent to SIAS, SAFS and KPMG for comments and the comments received by SIAS were contained in the report.
- The assessment did not identify any significant governance issues, but there were areas for improvement included in the Action Plan, including increasing completion rates for essential training for staff, that sub-delegations were understood and cyber risks.
- Actions related to Social Value were carried over from the previous Action Plan as they were not yet complete.

The following Members asked questions:

- Councillor Paul Ward
- Councillor Ruth Brown

In response to questions, the Policy & Strategy Team Leader stated that:

- The Leadership Team had received a copy of the draft report and had chance to comment on the achievability of the Action Plan.
- This Committee would receive an update on actions Autumn 2025 and Spring 2026 and was responsible for monitoring of the Action Plan.

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

RESOLVED: That the Committee reviewed and commented on the draft AGS and Action Plan at Appendix A.

REASON FOR DECISION: 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.

9 REVENUE BUDGET OUTTURN 2024/25

Audio recording – 40 minutes 29 seconds

The Director – Resources presented the report entitled 'Revenue Budget Outturn 2024/25' and highlighted that:

- Since the publication of the report a few changes were made prior to being sent to Cabinet, however none of these were substantive.
- The key variances for the year were summarised at Table 4 in the report. The key changes that would be in the Cabinet report were highlighted.
- For the apprenticeship scheme, the Council had been overpaying on National Insurance and would receive back approximately £14,000.
- The Council was planning to recruit another management trainee and the carry-forward would help maintain the number of apprentices the Council could recruit.
- Treasury investment income was higher than forecast, due to further capital slippage and higher interest rates, this could result in additional income on the treasury position for 2025/26 too and this would be reviewed at the end of Quarter 1.
- The Strategic Priorities Fund was created for various projects and the request was to use it to fund work on Local Government Reorganisation, and other associated work, if this was not completely covered by Government Funding.
- There was greater than expected contribution to the bad debt provision mainly due to the suspension of income recovery during the year with the transition to the new finance system. This was expected to balance out during the next year.
- Revenues & Benefits Service Government Grant Income of £37,000 would be carried forward. This carry-forward would support the final work on the new finance system.
- The administration proportion of the Shared Prosperity Fund Grant was an underspend due to the use of existing staffing for this purpose.
- Six corporate 'financial health' indicators were identified in relation to key sources of income for the Council in 2024/25 these showed a similar pattern seen in the quarter 3 report.
- The impact on the General Fund balance of the outturn position was summarised at Table 7 of the report, with the biggest impacts on business rates.
- A certain amount of business rates money was kept in case of appeals. Appeals were dealt with by the Valuation Office Agency and there was currently a backlog. After time passes the chances of appeals go down and therefore the appeal provisions can be released into the general fund.
- Business rate reliefs are given by the government in the form of Grant funding and details of what the Council had received was summarised in Table 9 of the report.
- Paragraph 8.17 states the Councils the risk allowance is used to set the minimum level of General Fund balance was determined based on known and unknown risks.
- An additional risk to add to the list in paragraph 8.17 was legal costs for a public inquiry into refused planning permission.

The following Members asked questions:

- Councillor Paul Ward
- Councillor Sean Nolan
- Councillor Ruth Brown
- Independent Member John Cannon

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

- There was no limit on variances Cabinet can approve on an existing budget, however they cannot introduce new areas of budget.
- Regulatory had large slippage towards the end of the year and the reasons for this slippage were outlined on page 103 of the agenda pack.
- Enterprise had less income than expected and this was outlined on page 98 of the agenda.
- The information about how this Council compared to other Local Authorities regarding revenue spend slippage was not available. The Director – Resources would try and compile some comparison information.
- A lot of this slippage was due to prioritised resources, especially regarding staffing.
- The General Fund may be artificially high as the Council had underspends which it would be spending in the future.
- The 2025/26 Revenue Budget would show the cost of the changes due to the changes in the Leisure Decarbonisation.

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 approves a decrease of £860k in the 2024/25 net General Fund expenditure, as identified in section 8, to a total of £17.889million.
- (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:

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

REASONS FOR RECOMMENDATIONS:

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

10 INVESTMENT STRATEGY (CAPITAL AND TREASURY) END OF YEAR REVIEW 2024/25

Audio recording – 1 hour 7 minutes 15 seconds

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

The Director – Resources presented the report entitled 'Investment Strategy (Capital and Treasury) End of Year Review 2024/25' and highlighted that:

- The schemes in the 2024/25 Capital Programme that would start or continue in 2025/26 were listed in Table 2.
- The changes to the overall costs of schemes in 2024/25 were detailed in Table 3.
- The Council had operated both within the treasury and prudential indicators set out in the Treasury Management Strategy Statement and in compliance with the Treasury Management Practices.
- The average interest rate agreed on new deals during the year was 5.26%. The current performance was achieving interest rates of around 4%, which was demonstrating the downward trajectory predicted.
- One breach of the Treasury Management rules was recorded during the year, which related to the combined balance of the Call Account and Current Account and was due to staff resourcing. The situation was resolved within 1 day. This would be reviewed to see whether it could be prevented from happening again.
- The full Treasury Management report was included as Appendix B to the report.

In response to a question from Independent Member John Cannon, the Director – Resources advised that all information in Appendix B pertained directly to North Herts District 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 notes expenditure of £11.362million in 2024/25 on the capital programme, paragraph 8.3 refers.
- (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.
- (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.
- (4) That Cabinet approves the application of £3.787million of capital receipts/set aside towards the 2024/25 capital programme, paragraph 8.7 refers.
- (5) Cabinet is asked to note the position of Treasury Management activity as at the end of March 2025.
- (6) Cabinet is asked to recommend this report to Council and ask Council to:
 - 1) Approve the actual 2024/25 prudential and treasury indicators as detailed in Appendix B.
 - 2) Note the annual Treasury Management Review for 2024/25 (Appendix B).

REASONS FOR RECOMMENDATIONS:

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

N.B. Cllr Paul Ward returned to the Chamber at 20:47.

11 **FINANCE, AUDIT AND RISK COMMITTEE ANNUAL REPORT 2024-25**

Audio recording – 1 hour 16 minutes 07 seconds

The Director – Resources presented the report entitled ‘Finance, Audit and Risk Committee Annual Report 2024/25’ and highlighted that:

- The report for Council outlined the good work of this Committee over the last civic year.
- The progress on the recommendations made during this year following the SIAS audit were included at page 157 of the report.
- Feedback from Committee members was included and any further comments at this meeting could be added.
- The planned work for the year, including a Financial Regulations review and Medium-Term Financial Strategy in November, was outlined at page 161 of the report.

The following Members contributed to discussion:

- Councillor Sean Nolan
- Councillor Stewart Willoughby
- Councillor Vijaiya Poopalasingham
- Councillor Ruth Brown
- Councillor Paul Ward
- Independent Member John Cannon

The following points were raised:

- The Committee thanked the Director – Resources and Officers in his team.
- Members of the Committee had gained experience in the last civic year and were now understanding the important aspects of the reports and asking poignant questions.
- It was noted that the background work done by Officers was valuable.
- The training sessions before the meetings were better as Committee Members did not have to give up an additional evening.
- Committee Members should make use of opportunity to meet shared services, and the Chair was building a relationship with KPMG.
- The Independent Member John Cannon was thanked and noted to have valuable experience and asked challenging questions to ensure good governance oversight.
- The training sessions were effective and should be timed to meet the needs of the most Members.
- Further training on Business Rates Pooling would be helpful for Members.

The Director – Resources added that the self-assessment survey completed by Members would inform future training and that should Members wish training could be after the Committee meetings depending on the length of the agenda. The Chair agreed this could be trialled at the meeting on 10 September 2025 as there were three agenda items planned.

The Independent Member commented that the Committee worked well and was always conducted in a positive and collaborative way focussed on residents. However, it was noted that debate on items was limited, and this could lead to certain issues being missed. The Chair clarified that the debate section was in relation to the recommendations and potential amendments, rather than general discussion points.

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

RESOLVED:

- (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) 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.

RECOMMENDED TO COUNCIL:

- (3) The Annual Report of the Finance, Audit and Risk Committee be noted.

REASON FOR RECOMMENDATIONS: 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.

12 REPORT ON RISK MANAGEMENT GOVERNANCE (YEAR-END UPDATE)

Audio recording – 1 hour 42 minutes 46 seconds

The Director – Resources presented the report entitled ‘Report on Risk Management Governance (Year-End Update)’ and highlighted that:

- The mitigating actions and ongoing controls for identified risks were highlighted at Table 2 in the report.
- Actions completed since the mid-year update were in bold italics to indicate how mitigating activity was progressing.
- Some target risk scores were the same as actual risk as the Council had limited control over the risk, an example was cyber security. They were kept on the risk register as still actions to do and to maintain focus.
- An overview of new and archived risks was included at paragraph 8.4 of the report.
- All archived risks were included in Appendix A to the report.

The following Members asked questions:

- Councillor Paul Ward
- Independent Member John Cannon

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

- The Government had announced there would be a 3-year settlement, but the specific financial amount had not yet been announced.
- The report was a snapshot at the current time but also featured reflection on the last Civic year.
- Details of all risks were accessible to all Councillors via Ideagen. The Intranet provided a user guide and guest log in details.

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

RECOMMENDED TO CABINET: 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.

REASONS FOR RECOMMENDATIONS:

- (1) Cabinet has responsibility for ensuring the management of risks.
- (2) This Committee has responsibility to monitor the effective development and operation of risk management.

13 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio recording – 1 hour 54 minutes 48 seconds

The Chair led a discussion regarding possible agenda items for future meetings and training sessions for the Committee.

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

The meeting closed at 9.29 pm

Chair



North Herts Council

Finance Audit & Risk Committee

Anti-Fraud Report 2024/25

Purpose

1. This report provides details of the work undertaken by the Council and the Shared Anti-Fraud Service (SAFS) to protect the Council against the risk of fraud and delivery of the Council's Anti-Fraud Plan for 2024/2025.

Recommendations

2. **Members are asked to:**
 - a) **Note the activity undertaken by the Shared Anti-Fraud Service to deliver the 2024/2025 Anti-Fraud Plan for the Council.**
 - b) **Note all Anti-fraud activity undertaken by Officers and SAFS to protect the Council against fraud in 2024/25.**

Background

3. National reports and alerts continue to be used by SAFS to ensure that the Council is kept up to date of all new and emerging fraud threats. This helps to mitigate or manage the Council's fraud risks through a programme of work including the Anti-Fraud Plan. Details of these reports, along with other recommended reading for Members, can be found below and at **Section 50** of this report.

4. Some of the most significant recent reports include:

Fighting Fraud and Corruption Locally a Strategy for the 2020's. The strategy focuses on the governance of anti-fraud and corruption arrangements in local authorities in England and Wales. The Strategy identifies areas of best practice and includes a 'Checklist' to compare against actions taken by the Council to deter/prevent/investigate fraud.

The impact of Fraud and Error on Public Funds 2023-24 (National Audit Office). "Fraud and error cost the taxpayer billions of pounds each year – but most of the potential loss goes undetected. Based on the Public Sector Fraud Authority's (PSFA) methodology, we estimate that fraud and error cost the taxpayer £55 billion to £81 billion in 2023-24. Only a fraction of this is detected and known about."

The ***Annual Fraud Indicator 2023***, published in 2024 by Crowe, Peters and Peters and Portsmouth University states that fraud in local government exceeded £8.8bn in 2021/22 and that excluded front line service areas such as housing benefit, council tax, care services and education.

CIFAS Annual Fraud-Scape Report 2024 . "The impact of fraud on individuals, businesses, and the public sector has hit unprecedented levels. This is paired with a growing concern over AI generated fraud, which enables complex phishing scams and synthetic identities."

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

Report - Delivery of the 2024/2025 Anti-Fraud Plan

2024/2025 Plan

9. In March 2024, this committee approved the Anti-Fraud Plan for 2024/2025. A copy of the Plan can be found at [\(Public Pack\)Agenda Document for Finance, Audit and Risk Committee, 13/03/2024 19:30](#)
10. The Anti-Fraud Plan had regard for the recommendations of the Fighting Fraud and Corruption Locally Strategy (FFCL), adopting the five 'pillars' of Protect, Govern, Acknowledge, Prevent and Pursue. [Fighting Fraud Corruption Locally Strategy 2020 | Cifas](#)
11. The Plan was designed to meet the Council's requirements based on known/historic fraud risks and the process for responding to these, as well as new and emerging risks as they occur. Resources and staffing were based on the Council's contribution to SAFS with an agreed work-plan including proactive and reactive projects.
12. The Plan included Key Performance Indicators (KPIs) for SAFS which were agreed with senior officers. KPI performance can be found in **Table 1** below.

Staffing & SAFS Performance

13. The SAFS Core Team (in April 2024) was composed of 23 counter fraud staff and is based at the County Council's offices in Stevenage, although SAFS officers also work from the Council's offices and other locations across Hertfordshire.

14. Each SAFS Partner receives dedicated counter-fraud support and for 2024/25 this was achieved by allocating a set number of operational days that could be drawn on to deliver all parts of the Anti-Fraud Plan. This included fraud-risk assessment, fraud awareness training, proactive work such as the use of data-analytics or reactive work as part of the Council's fraud response plan.
15. SAFS was contracted to provide 267 operational days to deliver the Council's Anti-Fraud Plan in 2024/25. As well as the programme of work support is provided by the SAFS management team as and when required.
16. All SAFS officers are all fully trained and accredited and members of the Government Counter Fraud Profession or working towards this. The Profession is made up of various streams including awareness training, fraud risk assessment, investigations, intelligence, data-analytics, and investigation management.

Table 1. SAFS Performance 2024/2025

KPI	Measure	Objectives	Performance
1	Return on investment from SAFS Partnership.	Demonstrate that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution. A. Meetings to take place with the Councils Service Director-Resources and Service Director-Customers. B. Service Director-Resources will sit on the SAFS Board that meets quarterly. C. Regular meetings to take place with Service Leads to agree and update local work plans.	A. Meetings took place with the Service Director-Resources B. Service Director-Resources is a SAFS Board Member, received its reports and was invited to attend its quarterly meetings. C. SAFS met with other service leads across the Council as and when required.
2	Provide an investigation service.	A. Target to deliver 90%-110% of the funded 267 Days of counter fraud activity including proactive and reactive investigation work, data-analytics, training and fraud risk management (Supported by SAFS Intel/Management). B. 3 Reports to Finance Audit and Risk Committee. C. SAFS attendance at corporate governance, 'service champion' meetings, local management team meetings.	A. SAFS provided 289days (108%) of those planned for the year. B. SAFS provided reports to the Councils FAR Committee in the summer, autumn of 2024 and March 2025. C. SAFS has identified service champions in R&B, Housing and SAFS is part of the Councils Enforcement Group.
3	Action on reported fraud.	A. All urgent/ high risk cases will be responded to within 24 hours . B. All other cases 2 Days , on Average.	All referrals (including urgent/high risk) were actioned within 24 hours on average.
4	Added value of SAFS membership.	A. Membership of NAFN & PNLD B. Access to CIFAS/NCSC/AF/FFCL alerts, trends, best practice C. NAFN Access/Training for relevant Council Staff D. 5 Training sessions for staff/Members in year. (To be agreed with Service leads and HR)	A. SAFS provided membership to PNLD and NAFN. B. SAFS (HCC) is a member of CIFAS. C. NAFN service awareness is part of the training plan for 2024/25. D. 7 Sessions delivered with additional sessions for NFI/NAFN.

5	Allegations of fraud received. & Success rates for cases investigated.	<p>A. All reported fraud (referrals) will be logged and reported to officers by type & source.</p> <p>B. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each will be reported to officers.</p> <p>C. SAFS will work with social providers across the Borough to deal with misuse of housing stock.</p>	<p>A. Fraud reporting options available for staff and residents on the Council's webpage and intranet- This is linked to SAFS reporting tools.</p> <p>B. All cases with reports/values/outcomes recorded on SAFS CMS.</p> <p>C. SAFS contracts in place with housing providers</p>
6	Making better use of data to prevent/identify fraud.	<p>A. Support the output from NFI 2024/25 Council services.</p> <p>B. Membership and VFM from the Herts FraudHub in 2024/25.</p>	<p>A. The NFI data-upload was delivered on time with the output reviewed by officers and SAFS in Q4.</p> <p>B. The Council made limited use of the FHub, the Herts CTax and AnalyseLocal</p>

Fraud Awareness and Prevention

9. A key objective for the Council is to continue building on its existing anti-fraud culture. The Council achieves this by:
 - a) Ensuring senior managers and elected members consider the risk of fraud when developing policies or processes,
 - b) Deterring potential fraud through external communication highlighting the actions that it has taken where fraud is detected,
 - a) Helping to prevent fraud occurring by having effective controls in place, and
 - b) Encouraging all officers to report suspected fraud.
10. The Councils published policies on fraud prevention can be found here [Fraud prevention | North Herts Council](#)
11. The council's website has links for the public to report fraud by email, telephone or by using the SAFS online reporting tool. <https://www.north-herts.gov.uk/report-fraud>
17. Council staff can use the same methods to report fraud, or they can report fraud directly to SAFS officers working at the Council.
18. SAFS delivered seven anti-fraud training sessions both face-to-face and via virtual means during 2024/2025 including general fraud awareness, ID fraud, the use of the services provided by National Anti-Fraud Service, and a session by the Competition and Markets Authority on bid-rigging. SAFS provided several updates and guidance on services provided by the Cabinet Office as part of the National Fraud Initiative (NFI) and in September 2024 provided training for members of the FAR Committee.
19. SAFS receives regular and frequent updates on new fraud threats from a variety of sources including National Anti-Fraud Network (NAFN), National Cyber Security Centre (NCSC), City of London Police & National Fraud Intelligence Bureau (NFIB-national lead on fraud and cyber-crime for policing), London Fraud Forum (LFF), Credit Industry Fraud Avoidance Service (CIFAS), CIPFA, Hertfordshire Police and the Home Office.

Executive Reports

20. Executive Reports (ER) analyse specific fraud incidents, providing an insight into how the fraud materialised and making recommendations to strengthen processes and controls to prevent further fraud. These reports evaluate current controls and mitigation measures, pinpointing potential vulnerabilities and limitations that could lead to fraud. SAFS accompanies each ER with a management action plan detailing recommendations and/or best practice to be adopted.
21. SAFS did not issue any ERs for NHC in 2024/25 but did share a generic ER for all SAFS Partners around the risk of fraud associated with 'Public Facing Bank Accounts'. SAFS made a number of best practice recommendations in this ER for review by senior management.

Fraud Risk Assessments

22. Fraud Risk Assessment (FRA) constitutes a systematic evaluation of potential fraud risks within a council, designated service area, or particular scheme or process. As part of its wider Service Plan for 2024/25 SAFS developed an FRA programme for 2024/2025. This programme encompassed FRA's focused on internal fraud risks, fraud risks within the procurement process, and recruitment/use of agency workers.

Fraud Alerts

23. In 2023 SAFS introduced fraud alerts to the services provided to partners. These bimonthly fraud updates equip partners with national and local intelligence to strengthen controls considering emerging and current fraud trends and threats. SAFS published five alerts in 2024/25 covering areas such as Outlook account compromise, one time password (OTP) fraud, impersonation fraud and Council Tax refund fraud.
24. Complimenting the bimonthly alerts are SAFS 'real time' fraud risk reports. These reports are circulated as soon as a significant risk is identified. In 2024/25 SAFS circulated 38 real time threat alerts which included internal fraud, email spoofing, CEO fraud, mandate fraud, housing application fraud and more.

Case Study 1: Typical Fraud Alert for dissemination across Partners



SAFS Fraud Alert – 22 July 2024

Corporate Impersonation Fraud

This report provides SAFS partners with specific and current fraud threats that local authorities have experienced. The purpose of the report is to provide you with the intelligence to allow you to protect, prevent and mitigate against fraud of this type.

NOT FOR WIDER CIRCULATION WITHOUT CONSENT FROM SAFS

Corporate Impersonation Fraud

The impersonation of large construction companies requesting to change bank account details continues, presenting a risk to the SAFS partner authorities.

Fundamental Points

1. Known and Trusted Suppliers are impersonated
2. Legitimate emails are spoofed
3. Multiple emails sent to the target organisation
4. Fraudsters advise of a change of bank details in the emails
5. Copies of seemingly legitimate invoices are sent detailing fraudulent bank account details with the request for large sums of money

Recent Incident

The fraudsters appear to have spoofed the email account of an existing employee of **Wates Construction Ltd**. The fraudsters advised of a change to the bank account details of Wates to: Metro Bank PLC, Sort Code: 230580, Account Number: 50284646

Wates confirmed the request to change bank details was fraudulent and that there have other reported incidents of Wates being impersonated in recent weeks.

SAFS Recommendations to Prevent, Detect, and Deter Fraud

STOP! Regardless of the sender's seniority or the apparent legitimacy of the email, never take action upon receiving an email that notifies a change in bank details.

Think! Remain vigilant. You could be targeted in a mandate fraud.

Call! Always verify any changes to financial details directly with the company using established contact details, not the ones provided in the suspicious email or invoice.

Invoice Verification: Ensure all invoices have a valid purchase order reference that aligns with the supplier who issued it, and confirm the receipt of the services or goods.

Staff Awareness: Regularly educate and update your staff about such fraud threats and the importance of being vigilant.

Report: Ensure all potential fraud is reported [SAFS](#) and adhere local policies and procedures when receiving and reporting emails of a suspicious nature.

Report Fraud

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



SAFS Hotline: 0300 123 4033
fraud.team@hertfordshire.gov.uk
www.hertfordshire.gov.uk/fraud



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

Case Study 2: NHC Press Release- August 2025

Woman sentenced for housing fraud in North Herts

A woman who made a false housing application and provided altered documents to North Herts Council pleaded guilty at court following an investigation by the Hertfordshire Shared Anti-Fraud Service (SAFS).

On Friday 11 July, Jade Hardiman, 36, of Ash Tree Avenue, Godmanchester, Cambridge, pleaded guilty at Stevenage Magistrates' Court to 5 counts of fraud, including Fraud by False Representation and Making or Supplying articles for use in fraud, offences under the Fraud Act 2006.

The court heard that between October 2022 and July 2023, Ms Hardiman made an application to North Herts Council's housing register to gain a social housing tenancy. The investigation uncovered that Ms Hardiman misrepresented her personal circumstances, failing to disclose key information and supplied altered documents to the council to support her application. It was found that Ms Hardiman altered utility bills to give the impression she had a genuine local connection to the district, a requirement to be considered for social housing.

Ms Hardiman was sentenced on 8 August at Stevenage Magistrates' Court. The magistrates [ordered Ms Hardiman to... e.g., carry out community service/pay a fine] and to pay £[insert amount] in investigation and prosecution costs to North Herts Council.

Cllr Daniel Allen, Leader of North Herts Council and Executive Member for Governance, said: "This case shows that we take fraud against the council and our community extremely seriously. Social housing is in short supply and must be allocated fairly to those in genuine need. When individuals submit false applications, they undermine public trust and take homes away from vulnerable residents who truly need them.

"I would like to thank our officers and the SAFS team for their hard work in bringing this case to court. We are committed to protecting our services and ensuring fairness and integrity in our housing system."

Hertfordshire County Council's Shared Anti-Fraud Service works in partnership with Local Authorities and Registered Social Landlords to investigate and prosecute allegations of fraud against the many services delivered by the council.

You can report suspected fraud in the strictest confidence. For more information, and to report your concerns, visit: www.hertfordshire.gov.uk/reportfraud, email fraud.team@hertfordshire.gov.uk or call 0300 123 4033.

Reactive and Proactive Fraud Investigation

26. During 2024/2025 SAFS received 113 allegations (referrals) of fraud affecting council services, a very slight reduction from the 117 in 2023/2024 but still a higher trend since prior to the Covid Pandemic. Reporting by the public in 2024/25 (73) declined

from the previous year (62), but Council staff reporting suspected fraud saw a significant decline from 54 in 2023/24 to just 32 in 2024/25.

27. Although all allegations are assigned to specific service areas (see Table 2 below) there can be great variance in the types of fraud or 'MO' used to commit fraud. Under Council Tax for example this year we have found false applications for single person discounts or the under-declaration of income/capital to claim entitlement to the council tax reduction scheme (CTRS), these are fairly routine. But across our District and Borough Councils we have also seen attempted money laundering through council tax overpayments, theft of payment records to commit other crime, stolen credit card details to pay council tax and even the use of false council tax liability to obtain school placements.

Table 2. Types of fraud being reported (*in year*):

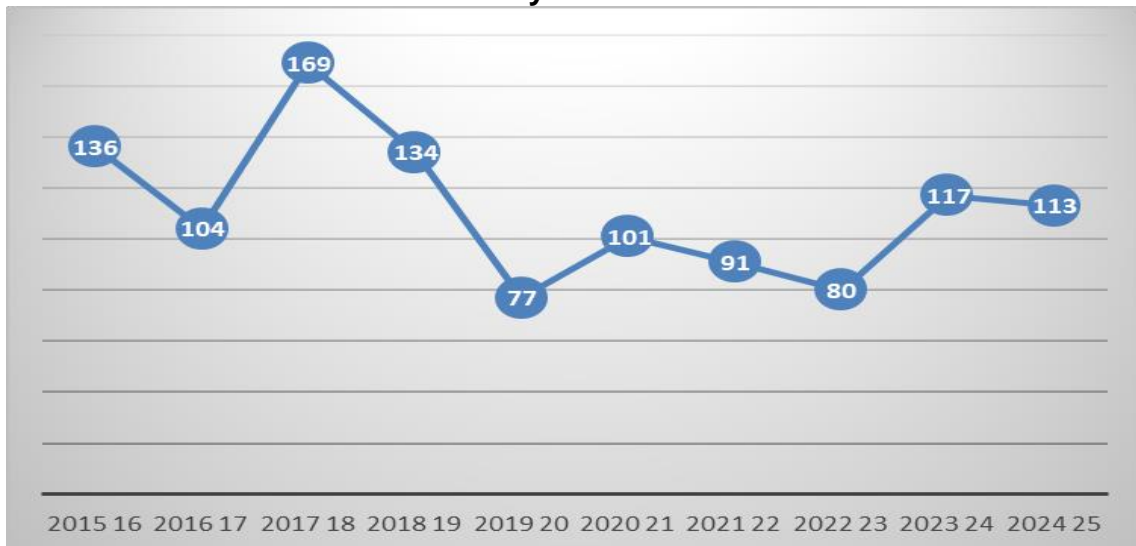
Blue Badge	Housing Benefit/CTax	Housing	Business Rates	Other *	Total
9	78	19	3	4	113

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

Table 3. Who is reporting fraud:

Fraud Reported by Staff	Reports from Public	Data-Matching/ Proactive	Other Agencies	Total
32	75	5	1	113

Table 4. Historic Fraud Referrals by Year



28. As table 4 shows, the volume of fraud referrals, or allegations of fraud, has fluctuated the last decade, but normally remains within a bracket of between 100 and 140 per annum which is comparable to other SAFS Partners of a similar size/geography/demographic.
29. It should be emphasised that not every referral/allegation will need to be investigated as some allegations can be false, misleading, or simply incorrect. Every

referral is risk assessed and sifted by the SAFS Intelligence Team. In total, 50 allegations received in 2024/25 were not selected for further investigation.

Table 5. Closed Referrals in year.

Failed Sift	No Action Required	Referred to 3 rd Party	SAFS Advice	Warning Letter	Total
19	17	0	9	5	50

- 'Failed Sift' is used where the allegation cannot be attributed to any service provided by the Council.
- 'No Action Required' are referrals where the subject can be identified but no error/fraud is apparent, or the Council is already aware of the facts reported in the allegation.
- Referrals that are passed to third parties occurs where another agency, such as DWP or HMRC, is best placed to investigate the matter.
- 'SAFS Advice' occurs when guidance/advice/support has been provided to Council officers, but a full investigation is not required to resolve the allegation.
- 'Warning Letters' are issued where a fraud may have occurred but is minor and/or not current as a reminder about rules/responsibilities.

30. In addition to the referrals that did not require a full investigation, 35 'low risk/value' cases including some carried forward from 2023/24 were resolved through compliance activity, intervention, warning letters or review, this 'light touch' approach identified around £29k in council tax/housing benefit fraud.

Case Study 3: Council Tax Intervention

An anonymous allegation received by SAFS stated that a Hitchin resident had failed to declare their partner and their income on claims for council tax reduction (CTR) and single person discount (SPD). It was claimed the partner had lived at the address for over two years.

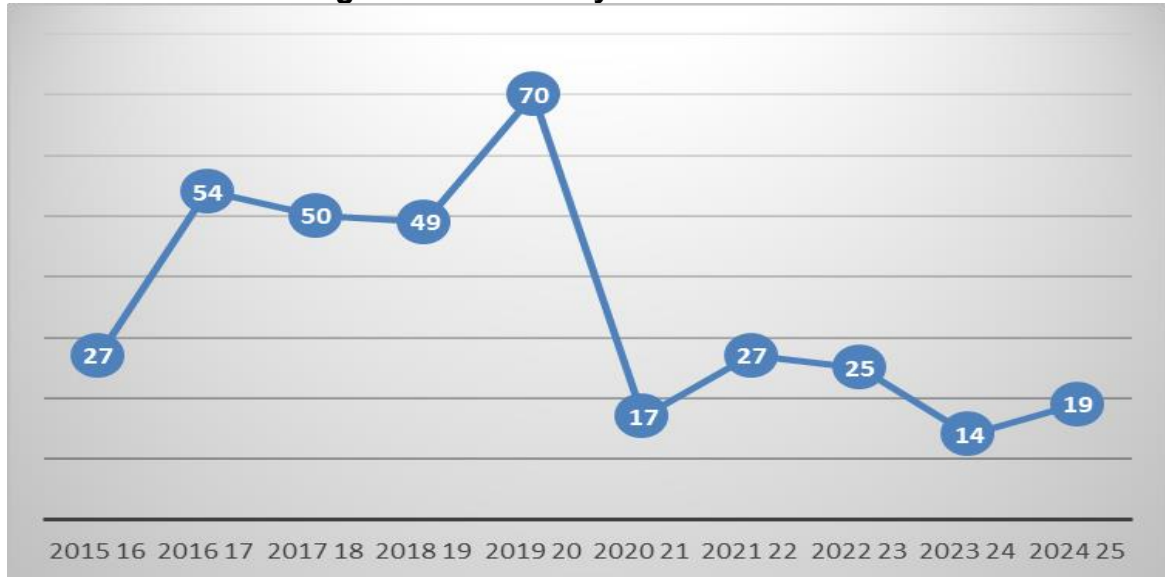
Checks showed that the resident was in receipt of SPD, CTR, and DWP benefits. A review form was sent to resident who responded to say that their partner had been living at the address since 2022.

As a result the Councils Revenue and Benefits team re-assessed the council tax liability resulting in overpayments of £4,293.

31. We continue to work with the Council's communication team to issue publicity encouraging local residents and businesses to report fraud and help protect public funds. The Council took part in the International Fraud Awareness Week in November 2024 along with other Council's across the region.
32. At this time many cases raised for investigation last year are still live. However, of the 19 cases investigated and closed in the year, 10 identified fraud - with recoverable losses of **£43k**, and fraud savings of **£21k** reported.

33. At year end of March 2025, 19 cases remained under investigation with an estimated fraud value of £198k. SAFS monitor these figures to identify trends, such as changing working practices, the cost-of-living crisis, and other factors.

Table 6. Fraud Investigations Closed by Year



34. Although referrals and matters requiring investigation have declined over the last 4-5 years, it is important that the Council does not become complacent. Although the data appears to evidence that actions to deter/prevent fraud are being effective we know that fraudsters are reactive, unfettered by rules and extremely agile. They will find and exploit gaps in systems/processes or new schemes and target Council finances/assets/services.
35. As well as the financial values identified, SAFS works with the Council's housing needs and nominations team where allegations of fraud impact on the Council's housing register or homelessness applications. These cases may not deliver an obvious financial value but do assist in preventing fraudulent applications for housing.

Case Study 4: Housing Application Fraud

*SAFS and Council officers reviewed data provided by the National Fraud Initiative 2024/25 that indicated that **79** records on the Council's Housing Register may be incorrect or fraudulent.*

The priority was to review these matches and identify any applications from individuals or families that might be false, or indeed where the data was simply incorrect.

*As a result of this one-off exercise **12** applications were found to be incorrect or potentially false without the need for full investigations. All of these applications were removed from the Housing Register and prevented potential fraud of **£51k***

This type of exercise is essential to ensure that data held by the Council is accurate and up to date to prevent any fraud occurring and the potential that such a fraud could result in genuine applications missing out as a result.

36. In April 2023 the Fraud Advisory Panel (FAP) published its report 'Lost Homes-Lost Hope'. This report calculated the losses of an average housing fraud, per case, to the public purse to be in the region of £42k, of which £36k is attributable to the cost for local authorities through the provision of temporary accommodation.
<https://www.fraudadvisorypanel.org/wp-content/uploads/2023/10/Lost-Hope-Lost-Homes-Methodology.pdf>
37. North Herts Council does not hold housing stock and relies on registered (social) housing providers within the Council's boundaries to supply properties for residents entitled to social housing. These providers have neither the legislative powers nor the resources to investigate housing fraud or illegal sub-letting.
38. SAFS works with a number of registered housing providers, with stock within the Council's boundaries, including Settle Homes, and continues to reveal fraud such as the illegal sub-letting, fraudulent right-to-buy applications, and other misuse of the social housing stock within the Council's boundaries.

Case Study 5: Working with Social Housing Providers.

Working with Settle Homes in 2024/25 five investigations into the unlawful sub-letting of social properties were conducted which resulted in 3 properties being returned to stock.

A number of tenancies were still subject to investigation and recovery at the year end.

Working with SAFS enables social housing providers to conduct more effective investigations and recover properties that are being misused swiftly. These properties are then released for nomination to local residents from the Councils Housing Register.

The outcome has resulted in an overpayment of Council Tax and Housing Benefit of £23k. In addition, the recovery of the social housing property has resulted in a family in need being housed from the Council's Waiting list.

*The financial value to the Council has been calculated as being in the region of **£84k** from reduced temporary accommodation costs.*

39. SAFS continued to provide support to the Councils Business Rate Team in 2024/25 where fraudulent Covid Grants were suspected. Two such cases were identified where the Council had paid sums totalling **£24k** to two individuals following what were clearly fraudulent claims and these matters have both been recorded and reported to the Business and Trade Department. This work also uncovered other business rate related fraud.

Case Study 6: Business Rates Fraud

Information came to light as part of a review into a suspected Covid Grant fraud that had identified a business in Hitchin operating as a restaurant that had been claiming Small Business Rate Reduction (SBRR).

*And enquiry by SAFS revealed evidence that the business had made false claims for Grants as well as a reduction in its business rates liability. The Grant application had not been successful, but the business was found to have avoided paying the correct business rates between 2021 and 2024 totalling **£16k** and has been invoiced for this sum.*

Data Matching and Analytics

40. The Council is required to submit data every two years as part of the Cabinet Office mandated [National Fraud Initiative - GOV.UK \(www.gov.uk\)](https://www.gov.uk). This exercise occurs every second year and for the Council datasets such as payroll, pensions, creditor/payments, housing benefit and council tax are required. The data collected from councils, NHS and other public sector bodies and is analysed to identify discrepancies/fraud. The exercise also uses data from sources such as Operation Amberhill, HMRC, DWP and GRO.
41. The output, or 'matches,' from NFI is released to councils between February and March following the October data upload. These matches are shared in various formats to be actioned. For Council and SAFS officers administer access to and reporting for those service areas that are required to provide a response to these reports/matches.
42. The Council received 2,656 matches to review in a number of reports from the 2024/2025 exercise in Q4. Many of these matches require administrative review only and will not identify fraud, error, or savings, but it is essential that all are actioned and reported to avoid any fraud being missed and ensure that the Council's data is edited/updated.
43. Working with SAFS, Council officers have reviewed a small number of the high priority matches and work is ongoing with the lower priority matches – in total 7 reviews were conducted. Further work has taken place to clear the remainder of the high priority matches in Q1 2025/26.
44. Working with the Cabinet Office for NFI, SAFS has developed a 'Hertfordshire FraudHub' for all SAFS Partners following the same process as the two-yearly exercise, but with data collected and matched more frequently throughout the year. In 2024/2025 SAFS identified 2007 matches resulting in **£17k** savings. We worked closely with officers in Q1 and Q2 Of 2024/25 to resolve a number of matches, but the focus on resources in Q3/Q4 switched to the main NFI exercise.
45. SAFS manages the Hertfordshire Council Tax Framework for all district councils across the County. This framework is funded by the County Council and provides a fully managed service to review discounts claimed by residents against their Council Tax liability. During 2024/25 North Herts Council accessed the Framework to review those accounts with a single person discount (686 being removed and **£263k** liability identified) or reported as being empty for a long term (with 154 council tax exemptions/premiums being amended and potential New Homes Bonus awarded).

Transparency Code – Fraud Data

46. The Department for Communities and Local Government (DCLG) published a revised Transparency Code in February 2015, which specifies what open data local authorities must publish.
47. The Code also recommends that local authorities follow guidance provided in the following reports/documents:

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

CIPFA Red Book 2 – *Managing the Risk of Fraud – Actions to Counter Fraud and Corruption*
(http://www.cipfa.org//media/files/topics/fraud/cipfa_corporate_antifraud_briefing.pdf)

48. The Code requires that Local Authorities publish the following data in relation to Fraud. The response for North Herts Council for 2024/25 is in **bold**:

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

Nil. (Hertsmere Borough Council makes use of the National Anti-Fraud Network (NAFN) to conduct such enquiries on their behalf).

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

1.5 FTE

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

1.5 FTE

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

£89,180 (SAFS fee) + NFI and FraudHub contracts.

- Total number of fraud cases investigated.

19 cases investigated and closed in year

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

- Total number of cases of irregularity investigated-

See above.

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

10 Occasions where fraud was identified.

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

**Reactive- £64k fraud reported. £29k Compliance. (A further £198k estimated).
Proactive- £17k of fraud was identified through NFI & FraudHub.**

***Other Exercises - £84k Social Housing/ £24k Covid Grants
From Council Tax Framework £263k
Total - £481k of fraud/irregularity identified.***

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

Not recorded separately

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

- (b) ***Councillors Workbook on Bribery & Fraud Prevention (LGA 2017)***
- (c) ***Fighting Fraud and Corruption Locally - A Strategy for the 2020's (CIPFA/CIF9AS/LGA 2020)***
- (d) ***Tackling Fraud in the Public Sector (CIPFA 2020)***
- (e) ***Code of Practice - Managing the Risk of Fraud and Corruption (CIPFA 2014)***
- (f) ***Lost Homes, Lost Hope (Fraud Advisory Panel 2023)***

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North Herts Council

Finance Audit & Risk Committee

September 2025

Anti-Fraud Progress Report 2025/2026

Purpose

1. This early report provides details of the work undertaken by the Shared Anti-Fraud Service (SAFS) and Council Officers to protect the Council against the threat of fraud and the delivery of the Council's Anti-Fraud Action Plan for 2025/26.
2. Further reports will be provided during this financial year and a final report covering all anti-fraud work in 2025/26 will be provided to this Committee in June 2026.

Recommendations

Members are RECOMMENDED to:

- a) **Note the progress by officers and the Shared Anti-Fraud Service to deliver the Anti-Fraud Plan for the Council.**

The Anti-Fraud Plan

3. The Anti-Fraud Plan for the current financial year was approved by this Committee at its March 2025 meeting ([Public Pack](#))[Agenda Document for Finance, Audit and Risk Committee, 12/03/2025 19:30](#) . The Plan covers all areas recommended by CIPFA and the *Fighting Fraud and Corruption Locally Strategy for the 2020s*. The Plan also provides assurance that the council continues to benefit from a positive return on its investment in the SAFS Partnership.

Anti-Fraud Prevention

4. The Council has in place Anti-Fraud, Bribery & Corruption Policies and these are kept under constant review to ensure compliance with current best practice and the impact of any changes required by legislation. These policies were last reviewed in 2022 and an officer review is planned for this year.
5. SAFS provided alerts on new and emerging fraud trends through its Board members and directly with officers working in our Partners. These alerts come from a variety of sources including the National Anti-Fraud Network (NAFN), Credit Industry Fraud Avoidance Service (CIFAS), National Fraud Intelligence Bureau (NFIB) at the City of London Police, and others.
6. Between April and July 2025 SAFS issued 2 Fraud Alerts including a reminder about fake documents and published reports on the propensity for people to commit fraud as well as guidance on the new 'Failure to Prevent Fraud' offence. SAFS also provide regular Fraud Threat Reports that summarise new and emerging risks and provide officers with the latest guidance to assist with identification and prevention. SAFS has issued 6 such reports this year focused on multiple employment fraud, housing application fraud, fake blue badges and 'mandate' fraud.
7. A training plan to build on staff awareness and fraud reporting, along with publicity campaigns to inform the public and encourage fraud reporting has been developed with officers in HR and Comms teams for 2025/26.

8. Across all partners SAFS provides Executive Reports (ER) to senior management and internal audit where investigations identify that fraud or attempted fraud occurred due to system/process weaknesses, SAFS also provides recommendations for management to consider the removal/reduction/mitigation of any ongoing fraud risk. No ERs have been issued so far this year.
9. A new offence of 'Failing to Prevent Fraud' introduced by the Economic Crime and Corporate Transparency Act 2023 came into force in September this year. Along with all other Councils North Hertfordshire Council will be caught by this legislation and SAFS are liaising with the LGA and FFCL to better understand the risks and implications of this new legislation so the Council is prepared for it.
10. SAFS are part of several 'working' parties with the Cabinet Office- Public Sector Fraud Authority (PSFA) including development of the Counter Fraud Profession, and new legislation passing through parliament that will impact on local government including the Public Authorities (Fraud, Error and Recovery) Bill.

Reactive Work

11. Between April and June, 26 allegations of fraud had been received affecting service areas such as housing, council tax, procurement, and Blue Badge misuse- only 2 referrals were made by Council officers, compared to previous years this is very low. SAFS currently have 18 cases under investigation, or at referral stage (8), with estimated losses of £129K recorded in this caseload.
12. One case referred to the Councils legal team earlier this year had a summons issued in Q1 and a Guilty plea at the first hearing in July. The Council makes use of other sanctions as alternatives to prosecutions where these are appropriate, this includes the use of civil penalties for council tax matters.
13. SAFS Accredited Financial Investigator has been assisting with an investigation conducted jointly by the Councils Enforcement Team and the County Councils Trading Standards service [Hertfordshire County Council | Detection dog aids operations as illegal vapes and tobacco are seized across the county](#) regarding the illegal sale of vapes from a business premise in Royston. The premises was closed in late July following an application by the Councils Enforcement Team, Trading Standards seized a considerable quantity of illegal products and SAFS have secured/restrained bank accounts belonging to the business owner.
14. SAFS continues to work closely across the Council Housing services, working with officers to assist in the review of housing and homelessness applications and a number of investigations have been raised since April.
15. SAFS also works with housing providers across the Borough and a new 'Tenancy Fraud Investigation' contract was signed with Settle (Housing Association) for 2025/26 which has resulted in the recovery of 3 properties that were being misused by tenants who were not living in those properties. These social homes have all

been let to residents from the Councils Housing Register. This work with housing providers could have saved the Council upto £126k this year already.*

**This assumes the figures used in the 'Lost Homes Lost Report' from FAP 2023 of £42k loss per property misused.*

Proactive Work

16. SAFS and Council officers ensured that all data required for submission as part of the Cabinet Office 'National Fraud Initiative' (NFI) was uploaded in late 2024. The output from this exercise produced 1,181 general matches, creditors and council tax reports. Officers from SAFS and the Council have been reviewing the various reports/matches prioritising high-risk areas, this work has identified 13 potential frauds, with savings through prevention of £51k reported so far.
17. The Council is signed up the Herts Fraudhub for 2025/26. The FraudHub works in a similar fashion to the main NFI exercise with data being submitted along with the other SAFS partners to help identify fraud through data-analysis/matching. We have suspended activity on the FH until Q2 to focus on clearing the matches from the main NFI exercise.
18. SAFS KPIs were agreed in the Anti-Fraud Plan and progress is reported below.

Key

Met/ Complete	On Target	Part Met	Not Met
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KPI	Measure	Objectives	Performance for Q1
1	Return on investment from SAFS Partnership.	Demonstrate that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution. A. Regular meetings to take place with the Councils Service Director Resources , at least quarterly or as required by Council officers. B. Service Director Resources will be the SAFS Board representative for the Council and attend its quarterly meetings.	A. Meetings have been planned with the Service Director Resources . B. Service Director Resources is a member of the SAFS Board and is invited to its quarterly meetings. SAFS meet with other service leads across the Council as and when required with a focus on the highest risk areas, and is part of the CEF.
2	Provide an investigation service.	A. Target to deliver at least 95% of the funded 298 Days of counter fraud activity including proactive and reactive investigations, data-analytics, staff training and fraud risk management. (Supported by SAFS Intel/Management). B. 3 Reports to Finance Audit and Risk Committee. (Annual Report, Updates, 25/26 AF Plan)	A. To the end of June 2025 SAFS had provided 56 days (19%) of those planned for the year. B. SAFS reports agreed for September/ November / March FAR Committees as part of the Fwd Plan.
3	Action on reported fraud.	A. All cases to be reviewed within 2 Days of receipt, on Average.	A. In Q1 referrals were triaged within 0.6 days on average.
4	Allegations of fraud received.	A. 100% of all reported fraud (referrals) will be logged by type & source.	A. All referrals, from all sources are logged on SAFS CMS.

	& Success rates for cases investigated.	B. 100% of all cases investigated will be recorded and the financial value, including loss/recovery/ savings of each will be reported to officers.	B. All cases investigated are recorded and managed on the SAFS CMS. Reports on referrals and investigations including status/source/value/outcomes are available.
5	Making better use of data to prevent/identify fraud.	A. Ensure output from NFI 2024/25 is resolved as required by legislation. B. Ensure membership of the Herts FraudHub in 2025/26 and that the ROI from this is reported to Council officers.	A. The NFI reports/matches are being reviewed with SAFS support. B. The Council has a contract in place for the FHub and data is being uploaded and output to commence in Q2.
6	Added value of SAFS membership.	A. Membership of NAFN & PNLD for 2025/26 B. 5 fraud awareness/prevention sessions for staff/Members in year. (To be agreed with Service leads and HR)	A. NHC is a member of both NAFN and PNLD via SAFS licences. Council officers have access and SAFS provide training/awareness. B. We have begun developing a training plan for NHC with HR leads.

Further Reading

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

- (a) *Councillors Workbook on Bribery & Fraud Prevention (LGA 2017)*
- (b) *Fighting Fraud and Corruption Locally - A Strategy for the 2020's (CIPFA/CIF9AS/LGA 2020)*
- (c) *Code of Practice - Managing the Risk of Fraud and Corruption (CIPFA 2014)*
- (d) *Lost Homes, Lost Hope (Fraud Advisory Panel 2023)*
- (e) *Tackling fraud and corruption against government (NAO 2023)*
- (f) *National Fraud Initiative Report 2022 – 2024 (HMG March 2025)*

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INTERNAL AUDIT PROGRESS REPORT

NORTH HERTS COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

10 SEPTEMBER 2025

RECOMMENDATIONS

- Note the SIAS Progress Report for the period to 15 August 2025.
- Note the implementation status of the reported high priority recommendations.
- Note the plan amendments to the 2025/26 Annual Audit Plan.

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- 1 Introduction and Background
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- A Progress against the 2025/26 Audit Plan
- B 2025/26 Audit Plan Start Dates Agreed with Management
- C Assurance and Finding Definitions 2025/26
- D Implementation Status of High Priority Recommendations

1. Introduction and Background

Purpose of Report

1.1 This report details:

- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Internal Audit Plan for 2025/26 as at 15 August 2025.
- b) In-Year Audit Plan review and proposed plan amendments.
- c) An update on performance indicators as at 15 August 2025.
- d) The implementation status of high priority internal audit recommendations.

Background

- 1.2 The 2025/26 Internal Audit Plan was approved by the Finance, Audit and Risk Committee (the FAR Committee) on 12 March 2025.
- 1.3 The Committee receives periodic updates of progress against the Annual Internal Audit Plan. This is the first report giving an update on the delivery of the 2025/26 Internal Audit Plan.
- 1.4 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 15 August 2025, 23% of the 2025/26 Audit Plan days had been delivered.
- 2.2 There have been two final internal audit report issued as part of the approved 2025/26 Internal Audit Plan:

Audit Title	Assurance Opinion	Recommendations
Leisure Centre Decarbonisation Scheme (First Interim Report)	N/A	1 Low Priority
Leisure Centre Decarbonisation Scheme (Second Interim Report)	N/A	2 Low Priority

High Priority Recommendations

- 2.3 Members will be aware that a Final Audit Report is issued when it has been agreed by management; this includes an agreement to implement the recommendations that have been made. It is SIAS's responsibility to bring to Members' attention the implementation status of high priority recommendations; it is the responsibility of officers to implement the recommendations by the agreed date.
- 2.4 Two high priority findings and recommendations were made in the Estates audit with respective implementation dates in September and December 2024. The service has advised that one has been implemented and the other largely implemented, with remaining actions to be completed by a revised target date of 31 December 2025. One high priority finding and recommendation was made in the Churchgate – Project Assurance audit with an implementation date of 30 June 2025. The recommendation is deemed to be partially implemented, although the status and a revised implementation date are still being confirmed with the service. The original findings, recommendations and agreed management actions, along with a management update, are included at Appendix D.
- 2.5 The evidence-based internal audit work on the Follow-up of High Priority Recommendations has commenced as part of the 2025/26 Audit Plan and is currently in fieldwork.

Proposed Amendments

- 2.6 The Audit Plan approved by the FAR Committee in March 2025 contained an allocated number of plan days against audit areas such as General Audits, IT Audits and Consultancy and Advisory, but did not include an estimated number of plan days for completion of the planned individual internal audit projects. During the financial year, SIAS applies an estimated number of plan days against all individual internal audit projects as part of resource allocation and planning. These estimates are included in Appendix A – Progress against the 2025/26 Internal Audit Plan.
- 2.7 The Audit Plan is however designed to be dynamic and responsive to changed risk, circumstances and priorities, requests for new internal audit work, outcomes from scoping and planning of individual internal audit projects and amended resourcing requirements. Estimated plan days may also need to be changed as a result, and these amendments are communicated to the FAR Committee.
- 2.8 There has been one audit plan amendment agreed with management within this reporting period:
- a) Five internal audit days have been taken from contingency and added to the Homelessness audit to support an extended scope of work. The contingency budget has been reduced to zero and the estimated internal audit days for the Homelessness audit has increased to 15.

Performance Management: Reporting of Audit Plan Delivery Progress

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

Status	No. of Audits at this Stage	% of Total Audits	Profile to 15 August 2025
Draft / Final Report Issued	1 (1/22)	5%	9% (2)
In Fieldwork / Quality Review	6 (6/22)	27%	27% (6)
Terms of Reference Issued / In Planning	5 (5/22)	23%	18% (4)
Not Yet Started	10	45%	46% (10)

- 2.10 Annual performance indicators and associated targets were approved by the SIAS Board in March 2025. At 15 August 2025, actual performance for North Herts Council against the targets that can be monitored in year was as shown in the table below:

Performance Indicator	Annual Target	Profiled Target to 15 August 2025	Actual to 15 August 2025
1. Annual Internal Audit Plan Delivery – the percentage of the Annual Internal Audit Plan delivered (measured in audit days)	95%	28% (74 / 260* days)	23% (61 / 260* days)
2. Project Delivery Percentage of audit plan projects delivered to draft report stage by 31 March 2026.	90%	9% (2 / 22* projects)	5% (1 / 22* projects)
Percentage of audit plan projects delivered to final report stage as reported within the CAE Annual Assurance and Opinion report.	100%	0% (0 / 22* projects)	0% (0 / 22* projects)
3 Client Satisfaction - Percentage of client satisfaction questionnaires	100%	100%	100% for those returned.

returned at 'satisfactory overall' level (minimum of 39/65 overall)			(2 returned from 12 issued since 1 April 2025)
4 Number of High Priority Audit Recommendations agreed % Percentage of critical and high priority recommendations accepted by management.	95%	100%	100%

Note - *

The Audit Plan as set out at Appendix A contains audits and other related activities with an estimated total of 285 days. North Herts Council has commissioned 260 days; hence all performance indicators being calculated on this basis. There are 25 audits listed within the Audit Plan, although it is currently estimated that only 22 will be delivered. As reported at the March 2025 FAR Committee, and outlined at Appendix A, there are seven general audits that have not yet been confirmed. It is estimated that only four of these will be conducted to align with Council commissions.

- 2.11 In respect of delivery of Planned Days, this is broadly in line with profiled commencement and delivery as per Audit Plan start dates at Appendix B, although performance is nonetheless slightly behind the profiled target. Based on the original profiling at the start of the financial year, it was anticipated that fieldwork would have been able to commence, be further advanced or complete on more of the internal audit projects scheduled to start in quarter one and two.
- 2.12 The project / embedded assurance work on Leisure Centre Decarbonisation is through year and dependent on the timing, pace and progress of the underlying Council project being supported. Two interim final reports have been issued to date as noted at section 2.2. The Churchgate audit was originally due to follow the through year project / embedded assurance approach commencing in quarter 1. It is now intended to be a standalone audit, albeit the fourth such audit across the project lifespan to date covering multiple financial years. Planning and engagement with the Estates team has commenced on this audit.
- 2.13 Fieldwork on the LGA Peer Review audit has been unable to progress to the extent anticipated due to the underlying planned governance and control arrangements not being sufficiently developed for internal audit review.
- 2.14 In respect of Planned Projects, it was anticipated that a draft internal audit report would have been issued for the Homelessness audit based on original planning to commence this 2024/25 carry forward work in April 2025. A combination of vacancies and paternity leave in the Housing service area, meant that the audit commenced in late June 2025. The audit is currently at an advanced stage of fieldwork.
- 2.15 Some degree of flexibility in scheduling is always anticipated, and every attempt is made to bring another project forward in place of one pushed back, however this does not always happen seamlessly and may not be optimal for

either the Council or SIAS. SIAS have allocated specific resource to all agreed projects in the 2025/26 Internal Audit Plan and planning has commenced on several quarter three and four audits. Start dates have also been scheduled where possible for these and a terms of reference has been issued for a quarter 4 audit (Multi-Factor Authentication) brought forward into quarter three. This is to ensure that momentum is maintained in the delivery of the Internal Audit Plan. Please see Appendix B for further information.

- 2.16 SIAS appreciate the co-operation and goodwill of Council staff and value the relationships it has fostered over an extended period. These are crucial in ensuring successful delivery of the Plan and delivering sufficient work to support the annual assurance opinion.
- 2.17 Two customer satisfaction surveys have been received from 12 issued since 1 April 2025. Although both were satisfactory in their outcomes, any comments or learning points arising from customer satisfaction surveys are shared with the relevant member of internal audit team through their regular appraisal process and personal and professional development plans.
- 2.18 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2025/26 Head of Assurance's Annual Report:
- **5. Public Sector Internal Audit Standards** – the service conforms with the standards.
 - **6. Internal Audit Annual Plan Report** – approved by the March Audit Committee or the first meeting of the financial year should a March committee not meet.
 - **7. Chief Audit Executive's Annual Assurance Opinion and Report** – presented at the first Audit Committee meeting of the financial year.

APPENDIX A – PROGRESS AGAINST THE 2025/26 AUDIT PLAN AS AT 15 AUGUST 2025

2025/26 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
General Audits (107 days) – Audits confirmed (Note 1)									
Leisure Centre Decarbonisation Project (Salix Grant)						15	SIAS	6	In Fieldwork – two final interim audit reports issued.
Churchgate Project Assurance						15	BDO	0.5	In Planning
Digital Transformation (Netcall Project)						15	BDO	0.5	In Planning
Environmental Protection - Statutory Nuisance						10	SIAS	0	Allocated
UK Shared Prosperity Fund (UKSPF)						12	SIAS	5	In Fieldwork
Purchasing Cards						8	SIAS	0	Allocated
Corporate Peer Challenge Action Plan						12	SIAS	4	In Fieldwork
Local Authorities as Charity Trustees						10	SIAS	4	In Fieldwork
New Finance System						10	SIAS	0	Allocated
General Audits (75 days) – Audits not yet confirmed (Note 2)									
Pay on Exit						10		0	Not yet allocated
Procurement Act 2023						10		0	Not yet allocated

APPENDIX A – PROGRESS AGAINST THE 2025/26 AUDIT PLAN AS AT 15 AUGUST 2025

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Town Centre Strategies						10		0	Not yet allocated
Anderson House						15		0	Not yet allocated
EV Charging						10		0	Not yet allocated
Waste and Recycling Service Changes						10		0	Not yet allocated
Waste and Recycling Service Contract						10		0	Not yet allocated
IT Audits (22 days)									
Multi-Factor Authentication						12	BDO	2	ToR Issued
Website Security and Maintenance						10	BDO	0.5	In Planning
Follow-up (10 days)									
Follow-up of High Priority Recommendations						10		4	In Fieldwork
Consultancy and Advisory (5 days)									
Assurance Mapping Updates and Revisit						5	SIAS	1.5	In Planning
Grant Claims / Charity Certification (8 days)									
King George V Playing Fields						2	SIAS	0	Allocated
Workmans Hall						2	SIAS	0	Allocated
Other Grant / Charity Audits						4	SIAS	0	Not yet allocated
Contingency (0 days)									

APPENDIX A – PROGRESS AGAINST THE 2025/26 AUDIT PLAN AS AT 15 AUGUST 2025

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Contingency						0		0	
Client Management - Strategic Support (38 days)									
CAE Annual Opinion report						3	SIAS	3	Complete
FAR Committee						8	SIAS	4	Through Year
Plan Monitoring						8	SIAS	4	Through Year
Client Liaison						6	SIAS	3	Through Year
Audit Planning 2026/27						8	SIAS	0	Quarter 3/4
SIAS Development						5	SIAS	2.5	Through Year
2024/25 Carry Forward (20 days)									
Projects Requiring Completion from 2024/25:							SIAS		
New Finance System - Accounts Payable						5	BDO	4.5	Draft Report Issued
Homelessness						15	SIAS	12	In Fieldwork
Total - North Herts D.C.						285*		61	

Key / Notes

Note 1 - These internal audits have been confirmed as part of the planning process and will proceed unless there are other significant matters or risks that arise during the 2025/26 financial year that are prioritised.

Note 2 - These internal audits have not been confirmed as part of the current planning process, whether in terms of priority, outline scope or timing, but at least four should proceed unless there are other significant matters or risks that arise during the 2025/26 financial year. The FAR Committee will be kept abreast of developments as part of the regular SIAS Progress Update Reports to the Committee.

Not Assessed = No assurance opinion provided as the project was either consultancy based or validation for compliance

C = Critical Priority, H = High Priority, M = Medium Priority, L = Low Priority

BDO = SIAS Audit Partner

* - Audit Plan Days are a guide only and are not formally allocated. This is as per the approved 2025/26 Internal Audit Plan. **260** audit plan days to be delivered.

APPENDIX B – 2025/26 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
General	Churchgate (through year) (Allocated)	Churchgate (through year) (In Planning)	Churchgate (through year) (In Planning)	Churchgate (through year) (In Planning)
	Leisure Centre Decarbonisation (through year) (In Fieldwork – 1st interim final report issued)	Leisure Centre Decarbonisation (through year) (In Fieldwork – 2nd interim final report issued)	Leisure Centre Decarbonisation (through year) (In Fieldwork)	Leisure Centre Decarbonisation (through year) (In Fieldwork)
	LGA Corporate Peer Challenge – Action Plan (In Fieldwork)	Local Authorities as Charity Trustees (In Fieldwork)	Environmental Protection - Statutory Nuisance (Allocated)	Timing of remaining audits to be confirmed.
		Follow-Up of High Priority Recommendations (In Fieldwork)	Digital Transformation Programme (In Planning)	
			New Finance System (Allocated)	
			Purchasing Cards (Allocated)	
IT			Website Security and Maintenance (In Planning)	Multi-Factor Authentication (ToR issued – b/f to Q3)
C		Assurance Mapping Update (In Planning)		
G/C				Workman's Hall (Allocated)
				King George V Playing Fields (Allocated)
C/F	New Finance System – Accounts Payable (Draft Report Issued)			
	Homelessness (In Fieldwork)			

Key		Key	
General	Closely linked to the Council's AGS, Delivery Plan and Risk Register	G/C	Grant / charity certification to be completed as part of the audit plan
IT	IT Audits	C/F	Carry Forward Audits from 2024/25
C	Consultancy assignments will be delivered as part of the audit plan		

APPENDIX C – ASSURANCE AND FINDINGS DEFINITIONS 2024/25

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

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
Estates	<p>Property Management / Estates Database</p> <p><u>Finding</u></p> <p>During the audit, we were provided with a copy of the database used by the previous Properties and Estates Manager. This had not been updated since 2018 and contained rent review and lease renewal data that was out of date, incomplete and inaccurate and did not adequately facilitate the reporting and monitoring of the known rent review backlog, including which properties were affected, how many rent reviews were due, and how much time had elapsed since the rent review fell due.</p> <p>We noted that the Estates team are currently in the process of collating property data from across the Council to create an up-to-date master spreadsheet. This was an action in progress at the time of our review and not yet completed.</p> <p>The team have a filing system which is currently shared with the Property Management Team. We noted that the system includes documents that are not of relevance to the Estates team, and it has proven difficult to locate key documentation to support internal audit testing.</p> <p>The Local Government Transparency Code 2015 states that “Local authorities must publish details of all land and building assets”. The team informed us that the Council’s asset register was last updated in 2022, and they are not sure how accurate the entries are. The team are aware that it is a piece of work they need to complete as part of their</p>	30 September 2024	<p>November 2024 FAR Committee Update</p> <p>Verbal update provided.</p> <p>February 2025 FAR Committee Update</p> <p>Good progress has been made. The master spreadsheet has been populated with the core data from existing sources, including finance records. We are now cross referencing and doing a manual check of the data to confirm the correct status of all lettings. This action is therefore ongoing, with a revised target date of 1 March 2025.</p> <p>Once accurately captured in Excel form, this will enable us to satisfy the recommendations in the case of alerts for review dates and update the asset register. A review can then be undertaken to decide if the current property management system is updated, or a new system will be more appropriate for the Council’s needs and to deliver recommendations a) to e).</p> <p>The review of systems is also part of the Digital Transformation project work within the Council. They are undertaking a wider options evaluation for Uniform (the current system), to see if they can recreate the components in house. We have inputted into this so they can map out the processes and functionality it provides and get an idea of what would need to be built (or possibly procured).</p>

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
	<p>new role, and this will be facilitated by the work on the property database.</p> <p><u>SIAS Recommendation</u></p> <p>We recommend that:</p> <ul style="list-style-type: none"> a) Once the data in the master Excel spreadsheet has been collated, the service create a formal property management system / database. The system should include automated notifications or alerts to support timely identification of properties requiring rent reviews and lease renewals such as trigger dates for action. b) The property management database presents the rent review and lease renewal data in a way which clearly records when it falls due as per the lease, when it took place took place, the frequency of rent reviews as outlined in the lease, and (where applicable) the length of time the rent review overran by (if relevant). c) The property management database has a performance functionality to facilitate production of monitoring and exception reports. d) The document management system is maintained so all leases, rent reviews, trigger letters, and correspondence are maintained in relevant folders, or attached to relevant properties on the database, and are easy to access. e) The Council's asset register should be updated on completion of the property master Excel spreadsheet. 		<p>September 2025 FAR Committee Update</p> <p>Implemented (1 August 2025) - The master spreadsheet has been completed with the core data from existing sources, including finance records, and cross-referenced with data obtained from different sources to identify any anomalies, thereby ensuring the accuracy and reliability of the information.</p> <p>We are now satisfied this is complete and accurate, save for some of the very low value lettings where more work will be undertaken. Now accurately captured in Excel form, this has enabled us to satisfy the recommendations in the case of alerts for review dates, and the asset register has been updated. This has also enabled the most historic and higher value reviews to be actioned to deliver significant back rent due to the Council.</p> <p>A review of the previous unused property management system has confirmed Estates will not continue with this asset management database. We will continue to use spreadsheets adequately to manage the portfolio and it is recommended a further review is undertaken after LGR when portfolios will be merged and existing other authority property management systems utilised.</p>

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

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

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
	<p>Linked to recommendation one above on the property management database and existing action being taken by the Estates Team, we recommend that the Estates team have a means to ensure that rent reviews and lease renewals are identified, scheduled and prioritised to ensure they are initiated and completed in a timely manner.</p> <p>The process needs to be supported by:</p> <ul style="list-style-type: none"> a) Adequate capacity, skills and experience within the team, and b) Creation of relevant rent charging policies and / or procedures, that have been approved by senior officers and members (as appropriate). <p><u>Management Response</u></p> <p>As per recommendation above plus additional procedures for undertaking the reviews.</p>		<p>valuer as part of last year's asset valuations. The likely level of increase in rent will be of use in selecting which rent reviews from the backlog should be prioritised. We expect to complete this exercise and report with a schedule of the reviews in the next month to share with SLT and Exec Members.</p> <p>Preliminary consideration has been given as to whether external agents should be engaged to conduct some of the more significant outstanding rent reviews given current constraints on officer time. A conclusion should be reached on the appropriate way forward shortly.</p> <p>Pending finalisation of a programme for dealing with the backlog of rent reviews (and those which will fall due this year), we have been pressing ahead with resolving those rent reviews where the tenant has already engaged with the rent review process. Progress has also been made with rent reviews where the Council is the tenant rather than the landlord.</p> <p>September 2025 FAR Committee Update</p> <p>Largely implemented (18 August 2025) - Work has been completed to identify all outstanding rent reviews and lease renewals, together with reviews that will fall due over the coming year. We are undertaking the reviews in-house and with the use of external agents. This action is therefore largely in hand and will be reported to Leadership and</p>

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
			<p>Executive Members periodically and in finance budget reports.</p> <p>For a) opposite, Estates now has a settled team of the Principal Estates Surveyor (permanent) and an experienced agency surveyor.</p> <p>For b) opposite, procedures and policies for undertaking reviews, lease renewals and rent charges are currently in draft form but are less pressing with the experienced and settled team we have at present. These are expected to be completed by the end of December 2025. It is on this basis that the action remains open with a new date for full implementation.</p>
Churchgate – Project Assurance	<p>Call off Contract</p> <p><u>Finding</u></p> <p>The original Call-Off Contract between the Council and the appointed project Consultant, Lambert Smith Hampton Group Limited (LSH) covered the period November 2023 to February 2024, and an estimated value of £50,000.</p> <p>Following the contract expiring in February 2024, a Variation Form was completed for the period March 2024 to September 2024, with an option to extend by a further three months. The form outlines the following financial breakdown:</p> <ul style="list-style-type: none"> Original Contract Value: £50,000 	<p>30 June 2025</p>	<p>September 2025 FAR Committee Update</p> <p>Partially implemented - Required consultancy agreements and an updated variation form has been completed and is in the process of being agreed/signed - now that the new work programme has been set/agreed by Full Council. Both Procurement and Legal teams have been involved in the process.</p> <p><i><A query has been raised with the service about a new implementation date and the status of implementation. This had not been received at the date this report was submitted for publication but has been deemed partially implemented at this time.></i></p>

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
	<ul style="list-style-type: none"> Additional cost due to variation: £208,295 New Contract Value: £240,295 <p>However, this means that the Variation Form has also since expired and we have seen no evidence regarding considerations to extend. We obtained copies of the four invoices received from LSH to date which comprise a total value of £166.069.51, for the period May to December 2024.</p> <p>Both the Council and LSH are therefore not legally covered for the current work being completed. There is a risk that the Council could encounter legal uncertainty without a valid or enforceable contract in place. There is also a financial risk for LSH where they are billing the Council for services completed out of the contract period.</p> <p><u>SIAS Recommendation</u></p> <p>The Council should ensure that an updated Variation Form is approved and implemented as soon as possible. Going forward, variations should be completed ahead of their expiry, to ensure there are no gaps in coverage. The Project Manager should ensure this by adding the upcoming Form expiry date to the Highlight Report Action Log, to ensure it is monitored and updated as required.</p> <p>If the Council chooses to utilise contractual extensions, the Board should be informed, and this should be documented in Board minutes to confirm agreement. All relevant procurement regulations and schemes of delegation should be complied with.</p>		

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
	<p><u>Management Response</u></p> <p>This has been raised as a matter of urgency with the LSH team, who are working on an updated proposal based on the coming months. We were waiting to conduct a Viability Workshop with the Project Board, to decide the next steps for the project before entering into any further work. This workshop has now taken place, and the Council are clearer on the direction of travel associated with the Churchgate Regeneration. This decision is subject to Full Council approval on 10 July 2025.</p> <p>The proposal is to complete a Variation Form to cover parties from now until July, and another from July depending on Council decision – as the scope of work will need to increase based on this.</p>		

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FINANCE, AUDIT AND RISK COMMITTEE 10 September 2025
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PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: FIRST QUARTER REVENUE BUDGET MONITORING 2025/26

REPORT OF: THE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: 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 forecasts for the financial year 2025/26, as at the end of the first quarter. The forecast variance is a £453k increase in the net working budget of £24.043million, with an ongoing impact in future years of a £314k increase. There are requests to carry forward unspent budget totalling £375k to fund specific activities in the next financial year. Explanations for all the significant variances are provided in table 3.

2. RECOMMENDATIONS

That Finance, Audit and Risk Committee consider any governance and risk issues in relation to the Cabinet recommendations, which are:

- 2.1. That Cabinet note this report.
- 2.2. That Cabinet approves the changes to the 2025/26 General Fund budget, as identified in table 3 and paragraph 8.2, a £453k increase in net expenditure.
- 2.3. That Cabinet notes the changes to the 2026/27 General Fund budget, as identified in table 3 and paragraph 8.2, a total £689k increase in net expenditure. These will be incorporated in the draft revenue budget for 2026/27.
- 2.4. That Cabinet delegates to the Director-Resources (in consultation with the Executive Member for Resources) authority to enter in to a Business Rate Pooling arrangement (if available) if it is estimated that it will be in the financial interests of the Council.

3. REASONS FOR RECOMMENDATIONS

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

4. ALTERNATIVE OPTIONS CONSIDERED

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

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

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

6. FORWARD PLAN

- 6.1. The report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 25th July 2025.

7. BACKGROUND

- 7.1. Council approved the revenue budget for 2024/25 of £22.914million in February 2025. As at the end of Quarter One, the working budget has increased to £24.043million. Table 1 below details the approved changes to this budget to get to the current working budget:

Table 1 - Current Working Budget

	£k
Original Revenue Budget for 2025/26 approved by Full Council	22,914
Quarter 3 2024/25 Revenue Budget Monitoring report – 2025/26 budget changes approved by Cabinet (March 2025)	807
2024/25 Revenue Budget Outturn report – 2025/26 budget changes approved by Cabinet (June 2025)	202
Churchgate Viability and Next Steps report – additional funding for a specialist Project Manager approved by Council (July 2025)	120
Current Working Budget	24,043

- 7.2. The Council is managed under Service Directorates. Table 2 below confirms the current net direct resource allocation of each Service Directorate, following the corporate restructure effective from 1st April 2025, and how the forecast total cost of services within each Directorate has changed since the original budget was approved by Council in February 2025.

Table 2 – Service Directorate Budget Allocations

	Original Budget 2025/26	Changes approved at Q3 2024/25	Changes approved at Outturn 2024/25	Other Budget Changes / Transfers	Current Net Direct Working Budget
Service Directorate	£k	£k	£k	£k	£k
Chief Executive	1,030	53	154	(112)	1,125
Customers	3,899	79	(14)	(9)	3,955
Enterprise	1,168	73	41	120	1,402
Environment	8,053	8	(253)	13	7,821
Governance	2,391	25	1	(5)	2,412
Place	751	530	212	1	1,494
Regulatory Services	2,706	0	14	117	2,837
Resources	2,916	39	47	(5)	2,997
TOTAL	22,914	807	202	120	24,043

- 7.3. The Revenue Budget Outturn 2024/25 report recorded net revenue expenditure of £17.932 million for 2024/25 and the balance on the General Fund reserve at the end of 2024/25 of £16.081million. In finalising the Draft Statement of Accounts prior to issue, it was identified that £14k of interest payment transactions relating to the Council's outstanding borrowing had been incorrectly charged in the Council's General Ledger. The subsequent correction transferred these amounts to ensure that these were charged to the General Fund in 2024/25. This resulted in a revised outturn for 2024/25 of £17.946million, with a closing General Fund balance of £16.067million. The revised General Fund balance is reflected in table 7 below.

8. RELEVANT CONSIDERATIONS

- 8.1. Service Managers are responsible for monitoring their expenditure and income against their working budget. Table 3 below highlights those areas where there are forecast to be differences. An explanation is provided for each of the most significant variances, which are generally more than £25k. The final columns detail if there is expected to be an impact on next year's (2026/27) budget:

Table 3 - Summary of significant variances

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2026/27 £k
All Directorates 2025/26 Staff Pay Inflation	554	590	+36	Overspend variance indicates estimated impact of the nationally agreed pay awards for 2025/26 for Local Government Officers, Chief Officers [Directors] and Chief Executives. The outcome was an increase of 3.2% to all salary scale points. The assumption in the budget was an increase of 3%.	0	36
Chief Executive Treasury Investments Interest Income	(825)	(1,825)	(1,000)	Increase in estimated interest income receivable relates to significantly higher cash balances available for investment than anticipated when the income budget estimate was prepared at the start of the calendar year. This is due to the reprofiling of planned capital investments. Estimates for future years will be updated when the next Investment Strategy is finalised in January 2026.	0	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2026/27 £k
Chief Executive Revenue savings from planned capital investments				Three ongoing revenue savings resulting from the delivery of planned capital schemes in 2024/25 were anticipated to materialise in 2025/26 when the original budget estimates for 2024/25 onwards were approved by Council in February 2024. Each saving was assumed to be at least equivalent to the associated capital financing cost. These should have been removed as part of setting 2025/26 budget.		
Royston Leisure Centre Learner Pool	(125)	0	+125	Delivery of this capital project had been initially expected to result in an ongoing increase to the annual management fee income due to the Council that off-set the revenue costs of capital. As the proposals progressed, the expected income was much lower than the revenue costs of capital. It was therefore subsequently removed from the capital programme pending a defined viable plan. In February 2025 Council approved to set aside a contingency budget of £40k in 2025/26 to enable further feasibility work to be carried out to further assess whether there are viable options for a Learner pool at Royston Leisure Centre.	0	125
Leisure Centres Improvements	(262)	0	+262	The improvement works completed in 24/25 (Year 1 of the two-year scheme) have delivered an ongoing annual saving of £339k, as highlighted in the Revenue Budget Outturn 2024/25 report. The £339k ongoing saving was included in the recommended adjustments to the 2025/26 budget within the Outturn report approved by Cabinet in June and is therefore included in the current working budget for the leisure centre contract, managed under the Environment Directorate.	0	262
Leisure Centres Decarbonisation	(230)	0	+230	Ongoing revenue savings were initially envisaged from the delivery of those decarbonisation projects eligible for matched grant funding from the Public Sector Decarbonisation Fund. However, as detailed to both Cabinet and Council in January 2025, during the detailed RIBA Stage 3 / Stage 4 design phase, a review of the proposed air source heat pumps (ASHP) at all three leisure centres highlighted significant additional running costs, compared to previous estimates at the detailed feasibility stage.	0	230

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2026/27 £k
Customers IT Services staffing costs	891	870	(21)	£88k of unspent budget was approved to be carried forward from 2024/25 to fund the costs of two temporary posts in IT. While both posts have been recruited to, the contract of the part-time Helpdesk Support Officer post is for a period of two years. A carry forward of the unspent budget in this financial year is therefore requested to cover the costs of the post falling in the next financial year.	21	0
Enterprise Museum Items Transport and Storage	70	0	(70)	Cabinet approved the carry forward of the £70k revenue investment proposal originally earmarked in 2024/25 for the removal and temporary storage costs of artefacts in Burymead while the longer-term storage solution was developed. It was envisaged that the museum collection would require removal away from the current Burymead Road site, before later returning to the site following its redevelopment. As a result of the Councils acquisition of an alternative site in Letchworth, the museum collection will instead only be moved once. This has therefore reduced the resource required, with £45k now requested to be carried forward to facilitate the transfer in the next financial year.	45	0
Enterprise Investment Properties Rental Income	(1,124)	(1,163)	(39)	Increase in forecast rent income this year is mainly due to the recent acquisition of the Museum Storage site in Letchworth, which has an existing tenant with a lease until January 2026.	0	0
Enterprise Charnwood House Rent Income	(30)	0	+30	While capital resource is earmarked for the renovation of Charnwood House, previous marketing did not produce a suitable letting. Officers are currently reviewing reports on the building in the preparation of options for the next steps.	0	0
Environment Leisure Centres Swimming Pool Tiling Repairs	120	33	(87)	Three investment bids to repair tiling and grouting following underwater surveys at each of the Council's swimming pools, to ensure compliance with Health and Safety legislation, were approved by Council in February. The investment values originated from quotations based on a full specification of repair works - low, medium and high priority. The only works that were contractually required to be carried out were those marked as high priority, resulting in an underspend on the original budget provision.	0	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2026/27 £k
Environment Leisure Centre Management Contract Income - Agency Agreement	0	(367)	(367)	From 1 May 2025 the Council entered into an Agency Agreement with SLM (Everyone Active) for the operation of our leisure facilities. The change in contractual arrangements has allowed both the Council and SLM to benefit from changes to the VAT treatment of local authority leisure services announced by HMRC in March 2023. The adjustment also reflects inflation and reductions in energy costs which have been incorporated in to the agency arrangement.	0	(367)
Environment Leisure Centre Management Contract Income – Temporary Leisure Centre Closures	0	1,200	+1,200	The leisure centres decarbonisation project will require some closures during the works, meaning a reduction in the management fee receivable under the terms of the Leisure and Active Communities contract. Forecast outturn represents the current estimated one-off loss of revenue for the closures across all three sites. A loss of income from the closures was recorded as a pressure in setting the budget for 2025/26, albeit at that stage the loss was not yet quantified, and hence was also identified as a financial risk when the original budget was approved in February.	0	0
Environment Flex Collect trial	0	136	+136	The Council was part of a Flex Collect trial (collection of soft plastics). The costs of this will be met by the additional grant detailed in paragraph 8.13.	0	0
Place Development Control - Legal and Consultants Expenditure	0	98	+98	Spend relates to the two public inquiries held in respect of Wandon End Solar Farm and the Land at Rhee Spring, following the refusal of planning permission at each site by the Council's Planning Control Committee. In each case the decision was contrary to officer recommendation. Barrister and consultants' fees were incurred in defending the Council's decision at the inquiries. Costs associated with a challenge to a decision of the Council were identified as a financial risk when the budget for 2025/26 was approved in February.	0	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2026/27 £k
Place Planning Control Staffing Costs	1,296	1,263	(33)	A revenue investment proposal for additional specialist planning advice was approved by Council in February. The investment has funded the creation of the new post of Tree and Landscape Officer. The new role has been advertised and is currently expected to be filled by November. The forecast underspend variance is due to the allocated budget provision assuming a full year of salary costs.	0	0
Place Planning Control Software	20	0	(20)	A revenue investment proposal of £20k was approved at 2025/26 budget setting to install IDOX insights software, an IDOX Uniform add-on that would improve the monitoring of casework and performance management as well as enable analysis and comparison with other authorities. The installation is now planned to be deferred to the next financial year, pending further progress with Local Government reorganisation, to establish that the system is compatible with any future partners prior to procurement. The carry forward of the unspent budget is therefore requested to finance installation in the next financial year.	20	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2026/27 £k
Place Planning Policy Projects						
Extension of the Chilterns National Landscape (formerly the Chilterns Area of Outstanding Natural Beauty)	30	2	(28)	An investment bid to progress the application to extend the Chilterns National Landscape was previously approved by Council, with budget of £10k allocated in each of 2023/24, 2024/25 and 2025/26. The budget allocated in prior years has been carried forward while awaiting the outcome of the review by Natural England. Natural England have however stopped their review due to a lack of funding and resources at Natural England. Natural England have instead recommended that this work could be done as part of the Local Plan. It is requested to therefore reallocate the unspent resource to the budget supporting the Local Plan in the next financial year, where it will be used to determine whether the area is valued landscape, in the absence of the extension review work.	0	0
Local Plan	386	207	(179)	Several evidence-based projects initially planned for completion in this financial year have taken slightly longer to procure and therefore complete. Projects now to be completed in 2026/27 include the viability study, employment needs assessment, strategic flood risk and strategic housing market assessment. A carry forward of the unspent budget is therefore requested to cover the costs of these projects falling in the next financial year. The requested carry forward value includes the unspent budget relating to the Extension of the Chilterns National Landscape.	207	0
Place Net income from Princes Mews Car Park	(10)	0	+10	The Council previously operated the Princes Mews Car Park in Royston under a licence agreement with the landowners. The landowners have since terminated the licence agreement and the car park was closed permanently from 7 th April 2025. The Council therefore will no longer receive any parking fees or management fee income for this car park.	0	10

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2026/27 £k
Regulatory Environmental Health Apprenticeship	100	18	(82)	Budget was carried forward to fund the costs of the 4-year Environmental Health Officer Apprentice post. The recruitment is due to take place in September in line with the academic year. It is requested to carry forward the estimated budget required to meet the cost of the apprenticeship in future years.	82	0
Resources Court Summons Fees Income	(178)	(89)	+89	Income recovery in the first half of the year has been affected by the transition to the new financial system, with no court hearings arranged to date in this financial year. Payment reminder notices have however been issued, while additional temporary staffing resource has been recruited to ensure payments received are correctly allocated to support recovery of debts.	0	0
Resources Property Insurance Premiums	95	139	+44	Additional property insurance is required to cover the leisure centres for the period decarbonisation works are undertaken. In addition, the estimated ongoing impact reflects general property insurance inflation being higher than assumed in the original budget.	0	+7
Total of explained variances	778	1,112	+334		375	303
Other minor balances	23,265	23,384	+119		0	11
Overall Total	24,043	24,496	+453		375	314

8.2. Cabinet are asked to approve the differences highlighted in the table above (a £453k increase in spend), as an adjustment to the working budget (recommendation 2.2). Cabinet are also asked to note the estimated impact on the 2026/27 budget, a £689k increase in budget, which includes the request to carry forward £375k of unspent budget for specific purposes next year, which will be incorporated in to the 2026/27 budget setting process (recommendation 2.3).

8.3. The original approved budget for 2025/26 (and therefore working budget) included efficiencies totalling £1.341million, which were agreed by Council in February 2025. Any under or over delivery of efficiencies will be picked up by any budget variances (table 3 above). However, there can be off-setting variances which mean that it is unclear whether the efficiency has been delivered. Where this is the case, this will be highlighted. The current forecast at the end of Quarter One is a net underachievement of £9k. This comprises:

- Revenue saving from proposed provision of a learner swimming pool at Royston leisure centre, as highlighted in table three above. £125k underachievement. This should have been removed from the budget.
- Revenue saving from financing improvement projects at our Leisure Centres, as explained in table 3 above. £77k overachievement.
- Revenue savings from decarbonisation projects, as highlighted in table 3 above. £230k underachievement. This should have been removed from the budget.

- Income from the letting of Charnwood House in Hitchin, as highlighted in table three above. £30k underachievement.
 - Leisure provider moving to acting as our agent in running our leisure centres, as highlighted in table 3 above. £367k overachievement. This also includes adjustments for energy costs and inflation.
- 8.4. The working budget for 2025/26 includes budgets totalling £1.682million 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 2024/25 but was delayed into 2025/26. At Quarter One, it is forecast that £199k of the budget carried forward will not be spent in this year. This relates to the budget carried forward for:
- IT temporary staffing costs. £21k is forecast not to be spent in this year and is requested to be carried forward again, as highlighted in table three above.
 - Museum artefacts transport and temporary storage. The £70k carry forward budget will not be spent in this year, with £45k requested to be carried forward again to fund the activity in next year, as explained in table three above.
 - Environmental Health apprenticeship. £82k of the £100k budget carried forward is forecast to be unspent this year and is requested to be carried forward again, as highlighted in table 3 above.
 - Application for the extension of the Chilterns National Landscape. £18k of the £20k budget carried forward will not be spent in this year and is requested to be carried forward again and included in the budget for work on the Local Plan, as explained in table three above.
 - Business rates review. £8k of the £26k budget is forecast to be unspent this year (included within the 'other minor variances' total in table 3 above).
- 8.5. Six corporate 'financial health' indicators have been identified in relation to key sources of income for the Council in 2025/26. Table 4 below shows the performance for the year. A comparison is made to the original budget to give the complete picture for the year. Each indicator is given a status of red, amber, or green. A green indicator means that they are forecast to match or exceed the budgeted level of income. An amber indicator means that there is a risk that they will not meet the budgeted level of income. A red indicator means that they will not meet the budgeted level of income.
- 8.6. At the end of Quarter One, four of the indicators are green, one is amber and one of the indicators is red. Explanation for the red indicator in respect of Leisure Centres Management Fee income is included in table 3 above. The amber indicator for car parking fees income follows the closure of Princes Mews car park in April and the associated forecast loss of income, as noted in table 3 above, which means there is a risk that the budget will not be achieved. The high actual to date totals relative to the annual budget for Planning Fees and Garden Waste income are due to the reversal in the current year of the accounting adjustments posted at the end of the prior financial year to ensure the income totals recorded for 2024/25 only related to activity in 2024/25, (i.e. planning applications resolved / garden waste collections undertaken between 1st April 2024 and 31st March 2025), and therefore are not necessarily indicative of the achievement of surplus income in this financial year.

Table 4 - Corporate financial health indicators





Indicator	Status	Original Budget	Actual to Date	Projected Outturn	Variance
		£k	£k	£k	£k
Leisure Centres Management Fee Income	Red	(714)	(85)	(151)	+563

Garden Waste Collection Service Subscriptions	Green	(1,622)	(1,521)	(1,622)	0
Commercial Refuse & Recycling Service Income	Green	(1,267)	(701)	(1,267)	0
Planning Application Fees (including fees for pre-application advice)	Green	(1,188)	(961)	(1,188)	0
Car Parking Fees	Amber	(1,978)	(555)	(1,928)	+50
Parking Penalty Charge Notices (PCNs)	Green	(573)	(143)	(573)	0

8.7. The 2024/25 year end position for PCNs was shown as TBC. In preparing the Statement of Accounts this total was £514k. There is likely to be a further increase to this total as there will be cash that was sitting in suspense accounts that will be allocated to PCN income. Significant progress is being made on clearing these balances.

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

Table 5 - Corporate financial health indicators – activity drivers

Indicator	Activity Measure	Performance Q1 2025/26	Performance Q1 2024/25	Percentage Movement	Direction of Trend
Leisure Centres Management Fee	Number of Leisure Centre visits in quarter	462,992	399,264	+16.0%	
Garden Waste Collection Service	Number of bin subscriptions at end of quarter	TBC	32,866	TBC	TBC
Commercial Refuse & Recycling Service	Number of customers at end of quarter	931	963	-3.3%	
Car Parking Fees	Car park tickets sold / average ticket price sold during quarter	298,891 / £1.68	281,349 / £1.77	+6.2% / -4.9%	
Parking Penalty Charge Notices	Number of PCNs issued during quarter	5,780	3,894	+48.4%	

FUNDING, RISK AND GENERAL FUND BALANCE

8.9. The Council's revenue budget is funded primarily from Council Tax and Retained Business Rates income. In November 2024, central government guaranteed an amount of Extended Producer Responsibility (EPR) funding in 2025/26. The Council was subsequently notified by Central Government in February 2025 of the amount of New Homes Bonus, Employer National Insurance Contributions Grant and Funding Guarantee Grant it could expect to receive in 2025/26 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 must repay in this year its share of the Council Tax deficit for the prior year and will

receive in this year its share of the Business Rates Collection Fund surplus for the prior year, as estimated in January 2025. As reported previously, this means a contribution from the Council Tax Collection Fund to the General Fund of £144k and a contribution to the General Fund of £98k from the Business Rates Collection Fund. While the transfer of the Council Tax surplus amount of £144k is included in the funding total in table 7, the business rates surplus will be transferred to reserve and used to mitigate the impact of deficits recorded, and/or changes to the rates retention scheme, in future years. It is also reviewed as part of the Medium-Term Financial Strategy and budget process to assess whether it can be used to support the General Fund budget. The final totals recorded at the end of the last financial year was a surplus of £132k in respect of Council Tax and a business rates surplus of £2.404million. The difference between the January estimates and the final position will affect the calculation of the surplus / deficit for 2025/26 and hence funding available in 2026/27.

- 8.11. The Council is also subject to a business rates levy from Central Government where it collects more in business rates than the baseline determined by Central Government. The current forecast for 2025/26 is a business rates levy liability of around £1.5million at the end of the financial year. The final amount payable will however depend on the actual level of business rates income collected during the year. In any case, the business rates levy payable will be funded from grant held in reserve and as such will have a net zero impact on the General Fund balance at the end of the year.
- 8.12. In previous years, the government department with responsibility for Local Government has written to Local Authority Chief Finance Officers to invite applications to be part of a Business Rates Pool in the following financial year. This letter has usually been received in September. Being part of a Pool can reduce the levy that the Council must pay and therefore increase the amount of business rates income retained by the authority. This was the case in the last financial year, with the Council benefiting from a 'pooling gain' (reduction in levy otherwise payable) of more than £1.5million. As part of Fairer Funding changes there is due to be a business rates reset for 2026/27 so that may remove any benefit from pooling. The work being undertaken by MHCLG on Fairer Funding and/or Local Government Reorganisation may also mean that they do not make the pooling option available. If the option is available for 2026/27, the County Council is likely to engage specialist consultants to determine the optimum pool membership, and it is possible that we would form part of such an optimum Pool for Hertfordshire. An optimum pool would be comprised of the County Council and up to 5 District / Borough Councils. Recommendation 2.4 therefore seeks that the final decision is delegated to the Director-Resources in consultation with the Executive Member for Resources.
- 8.13. The Council receives compensation in the form of a grant from Central Government for business rate reliefs introduced, which goes into our funds rather than the Collection Fund. The final amount of grant the Council can retain depends on the actual level of reliefs applied during the year. The Council currently expects to receive a total grant allocation of £4.445m for reliefs in 2025/26, which includes an amount of £620k received as compensation for the Government's previous decisions to cap the increases in the business rates multiplier. The multiplier compensation is included in the funding total in table 7 below. The rest of the grant received is held in reserve. Some of the amount held in reserve will be used to fund the business rates levy payable for this year, while a further £1.3million will be used to top up the business rates income charged to the General Fund in 2025/26 to the baseline funding amount anticipated when the budget was set. In addition, as shown in table 7 below, there will be the planned release of £2.861million from the reserve to the General Fund in 2024/25 to bridge the funding gap anticipated when the budget was set.
- 8.14. In July the Council received notification from DEFRA of the payment currently anticipated to the Council in respect of extended Producer Responsibility (EPR) for packaging for

2025/26 (Year 1 of the scheme). The updated assessment indicated a total funding amount for 2025/26 of £1.747million, which is £312k more than the guaranteed amount of £1.435 million from the previous assessment in November 2024 included in the original funding estimates. Part of that increase is to fund the Flex Collect trial (see table 3). While the revised total is included in the funding projected outturn in table 7 below, it should be noted that, as the latest estimate is higher than the guaranteed amount, the additional income (above the amount to fund the Flex Collect trial) is not guaranteed by DEFRA and is subject to sufficient recovery of funds from producers.

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

Table 7 – General Fund impact

	Working Budget	Projected Outturn	Difference
	£k	£k	£k
Brought Forward balance (1st April 2024)	(16,067)	(16,067)	-
Net Expenditure	24,043	24,496	453
Funding (Council Tax, Business Rates, EPR, NHB, ENIC, Funding Guarantee)	(20,053)	(20,365)	(312)
Funding from Reserves (including Business Rate Relief Grant)	(2,861)	(2,861)	0
Carried Forward balance (31st March 2025)	(14,938)	(14,797)	141

- 8.16. The minimum level of General Fund balance is determined based on known and unknown risks. Known risks are those things that we think could happen and we can forecast both a potential cost if they happen, and percentage likelihood. The notional amount is based on multiplying the cost by the potential likelihood. The notional amount for unknown risks is based on 5% of net expenditure. There is not an actual budget set aside for either of these risk types so, when they occur, they are reflected as budget variances (see table 3). We monitor the level of known risks that actually happen, as it highlights whether there might be further variances. This would be likely if a number of risks come to fruition during the early part of the year. We also use this monitoring to inform the assessment of risks in future years. The notional amount calculated at the start of the year for known risks was £1,077k, and at the end of the first quarter a total of £1,298k has come to fruition. The identified risks realised in the first quarter relate to:

- Costs associated with a challenge to a decision of the Council. Legal and consultants' fees incurred from two planning appeals requiring public inquiries, as highlighted in table 3 above - £98k.
- Loss of revenue due to full or partial closures of the Council's leisure centres while the decarbonisation works take place, as highlighted in table 3 above - £1.2million.

Table 8 – Known financial risks

	£'000
Original allowance for known financial risks	1,077
Known financial risks realised in Quarter 1	(1,298)
Remaining allowance for known financial risks	(221)

9. LEGAL IMPLICATIONS

- 9.1. Finance, Audit and Risk Committee's Terms of Reference (Constitution section 10, paragraph 10.1.5 (f) include "[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”.

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

10. FINANCIAL IMPLICATIONS

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

11. RISK IMPLICATIONS

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

12. EQUALITIES IMPLICATIONS

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

13. SOCIAL VALUE IMPLICATIONS

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

14. ENVIRONMENTAL IMPLICATIONS

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

15. HUMAN RESOURCE IMPLICATIONS

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

16. APPENDICES

- 16.1. None.

17. CONTACT OFFICERS

- 17.1. Antonio Ciampa, Accountancy Manager
antonio.ciampa@north-herts.gov.uk; ext 4566
- 17.2. Ian Couper, Director – Resources
ian.couper@north-herts.gov.uk; ext 4243

18. BACKGROUND PAPERS

- 18.1. None.

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FINANCE, AUDIT AND RISK COMMITTEE 10 September 2025
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*PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: FIRST QUARTER TREASURY MANAGEMENT REVIEW 2025/26

REPORT OF: DIRECTOR - RESOURCES

EXECUTIVE MEMBER: RESOURCES

COUNCIL PRIORITY: SUSTAINABILITY

1 EXECUTIVE SUMMARY

- 1.1 To update Cabinet on progress with delivering the treasury strategy for 2025/26, as at the end of June 2025.
- 1.2 To inform Cabinet of the Treasury Management activities in the first three months of 2025/26. The current forecast is that the amount of investment interest expected to be generated during the year is £1.825M. This is an increase of £1.0M on the original budget.

2 RECOMMENDATIONS

- 2.1 That Finance, Audit and Risk Committee provide comments to Cabinet on the position of Treasury Management activity as at the end of June 2025.

3. REASONS FOR RECOMMENDATIONS

- 3.1 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 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 There are regular updates and 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 25th July 2025.

7. BACKGROUND

- 7.1 In February 2025, Council approved the Integrated Capital and Treasury Strategy for 2025/26 to 2034/35. The reports for Capital and Treasury have been split for the quarterly monitoring updates.

- 7.2 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 £122.0M of capital assets that it currently owns. The Investment Strategy set out the reasons for owning assets that are not for service delivery, including an assessment of Security, Liquidity, Yield and Fair Value. There have been no significant changes in relation to these since the last quarter.
- 8.2 The Council invests its surplus cash in accordance with the Investment Strategy (see paragraph 4.1). This surplus cash is made up of capital funding balances, general fund balance, other revenue reserves and provision balances and variations in cash due to the timing of receipts and payments. During the first three months of 2025/26, the Council had an average investment balance of £50.0M and invested this in accordance with the treasury and prudential indicators as set out in the Integrated Capital and Treasury Management Strategy and in compliance with the Treasury Management Practices.
- 8.10 The Council generated £0.906M of interest in 2025/26 from investments already made during the first three months of the year (and accrued interest from deals made in 2024/25). This includes the interest that will be earned during the remaining nine months of the year on investments that have already been made. The average interest rate on all outstanding investments at the 30th June was 4.51%. (31st March was 5.1%). Based on current investments and forecasts of interest rates and cash balances for the remainder of the year, it is forecast that the Council will generate £1.825M of interest over the whole of 2025/26.

8.11 As at 30th June 2025, the split of investments was as shown in the table below.

Banks	16%
Building Societies	0%
Government	37%
Local Authorities	47%

8.12 The level of risk of any investment will be affected by the riskiness of the institution where it is invested and the period that it is invested for. Where an institution has a credit rating this can be used to measure its riskiness. This can be combined with the period remaining on the investment to give a historic risk of default percentage measure. The table below shows the Historic Risk of Default for outstanding investments at 30th June 2025. The most risky investment has a historic risk of default of 0.016% (this is based on the lowest of the three credit rating agencies for NatWest of A+, the table below shows just the Fitch credit ratings). It should also be noted that in general the interest rate received is correlated to the risk, so the interest income received would be less if the Council took on less risk.

Borrower	Principal Invested £M	Interest Rate %	Credit Rating	Days to Maturity at 30 June	Historic Risk of Default %
Lloyds Bank	3.0	4.04	AA-	1	0.000
DMO	1.0	4.22	AA-	1	0.000
DMO	1.0	4.21	AA-	1	0.000
DMO	4.5	4.21	AA-	1	0.000
Broxbourne Borough Council	1.0	5.7	AA-	7	0.000
Amber Valley Borough Council	3.0	4.6	AA-	10	0.001
Brentwood Borough Council	3.0	4.25	AA-	14	0.001
Cheshire East Council	2.0	4.3	AA-	14	0.001
Wirral Borough Council	2.0	4.25	AA-	14	0.001
DMO	1.0	4.21	AA-	14	0.001
DMO	2.0	4.22	AA-	14	0.001
DMO	2.0	4.21	AA-	18	0.001
DMO	1.0	4.21	AA-	21	0.001
Harlow District Council	2.0	4.25	AA-	23	0.001
Australia & New Zealand Bank	2.0	4.58	AA-	24	0.001
Liverpool City Council	2.0	4.85	AA-	29	0.002
DMO	1.0	4.19	AA-	30	0.002
Australia & New Zealand Bank	1.0	4.53	AA-	31	0.002
DMO	1.0	4.2	AA-	32	0.002
DMO	1.0	4.15	AA-	38	0.002
DMO	1.0	4.16	AA-	63	0.004
Central Beds Council	2.0	4.3	AA-	84	0.005
DMO	2.0	4.13	AA-	93	0.006
Nat West	2.0	4.22	AA-	124	0.016
Eastbourne Borough Council	2.0	4.25	AA-	147	0.006
Uttlesford District Council	2.0	4.25	AA-	150	0.009

Borrower	Principal Invested £M	Interest Rate %	Credit Rating	Days to Maturity at 30 June	Historic Risk of Default %
West Berkshire District Council	2.0	4.28	AA-	154	0.009
Aberdeen City Council	1.0	5.5	AA-	168	0.010
	50.5	4.51			0.003

DMO credit rating is the UK credit rating.

9. LEGAL IMPLICATIONS

9.1 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. 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. The Chartered Institute of Public Finance and Accountancy's (CIPFA's) 'Code of Practice on Treasury Management 2021' requires that committee to which some treasury management responsibilities are delegated, will receive regular monitoring reports on treasury management activities and risks. This report discharges the Council's statutory and regulatory responsibilities for both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.

The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003

9.2 Finance, Audit and Risk Committee's terms of reference include "to consider the Council's policy in relation to Treasury Management and make recommendations on the Annual Treasury Management and Investment Strategy, and Treasury Management Code of Practice" (paragraph 10.1.5 c) of the constitution.

10. FINANCIAL IMPLICATIONS

10.1 The main financial implications are covered in section 8 of the report.

11. RISK IMPLICATIONS

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

11.2 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 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 recommendations of this report.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 There are no direct human resource implications.

16. APPENDICES

- 16.1 Appendix A, Treasury Management Update.

17. CONTACT OFFICERS

- 17.1 Report Writer – Dean Fury, Corporate Support Accountant, Tel 474509,
Dean.fury@north-herts.gov.uk

Ian Couper, Service Director: Resources, Tel 474243, email
ian.couper@north-herts.gov.uk

Antonio Ciampa, Accountancy Manager, Tel 474566, email,
Antonio.ciampa@north-herts.gov.uk

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>

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Classification: Confidential

Treasury Management Update

Quarterly Report

30TH JUNE 2025

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Treasury Management Update

Quarter Ended 30th June 2025

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

1. Economics update

- The first quarter of 2025/26 (1st April to 30th June) saw:
 - A 0.3% m/m fall in real GDP in April – the first fall since October 2024
 - The 3myy rate of average earnings growth excluding bonuses fall from 5.5% to 5.2% in May
 - Core CPI inflation ease from 3.8% in April to 3.5% in May as temporary Easter-related effects faded
 - The Bank of England cut interest rates from 4.50% to 4.25% in May, holding them steady in June
 - The 10-year gilt yield fluctuate between 4.4% and 4.8%, and end the quarter at 4.50%
- The 0.3% m/m fall in real GDP in April was the first fall since October 2024 and the largest fall since October 2023. This is a significant shift from the 0.7% q/q rise in Q1 2025, probably as a result of the boosts from net exports and business investment unwinding. The decline in exports was mostly due to a reversal of US tariff front-running with export values to the US falling by 31% m/m after rising 34% in total in the five months to February. April's GDP figures also showed manufacturing output falling by 0.9% m/m along with the domestic economy showing signs of weakness in April. Despite construction output growing by 0.9% m/m, services output declined by 0.4% m/m, reversing all of March's 0.4% m/m rise. This weakness in services likely reflects higher labour costs from April's rise in National Insurance Contributions for employers. May's GDP may have fallen a bit further as the boosts in Q1 continued to unwind. Overall, GDP in Q2 is likely to have flatlined and the economy will probably be hindered by subdued overseas demand and domestic businesses cutting spending given a rise in costs due to April's increase in taxes. The Bank of England expects growth in 2025 to be around 0.8%.
- Despite the rise in the composite Purchasing Managers Index (PMI) from 50.3 in May to 50.7 in June, it is still below its level in March, prior to the rise in business taxes and Trump's Liberation Day tariffs. This rise was driven by increases in both the services and manufacturing output balances. Although the services PMI rose from 50.9 to 51.3, that is consistent with non-retail services output growth slowing from 0.5% 3m/3m in April to 0.3% 3m/3m in June.
- The sharp 2.7% m/m drop back in retail sales volumes in May adds to other evidence that the burst of economic growth in Q1 is over. The weakness was widespread with sales falling in all seven of the major categories. This decline was partly due to the unwinding of the previous boost from April's unusually warm and dry weather along with inflationary pressures prompting consumers to cut back. The latter would be a more persistent drag on retail spending. Looking ahead, the rise in the GfK measure of consumer confidence from -20 in May to -18 in June is consistent with the annual rate of real retail sales growth accelerating from -1.3% in May to around +0.5%.
- While the £17.7bn of public sector borrowing in May was higher than the Office of Budget responsibility (OBR) forecast of £17.1bn, borrowing was £2.9bn below the OBR's forecast in the first two months of the 2025/26 fiscal year. The current budget deficit was £12.8bn in May, a touch below the OBR's forecast of £13.0bn. Within that, government spending surprised to the downside. Central government expenditure was £0.5bn lower than the OBR's forecast in May, leaving it £1.6bn lower in April and May combined. That has been largely driven by debt interest payments, which were £1.1bn below the OBR's forecast in May. But if the rises in gilt yields since the Spring Statement in March are sustained, the OBR will revise up its forecast for debt interest payments in the years

ahead. That of itself would knock £1.0bn off the Chancellor's £9.9bn of headroom against her fiscal mandate and the subsequent Government U-turns on benefit and welfare spending and higher borrowing costs may mean to maintain her current £9.9bn buffer, Reeves has to raise upwards of £13bn later this year. And with the gilt market sensitive to significant increases in borrowing, all this means substantial tax rises are looking very likely.

- The weakening in the jobs market is gathering pace. May's 109,000 m/m fall in the PAYE measure of employment was the largest decline (barring the pandemic) since the data began and the seventh in as many months. The monthly change was revised lower in five of the previous seven months too, with April's 33,000 fall revised down to a 55,000 drop. Overall, the payroll measure of employment has now fallen by 276,000 since the announcement of the rise in payroll taxes and the minimum wage in the October Budget. The job vacancies data also portrays a rapidly weakening labour market. The number of job vacancies is now falling a bit faster, dropping from 760,000 in the three months to April to 736,000 in May. Capital Economics' seasonally adjusted measure of single-month vacancies declined sharply from 763,000 in April to 713,000 in May.
- A looser labour market is driving softer wage pressures. The 3myy rate of average earnings growth excluding bonuses fell from 5.5% to 5.2% in May. The rate for the private sector slipped from 5.5% to 5.1%, putting it on track to undershoot the Bank of England's Q2 forecast of 5.2%. And after rising in April as the 6.7% rise in the minimum wage took effect, the timelier PAYE median earnings measure fell back from 6.2% y/y in April to 5.8% in May. Softer wage growth is feeding through to lower services inflation, pointing to a slowdown from 4.7% in May to around 3.0% by the end of the year.
- CPI inflation fell slightly from 3.5% in April to 3.4% in May – close to consensus. The sharp falls in services inflation from 5.4% to 4.7% and in core inflation from 3.8% to 3.5% confirmed that the previous month's jumps partly reflected an Easter-related blip. Services inflation is expected to continue to fall as wage growth slows, supporting a view that CPI inflation will fall close to 2.0% by the start of 2027. An upside risk, however, in the near term is that higher oil/gas and food prices could trigger another bout of second-round effects on wages and inflation expectations, meaning CPI inflation stays above 3.0% for longer and causes the Bank to shift to an even slower rate cutting path. CPI is expected to peak at 3.8% in September.
- The yield on the 10-year gilt moved sideways in the second quarter of 2025. After rising from 4.4% in early April to 4.8% in mid-April following wider global bond market volatility stemming from the "Liberation Day" tariff announcement, gilt yields eased back as trade tensions began to de-escalate. By the end of April, the 10-year gilt yield had returned to 4.4%. In May, concerns about stickier inflation and shifting expectations about the path for interest rates led to another rise, with the 10-year gilt yield fluctuating between 4.6% and 4.75% for most of May. Thereafter, as trade tensions continued to ease and markets increasingly began to price in looser monetary policy, the 10-year yield edged lower, and ended Q2 at 4.50%. We expect this trend to continue over the next year. However, it is more difficult to be confident that the longer part of the curve will also see falls in yields, although that is still our central case, as that part of the curve is increasingly held by transient investors, such as foreign investors and hedge funds. Pension funds and insurance companies have more appetite in the short to medium part of the curve nowadays.
- The FTSE 100 fell sharply following the "Liberation Day" tariff announcement, dropping by more than 10% in the first week of April - from 8,634 on 1st April to 7,702 on 7th April. However, the de-escalation of the trade war coupled with strong corporate earnings led to a rapid rebound starting in late April. As a result, the FTSE 100 closed Q2 at 8,761, around 2% higher than its value at the end of Q1 and more than 7% above its level at the start of 2025.

MPC meetings: 8th May & 19th June 2025

- There were two Monetary Policy Committee (MPC) meetings this quarter. In May, the Committee cut Bank Rate from 4.50% to 4.25%, while in June policy was left unchanged. In June's vote, three MPC members (Dhingra, Ramsden and Taylor) voted for an immediate cut to 4.00%, citing loosening labour market conditions. The other six members were more cautious, as they highlighted the need to monitor for "signs of weak demand", "supply-side constraints" and higher "inflation expectations", mainly from food prices rising. By repeating the well-used phrase "gradual and careful", the MPC continued to suggest that rates will be reduced further.
- At the start of June, amid escalating tensions between Israel and Iran, oil prices surged to over \$75 per barrel. However, following a ceasefire agreement near the end of the month, oil prices eased back to levels prior to the conflict. Given the drop back in energy prices and the relatively muted reaction to fears of a ceasefire violation, along with a large drop in the services PMI output prices balance, our central view is that once inflation begins to trend downwards in the final months of 2025, Bank Rate reductions can begin again from November (pause in August as inflation remains close to its peak), falling to a low of 3.5% in May 2026. However, if the conflict in the Middle East were to result in higher energy prices and/or domestic inflationary pressures grow stronger, there is a risk the Bank of England may skip cutting rates further.

2. Interest rate forecasts

The Council has appointed MUFG Corporate Markets as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

The latest forecast was provided on 10th February:

MUFG Corporate Markets Interest Rate View 10.02.25													
	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28
BANK RATE	4.50	4.25	4.25	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.50	4.30	4.30	4.00	3.80	3.80	3.50	3.50	3.50	3.50	3.50	3.50	3.50
6 month ave earnings	4.40	4.20	4.20	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.50	3.50	3.50
12 month ave earnings	4.40	4.20	4.20	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.50	3.50	3.60
5 yr PWLB	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.40	4.30	4.20	4.20	4.10	4.00
10 yr PWLB	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.70	4.60	4.50	4.50	4.40	4.40
25 yr PWLB	5.80	5.70	5.60	5.50	5.40	5.30	5.20	5.10	5.00	5.00	4.90	4.90	4.80
50 yr PWLB	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.70	4.60	4.60	4.50

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

The forecast has proved robust over the period since February, setting out a central view that short and long-dated interest rates will start to fall once it is evident that the Bank of England has been successful in squeezing excess inflation out of the economy, despite a backdrop of stubborn inflationary factors. Nonetheless, the longer dated part of the forecast also reflects the increased level of Government borrowing over the term of the current Parliament and the weakness in the public finances, with the Government struggling to deliver on the efficiencies detailed in the 30th of October Budget.

Moreover, there is still on-going debate as to when, and if, the Government's policies will lead to a material uptick in growth given their reliance on the logistics of fast-tracking planning permissions, identifying sufficient skilled labour to undertake a resurgence in building, and an increase in the employee participation rate within the economy.

Overall, our central view is that monetary policy is sufficiently tight at present to cater for some further moderate loosening, the extent of which, however, will continue to be data dependent. We forecast the next reduction in Bank Rate to be made in November and for a pattern to evolve whereby rate cuts are made quarterly and in keeping with the release of the Bank's Quarterly Monetary Policy Reports (February, May, August and November). Any movement below a 4% Bank Rate will, nonetheless, be very much dependent on inflation data releases in the coming months.

International factors could also impact the prospect for longer dated gilt yield falls. President Trump's "big, beautiful bill" has successfully made its way through the House of Representatives in July and given that it will signal a continued large budget deficit position in the US finances, any uptick in Treasury yields will likely impact other developed economies markets too. There will also be a keen focus on whether US-driven tariff policies result in upward pressures on inflation.

3. Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2025/26, which includes the Annual Investment Strategy, was approved by the Council on 27/02/25. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

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

As shown by the charts below and the interest rate forecasts in section 2, investment rates have started to taper downwards during the first quarter of 2025/26 and are expected to fall back further if inflation falls through 2025 and 2026 and the MPC loosens monetary policy more substantially.

Creditworthiness.

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

Investment counterparty criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

CDS prices

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

Investment balances

The average level of funds available for investment purposes during the quarter was **£49.7m**. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme.

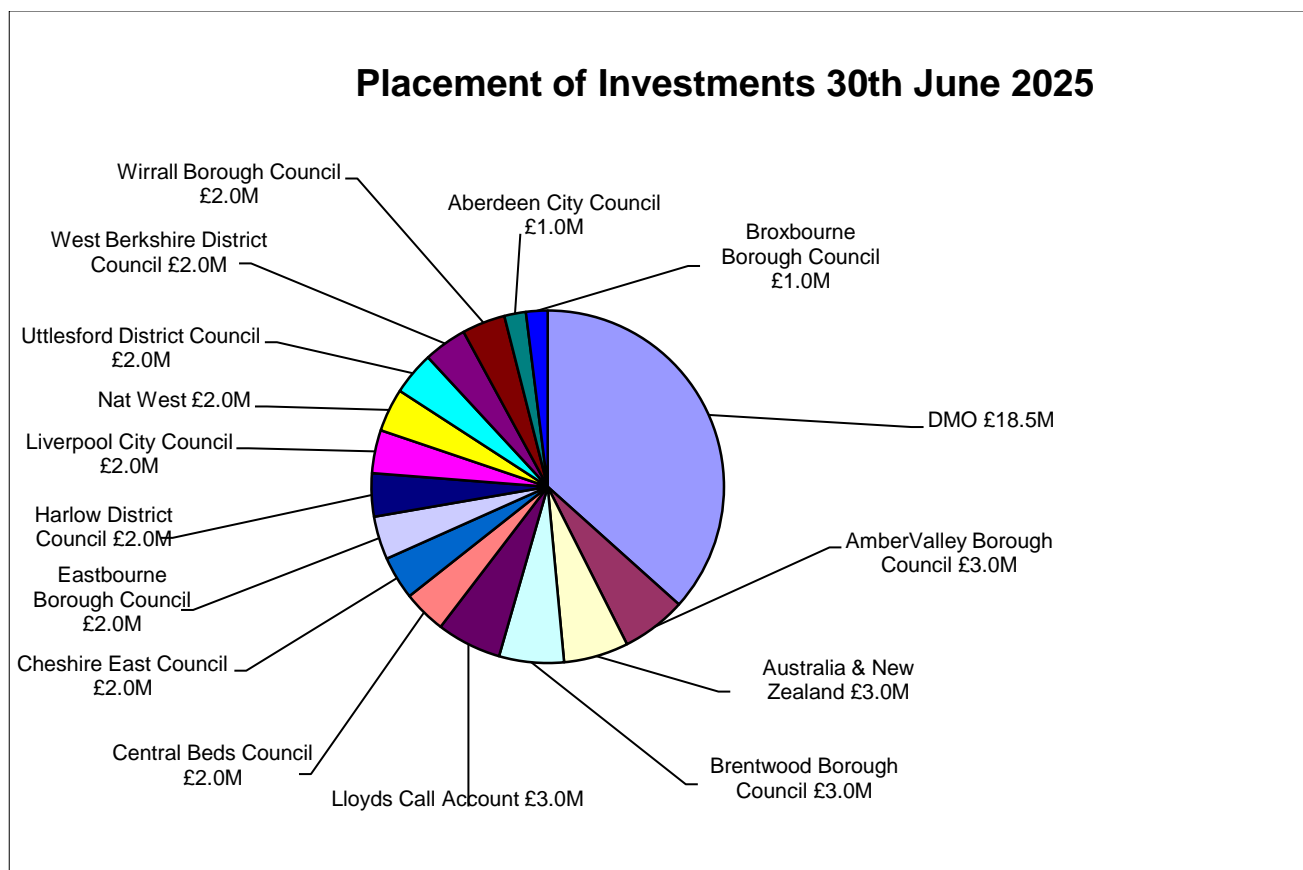
	Amount 30/06/25	Average Interest Rate %
Managed By NHC		
Banks	8,000,000	4.36
Building Societies	0	0
Local Authorities	24,000,000	4.62
Government	18,500,000	4.18
Total	50,500,000	4.51

In percentage terms, this equates to:

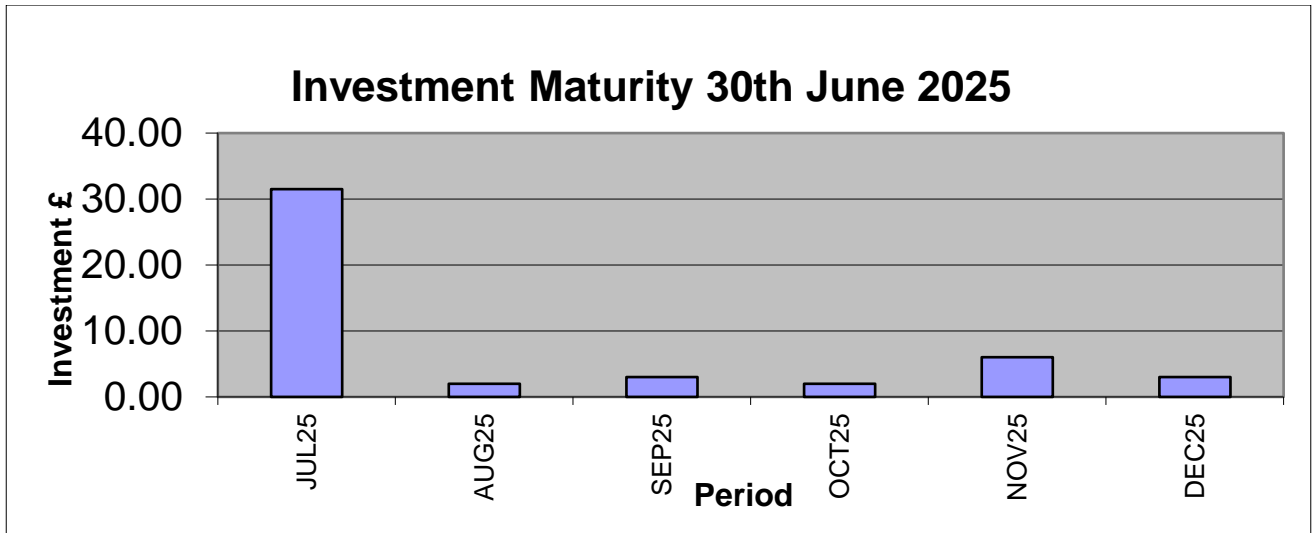
	Percentage
Government	37
Banks	16
Local Authorities	47
Building Societies	0

The approved 25/26 strategy is that no more than 50% of investments should be placed with Building Societies and Property Funds with a maximum value of £11M. The value at 30 June was zero.

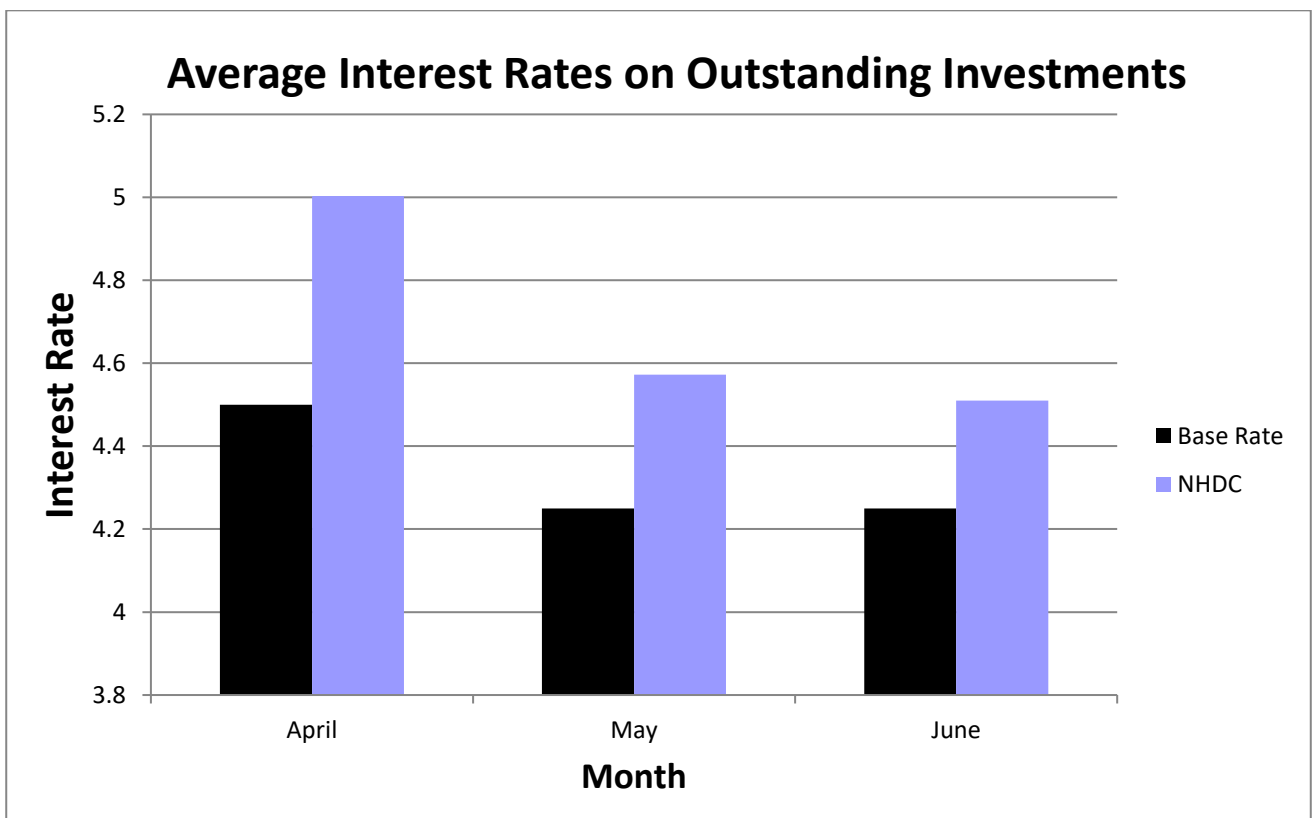
The pie chart below shows the spread of investment balances as at 30 June 2025. This is a snapshot in time that demonstrates the diversification of investments.



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



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



Approved limits

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30th June 2025.

4. Borrowing

No borrowing was undertaken during the quarter ended 30 June 2025.

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

Loans Outstanding at 31 June 2025:

	Amount	Average Interest Rate
	£	%
Public Works Loans Board	£315k	10.83

Estimated outstanding debt:

Year	Forecast Borrowing £m	Forecast other long-term liabilities £m *	Less: Internal Borrowing £m	Forecast Total External Debt £m	Operational Boundary £m	Authorised Limit £m
31 st March 2026 (Forecast)	24.199	5.600	23.894	5.905	9.0	14.00
31 st March 2026 (Forecast)	24.484	4.809	24.194	5.099	7.0	12.0
31 st March 2028 (Forecast)	24.544	4.017	24.269	4.292	6.0	11.0
31 st March 2029 (Forecast)	26.392	3.442	26.127	3.489	5.0	10.0
31 st March 2030 (Forecast)	30.122	2.431	29.865	2.688	4.0	9.0

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

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

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

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

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

Year	Estimated cost of borrowing £m	Forecast net revenue budget £m	Estimated cost of borrowing as a % of net revenue budget
2025/26	0.034	24.428	0.139
2026/27	1.835	22.104	8.302
2027/28	1.829	21.219	8.620
2028/29	1.630	20.520	7.943
2029/30	1.508	19.777	7.625

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

Year	Estimated cost of borrowing £m	Less: Forecast of interest earned £m	Net Financing Costs £m	Forecast net revenue budget £m	Estimated cost of borrowing as a % of net revenue budget
2025/26	0.034	1.825	-1.791	24.428	-7.332
2026/27	1.835	0.445	1.390	22.104	6.288
2027/28	1.829	0.381	1.448	21.219	6.824
2028/29	1.630	0.292	1.338	20.520	6.520
2029/30	1.508	0.162	1.346	19.777	6.806

5. Debt rescheduling

No debt rescheduling was undertaken during the quarter.

6. Compliance with Treasury and Prudential Limits

The prudential and treasury Indicators are shown in Appendix 1.

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits, During the quarter ended 30th June 2025, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2025/26. The Director of Finance reports that no difficulties are envisaged for the current or future years in complying with these indicators.

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

APPENDIX 1: Prudential and Treasury Indicators for 2025-26 as of 30th June 2025

Treasury Indicators	2025/26 Budget £'000	30.06.25 Actual £'000
Authorised limit for external debt	14,000	315
Operational boundary for external debt	9,000	315
Gross external debt	6,289	315
Investments	22,000 Average for year	50,500
Net borrowing	-15,711	-50.185

Maturity structure of fixed rate borrowing - upper and lower limits		
Under 12 months	21	21
12 months to 2 years	21	21
2 years to 5 years	40	40
5 years to 10 years	15	15
Over 10 years	250	250

Upper limit for principal sums invested over 365 days	6,000	0
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Prudential Indicators	2025/26 Budget £'000	30.06.25 Actual £'000
Capital expenditure	27,502	1,357
Capital Financing Requirement (CFR)	20,600	668
In year borrowing requirement	19,947	1,260
Ratio of financing costs to net revenue stream	1.9%	-1.31%

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FINANCE, AUDIT AND RISK COMMITTEE
10 September 2025

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: FIRST QUARTER CAPITAL BUDGET MONITORING REVIEW 2025/26

REPORT OF: DIRECTOR - RESOURCES

EXECUTIVE MEMBER: RESOURCES

COUNCIL PRIORITY: SUSTAINABILITY

1 EXECUTIVE SUMMARY

- 1.1 To update Cabinet on progress with delivering the capital programme for 2025/26, as at the end of June 2025.
- 1.2 To update Cabinet on the impact upon the approved capital programme for 2025/26 – 2034/35. The current estimate is a decrease in spend in 2025/26 of £0.412M and an increase in spend in future years of £1.446M (£0.838M in 2026/27 and £0.608M 2027/28). The most significant individual changes to the forecast spend in 2025/26 is the removal of the £0.563M budget for Solar for Business, the addition of the Government's new energy efficiency scheme – Warm Homes £0.319M, reprofiling £0.250M into 2026/27 for resurfacing Broadway Gardens and increasing phase 2 of the Decarbonisation project by £0.122M.

2 RECOMMENDATIONS

That Finance, Audit and Risk Committee consider any governance and risk issues in relation to the Cabinet recommendations, which are:

- 2.1 That Cabinet notes the forecast expenditure of £27.624M in 2025/26 on the capital programme, paragraph 8.3 refers.
- 2.2 That Cabinet approves the adjustments to the capital programme for 2026/27 onwards, as a result of the revised timetable of schemes detailed in table 2 and 3, increasing the estimated spend in 2026/27 by £0.838M and £0.608M in 2027/28.
- 2.3 That Cabinet notes the position of the availability of capital resources, as detailed in table 4 paragraph 8.6 and the requirement to keep the capital programme under review for affordability.
- 2.4 That Cabinet recommends to Council that they approve a capital budget of £1.275M (£0.319M in 25/26, £0.478 in 26/27 and £0.478M in 27/28) for the Government's new energy efficiency Warm Homes Scheme. This will be fully funded from Government grants, paragraph 8.5 refers.

3. REASONS FOR RECOMMENDATIONS

- 3.1 Cabinet is required to approve adjustments to the capital programme and ensure the capital programme is fully funded.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Options for capital investment are considered as part of the Corporate Business Planning process.

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.

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 25th July 2025.

7. BACKGROUND

- 7.1 In February 2025, Council approved the Integrated Capital and Treasury Strategy for 2025/26 to 2034/35. The reports for Capital and Treasury have been split for the quarterly monitoring updates.

8. RELEVANT CONSIDERATIONS

- 8.1 The Council has £127.0M of capital assets that it currently owns. The Investment Strategy set out the reasons for owning assets that are not for service delivery, including an assessment of Security, Liquidity, Yield and Fair Value. There have been no significant changes in relation to these since the last quarter.

Capital Programme 2025/26

- 8.2 The full capital programme is detailed in Appendix A and shows the revised costs to date, together with the expected spend from 2025/26 to 2035/36 and the funding source for each capital scheme.
- 8.3 Capital expenditure for 2025/26 is estimated to be **£27.624M**. This is an increase of **£6.561M** on the forecast in the Investment Strategy 2025/26 report (reported to Council 27th February 2025). Table 1 below details changes to capital programme.

Table 1- Current Capital Estimates

	2025/26 £M	2026/27 £M	2027/28 to 2035/36 £M
Original Estimates approved by Full Council February 2025	21.063	5.147	18.413
Changes approved by Cabinet in 3rd Qrt 2024/25	0.627		
Public Sector Decarbonisation project	1.143		
Changes approved by Cabinet in 2024/25 Capital Outturn report	5.203		
Executive Member – Finance and I.T. approved additional Expenditure	0.040		
Changes at Q1	-0.452	0.838	0.608
Current Capital Estimates	27.624	5.985	19.021

- 8.4 Table 2 lists the schemes in the 2025/26 Capital Programme that will now start or continue in 2026/27 and onwards:

Table 2: Scheme Timetable Revision:

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

Scheme	2025/26 Working Budget £'000	2025/26 Forecast £'000	Difference £'000	Reason for Difference	Estimated impact on 2026/27 onwards £'000
Bancroft Lighting	45	0	-45	A review of all Green Space projects planned for 25/26 was undertaken to prioritise which schemes were achievable in this financial year. Based on staff capacity, the schemes listed here have been reprofiled into future years to allow more time to plan thoroughly.	45
Swinburne Recreation Ground Hitchin	30	0	-30		30
KGV Muga Hitchin	55	0	-55		55
Baldock Road Recreation Ground Letchworth	30	0	-30		30
Broadway Gardens Resurfacing	250	0	-250		250
Instal On Street Charging	50	0	-50	Other projects have taken priority this year, so on street charging will not be reviewed until next financial year.	50
Other minor changes			-30		30
Total Revision to Budget Profile			-490		490

- 8.5 There are also changes to the overall costs of schemes in 2025/26. These changes total a net decrease of £0.281million and are detailed in Table 3

Table 3: Changes to Capital Schemes Commencing in 2025/26:

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

Scheme	2025/26 Working Budget £'000	2025/26 Forecast Spend £'000	Difference £'000	Comments
Solar for Business	563	0	-563	The project oversight group for Solar for Business concluded that continuing with the pilot project of Solar for Business would not constitute best use of resources, due to the challenges of attracting suitable business interest and businesses being able to take up our offer. Particularly as the focus of the project was to contribute towards our emissions targets, it is the oversight group's view that there are actions with better carbon outcomes in the sustainability strategy that we should be using our limited resources on.
S106 Projects	193	333	+140	In addition to the £193K Original budget allocated for Funding for Additional Social Housing, to date a total of £140K of S106 funds have been released for community schemes.
Public Sector Decarbonisation Fund Phase 2	730	852	+122	<p>Due to the technical nature of the project and limited officer technical expertise and resource, it is recommended that the Council appoint an external Quantity Surveyor for the Decarbonisation Phase 2 project to oversee North Herts Council's interests. Services would include producing the project programme, providing cost input into key design decisions, reviewing Contractor cost plan, administering the construction contract, leading any necessary value engineering, managing completion and handover process. The cost of appointing a QS to the project is £92,000.</p> <p>Under the Building Safety Act, the Council are also required to appoint a "Principal Designer" (PD), in addition to the Principal Designer required within the Construction Design Management Regs 2015 (CDM). The principal designer will plan, manage and monitor the design work during the design phase, as well as appraise and challenge design work in a way that helps designers to reach consensus and ensure that the council's interests are looked after. The budget required for this role is £30k.</p>

Scheme	2025/26 Working Budget £'000	2025/26 Forecast Spend £'000	Difference £'000	Comments
Infrastructure Hardware	375	395	+20	The extra cost is for additional software that is needed to make us legally compliant with the DWP. £20K increase will be funded from new burdens
Other minor changes			0	
Total revision to scheme spend			281	

In addition to the above is the £0.319M budget for the Government's new energy efficiency Warm Homes Scheme. Warm Homes Local Grant is a government funded scheme aiming to provide energy efficiency improvements to low income households with the aim of tackling fuel poverty and reducing emissions. NHC was awarded £1.5m over three years to support this project with up to £318,750 of capital spend in 2025/26. This would relate to installing energy efficiency measures, such as insulation, and low carbon heating, such as heat pumps, at around 26 homes in North Herts. We have appointed the National Energy Foundation to deliver the scheme locally.

8.6 Table 4 below shows how the Council will fund the 2025/26 capital programme.

Table 4: Funding the Capital Programme:

	2025/26 Balance at start of year £M	2025/26 Forecast Additions £M	2025/26 Forecast Funding Used £M	2025/26 Balance at end of year £M
Useable Capital Receipts and Set-aside Receipts	1.273	0.0	(1.263)	0.010
S106 receipts			(0.360)	
Other third party grants and contributions			(2.702)	
Revenue Contribution			(3.230)	
Borrowing			(20.069)	
Total			(27.624)	

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

- 8.8 The Council's Capital Financing Requirement (CFR) at 31st March 2025 was negative £0.59M. Based on current forecasts it will become positive during 2025/26 as the Council does not have sufficient funding (e.g. Capital Receipts) to finance the Capital programme. This means the Council will have to borrow to fund the programme in this year, with MRP (Minimum Revenue Provision) charged to the General Fund in 2026/27.

9. LEGAL IMPLICATIONS

- 9.1 Finance, Audit and Risk Committee's Terms of Reference (Constitution section 10, paragraph 10.1.5 (f) include "[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".
- 9.2 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. Asset disposals must be handled in accordance with the Council's Contract Procurement Rules within the Constitution.
- 9.3 Paragraph 4.4.1 c) of the constitution details that Council will approve the budget. Therefore any significant additions to the budget should be approved by Council. Therefore the decision to add the Warm Homes capital budget is referred to Council.
- 9.4 The Council is under a duty to maintain a balanced budget as set out in Section 151 of the Local Government Act 1972 which states:
"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."
- 9.5 Further, Section 28 of the Local Government Act 2003 requires the Council to periodically conduct a budget monitoring exercise of its expenditure and income against the budget calculations during the financial year. There is no statutory requirement of the regularity of such reviews, but quarterly seems to be entirely appropriate. By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such remedial action as it considers necessary to deal with any projected overspends. This report allows for the periodic monitoring of the budget thereby discharging the Council's statutory obligations.

10. FINANCIAL IMPLICATIONS

- 10.1 The main financial implications are covered in section 8 of the report.
- 10.2 The Council operates a tolerance limit on capital projects that depends on the value of the scheme and on this basis over the next ten-year programme it should be anticipated that the total spend over the period could be around £4.1M higher than the budgeted £52.630M.

- 10.3 The capital programme will need to remain under close review due to the limited availability of capital resources and the affordability in the general fund of the cost of using the Council's capital receipts. When capital receipts are used and not replaced the availability of cash for investment reduces. Consequently interest income from investments reduces. £1.0M currently earns the Authority approximately £40k per year in interest. The general fund estimates are routinely updated to reflect changes in income from investments. When the Capital Financing Requirement (CFR) reaches zero the Council will need to start charging a minimum revenue provision to the general fund for the cost of capital and will need to consider external borrowing for further capital spend. The CFR at the 31 March 2025 was negative £0.59M.
- 10.4 The Council also aims to ensure that the level of planned capital spending in any one year matches the capacity of the organisation to deliver the schemes to ensure that the impact on the revenue budget of loss of cash-flow investment income is minimised.

11. RISK IMPLICATIONS

- 11.1 Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.
- 11.2 The inherent risks in undertaking a capital project are managed by the project manager of each individual scheme. These are recorded on a project risk log which will be considered by the Project Oversight Group (if applicable). The key risks arising from the project may be recorded on IdeaGen (the Council's Performance & Risk management software).

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 2025/26 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 2025/26 onwards.

17. CONTACT OFFICERS

- 17.1 Report Writer – Dean Fury, Corporate Support Accountant, Tel 474509,
Dean.fury@north-herts.gov.uk

Ian Couper, Service Director: Resources, Tel 474243, email
ian.couper@north-herts.gov.uk

Antonio Ciampa, Accountancy Manager, Tel 474566, email,
Antonio.ciampa@north-herts.gov.uk

18. BACKGROUND PAPERS

- 18.1 Investment Strategy (Integrated Capital and Treasury Strategy)

<https://srvmodgov01.north-herts.gov.uk/mgChooseDocPack.aspx?ID=3597&SID=12127>

[illegible]

		2025/26 - 2030/31						Funding				
Project	Service Directorate	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
Microsoft Enterprise Software Assurance	Customers	679,000	0	0	747,000	0	1,494,000	0	0	0	0	2,920,000
Museum Storage Facility	Enterprise	2,000,000	2,000,000	0	0	0	0	0	0	0	0	4,000,000
NH Museum & Community Facility	Enterprise	48,300	0	0	0	0	0	48,300	0	0	0	0
NH Museum Chiller	Enterprise	80,000	0	0	0	0	0	0	0	0	0	80,000
NHLC Lift Replacement	Environment	90,000	0	0	0	0	0	0	0	0	0	90,000
NHLC Pool Flume Replacement	Environment	300,000	0	0	0	0	0	0	0	0	0	300,000
Northern Transfer Station	Environment	0	0	0	3,000,000	3,000,000	0	0	0	0	0	6,000,000
Norton Common Bowls Pavilion	Environment	55,000	0	0	0	0	0	0	0	28,000	0	27,000
Norton Common Footpaths	Environment	10,000	0	0	0	0	0	0	0	0	0	10,000
Norton Common Letchworth Tennis Courts	Environment	48,700	0	0	0	0	0	0	0	0	0	48,700
Off Street Car Parks resurfacing and enhancement	Enterprise	36,000	43,000	77,000	0	0	0	0	0	0	0	156,000
Oughtonhead Common Hitchin Weir	Environment	323,400	0	0	0	0	0	0	0	0	0	323,400
Oughtonhead Common Signage and Interpretation	Environment	0	10,000	0	0	0	0	0	0	0	0	10,000
Parking Charging, Payments & Management	Growth	235,000	0	0	0	0	0	0	0	0	0	235,000
Parking Machines Replacement	Growth	151,100	0	0	0	0	0	0	0	0	0	151,100
Parking Machines Upgrade - Contactless Payment Facility Installation	Growth	38,000	0	0	0	0	0	0	24,200	0	0	13,800
PC's Refresh Programme	Customers	11,000	8,000	5,000	8,000	5,000	8,000	0	0	0	0	45,000
Playground Renovation District Wide	Environment	343,400	180,000	180,000	180,000	180,000	900,000	0	0	0	0	1,963,400
Priory Gardens Bandstand	Environment	50,000	0	0	0	0	0	0	0	0	0	50,000
Priory Memorial Gardens MUGA Royston	Environment	55,000	0	0	0	0	0	0	0	0	0	55,000
Priory Memorial Gardens MUGA FencingRoyston	Environment	40,000	0	0	0	0	0	0	0	0	0	40,000
Private Sector Grants	Regulatory	227,000	60,000	60,000	60,000	60,000	300,000	0	0	0	0	767,000
Public Sector Decarbonisation Fund	Environment	9,829,200	0	0	0	0	0	0	1,578,000	0	0	8,251,200
Public Sector Decarbonisation Fund Phase 2	Environment	852,000	2,001,000	423,000	0	0	0	0	1,172,000	0	0	2,104,000
Ransoms Rec Footpaths, Gates and Railing	Environment	0	20,000	0	0	0	0	0	0	0	0	20,000
Refurbishment and improvement of community facilities	Governance	5,000	0	0	0	0	0	0	0	0	0	5,000
Refuse and Recycling Bins	Environment	90,000	90,000	90,000	90,000	90,000	450,000	0	0	0	0	900,000
Remote testing equipment - Emergency Lights and Water Temperature Monitoring	Enterprise	13,000	0	0	0	0	0	0	0	0	0	13,000
Renovate skate park at KGV Hitchin	Environment	228,700	0	0	0	0	0	0	0	0	0	228,700
Replacement of Newark Close, Royston	Enterprise	65,000	0	0	0	0	0	0	0	0	0	65,000
Replacement of the timber access bridge at Norton Common	Environment	1,600	0	0	0	0	0	0	0	0	0	1,600
Resurface Lairage Car Park	Enterprise	346,300	0	0	0	0	0	0	0	0	0	346,300
Riverside walkway, Biggin Lane	Environment	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.	Environment	150,000	0	0	0	0	0	0	0	0	0	150,000
RLC Café	Environment	20,000	0	0	0	0	0	0	0	0	0	20,000
Royston Leisure Centre Dry Side Toilet Refurbishment	Environment	30,000	0	0	0	0	0	0	0	0	0	30,000
RLC Gym Equipment	Environment	349,800	0	0	0	0	0	0	0	0	0	349,800
RLC Gym Refubishment	Environment	452,000	0	0	0	0	0	0	0	0	0	452,000
Royston Leisure Centre Members Changing Refurbishment	Environment	72,900	0	0	0	0	0	0	0	0	0	72,900

Project	Service Directorate							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
S106 Projects	Various	140,000	0	0	0	0	0	0	0	140,000	0	0
S016 Funding for additional social housing	Growth	192,500	0	0	0	0	0	0	0	192,500	0	0
Security - Firewalls	Customers	23,600	18,000	0	18,000	0	54,000	0	0	0	0	113,600
Solar Together	Environment	0	0	0	0	0	0	0	0	0	0	0
Swinburne Recreation Ground Hitchin	Environment	0	30,000	0	0	0	0	0	0	0	0	30,000
Tablets - Android Devices	Customers	18,000	10,000	4,000	4,000	4,000	8,000	0	0	0	0	48,000
Thomas Bellamy House, Hitchin	Enterprise	6,000	0	0	0	0	0	0	0	0	0	6,000
Transport Plans implementation (GAF)	Growth	250,000	0	0	0	0	0	0	250,000	0	0	0
Walsworth Common Pavilion - contribution to scheme	Environment	0	300,000	0	0	0	0	250,000	0	37,000	0	13,000
Warm Homes	Environment	318,750	478,125	478,125	0	0	0	0	1,275,000	0	0	0
Waste and Street Cleansing Data Mgmt	Environment	470,000	0	0	0	0	0	0	0	0	0	470,000
Waste and Street Cleansing Vehicles	Environment	4,800,000	0	0	0	0	5,500,000	0	0	0	3,200,000	7,100,000
WiFi Upgrade	Customers	40,000	0	0	0	0	0	0	0	0	0	40,000
Wilbury Hills Cemetery Footpaths	Environment	0	30,000	0	0	0	0	0	0	0	0	30,000
		27,623,850	5,985,125	1,560,125	4,418,000	3,738,000	9,305,000	298,300	4,832,200	452,500	3,230,200	43,816,900

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