

NORTH HERTFORDSHIRE DISTRICT COUNCIL



03 November 2025

Our Ref Finance, Audit and Risk Committee 12
November 2025
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To: Members of the Committee Councillors: Sean Nolan (Chair), Vijaiya Poopalasingham (Vice-Chair), Ruth Brown, Dominic Griffiths, Sarah Lucas, Steven Patmore, Paul Ward and Stewart Willoughby

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

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

NOTICE IS HEREBY GIVEN OF A

MEETING OF THE FINANCE, AUDIT AND RISK COMMITTEE

to be held in the

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

On

WEDNESDAY, 12TH NOVEMBER, 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 - 10 SEPTEMBER 2025	To take as read and approve as a true record the minutes of the meeting of the Committee held on the 10 September 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. EXTERNAL AUDIT PLAN AND STRATEGY 2024-25 REPORT OF DIRECTOR – KPMG	To receive the Audit Plan for 2024/25.	(Pages 15 - 56)

7. **EXTERNAL AUDIT - AUDITORS ANNUAL REPORT 2024-25** (Pages
REPORT OF DIRECTOR – KPMG 57 - 74)
- To receive the Auditors Annual Report for 2024/25.
8. **SAFS PROGRESS REPORT 2025/26** (Pages
REPORT OF THE SHARED ANTI-FRAUD SERVICE (SAFS) 75 - 80)
- To review the progress and delivery of the Anti-Fraud plan 2025/26.
9. **PROCUREMENT STRATEGY 2025-28** (Pages
REPORT OF THE SERVICE DIRECTOR – RESOURCES 81 - 90)
- To update Cabinet on a new Procurement Strategy (Appendix A) that reflects the Procurement Act 2023 (the Act), our Contract Procurement Rules and our Council Plan.
10. **MEDIUM TERM FINANCIAL STRATEGY 2026-30** (Pages
REPORT OF THE DIRECTOR: RESOURCES 91 - 106)
- For Committee to consider the Medium-Term Financial Strategy (MTFS) for 2026/27 to 2029/30, which will guide and inform the Council's Business Planning Process.
11. **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,
LETCHWORTH GARDEN CITY, SG6 3JF
ON WEDNESDAY, 10TH SEPTEMBER, 2025 AT 7.30 PM

MINUTES

Present: *Councillors: Sean Nolan (Chair), Vijaiya Poopalasingham (Vice-Chair), Ruth Brown, Sarah Lucas, Ralph Muncer and Paul Ward.*

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

In Attendance: *Darren Bowler (Counter-Fraud Manager, Shared Anti Fraud Service), Amy Cantrill (Trainee Committee, Member and Scrutiny Officer), Ian Couper (Director - Resources) and Susan Le Dain (Committee, Member and Scrutiny Officer).*

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

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

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

14 APOLOGIES FOR ABSENCE

Audio recording – 1 minute 30 seconds

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

Having given due notice Councillor Ralph Muncer substituted for Councillor Patmore.

15 MINUTES - 11 JUNE 2025

Audio Recording – 1 minute 52 seconds

Councillor Sean Nolan, as Chair, proposed and Councillor Vijaiya Poopalasingham seconded.

The Independent Member John Cannon commented that Minutes need proof reading as there were two errors - the word 'poignant' should be replaced with 'pertinent' and the 'ails' should have been 'details'.

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

RESOLVED: That the Minutes of the Meeting of the Committee held on 11 June 2025 be approved as a true record of the proceedings and be signed by the Chair.

16 NOTIFICATION OF OTHER BUSINESS

Audio recording – 3 minutes 35 seconds

There was no other business notified.

17 CHAIR'S ANNOUNCEMENTS

Audio recording – 3 minutes 42 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.

18 PUBLIC PARTICIPATION

Audio recording – 4 minutes 28 seconds

There was no public participation at this meeting.

19 SAFS ANNUAL REPORT 2024/25

Audio recording - 4 minutes 36 seconds

The Counter Fraud Manager Presented the Report Entitled 'SAFS Annual Report 2024/25':

- That since publication a correction had been made, where case study 3 referenced an overpayment, it should read sums due for payment.
- The volume of referrals were mainly regarding Council tax and Housing benefits, this was expected.
- Not all referrals were made to a case, where risk was low the Shared Anti Fraud Service (SAFS) used a compliance method an example was shown in case study 3.
- Of the 19 cases closed in the year 2024/25 10 identified recoverable losses to the sum of £43,000.
- Housing allocation was an area of concern both nationally and regionally and of 79 applications 12 were removed from the list following a review of data from the National Fraud Initiative (NFI), this had a potential fraud value of £51,000.
- In the year 2024/25 3 houses were reclaimed and given back to families in genuine need of social housing, by moving these families out of temporary accommodation a saving of £84,000 was made.
- Case study 2 was an example of where a resident who falsely made a housing application pleaded guilty at court following an investigation., In the year 2024/25 SAFS found 24 cases of false claims for housing.
- SAFS revealed evidence that a 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.
- SAFS also managed the Council Tax framework and showed 686 accounts falsely claiming single person discount and identified £263k liability.

The following Members asked questions:

- Councillor Ruth Brown
- Councillor Ralph Muncer

- Councillor Paul Ward
- Councillor Vijaiya Poopalasingham
- Independent Member John Cannon

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

- Table 4 shows, that the volume of fraud referrals, or allegations of fraud, had fluctuated during the last decade, but remained within a bracket of between 100 and 140 per annum which was comparable to other SAFS Partners of a similar size/geography/demographic.
- North Herts Council had a different demographic to the rest of Hertfordshire, so it was not easy to compare locally but the report outlined the benefits of SAFS.
- The Council took part in the International Fraud Awareness Week in November 2024 along with other Council's across the region.
- SAFS tried to avoid prosecution where possible due to the cost to the Council as this was deemed not in the public interest.
- Private prosecution was not an issue for SAFS as it was not common practice but it did maintain as relationship with the Crown Prosecution Service from a case in 2015.
- SAFS used its LinkedIn to promote cases won and shared these with the Councils Communication team to further promote.
- SAFS did promotion work with Colleges and Universities to raise awareness of Anti-Fraud work.

In response to questions, the Director - Resources advised that over time SAFS paid for itself not only through money saved and reclaimed but through the social benefit of the right family being in social housing.

Councillor Vijaiya Poopalasingham proposed and Councillor Paul Ward seconded.

As part of the debate Councillor Ralph Muncer thanked the Counter Fraud Manager for SAFS work in preventing fraud as well as the quality of the report.

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

RESOLVED: That the Committee noted:

- (1) The activity undertaken by the Shared Anti-Fraud Service to deliver the 2024/2025 Anti-Fraud Plan for the Council.
- (2) All Anti-fraud activity undertaken by Officers and SAFS to protect the Council against fraud in 2024/25.

REASON FOR DECISION: To provide 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.

20 SAFS PROGRESS REPORT 2025/26

Audio recording - 39 minutes 30 seconds

The Counter Fraud Manager Presented the Report Entitled 'SAFS Progress Report 2025/26':

- There is an It was noted that there was an error in the report in paragraph 15 - the word 'Borough' should be 'District'.

- In the year 2025/26, between April – June, there had been 26 allegations of fraud, however only 2 were referred from North Herts Council colleagues, with an estimated loss of £129k.
- Shared Anti Fraud Service (SAFS) Accredited Financial Investigator has been assisting with an investigation conducted jointly by the Councils Enforcement Team and the County Councils Trading Standards service regarding the illegal sale of vapes from a business premise in Royston.
- A new 'Tenancy Fraud Investigation' contract had been signed with Settle (Housing Association) for 2025/26 which had resulted in the recovery of 3 properties that had been re-let to residents from the Councils Housing Register, which had already saved the Council in the region of £126k this year.
- The Council is part of Herts Fraudhub where data was submitted along with the other SAFS partners to help identify fraud through data-analysis/matching, dealing with this data on a local level helped with the National Fraud Initiative .
- The table on paragraph 18 showed the progress on Key Performance Indicators, all were either completed, part completed, or on target.

The following Members asked questions:

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

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

- The Council had Anti-Fraud, Bribery and Corruption Policies that were kept under constant review to ensure compliance with current best practice and the impact of any changes required by legislation.
- Once there was more guidance as to how legislation will impact Local Authorities, SAFS would advise the Council of any amendments required to the Anti-Fraud Policies.

In response to questions, the Director - Resources advised that the Finance, Audit and Risk Committee was responsible for these policies.

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

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

REASON FOR DECISION: To provide 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.

21 **SIAS PROGRESS REPORT 2025/26**

Audio recording – 54 minutes 39 seconds

The SIAS Head of Assurance presented the report entitled 'SIAS Progress Report 2025/26' and highlighted that:

- Member engagement was appreciated on final internal audit reports issued to FAR Committee members. Questions prior to the meeting were encouraged and would get a more detailed response.

- Page 40 showed the high priority recommendation, however since publication the Churchgate variation agreement had been signed off, so this should be considered implemented not partially implemented.
- Since publication the LGA Corporate Peer Review draft was issued so the draft reports performance indicator was now 9%.
- The UK Shared Prosperity Fund audit was inadvertently missing from Appendix B but will be included in future.
- The Digital Transformation Programme is part of the Council's Delivery Plan however it was suggested that conducting this audit should be reviewed in light of service capacity and the impact of LGR more broadly on the Programme. A Cyber Risk audit was proposed as a swap, still permitting coverage of a key risk within the Delivery Plan.

The following Members asked questions:

- Councillor Ruth Brown
- Councillor Paul Ward
- Councillor Vijaiya Poopalasingham
- Independent Member John Cannon

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

- Cyber Security is audited regularly but this audit would be cyber security risk in the context of LGR.
- Cyber security issues and challenges were common in Local Authorities that had already gone through reorganisation and / or devolution, so an audit would help support management of the relevant risks.

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

- Both digital transformation and cyber security have risks that should be audited.
- The decision around swapping the audit needed to be made as soon as possible.
- Nothing was settled in regards to LGR however there were advantages of both SIAS and SAFS, therefore it would be a benefit to keeping them in any local government new arrangements.

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

RESOLVED: That the Committee noted:

- (1) The SIAS Progress Report for the period to 15 August 2025.
- (2) The implementation status of the reported high priority recommendations.
- (3) The plan amendments to the 2025/26 Annual Audit Plan.

REASON FOR DECISION: To report progress made by the SIAS in delivering the Council's Annual Internal Audit Plan for 2025/26 as at 15 August 2025.

22 FIRST QUARTER REVENUE BUDGET MONITORING 2025/26

Audio recording – 1 hour 39 minutes 1 second

The Director – Resources presented the report entitled 'First Quarter Revenue Budget Monitoring 2025/26' and highlighted that:

- Paragraph 8.3 should read overachievement £59,000 to reflect what is in Table 3.
- There was a request for a right off a debt for over £11K since the publication of the Agenda so this was added to the report going to Cabinet.
- The Royston Leisure Centre Learner Pool and the Leisure Centres Decarbonisation changes in Table 3 needed tidying up to reflect decisions that had already been made in relation to capital projects.
- The 2024/25 year end position for Parking Penalty Charge Notices (PCNs) had been shown as TBC so there was addition information added to this report about those.

The following Members asked questions:

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

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

- There was a real risk that the Princes Mews Car Park would not reopen. It was possible that parking use would shift to other car parks. Overall income usage and income levels would be kept under review.
- The Commercial Refuse & Recycling Service was under the same contract as Garden Waste Collection Service, Table 4 shows that the income is still projected to be on budget, despite Table 5 showing the number of customers decreasing. This would be kept under review.
- There was a net increase in expenditure, this was manageable but would affect future savings targets.
- The information missing from Table 5 about Garden Waste Collection Service is expected to be available in the quarter 2 report.
- Table 5 showed the trends and although this was drastically up for PCNs Table 4 showed this was predicted to be a stable income for the year and not increase significantly.
- Improvements in back rent collection meant getting the money into the Council quicker which reduced the risk of bad debt.
- The investment income forecast in Table 3 was much higher figures due slippage from the 2024/25 capital budget and interest rates being higher than predicted on the Councils investments.

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

RESOLVED: That Committee noted and considered any governance and risk issues in relation to the Cabinet recommendations.

RECOMMENDED TO CABINET:

- (1) That Cabinet note this report.
- (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.
- (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.
- (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.

REASON FOR RECOMMENDATION: 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.

23 FIRST QUARTER TREASURY MANAGEMENT REVIEW 2025/26

Audio recording – 1 hour 52 minutes 55 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 'First Quarter Treasury Management Review 2025/26' and highlighted that:

- There was an additional income of £1million due to higher interest rate, it was at 5.1% at the start of quarter and reduced to 4.51% at the end both of which were above the Councils forecast. Balances available for investment were also higher than budgeted.
- There was more investment going to banks than last year, but the majority of investment was still in Local Authorities this was shown in paragraph 8.11.

The following Members asked questions:

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

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

- All borrowing done by all other Local Authorities would be transferred to the new Local Authorities during Local Government Reorganisation. As those successor bodies would have tax raising powers, the investment risk remained the same.
- Building Societies had recently paid lower interest rates which is why the Council had not invested in them.
- Paragraph 6.1 was in reference to Cabinet decisions and not for this Committee.
- The treasury investment strategy set out that investments with Government and then Local Authorities were the lowest risk. Investments with banks and building societies were slightly higher risk, and dependent on credit ratings.
- The investment strategy set out maximum limits for various investment types. The 16% invested in banks was within the limits in the investment strategy and could go higher.
- The Councils Treasury strategy lists the level of risk that and maximum levels of investment in each area.

Councillor Ruth Brown proposed and Councillor Sarah Lucas seconded and, following a vote, it was:

RECOMMENDED TO CABINET: That Finance, Audit and Risk Committee provided comments to Cabinet on the position of Treasury Management activity as at the end of June 2025.

REASON FOR RECOMMENDATION: 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 21:32.

24 FIRST QUARTER CAPITAL PROGRAMME MONITORING 2025/26

Audio recording – 2 hours 1 minute 25 seconds

The Director – Resources presented the report entitled 'First Quarter Treasury Management Review 2025/26' and highlighted that:

- Table 2 listed the schemes in the 2025/26 Capital Programme that would be deferred and now start in or continue into future budgets.
- Table 3 showed changes for total projected spend which total a net decrease of £0.281million.
- The council was now in a position where it did not have sufficient funding to finance the Capital programme meaning the Council would have to borrow to fund the programme in this year. This would initially be internal borrowing.

In response to a question from Councillor Ruth Brown, the Director – Resources stated that there was a push to get local businesses to have solar panels installed that it was hoped would have created a small return for the Council. As solar panels were a long-term investment there had to also be protections in place. Ultimately, the Council had not been able to reach final agreements with any of the businesses that had shown an initial interest. The Council also needed to consider the resource implications, and opportunities to focus on other sustainability projects.

Councillor proposed Vijaiya Poopalasingham and Councillor Sarah Lucas seconded and, following a vote, it was:

RESOLVED: That Finance, Audit and Risk Committee considered any governance and risk issues in relation to the Cabinet recommendations.

RECOMMENDED TO CABINET:

- (1) That Cabinet notes the forecast expenditure of £27.624M in 2025/26 on the capital programme, paragraph 8.3 refers.
- (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.
- (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.
- (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

REASON FOR RECOMMENDATION: Cabinet was required to approve adjustments to the capital programme and ensure the capital programme is fully funded.

25 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio recording –

The Chair led a discussion regarding possible agenda items for future meetings

The meeting closed at 9.39 pm

Chair

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North Hertfordshire District Council

Report to the Finance, Audit and Risk Committee

**External Audit Plan & Strategy, including VFM risk
assessment**

For the year ended 31 March 2025

31 October 2025

Introduction

To the Finance, Audit and Risk Committee of North Hertfordshire District Council

We are pleased to have the opportunity to meet with you on 12 November 2025 to discuss our audit of the financial statements of North Hertfordshire District Council for the year ended 31 March 2025.

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

This report outlines our VFM risk assessment and planned audit approach. We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

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The engagement team

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

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

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

Yours sincerely,

Salma Younis,
Director - KPMG LLP

31 October 2025

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions. We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We depend on well planned timing of our audit work to avoid compromising the quality of the audit. This is also heavily dependent on receiving information from management and those charged with governance in a timely manner. We aim to complete all audit work no later than 2 days before audit signing. As you are aware, we will not issue our audit opinion until we have completed all relevant procedures, including audit documentation.

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

Impact of backstop on our audit

Ongoing measures to resolve the backlog

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

Last year amendments were made to the Accounts and Audit Regulations and NAO's Code of Audit Practice which allowed auditors to give disclaimed opinions over any open, incomplete audits up to the period ending 31 March 2023. These were required to be delivered by 13th December 2024. For the Council this had the impact of our disclaimed audit opinion for 2022/23 financial year (as issued by the previous auditors). We issued a disclaimed audit opinion for 2023/24 on 20th February 2025 to comply with the backstop date relevant to our audit.

Impact on our audit of the financial statements

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

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

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

Value for Money

The amendments to the Accounts and Audit Regulations do not impact on our responsibilities in relation to the Authority's Value for Money arrangements. We are responsible for forming a view on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources and as such our work will proceed as normal. Our commentary for the year-ended 31 March 2025 is provided on pages 15 to 28.

Overview of planned scope including materiality

Our materiality levels

We determined materiality for the Council financial statements at a level which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We used a benchmark of expenditure which we consider to be appropriate given the sector in which the entity operates, its ownership and financing structure, and the focus of users.

We considered qualitative factors such as stability of legislation, lack of shareholders and limited debt arrangements when determining materiality for the financial statements as a whole.

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

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

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

Materiality

Materiality for the financial statements as a whole

£1.7m

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

Performance Materiality

£1.1m

65% of materiality
(2023/24: £1.2m)

Misstatements reported to the audit committee

£85k

(2023/24: £92.5k)

Materiality

£1.7m

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

Overview of planned scope including materiality (cont.)

Timing of our audit and communications

- We will maintain communication led by the engagement partner and manager throughout the audit. We set out below the form, timing and general content of our planned communications:
- Kick-off meeting with management in April 2025 where we discussed management's progress in key areas;
- Finance, Audit and Risk Committee meeting on 12 November 2025 where we present our final audit plan;
- Status meetings with management throughout the audit where we communicate progress on the audit plan, any misstatements, control deficiencies and significant issues;
- Closing meeting with management in January 2026* where we discuss the auditor's report and any outstanding deliverables;
- Finance, Audit and Risk Committee meeting in February 2026* where we communicate audit misstatements and significant control deficiencies; and
- Biannual private meetings can also be arranged with the Committee Chair if there is interest.

Using the work of others and areas requiring specialised skill

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

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

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

Significant risks, Higher assessed risks and Other audit risks

Our risk assessment draws upon our understanding of the applicable financial reporting framework, knowledge of the business, the sector and the wider economic environment in which North Hertfordshire District Council operates.

We also use our regular meetings with senior management to update our understanding and take input from sector and internal audit reports.

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

Value for money

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

We have outlined the result of our risk assessment procedures from page 15 onwards.

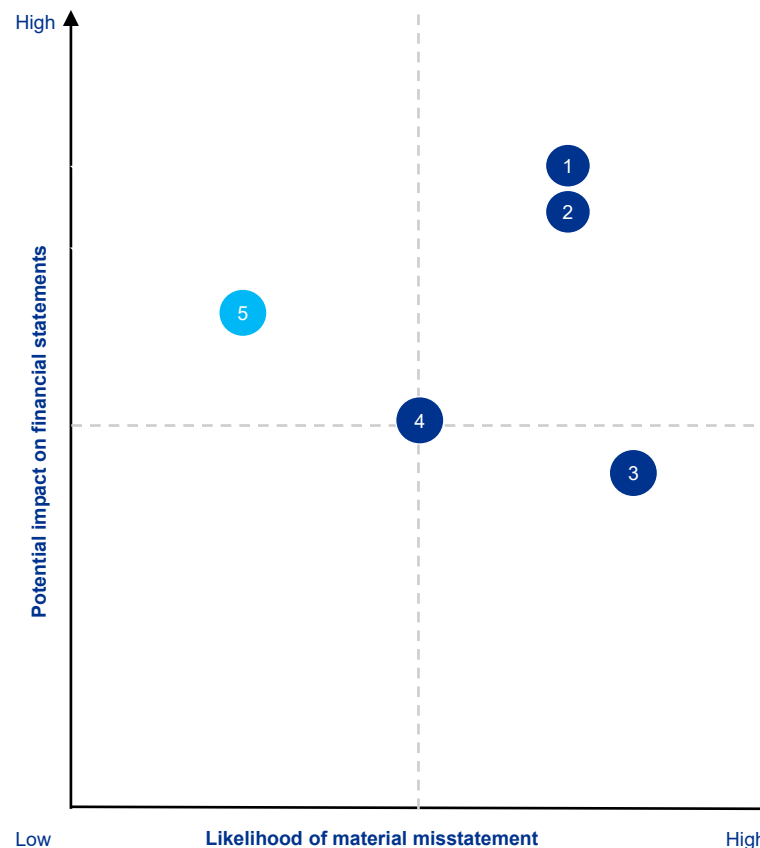
Significant risks

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

Other audit risks

5. General ledger migration

Key: # Significant financial statement audit risks
Other audit risk



Audit risks and our audit approach

1

Valuation of land and buildings

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



Significant audit risk

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

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

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

From our risk assessment of the elements within the valuations estimate, we have focused our significant risk over the BCIS indices and location factor for the DRC valuations, and the rental income & yield assumptions used for the EUV valuations.



Planned response

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

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

Audit risks and our audit approach (cont.)

2

Valuation of investment property

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



Significant audit risk

The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property. The portfolio had a value of £27.7m as at 31 March 2025.

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

From our risk assessment of the elements within the valuations estimate, we have focused our significant risk over the rental income approach methodology and the yield assumptions.



Planned response

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

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

Audit risks and our audit approach (cont.)

3

Valuation of post retirement benefit obligations

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



Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year-on-year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme
- Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.



Planned response

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

- Understand the processes the Council has in place to set the assumptions used in the valuation;
- Evaluate the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Perform inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Agree the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Evaluate the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- Challenge, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Confirm that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice;
- Consider the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions; and
- Where applicable, assess the level of surplus that should be recognised by the entity.

Audit risks and our audit approach (cont.)

4

Management override of controls(a)

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



Significant audit risk

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

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



Planned response

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

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

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

Audit risks and our audit approach (cont.)

5

General Ledger Migration



Other audit risk

Risk: The data migrated from the old to new general ledger system are incomplete or inaccurate

The Council migrated its general ledger software in August 2024.

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

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



Planned response

We will perform the following procedures:

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

Audit risks and our audit approach

Revenue – Rebuttal of Significant Risk

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

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

Expenditure – rebuttal of Significant Risk

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

Specifically, the financial position of the Council, (whilst under pressure) is not indicative of a position that would provide an incentive to manipulate expenditure recognition, and the nature of expenditure has not identified any specific risk factors.

Mandatory communications - additional reporting

Going concern

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






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

Additional reporting

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

Work is completed throughout our audit and we can confirm the matters are progressing satisfactorily 	We have identified issues that we may need to report 	Work is completed at a later stage of our audit so we have nothing to report 
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We have summarised the status of all these various requirements at the time of planning our audit below and will update you as our work progresses:

Type	Status	Response
Our declaration of independence		No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence.
Issue a report in the public interest		We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters to date.
Provide a statement to the NAO on your consolidation schedule		This "Whole of Government Accounts" requirement is fulfilled when we complete any work required of us by the NAO to assist their audit of the consolidated accounts of DLUHC.
Provide a summary of risks of significant weakness in arrangements to provide value for money		We are required to report significant weaknesses in arrangements. Work to be completed at a later stage.
Certify the audit as complete		We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.

Mandatory communications

Type	Statements
Management's responsibilities (and, where appropriate, those charged with governance)	<p>Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error.</p> <p>Provide the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.</p>
Auditor's responsibilities	Our responsibilities set out through the NAO Code (communicated to you by the PSAA) and can be also found on their website, which include our responsibilities to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.
Auditor's responsibilities – Fraud	This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.
Auditor's responsibilities – Other information	Our responsibilities are communicated to you by the PSAA and can be also found on their website, which communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information.
Independence	Our independence confirmation at page 33 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm's independence and the integrity and objectivity of the audit engagement partner and audit staff.

North Hertfordshire District Council

Value for money risk assessment

Year ended 31 March 2025

Value for money

Page 30

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

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

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

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

Risk assessment processes

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

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

Reporting

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

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

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

Financial sustainability

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

Governance

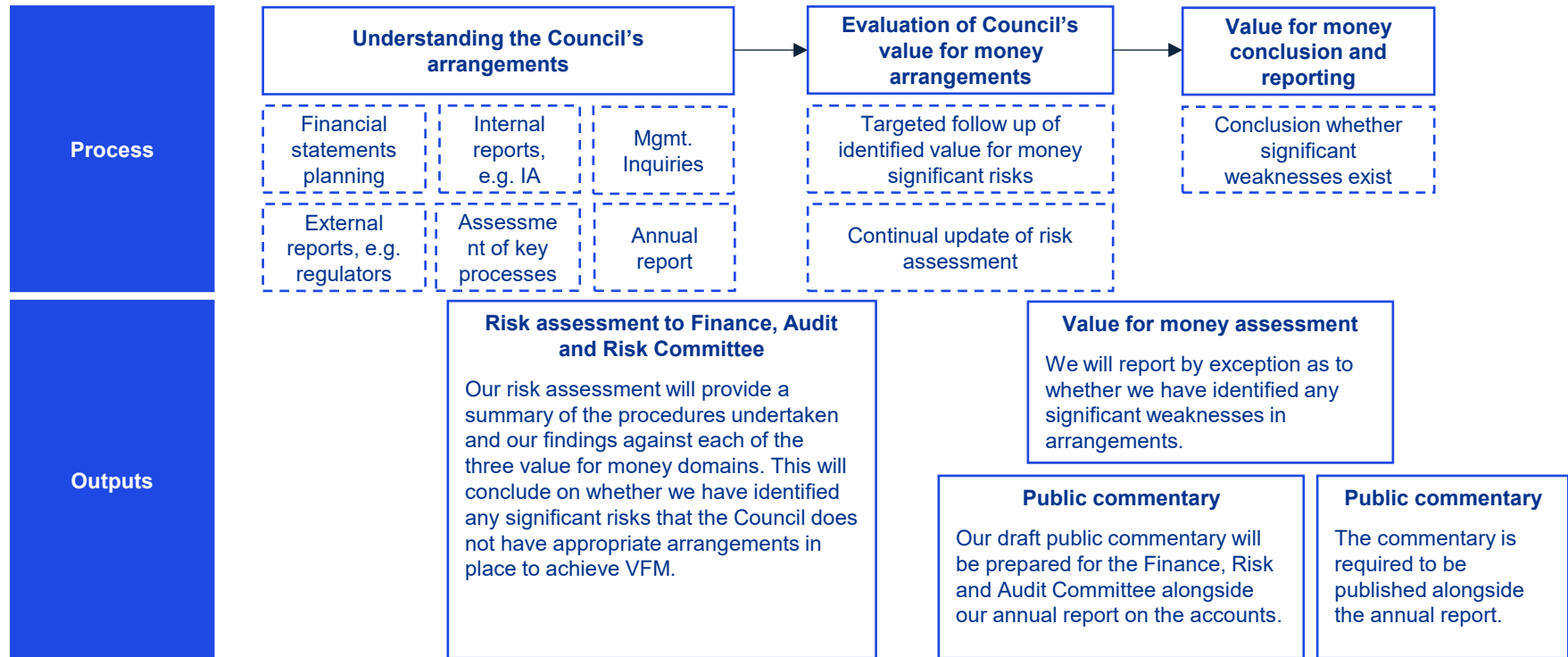
How the body ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness

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

Value for money

Approach we take to completing our work to form and report our conclusion:



Summary of risk assessment

Summary of risk assessment

As set out in our methodology we have evaluated the design of controls in place for a number of the Authority's systems, reviewed reports from external organisations and internal audit and performed inquiries of management. These procedures are consistent with prior year.

Based on these procedures the table below summarises our assessment of whether there is a significant risk that appropriate arrangements are not in place to achieve value for money at the Authority for each of the relevant domains:

Domain	Significant risk identified?
Financial sustainability	No significant risks identified
Governance	One risk of significant weakness identified
Improving economy, efficiency and effectiveness	One risk of significant weakness identified

We have provided a summary of the procedures performed and our key findings from these on pages 19 to 27.

We have identified risks of significant weaknesses associated with the domains Governance and Improving economy, efficiency and effectiveness.

Response to significant risk

The table below sets out the details of the risks that has been identified and the procedures we intend to perform in order to respond to the risk. We will report on our conclusion from these procedures as part of Auditor's Annual Report to the Finance, Audit and Risk Committee by 30 November 2025:

Description of risk	Governance - Significant risk on the Authority's Preparation and Publication of the Statement of Accounts
Procedures to be performed	<ul style="list-style-type: none"> We will further assess the Authority's arrangements to monitor and ensure compliance with its statutory financial reporting responsibilities.
Description of risk	Improving economy, efficiency and effectiveness - Significant risk on the maintenance of appropriate staffing levels within the Authority, both through recruitment and retention.
Procedures to be performed	<ul style="list-style-type: none"> We will further assess management's response to tracking and managing the risk in regard to staffing levels. We will further assess management's response to mitigate and address the risk in regard to staffing levels through alternative staffing sources.

Value for money arrangements

Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2024/25 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2024/25 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2024/25 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

Summary of risk assessment

- The Authority has followed its governance processes for setting a balanced budget and regularly updating its Medium-Term Financial Strategy (MTFS). The Authority has a detailed process for setting its annual budget. The process for 24/25 budget setting began in September 2023 with expected income calculated to determine the required level of savings needed for a balanced budget. Budget proposals from budget managers then goes through the Leadership Team and Political Liaison Board, and then to informal budget workshops for comments and questions. The budget is reviewed by the Cabinet and Finance, Audit and Risk Committee before a final draft budget, including financial risks, went to Full Council for final approval on 29 February 2024.
- The 24/25 budget and MTFS are underpinned by assumptions that we deemed reasonable and are well supported. It is our view that this is a comprehensive process with evidence of challenge and review.
- Required efficiencies to deliver a balanced budget are approved as part of the budget set at the end of February. Efficiency requirements are identified and communicated in advance through the Leadership Team. The quarterly monitoring reports reported at the Cabinet and Finance, Audit and Risk Committee provides key stakeholders with the latest overall financial position and the performance of specific efficiencies. Where efficiencies are falling behind plan, meetings are held with the relevant Budget Managers to identify actions to be taken to resolve the underperformance, behind, and timing of any impacts.
- The Authority's workforce and operational plans are incorporated with the Council Plan 2024-2028. The Council Plan was approved by the Council on 19 September 2024 and sets out the Authority's four key priorities: Thriving Communities, Accessible services, Responsible growth and Sustainability.

Value for money arrangements

Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2024/25 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2024/25 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2024/25 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

Summary of risk assessment continued

- To support the delivery of the Council Plan, the Authority has developed a Council Delivery Plan. This sets out the key projects that will be carried out during the year to support the delivery of the Council Plan. It also sets out the risks to achieving those goals and the performance indicators used to monitor expected outcomes.
- The Council Plan is supported by the MTFS which ensures consistency between the Authority's financial plan and the Authority's workforce and operational plans.
- The Authority's process for assessing risks to financial sustainability is underpinned by the Authority's Risk Management Framework. There are two key elements to each risk statement: the impact and the likelihood which are each scored on a scale of low, medium and high. In addition to financial risks, the Risk Management Framework also includes risks relating too Strategic, Operational, Information, Reputation, People, Regulatory and Environment.
- The Authority's risk management approach is to initially identify the Authority's aims and objectives. The Authority will then identify and describe risks to these aims and objectives and assess the initial level of risk based on impact and likelihood. The Authority will develop actions to reduce the impact and likelihood of the risk to a required level.
- Each risk is assigned to a risk owner. Risk owners are required to conduct a regular review of their risks on the Authority's risk management software Ideagen Risk Management.
- The Authority's summary position on revenue income and expenditure at the end of the financial year 2024/25 was presented to the Cabinet on 24 June 2025 in the Revenue Budget Outturn 2024-25 report.
- The net outturn of £17,932k represents a decrease of £817k from the net working budget of £18,749k.

Value for money arrangements

Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2024/25 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2024/25 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2024/25 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

Summary of risk assessment continued

- The original approved budget for 2024/25 (and therefore working budget) included efficiencies totalling £699k, which were agreed by Council in February 2024. At the end of the year a net total of £515k of efficiencies have been achieved in 2024/25, representing a net underachievement of planned efficiencies of £184k.
- The budget includes planned use of previous Business Rates gains and General Fund reserves. In previous years, these have not been used and returned to General Fund. However, in 2024/25 there has been an actual use of the reserve, but at a lower level than budgeted. As the use of reserves was planned and budgeted and the Authority has a high level of reserves compared to the risk the Authority faces, use of reserves is not deemed a significant risk for the Council.

Risk assessment conclusion

- Based on the risk assessment procedures performed we have not identified a significant risk associated with financial sustainability.

Value for money arrangements

Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- The design of the governance structures in place at the Authority;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2024/25 financial plan by the Authority, including how financial risks were communicated;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Authority ensures decisions receive appropriate scrutiny.

Summary of risk assessment

- The Authority's process for assessing risk is underpinned by the Authority's Risk Management Framework. There are two key elements to each risk statement: the impact and the likelihood which are each scored on a scale of low, medium and high. Furthermore, risk are categorised into Strategic, Operational, Information, Reputation, Financial, People, Regulatory or Environment.
- The Authority's risk management approach is to initially identify the Authority's aims and objectives. The Authority will then identify and describe risks to these aims and objectives and assess the initial level of risk based on impact and likelihood. The Authority will develop actions to reduce the impact and likelihood of the risk to a required level.
- The Authority has a Risk Scoring Matrix to assess whether the level of risk. The matrix uses a "traffic light" approach to show high (red), medium (amber) and low (green) risks. The risk score is calculated as impact x likelihood so between 1 - 9. The Authority actively monitors risks scoring 4 or higher on the Risk Scoring Matrix.
- Each risk is assigned to a risk owner. Risk owners are required to conduct a regular review of their risks on the Authority's risk management software Ideagen Risk Management.
- Regular reporting of Corporate Risks goes to the Risk and Performance Management Group, Leadership Team, Overview and Scrutiny and Cabinet enables senior managers and Members to be more fully aware of the extent of the risks and progression of recorded actions, along with any proposed archiving/closures.
- Risk registers are maintained on Ideagen Risk Management. This enables the Authority to monitor and review risks and produce meaningful management reports.
- The Council's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent and accountable to local people. The Constitution defines the governance structures in place at the Authority.

Value for money arrangements

Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- The design of the governance structures in place at the Authority;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2024/25 financial plan by the Authority, including how financial risks were communicated;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Authority ensures decisions receive appropriate scrutiny.

Summary of risk assessment continued

- The governance structures is headed by the Full Council which comprises of all 51 elected Members. The Full Council is supported by the Cabinet which consists of the Leader of the Council and at least two but not more than nine Councillors appointed as Executive Members by the Leader.
- Other governance structures at the Authority includes the Overview and Scrutiny Committee, the Standards Committee, Regulatory Committees, Community Forums and the Finance, Audit and Risk Committee. All committees required by Regulations are included within the governance structure.
- During the Council meeting on 27 February 2025, members approved the restructure of the Leadership Team. The key changes included rebranding the Managing Director role to become the Chief Executive role and reallocation of key areas of responsibilities between each of the Directorates.
- The Authority's controls to prevent and detect fraud are detailed within the Authority's Fraud Prevention Policy. The policy evidences that the Council has an effective counter fraud and anti-corruption arrangements in place and is maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption. Additionally, the Authority are part of a Shared Anti-Fraud Service, hosted by Hertfordshire County Council. The Finance, Audit and Risk Committee receives quarterly reports from the Shared Anti-Fraud Service.
- The budget is reviewed by the Cabinet and Finance, Audit and Risk Committee before a final draft budget, including financial risks, went to Full Council for final approval on 29 February 2024.
- The responsibility for ensuring that the Authority is compliant with laws and regulations falls under the remit of the Director: Governance (Monitoring Officer). The Monitoring Officer attends the Public Law Partnership (an Eastern legal partnership covering 27 local authorities), and quarterly Governance Special Interest meetings where any legal and governance updates are discussed and provided. The Director attends other Monitoring Officer know-how sessions regularly provided by Lawyers in Local Government and is also part of the Association of Democratic Services Officers forum. Compliance with laws and regulations is monitored by legal staff and the Monitoring Officer weekly, and actions are subsequently identified on Service Action plans.

Value for money arrangements

Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- The design of the governance structures in place at the Authority;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2024/25 financial plan by the Authority, including how financial risks were communicated;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Authority ensures decisions receive appropriate scrutiny.

Summary of risk assessment continued

- Policy changes and new policies would either be considered by Leadership Team (e.g. for human resources related policies), Cabinet (e.g. where more strategic policies) or Council (e.g. financial regulations, procurement rules). The Monitoring Officer is part of Leadership Team so would be able to input into that consideration. All Committee reports include a legal implication section, which is reviewed by a legal officer.
- Monthly briefings are provided by the Monitoring Officer in writing and orally to Group Leaders, identifying up and coming legislation and enactments and possible impacts on the Authority. There is also a Statutory Officer Group, which meets quarterly, or more often as required and legal issues are standing items on the agenda.
- The Authority has a Code of Conduct for Councillors. Conflicts of interest is included in the Code of Conduct for Councillors. The Code of Conducts defines the standards of behaviour for councillors and all employees. All councillors and employees are made aware of the relevant code of conduct at the beginning of their employment.
- Financial Regulations forms part of the Constitution of the Council. These Financial regulations provide the framework for managing the authority's financial affairs. The regulations applies to every Member and Officer of the Council, but they place specific requirements on certain individuals and committees. The Financial Regulations provides an appropriate escalation framework for making key decisions including escalation to the Council or relevant Committees as necessary.

Value for money arrangements

Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- The design of the governance structures in place at the Authority;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2024/25 financial plan by the Authority, including how financial risks were communicated;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Authority ensures decisions receive appropriate scrutiny.

Summary of risk assessment continued

- The Authority has Contract Procurement Rules as part of the Constitution. These Rules were revised on 24 February 2025. All business cases include an implications section which includes finance, risk and legal. For projects that will form part of the Council Delivery Plan, the impact of performance and KPIs are also considered. For all decisions, the level of information will be in line to the scale and type of decision. For significant decisions then will be presented to Leadership Team and/ or Political Liaison Board. Legal and regulatory requirements are incorporated into business cases via mandatory use of the project plan templates. The reports also includes a section to document equality, social value, HR, environmental and diversity considerations as well.
- Under Regulation 9 of the Accounts and Audit Regulations 2015, the Authority is required to publish its draft annual Statement of Accounts by 31 May each year. The Government introduced amendments to the Accounts and Audit Regulations which required the Authority to publish its unaudited 2024/25 financial statements and accompanying information on or before 30 June 2025.
- We acknowledge that the Authority has been affected by the mid-year general ledger migration and audit backlog.
- The Authority missed this deadline and published its unaudited Statement of Accounts for 2024/25 on 10 July 2025 to discharge the statutory responsibilities under the Accounts and Audit Regulations 2015.

Risk assessment conclusion

- Based on the risk assessment procedures performed we have identified a significant risk associated with governance on the Authority's Preparation and Publication of the Statement of Accounts.
- We will further assess the Authority's arrangements to monitor and ensure compliance with its statutory financial reporting responsibilities.

Value for money arrangements

Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- The development of efficiency plans and how the implementation of these is monitored;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Authority has engaged with partners in development of the organisation and system wide plans and arrangements;
- The engagement with wider partnerships and how the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

Summary of risk assessment

- The Authority have previously carried out cost reviews and looked at levels of service against statutory requirements. This has included the use of benchmarking data from comparable Councils. The Senior Leadership Team will look to other Local Authorities for examples of best practice and learn from those examples where possible. However, the limitations and cost of such benchmarking data mean that this is not now regularly collected or used by the Authority as it doesn't represent a significant benefit for the cost.
- The Authority's processes for the development, implementation and monitoring of efficiency plans is as described on the previous pages on Financial Sustainability.
- To monitor the performance of services, budget managers receives a monthly budget report which includes details on spend and projections from finance. Group accountants will meet to budget managers at least quarterly to discussion reasons and mitigation for adverse variances. Budget managers provide explanations for variances which are presented in the Formal Reporting papers which are presented quarterly to the Senior Leadership Team, Cabinet and Finance, Audit and Risk Committee.
- After the end (31st March 2024) of the leisure contract, the contractor, Stevenage Leisure Limited (SLL) went into liquidation. It was expected that SLL would not pay back all the gym equipment loaned by the Authority as that had been heavily impacted by Covid-19 and repayments had been suspended. The Authority has put forward their legal position but are yet to receive a response from the liquidators.

Value for money arrangements

Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- The development of efficiency plans and how the implementation of these is monitored;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Authority has engaged with partners in development of the organisation and system wide plans and arrangements;
- The engagement with wider partnerships and how the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

Summary of risk assessment

- In December 2021, the Authority made an agreement with a High Needs accommodation provider, initially resulting in subsidy loss for the Authority. The provider registered as a Housing Association in May 2023, aiming to access higher Housing Benefit rates and to eliminate subsidy loss to the Authority. However, the provider's Regulator of Social Housing status remained 'for-profit' despite assurances from the provider that it would change, leading to the Authority to suspend benefit payments in March 2025. There are ongoing proceedings between the Authority and the provider, following the Authority withholding payment of benefits.
- At the time of entering the agreement, the Authority did not specify a date by which the provider needed to achieve this status, nor did it set this requirement in writing.
- We understand there to be a number of staffing shortages at the Council which can impact on the Council's ability to deliver projects on time and leading to a requirement to prioritise key services. Our risk assessment procedures found this to be a consistent concern across the Senior Management Team and a key risk on the Council's risk register. The Council has pursued alternative approaches to address the difficulties experienced in recruitment e.g. apprenticeship and training schemes, secondment of staff, buying staff time from other Authorities within the area and agencies. Two factors have been noted regarding the difficulties in recruitment and retention – a) salaries when compared to the nearby London local government market and b) salaries and prospects in the private sector. Given the pervasive nature of this messaging in our inquiries, we have noted a significant risk in this matter.
- The Council shares services across the Hertfordshire area where practical and appropriate to the needs of the Council. For example, the Internal Audit function and Anti-Fraud Service are both sourced from Hertfordshire County Council shared services.

Value for money arrangements

Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- The development of efficiency plans and how the implementation of these is monitored;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Authority has engaged with partners in development of the organisation and system wide plans and arrangements;
- The engagement with wider partnerships and how the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

Summary of risk assessment continued

Risk assessment conclusion

- Based on the risk assessment procedures performed we have identified a significant risk associated with improving economy, efficiency and effectiveness on the maintenance of appropriate staffing levels within the Authority, both through recruitment and retention.
- We will further assess management's response to tracking and managing the risk in regard to staffing levels and to mitigate and address the risk in regard to staffing levels through alternative staffing sources.
- Whilst we have not identified a significant risk of a weakness in relation to the ongoing proceedings with the high needs accommodation provider, we have identified a performance improvement observation.

Performance improvement observations

The performance improvement observations raised as a result of our risk assessment procedures are included below:

Priority rating for observations			
1	Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	2	Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.
3	Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.		

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date
1	2	<p>Partnership arrangements</p> <p>In December 2021, the Authority made an agreement with a High Needs accommodation provider, initially resulting in subsidy loss for the Authority. The provider registered as a Housing Association in May 2023, aiming to access higher Housing Benefit rates and to eliminate subsidy loss to the Authority. However, the provider's Regulator of Social Housing status remained 'for-profit' despite assurances from the provider that it would change, leading to the Authority to suspend benefit payments in March 2025. There are ongoing proceedings between the Authority and the provider, following the Authority withholding payment of benefits.</p> <p>At the time of entering the agreement, the Authority did not specify a date by which the provider needed to achieve this status, nor did it set this requirement in writing.</p> <p>Recommendation</p> <p>Management are taking a report to Cabinet in November on this matter. We recommend that any learning identified is taken on board to avoid similar issues in the future.</p>	<p>Management Response: We are taking a report to Cabinet in November to provide full details and seek a decision on next steps.</p> <p>Responsible Officer: Directors for Resources and Regulatory</p> <p>Due Date: November 2025</p>

Appendices

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Audit team and rotation

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



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



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



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




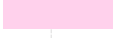





To comply with professional standard we need to ensure that you appropriately rotate your external audit director. There are no other members of your team which we will need to consider this requirement for:



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

Audit timeline

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

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

* Dates for issuing deliverables are preliminary and based on information available at time of reporting. They are therefore subject to change.

Fees

Audit fee

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

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

**subject to PSAA final review and confirmation*

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

Billing arrangements

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

Basis of fee information

Our fees are subject to the following assumptions:

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

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

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

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

Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Director and audit staff is not impaired.

To the Finance, Audit and Risk Committee members

Assessment of our objectivity and independence as auditor of North Hertfordshire District Council

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard.

As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity except for those detailed below where additional safeguards are in place.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

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

Confirmation of Independence (cont.)

Disclosure	Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the year ended 31 March 2025 £	Value of Services Committed but not yet delivered £
1	Housing benefit grant certification	Management Self review Self interest	<ul style="list-style-type: none">• Standard language on non-assumption of management responsibilities is included in our engagement letter.• The engagement contract makes clear that we will not perform any management functions.• The work is performed after the audit is completed and the work is not relied on within the audit file.• Our work does not involve judgement and are statements of fact based on agreed upon procedures.• Work performed by a different team.	Fixed	£32,300	TBC

Confirmation of Independence (cont.)

Summary of fees

We have considered the fees charged by us to the Authority and its affiliates for professional services provided by us during the reporting period.

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

Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be 0.2: 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit and Risk Committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Risk Committee of the Group and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP

Understanding of IT

Effect on audit effort



Summary

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

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

Why is Understanding of IT so important?

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

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

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

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

What kind of things might we identify?

As part of our risk assessment procedures, we perform:

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

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

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

What does this mean for our audits?

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

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

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

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

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



Summary

ISA (UK) 600 (Revised): Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors) is effective for periods commencing on or after 15 December 2020.

The new and revised requirements better aligns the standard with recently revised standards such as ISQM 1, ISA (UK) 220 (Revised) and ISA (UK) 315 (Revised). The revisions also strengthen the auditor's responsibilities related to professional skepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and documentation.

Area	Summary of changes and impact	Effect on audit effort
Risk-based approach	The nature and extent of risk assessment procedures performed by the group auditor at group level may increase, which may include further inquires of group and/or component management and those charged with governance; analytical procedures, attendance of walkthroughs at components, and inspection and/or observation of additional component information. Consequently, while we will continue to work across the group audit to be as efficient in our interactions with you as possible, group and component management will typically receive additional, and more specific/granular requests, for information from both the group and component auditors.	
Group auditor responsibilities	Through a more targeted audit response to address the group Risks of Material Misstatement, we may perform audit work and communicate with component management at a greater number of components within the group, and we may request less information from component management at certain components where we previously performed full scope audits for the Group audit, if we determine that a full scope audit is no longer necessary. While statutory audit requirements will still apply, this change may be beneficial for overall audit effort where a statutory audit is not required.	
Flexibility in defining components	You may also see changes in the planned scope and timing of the audit in communications to group management and those charged with governance, such as changes to the identification of components and the work to be performed on their financial information, and/or changes to the nature of the group auditor's planned involvement in the work to be performed by component auditors. The impact will be greater where there are more components.	
Quality management	Enhanced leadership, direction, supervision and review responsibilities of the group engagement partner may result in the group engagement partner needing to engage more extensively with group management, your component management and component auditors throughout the audit.	
Robust communication	If the group auditor determines that the increased work effort is needed, this determination will impact how much, and the type of, information you will need to provide to the group auditor or component auditors. The group auditor is required to prescribe required work at a more granular level. This may mean there is increased work for component auditors, particularly in year one, to align the requirements of the group audit and local statutory audits. We will continue to work closely to minimise this.	
Application of materiality and aggregation risk	Changes in component performance materiality may result in changes to the nature, timing and extent of component auditor's work. If so, this may impact how much, and the type of, information you will need to provide to the group auditor or component auditors.	
Revised independence principles	This may make it more challenging to address auditor rotation and other independence requirements for component auditors we may plan to involve in the group audit and mean more matters impacting independence may need to be communicated to you. Potential changes to the component auditor firms engaged to perform work on financial information of components.	

FRC's areas of focus

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

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



Key expectations for 2024/25 annual reports

Overview

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

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

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

Pre-issuance checks and restatements

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

Risks and uncertainties

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

Financial reporting framework

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

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

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



FRC's areas of focus (cont.)



Impairment of assets

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

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

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

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

Cash flow statements

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

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

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

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

Climate

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

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

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

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

Financial instruments

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

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

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

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

Judgements and estimates

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

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

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

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

FRC's areas of focus (cont.)

Revenue

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

Presentation

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

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

Income taxes

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

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

Strategic report and Companies Act

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

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

Fair value measurement

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

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

Thematic reviews

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

UK's largest private companies

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

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

Retail sector focus



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

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

2024/25 review priorities

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

 Industrial metals and mining
 Retail

 Construction and materials
 Gas, water and multi-utilities

 Food producers
 Financial Services



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Auditor's Annual Report for North Hertfordshire District Council

Year-ended 31 March 2025

DRAFT for FARC

31 October 2025

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DRAFT

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Our audit report will be made solely to the members of North Hertfordshire District Council (the Authority), as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the members of Authority, as a body, for our audit work, for our auditor's report, for this Auditor's Annual Report, or for the opinions we have formed.

External auditors do not act as a substitute for the Authority's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

01

Executive Summary

Executive Summary


DRAFT


Purpose of the Auditor’s Annual Report


This Auditor’s Annual Report provides a summary of the findings and key issues arising from our 2024-25 audit of North Hertfordshire District Council (the ‘Authority’). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office (the ‘Code of Audit Practice’) and is required to be published by the Authority alongside the annual report and accounts.


Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014 (the Act). Our responsibilities under the Act, the Code of Audit Practice and International Standards on Auditing (UK) (‘ISAs (UK)’) include the following:

- 

Financial Statements - To provide an opinion as to whether the financial statements give a true and fair view of the financial position of the Authority and of its income and expenditure during the year and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2024/25 (‘the CIPFA Code’).
- 

Other information - To consider, whether based on our audit work, the other information in the Statement of Accounts is materially misstated or inconsistent with the financial statements or our audit knowledge of the Authority.
- 

Value for money - To report if we have identified any significant weaknesses in the arrangements that have been made by the Authority to secure economy, efficiency and effectiveness in its use of resources. We are also required to provide a summary of our findings in the commentary in this report.
- 

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

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

Findings

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

Financial statements and other information	The Code of Audit Practice requires us to issue the Auditor’s Annual Report no later than 30 November of each year. In order for us to comply with this requirement, we have issued this Auditor’s Annual Report prior to the completion of our work in relation to the financial statements and other information. Consequently, we have not reached our conclusions in respect of these areas.
Value for money	We identified no significant weaknesses in respect of the arrangements the Authority has put in place to secure economy, efficiency, and effectiveness in the use of its resources. Further details are set out on page 7.
Whole of Government Accounts	We are required to perform procedures and report to the National Audit Office in respect of the Authority’s consolidation return to HM Treasury in order to prepare the Whole of Government Accounts. As the National Audit Office has not yet informed us that we are not required to perform any further procedures, we are unable to confirm that we have concluded our work in this area.
Other powers	See overleaf. Note that, as we are still performing our procedures in relation to the financial statements, we may choose to exercise our other powers in relation to the 2024-25 audit in the future.

Executive Summary

DRAFT

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

Public interest reports

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

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

As at the date of this report, we have not issued a Public Interest Report this year.

Judicial review/Declaration by the courts

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

As at the date of this report, we have not applied to the courts.

Recommendations

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

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

As at the date of this report, we made no recommendations under Schedule 7 of the Act.

As at the date of this report, we have not raised any other recommendations.

Advisory notice

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

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

As at the date of this report, we have not issued an advisory notice this year.

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

02

Value for Money

Value for Money

Introduction

We are required to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or ‘value for money’. We consider whether there are sufficient arrangements in place for the Authority for the following criteria, as defined by the Code of Audit Practice:



Financial sustainability: How the Authority plans and manages its resources to ensure it can continue to deliver its services.



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



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

We do not act as a substitute for the Authority’s own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. We are also not required to consider whether all aspects of the Authority’s arrangements are operating effectively, or whether the Authority has achieved value for money during the year.

Approach

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

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



DRAFT

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

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Authority.

Summary of findings

Our work in relation to value for money is complete.

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	9	11	15
Identified risks of significant weakness?	✗ No	✓ Yes	✓ Yes
Actual significant weakness identified?	✗ No	✗ No	✗ No
2023-24 Findings	No significant risks identified	No significant risks identified	Risk of significant weakness noted but did not materialise into significant weakness
Direction of travel	↔	↓	↔

Value for Money

DRAFT

National context

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

Local Government Reorganisation

The Government has announced proposals to restructure local government throughout England. County and District councils (and, in some cases, existing Unitary authorities) will be abolished and replaced with new, larger Unitary authorities, which will (in many cases) work together with peers in a regional or sub-regional Combined Authority. Authorities which are unaffected by these proposals may still see changes in local police and fire authorities and in the Councils they already work in collaboration with.

Restructuring has, in some cases, resulted in differing views on how services should be provided in their regions – with little consensus on how previously separate organisations will be knitted together. Councils will need to ensure that investment decisions are in the long-term interest of their regions, and that appropriate governance is in place to support decision making.

Financial performance

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

Whilst the Government has indicated an intention to restore multi-year funding settlements, giving Councils greater certainty and ability to make longer-term investment decisions, the Government has also proposed linking grant funding to deprivation. For some authorities this presents a significant funding opportunity, whereas for others this reinforces existing financial sustainability concerns and creates new financial planning uncertainties.

Local context

Background

North Hertfordshire District Council is a non-metropolitan district in Hertfordshire. The Council provides district-level services to a population of around 137,000 residents. There are close working relationships between the Authority, Hertfordshire County Council, local parish councils and the other nine district councils within the County.

Financial performance

In 2024/25, the Authority reported a surplus on provision of services of £8,772k. The net outturn of £17,932k represents a decrease of £817k from the net working budget of £18,749k. The Authority had total reserves of £147,996k as at 31 March 2025 which was split between total usable reserves of £31,188k and total unusable reserves of £116,808k. Total usable reserves and unusable reserves increased during 2024/25 by £1,286k and £6,298k respectively.

North Hertfordshire District Council have not issued and does not anticipate issuing a Section 114 notice.

For 2025/26, the Authority has developed a budget with net working budget of £22,914k and budgeted capital expenditure of £27,624k. As at the end of June 2025, the Authority approved changes to the working budget to £24,043k. The forecast variance is a £453k increase in the net working budget.

Local Government Reorganisation

North Hertfordshire District Council, Hertfordshire County Council, the Office of Police and Crime Commissioner and the other nine district councils within the County are currently undergoing a local government reorganisation following government's publication of the English Devolution White Paper in December 2024. There are ongoing discussions to replace the current two-tier system with a single tier of unitary councils. Full proposals are expected to be submitted by 28 November 2025.

There will not be any immediate changes to the services provided by North Hertfordshire District Council.

Financial Sustainability

DRAFT

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

We have considered the following in our work:

- How the Authority ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Authority plans to bridge its funding gaps and identifies achievable savings;
- How the Authority plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Authority ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the Authority identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

- The Authority has followed its governance processes for setting a balanced budget and regularly updating its Medium-Term Financial Strategy (MTFS). The Authority has a detailed process for setting its annual budget. The process for 24/25 budget setting began in September 2023 with expected income calculated to determine the required level of savings needed for a balanced budget. Budget proposals from budget managers then goes through the Leadership Team and Political Liaison Board, and then to informal budget workshops for comments and questions. The budget is reviewed by the Cabinet and Finance, Audit and Risk Committee before a final draft budget, including financial risks, went to Full Council for final approval on 29 February 2024.
- The 24/25 budget and MTFS are underpinned by assumptions that we deemed reasonable and are well supported. It is our view that this is a comprehensive process with evidence of challenge and review.
- Required efficiencies to deliver a balanced budget are approved as part of the budget set at the end of February. Efficiency requirements are identified and communicated in advance through the Leadership Team. The quarterly monitoring reports reported at the Cabinet and Finance, Audit and Risk Committee provides key stakeholders with the latest overall financial position and the performance of specific efficiencies. Where efficiencies are falling behind plan, meetings are held with the relevant Budget Managers to identify actions to be taken to resolve the underperformance, behind, and timing of any impacts.
- The Authority's workforce and operational plans are incorporated with the Council Plan 2024-2028. The Council Plan was approved by the Council on 19 September 2024 and sets out the Authority's four key priorities: Thriving Communities, Accessible services, Responsible growth and Sustainability.
- To support the delivery of the Council Plan, the Authority has developed a Council Delivery Plan. This sets out the key projects that will be carried out during the year to support the delivery of the Council Plan. It also sets out the risks to achieving those goals and the performance indicators used to monitor expected outcomes.
- The Council Plan is supported by the MTFS which ensures consistency between the Authority's financial plan and the Authority's workforce and operational plans.
- The Authority's process for assessing risks to financial sustainability is underpinned by the Authority's Risk Management Framework. There are two key elements to each risk statement: the impact and the likelihood which are each scored on a scale of low, medium and high. In addition to financial risks, the Risk Management Framework also includes risks relating too Strategic, Operational, Information, Reputation, People, Regulatory and Environment.

Financial Sustainability

- The Authority's risk management approach is to initially identify the Authority's aims and objectives. The Authority will then identify and describe risks to these aims and objectives and assess the initial level of risk based on impact and likelihood. The Authority will develop actions to reduce the impact and likelihood of the risk to a required level.
- Each risk is assigned to a risk owner. Risk owners are required to conduct a regular review of their risks on the Authority's risk management software Ideagen Risk Management.
- The Authority's summary position on revenue income and expenditure at the end of the financial year 2024/25 was presented to the Cabinet on 24 June 2025 in the Revenue Budget Outturn 2024-25 report.
- The net outturn of £17,932k represents a decrease of £817k from the net working budget of £18,749k.
- The original approved budget for 2024/25 (and therefore working budget) included efficiencies totalling £699k, which were agreed by Council in February 2024. At the end of the year a net total of £515k of efficiencies have been achieved in 2024/25, representing a net underachievement of planned efficiencies of £184k.
- The budget includes planned use of previous Business Rates gains and General Fund reserves. In previous years, these have not been used and returned to General Fund. However, in 2024/25 there has been an actual use of the reserve, but at a lower level than budgeted. As the use of reserves was planned and budgeted and the Authority has a high level of reserves compared to the risk the Authority faces, use of reserves is not deemed a significant risk for the Council.
- In 2024/25, the Authority reported a surplus on provision of services of £8,772k. The Authority had total reserves of £147,996k as at 31 March 2025 which was split between total usable reserves of £31,188k and total unusable reserves of £116,808k. Total usable reserves and unusable reserves increased during 2024/25 by £1,286k and £6,298k respectively.
- For 2025/26, the Authority has developed a budget with net working budget of £22,914k and budgeted capital expenditure of £27,624k. As at the end of June 2025, the Authority approved changes to the working budget to £24,043k. The forecast variance is a £453k increase in the net working budget.

Conclusion

Based on the procedures performed we have not identified a significant risk or weakness associated with financial sustainability.

DRAFT

Key financial and performance metrics:	2024-25 £m	2023-24 £m
Planned surplus/(deficit)	0.0	0.0
Actual surplus/(deficit)	8.8	(1.1)
Usable reserves	31.2	29.9
Year-end borrowings	0.3	0.4
Year-end cash position	16.3	3.3

Governance

DRAFT

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

We have considered the following in our work:

- how the Authority monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Authority approaches and carries out its annual budget setting process;
- how the Authority ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Authority ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Authority monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

- The Authority's process for assessing risk is underpinned by the Authority's Risk Management Framework. There are two key elements to each risk statement: the impact and the likelihood which are each scored on a scale of low, medium and high. Furthermore, risk are categorised into Strategic, Operational, Information, Reputation, Financial, People, Regulatory or Environment.
- The Authority's risk management approach is to initially identify the Authority's aims and objectives. The Authority will then identify and describe risks to these aims and objectives and assess the initial level of risk based on impact and likelihood. The Authority will develop actions to reduce the impact and likelihood of the risk to a required level.
- The Authority has a Risk Scoring Matrix to assess whether the level of risk. The matrix uses a "traffic light" approach to show high (red), medium (amber) and low (green) risks. The risk score is calculated as impact x likelihood so between 1 - 9. The Authority actively monitors risks scoring 4 or higher on the Risk Scoring Matrix.
- Each risk is assigned to a risk owner. Risk owners are required to conduct a regular review of their risks on the Authority's risk management software Ideagen Risk Management.
- Regular reporting of Corporate Risks goes to the Risk and Performance Management Group, Leadership Team, Overview and Scrutiny and Cabinet enables senior managers and Members to be more fully aware of the extent of the risks and progression of recorded actions, along with any proposed archiving/closures.
- Risk registers are maintained on Ideagen Risk Management. This enables the Authority to monitor and review risks and produce meaningful management reports.
- The Council's Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent and accountable to local people. The Constitution defines the governance structures in place at the Authority.
- The governance structures is headed by the Full Council which comprises of all 51 elected Members. The Full Council is supported by the Cabinet which consists of the Leader of the Council and at least two but not more than nine Councillors appointed as Executive Members by the Leader.
- Other governance structures at the Authority includes the Overview and Scrutiny Committee, the Standards Committee, Regulatory Committees, Community Forums and the Finance, Audit and Risk Committee. All committees required by Regulations are included within the governance structure.

Governance

DRAFT

- During the Council meeting on 27 February 2025, members approved the restructure of the Leadership Team. The key changes included rebranding the Managing Director role to become the Chief Executive role and reallocation of key areas of responsibilities between each of the Directorates.
- The Authority's controls to prevent and detect fraud are detailed within the Authority's Fraud Prevention Policy. The policy evidences that the Council has an effective counter fraud and anti-corruption arrangements in place and is maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption. Additionally, the Authority are part of a Shared Anti-Fraud Service, hosted by Hertfordshire County Council. The Finance, Audit and Risk Committee receives quarterly reports from the Shared Anti-Fraud Service.
- The budget is reviewed by the Cabinet and Finance, Audit and Risk Committee before a final draft budget, including financial risks, went to Full Council for final approval on 29 February 2024.
- The responsibility for ensuring that the Authority is compliant with laws and regulations falls under the remit of the Director: Governance (Monitoring Officer). The Monitoring Officer attends the Public Law Partnership (an Eastern legal partnership covering 27 local authorities), and quarterly Governance Special Interest meetings where any legal and governance updates are discussed and provided. The Director attends other Monitoring Officer know-how sessions regularly provided by Lawyers in Local Government and is also part of the Association of Democratic Services Officers forum. Compliance with laws and regulations is monitored by legal staff and the Monitoring Officer weekly, and actions are subsequently identified on Service Action plans.
- Policy changes and new policies would either be considered by Leadership Team (e.g. for human resources related policies), Cabinet (e.g. where more strategic policies) or Council (e.g. financial regulations, procurement rules). The Monitoring Officer is part of Leadership Team so would be able to input into that consideration. All Committee reports include a legal implication section, which is reviewed by a legal officer.
- Monthly briefings are provided by the Monitoring Officer in writing and orally to Group Leaders, identifying up and coming legislation and enactments and possible impacts on the Authority. There is also a Statutory Officer Group, which meets quarterly, or more often as required and legal issues are standing items on the agenda.
- The Authority has a Code of Conduct for Councillors. Conflicts of interest is included in the Code of Conduct for Councillors. The Code of Conducts defines the standards of behaviour for councillors and all employees. All councillors and employees are made aware of the relevant code of conduct at the beginning of their employment.
- Financial Regulations forms part of the Constitution of the Council. These Financial regulations provide the framework for managing the authority's financial affairs. The regulations applies to every Member and Officer of the Council, but they place specific requirements on certain individuals and committees. The Financial Regulations provides an appropriate escalation framework for making key decisions including escalation to the Council or relevant Committees as necessary.
- The Authority has Contract Procurement Rules as part of the Constitution. These Rules were revised on 24 February 2025. All business cases include an implications section which includes finance, risk and legal. For projects that will form part of the Council Delivery Plan, the impact of performance and KPIs are also considered. For all decisions, the level of information will be in line to the scale and type of decision. For significant decisions then will be presented to Leadership Team and/ or Political Liaison Board. Legal and regulatory requirements are incorporated into business cases via mandatory use of the project plan templates. The reports also includes a section to document equality, social value, HR, environmental and diversity considerations as well.

Governance

DRAFT

- Under Regulation 9 of the Accounts and Audit Regulations 2015, the Council is required to publish its unaudited Statement of Accounts by 31 May each year. The Government introduced amendments to the Accounts and Audit Regulations which required the Authority to publish its unaudited 2024/25 Statement of Accounts and accompanying information on or before 30 June 2025. The Authority missed this deadline and were only able to publish the unaudited 2024/25 Statement of Accounts on 10 July 2025. By not publishing the unaudited Statement of Accounts by the required deadline, the Authority has breached its laws and regulations. As a result, we have identified a significant risk over governance on the Authority's Preparation and Publication of the Statement of Accounts. The authority also missed this deadline in the prior year.

Risk assessment conclusion

Based on the procedures performed we have identified a significant risk associated with governance on the Authority's Preparation and Publication of the Statement of Accounts. See page 14.

Significant Value for Money Risk: Governance

DRAFT

1

Compliance with statutory financial reporting deadlines

Risk that value for money arrangements may contain a significant weakness linked to governance

Significant Value for Money Risk

There is a risk that the Authority does not have in place adequate governance arrangements to ensure compliance with its statutory financial reporting responsibilities.

Our response

Through our audit we have evaluated the arrangements the Authority has put in place to ensure compliance with its statutory financial reporting responsibilities.

Our findings

Findings

Under Regulation 9 of the Accounts and Audit Regulations 2015, the Authority is required to publish its draft annual Statement of Accounts by 31 May each year. The Government introduced amendments to the Accounts and Audit Regulations which required the Authority to publish its unaudited 2024/25 financial statements and accompanying information on or before 30 June 2025.

We acknowledge that the Authority has been affected by the mid-year general ledger migration and audit backlog.

The Authority missed this deadline and published its unaudited Statement of Accounts for 2024/25 on 10 July 2025 to discharge the statutory responsibilities under the Accounts and Audit Regulations 2015.

However, we note that this is a marked improvement on the 2023/24 unaudited accounts publication date of 18 September 2024. This demonstrates an improvement in the arrangements in place for preparing and issuing the unaudited statement of accounts.

Conclusion

Based on the findings above we have not identified any significant weaknesses in arrangements for the timely preparation of a complete and accurate Statement of Accounts for 2024/25.

Improving economy, efficiency and effectiveness

DRAFT

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

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Authority evaluates the services it provides to assess performance and identify areas for improvement;
- how the Authority ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Authority commissions or procures services, how it assesses whether it is realising the expected benefits.

- The Authority have previously carried out cost reviews and looked at levels of service against statutory requirements. This has included the use of benchmarking data from comparable Councils. The Senior Leadership Team will look to other Local Authorities for examples of best practice and learn from those examples where possible. However, the limitations and cost of such benchmarking data mean that this is not now regularly collected or used by the Authority as it doesn't represent a significant benefit for the cost.
- The Authority's processes for the development, implementation and monitoring of efficiency plans is as described on the previous pages on Financial Sustainability.
- To monitor the performance of services, budget managers receives a monthly budget report which includes details on spend and projections from finance. Group accountants will meet to budget managers at least quarterly to discussion reasons and mitigation for adverse variances. Budget managers provide explanations for variances which are presented in the Formal Reporting papers which are presented quarterly to the Senior Leadership Team, Cabinet and Finance, Audit and Risk Committee.
- After the end (31st March 2024) of the leisure contract, the contractor, Stevenage Leisure Limited (SLL) went into liquidation. It was expected that SLL would not pay back all the gym equipment loaned by the Authority as that had been heavily impacted by Covid-19 and repayments had been suspended. Additionally, SLL have initiated a litigation claim against the Authority for breach of contract.
- In December 2021, the Authority made an agreement with a High Needs accommodation provider, initially resulting in subsidy loss for the Authority. The provider registered as a Housing Association in May 2023, aiming to access higher Housing Benefit rates and to eliminate subsidy loss to the Authority. However, the provider's Regulator of Social Housing status remained 'for-profit' despite assurances from the provider that it would change, leading to the Authority to suspend benefit payments in March 2025. There are ongoing proceedings between the Authority and the provider, following the Authority withholding payment of benefits. At the time of entering the agreement, the Authority did not specify a date by which the provider needed to achieve this status, nor did it set this requirement in writing.

Improving economy, efficiency and effectiveness

DRAFT

- We understand there to be a number of staffing shortages at the Council which can impact on the Council's ability to deliver projects on time and leading to a requirement to prioritise key services. Our risk assessment procedures found this to be a consistent concern across the Senior Management Team and a key risk on the Council's risk register. The Council has pursued alternative approaches to address the difficulties experienced in recruitment e.g. apprenticeship and training schemes, secondment of staff, buying staff time from other Authorities within the area and agencies. Two factors have been noted regarding the difficulties in recruitment and retention – a) salaries when compared to the nearby London local government market and b) salaries and prospects in the private sector. Given the pervasive nature of this messaging in our inquiries, we have noted a significant risk in this matter.
- The Council shares services across the Hertfordshire area where practical and appropriate to the needs of the Council. For example, the Internal Audit function and Anti-Fraud Service are both sourced from Hertfordshire County Council shared services.

Risk assessment conclusion

- Based on the procedures performed we have identified a significant risk associated with improving economy, efficiency and effectiveness on the maintenance of appropriate staffing levels within the Authority, both through recruitment and retention. See page 17.

Significant Value for Money Risk: Improving economy, efficiency and effectiveness

DRAFT

2

Maintenance of appropriate staffing levels within the Authority, both through recruitment and retention

Risk that value for money arrangements may contain a significant weakness linked to improving economy, efficiency and effectiveness

Significant Value for Money Risk

There is a risk that staffing shortages at the Council could impact on the Council's ability to delivery projects on time and leading to a requirement to prioritise key services.

Our response

We have carried out further assessment of management's response to tracking and managing the risk in regard to staffing levels.

We have carried out further assessment of management's response to mitigate and address the risk in regard to staffing levels through alternative staffing sources.

Our findings

Findings

We have found that through appropriately monitoring and tracking the risk on the Corporate Risk Register, as item CDP12, management have been able to direct an appropriate response. All services are well aware of the risk, and across our service inquiries senior management have been very open in highlighting their concerns in this area.

We note that whilst the issue does cause some operational delivery issues for the Council, mitigating actions are being taken through the engagement of agency staffing, implementing apprenticeship schemes and seeking private sector secondments.

We have not identified any statutory duties not to have been delivered in year, other than the production of the unaudited accounts within the deadline.

The arrangements suggest the issue is mitigated and managed in a way that ensures delivery of required services continues.

We have also assessed that where possible the Council will procure external funding for staffing requirements such as funded consultancy positions being built into contract bids. Again, this is demonstrative of the mitigations management have put in place to manage shortages.

It has been noted in mitigation that there has been a low turnover in senior staff at the Council and as such the level of risk from staff turnover is significantly reduced.

Conclusion

Based on the findings above we have not identified any significant weaknesses in arrangements around the maintenance of appropriate staffing levels within the Authority.



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North Herts Council

Finance Audit & Risk Committee

November 2025

Anti-Fraud Progress Report 2025/2026

Purpose

1. This mid-year 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 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, supported by SAFS 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 October 2025 SAFS issued 3 Fraud Alerts including a reminder about fake documents, email spoofing, false ID and guidance on the 'Failure to Prevent Fraud' offence. SAFS also provide regular Fraud Threat Reports that summarise new and emerging risks and provide officers with guidance to assist with prevention and reporting. SAFS has issued 15 such reports this year including areas such as multiple employment, housing applications, blue badges misuse, mandate fraud, purchase cards, discretionary payments, grants and council tax liability.
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. Two training sessions have been booked in Q3 for housing and HR, and SAFS will be presenting a short session for all staff at the Council 'Town-Hall' session in November. Further fraud awareness sessions are being arranged with the revenue and benefits teams.

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 for North Herts Council.
9. A new offence of 'Failing to Prevent Fraud' introduced by the *Economic Crime and Corporate Transparency Act 2023* took effect from September this year. SAFS have recently issued a briefing paper for all senior leadership teams in each of our Partners to advise on the impact of this legislation and ensure appropriate action plans are in place. We have meetings planned with senior management at the Council to discuss the Council's compliance with the Act.
10. Earlier this year SAFS Officers worked with the National Anti-Fraud Network to develop a survey for local government to collect data nationally about the counter fraud response across the sector. This survey was then used to deliver the NAFN Counter-Fraud Report 2025- [Counter Fraud Report - National Anti Fraud Network](#)

Reactive Work

11. Between April and September this year, 54 allegations of fraud had been received affecting service areas such as housing, council tax, procurement, and Blue Badge misuse- 14 referrals were made by Council officers and although this has increased a percentage of all referrals compared to previous years this is quite low. We are hopeful that following the awareness sessions planned for Q3 that this will encourage staff to raise any concerns they have.
12. SAFS currently have 26 cases under investigation, or at referral stage (7), with estimated losses of £759K recorded in this caseload. SAFS have also conducted 16 low level reviews of council tax discounts/benefits cases and this has identified savings of around £3k. Of 5 investigations closed so far 4 identified fraud with £5k in fraud loss identified for recovery.
13. We did report to this committee in September one case referred to the Council's legal team earlier this year had a summons issued and a Guilty plea at the first hearing in July- [Woman sentenced for housing fraud in North Herts | North Herts Council](#). 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.
14. SAFS Accredited Financial Investigator has been assisting with an investigation conducted jointly by the Council's Enforcement Team and the County Council's Trading Standards service [Hertfordshire County Council | Detection dog aids operations as illegal vapes and tobacco are seized across the county](#) and SAFS have

secured/restrained bank accounts belonging to the business owner until all criminal proceedings are resolved.

15. SAFS continues to work closely across with the Councils housing services, working with officers to assist in the review of housing and homelessness applications and one person has been excluded from the Housing Register following an investigation.
16. SAFS also works with housing providers across the district and this has resulted in the recovery of 5 properties that were being misused by tenants who were not living at those addresses. These homes have all been let to residents from the Councils Housing Register. This work with housing providers could have saved the Council upto £210k 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

17. 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 £52k reported so far.
18. 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 suspended activity on the FH until Q3 to focus on clearing the matches from the main NFI exercise, but early reports in October show that 166 matches have been processed with 6 fraud identifying savings of £26k already.
19. 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.	<p>Demonstrate that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution.</p> <p>A. Regular meetings to take place with the Councils Service Director Resources, at least quarterly or as required by Council officers.</p> <p>B. Service Director Resources will be the SAFS Board representative for the Council and attend its quarterly meetings.</p>	<p>A. Meetings have been planned with the Service Director Resources.</p> <p>B. Service Director Resources is a member of the SAFS Board and is invited to its quarterly meetings.</p> <p>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.</p>

2	Provide an investigation service.	<p>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).</p> <p>B. 3 Reports to Finance Audit and Risk Committee. (Annual Report, Updates, 25/26 AF Plan)</p>	<p>A. To the end of September 2025 SAFS had provided 118 days (40%) of those planned for the year. We are keeping this KPI under review for NHC to ensure more capacity from Q3 onwards.</p> <p>B. SAFS reports agreed for September/ November / March FAR Committees as part of the Fwd Plan.</p>
3	Action on reported fraud.	A. All cases to be reviewed within 2 Days of receipt, on Average.	<p>A. In Q1/Q2 referrals were triaged within 0.4 days on average.</p> <p>B.</p>
4	Allegations of fraud received. & Success rates for cases investigated.	<p>A. 100% of all reported fraud (referrals) will be logged by type & source.</p> <p>B. 100% of all cases investigated will be recorded and the financial value, including loss/recovery/ savings of each will be reported to officers.</p>	<p>A. All referrals, from all sources are logged on SAFS CMS.</p> <p>B. All cases investigated are recorded and managed on the SAFS CMS.</p> <p>Reports on referrals and investigations including status/source/value/outcomes are available.</p>
5	Making better use of data to prevent/identify fraud.	<p>A. Ensure output from NFI 2024/25 is resolved as required by legislation.</p> <p>B. Ensure membership of the Herts FraudHub in 2025/26 and that the ROI from this is reported to Council officers.</p>	<p>A. The NFI reports/matches were reviewed with SAFS support, and this project is now closed.</p> <p>B. The Council has a contract in place for the FHUB and data is being uploaded and output to commence in Q3 as planned.</p>
6	Added value of SAFS membership.	<p>A. Membership of NAFN & PNLD for 2025/26</p> <p>B. 5 fraud awareness/prevention sessions for staff/Members in year. (To be agreed with Service leads and HR)</p>	<p>A. NHC is a member of both NAFN and PNLD via SAFS licences. Council officers have access and SAFS provide training/awareness.</p> <p>B. From Q3 we have begun to deliver our training plan for NHC with HR leads.</p>

Further Reading

20. 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) *National Fraud Initiative Report 2022 – 2024 (HMG March 2025)*
- (f) *NAFN Counter Fraud Report 2025 (National Anti-Fraud Network 2025)*

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FINANCE, AUDIT AND RISK COMMITTEE
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12 NOVEMBER 2025

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: PROCUREMENT STRATEGY 2025-28

REPORT OF: *Director- Resources*

EXECUTIVE MEMBER: *Resources*

COUNCIL PRIORITY: THRIVING COMMUNITIES / ACCESSIBLE SERVICES / RESPONSIBLE GROWTH / SUSTAINABILITY

1. EXECUTIVE SUMMARY

For Cabinet to approve a new Procurement Strategy (Appendix A) that reflects the Procurement Act 2023 (the Act), our Contract Procurement Rules and our Council Plan.

Whilst the primary focus is on delivering Value of Money, the Strategy also includes the following which align with our Council priorities:

- Maximising Public Benefit: Aiming to achieve the greatest possible benefit for the community through our procurement activities. This includes embedding sustainability, social value and supporting small/ local businesses.
- Transparency in Communication: Providing clear and accessible information to suppliers about our procurement policies and decisions to foster understanding and fair competition.
- Integrity: Maintaining the highest standards of integrity in all procurement actions and ensuring that our processes are transparent, promoting trust and accountability.

Annex A to the Strategy clarifies what we mean by 'Go Local' which seeks to (where feasible) support local businesses.

The proposal is that the new strategy will be for period up to 31st March 2028.

2. RECOMMENDATIONS

- 2.1. That Finance, Audit and Risk Committee provide comments to Cabinet on the proposed Procurement Strategy (as attached at Appendix A) with a focus on any risk and governance issues.

3. REASONS FOR RECOMMENDATIONS

- 3.1. Having a Procurement Strategy provides a focus for procurement activity and guidance, so that it can support the delivery of Council priorities.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. Do Nothing. We could continue to use the current Procurement Strategy. But that is dated 2023/24 and was intended to be a short-term strategy pending the implementation of the Procurement Act. It was also written before the adoption of the current Council Plan. This is not the most appropriate approach as it would mean that part of the Council's regulatory framework is out of date.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. A report went to the internal informal Political Liaison Board of the Executive and the Leadership team, in July 2025, and it was supported for consideration by Cabinet.

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 20 June 2025.

7. BACKGROUND

- 7.1. We adopted a short-term procurement strategy for 2023/24, which was a continuation of the previous strategy. This was because the t Act was due to implemented. The new Act would require a new set of Contract Procurement Rules. The plan was that a new procurement strategy would then follow.
- 7.2. Following delays to the implementation of the Procurement Act, and it was enacted with effect from 24th February 2025. Full Council agreed the new Contract Procurement rules on 19 September 2024. Whilst this was in advance of the implementation date the adopted changes to the Contract Procedure Rules reflect the statutory provisions as set out in the implemented Act.
- 7.3. The focus of the Procurement Officer has been on creating guidance and templates (to be used by Contract Managers) to support the new Act and the updated Contract Procedure Rules.

8. RELEVANT CONSIDERATIONS

- 8.1. The proposed procurement strategy (as attached at Appendix A) sets out our strategic objectives for procurement and therefore has strong links to our Council Plan. In section 2 it sets out four key aims, i.e.:
- Delivering Value for Money
 - Maximising Public Benefit
 - Transparent in our communication
 - Acting with Integrity
- 8.2. Section 3 then describes in more detail how we will achieve those aims.
- 8.3. Section 6 details how we will measure success.

- 8.4. The remaining sections detail some further aspirations (i.e. commercial innovation, engaging with Small and Medium sized enterprises and engaging Voluntary, Community and Social Enterprises) and how we will seek continuous improvement.
- 8.5. Annex A to the Strategy details how we will look to support local businesses through our Go Local policy.
- 8.6. There will be further annexes and supporting documentation that sits alongside the strategy. These will support Contract Managers with the practical application of the Strategy. These will be developed over the remainder of this year.

9. LEGAL IMPLICATIONS

- 9.1. The Act, effective from 24 February 2025, introduces significant reforms to public procurement processes in the UK. The Act aims to enhance transparency, efficiency and accountability in public procurement. The requirements of the Act have been reflected in the Procurement Strategy. Failure to comply with the procurement laws and regulations, can result in legal challenges, fines and reputational damage.
- 9.2. Cabinet's Terms of Reference at paragraph 5.7.1 state that they will "prepare and implement policies and strategies other than those reserved to Council". As the Procurement Strategy is not reserved to Council (in either sections 4 or 20 of the Constitution) then it is a Cabinet decision.
- 9.3. Finance, Audit and Risk (FAR) Committee's terms of reference include (at paragraph 10.1.5 (u)) to "review any issue referred to it by the Chief Executive, Statutory Officer or Director...". The Director – Resources (Chief Finance Officer) is referring this strategy to FAR as it is felt that they can provide useful input to Cabinet in considering the risk and governance issues related to the Strategy.

10. FINANCIAL IMPLICATIONS

- 10.1. There are no specific financial implications arising from this report. Overall, the Procurement Strategy seeks to develop improved Value for Money.

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 Procurement Strategy aligns what we want to achieve from our procurements with our Council Plan. This helps to manage risk.

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. The Strategy aims to support the Council priority for accessible services and also includes a section setting out our Equality Duty and what we expect from our suppliers.

13. SOCIAL VALUE IMPLICATIONS

- 13.1. The Social Value Act and “go local” requirements do not directly apply to this report. However, this Procurement Strategy supports the delivery of Social Value and looks to reinforce what we mean by “go local”.

14. ENVIRONMENTAL IMPLICATIONS

- 14.1. There are no known direct Environmental impacts or requirements that apply to this Strategy. Although the Procurement Strategy commits to a Green Procurement checklist, that will seek to improve the environmental outcomes from our procurements.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 The delivery of the Procurement Strategy will be supported by the Procurement Officer and Contract Managers. Other Officers (e.g. Climate Change and Sustainability Project Manager, Policy and Strategy) will provide specialist support. The Strategy has been discussed at our Contract and Procurement Group to get feedback on its practical application, which did not identify any issues.

16. APPENDICES

- 16.1 Appendix A - Proposed Procurement Strategy

17. CONTACT OFFICERS

- 17.1 *Ian Couper, Director – Resources, ian.couper@north-herts.gov.uk, ext: 4243*
- 17.2 Rizwan Sarwar, Procurement Officer, rizwan.sarwar@north-herts.gov.uk, ext: 4392
- 17.3 Ellie Hollingsworth, Policy and Strategy Officer, ellie.hollingsworth@north-herts.gov.uk, ext: 4220
- 17.4 Natasha Jindal, Deputy Monitoring Officer, natasha.jindal@north-herts.gov.uk

18. BACKGROUND PAPERS

- 18.1 *Contract Procurement Rules <https://www.north-herts.gov.uk/sites/default/files/2025-05/Section%2020%20-%20Contract%20Procurement%20Rules.pdf>*

North Herts Council Procurement Strategy 2025–2028

1. Introduction

This Procurement Strategy sets out how we will ensure our procurement activity delivers high-quality, value-for-money goods, services, and works that support our Council Plan 2024–2028. Procurement is a key lever in achieving our four core priorities: Thriving Communities, Accessible Services, Responsible Growth, and Sustainability.

This strategy aligns with the Medium-Term Financial Strategy (MTFS), the National Procurement Strategy for Local Government in England (2022), the Council's Contract Procurement Rules (CPRs, Section 20 off the Council's Constitution), and the Procurement Act 2023. It positions procurement as a strategic enabler of transformation, innovation, and community wellbeing.

The Procurement Act 2023 introduces a new public procurement regime across the UK from February 2025. It emphasises transparency, value for money, public benefit, and effective contract delivery, and influences our approach to procedures, notices, supplier evaluation, and contract management.

2. Purpose and Scope

When undertaking procurement, we will:

- **Delivering Value for Money:** Ensuring that each procurement decision maximises the value received from public funds.
- **Maximising Public Benefit:** Aiming to achieve the greatest possible benefit for the community through our procurement activities. This includes embedding sustainability.
- **Transparency in Communication:** Providing clear and accessible information to suppliers about our procurement policies and decisions to foster understanding and fair competition.
- **Integrity:** Maintaining the highest standards of integrity in all procurement actions and ensuring that our processes are transparent, promoting trust and accountability.

We operate a devolved procurement model. Service managers are responsible for procurements within their areas, supported by a central Procurement Officer who provides strategic oversight, templates, guidance, training, and compliance assurance.

This strategy applies to all procurement activity, including capital programmes, revenue-funded purchases, and externally funded projects (grants). It embeds legal compliance, social value, environmental responsibility, commercial thinking, and procurement maturity improvement in all procurement practice.

It also promotes use of the National Procurement Strategy Self-Assessment Toolkit to benchmark our progress and guide improvement.

3. Delivering on our Commitments and Council Plan priorities

3.1 Value for Money

We will deliver on our commitments by:

- Supporting high-quality, inclusive, and accessible service delivery.
- Promoting innovation, efficiency, and income opportunities, e.g. through use of flexible procurement.
- Explore use of joint procurement, although balanced against Go Local.
- Ensure delivery models and business cases fully consider affordability, risk mitigation, and value for money
- Procurement decisions will be made on the basis of whole-life value, balancing cost, quality, risk, and deliverability
- Support for Contract Managers to write specifications that promote inclusive and accessible services.

Ensuring that we deliver Value for Money links to our Council Plan priority for Sustainability (financial). We can also help deliver our Accessible Services priority by incorporating requirements into our contracts.

3.2 Maximising Public Benefit

We will deliver on our commitments by:

- Embedding sustainability (including low-carbon and waste reduction) and net-zero targets in procurements over £100k
- Develop a Green Procurement Checklist in conjunction with the Contract Procurement Group
- Applying a 10% minimum weighting for Social Value in all relevant procurements, including a focus on employment, training and community investment.
- Support for Contract Managers to maximise Social Value benefits when writing procurement documents.
- Annual reporting on delivery of Social Value.
- Annual reporting of carbon savings from procurement.
- Supporting local businesses, SMEs, and VCSEs via a Go Local policy (see Annex A).
- Relevant contracts will include KPIs related to customer access and feedback
- Require the use of ethical supply chains.

Our commitments in relation to Social Value can support our Council Plan priorities for Thriving Communities, Responsible Growth and Sustainability (environmental). This will depend on the Social Value offered by successful contractors. This is in addition to any Sustainability (environmental) that is directly incorporated into contracts, supported by a Green Procurement checklist. As a public sector organisation, the Council are also required by the Public Sector Equality Duty to eliminate discrimination, harassment, victimisation and advance the equality of opportunity between people who share a

protected characteristic (age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, pregnancy and maternity, and marriage). This obligation also supports the Council's broader efforts to prevent Violence against Women and Girls (VAWG) through a Safety Charter and its accreditation to the White Ribbon campaign that seeks to foster a culture of respect and equality within the workplace and broader community. There is an expectation that potential suppliers will support the Council's stance on equality, diversity and inclusion and the reduction of gender-based violence by promoting respectful workplace cultures and practices.

Supporting local business and employment supports our Responsible Growth priority.

KPIs relate to customer access will help to ensure the delivery of Accessible Services.

3.3 Transparency, Communication and Integrity

We will deliver on our commitments by:

- Enhance transparency in line with the Local Government Transparency Code
- Improve procurement maturity using the National Procurement Strategy Toolkit
- Using data and feedback to improve how we engage the market, manage suppliers, and build capability.
- Provide SME-friendly quote packs and standardised simplified documentation
- Consider use of supplier Q&A sessions
- Conflict of interest declarations and assessments required for all contracts above £100k.
- Waivers and direct awards follow formal sign-off procedures

4. Procurement maturity

In addition to the above we will also aim to improve our procurement maturity. Some of the specific themes and actions in relation to that ambition are:

4.1 Commercial Procurement and Innovation

Procurement supports innovation and commercial thinking by identifying opportunities to reduce cost, increase efficiency, and generate income.

How we will deliver this:

- Provide flexible procurement documents that allow innovation
- Deliver commercial awareness training to service managers and contract managers
- Explore joint procurement opportunities with neighbouring councils

4.2 SME (Small and Medium-sized Enterprises) and VCSE (Voluntary, Community and Social Enterprises) Engagement

The Council will support SMEs and VCSEs by reducing entry barriers and ensuring transparent, proportionate processes.

How we will deliver this:

- Publish a live procurement pipeline
- Provide SME-friendly quote packs and standardised simplified documentation
- Hold supplier Q&A sessions and provide guidance via the Procurement Officer

5. Governance and Accountability

All procurement must align with the principles, procedures, and transparency requirements of the Procurement Act 2023, including use of standardised notices and compliance with new thresholds and competitive procedures.

In addition, they will comply with the Council's CPRs and Constitution. Contract managers are accountable for their activity; the Procurement Officer provides assurance and support.

- Templates and checklists are mandatory
- Conflict of interest declarations and assessments required for all evaluations above £100k.
- Contract Procurement Group will review high-value procurements and oversee pipeline planning
- Waivers and direct awards must follow formal sign-off procedures

6. Measuring Success

Key performance indicators:

- % spend with local suppliers
- % of spend with SMEs, and VCSEs
- Carbon savings achieved through procurement
- Value of Social Value achieved (Social Value Portal) and assessment of Social Value achieved for lower value procurements.
- Procurement maturity level measured using the National Procurement Strategy (NPS) Toolkit
- Training completion
- Monitoring CPR compliance and audit outcomes, and learning lessons from those findings

7. Continuous Improvement

The strategy will be reviewed annually and updated in response to:

- Legal or policy changes
- Market developments
- Internal audit findings

- National benchmarking or peer reviews

Annual self-assessment against the NPS Toolkit will guide training, supplier engagement, and process development.

Annex A- Go Local Policy

1. What is this policy for?

This policy helps North Herts Council support local jobs and businesses by encouraging officers to prioritise suppliers who operate from within the district. It keeps the process simple and practical for everyday use - especially when getting quotes or awarding contracts under £100,000. This is part of the Council priority for Responsible Growth.

2. What is a local business?

- **North Herts business:** A business that is based solely in North Herts or has its main physical business presence (e.g. office, depot, premises) in the district.
- **Strong North Herts presence:** A business that has a significant physical presence in North Herts (e.g. a permanent site, office or satellite premises) and offers local employment.

3. When do we use this?

- Use this policy for all contracts and quotes under £100,000.
- Applies to formal tenders and informal quote exercises.

4. What do officers need to do?

- Where required to only get one quote (under £10k for Goods and Services, under £25k for Works) then use a local business wherever possible. Value for Money should still be considered, but the value of local business must form part of that.
- Try to include at least one local supplier in your quotes.
- Ask all suppliers if they are a Local Business (this will be included in the quotation pack)
- When comparing suppliers, make it clear that this is part of your evaluation criteria. 2 points will be awarded for suppliers that meet the definition of a North Herts business. 1 point will be awarded for suppliers that meet the definition of having a strong North Herts presence.

FINANCE, AUDIT AND RISK COMMITTEE 12 NOVEMBER 2025

*PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: MEDIUM TERM FINANCIAL STRATEGY 2026-30

REPORT OF: *Director: Resources*

EXECUTIVE MEMBER: *Resources*

COUNCIL PRIORITY: SUSTAINABILITY

1. EXECUTIVE SUMMARY

This report recommends the Medium-Term Financial Strategy (MTFS) for 2026/27 to 2029/30 to guide and inform the Council's Business Planning Process. The four year period of the MTFS reflects the timelines related to Local Government Reorganisation.

The MTFS details a high level of uncertainty in our future funding, but that this should be resolved by the end of December. There will need to an adapt as we go through the budget setting process.

The MTFS supports and is supported by the Council Plan. This reflects that the Council can only deliver priorities and projects that it can afford and should prioritise its spending around delivering its priorities.

2. RECOMMENDATIONS

- 2.1. That Finance, Audit and Risk Committee note and comment to Cabinet on the Medium Term Financial Strategy, as attached at Appendix A.

3. REASONS FOR RECOMMENDATIONS

- 3.1 Adoption of a Medium Term Financial Strategy (MTFS) and communication of its contents will assist in the process of forward planning the use of Council resources and in budget setting for 2026/2027 onwards, culminating in the setting of the Council Tax precept for 2026/27 in February 2026. Alongside the Council Plan, this will support the Council in setting a budget that is affordable and aligned to Council priorities.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The Council needs to have a strategy for setting its budget to ensure that it meets its statutory duty to set a balanced budget over the medium term, and ensure that spend is prioritised towards delivering statutory services and its strategic aims (as set out in the Council Plan).

- 4.2 In line with the Financial Management Code (published by the Chartered Institute of Public Finance and Accountancy), the Council aspires to set a longer-term financial strategy (e.g. 10 years) that considers the various risks and plans scenarios to deal with them. However, this MTFS deliberately takes a shorter-term view, which reflects the impact of Local Government Reorganisation (LGR). The LGR timelines would mean that this Council would no longer exist from April 2028, but we need to consider the impact of our financial position on the successor Authority.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 The Executive Member for Resources has been consulted in developing this Strategy.
- 5.2 No direct external consultation has been undertaken in the preparation of this report. However, over the Summer, we did a budget survey. The results of that consultation will be considered as part of the budget setting process. A brief summary is included in Appendix A.
- 5.3 As in previous years, Member workshops are being held in November to discuss budget proposals and priorities in advance of them being considered by Cabinet. Due to the intentional delay to preparing this MTFS, those workshops also took place prior to this report being considered.

6. FORWARD PLAN

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

7. BACKGROUND

- 7.1 The Council is required to set a balanced budget each year. This can include using reserves if this is affordable over the medium term. The Council therefore sets a Medium Term Financial Strategy each year to help determine the approach that it will take to setting the detailed budget for the following year. This explains why the period of the MTFS is different to the period covered by the Council Plan. However they strongly align in terms of the actions required to deliver a medium-term balanced budget.

8. RELEVANT CONSIDERATIONS

- 8.1 The Medium Term Financial Strategy (MTFS) is attached as Appendix A. It details the uncertainties and assumptions used to estimate our future finances. It notes that the high uncertainty over our future funding will be resolved by the end of December. This means that there will be a need to adapt as go through the budget setting process.
- 8.2 Our reserves can be used in a managed way to support the implementation of savings required. But they can not be used in the medium term without a plan to achieve a balanced budget.
- 8.3 Council will be asked to approve the wording of the MTFS (as per Appendix A). The Communications Team will then work on improving the presentation (e.g. images, colour) prior to it being published on our website.

9. LEGAL IMPLICATIONS

- 9.1 Finance, Audit and Risk Committee's Terms of Reference include at 10.1.5 (b) "[t]o review and recommend the Medium Term Financial Strategy to Cabinet (including, although not limited to consideration of associated procedures, policies and process)".
- 9.2 Cabinet's terms of reference include at 5.7.38 the power, by recommendation "to advise the Council in the formulation of those policies within the Council's terms of reference". Council's terms of reference include at 4.4.1(b) "approving or adopting the budget". The MTFS is part of the budget setting process. Paragraph 2.7 of the Council's Financial Regulations (Section 19 of the Constitution) details that "[t]he Medium Term Financial Strategy ... require[s] approval by Full Council".
- 9.3 Councillors are reminded of the requirement, under section 30 of the Local Government Finance Act 1992, to set a balanced budget prior to the commencement of the financial year in question; and also that the Local Government Act 2003 requires the Chief Finance Officer to report on the robustness of estimates and the adequacy of reserves allowed for in the budget.

10. FINANCIAL IMPLICATIONS

- 10.1 Revenue financial implications are covered in Appendix A.
- 10.2 The main purpose of the Medium Term Financial Strategy is to consider the revenue funding, income and expenditure for the Council. This includes considering the revenue implications of capital expenditure.

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 key risks within the budget assumptions are referred to in Appendix A.
- 11.3 There are financial and reputational risks involved in arriving at a balanced budget against the uncertainty surrounding levels of government funding. We seek to mitigate the risks through the use of the established corporate business planning process and early involvement of members in the process.

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 The MTFS attempts to align resources to the delivery of the Council Plan, which sets the corporate objectives. Through its corporate objectives the Council is seeking to address equality implications in the services it provides and through the remainder of the

Corporate Business Planning Process will carry out Equalities Impact Assessments for relevant efficiency or investment options.

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 directly apply to this report.
- 14.2. The MTFS attempts to align resources to the delivery of the Council Plan, which sets the corporate objectives. Through its corporate objectives the Council is seeking to address the impacts of climate change in the services it provides and through the remainder of the Corporate Business Planning Process will carry out Environmental Impact Assessments for relevant efficiency or investment options.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1. The MTFS makes assumptions in relation to pay inflation. As the actual rate of inflation will be subject to national pay bargaining, the actual costs will depend on the results of those negotiations. The budget also makes assumptions around funding for increments. Whilst the MTFS references our pay competitiveness, the budget does not currently make any allowance for any costs that could be incurred in addressing this (e.g. pay increases above inflation).
- 14.2. The delivery of projects to deliver council objectives depends on having adequate people resources with the requisite skills.
- 14.3. The development of budget proposals will take up staff time. As they are developed these budget proposals will identify the ongoing impact on staff.

16. APPENDICES

- 16.1. Appendix A- Medium Term Financial Strategy 2026-30

17. CONTACT OFFICERS

- 17.1. Ian Couper, Service Director: Resources ian.couper@north-herts.gov.uk; ext 4243
- 17.2. Antonio Ciampa, Accountancy Manager Antonio.ciampa@north-herts.gov.uk, ext 4566
- 17.3. Natasha Jindal, Deputy Monitoring Officer, natasha.jindal@north-herts.gov.uk
- 17.4. Ellie Hollingsworth, Policy and Strategy Officer, ellie.hollingsworth@north-herts.gov.uk, ext: 4220

18. BACKGROUND PAPERS

- 18.1. None

North Herts Council

Medium Term Financial Strategy
2026-30

Purpose of the Strategy

This strategy sits alongside the Council Plan. It sets out our financial forecasts over the next five years and how we will manage the funding that we think we will have available, to deliver as much as we can, in line with our priorities.

Our Council Plan covers the period until the next set of Council elections, so is from 2024-28. It is good practice for a financial strategy to take a longer-term focus, usually at least 5 years. The Government has announced a plan for Local Government Reorganisation (LGR), which would see this Council cease to exist from 1st April 2028. We would be replaced by a Unitary Council (combining District and County Council services) over a wider (yet to be determined) geographical area. This means that more focus is put on the period up to 31st March 2027 but maintaining a longer-term view over 2 years beyond then (up until the end of 2029/30) to assess any impacts that our finances would have on our successor Council. It also provides coverage in case of any delay to the LGR timelines.

For the period of overlap with the Council Plan, the intention is that the two documents are aligned.

Delivering our Vision and Priorities

Our vision and priorities are set out in detail in our Council Plan.

Our vision is “working with you for a fairer, greener North Herts.

To support that our priorities are Thriving Communities, Accessible Services, Responsible Growth and Sustainability.

Most of the money that we spend is on delivering statutory services (about two thirds of our net spend). We will always look to deliver these services in line with our priorities. Even as our funding has continued to reduce, we have tried to maintain our ability to offer discretionary services that are linked to our priorities. Our forecasts include scenarios where we will need to further reduce our costs in the future. This would mean that difficult decisions will need to be taken. If faced with that choice, we will make those decisions in line with our priorities, and taking into account what residents told us in the budget survey.

Our Council Plan includes our ambitions for North Herts. Some of the ideas may be dependent on identifying funding or developing a sustainable business case.

Future funding

We have delayed this strategy to try and base it on increased certainty over our future funding. But at the time of writing this, we do not yet have that certainty.

Over the summer, Government consulted on a new funding formula for Local Government. This is known as Fair Funding 2.0.

Some of the aims of the Fair Funding review are:

- Multi-year settlements to support planning for the future (initially 3 years from 2026/27 to 2028/29).
- Fewer funding streams, especially those that require a bidding process.
- Better targeting of money where it is needed, including a focus on deprivation and prevention.
- Reflecting the relative costs of delivering services in different areas.
- Adjusting the funding needed by the ability to raise Council Tax.

The overall process for setting Government funding (which includes the Business Rates that can be retained) is set out below:



The consultation document did not provide any indicative allocations but provided information that meant that experts in the field of Local Government finance could estimate the impact. Those experts were also able to have discussions with officials at the Ministry for Housing, Communities and Local Government to provide verification. We commissioned information from LG Futures to support our response to the consultation. Through their work supporting all Hertfordshire Councils on LGR, we also now have access to forecasts from another company, Pixel. Initial indications (from those that had seen the results from both) were that there was a significant difference between the LG Futures and Pixel models. But looking at the results for North Herts, the differences are not that significant. The LG Futures model allows us to easily see the impact of changing assumptions which were specifically stated as being subject to consultation. By far the most significant one of these is whether social care grants are treated as part of the general funding pot to be allocated or kept outside to be allocated on a more specific social care formula. Making it part of the overall funding pot means that we get a very small share of it. But as it is such a large amount of grant, that very small share is significant.

This table shows the relative difference in funding that the Social Care assumption could make:

Estimated Government Funding (including retained Business Rate baseline) £m	2026/27	2027/28	2028/29
With Social Care in baseline	6.51	7.00	7.46
Without Social Care in baseline	5.64	5.26	4.86
Difference	(0.87)	(1.74)	(2.60)

The Fair Funding Review does not affect the Council Tax we can raise. The expectation is that the cap will be retained at up to 3% without a local referendum. Our Council Tax income is also affected by growth in properties in the district, the impact of our Council Tax reduction scheme (CTRS) and our collection rate. Based on the latest data our Council Tax base (which includes property growth and CTRS impacts) is slightly up on our previous forecasts. We would retain our collection rate (how much of the Council Tax we are owed ultimately gets paid) at 99%.

As part of Simpler Recycling, Government require that all Councils collect food waste on a weekly basis from April 2026. Whilst we already collect food waste weekly, it is still a new burden, and we have previously expected that we would receive additional funding for the ongoing cost. Our forecasts will now assume that this be contained within the Fair Funding outcomes.

For 2025/26 we have guaranteed income of £1.435 million in relation to Extended Producer Responsibility (EPR). EPR is where producers have to pay for the cost of collection and disposal of packaging material. The funding is then passed on to Councils. This means that the cost of packaging materials should be borne by the end customers of those goods (through slightly higher prices) rather than the general Council taxpayer. The latest forecast for the amount we will receive in 2025/26 is about £300k more than the guaranteed amount, although half of that increase relates to being recompensed for the costs of taking part in a flexible plastic collection trial. The EPR funding is not within the scope of the Fair Funding formula. The aim of EPR is to encourage reductions in packaging waste so over time the payments we receive should slowly decrease. Reductions in packaging waste that needs to be collected will not reduce our costs as collection costs are priced based on number of households, not volumes collected. It is possible that net costs could go up as some of the recyclable material that we collect generate an income, which is linked to volumes. We will need to forecast how much our EPR payments will be in future years. We will base this on a 20% reduction each year.

We are expecting a policy statement on Fair Funding soon. It is unlikely to give us any actual funding amounts. It may provide more information that would allow the Local Government funding experts to further refine their models. The provisional Local Government finance settlement will be announced in mid-December. At that point we will know what our funding will be for the next 3 years.

Our previous funding forecasts

Our current year (2025/26) budget includes the following funding forecasts for future years:

Funding by source by year, amounts in £m	2026/27	2027/28	2028/29	2029/30
Council Tax	14.09	14.58	15.10	15.63
Government Grant and retained Business Rates	4.42	3.93	3.42	2.89
Extended Producer Responsibility	1.44	1.44	1.44	1.44
Council Tax Support to Parishes	(0.04)	(0.04)	(0.04)	(0.04)
Net Total	19.91	19.91	19.91	19.91
Add: Temporary Accommodation element of Homeless Prevention Grant *	0.37	0.37	0.37	0.37
Revised Total	20.28	20.28	20.28	20.28

* This grant is added in as expected that it will form part of base funding in the Fair Funding formula, so means the total will be comparable to Fair Funding estimates.

Revising our funding forecasts

The table below assumes the following:

- Council Tax income to be based on the latest tax base with a 0.99% collection rate, with 0.5% annual tax base growth and 2.99% rate increases. The tax base growth is a net figure as some of the growth will be used to fund the additional costs of the new properties (e.g. waste collection).
- EPR at the 2025/26 guaranteed level with a 20% decrease per year.
- Any previously announced New Burdens funding will be rolled in to Fair Funding (including Simpler Recycling).
- We will continue to budget for Business Rates at the baseline level, i.e. do not assume any growth (noting that growth will be less likely as the baseline level will be reset).
- Provide a range for Fair Funding based on whether Social Care grants are included or excluded.
- Amounts to grow by inflation at 2% for 2029/30.
- For now, assume that Council Tax support to parishes continues, although a choice could be taken to provide notice that this will cease.

Funding by source by year, amounts in £m	2026/27	2027/28	2028/29	2029/30
Council Tax	14.15	14.65	15.16	15.69
Fair Funding impact (including Temporary Accommodation element of Homeless Prevention Grant)	5.64 to 6.51	5.26 to 7.00	4.86 to 7.46	4.96 to 7.61
Extended Producer Responsibility	1.15	0.92	0.74	0.59
Council Support to Parishes	(0.04)	(0.04)	(0.04)	(0.04)
Total	20.90 to 21.77	20.79 to 22.53	20.72 to 23.32	21.20 to 23.85

Our General Fund reserves

Our latest forecast (Quarter 1 Revenue Monitoring report) is that our General Fund balance at 31st March 2026 will be £14.8 million. That involves using £1.27 million of our General Fund during 2025/26 to support our revenue spend, alongside £2.86 million of other reserves. That reflects a combination of spend that has been carried forward from previous years, as well as an underlying budget gap. The underlying budget gap is from wanting greater certainty over our future funding before committing to significant budget reductions.

As detailed in the year end revenue monitor for 2024/25, the gain on Business Rates from the release of provisions at the end of 2024/25 is expected to be received in 2026/27. The release of provisions helped the Council achieve a surplus over previous estimates for the year of £2.3million. In addition, the pooling gain

from the Council being part of a Business Rates Pool in 2024/25 meant that the Council was able to retain £1.5million more of this surplus than if the Council had been outside the Pool. The pooling gain reduced the transfer required to the General Fund to cover the cost of the business rates levy from the business rates grant held in earmarked reserve, the balance of which can be used to help balance the budget.

We are required to make sure that we have a certain level of reserves when we set our budget. This is to provide protection against known and unknown risks. This includes us being able to react to changes in demand and any emergencies that may arise. Our allowance of known risks is based on estimating the monetary impact of an event happening and applying a percentage to this, based on the likelihood of it happening (high, medium or low). Our allowance for unknown risks is based on 5% of net expenditure and 3% of budgeted income (excluding Housing Benefit). For 2025/26 this gave a minimum balance of £2.6m. It is assumed that there will need to be some growth in this minimum level to reflect inflation, so a minimum of £3m will be assumed. Our reserves are well above this minimum recommended level, and even more so when the extra Business Rates gains are added in.

Revenue and Capital spend

Revenue is what we spend on day-to-day activities. It includes staffing and payments to suppliers to deliver services. It also includes income from fees and charges where the user pays for some or all of the cost of the service. This strategy is mainly focused on revenue spend.

Capital is what we spend on the buying, creating and maintaining our assets. Assets are things that can be used for more than one year, and include land, buildings and vehicles.

Most of our funding is revenue and can be used for either revenue or capital spend.

Where we sell surplus assets we receive a capital receipt and that funding can only be used to fund new capital spend. We are not expecting any large capital receipts and are expecting that we will need to reduce our forecasts (compared with last year's budget) as we go through the detailed budget setting process. We also sometimes get capital grants, that can only be used for capital spend.

There are revenue costs that are linked to capital spend. We have moved to a position where we have a need to borrow to fund our capital programme, as we have used up all our capital reserves. This is a normal position for Councils to be in, and there are provisions that allow us to borrow to fund capital spend. We cannot borrow money to fund revenue spend. When we set our Treasury Strategy as part of the 2026/27 budget we will need to determine if are going to use internal or external borrowing. It is likely that we will continue with our current approach of borrowing internally. This means that we use the cash that we hold to fund capital spend. The costs of capital spend then come from the lost interest that we would have earned from investing that cash and the need to charge a Minimum Revenue Provision (MRP). In essence, the MRP spreads the cost of a capital asset over its expected useful life. For the purposes of this Medium-Term Financial Strategy, we assume that there will be no significant changes in treasury or MRP costs compared to those included in the 2025/26 budget forecasts. This is partly based on there being no defined proposals for significant increases in capital spend. This will be reviewed as part of the detailed work in setting the 2026/27 budget.

Our revenue budget forecasts for 2026/27 onwards

The revenue budget that was set by Council in February 2025 included the forecasts below for net spend in 2026/27 onwards. This excludes the savings that were marked as tbc and therefore had not been identified. It includes the addition of the Community Safety Officer post that was agreed at the budget meeting.

Amounts in £m	2026/27	2027/28	2028/29	2029/30
Forecast spend	22.40	22.71	22.70	22.77

As part of setting the 2026/27 this will be fully reviewed. But as part of updating this strategy the following assumptions are considered/ updated.

Temporary Accommodation element of Homeless Prevention Grant

The Temporary Accommodation element of the Homeless Prevention Grant has been a specific grant, and therefore netted off against the expenditure in that service area. As detailed above the intention is that this grant will be rolled in to general funding. So the service budget will need to be increased to reflect the loss of direct grant funding. This is a pressure of £370k each year.

Budget monitoring updates

Since the budget was set in February 2026, we have had budget monitoring reports for Q3 2024/25, end of year 2024/25 and Q1 2025/26. These reports identified the following ongoing budget impacts:

Amounts in £m	Estimated ongoing impact (excluding carry-forwards)
Q3 2024/25 report	0.076
End of year 2024/25 report	(0.361)
Q1 2025/26 report	0.314
Total impact	0.029

Inflation and cost of living impacts

In August the Bank of England Monetary Policy Committee cut the UK interest rate to 4% (from 4.25%). Whilst the current rate of inflation is above the 2% target, the Committee's report forecasts that inflation will drop to the 2% target during 2027. It is then forecast to stay at that level.

Pay inflation and pay competitiveness

The pay claim for 2025/26 was agreed at 3.2%. The NJC Trade Unions have not yet submitted a pay claim for 2026/27. Our current forecasts are based on 2% pay inflation from 2026/27 onwards. It is proposed that this assumption is changed to 3% for 2026/27 and 2027/28. This is to reflect that:

- General inflation will remain above the 2% target over that period.
- Increases in the National Living Wage are likely to create pressure on our pay levels. This will have the greatest impact on those at the bottom of the pay scales, but we have to be mindful on maintaining pay differentials.
- There have been periods of below inflation pay rises in Local Government, which the Unions will seek to try and address.

We have started work on assessing our pay competitiveness against our Councils. This uses an LGA pay benchmarking tool, but it has been difficult to ensure that we are getting like for like comparisons. Jobs between different Councils will never be exactly the same, but it is important to try and get the best matches. It is hoped that a recent improvement to the tool will allow us to make more progress. Any decision on pay increases that fall outside the NJC process, would need to consider affordability and any constraints from the LGR process. For the purposes of this strategy, an additional pay increase will not be assumed. We will still continue to work on promoting our non-pay benefits.

Contracted services inflation

Our contracts have a mix of inflation increases built into them. Some of our larger contracts use a basket of inflation indicators. Others will just be linked to general inflation. It is proposed that 3.8% inflation is assumed for 2026/27 (current CPI, August 2025 value), then 3% for 2027/28 and then 2% thereafter. For those contracts that have more specific inflationary measures, it is assumed that over time these will be strongly aligned to general inflation.

Increases in fees and charges, and impact on demand/ability to pay

It has previously been decided that parking charges should be modelled on assuming a 2% increase each year. That is not a target increase, and actual increases will need to consider managing demand, cost of provision, encouraging modal shift away from private car use and supporting the vitality of town centres. This assumption of a 2% increase will be retained. The work on annual uplifts has now been brought forward so that they will be applied from April each year.

Garden waste went back to being an annual charge from April 2025 onwards. This was set at £55 for 2025/26. For this purpose of this strategy, it is assumed that it will increase in line with inflation (i.e. 3.8% for 2026/27, 3% for 2027/28 and then 2% thereafter) but rounded to the nearest pound. The decision on the charge will be taken by Cabinet. It is assumed we will continue with having a concessionary discount for those that are less able to pay.

We have seen a drop in the number of trade waste and recycling customers, but projected income is still in line with budget. Therefore, it is currently assumed that the overall market can bear an increase in costs in line with inflation. This may be from selling additional recycling services. This will be reviewed prior to April each year by reviewing market conditions, and actual increases may be higher or lower.

Where fees and charges are set by regulation (e.g. planning fees) then the Council will set charges in line with those regulations. The assumption is that any ancillary charges will be increased in line with increases in general fees and charges.

All other fees and charges provide a relatively low amount of income. The target is that these fees and charges should recover the full cost of provision. Costs of provision are generally likely to increase with pay inflation. Therefore, the assumption will be that prices should increase in line with pay inflation estimates.

Our current assumption is that increases at these levels would not affect demand. For most of our services we seek payment in advance of receiving the service, so we are also not expecting an increase in levels of overdue debt.

Eligibility for Council Tax Reduction Scheme

The Council Tax Reduction Scheme (CTRS) determines who is eligible for a discount on their Council Tax bill. For pensioners there is a mandatory scheme set by Government. For working age residents, we can determine how any discounts are determined.

We moved to a banded scheme for working-age CTRS eligibility in April 2023. During the first year (2023/24) this resulted in an increase in the total value of support that was being provided. Since then the value of support has stabilised. The cost of CTRS is reflected through changes in the tax base as it reduces the number of properties eligible to pay Council Tax. It is assumed that there will not be any further impact on the tax base from CTRS. Following some work by Marie Curie, we plan to look at helping those in poverty with a terminal illness. Our current expectation is that this can be covered through our existing discretionary support. All these assumptions will be kept under review as CTRS eligibility is uncertain.

Pension costs

The latest triennial valuation (for March 2022) was completed before the 2022/23 budget was set. That valuation set our pension contribution rates for the three years up until 2025/26. Current forecasts for 2026/27 onwards are also based on that valuation. We expect to get our funding results by December, which will set our contribution rates for the next three years (2026/27 to 2028/29). We will update the forecasts when we have these. Indications have been that we could see a decrease in these costs.

The adoption of the Council's Local Plan means that there will be large new developments in the District. The precise timing of these developments is not known, and may be affected by the impacts of continuing high interest rates.

As these sites go through the planning process, they will generate significant planning income. Some of the capacity to deliver these has already been included in previous staffing growth bids. There will also be additional internal and external resource required. Where possible, the cost of short term external resources, and to a limited extent the internal resources, will be met through Planning Performance Agreements. However, these are voluntary agreements and cannot be required. The forecast cost of longer-term internal resources is forecast to be less than the additional income generated.

We will attempt to develop a prudent estimate of additional planning income over the next 4 years. This will reflect that the income is only earned when the application is determined, and not when we initially receive the fee income. Where there are over-achievements in early years, these will be put into a central reserve to enable the smoothing of any shortfalls in later years. When prudent, any balance in the reserve will be released back to the General Fund. The reserve will not be used to directly fund additional planning expenditure. There will be a need for additional resource in the medium-term, but this will be covered through the normal budget process.

Capacity to deliver our priorities

Our Council Plan sets out our vision and priorities for 2024-28. The Council Plan will continue to be supported by our Council Delivery Plan.

The projects in the Council Delivery Plan for 2025/26 have been subject to prioritisation, and there are fewer of them. However there are still risks around delivery, particularly in relation to finances and Officer capacity. This is part of the reason why the Council Delivery Plan is reviewed on a quarterly basis by Overview and Scrutiny and Cabinet.

The table below details those projects that are in the current Council Delivery Plan (as reported to Cabinet in September 2025) and any further projects specifically referenced in the Council Plan. The table shows the financial implications of those projects in 2026/27 onwards:

Project	Resources
Churchgate area regeneration	The current spend to get to a viable scheme is being funded from the income generated by the current Churchgate leases and additional approved budget. Project Management is from the Enterprise Team, with specific support from a part-time project manager. Ultimately it is expected that a significant capital budget will be required, but not yet at a stage where this can be quantified.
Waste and street cleansing contract	Expected to be completed in 2025/26.
Public Sector Decarbonisation Scheme- Leisure Centres	Revenue and capital budgets have been agreed and are monitored regularly. Project management from the Leisure and Active Communities Manager with some additional external support. Expected to be substantially completed in 2025/26.
Decarbonisation of Council Buildings Phase 2	Capital budget approved. The impact on ongoing running costs will be refined throughout the project. Project Management from Climate Change and Sustainability Project Manager.
Engaging the community on our finances and how we spend our money	Focus of the project is on making decisions in relation to our budget. There are no direct financial implications. Project Management from Director- Resources.
Local Plan Review	Assumed that this will be delivered from existing resources, including use of specific reserves. Project Management from the Strategic Planning Team.
Digital Transformation	Staffing resource is coming from Customer Services and IT. The projects may deliver some net savings, alongside process improvements for customers and staff. As the amount is uncertain these are not budgeted for at this stage.
Pay on exit parking	Expected to be completed in 2025/26.
Engaging the community on our finances and how we spend our money	Expecting to deliver from existing staff resources and using existing Council communication tools. Being led by Communications and Finance teams.
King George V Skate Park	Expected to be completed in 2025/26.
Oughtonhead Weir	Expected to be completed in 2025/26.
Town Centre Strategies	Assumed that this will be delivered from existing resources, including use of specific reserves. Project Management from Strategic Planning Projects Team..
Residential/ Public EV charging	Expected to be completed in 2025/26.
Achieving net zero Carbon emissions	Our leisure centres make up around 45% of our scope 1-3 emissions. The Public Sector Decarbonisation Scheme therefore supports significant progress towards net zero. Within the new waste contract, all vehicles under 7.5 tonnes will be electric. We have budget provision for using HVO fuel in the larger waste vehicles. The phase 2 decarbonisation budget includes the Town Hall and Museum, North Herts Learner Pool and District Council Offices. There are not currently any other specific capital budgets allocated for carbon improvements. There is also no budget allocated for off-setting costs.
Local Government Reorganisation	This has been very resource intensive in supporting the development of the options proposal document, alongside the consultant support. It is expected that this will continue and likely to need additional resource in key support areas (e.g. IT and HR). The initial funding from Government has all been used. There will need to be additional budget allocated as part of the 2026/27 budget process, although this will be time-limited.

Projects are generally managed by relevant Officers, in addition to their core role. This creates the potential for delays.

There is not currently any resource allocated for any new projects that are not listed above.

Our future spend forecasts and resultant budget gap

Bringing together the above assumptions gives the following spend forecasts over the next 4 years. This is then compared with the estimated range of funding for each year to give a forecast funding gap.

Amounts in £m	2026/27	2027/28	2028/29	2029/30
Forecast spend from 2025/26 budget	22.40	22.71	22.70	22.77
Temporary Accommodation Grant	0.37	0.37	0.37	0.37
Budget monitoring impacts	0.03	0.03	0.03	0.03
Change in pay inflation	0.40	0.80	0.80	0.80
Change in contract inflation	0.30	0.60	0.60	0.60
Change in fees and charges inflation	(0.20)	(0.40)	(0.40)	(0.40)
Revised forecast spend	23.30	24.11	24.10	24.17
Forecast funding range	20.90 to 21.77	20.79 to 22.53	20.72 to 23.32	21.20 to 23.85
Forecast budget gap	1.53 to 2.40	1.58 to 3.32	0.78 to 3.38	0.32 to 2.97

Addressing our funding gap

The table above shows that our financial position will be highly dependent on the outcome of the Fair Funding review. In 2028/29 the budget gap could be as low as around £0.8million, but could be as high as around £3.4million. Note that these are only estimates and the outcome of the Fair Funding review could be outside of the range that has been presented. The funding from Extended Producer Responsibility is only an estimate. On the expenditure side this is currently only a high level assessment, which will be refined as we go through the budget process.

It is difficult to commit to a package of savings to address the higher funding gap, when the lower funding gap is so much smaller. As a result of the level of savings we have delivered previously, most of the efficiency savings have been taken and remaining savings are likely to require changes to service levels.

What do we mean by savings?

We refer to the likely need for savings to balance our budget. Savings could mean any of the following:

- Being able to deliver our existing services at a lower cost. The use of technology and automation may enable to do this in some areas. But generally, the savings that we have delivered across a number of years have been through efficiencies, meaning that there are fewer opportunities left.
- Being able to generate additional income from services that we are able to charge for, less any costs in providing that additional level of service.
- Being able to generate income from commercial activities. The opportunities to do this are limited by economic conditions and government policy. We also need to make sure that these activities are in line with our priorities.
- As capital expenditure comes with a revenue cost, reviewing our capital programme to ensure it reflects priorities and is deliverable.
- Reducing the level of services that we provide, or no longer providing services that we are not required to provide. Whilst we would always want to avoid this, we have to consider the overall sustainability of our Council.

Over June and July, we asked residents to help us shape our future budget decision-making by sharing their thoughts on the services they value and their future priorities via our first-ever budget consultation.

The aim of the consultation was to gauge residents' views and use the findings to aid our decision-making rather than make any concrete decisions on future services. The consultation focused on those services which are paid for through our general funding rather than those that are fully covered by fees and charges.

559 residents responded who told us their top five services in terms of importance to them were: 1) Waste collection & recycling; 2) Parks and greenspaces; 3) Street cleaning; 4) Community safety and environmental crime; and 5) Environment health. In terms of their thoughts on balancing our future budgets, they told us that they would rather we find ways new ways to fund our existing services rather than reduce the frequency or quality of the services we provide. We will use the results from this survey when we consider savings options.

We have a high level of reserves, which in the short-term can be used to help balance the budget whilst we develop and deliver savings proposals. This is not a medium-term solution, as we have a legal requirement to set a balanced medium-term budget. We also should not see Local Government Reorganisation (LGR) as a barrier to this as it is due to take place within that medium-term time horizon. We should have an implementable plan to deliver a balanced budget. Where savings are required, some of those may need to be delivered after LGR, but they are a viable option for a new Unitary Council to adopt.

Our level of reserves means that we have some financial capacity to:

- Deliver required savings in a way that seeks to manage the impact on our residents.
- Provide additional short-term resource to support the LGR process- both internally and contributions to work across Hertfordshire.
- Ensure that key projects are progressed, especially where there is an advantage to that happening in advance of LGR.

The above is dependent on having a plan that achieves a balanced budget. Ongoing costs and any potential redundancy costs (including where they will fall on the new Unitary Authority) must be fully considered, and avoided as much as possible.