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NORTH HERTFORDSHIRE DISTRICT COUNCIL

2 February 2026

Our Ref	Finance, Audit and Risk Committee 10 February 2026
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To: Members of the Committee Councillors: Vijaiya Poopalasingham (Chair), Sarah Lucas (Vice-Chair), Ruth Brown, Dominic Griffiths, Steven Patmore, Paul Ward, Stewart Willoughby and Daniel Wright-Mason

Substitute Councillors: Cathy Brownjohn, Sam Collins, Ralph Muncer, Matt Barnes and David Barnard

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, GERNON ROAD, LETCHWORTH, HERTS, SG6 3JF

On

TUESDAY, 10TH FEBRUARY, 2026 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 - 7 JANUARY 2026** To take as read and approve as a true record the minutes of the meeting of the Committee held on the 7 January 2026.	(Pages 5 - 16)
3.	**NOTIFICATION OF OTHER BUSINESS** Members should notify the Chair of other business which they wish to be discussed at the end of either Part I or Part II business set out in the agenda. They must state the circumstances which they consider justify the business being considered as a matter of urgency. The Chair will decide whether any item(s) raised will be considered.	
4.	**CHAIR'S ANNOUNCEMENTS** Members are reminded that any declarations of interest in respect of any business set out in the agenda, should be declared as either a Disclosable Pecuniary Interest or Declarable Interest and are required to notify the Chair of the nature of any interest declared at the commencement of the relevant item on the agenda. Members declaring a Disclosable Pecuniary Interest must withdraw from the meeting for the duration of the item. Members declaring a Declarable Interest, wishing to exercise a ‘Councillor Speaking Right’, must declare this at the same time as the interest, move to the public area before speaking to the item and then must leave the room before the debate and vote.	
5.	**PUBLIC PARTICIPATION** To receive petitions, comments and questions from the public.	

6. **ANNUAL GOVERNANCE STATEMENT 2024/25 AND ACTION PLAN FOR 2025/26** (Pages 17 - 44)
REPORT OF THE POLICY AND COMMUNITY MANAGER

This report presents the final Annual Governance Statement (AGS) for the year 2024/25. The Statement reviews the Council's governance arrangements for the 2024/25 period. It also includes an Action Plan to update/improve those arrangements for the following financial year (2025/26). The report also includes a progress update on this action plan.

7. **STATEMENT OF ACCOUNTS 2024/25** (Pages 45 - 228)
REPORT OF THE DIRECTOR – RESOURCES

To consider the Statement of Accounts 2024/25.

8. **BUDGET 2026/27 (REVENUE AND CAPITAL BUDGETS)** (Pages 229 - 262)
REPORT OF THE DIRECTOR – RESOURCES

To consider the Revenue and Capital Budgets for 2026/27.

9. **INVESTMENT STRATEGY 2026/27** (Pages 263 - 302)
REPORT OF THE DIRECTOR – RESOURCES

To consider the Investment Strategy 2026/27.

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

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NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE COUNCIL CHAMBER, DISTRICT COUNCIL OFFICES, LETCHWORTH GARDEN CITY, SG6 3JF ON WEDNESDAY, 7TH JANUARY, 2026 AT 7.30 PM

MINUTES

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

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

In Attendance: *Amy Cantrill (Trainee Committee, Member and Scrutiny Officer), Ian Couper (Director - Resources) and Susan Le Dain (Committee, Member and Scrutiny Officer).*

Other Presenters: *Chris Wood (Head of Assurance Services (HCC) & Client Audit Manager (NHDC)).*

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

37 APOLOGIES FOR ABSENCE

Audio recording – 1 minute 20 seconds

There were no apologies for absence.

Councillor Dominic Griffiths and Steven Patmore were absent.

38 MINUTES - 12 NOVEMBER 2025

Audio Recording – 1 minutes 31 seconds

Councillor Sean Nolan, as Chair, proposed and Councillor Vijaiya Poopalasingham seconded and, following a vote, it was:

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

39 NOTIFICATION OF OTHER BUSINESS

Audio recording – 2 minutes 25 seconds

There was no other business notified.

40 CHAIR'S ANNOUNCEMENTS

Audio recording – 2 minutes 32 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.

41 PUBLIC PARTICIPATION

Audio recording – 3 minutes 18 seconds

There was no public participation at this meeting.

42 SIAS PROGRESS REPORT 2025/26

Audio recording – 3 minutes 24 seconds

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

- The key updates on progress made this year were outlined in Appendix B to the report.
- Whilst there had been some previous delay to work required reported to the Committee, there had been significant progress since the previous report in September.
- An Assurance Mapping Update had been sent out prior to this meeting and could therefore be made green on the table at Appendix B, and it was expected that the Leisure Centre Decarbonisation work could also be made green.
- A number of audits were 'in fieldwork', with terms of reference in place for these, and there was a requirement for some work to be completed ahead of the Annual Report in June.
- Any changes to the audit plan, the performance of SIAS and changes to recommendations were also included within the report.

The following Members asked questions:

- Councillor Paul Ward
- Councillor Ruth Brown

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

- EV Charging had incorrectly been included twice at 2.8(c) of the report.
- If audits were deferred to later in the year, SIAS would look to complete another audit area earlier than planned. This was to ensure that the overall audit plan could still be delivered in year.
- The delay to the implementation of the high priority finding from the Estates audit was a minor point to do with the internal policies and procedures within the team. All other parts of the recommendation had been implemented, and it was therefore for Members to consider whether this needed to continue to be monitored, as there was no material concern remaining from SIAS perspective.
- SIAS worked closely with the Council to accommodate delays due to staff and resource capacity. However, at this time of the year, it was important that audits be delivered to meet the plan.

- The resource from SIAS was available now, but the service would redeploy staff to audits at other authorities where there were no audits ready to be completed by North Herts Council.
- There was some concern around delivery of the planned audits in the year, but these were ordinarily resolved in time.
- The original plan was for SIAS to be part of the Project Board in relation to Churchgate. However, this had not been realised in practice and had been more interim assessments of assurance. This was just a different way of delivering the audit and was in no way less robust.

In response to questions, the Director – Resources advised that SIAS would be provided support to chase Officers and ensure that audits are completed as required in Quarter 4.

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

- A briefing paper on the Global Internal Audit Standards was included at Appendix B of the report.
- This Briefing Paper set out the responsibility of Officers and the Committee in relation to the Standards, and it was clear that most requirements were met in practice. This included approving the Audit Charter and Audit Plan, receiving reports on progress of delivery, confirming the independence of the internal audit, quality self-assessments and resources and provision of support where necessary. The comments from the Committee on ensuring audits were carried out effectively and that the required work of SIAS was completed was an example of this.
- Some of the things that were not currently done including SIAS and the Committee meeting at least annually without Senior Management present, or at least the offer being made open to Members should it be necessary.
- Similarly, there should be more frequent meetings between the Finance, Audit and Risk Committee Chair and the Head of Assurance, albeit this was partly dependent on need.

The following Members asked questions:

- Councillor Ruth Brown
- Independent Member John Cannon

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

- The requirement to meet with Committee Members and SIAS, without Senior Management, could not be taken out of the briefing note and so plans would be made to hold a meeting as required.
- This separate meeting would allow Members the opportunity to ask questions they did not in the meeting and, as happens elsewhere, it could be used as an informal training opportunity.
- The Global Standards were introduced to ensure that delivery was the same worldwide, regardless of public or private sector.
- The meeting offered the opportunity for SIAS to raise issues with Members should there be issues in delivering the Audit Plan and for solutions to be found. However, when these issues do not exist in an organisation, there is limited conversation to be had at these meetings.
- As part of the SIAS Annual Report, information was provided regarding the independence of the service and that work was being delivered without interference.
- The external quality assessment (EQA) was due this year, having last been completed in 2021. There would need to be a procurement exercise to identify who would deliver this work.

As part of the Debate, Councillor Vijaiya Poopalasingham thanked the SIAS Head of Assurance for the briefing paper to outline the expectations and noted that the Independent Member was also a further example of external assurance for the Committee.

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

RESOLVED: That the Committee:

(1) Noted the SIAS Progress Report for the period to 12 December 2025.

(2) Noted the implementation status of the reported high priority recommendations.

(3) Noted the plan amendments to the 2025/26 Annual Audit Plan.

(4) Noted the Briefing Paper – Global Internal Audit Standards (GIAS) Domain III.

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.

43 SECOND QUARTER CAPITAL MONITORING REVIEW 2025/26

Audio recording – 32 minutes 43 seconds

The Director – Resources presented the report entitled 'Second Quarter Capital Monitoring Review 2025/26' and highlighted that:

- Following discussion at Overview and Scrutiny Committee on 6 January 2026, it was confirmed that the budget for the Museum and Commercial Storage project could be reduced from £4 million to £3 million, with a hope to achieve further reduction in budgets.
- The report to Cabinet would also feature an additional change in relation to the purchase of bins, both due to demand and the price increase of domestic bins and considering the budget had not increased for this in recent years. Therefore, another £50,000 would be requested to be added to the Capital Budget.
- Investigations were taking place in relation to resurfacing of the Lairage car park, which had been held back due to an access issue. It would be explored how access could be gained and the works completed as soon as possible.
- There was a forecasted overspend in relation to the Decarbonisation Project, as outlined at Table 3 of the report. However, the overspend was within the 5% tolerance set in the budget. Overall, the projected would cost around £17million.
- The Capital finance requirements had turned position in this financial year, and therefore the Council would need to borrow for the 2026/27 Capital Programme.

The following Members asked questions:

- Independent Member John Cannon
- Councillor Vijaya Poopalasingham
- Councillor Ruth Brown

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

- There was a lag between information being gathered in September and the reports being presented to the Committee, due to the timing of meetings. However, in most instances, the information provided was relevant and up to date when reported, with any significant changes highlighted.
- There was not a date set for the Home Repair Assistance money to be fully spent, but the Director would get an update and provide this to the Committee.

- The Museum Storage project budget was proposed to be reduced to £3 million.
- The access issue to the Lairage car park was that the road leading up to it was too narrow and winding to allow the trucks needed to resurface.
- The financial tolerance for a project was 5% which for the Leisure Decarbonisation project was roughly £700K and, at the time of the meeting, it was £500K over budget.
- The completion date for the Leisure Decarbonisation project was expected to be between April and June 2026. There would likely be some slippage into the 2026/27 Financial Year, however it would be minimal and expected to comply with the requirements of the Salix grant received.
- There had been £1.7 million worth of projected slippage from 2025/26 to 2026/27.

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

RECOMMENDATION TO CABINET: That Finance, Audit and Risk Committee comment on the recommendations to Cabinet which are:

(1) That Cabinet notes the forecast expenditure of £26.366M in 2025/26 on the capital programme, paragraph 8.3 refers.

(2) That Cabinet approves the adjustments to the capital programme for 2026/27, as a result of the revised timetable of schemes detailed in table 2 and 3, increasing the estimated spend by £1.773M.

(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.

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

44 SECOND QUARTER TREASURY MANAGEMENT REVIEW 2025/26

Audio recording – 45 minutes 24 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 'Second Quarter Treasury Management Review 2025/26' and highlighted that:

- There had been over-investment of £1M in this period, which related to a £4M investment in Blackpool Council, against the limit of £3M, and this was outlined at paragraph 8.2 of the report. A further step had been added to the process to ensure this over-investment did not happen again.
- The total interest earned to date, as well as the forecast to year end, was outlined in paragraph 8.3 of the report.
- The mix of investments was outlined a paragraph 8.4 of the report, with most of these being with other Local Authorities, although there were now some monies invested in Building Societies.
- Full details of investments were shown in paragraph 8.5 of the report, which included the risk of default and credit rating details.

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

- The point of the counterparty limit was to diversify the portfolio and therefore reduce the risk.
- The over-investment in Blackpool Council was for the period from August 2025 to December 2025. However, the money had now been returned in full and the overinvestment risk was over.
- If a Local Authority issued a Section 114 Notice, any investments with that Council would be repaid.

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

RECOMMENDATION TO CABINET: That Finance, Audit and Risk Committee comment on the recommendations to Cabinet which are:

(1) That Cabinet recommends to Council that it notes the position of Treasury Management activity as at the end of September 2025.

REASON FOR RECOMMENDATION: That Cabinet recommends to Council that it notes the position of Treasury Management activity as at the end of September 2025.

N.B. Cllr Paul Ward returned to the Chamber at 20:32.

45 SECOND QUARTER REVENUE BUDGET MONITORING 2025/26

Audio recording – 52 minutes 50 seconds

The Director – Resources presented the report entitled ‘Second Quarter Revenue Budget Monitoring 2025/26’ and highlighted that:

- A summary of significant variances, which included overspend, underspend and carry forward was outlined in Table 3 of the report.
- Paragraph 8.4 looked at carry forwards from last year and whether they were spent in this financial year. There were some examples where money was still reserved for a specific purpose but had not been spent in this financial year.
- Corporate Health Indicators were outlined at Table 4 in the report, which looked at the major income streams for the Council.
- The leisure centre management fee income was flagged as red due to the ongoing work related to the Leisure Decarbonisation Project.
- There had been a slight reduction in Garden Waste subscribers and the commercial refuse collections.
- Parking income was increasing.
- The general funding position and the allocation going forward was outlined at paragraph 8.8 of the report.
- A minimum General Fund Balance was set at the start of the year, which accounted for specific and unknown risks. Specific risks were monitored throughout the year and the allowance on this had turned negative, which indicated that the Council had underestimated this risk.

The following Members asked questions:

- Independent Member John Cannon
- Councillor Vijaya Poopalasingham
- Councillor Ruth Brown

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

- Ordinarily, the Council would not make predictions on Treasury Investment income for future years, as decisions taken in setting the budget would impact on the figure received.
- The spend on postage was going down, but there was a requirement for certain documents to be sent via post, such as Council Tax summons, and some residents required paper copies, as they could not or chose not to communicate via email.
- The Community Wellbeing team was funded partially by Hertfordshire County Council (HCC) and therefore this Council has had to readjust the structure now this funding was not in place.
- The leisure centre statistics compared the quarter two performance in 2024/25 and 2025/26 and demonstrated an upward trend. This was partly due to Everyone Active being relatively new in 2024 and only some of the closures being in quarter 2 of 2025/26. There was likely to be some drop off in quarter 3 due to further closures to complete the decarbonisation works in 2025/26.
- The forecast already considered the payment needed to cover the loss of income to Everyone Active during the decarbonisation works and work had been conducted to minimise the loss of income.
- The reduction in spend on Waste Service staff was likely due to a decision not to use agency staff to fill vacancies, which would have been a higher cost. The contract had now been delivered successfully, with some minor issues experienced, but the team had coped with the staffing levels.
- It was expected that the one business who had not renewed their parking season tickets was an outlier, and there were not a large number of businesses who paid for permits, therefore the Council was not anticipating a significant drop off from season ticket income.

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

RECOMMENDATION TO CABINET: That Finance, Audit and Risk Committee comment on the recommendations to Cabinet which are:

(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, an £846k decrease 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 £555k increase in net expenditure. These will be incorporated in the draft revenue budget for 2026/27.

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.

46 RISK MANAGEMENT MID YEAR UPDATE

Audio recording – 1hour 10 minutes 43 seconds

The Director – Resources presented the report entitled 'Risk Management Mid-Year Update' and highlighted that:

- Minor changes to the Risk Management Framework were highlighted in paragraph 8.1.2.
- Risks during the first half of the year 2025/26, until September, were detailed in paragraphs 8.2.4 and 8.2.5.
- There was potential for the Financial Stability risk to reduce, as would have a 3-year settlement and not forecasting significant savings needed.

- There remained high risks in relation to Local Government Reorganisation (LGR), Resourcing and Cyber risks.
- Completed and proposed mitigating actions for each of the Council Delivery Plan high-level risks were shown in paragraph 8.2.6. Although some risk scores did not change, there was ongoing work to address these.
- Risk reviews mainly happened on time, or within the parameters of acceptable, as outlined in section 8.3.
- Items that have been added to or removed from the risk register were outlined in section 8.4.
- The Health and Safety Officer retired in September and to mitigate risk in that area Herts County Council were providing some of the professional work and administrative tasks had generally been reallocated.
- Review of the actions form the previous report and the progress in 2025/26 was outlined in section 12.

The following Members asked questions:

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

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

- At the time of producing the report for the agenda, it was too early to consider reducing the risk around Financial Stability. However, this could be addressed and considered in future reviews, as the situation became clearer.
- The Council Delivery Plan included the Corporate Risks, and this was presented, as required, to the Overview and Scrutiny Committee.
- The Local Plan Review had gone from a risk score of 5 to a 7, which was likely due to awaiting a government clarity on the process.
- The Cyber Security risk training did not happen due to sickness and was planned to happen as soon as possible. This session would cover the plan for a cyber-attack, and which services were required to be addressed as priority.
- Business Continuity Plans existed in all service areas and were reviewed annually.

Councillor Stewart Willoughby proposed and Councillor Paul Ward seconded and, following a vote, it was:

RECOMMENDATION TO CABINET:

(1) That Finance, Audit and Risk Committee note and provide recommendations to Cabinet on this mid-year Risk Management Governance update.

(2) That Finance, Audit and Risk Committee comment on the proposed changes to the Risk Management Framework and recommend these changes for approval to Cabinet.

RESON FOR RECOMMENDATION: Cabinet has overall responsibility for ensuring the management of risk.

47 UPDATED FINANCIAL REGULATIONS

Audio recording – 1 hour 24 minutes 49 seconds

The Director – Resources presented the report entitled 'Updated Financial Regulations' and highlighted that:

- The Council was required to update the Financial Regulations regularly. There had been no major changes to the existing Financial Regulations, with the changes mainly being minor.

- There was reference to both the Director – Resources and the Chief Financial Officer (CFO) within the report, this was to reflect that although he covered both roles, in cases of absence. The CFO role was required to be deputised by a qualified accountant, whereas the Director role could be covered by any of the managers within the Directorate.
- It was good practice to have a 10-year capital plan in place, including with the move across to a new authority following the Local Government Reorganisation process.
- As part of the report to Council, where this will be referred onto, the reference at 12.5 of the Appendix should be to 'land and property', although just 'land' was referenced currently.
- A change of wording was required to clarify the identification of risks at 14.6 of the Appendix.
- Point 14.8 had been duplicated and this duplication, and re-ordering of numbering throughout, would be updated ahead of Council.
- Reference to petty cash was included within these regulation updates, although this was used minimally at the authority. The limit for this may be proposed to be set at £20, from £10, for the Council report.
- It was important to have cover for gift cards, as these were of cash value, which were provided in certain circumstances by the authority, such as community engagement and Staff Recognition Award winners.

The following Members asked questions:

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

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

- Stamps were referred to under the petty cash section as these were a cash value, and it was important to cover.
- There were some minor policy changes, which generally reflected how things were already done and adopting this into the Financial Regulations.
- The Executive Member could add new projects up to £100k, not to approve overspend beyond the Council projects agreed at the start of the year. There were occasions when new projects could be added. This addition was to clarify the position.
- There was a change to practice outlined at 5.7 of the Appendix, which outlined that any overspend over the limits outlined at 5.6 should mean the project spend should stop immediately. However, there were examples where this could not be done, otherwise the Council would incur further costs.
- The lead responsibility for feeder systems was mainly a joint effort between the Budget Manager and the Chief Financial Officer. The former ensures information coming out was accurate, and the CFO ensures information inputted to the system was accurate.

- The progress on audit actions for medium and high risk projects was recorded on Ideagen, and it was for the Service Manager to ensure these were delivered. The Performance and Risk Officer ensured that updates were made within the system and reports on this are circulated to Leadership on a regular basis.
- There was a two stage process for payments made by BACs or CHAPs, to split the responsibility and ensure that one Officer could not do the whole payment process.
- All card payments go into the bank account of the Council without intervention.
- The raising and payment of invoices was completed through the finance system at the Council, with all the controls and risk mitigations contained within the system itself.
- The SIAS review of the general Risk Management was conducted last in April 2023. Whilst there had not been major changes to this, it was likely this would be included in the Audit Plan for 2026/27.
- The overspend limits outlined in the table at 5.6 of the Appendix could possibly be simplified ahead of the Council consideration.
- If the Council was to invest in cryptocurrency, then that would be included in the Investment Strategy. However, that was not recommended.
- It could be possible to include within the Financial Regulations that the Council would not accept cryptocurrencies for payment.
- A communication would be distributed to all managers about the new Financial Regulations, who would be expected to ensure the message was communicated downwards to their staff.

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

RECOMMENDATION TO COUNCIL: That Finance, Audit and Risk Committee comment on the proposed changes to the Financial Regulations and recommend to Full Council their adoption in the Constitution.

REASON FOR RECOMMENDATION: Due to the passage of time since the last major review of the Financial Regulations, it was considered appropriate to carry out a full review. The proposed changes are detailed in Appendix A alongside the reasons for them.

48 REVENUE AND CAPITAL BUDGETS FOR 2026/27 ONWARDS

Audio recording – 1hour 52 minutes 52 seconds

The Director – Resources presented the report entitled ‘Revenue and Capital Budgets For 2026/27 Onwards’ and highlighted that:

- At the setting of the Medium Term Financial Strategy (MTFS), there was still a high level of uncertainty regarding future funding.
- There were no targets set for savings in 2026/27 in the MTFS, but Members were made aware that there may be a need to make big savings and that potentially the reserves would be used to fill the funding gap.
- The Council conducted a Budget Survey, with the aims of this and the results provided at Section 8 of the report.
- The Funding Policy Statement had now been received from government, which outlined how Fair Funding 2 would work, and provided a range of amounts.
- On 4 November 2025, the estimated payments for Extended Producer Responsibility were provided and these were proposed to increase from previously.
- On 7 December 2025, the provisional settlement was provided by government, which was a complicated document and work was ongoing to ensure that grants were accounted for properly.
- The amount outlined in the provisional settlement was higher than expected.

- The amounts for the second and third year were estimates and the actual amounts could vary.
- The pension fund was performing well and therefore the amount the Council paid in could be reduced, which would mean that an annual saving of £1.28million could be achieved.
- Budget Workshops were held in November, and the proposals that were considered, with some changes since, were outlined in Appendix B and C of the report.
- There would be a slight increase in the amount included in the Cabinet papers to ensure capital expenditure was available to cover the purchase of new bins.
- There was money set aside to support the Local Government Reorganisation (LGR) process.
- Taking on the proposed investments, and savings, as well as the funding provision and changes to pensions, it was likely that a balanced budget could be achieved by 2028/29 without any significant savings.
- All assumptions were based on the increase of Council Tax by 2.99%.

The following Members asked questions:

- Councillor Ruth Brown
- Councillor Paul Ward

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

- The Fair Funding Review looked at what funding was required and then removed the amount which could be raised from Council Tax, with an assumption that over the period Council Tax would increase by the maximum allowed.
- The Council would expect around £2.4million in General Fund Reserves to support the budget, most of which was an allocation for LGR costs.
- Previously where marketing spends had been increased for Careline, this had seen an increase in income. It was therefore a reasonable assumption to make, and the estimated returns were realistic.
- The funding for an additional post in IT was to replace funding previously brought forward and would then be a cost on an annual ongoing basis.
- The Churchgate Project Manager role funding was for this year but going forward it was expected that there would be a capital budget in place.

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

RECOMMENDATION TO CABINET: That Finance, Audit and Risk Committee comment on the recommendations to Cabinet which are:

(1) That Cabinet notes the Council's expected funding for 2026/27.

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

(3) That Cabinet agree which proposals (revenue and capital) should be taken forward as part of the budget-setting process for 2026/27

REASON FOR RECOMMENDATION: To ensure that all relevant factors are considered in arriving at a proposed budget and level of Council Tax for 2026/27, to be considered by Full Council on 26 February 2026.

49 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio recording – 2 hours 09 minutes 47 seconds

The Chair led a discussion regarding possible agenda items for future meetings and advised that Members could make suggestions outside of the meeting.

As part of the discussion, Councillor Vijaiya Poopalasingham suggested that it would be useful to look at the Business Rates and retention rates against what was returned to central government. The Director – Resources advised that this could be covered within a future training session for Members.

The meeting closed at 9.41 pm

Chair

FINANCE, AUDIT & RISK COMMITTEE
10th February 2026

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: ANNUAL GOVERNANCE STATEMENT 2024/25 AND ACTION PLAN FOR 2025/26

REPORT OF: POLICY & COMMUNITY MANAGER

EXECUTIVE MEMBER: [NON-EXECUTIVE FUNCTION]

COUNCIL PRIORITY: ACCESSIBLE SERVICES

1. EXECUTIVE SUMMARY

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

2. RECOMMENDATIONS

2.1. That the Committee is recommended to approve the AGS at Appendix A.

2.2. That the Committee notes the current position of the actions within the AGS Action Plan, outlined in Appendix B.

3. REASONS FOR RECOMMENDATIONS

3.1 The AGS must be considered and approved by this Committee before the approval of the Statement of Accounts under Regulation 6(4)(a) of the Accounts and Audit Regulations ('AAR') 2015/234.

3.2 The Committee is the legal body with responsibility for approval of the AGS.

3.3 Reviewing the AGS Action Plan for 2025-26 will provide the Committee with assurances that the Council is examining and where necessary improving its governance arrangements.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1. There are no alternative options to be considered.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1 A copy of the draft AGS was sent to the Shared Internal Audit Service (SIAS), the Shared Anti-Fraud Service (SAFS), and the external auditors, KPMG. Comments were received from SIAS, suggesting a number of additions which we incorporated. SAFS fed into these additions through the provision of more information around fraud referrals. SIAS also advised early application of aspects of the CIPFA/SOLACE 2025 addendum (officially for application to the 2025/26 AGS onwards). This included adding sections on how we have improved governance arrangements, and a forward look on governance. The draft AGS was also brought to FAR Committee in June for comment.

6. FORWARD PLAN

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

7. BACKGROUND

7.1 The Local Audit and Accountability Act 2014 ('LAAA 2014') and the Accounts and Audit Regulations 2015/234 ('AAR 2015' made under the LAAA 2014) place a requirement on NHDC, as a relevant authority, to conduct an annual review of the effectiveness of the system of internal controls and prepare an AGS.

7.2 This must be considered by Members of this Committee and the AGS approved under Regulation 6(4)(a) AAR 2015 in advance of the relevant authority approving the Statement of Accounts (in accordance with Regulation 9(2)(b)). The review should be undertaken as against the relevant CIPFA/ SOLACE Framework, which is the *Delivering good governance in Local Government Framework 2016 Edition* and any CIPFA/ SOLACE guidance[1].

7.3 The AGS has been prepared following an in-depth review/input and scoring of arrangements by the Leadership Team against the Framework 2016 Principles (in accordance with the guidance[2]). The Leadership Team reviews and provides details of systems and examples that meet the 2016 Principles and score the arrangements on the assurance level basis:

- Full: There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives. No weaknesses have been identified.
- Substantial: Whilst there is a largely sound system of control, there are some minor weaknesses, which may put a limited number of the system objectives at risk.
- Moderate: Whilst there is basically a sound system of control, there are some areas of weakness, which may put some of the system objectives at risk.
- Limited: There are significant weaknesses in key control areas, which put the system objectives at risk.
- No: Control is weak, leaving the system open to material error or abuse.

7.4 In terms of format of the AGS, CIPFA indicate that the AGS should be a '*meaningful but brief communication'*; there is no requirement to repeat all the arrangements that have

[1] CIPFA/SOLACE Delivering good governance in Local Government Guidance Notes for English Authorities 2016 Edition.
[2] *As above (ibid)*

been comprehensively assessed. Nevertheless, the AGS should draw out a few key areas with reference to the 2016 Principles, identify any actions and include an overall conclusion on the arrangements.

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

8. RELEVANT CONSIDERATIONS

8.1. The preparation of the AGS provides the Council with an opportunity to consider the robustness of its governance and internal control arrangements. The means to do so are through the Leadership Team self-assessment document, external bodies review and presentation at the Finance and Audit committee, both at draft stage and then final approval stage. It highlights areas where governance can be further improved or further reinforced.

8.2. The AGS is prepared soon after the end of the year to which it relates. The back-stop dates and other reforms are gradually bringing audit timescales closer to the end of the relevant financial year. But there is still currently a significant gap between the end of March 2025 and now (when the Committee is asked to approve the Accounts and the final AGS). As well as considering feedback on the draft AGS, it has also been considered whether the passage of time requires any changes to the AGS. The conclusion of that was that there were no changes required.

8.3. The AGS for 2024/25 is attached at Appendix A for approval.

8.4. The Council will publish the approved 2024/25 AGS alongside the Statement of Accounts as it has in previous years. Updates to the Action Plan will be reported to this Committee at future meetings.

9. LEGAL IMPLICATIONS

9.1 Under the LAAA 2014/ AAR 2015 Regulations (as amended by the Accounts and Audit (Amendment) Regulations 2024)[3], the statutory backstop date for the publication of the 2024/25 Statement of Accounts is 27th February 2026. The 2024/25 AGS should be approved by this Committee in advance of the approval of the Statement of Accounts in line with this amended timeline. Where this date for the Statement of Accounts is not achieved then the Council must publish a notice on its website stating that this is the case and the reason for the delay.

9.2 Other legal implications are set out under section 7 above.

9.3 The Terms of Reference of this Committee under 10.1.5(i) are: "To ensure that an annual review of the effectiveness of internal controls (accounting records, supporting records and financial) systems is undertaken and this review considered before approving the Annual Governance Statement." This review of the draft AGS therefore falls within the Committee's remit.

10. FINANCIAL IMPLICATIONS

[3] CIPFA Bulletin 18 Local audit backlog in England | CIPFA

10.1 The final 2024-25 AGS will ultimately accompany the final 2024-25 Statement of Accounts. Other than this there are no financial implications arising from this report.

11. RISK IMPLICATIONS

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

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

12. EQUALITIES IMPLICATIONS

12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

12.2 There are no direct equality implications of this report or the AGS. Where relevant the Council's arrangements have been assessed against the 2016 Framework Principles. In respect of those arrangements, the Leadership AGS self-assessment identifies the procedures in place and any outcomes. Council reports include any equality implications and are assessed by the Policy & Strategy Team. Where appropriate an impact assessment will be undertaken, and mitigation measures identified. The Policy & Strategy Team undertake an Annual Cumulative Equality Impact Assessment and publish it on the website.

13. SOCIAL VALUE IMPLICATIONS

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

14. ENVIRONMENTAL IMPLICATIONS

14.1. There are no direct environmental implications of this report for the AGS. Council reports include any environmental implications and are assessed by the Policy & Strategy Team. Where appropriate an impact assessment will be undertaken, and mitigation measures identified. The Policy & Strategy Team undertake an Annual Cumulative Environment Impact Assessment and publish it on the website.

15. HUMAN RESOURCE IMPLICATIONS

15.1 The Organisational Values and Behaviours, Employee Handbook, HR policies, and our mandatory e-learning provide further guidance on the standards we expect from our staff. Human resources will support the relevant actions within the Action Plan for 2025/26.

16. APPENDICES

16.1 Appendix A – Annual Governance Statement for 2024/25
16.2 Appendix B – AGS Action Plan for 2025/26

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18. BACKGROUND PAPERS

18.1 The Leadership AGS self-assessment will be published on the Corporate Governance Page: https://www.north-herts.gov.uk/corporate-governance
This also contains links to relevant background documents, reports, Policies and Guidance. The AGS also contains links to relevant documents.

18.2 Annual Cumulative Equality Impact Assessment

18.3 Annual Cumulative Environment Impact Assessment

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North Herts Council

Annual Governance Statement 2024-25

www.north-herts.gov.uk

Introduction

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

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

In discharging this overall responsibility, NHDC should have proper arrangements for the governance of its affairs in place. It is legally required to review arrangements and prepare an Annual Governance Statement ('AGS'). It should prepare this Statement in accordance with proper practices set out in the Chartered Institute of Public Finance and Accountancy (CIPFA)/the Society of Local Authority Chief Executives and Senior Managers (SOLACE) Delivering Good Governancein Local Government: Framework 2016.

This AGS explains how NHDC has complied with these requirements. The Finance, Audit & Risk (FAR) Committee Members have been informed of progress on producing this AGS and will review it and evaluate the robustness of the underlying assurance statements and evidence. FAR Committee approves the final AGS and monitors the actions identified.

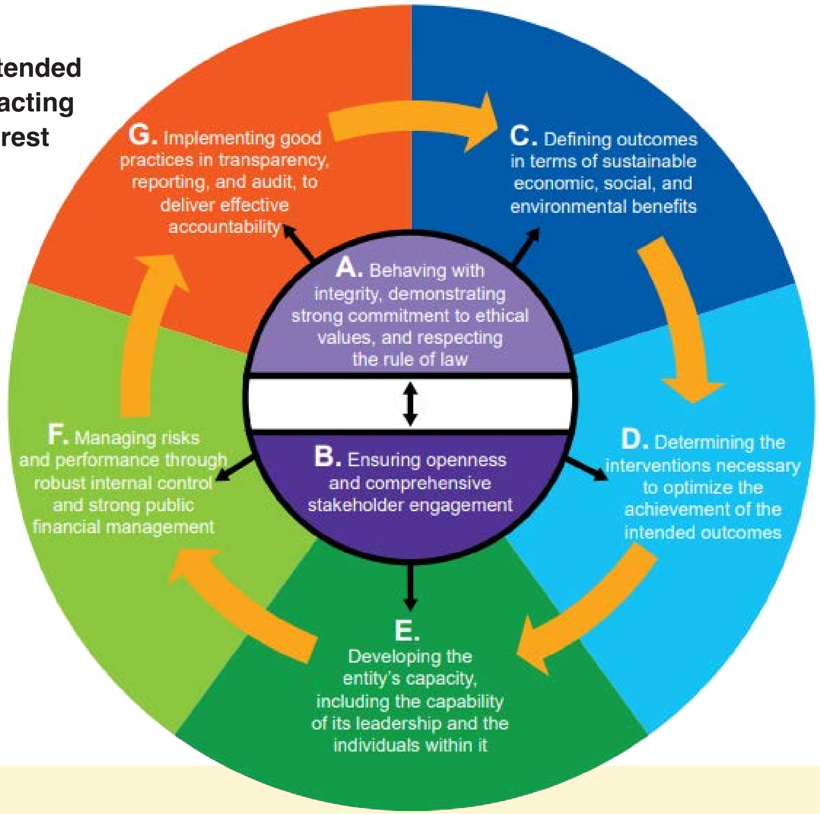
Page 24

Delivering good governance

The Governance Framework comprises of systems,processes, culture and values, by which the authority is directed and controlled. It enables NHDC to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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

Achieving the intended outcomes while acting in the public interest at all times



Key Elements of the Governance Framework:

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

How the NHDC complies with the 2016 Governance Framework:

NHDC has approved and adopted:

- a Local Code of Corporate Governance in March 2025 which incorporate the Framework 2016 Principles.
- a number of specific strategies and processes for strengthening corporate governance.

Set out below is a summary of some of the central ways that NHDC complies with the 2016 Framework Principles. The detailed arrangements, and examples are described / links provided in the Leadership AGS self-assessment document on the Corporate Governance page.

Principle A: Behaving with integrity, demonstrating strong ethical values, and respecting the rule of the law

What NHDC has or does:

- Operates Codes of Conduct for Members(refreshed LGA model adopted in April 2021 and effective after the 2021 election) and Employees,maintaining arrangements for sign off of these, awareness of key policies and reporting / investigating any allegations of breaching those Codes. Code of conduct training took place after the 2024 local elections.
- The Council has a Member Training Protocol which sets out which elements of training are compulsory. The training programme was reviewed in anticipation of the 'all out' elections which took place in May 2024 and was delivered following this election.
- Complaints concerning employees are dealt with according to the Managing Misconduct Policy, and/or Employment Procedure rules for officer (for relevant officers will also potentially involve the Independent Person Panel, Employment Committee and Full Council).

How the NHDC complies with the 2016 Governance Framework:

- A Standards Committee which oversees and promotes high standards of Member conduct. It is composed of 12 Councillors and 2 non-voting co-opted Parish Councillors. The Independent Persons (IP) are invited to attend the meetings of the Standards Committee. The Committee oversees the Complaints Handling Procedure and Final Determination Hearings through a Sub-Committee. The Chairman of Standards Committee provided an annual report to Full Council in July 2024. This is designed to promote shared values with Members, employees, the community and partners.

- The Council's Constitution includes a scheme of delegation and terms of reference for each of the Council's Committees, and decision-making practices are outlined. The Council's Constitution isreviewed annually and often in-year as issues arise. Constitutional amendments were made in April and September 2024, when amendment reports were taken to Full Council. Further to this, the Monitoring Officer and Chief Finance Officer were authorised to make the necessary amendments to the Council's Constitution following changes to the Leadership Team and Senior Management structure which were approved by Full Council in February 2025.

- The Council's Fraud Prevention Policy, which includes the Anti-Money Laundering, Anti-Bribery, Anti- Fraud and Tax Evasion. In addition, the Whistleblowing Policy, are kept under review and are available on the internet.[1] Contract Procedure Rules in Section 20 of the Constitution underpin the Council's approach to Procurement. Standard Contracts include an obligation to adhere to the requirements of the Bribery Act 2010 and the Councils' requirements as set out in the Councils' Fraud Prevention Policy.

- The Council also has Policies and procedures for Members and Employees to declare interests, including Organisational ones. Members are obliged to comply with such arrangements under their Code of Conduct and employees sign an Annual Declaration Letter to ensure that they are aware of and will comply with key governance policies.

- The Council has a Monitoring Officer (MO) whose role is to ensure that decisions are taken lawfully, in a fair manner and procedures followed. After consulting the Managing Director and Chief Finance Officer (CFO) the MO has a statutory duty/power to report any proposal, decision or omission that he/she considers would give rise to unlawfulness or any decision or omission that has given rise to maladministration ("Section 5 report"). The MO is responsible for providing advice on ethics and governance to the Standards Committee and to the Members of this Council. The MO/ or Legal advisor attends Full Council, Cabinet, and regulatory Committees - such as Planning, Licensing and Standards to be on hand to provide advice. A Finance Officer attends Full Council, Cabinet and FAR Committee. Legal services/The MO maintain records of advice provided.

- The Council's CFO (s151 Officer) has a duty to the Council's taxpayers to ensure that public money is being appropriately spent and managed and reports directly to the Head of Paid Service. The CFO ensures that appropriate advice is given on all financial matters, is responsible for keeping proper financial records and accounts and for maintaining an effective system of internal control.

[1] https://www.north-herts.gov.uk/fraud-prevention

How the NHDC complies with the 2016 Governance Framework:

- All Committee reports and delegated decision templates have required areas for legal advice (as well as Finance, Risk, Social Value, and Equality and Environmental Implications requirements). Part 1 reports are published and available for inspection as per the statutory requirements. Committee Member Overview & Scrutiny Services provide support to the Council, Councillors and the democratic processes of the Council. The team organise the civic calendar of Committee meetings dates, the Forward Plan of Executive Decisions, prepare and dispatch agendas and reports inadvance of the meetings and take and dispatch minutes and decision sheets after the meetings. Delegated decisions are retained by them and are available online.

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

Principle B: Ensuring openess and comprehensive stakeholder engagement

What NHDC has or does:

- The Council's vision and relevant documents are made available on the Council's website with a Council Delivery Plan that show how the Objectives will be delivered in practical terms [Council Plan Page].

- Open Data is published on the NHDC website- and is available to re-use through the terms of the Open Government Licence [Open Data page]. Data Sets on NNDR (Full list and monthly credit balances) are also available [Published Data Sets].

- An Annual Monitoring Report is produced containing indicators and targets across the District to aid with future planning decisions and identification of local priorities. We are awaiting the 2023-24 report. [Annual Monitoring Reports]

- NHDC have a duty to review air quality in the district to provide comprehensive information on the quality of air within the region through the Air Quality Annual Status Report (Air Quality Annual Status report 2024)

- There is a Committee administration process in place so that all Council meeting agendas, reports, minutes are available for inspection, and these, together with public meeting recordings are available online and through the Modern.gov system [Council meetings page].

- There is a presumption of openness and transparency, with reports (or confidential parts of reports) only being exempt so long as statutory exemption requirements 2 apply. Report authors consider such matters with the designated Constitutional "Proper Officer". Meetings are open to the press and public (unless an exemption applies).

- There is a Council and Democracy page on the NHDC website. This links to information aboutthe Council, Councillors, MPs, Council meetings, Council departments, Forward Plan of Key Decisions, Petitions, Notices of Part 2 (exempt) decisions that the Council intends to take in the near future, delegated decisions,

How the NHDC complies with the 2016 Governance Framework:

recordings/ the right to record Council meetings and Notices of Urgent Decisions [Council and Democracy]. Public Registers and Delegated Decisions are available on the NHDC website [Public Registers and Delegated Decisions] and Planning Applications/decisions [View Planning Applications]. Delegated Executive and Non-Executive decisions 3 are on the Council's website [Delegated Decisions].

- The Constitution also sets out what information is available to the public and how to engage with the Council [Constitution]
- The Council's Consultation Strategy 2022-2027 [Consultation Strategy 2022-2027] was adopted in 2022. It sets out the methods that will be used to consult and practical considerations for doing so. This entails various approaches to consultation.
- The Council's community Hub consists of a climate change page 'North Herts Climate Hive' that has proved successful in engaging residents on topical climate projects, tips and news, the page has over 400 subscribers. Also 'Churchgate Conversation' was launched for engagement on the regeneration of Churchgate.
- A Statement of Community Involvement (SCI) sets out how the Council will involve the community in preparing the Local Plan and in considering planning applications [Statement of Community Involvement – Adopted September 2023]. The SCI was adopted in September 2023 following a public consultation. A draft updated SCI was published in March 2023 and consultation was opened 11 th May 2023 and closed 27 th June 2023. The Statement was formally adopted by the Council on 19th September 2023.
- The Council conducts a District Wide Survey Community Survey with the latest taking place in March-May 2024. The digital survey will now run twice per year to give residents more frequent opportunities to engage. The survey was conducted by Zencity on behalf of the council and the report of key findings is available here: Community Survey Results March – May 2024
- The Council also has an internal Staff Consultation Forum, a Joint Staff Consultative Committee (JSCC) and a Staff Consultation Policy.
- The Council Inclusion Group continued to convene. It aims to gain an understanding of the experiences of staff mainly but not exclusively in relation to protected characteristics and to input into the future direction of the organisation with regards to inclusion and diversity. The Group are able to make recommendations to Leadership Team.
- The Council has an Equality, Diversity, and Inclusion Strategy 2022-27.
- The Council's Customer Care Standards aims to put people first [Customer Care Standards]. The Marketing and Communications Strategy 2024-28 [Communications Strategy page] set out the approach to communicating with residents,partners and the media. The Council has a multi-media approach to communication – on-line,in person, by phone, by post, and social media sites (on Facebook, X (formerly Twitter) and Instagram). The use of social media sites and text alerts is geared towards engagement with the IT adept and/or younger residents.

How the NHDC complies with the 2016 Governance Framework:

- The Council is also part of Hertfordshire Futures which aims to ensure a prosperous economy for the District's residents and businesses. It also works with Town Centres in Partnership to co-ordinate and progress the work in the town, tackle growth and development challenges. It has assisted with the renewals of the 3 Business Improvement-Districts (Hitchin, Letchworth and Royston).
- The Council is also a member of the Hertfordshire Growth Board (alongside the other 10 districts and borough councils and Hertfordshire Futures). The Growth Board is the vehicle in which the county is working together to manage future growth and support economic recovery. It has developed its 6 new missions, one of which is Sustainable County. The HCCSP is specifically mentioned within this mission in relation to various action around sustainability, and is given a particular remit around developing a Local Area Energy Plan for Hertfordshire and developing a retrofit strategy.
- Since the pandemic, Committee meetings are streamed live to YouTube from the Council chamber, and remain on the Council's YouTube channel afterwards which has increased accessibility to members of the public.
- Councillor Surgeries, Community Forums and Environment Panel meetings are held virtually via Zoom to ensure continued openness and engagement with residents. Area Forums can meet virtually, hybrid or a set location.

Principle C: Defining outcomes in terms of sustainable econoic, social and environmental benefits

What NHDC has or does:

- The Council has a Council Plan approval / review process, and its vision is based on partnership aspirations. The Priorities of the plan are Thriving Communities, Accessible Services, Responsible Growth and Sustainability. These provide the foundations for the Service planning process, and officers are required to indicate on their reports which priority the report relates to. Delivery is monitored through detailed Senior Management, Committee and Executive Member / Member procedures.
- The Council Delivery Plan supports the delivery of the Council Plan. It is set in March each year and then monitored and reviewed quarterly at the Overview & ScrutinyCommittee. It sets out the key projects the Council is looking to carry out during the year and shows key risks and performance indicators.
- The Equality, Diversity and Inclusion Strategy contains four equality objectives and contributes towards the Council's vision of equality and diversity [Equality and Diversity page]. The Strategy was revised in December 2022.
- The Climate Change Strategy contains objectives and actions which guide the council's approach to dealing with climate and sustainability issues. The overarching objectives relate to Net Zero targets for the council's operations and the district, and ensuring council services as well as the district are resilient to the impacts of climate change. The new Sustainability Strategy will cover a broader scope of themes to align with the new Council Plan priorities.

How the NHDC complies with the 2016 Governance Framework:

- The Council's process for assessing Environmental and Equality Impacts. Report templates include sections on Equality and Environmental Implications which officers must consider and comment on. Where significant implications are considered likely, a fuller Impact Assessment form must be completed to understand the impacts in more detail and plan for mitigative action. Equality and environmental issues are therefore monitored through the report / decision making process and an Annual Cumulative Impact Assessments 2023-24 which can be found on the Equality and Diversity webpage, and on the Climate Change webpage.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

What NHDC has or does:

- Decision making is effectively delegated through the Constitution (to Council, Committees, Cabinet, Executive Members and Officers). The Council has a set report / delegated decision template and guidance on how to complete these, which include standard areas such as an 'options' appraisal called "Alternative options considered" and risk analysis assists with optimising outcomes.

- The Council has a Risk Management Framework, and Service Managers have to identify threats to service delivery/performance in their own areas, when undertaking projects, letting contracts, formulating or introducing new policies and engaging in partnership working. This is part of the Risk Management Framework - Strategy (north-herts.gov.uk) These are recorded on the Risk Register and monitored through the Council's Ideagen performance/risk management system available to Councillors and staff. Project management lessons are logged and detailed in a Corporate Lessons Log, which is available on the intranet. Corporate risks are reported to the Overview and Scrutiny Committee on a quarterly basis. The Finance Audit and Risk Committee receive reports to provide assurance over risk management processes.

- The Council's Financial Regulations [Constitution webpage – see Section 19] are an essential part of risk management / resource control for delivery of services (whether internally, externally or in partnership). The Medium- Term Financial Strategy (MTFS) is reviewed annually to set an indicative 5-year financial plan for the longer term strategic vision as well as a detailed one year budget. The MTFS and annual budget are prepared in line with the agreed Objectives and Council Plan. Budget workshops are provided to Political groups prior to budget setting/ budget approval, and this helps to optimise achievements.

- The Investment Strategy (integrated Capital and Treasury) was considered by Finance, Audit, and Risk in January 2024 and approved by Full Council on 29th February 2024.

- The Council's Procurement Strategy 2025-2028 is currently in the approval process to replace the previous short term 2023-2024 strategy. The strategy aims to put in place some of the Council's aspirations for the district as they relate to the Council plan.

How the NHDC complies with the 2016 Governance Framework:

- The Council has a Community Grants Policy and during 2024/25 gave grants to organisations working to support children and young people, older people, mental and physical health and wellbeing, arts and leisure, sport, and the environment. The Assessment Criteria ensures that funding is allocated to projects or activities and areas that will have the most beneficial impact on the residents of North Hertfordshire.

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

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

- The Council has allocated government funding for homelessness prevention services and interventions.

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

What NHDC has or does:

- The Council recognises the importance of employees, planning recruitment and development. Following the pandemic, the focus of HR strategy work has been on adapting to new ways of working and making this work for the Council and for staff. Issues around employee engagement and retention have also increased. To help address that we are looking at our staff benefits and our recruitment processes.

- Members and employees engage in various groups and benchmarking initiatives. These assist the Council in analysing/ improving its capability, such as the County Benchmarking, HR Salary benchmarking, Sport England's National Benchmarking service and Customer Services.

- The Council also considers and participates in Shared Service/ commercial ventures to develop services and resilience, such as the CCTV Partnership, the Local-Authority Building Control Company, Hertfordshire Building Control, and has been a Lead authority developing the Herts Home Improvement Agency and shared Waste service with East Hertfordshire District Council. It has its own private holding company – Broadwater Hundred Limited, set up as a contingency matter.

- The Leader is part of Herts Leaders Group, East of England Leaders Group and County wide Growth board, has weekly Managing Director/ Leader Briefings. Political Liaison Board (PLB) meetings are held, and opposition Member/ shadow Member briefings provided by the Managing Director /Service Directors and other senior officers.

How the NHDC complies with the 2016 Governance Framework:

- Weekly Leadership meetings are held where ongoing issues are discussed and during monthly business meetings, Policy, Projects, Performance and Risk are (amongst other things) monitored. The Council encourages close working liaison between Senior Officers and Executive Members.

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

- The Council has a Transformation Project which seeks to improve our services to residents using Artificial intelligence and development of self-serve systems. It also seeks to improve Council working and efficiency by automating processes that are currently manually handled.

- The Inclusion Group considers staff experiences and looks to drive forward the equality, diversity, and inclusion agenda within the Council. It also receives feedback from HR on the gender pay gap. A subgroup of the Inclusion Group has been formed to further consider the gender pay gap and actions for reducing it. The subgroup first convened in September 2023 and continues to report their progress to the Leadership Team.

- Staff Learning and Development sessions have been instituted on the morning of every first Friday of each month. These are a mixture of themed and non-themed sessions to enable them to be used by teams or individuals to focus on an area of development most useful for them. The Values of the organisation were revised in 2022. The values shape how we aim to act as an organisation. They are:
  TOGETHER: We work together and support
  LISTENING: We listen to and consider the views of each other, our partners and our customers
  LEARNING: We learn from others and are open to change
  ADAPTABLE: We are adaptable in finding solutions for each other, our partners and our customers.
  INCLUSIVE: We are inclusive and value diversity

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

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

What NHDC has or does:

- The Council has extensive mechanisms in place to manage risk and performance, for example, through the Risk Management Team/Group/Member Champion and the Risk Management Policy Statement, the Risk Management Framework Policy, and operational guide. The Ideagen system supports the logging/monitoring process by identifying performance indicators, individual risks and relevant ‘ownership’. These are reported to Leadership Team and O&S Committee and Cabinet for transparency, and in Cabinet’s case, overall management purposes. The Risk Management framework is embedded across all service areas and helps to inform decision making. The Risk Management Strategy is reviewed regularly and most recently was revised and approved by Cabinet in January 2025.

How the NHDC complies with the 2016 Governance Framework:

- SIAS' Annual Assurance Statement was delivered to Finance, Audit, and Risk Committee in June 2024. SIAS provided an overall assurance opinion of Reasonable Assurance. They also concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice on corporate governance.

- The council maintains a Data Sharing Statement to ensure that information is handled and dealt properly when collected, recorded and used. This data handling is treated lawfully, correctly and adheres to the Data Protection Act. The Council has a Data Sharing Protocol which provides a framework for the Partner Organisations for the regulation working practices between Partner Organisations and is in accordance with the ICO's data sharing code of practice.

- Certain Service areas have their external emails encrypted by default (Housing, Revenues and Benefits, Systems Technical (Revenues and Benefits), Cashiers and Careline). Encryption occurs automatically when sending emails to certain domains, and the list of domains included on this list is reviewed regularly. Employees/ Members are instructed to encrypt an email if sending private, sensitive or confidential information to an external email address.

- The Council has a designated data protection (DPA) officer – the Revenues Manager and Data Controller is the Service Director - Customers DPA - website Contacts information

Principle G: Implementing good practises in transparency, reporting and audit to deliver effective accountability

What NHDC has or does:

- The Council's 'Outlook' Magazine is provided to all households in the District and is available on the Council's website. It contains information about the Council's services and events, distributed biannually (Summer and Winter Edition).

- SIAS undertake numerous planned audits (additional on request) and presents quarterly progress reports against these. An Annual Assurance Opinion and Internal Audit Annual Report is presented to the first FAR Committee of each civic year outlining the work undertaken in the previous civic year. Based on the internal audit work undertaken at the Council in 2023/24, SIAS provided an overall assurance opinion of Reasonable for the adequacy and effectiveness of the Council's control environment. This Annual Assurance Statement was delivered at the June 2024 FAR Committee meeting.

- On an annual basis SIAS is required to undertake a self-assessment of its conformance with the requirements of the Public Sector Internal Audit Standards (PSIAS). Annual Assurance Statement and Annual Report 2023-24 presented in June 2024. The report found that SIAS generally conformed to the required standards; and that the external quality assurance assessors also held that SIAS conforms with the standards. An external review is required at least once every five years and this last took place in June 2022 and was reported at the December FAR meeting.

How the NHDC complies with the 2016 Governance Framework:

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

- The CFO follows: the CIPFA Code of practice on local authority accounting in the United Kingdom for each year and the CIPFA Statement on the role of the Chief Financial Officer in Local Government 2016 by ensuring that the financial statements are prepared on a timely basis, meet legislative requirements, financial reporting standards and professional standards as reflected in CIPFA's Code of Practice.

- External Auditors provide key timetabling/ stage of audit reports to FAR Committee (Audit Fee Letter, Audit Plan, testing routine procedures, Audit on financial statement and value for money conclusions/Audit completion certificate and Annual Audit Letter).

Review of Effectiveness:

- The Council uses a number of ways to review and assess the effectiveness of its governance arrangements. These are set out below:

Assurance from Internal and External Audit

- One of the fundamental assurance statements the Council receives is the Head of Internal Audit's Annual Assurance Opinion on the work undertaken. During 24/25 SIAS reported on 24 areas of which 1 received a Substantial assurance, 13 a Reasonable assurance, 3 a limited assurance, 3 not assessed, 3 unqualified, and 1 not complete. The limited assurance opinions related to Churchgate Landlord Compliance, Estates, and Agency Staffing, with three high priority recommendations being made. An overall assurance opinion of Reasonable Assurance was given, meaning a generally sound system of governance, risk-management, and control is in place. Further details can be found in the Annual Assurance Statement and Internal Audit Annual Report 2023/24.

- In the Annual Assurance Statement and Internal Audit Report 2023/24, reported to FAR Committee in June 2024, SIAS concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice guidance on corporate governance. Recommendations are in the process of being actioned and outstanding ones will be taken forward and monitored through reports to FAR Committee.

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

- The Council's external auditors provide assurance on the accuracy of the year-end Statement of Accounts, the consistency of the Annual Governance Statement and the adequacy of value for money arrangements. In 2024, Ernst &Young (EY) provided a completion report for 2022-2023. The Accounts and Audit (Amendment) Regulations 2024" (the SI) imposes a backstop date of 13 December 2024 by which date EY are required to issue their opinion on the financial statements, they have considered whether the time constraints

Review of Effectiveness:

imposed by the backstop date mean that they cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK). EY stated that they would be issuing a disclaimed opinion on the 2022/23 accounts, as they will not be carrying out any significant audit work.

- The Annual report for the 2021-22 year was presented to FAR Committee in September 2023. The report was generally positive, with Ernst & Young issuing an unqualified opinion on the Council's financial statements. The report did not identify any risks of significant weaknesses in the Council's value for money arrangements for 2021-22

Assurance from self-assessment

- The review of effectiveness is informed by the work of the Senior Managers within the authority who have responsibility for the development and maintenance of the governance environment. Each Service Director is responsible for producing their own assurance statements and where relevant for mitigating identified risks and governance weaknesses as part of the Service Planning process. The areas of governance reviews include but is not limited to: legislative compliance, project management, risk management, conduct, and conflicts of interest.

- The Council Delivery Plan highlights key projects to support achievement of our Council Plan.

- Leadership Team is composed of the Managing Director and the Service Directors and meetings are chaired by the Managing Director. The AGS self-assessment follows the CIPFA/SOLACE recommended self-assessment process of reviewing the Council's arrangements against the 2016 Framework Principles/sub-principles and providing examples. This is usually undertaken during March - June and taken to a Leadership Team meeting so that Leadership can confirm satisfaction that the appropriate governance arrangements are in place. The AGS Action Plan is developed to work on areas for governance improvement. The detailed AGS self-assessment is available on the Corporate Governance page 4 .

Assurance from Risk Management

- Projects, risks, and performance indicators have been amalgamated into the Council Delivery Plan which is taken to Overview & Scrutiny Committee each quarter. This is to ensure a more integrated corporate approach. In the Mid-Year Risk Governance update reported to Finance Audit and Risk Committee in January 2024, the top risks (scoring a 9 on the risk matrix) for the Council were Waste and Street Cleansing Procurement; Financial Sustainability; and Resourcing. Other risks scoring highly on the matrix (8s) are: the Churchgate Project; Leisure Centre Decarbonisation; and Cyber Risks.

- **Financial Sustainability** is an ongoing top risk which is reported through the Council Delivery Plan. The MTFS, budgets and capital programme are, however, noted as soundly based and designed to deliver the Council's strategic objectives.

Review of Effectiveness:

- **Resourcing** has remained as a score of 9 on the risk matrix, having previously been rated as an 8 in 2022/23. It refers to issues around additional tasks/actions and the knock-on impact this may have on delivery of projects within the Council Delivery Plan. It also refers to staff shortages and difficulties in recruiting to some areas.

- The risks around the **Waste and Street Cleansing** Procurement include costs being over budget, and the Government's Resources and Waste Strategy differing from the specification.

- **The Churchgate project** refers to plans to regenerate a shopping centre and the surrounding areas. It is a high-rated risk, with the risk relating to the affordability of the regeneration, and the possibility of failing to meet the expectations of stakeholders.

- **Cyber Risks** refers to the possibility of disruption to or failure of IT systems and infrastructure as a result of breaches of cyber security, resulting in inability to deliver projects/ services.

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

Assurance from Complaints outcomes Local Government Ombudsman (LGO):

- The Council reports complaints to Leadership and O&S. The summary for the full period 2023/2024 was presented at the June 2024 Overview and Scrutiny meeting. The summary indicated that the number of complaints received by both the Council and our contractors decreased from 4173 in 22/23 to 384 in 23/24. Of the total 384, 2052 (53.46%) relate to services delivered by our key contractors. The LGO received 5 complaints during the 2024/25 period. These cases are shown in the LGO's Annual Review Letter. 2 of the 5 were upheld by the LGO, however 2 of the 5 had already been remedied by the council.

Standards complaints involving Councillors

- An update on Member complaints was given to the Standards Committee in a report delivered by the Service Director for Legal and Community in March 2025. During the 2024 calendar 19 complaints against members were received. This was an increase compared to 2023, where 11 complaints had been received, this remains lower than 2022 and 2021 where 30 and 50 complaints were received respectively. At the time of the report, it was noted that 4 complaints had been received so far during 2024.

Whistle Blowing Complaints

- In line with the published Whistleblowing Policy, we received one complaint / concern during the 2022-23 period. A concern was raised that a member of staff had allegedly committed an act of wrongdoing externally. Further enquires were made but no information was provided, and therefore no further action was possible.

Review of Effectiveness:

Information Commissioner's Office (ICO)

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

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

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

Page 37

Conclusion:

- No significant governance issues have arisen as a result of the review of effectiveness for the 2024/25 financial year. The Council is satisfied that it has appropriate arrangements in place. The Council proposes over the coming year to take actions set out in the Action Plan. Implementation will be monitored through the Finance Audit and Risk Committee.

V. A. Bryant

Cllr Val Bryant,
Leader of the Council

Anthony Roche,
Chief Executive

Action Plan 2025/26

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

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AGS 2025/26 ACTION PLAN UPDATE

Action	Progress
1. Review and increase Annual Declaration Letter return rate to 95%, using internal communications and automatic chasers from the Learning Management System. (HR; Leadership Team)	The current completion rate for Annual Declaration letters for 2025 is 96%. The new module for completion of the letter will be released in April 2026.
2. Review and improve staff completion rates for all mandatory training, aiming for 85% completion in 25/26, 90% completion in 26/27, and 95% completion in 27/28. (HR; Leadership Team)	As of January 2026, the average overall completion rate for mandatory training is 97%. This higher completion rate can be attributed to more engagement with the new learning system (which has now been in place for around one year), and the simpler follow-up process. It should also be noted that this figure is likely to fluctuate as participants are recorded as ‘compliant’ when they are within the completion window, and become ‘non-compliant’ when the deadline for completion has passed. Completion rates for individual modules are reported to the Leadership Team quarterly.
3. Review sub-delegations post organisational restructure, ensuring a 100% completion rate and updates made where required. (Each Director; the Monitoring Officer)	A review of sub-delegations has been undertaken following the organisational restructure. Directors have been asked to confirm that sub-delegations within their service areas remain accurate and up to date.
4. Provide training to ensure those deputising for the Emergency Planning Officer are aware of and understand the relevant emergency planning powers which they can or may need to exercise as per the Constitution. (Emergency Planning Officer/ Director – Resources)	Resourcing has meant that training on Emergency Planning has been limited over the past year. The majority of Leadership Team have received training. Further training will be provided during this year which will make responsibilities clear, and provide an opportunity for practising that knowledge.
5. Provide training for those deputising for Statutory Officers and Directors to ensure they understand the relevant Constitutional powers which they can or may need to exercise (Each Director; the Monitoring Officer).	Arrangements are in place to ensure that officers deputising for Statutory Officers are aware of the relevant constitutional roles and powers they may be required to exercise. This is supported through existing governance advice and targeted training, with further refresh activity available where required / where training needs are identified.
6. Provide further training to staff and councillors on cyber security, aiming for a 100% compliance with simulated phishing exercises. (Cyber Security Board; Leadership Team)	There is currently a compliance rate of 91% for the mandatory cyber e-learning. A chaser has just been sent to those who have not yet completed the training. Compliance and results of phishing campaigns are reported back to the cyber board. 100% compliance with stimulated phishing exercises has not yet been achieved, but it should be noted that recent exercises have included more sophisticated phishes. Those who fail phishes

	are notified and required to do additional training.
7. Further develop the Cyber Resilience Plan and test once finalised (Cyber Security Board).	There is an IT tabletop exercise scheduled for 30 Jan and a Leadership Team tabletop exercise scheduled for 09 March as part of this development. Last year's Cyber Security and Governance and Culture audit gave reasonable assurance for the areas reviewed. Two recommendations were made within the report to enhance the control environment, both of which were assessed as medium priority.
8. Continue to implement the Corporate Peer Challenge Action Plan and review progress at the Local Government Association follow-up in autumn 2025. (Leadership Team)	Work to implement the recommendations is ongoing. The council produced a Progress Review Statement ahead of a follow-up visit from the peers in December 2025. The peers are due to provide a progress report following their December visit and this will be taken to an upcoming Cabinet meeting.
9. Develop reporting and internal sharing of best practice for Social Value as outlined in the AGS 2023/24 [actions 6-8] (Procurement Team; Leadership Team).	We have continued to work with the Social Value Portal and use it for high value procurements to assess, monitor and record Social Value. The Contract and Procurement Group provide an opportunity to share Social Value outcomes from contracts. During the coming year we will develop Social Value tools for lower value contracts.
10. Review and update the Gender Pay Gap Action Plan based on the latest pay gap figures. (The Gender Pay Gap Subgroup)	The Gender Pay Gap (GPG) action plan has been reviewed and updated following analysis of the 2025 GPG data. Steady progress continues to be made. Our 2025 data will be published ahead of the 30 March deadline. The 2026 action plan includes unconscious bias training, developing confidence in female employees, and continuing to embed flexible working at all levels of the organisation.
11. Finish developing and publish the new Sustainability Strategy 2025-2030 and establish a process for monitoring progress. (Director for Environment and relevant teams).	The Sustainability Strategy 2025-2030 was approved by Cabinet in June 2025. A process for monitoring has been agreed, with officers providing quarterly updates on the actions assigned to them, and quarterly reports to Political Liaison Board (PLB) to note overall progress.
12. Review the process for considering and reporting Equality and Environmental Implications (Policy & Strategy; Leadership Team	Identified a need to ensure that Impact Assessments for all relevant reports are completed and sent by the lead officer to the Policy & Strategy Team for review; and that report writers upload Impact Assessments alongside their reports for consideration at committee. Intention to provide guidance and training on this in line with the launch of the report management system (via Modgov) in 2026/27.

13. Review the 3 Cs (Comments, Compliments, Complaints) Policy to incorporate reporting mechanisms to the Monitoring Officer and two other Statutory Officers (Customer Services; Leadership Team).	These reporting mechanisms have now been added to the 3Cs Managers Guide as part of the recent 3Cs policy update. The Customer Service Centre management team have also been briefed on what they need to do to ensure the reporting takes place.

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FINANCE, AUDIT AND RISK COMMITTEE

10 FEBRUARY 2026

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: STATEMENT OF ACCOUNTS 2024/25

REPORT OF: DIRECTOR: RESOURCES

EXECUTIVE MEMBER: NON-EXECUTIVE

COUNCIL PRIORITY: SUSTAINABILITY

1. EXECUTIVE SUMMARY

The Committee have been made aware of the issues with External Audit backlogs in Local Government and the plans to address them. This includes a series of back-stop dates. The first of these was 13 December 2024 for 2022/23 (and earlier) accounts, then 28 February 2025 for 2023/24 accounts, and now 27 February 2026 for 2024/25 accounts.

KPMG LLP (KPMG), as the Council's auditors for 2024/25, have completed the work that they are going to undertake on those accounts. They have therefore issued their draft reports on the Accounts. As the 2022/23 audit opinion was disclaimed, it was not possible for KPMG to undertake enough audit work to issue an unqualified opinion. Instead, they have issued another disclaimed opinion. However, an increased amount of work has been undertaken and there is progress being made towards issuing an unqualified opinion in the future.

During the audit KPMG have found some non-material errors and proposed corrections. Two of these have been corrected and one has not been corrected. The Statement of Accounts appended to this report includes these changes.

The reports from KPMG include their Value for Money report. They have not identified any significant weaknesses, which is a positive assessment. They have made some recommendations on improvements that we can make. The Council has provided (or will provide) a management response to these. Most of these detail the changes that the Council will make.

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

2. RECOMMENDATIONS

2.1. That the Committee note the KPMG Annual Report as attached at Appendix B and the KPMG Year End Report (ISA 260) to the Finance, Audit and Risk Committee at Appendix C.

2.2. That the Committee approve the 2024/25 Statement of Accounts as attached at Appendix A (with the Auditors Report to be added), and that they can be signed by the Chair of the Committee.

2.3. That the Committee approve the signing of a Management Representation letter by the Chair of the Committee, as attached at Appendix D.

2.4. That if there are minor changes required to the Statement of Accounts or the Management Representation letter then these can be approved by the Chair of the Committee.

3. REASONS FOR RECOMMENDATIONS

3.1 To ensure that the Council abides by the Audit and Account Regulations 2015, which require the approval and publication of audited Statement of Accounts. Furthermore, to meet the back-stop deadlines set out in the Accounts and Audit (Amendment) Regulations 2024.

4. ALTERNATIVE OPTIONS CONSIDERED

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

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

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

5.2. The draft Statement of Accounts for 2024/25 were published on the Council's website in July 2025. This was later than when the Council was supposed to publish them (should have been by the end of June). The short delay was due to the Accounts team getting back to normal after implementing a new finance IT system. Under the Local Audit and Accountability Act 2014 (sections 26 and 27) and the Accounts and Audit Regulations 2015 (sections 14 and 15), members of the public and Local Government electors have certain rights in respect of the audit process. This includes inspection of the accounts, associated documents and being able to ask questions. This opportunity was advertised in accordance with the regulations and ran from 10 July to 20 August 2025. No one took up the opportunity to inspect the accounts.

6. FORWARD PLAN

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

7. BACKGROUND

7.1. The Committee have been made aware of the issues with External Audit backlogs in Local Government and the plans to address them. This includes a series of back-stop dates. The first of these was 13 December 2024 for 2022/23 (and earlier) accounts, then the 28 February 2025 for 2023/24 accounts, and now 27 February for the 2024/25 accounts.

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

8. RELEVANT CONSIDERATIONS

8.1 KPMG have recently completed the work that they are going to undertake on those accounts. They have therefore issued their draft reports on the Accounts. These are an Annual Report (attached at Appendix B) and a the KPMG Year End Report (ISA 260) to the Finance, Audit and Risk Committee (attached at Appendix C). As the 2022/23 audit opinion was disclaimed, there is still an ongoing process to rebuild assurance. This is because an audit would usually get assurances (e.g. in relation to prior year balances and comparative information) from the prior year audit work. Instead, they have issued a disclaimed opinion. This means that they have not been able to fully look at enough areas of the Accounts. This is the situation that we expected to be in as it will take time to get the whole process back to normal.

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

8.3 During their audit work, KPMG found some non-material errors, and we have corrected two of these. We have not corrected one of these errors relating to a pension fund disclosure, as it would require the time and cost of getting a new pension valuation report. The errors are fully detailed on pages 29 and 30 of Appendix C

8.4 KPMG (as per their audit requirements) also carry out Value for Money work. This has previously been reported to the Committee, and is also set out on pages 21-22 of Appendix C. The Council has provided an update on the performance improvement observation that was identified as part of that work.

8.5 During their financial accounts work they have identified some further recommendations on control deficiencies. These are detailed on pages 31 to 35 of Appendix C. The Council has provided a management response to most of these, and a verbal update will be provided on the remaining ones at the meeting. The Council will make changes as a result of almost all of these. The reasons for not taking action in relation to numbers 1 and 2 are detailed in the management responses.

8.6 There will also be a requirement to sign a Management Representation letter. A draft version of this is attached at Appendix D.

8.7 In advance of approving the Statement of Accounts the Committee must approve the Annual Governance Statement (AGS) for 2024/25. This is the preceding item on the agenda of this meeting.

8.8 At the time of writing this report, KPMG are still completing their audit work. This may need to extend beyond the date of the Committee and may identify further minor changes. Recommendation 2.4 covers this.

9. LEGAL IMPLICATIONS

9.1 The Accounts and Audit Regulations 2015 determine how and when the Annual Statement of Accounts should be approved and published.

9.2. The Accounts and Audit Regulations 2015 (section 9) state the accounts should be signed and dated by the Member presiding at the meeting which formally approves the accounts. Under the constitution, the Finance, Audit & Risk Committee has responsibility to “review and approve the Statement of Accounts” (constitution 10.1.5a).

9.3. The Local Audit and Accountability Act 2014 (sections 26 and 27) and the Accounts and Audit Regulations 2015 (sections 14 and 15) grant members of the public and Local Government electors certain rights in respect of the audit process.

9.4. The Local Government Act 2003 (section 21) determines that the Council must follow ‘proper practices’ in the preparation of the annual Statement of Accounts

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

10. FINANCIAL IMPLICATIONS

10.1. None of the minor changes made to the Accounts (as identified in the audit work by KPMG) affect the the year-end General Fund balance (or other usable reserves) reported to Cabinet and Council in June 2025.

11. RISK IMPLICATIONS

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

11.2. The process of compiling the Statement of Accounts is a control mechanism to help mitigate against the risk of poor financial management and is a way the Council can demonstrate to the public how it has managed its resources and acted in its responsibility as a steward of public funds. The audit process also provides assurances. The role of audit is weaker where it provides a disclaimed option, although a full Value for Money review has been undertaken.

12. EQUALITIES IMPLICATIONS

12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

12.2. There are no equalities implications arising from this report.

13. SOCIAL VALUE IMPLICATIONS

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

14. ENVIRONMENTAL IMPLICATIONS

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

15. HUMAN RESOURCE IMPLICATIONS

15.1 There are resource implications of preparing our Statement of Accounts and supporting the audit work by KPMG. These are part of the core tasks of the finance team.

16. APPENDICES

16.1 Appendix A: Statement of Accounts 2024/25

16.2 Appendix B: KPMG Annual Report

16.3 Appendix C: KPMG Year End Report (ISA 260) to the Finance, Audit and Risk Committee

16.4 Appendix D: Management Representation Letter

17. CONTACT OFFICERS

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

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

18. BACKGROUND PAPERS

18.1 *None*

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Draft (unaudited) Statement of Accounts 2024/2025

North Hertfordshire District Council

Contents

The Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required to:

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

Service Director – Resources' Responsibilities

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

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

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

The Service Director – Resources has also:

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at the 31 March 2025 and its income and expenditure for the year then ended.

Ian Couper

Director – Resources

Independent Auditor's Report

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Independent Auditor's Report

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Independent Auditor's Report

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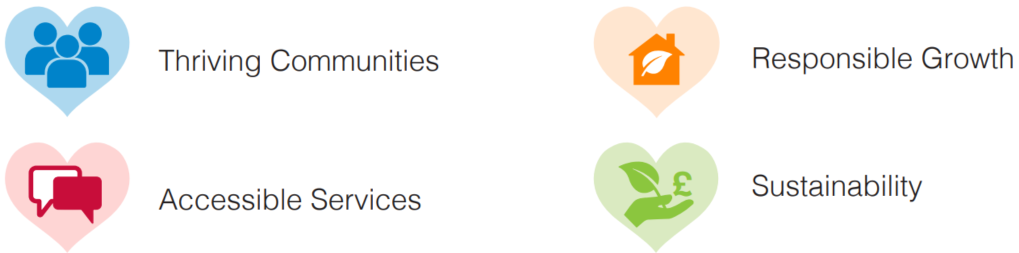
Narrative Report

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

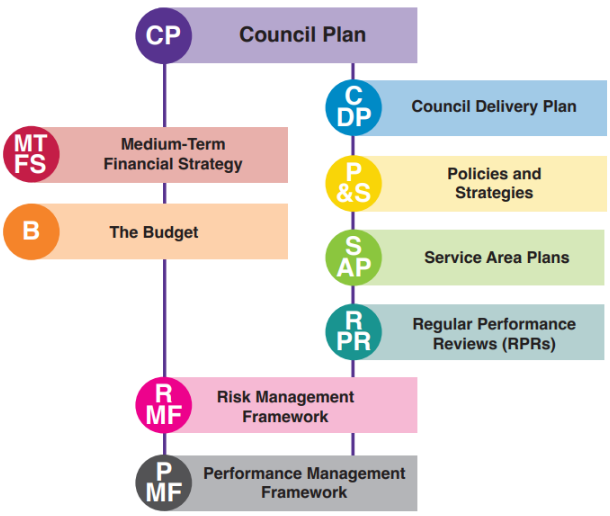
The Council Plan, Vision and Objectives

In September 2024, we approved a new Council Plan which set out a vision that we are "working with you for a fairer, greener North Herts".

Underneath that vision are four key priorities:



The full plan be found on our website (https://www.north-herts.gov.uk/council-plan). The plan covers a 4 year period from 2024 to 2028 but can be updated each year. The plan sets out how it interacts with other key Council documents:



For each of the key priorities, the plan describes what we've achieved so far, what we will do over the next 4 years and the difference that those actions will make. The larger projects that the Council undertakes will be monitored through our Council Delivery Plan. This can be found on our website: (https://www.north-herts.gov.uk/council-delivery-plan). The Delivery Plan also includes any risks to the delivery of the projects, general corporate risks and performance indicators will show how well we are performing The Delivery Plan is reviewed by Cabinet on a quarterly basis, assisted by the Overview and Scrutiny Committee.

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

Narrative Report

What we do

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

Examples of the delivery of statutory duties are:

- Waste collection from just over 58,000 households
- 57% of household waste sent for re-use, recycling and composting
- Clean over 400 miles of roads
- Provide support to the homeless in our District.
- Collecting Council Tax and Business Rates.
- Planning for the second largest district in Hertfordshire at 145 square miles.
- Regulation and enforcement, e.g. Parking, Fly-tipping, Licensing and Environmental Health.

Non-statutory services provided include:

- Leisure centres in Hitchin, Letchworth and Royston
- Five swimming pools including 2 outdoor pools
- Maintenance of 100 hectares of parks and gardens
- ‘Splash’ parks in our four towns.
- Museum provision in the new North Hertfordshire Museum in Hitchin
- Improvement of our environment and the combat of climate change
- Run active community events, like our Healthy Hubs.

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

Narrative Report

District and County Council

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

Our Organisational Values:

Climate Emergency and Ecological Emergency

The Council declared a climate emergency in May 2019, and then developed a climate change strategy which covered the period 2022-27. We have recently adopted (June 2025) a sustainability strategy, which replaced our climate change strategy. The new strategy allows better alignment with our Sustainability priority and also incorporates that we have declared an ecological emergency. It also covers how we will deliver on our Biodiversity Duty under the Environment Act 2021.

There are five key aims within the sustainability strategy:

- Achieve Net Zero by 2030 for the council's own operations.
- Achieve a Net Zero North Herts district by 2040.
- Ensure all operations and services are resilient to the impacts of climate change.
- Become a district that is resilient to unavoidable impacts of climate change.
- Increase biodiversity in North Herts

As well as setting out what we are already doing, the strategy sets out planned actions (subject to affordability and deliverability) against these four aims. It also includes some cross-cutting actions.

We have been successful in being awarded two sets of Public Sector Decarbonisation Scheme funding. This funding provides almost £9 million of funding towards the cost of removing gas use from our leisure centres, our office building and Hitchin Town Hall and District Museum. These changes are expected to significantly reduce our carbon emissions.

We have established a Cabinet Panel on the Environment to engage with local people on matters relating to the climate emergency and advise the council on how to achieve these climate change objectives.

A Climate and Sustainability Officer Group meets regularly to raise the profile of sustainability, guide actions, support collaboration and measuring success.

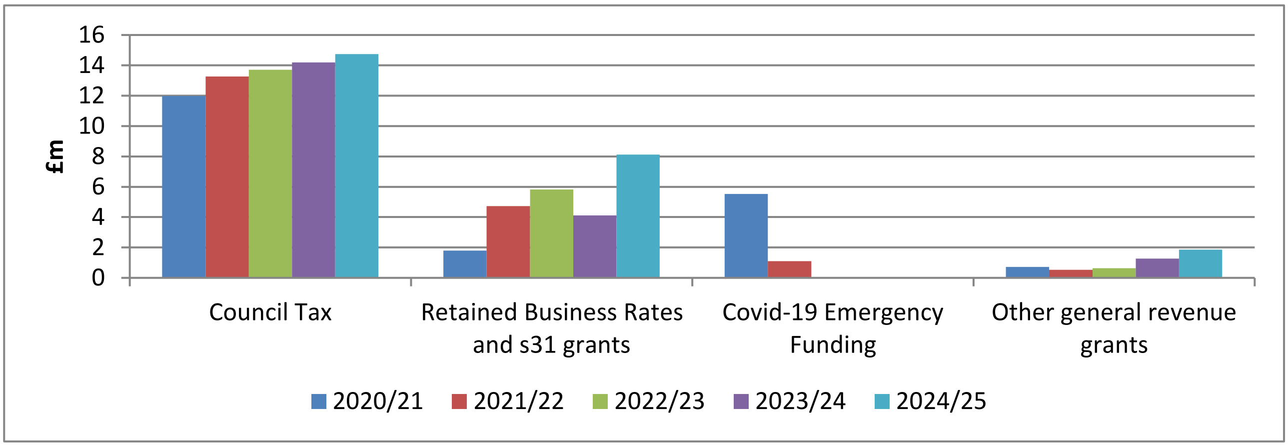
We are also a member of the Hertfordshire Climate Change and Sustainability Partnership (HCCSP), working with other councils across Hertfordshire on issues like carbon reduction, climate adaptation, and biodiversity.

We will look to access grants wherever we can to enable changes that help deliver climate change. Capital budgets will also be allocated to fund projects that help reduce emission and energy use, but the wider financial picture means that project paybacks will need to be considered.

Our funding

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

Revenue funding sources (Taxation and General Grants):



Increases in Council Tax are limited by Central Government, unless agreed by a local referendum. In 2024/25 we raised our element of Council Tax by 2.99% for a band D property (with other bands pro-rata to this), which was the maximum possible without a referendum.

The current Business Rates system involves 50% of funding being retained within Local Government, and the balance going to the Ministry for Housing, Communities and Local Government. Each Authority has an assessed baseline need and, as our assessed need is a lot lower than the income we collect, we have to pay a tariff which redistributes the funding to other Authorities. The Council retains some of any growth in Business Rates, but is also exposed to falls as well (subject to a safety net level). This would mean that we would usually keep around 7p out of every £1 that we collect. We were part of a Business Rates Pool in 2024/25, which reduced the business rates levy liability and therefore allowed us to retain more Business Rates funding. Due to the way that the system works, some of the retained business rates income recorded for 2024/25 will not flow in to our General Fund balance until 2026/27. The retained business rates total also includes section 31 grants, which is where Central Government provides reimbursement for reliefs and discounts in relation to Business Rates.

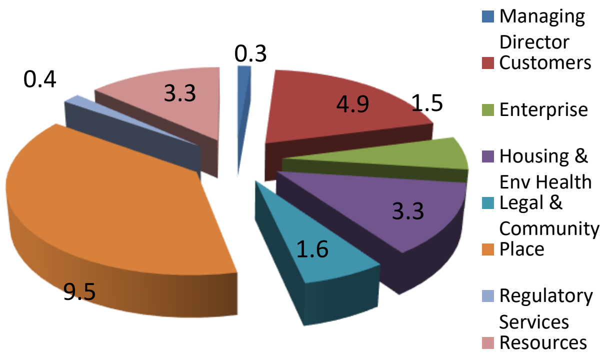
We have previously show New Homes Bonus as a separate grant in these summaries. However the relevance of New Homes Bonus has diminished over time. It increased up to 2016/17 as the period for which the Bonus was paid increased each year. Since then, the rules have changed (paid for fewer years, and applying a baseline level) so that amounts have gradually declined. The funding from New Homes Bonus now forms part of Core Spending Power and is assessed as part of funding guarantees. For 2024/25 there was a guarantee that Councils would receive at least a 4% increase in their Core Spending Power. This was provided through a combination of general grants, including New Homes Bonus, a small Services Grant and a funding guarantee grant.

Narrative Report

Spend by service area

For 2024/25 we were managed under 7 Director areas. There was a continuation of the temporary arrangement, where Housing and Environmental Health services were split out from the Regulatory Directorate. For 2025/26 there was a Senior Management restructure, which has resulted in some more significant changes of responsibilities.

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



How we allocate our funding

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

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

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

During 2023/24 we launched a budget hub. We used this inform our residents about how we set our budgets and the problems we face. During Summer 2025 we are carrying out a budget consultation exercise. This will support our budget setting process for 2025/26 onwards.

Future Funding

Government is consulting (during Summer/Autumn 2025) on reforms to how Councils are funded. This will include changes to the funding formula, with a proposal to redirect funding to areas with higher deprivation. This is likely to see a decline in funding for us. This will include a 3-year settlement, which will give greater certainty for medium-term planning. Any change in the allocation formula will be phased in, although it is expected that this phasing will be quite short.

Budgeting for Risk

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

- 5% of the net budget of the Council - which is an allowance for unknown financial risks

  +

- 3% of budgeted income (excluding Housing Benefit, grants and other contributions) - which is an allowance to reflect the risks of being reliant on sales, fees and charges

  +

- An assessment of known financial risks by both value and likelihood of occurring

For 2024/25, this resulted in a recommended minimum General Fund level of just under £2.5 million. The budgeted balance was £13.4 million at the start of the year and £13.4 million at the end of the year. The actual balance at 31st March 2025 was £16.1 million (this includes £1.68 million of funding carried forward to 2025/26).

Medium Term forecasts

The Council expects to face a challenging time balancing our budget in the medium term (the next 5 years). As well as the expected changes to Government funding, there is the challenge of an underlying budget gap (currently supported by investment income, delayed spend and use of reserves), inflation and demand pressures (e.g. homelessness). In setting the budget for 2025/26 it was highlighted that annual savings (reductions in spend/ increases in income) of at least £2.8 million may be needed. Whilst the General Fund balance being significantly above the recommended minimum level, gives some time to make decisions. Senior Officers and Councillors are aware that difficult decisions are likely to be required.

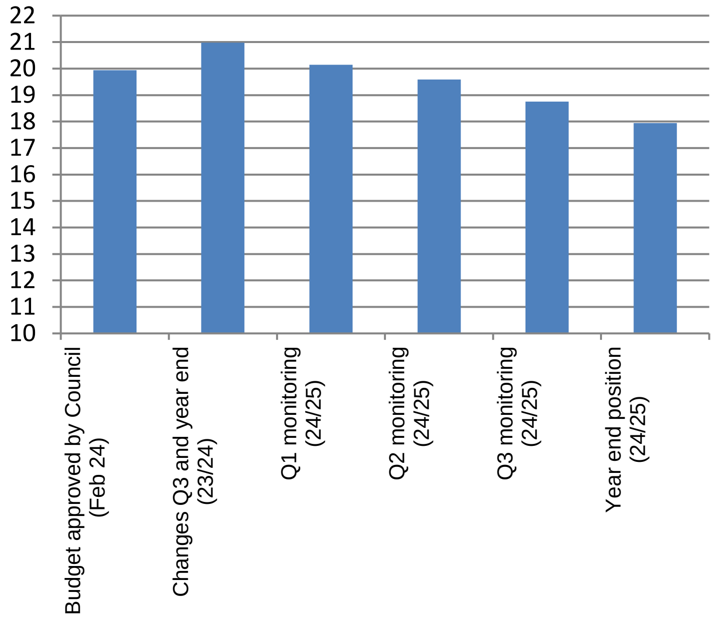
It is uncertain how we will manage our budgets with Local Government Reorgnisation and Devolution on the horizon.

Narrative Report

Monitoring expenditure

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

Reported spend forecasts in 2024/25 (£m)



Success at achieving savings

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

Year	Savings Achieved (£m)
2010/11	1.3
2011/12	1.9
2012/13	0.6
2013/14	0.7
2014/15	1.6
2015/16	0.4
2016/17	0.4
2017/18	1.2
2018/19	2.9
2019/20	0.6
2020/21	0.5
2021/22	0.3
2022/23	1.2
2023/24	2.8
2024/25	0.5
Total	**16.9**

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

Corporate Financial Health Indicators (Income)

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

Income category	Budgeted Income (£'000)	Q1 Status	Q2 Status	Q3 Status	Q4 Status	Actual Income (£'000)
Leisure Centres Management Fee	1,130	Red	Red	Red	Red	807
Garden Waste Subscriptions	1,029	Green	Green	Green	Green	1,097
Commercial Waste & Recycling	1,282	Red	Red	Red	Red	1,242
Planning Application Fees	1,186	Green	Red	Red	Red	1,076
Car Parking Fees	1,948	Green	Green	Green	Red	1,937
Penalty Charge Notices	573	Green	Green	Green	Green	TBC

Narrative Report

Capital funding

The Council funds capital expenditure from these main sources:

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

The Council can also borrow money to fund capital expenditure, subject to meeting certain conditions. The Council has historic borrowing of £257k (as at 31st March 2025) which is not worth repaying early.

During 2024/25 the Council's capital expenditure was funded from the following sources:

	£'000
S106 Developer Contributions	1,090
Other Contributions	6,546
Capital Receipts and Set-aside receipts	3,712
Total	**11,348**

As at the end of the year, the Council had a balance of £1.3m of Capital Receipts and Set-aside receipts remaining.

Significant Capital Projects in 2024/25

Hitchin Gym Fitness Equipment Replacement
John Barker Place, Hitchin contribution
Newmarket Road Skate Park, Royston
CCTV camera replacement
North Herts Leisure Centre Fitness Equipment Replacement and Gym Refurbishment
Parking Machine Replacements
Play equipment replacements
Leisure Centre decarbonisation, gym extension and associated works
New Finance IT system
Refuse and recycling bins

All projects with capital works during 2024/25 with actual or forecast spend greater than £100,000. Some projects continue in to 2025/26.

The Council's capital assets

The total value of the Authority's capital (long-term) assets is £128.6 million.

The main components of this are:

- Property, Plant and Equipment (£99.5 million) used to deliver services
- Heritage assets (£0.9 million), the museum collections and public artwork
- Investment properties (£27.7 million)

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

The Council's liabilities

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

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

The pension scheme is fully revalued every 3 years (with the next one based on 1st April 2025 data to be applied from 26/27 onwards), with a less detailed revaluation each year in between. These valuations are undertaken by an actuary and involve a number of assumptions about the future. The pension fund can be in surplus (where the estimated value of the pension assets is greater than the future pension payments) or deficit (where the estimated value of the future pension payments is greater than the estimated value of pension assets). The overall reported position is also affected by asset ceiling calculations, which include obligations to make future contributions.

As at the 31st March 2025, the value of the net liability was £14.2million (compared with £13.3million at 31st March 2024). During the year, the Council made contributions of £3.4million (of which £1.0million was a lump sum relating to past shortfalls) and our employees contributed £0.8 million.

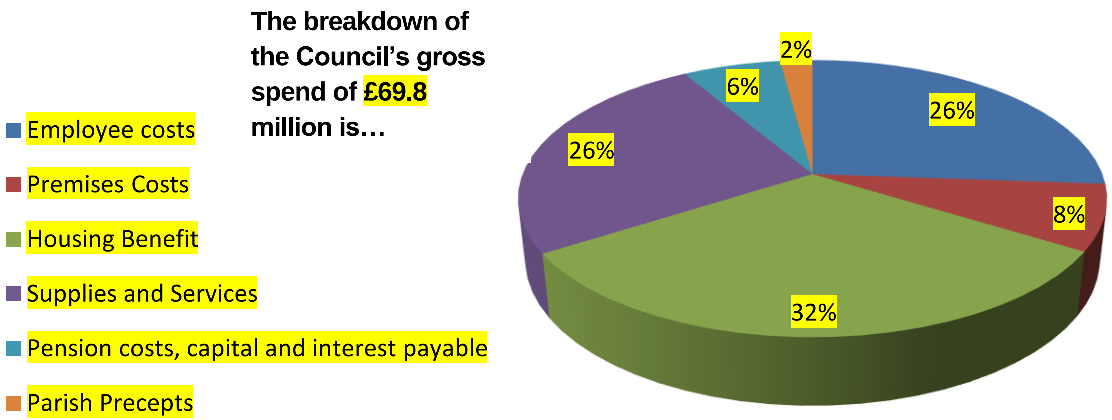
Governance

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

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

The Action Plan was last considered by the Committee at their meeting in June 2025.

Spend by type, including employee spend



By far the largest area of expenditure is Housing Benefit, which the Council is responsible for administering. The Council claims a subsidy from the Department of Work and Pensions (DWP) towards the costs of benefits paid. In general, the subsidy covers the cost of the grants awarded. This amount is declining as people move over to Universal Credit, rather than Housing Benefit.

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

Budgeted number of employees (as measured by the number of whole time equivalents) has increased due to growth in need/ demand (e.g. planning) and growth in services where costs can be recovered (e.g. Careline). Cost increases also incorporate inflationary growth, which has been more significant in recent years due to levels of general inflation.

Narrative Report

Monitoring Projects

The Council's projects and performance are monitored by Cabinet, with some targeted oversight from Overview and Scrutiny Committee. Updates are included in the quarterly Council Delivery Plan reports.

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

Status	Q1	Q2	Q3	Q4
Project not completed by due date	0	0	0	1
Project milestone not met by due date	5	12	13	12
Not due for completion in year or has not reached due date	22	14	14	8
Project Completed	0	1	0	6
	27	**27**	**27**	**27**

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

We went through a project prioritisation process to determine the projects that would be included on the 2024/25 Council Delivery Plan. This resulted in fewer projects being included. They also were longer term projects which meant that none of the projects were completed during 2024/25

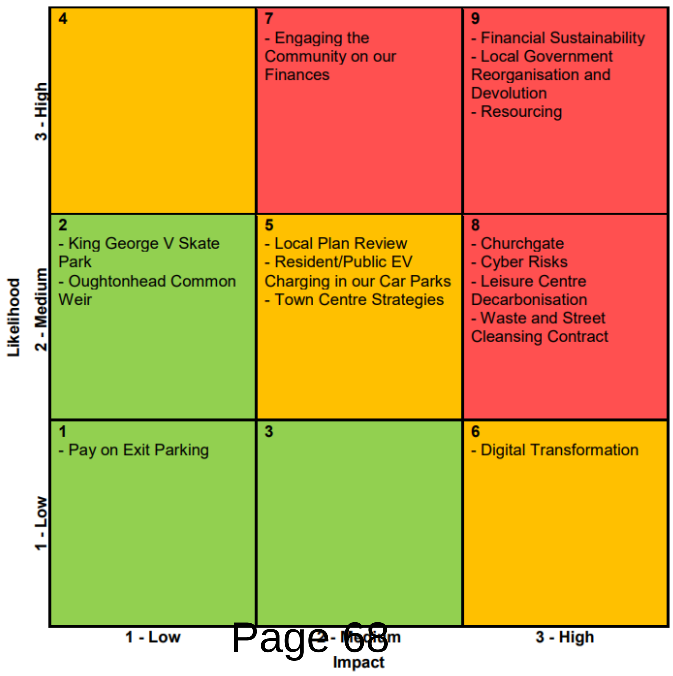
Monitoring Risk and Opportunities

The Council's processes for the development and operation of risk management are monitored by the Finance, Audit and Risk Committee. The Committee receives two reports per year, and can make recommendations to Cabinet.
Full Council receives an Annual Report on Risk Management in July each year.

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

Most of our risks are based on the delivery of the projects in our Council Delivery Plan (see next page). There are also 4 over-arching risks which are: Resourcing, Financial Sustainability, Cyber Risks and Local Government Reorganisation and Devolution.

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



Narrative Report

Monitoring Performance

The Council Delivery Plan report also includes performance indicators that help to assess corporate performance and performance in key service areas. This is a change from previous years where the KPIs had mainly been linked to projects.

The current indicators (as at 2024/25 year end report) reported to Cabinet were:

KPI	Lastest Update	Value	Target	Status	Trend
Percentage of council tax collected in year	July 2024	37.38% (year to date)	37%	✓	↓
Percentage of NNDR collected in year	July 2024	39.47% (year to date)	37%	✓	↓
Council's Scope 1-3 emissions (tonnes CO2e)	2023/24	3,147.76	N/A Data Only		↓
Number of Stage 1 complaints	Q1 2024/25	53	N/A Data Only		↓
Percentage of Stage 1 complaints resolved within 10 working days	Q1 2024/25	96%	80%	✓	↑
Percentage of Stage 2 complaints resolved within 20 working days	Q1 2024/25	64%	70%	△	↓
Total number of alarm calls in a given period	June 2024	95,595 (year to date)	N/A Data Only		↑
Percentage of non-urgent installations completed within 20 working days	June 2024	100% (year to date)	100%	✓	?
Rolling number of Careline service users supported under the HCC contract	June 2024	7,009	N/A Data Only		↑
Percentage of CSC calls answered	Q1 2024/25	96%	90%	✓	?
Percentage of CSC priority queue calls answered within 45 seconds	Q1 2024/25	74%	80%	△	?
Sign-ups to the Digital Budget Hub	Q1 2024/25	223	N/A Data Only		?
Average number of penalty points awarded per Grounds Maintenance contract monitoring inspection. (Lower numbers are good.)	June 2024	5.44 (year to date)	N/A Data Only		↓
Working days lost due to short-term sickness absence in the last 12 months per FTE employee	July 2024	4.51	4.00	△	↓
Working days lost due to long-term sickness absence in the last 12 months per FTE employee	July 2024	4.55	N/A Data Only		↓
Staff turnover - rolling 12-month percentage	July 2024	6.83%	15%	✓	↑
Percentage of advertised vacancies filled in first round	Q1 2024/25	70%	75%	△	↓
Number of visits to leisure facilities	June 2024	389,228 (year to date)	318,854	✓	↓
Percentage of all planning applications determined within the relevant statutory or agreed time periods	Q1 2024/25	84.37%	80%	✓	↓
Percentage of household waste sent for reuse, recycling and composting	Q1 2024/25	60.29%	60.5%	△	↓
Number of collections missed per 100,000 collections of domestic household waste	June 2024	52 (year to date)	N/A Data Only		↑
Performance against revenue budget (projection against original budget)	Q1 2024/25	-3.3%	0%	✓	?

That report to Cabinet (in June 2025) detailed the actions that were being taken to address those indicators that had an amber performance level.

Narrative Report

Alternatives Models of Service Delivery

CCTV

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

Building Control

The Council set up a joint Building Control Company with six other Hertfordshire Authorities (now seven other Councils, 8 in total). The company began trading in August 2016. The company delivers statutory building control services on behalf of the Council, as well being able to access further areas of work to help spread the cost of the service. The Council's interest in this company is not considered to be material, and therefore it is not included within the Statement of Accounts.

Home Improvement Agency

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

Joint Waste Contract and Client Team

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

Shared Services

The Council is also part of shared service arrangements for Internal Audit and anti-fraud services. They are both hosted by Hertfordshire County Council. We reflect our contribution to the running costs in our accounts.

Understanding the Accounts

The accounts are made up of 4 core financial statements:

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

These are supported by a series of notes that provide further details of the numbers that they contain, with the Expenditure and Funding analysis being particularly useful in understanding the overall picture. Much of the information is of a technical nature and has been completed to be compliant with the 2024/25 Local Authority Accounting Code of Practice and Service Reporting Code of Practice, which are based on the International Financial Reporting Standards. On the next page there is a summary of the key information from each of these statements.

Narrative Report

Expenditure and Funding Analysis

This note is the most relevant to Council Taxpayers as it shows the Council's spend by Directorate (net total of £21.5 million). It then goes on to show how this is funded from taxation and grants. The final section shows the impact on the General Fund balance.

Comprehensive Income and Expenditure Statement

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

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

The surplus on provision of services is £7.9m, which includes actual income and expenditure incurred as well as adjustments for the cost of using capital assets (e.g. depreciation) and pension costs.

The total comprehensive income and expenditure (which is a surplus of £7.2million) also includes the estimated gains on the revaluation of non-current (e.g. land and buildings) and pension assets. These gains would only be realised if the assets were sold.

Movement in Reserves Statements

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

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

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

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

The overall result is that the movement on the General Fund is £2.0 million, which means that the balance at the start of the year of £14.1 million is now £16.1 million.

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

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

Balance Sheet

The Balance Sheet shows the value as at the 31 March of the assets and liabilities recognised by the Council. The net assets of the Authority (assets less liabilities) are matched by the reserves held.

The total value of net assets of the Authority at 31 March 2025 is £148.9million. Key assets and liabilities include:

- Property, Plant and Equipment used to deliver services: £99.5million
- Investment properties used to generate income: £27.7million
- Short Term Treasury investments: £30.8million
- Pension liabilities: £14.2million

Cashflow Statement

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

Statement of Accounting Policies

1. GENERAL

1.1. The Statement of Accounts summarises the Authority's transactions for the 2024/25 financial year and the position at the year-end of 31 March 2025. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. Those Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Local Government Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Local Government Act.

1.2. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. All disclosures are subject to materiality as the intention of the statement of accounts is to present a 'true and fair' view of financial position, financial performance and cashflows.

2. ACCRUALS OF INCOME AND EXPENDITURE

2.1. Subject to materiality, activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards or ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- Revenue from the provision of services is generally recognised when the Authority can measure reliably the percentage of completion of the transaction and this reflects that the same proportion of the economic benefits or service potential associated with the transaction will flow to the Authority. Where the revenue is not material in value and the time interval between the receipt of the payment and transfer of the service to the service recipient is insignificant, the revenue is recognised when the payment is received. Where the provision of the service occurs over a period of time and the expectation of receiving the economic benefits or service potential only flows to the authority when the performance obligations have been completely fulfilled, the revenue will only be recognised when performance obligations in the contract have been fully satisfied.

- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.

- Where revenue and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Statement of Accounting Policies

3. COUNCIL TAX AND NON-DOMESTIC RATES

3.1 Billing authorities act as agents, collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting Council Tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted.

3.2 The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

3.3 The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

4. BUSINESS IMPROVEMENT DISTRICTS

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

5. CASH AND CASH EQUIVALENTS

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

6. EMPLOYEE BENEFITS

Benefits Payable During Employment

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

Termination Benefits

6.2. Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis in the Comprehensive Income and Expenditure Statement and recognised at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring that involves the payment of termination benefits.

6.3. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

6.4. As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until the employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

6.5. The Authority participates in one pension scheme, the Local Government Pension Scheme, administered locally by Hertfordshire County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The Local Government Pension Scheme

6.6. The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Hertfordshire Local Government Pension Scheme attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative current rate of return on high quality corporate bonds of equivalent currency and term as the liabilities (rated at the level of AA or equivalent).

- The assets of the Hertfordshire Local Government Pension Scheme attributable to the Authority are included in the balance sheet at their fair value:
  quoted securities – bid price
  unquoted securities – professional estimate
  unitised securities – average of the bid and offer rates
  property – market value

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

Service cost comprising:

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

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

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

Re-measurements comprising:

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

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

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

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

Discretionary Benefits

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

7. EVENTS AFTER THE REPORTING PERIOD

7.1. Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

7.2. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

8. EXCEPTIONAL ITEMS

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

9. FINANCIAL INSTRUMENTS

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

Financial Liabilities

9.2. Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For the Council's borrowings, the amount presented in the Balance Sheet is the outstanding principal repayable; and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

9.3. Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

9.4. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

FINANCIAL ASSETS

9.5. Financial assets are classified into two types:

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

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

Statement of Accounting Policies

Loans and Receivables

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

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

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

10. GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

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

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

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

Statement of Accounting Policies

11. HERITAGE ASSETS

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

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

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

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

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

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

12. INTANGIBLE ASSETS

12.1. Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

12.2. Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

12.3. Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

12.4. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

12.5. Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

13. INVENTORIES AND LONG TERM CONTRACTS

13.1. Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Work in Progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

13.2. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

14. INVESTMENT PROPERTY

14.1. Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

14.2. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged in an orderly transaction between participants at the measurement date, and assuming that highest and best use is made of that asset. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

15. JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

15.1. Jointly controlled operations are activities undertaken by the Authority in conjunction with other partners that involve the use of the assets and resources of the partners rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs, and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

15.2. Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other partners, with the assets being used to obtain benefits for the partners. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

16. LEASES

The Authority as Lessee

16.1. The authority classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

Initial measurement

16.2. The Council initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the authority's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the authority is reasonably certain to exercise
- lease payments in an optional renewal period if the authority is reasonably certain to exercise an extension option
- penalties for early termination of a lease, unless the authority is reasonably certain not to terminate early.

16.3. The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent measurement

16.4. The right-of-use asset is subsequently measured using the fair value model. The authority considers the cost model to be a reasonable proxy except for: assets held under non-commercial leases; leases where rent reviews do not necessarily reflect market conditions; leases with terms of more than five years that do not have any provision for rent reviews; leases where rent reviews will be at periods of more than five years. For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties

16.5. The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

16.6. The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the estimate of the amount expected to be payable under a residual value guarantee
- the Council changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed lease payment.

16.7. When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement

Low value and short lease exemption

16.8. As permitted by the Code, the authority excludes leases for low-value items that cost less than £10,000 when new (provided they are not highly dependent on or integrated with other items), and those with a lease term shorter than 12 months (comprising the non-cancellable period plus any extension options that the authority is reasonably certain to exercise and any termination options that the authority is reasonably certain not to exercise).

Lease expenditure

16.9. Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight-line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed. Depreciation and impairments are not charges against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement

The Authority as Lessor

16.10. Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases

Finance leases

16.11. Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases

16.12. Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain and loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

16.13. Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Statement of Accounting Policies

16.14. The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

16.15. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

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

17. OVERHEADS AND SUPPORT SERVICES

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

18. PROPERTY, PLANT AND EQUIPMENT

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

Recognition

18.2. Expenditure, above the de-minimis level, on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) or is below the de-minimis level, is charged as an expense when it is incurred.

18.3. The Authority's de-minimis level is £20,000 for property and £10,000 for vehicles, plant and equipment. The Authority may reduce these limits for items funded from grants where there is a specific requirement to treat some or all of the allocation as capital expenditure.

Measurement

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

- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

18.6. Donated assets are measured initially at current value. The difference between current value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

18.7. Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

18.8. Where there is no market based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. In such cases an estimate of the cost to re-build a similar asset (to provide the same function), using modern building practices and the latest information from the Building Cost Information Services is used as the value of the asset.

18.9. Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

18.10. Assets included in the balance sheet at current value are scheduled to be revalued sufficiently regularly to ensure their carrying amount is not materially different from their current value at the year end, but generally as a minimum every five years. As revaluations are carried out as at 1st November (part way through the year), where an asset is revalued, the closing asset value will be calculated as the revalued amount, less the annual depreciation charge. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of a loss previously charged to a service.

18.11. Where decreases in value are identified, they are accounted for by:

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

18.12. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

18.13. Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

18.14. Where impairment losses are identified, they are accounted for by:

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

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

Depreciation

18.16. Depreciation is provided for all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). The depreciation charge is charged to the relevant service line in the Comprehensive Income and Expenditure Statement.

18.17. Depreciation is calculated on a straight line allocation over the useful life of the property as estimated by the valuer. Assets are typically depreciated over the following lives:

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

18.18. Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

18.19. An individual item of property, plant or equipment is componentised and each resultant significant component is recognised and depreciated separately subject to the following principles:

- Individual assets with a carrying value less than £500k are disregarded for componentisation (subject to an assessment of the materiality of any group of assets that have been disregarded).
- A component is judged to be significant and hence recognised and depreciated separately if the cost of the component is at least 20% of the overall cost of the asset and the components useful life and required method of depreciation is different to the overall asset.
- The significance of a component relative to the overall asset is determined when an asset is enhanced, acquired or revalued (e.g. as part of the five-year rolling programme).
- The cost of a component is based on best estimates where historical cost of assets and components is not available.

Statement of Accounting Policies

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

Disposals and Non-current Assets Held for Sale

18.21. When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

18.22. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

18.23. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

18.24. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

18.25. Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

18.26. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Minimum Revenue Provision Charges

18.27. The authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance.

18.28. Depreciation, revaluation and impairment losses, and amortisation are therefore replaced by the contribution in the General Fund balance in respect of a Minimum Revenue Provision , by way of an adjusting transaction with the capital adjustment account in the Movement in Reserves Statement for the difference between the two.

Statement of Accounting Policies

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

19.1. Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

19.2. Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. When a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

19.3. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

20. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

20.1. Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

20.2. Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

20.3. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

20.4. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the obligation is settled.

Contingent Liabilities

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

Contingent Assets

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

21. RESERVES

21.1. The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

21.2. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

22. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

22.1. Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a long term asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

22.2. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

22.3. While the Authority has a de-minimis level for capitalising expenditure on its own assets there is no de-minimis level for revenue expenditure funded from capital under statute.

23. TRUST FUNDS AND THIRD PARTY ASSETS

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

24. VAT

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

Expenditure and Funding Analysis

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

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

2023/24				2024/25		
Net Expenditure chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000	Directorate	Net Expenditure chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
1,388	(835)	553	Managing Director	1,646	(1,316)	330
4,290	518	4,808	Customers	4,372	513	4,885
1,170	1,494	2,664	Enterprise	1,322	190	1,512
1,481	546	2,027	Housing & Environmental Health	2,137	1,142	3,279
2,825	430	3,255	Legal & Community	2,602	(1,021)	1,581
5,351	2,385	7,736	Place	6,598	2,918	9,516
380	359	739	Regulatory	68	374	442
2,743	102	2,845	Resources	2,790	554	3,344
19,628	**4,999**	**24,627**	**Net Cost of Services**	**21,535**	**3,354**	**24,889**
1,388	(88)	1,300	Other Operating Expenditure	1,476	0	1,476
(3,743)	(808)	(4,551)	Financing and Investment Income and Expenditure	(3,800)	(341)	(4,141)
(21,369)	1,046	(20,323)	Taxation and Non-Specific Grant Income and Expenditure	(22,231)	(8,765)	(30,996)
(4,096)	**5,149**	**1,053**	**(Surplus) or Deficit on Provision of Services**	**(3,020)**	**(5,752)**	**(8,772)**
(11,990)			**Opening General Fund Balance**	**(14,058)**		
(4,096)			(Surplus) or Deficit on General Fund Balance in year	(3,020)		
2,028			Transfers to / (from) Earmarked Reserves	1,011		
(14,058)			**Closing General Fund Balance at 31st March**	**(16,067)**		

Comprehensive Income and Expenditure Statement

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

2023/24				Note	2024/25		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£'000	**£'000**	**£'000**			**£'000**	**£'000**	**£'000**
762	(209)	553	Managing Director		999	(669)	330
34,464	(29,656)	4,808	Customers		33,105	(28,220)	4,885
3,578	(914)	2,664	Enterprise		2,477	(965)	1,512
3,706	(1,679)	2,027	Housing & Environmental Health		4,988	(1,709)	3,279
4,299	(1,044)	3,255	Legal & Community		3,900	(2,319)	1,581
12,657	(4,921)	7,736	Place		14,574	(5,058)	9,516
5,174	(4,435)	739	Regulatory		5,061	(4,619)	442
2,882	(37)	2,845	Resources		3,402	(58)	3,344
67,522	**(42,895)**	**24,627**	**Cost of Services**		**68,506**	**(43,617)**	**24,889**
		1,300	Other Operating Expenditure	13			1,476
		(4,551)	Financing and Investment Income & Expenditure	14			(4,141)
		(20,323)	Taxation and Non-Specific Grant Income & Expenditure	15			(30,996)
		1,053	**(Surplus) or Deficit on Provision of Services**				**(8,772)**
		(205)	(Surplus) or Deficit on revaluation of non-current assets				711
		11,034	Re-measurements of the net defined benefit liability	39			1,763
		10,829	**Other Comprehensive Income and Expenditure**				**2,474**
		11,882	**Total Comprehensive Income and Expenditure**				**(6,298)**

Service Reporting Code of Practice:
The above revenue service analysis is compliant with the latest accounting code of practice.

Movement in Reserves Statement

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

	General Fund Balance	Earmarked Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2023	**11,990**	**10,661**	**2,758**	**899**	**26,308**	**127,272**	**153,580**
Movement in Reserve during 2023/24							
Surplus or (deficit) on provision of services	(1,053)	0	0	0	(1,053)	0	(1,053)
Other Comprehensive Expenditure and Income	0	0	0	0	0	(10,829)	(10,829)
Total Comprehensive Expenditure and Income	**(1,053)**	**0**	**0**	**0**	**(1,053)**	**(10,829)**	**(11,882)**
Adjustments between accounting basis & funding basis under regulations **(Note 12)**	5,149	0	(502)	0	4,647	(4,647)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**4,096**	**0**	**(502)**	**0**	**3,594**	**(15,476)**	**(11,882)**
Transfers to/from Earmarked Reserves **(Note 27)**	(2,028)	2,028	0	0	0	0	0
Increase / (Decrease) in Year	**2,068**	**2,028**	**(502)**	**0**	**3,594**	**(15,476)**	**(11,882)**
Balance at 31 March 2024	**14,058**	**12,689**	**2,256**	**899**	**29,902**	**111,796**	**141,698**
Movement in Reserve during 2024/25							
Surplus or (deficit) on provision of services	8,772	0	0	0	**8,772**	0	**8,772**
Other Comprehensive Expenditure and Income	0	0	0	0	**0**	(2,474)	**(2,474)**
Total Comprehensive Expenditure and Income	**8,772**	**0**	**0**	**0**	**8,772**	**(2,474)**	**6,298**
Adjustments between accounting basis & funding basis under regulations **(Note 12)**	(5,752)	0	(1,716)	(18)	**(7,486)**	7,486	**0**
Net Increase / (Decrease) before Transfers to Earmarked Reserves	**3,020**	**0**	**(1,716)**	**(18)**	**1,286**	**5,012**	**6,298**
Transfers to/from Earmarked Reserves **(Note 27)**	(1,011)	1,011	0	0	**0**	0	**0**
Increase / (Decrease) in Year	**2,009**	**1,011**	**(1,716)**	**(18)**	**1,286**	**5,012**	**6,298**
Balance at 31 March 2025	**16,067**	**13,700**	**540**	**881**	**31,188**	**116,808**	**147,996**

Balance Sheet as at 31 March 2025

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

31 March 2024 £'000		Note	31 March 2025 £'000
94,913	Property, Plant and Equipment	16	99,550
932	Heritage Assets	17	932
26,808	Investment Property	18	27,700
356	Intangible Assets	19	281
2,000	Long Term Investments (non-property)		0
265	Other Long Term Debtors		127
125,274	**Long Term Assets**		**128,590**
91	Inventories	21	73
7,934	Short Term Debtors	22	17,935
42,733	Short Term Non Property Investments	20	30,817
0	Assets Held for Sale	24	0
3,311	Cash & Cash Equivalents	23	16,306
54,069	**Current Assets**		**65,131**
(28)	Short Term Borrowing	20	(26)
(13,039)	Short Term Creditors	25	(20,709)
(8,272)	Receipts in Advance	25	(9,392)
0	Provisions (< 1 year)	26	(183)
(21,339)	**Current Liabilities**		**(30,310)**
(325)	Long Term Borrowing	20	(305)
(106)	Long Term Creditors	38	(175)
(2,597)	Provisions (> 1 year)	26	(732)
(13,310)	Liability related to Pension Scheme	39	(14,234)
32	Deferred Credits		31
(16,306)	**Long Term Liabilities**		**(15,415)**
141,698	**Net Assets**		**147,996**
29,902	Usable Reserves	27	31,188
111,796	Unusable Reserves	28	116,808
141,698	**Total Reserves**		**147,996**

The draft accounts were authorised for issue on 9th July 2025.

Ian Couper: Director - Resources

Cash Flow Statement

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

2023/24 £'000		2024/25 £'000
(1,053)	Net surplus or (deficit) on the provision of services	8,772
391	Adjustments to net surplus or deficit on the provision of services for non-cash movements **(Note 29)**	(872)
(1,771)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities **(Note 29)**	(7,636)
(2,433)	**Net cash flows from operating activities**	**264**
(2,351)	Investing Activities **(Note 29)**	12,729
(3,595)	Financing Activities **(Note 29)**	3
(8,379)	**Net Increase or (decrease) in cash and cash equivalents**	**12,996**
11,690	Cash and Cash Equivalents at the beginning of the year	3,310
3,311	**Cash and Cash Equivalents at the end of the year**	**16,306**

Notes to the Core Financial Statements

Index of Explanatory Notes to the Core Financial Statements

Notes to the Core Financial Statements

INTRODUCTION

The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code) and the accounting policies set out prior to the financial statements. The notes that follow (1 to 41) set out supplementary information to assist readers of the accounts.

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2025/26 Code:

a) **IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability)** issued in August 2023. The amendments to IAS 21 clarify how an entity should access whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

b) **IFRS 17 Insurance Contracts** issued in May 2017. IFRS 17 replaces IFRS 4and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.

c) The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach. These have the same effect as requiring a change in accounting policy due to an amendment to standards, which would normally be disclosed under IAS 8. However, the adaptations also include a relief from the requirements of IAS 8 following a change in accounting policy as confirmed in paragraph 3.3.1.4.

It is likely that there will be limited application of items a) and b) and will be immaterial, while item C will not impact North Herts.

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication of the degree to which the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

- The Authority acquired the leasehold interest in the Churchgate Shopping Centre in 2022/23. This has been combined with the freehold interest that was already owned. The reason for the acquisition was to enable regeneration of the Shopping Centre and land in the surrounding area. This property is therefore classified as Property, Plant and Equipment. Carrying value as at 31st March 2025 is £3.4 million.

Notes to the Core Financial Statements

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

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

The items in the Authority's Balance Sheet at 31 March 2025 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over estimated useful lives. If, for any reason, an individual asset should deteriorate at a quicker rate than expected, then this could bring into doubt the useful lives assigned to individual assets. This could happen, for example, if the current period of austerity meant the necessary programme of repairs and maintenance was delayed.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £298k for every year that useful lives had to be reduced.
Investment Properties	Investment Properties are not depreciated but are revalued annually according to market conditions. It is uncertain if there will be a significant change in property prices over the next 12 months. However, the majority of the Authority's investment properties are ground leases which are considered to be relatively secure investments and less liable to large swings in value.	An average yield of 7.0% has been used in the calculation of the value of investment properties. A 0.5% reduction in the yield would reduce the carrying value of investment property by approximately £2.1million (this is a simple estimation for illustration only and does not consider the complexities and circumstances of individual assets).
Debtors	At 31 March 2025 the Authority had a balance of short term debtors of £21.5million. A review of the trend in collection rates and the age profile of the outstanding debt suggested an impairment of £2.7million was appropriate. However, in the current economic climate it is not certain if such an allowance is sufficient.	If collection rates were to deteriorate, a doubling of the amount of impairment of the doubtful debt would require an additional £2.7million to be set aside.
National Non Domestic Rates – Provision for Appeals	The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. The arrangements came into effect on 1 April 2013. The Authority, acting as an agent on behalf of the major preceptors, central government and itself (as principal) is required to make provisions in accordance with the requirements of the Code and legislation for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This includes amounts relating to non-domestic rates charged to businesses in 2017/18 and 2023/24.	A provision of £704k has been made as at 31 March 2025 for the Authority's share of refunding outstanding appeals that are ultimately successful. For the 2017 listing this amount is based on the details of outstanding appeals with the Valuation Office Agency as at 31 March 2025, after applying a success factor of 25% and likely reduction in RV of 16%, to give an overall appeals factor of 4%. For 2023/24 outstanding appeals have a success factor of 16% and a reduction in RV of 19% to give an overall appeals factor of 3% 2023 unlodged appeals are based on the average appeals lodged over the last two years and applied to the final year that 2023 appeals can be made. An increase in this appeals provision factor will result in an increase of £300k.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements. A firm of actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The assumptions interact in complex ways. Actuarial valuations are carried out every three years, with the latest undertaken in 2022/23. The authority's actuaries advised that the net pension position in 24/25 is a surplus of £26,869,000, primarily due to higher discount rates and a small reduction to life expectancies. However, as detailed in note 38, the net asset value is subject to restrictions as per accounting standards. Adopting the methodology advised by the actuary, the outcome is a deficit position of £14,234,000. While alternative approaches could lead to a different overall position, these would not result in a different impact on the available resources to the Council.

Notes to the Core Financial Statements

4. GOING CONCERN

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

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

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

5. MATERIAL ITEMS OF INCOME AND EXPENSE

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

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

Directorate	Description of Material Item	Comment
Customers	Careline Service – Contribution from Hertfordshire County Council	Total income receivable under the terms of the contractual agreement with Hertfordshire County Council was £3.3million in 2024/25 (£2.9m in 2023/24).
Customers	Careline Service – Private Client Income	Total income from private clients was £1.3million in 2024/25 (£1.2m in 2023/24).
Customers	Housing and Council Tax Benefits	The Authority paid a total of £22.5million of Housing Benefit payments in 2023/24 (£24.1million in 2023/24). This was funded by a grant subsidy from the Department for Work and Pensions of £22.0million (£23.8million in 2023/24).
Place	Grounds Maintenance Contract	Contract payments for the core service maintenance of amenity areas, burial grounds and rivers totalled £2.0million in 2023/24 (£1.6million in 2023/24).
Place	Waste and Recycling Contract	Waste and Recycling Contract expenditure totalled £4.7million in 2024/25 (£4.3million in 2023/24).
Place	Commercial Waste and Recycling Service Income	Total income from waste and recycling services provided to commercial customers in 2024/25 was £1.2m (£1.2m in 2023/24).
Place	Garden Waste Service Income	Total income of £1.1m from residents subscribed to the Council's Garden Waste Collection Service in 2024/25 (£1.2m in 2023/24).
Regulatory	Off-Street Car Parking Income	Off-Street Car Parking income received by the authority totalled £1.9millon in 2024/25 (£1.8m in 2023/24).

6. EVENTS AFTER THE REPORTING PERIOD

There were no events that occurred after the reporting period that need disclosing in 2024/25.

7. PRIOR PERIOD ADJUSTMENTS

There were no prior period adjustments that need disclosing in 2024/25.

8. ACQUIRED AND DISCONTINUED OPERATIONS

There were no acquired or discontinued operations during 2024/25 or 2023/24. These would normally arise following boundary changes or from legislation, neither of which affected North Hertfordshire District Council during 2024/25. All operations are therefore classified as '*continuing operations*'.

9. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

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

2023/24					2024/25			
Adjustments for Capital Purposes (Note 1)	**Net Change for the Pension Adjustments (Note 2)**	**Other Differences (Note 3)**	**Total Adjustments**	**Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts**	**Adjustments for Capital Purposes (Note 1)**	**Net Change for the Pension Adjustments (Note 2)**	**Other Differences (Note 3)**	**Total Adjustments**
£'000	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	**£'000**
0	(962)	127	**(835)**	Managing Director	0	(1,347)	31	**(1,316)**
437	81	0	**518**	Customers	529	(16)	0	**513**
1,480	14	0	**1,494**	Enterprise	193	(3)	0	**190**
525	21	0	**546**	Housing & Env Health	1,147	(5)	0	**1,142**
403	27	0	**430**	Legal & Community	(1,016)	(5)	0	**(1,021)**
2,365	20	0	**2,385**	Place	2,922	(4)	0	**2,918**
328	31	0	**359**	Regulatory	381	(7)	0	**374**
80	22	0	**102**	Resources	559	(5)	0	**554**
5,618	**(746)**	**127**	**4,999**	**Net Cost of Services**	**4,715**	**(1,392)**	**31**	**3,354**
(88)	0	0	**(88)**	Other Operating Expenditure	0	0	0	**0**
(924)	116	0	**(808)**	Financing and Investment Income and Expenditure	(894)	553	0	**(341)**
(752)	0	1,798	**1,046**	Taxation and Non-Specific Grant Income and Expenditure	(6,262)	0	(2,503)	**(8,765)**
(1,764)	**116**	**1,798**	**150**	**Other Income and Expenditure from the Expenditure and Funding Analysis**	**(7,156)**	**553**	**(2,503)**	**(9,106)**
3,854	**(630)**	**1,925**	**5,149**	**Difference between the General Fund Surplus or Deficit and the CIES surplus or deficit on the provision of services**	**(2,441)**	**(839)**	**(2,472)**	**(5,752)**

Notes to the Core Financial Statements

1) Adjustments for Capital Purposes

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

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

2) Net Change for the Pensions Adjustments

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

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

3) Other Differences

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

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

Notes to the Core Financial Statements

10. SEGMENTAL INCOME

Income received on a segmental basis is analysed below.

Directorate	2023/24 £'000	2024/25 £'000
Managing Director	(3,907)	(9,921)
Customers	(29,655)	(28,220)
Enterprise	(2,029)	(1,979)
Housing & Environmental Health	(1,679)	(1,709)
Legal & Community	(1,044)	(2,319)
Place	(4,922)	(5,059)
Regulatory	(4,435)	(4,619)
Resources	(37)	(58)
Total Directorate Income	**(47,708)**	**(53,884)**
Other Income Received		
Non-Ringfenced Government Grants	(5,991)	(7,810)
Income from Council Tax and Business Rates	(13,580)	(16,925)
Total Income within Surplus or Deficit on the Provision of Services	**(67,279)**	**(78,619)**

11. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2023/24 £000	2024/25 £000
Employee costs	17,379	18,256
Other Service Expenditure	21,004	23,191
Housing Benefit Payments	24,144	22,463
Interest Payments	301	197
Net Pension Costs	116	553
Capital Charges:		
- Depreciation of Property, Plant & Equipment	3,648	4,481
- Amortisation of Intangible Assets	251	267
- Impairment / Downward Revaluation of Assets	1,108	0
- Impairment Reversal / Upward Revaluation of Assets	0	(148)
(Increase) / Decrease in Fair Value of Investment Properties	(919)	(889)
(Gain) / Loss on the Disposal of Assets	(88)	0
Parish Council Precepts	1,388	1,476
Total Expenditure	**68,332**	**69,847**
Fees and Charges	(10,437)	(11,163)
Interest and Rental Income	(4,665)	(4,537)
Housing Benefit Subsidy	(23,770)	(21,950)
Grants and Contributions	(14,827)	(24,044)
Income from Council Tax and Business Rates	(13,580)	(16,925)
Total Income	**(67,279)**	**(78,619)**
(Surplus) or Deficit on the Provision of Services	**1,053**	**(8,772)**

Notes to the Core Financial Statements

12. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

The first table shows the adjustments made in the comparative year 2023/24:

2023/24	**Usable Reserves**			**Movement in Unusable Reserves**
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£'000	**£'000**	**£'000**	**£'000**
Adjustments Primarily involving the Capital Adjustment Account: Reversal of items debited or credited to the comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(3,648)	0	0	3,648
Revaluation losses on property, plant and equipment	(1,108)	0	0	1,108
Movements in the market value of Investment Properties	919	0	0	(919)
Amortisation of Intangible Assets	(251)	0	0	251
Capital Grants and contributions applied	1,096	0	0	(1,096)
Revenue Expenditure funded from capital under statute	(954)	0	0	954
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	(588)	0	0	588
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the financing of capital investment	5	0	0	(5)
Capital expenditure charged against the General Fund	0	0	0	0
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	675	(675)	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	1,177	0	(1,177)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	0	0
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(2,578)	0	0	2,578
Employers pensions contributions and direct payments to pensioners payable in year	3,208	0	0	(3,208)
Adjustments primarily involving the Collection Fund Account:				
Movement in the Authority's share of the Collection Fund surplus / deficit	(1,798)	0	0	1,798
Adjustments primarily involving the Accumulated Absences Account:				
Accrued employee absence adjustment	(127)	0	0	127
Total Adjustments	**(5,149)**	**502**	**0**	**4,647**

Notes to the Core Financial Statements

The following table shows the adjustments made in 2024/25:

2024/25	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	£'000
Adjustments Primarily involving the Capital Adjustment Account: Reversal of items debited or credited to the comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	(4,333)	0	0	4,333
Revaluation losses on property, plant and equipment	0	0	0	0
Movements in the market value of Investment Properties	889	0	0	(889)
Amortisation of Intangible Assets	(267)	0	0	267
Capital Grants and contributions applied	7,618	0	18	(7,636)
Revenue Expenditure funded from capital under statute	(1,471)	0	0	1,471
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	0	0	0	0
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory Provision for the financing of capital investment	5	0	0	(5)
Capital expenditure charged against the General Fund	0	0	0	0
Adjustments involving the Capital Receipts Reserve:				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	1,716	0	(1,716)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	0	0
Adjustments primarily involving the Pension Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(2,606)	0	0	2,606
Employers pensions contributions and direct payments to pensioners payable in year	3,445	0	0	(3,445)
Adjustments primarily involving the Collection Fund Account:				
Movement in the Authority's share of the Collection Fund surplus / deficit	2,503	0	0	(2,503)
Adjustments primarily involving the Accumulated Absences Account:				
Accrued employee absence adjustment	(31)	0	0	31
Total Adjustments	**5,752**	**1,716**	**18**	**(7,486)**

Notes to the Core Financial Statements

13. OTHER OPERATING EXPENDITURE

2023/24 £000		2024/25 £000
1,388	Parish council precepts	1,476
(88)	(Gains) / losses on disposal of non-current assets	0
1,300	**Total**	**1,476**

14. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2023/24 £000		2024/25 £000
301	Interest payable and similar charges	197
116	Pensions interest cost and expected return on pensions assets	553
(2,945)	Interest receivable and similar income	(2,990)
(919)	Change in Fair Value of Investment Properties	(889)
(1,104)	Income and expenditure in relation to investment properties	(1,012)
(4,551)	**Total**	**(4,141)**

15. TAXATION & NON-SPECIFIC GRANT INCOME AND EXPENDITURE

2023/24 £000		2024/25 £000	2024/25 £000
(14,190)	Council Tax Income		(14,743)
(75)	Council Tax Hardship Grant		(269)
(152)	Revenue Support Grant		(162)
(4,721)	Section 31 Business Rates Reliefs Grant		(5,943)
(933)	New Homes Bonus		(262)
0	Funding Guarantee Grant		(1,157)
(110)	Services Grant		(17)
	National Non-Domestic Business Rates (NNDR)		
(15,182)	Share of total collectible income	(16,270)	
15,843	NNDR Tariff and Levy	16,493	
(51)	NNDR Collection Fund (Surplus) / Deficit	(2,404)	
610	Net Recognised NNDR		(2,181)
(752)	Capital Grants and Contributions (see below)		(6,262)
(20,323)			**(30,996)**

2023/24 £000	**Capital Grants and Contributions**	2024/25 £000
226	MHCLG – Shared Prosperity Fund	87
247	MHCLG – Local Authority Housing Fund Round 1	0
274	MHCLG – Local Authority Housing Fund Round 2	0
0	Public Sector Decarbonisation Fund	6,165
5	Other contributions	10
752	**Total**	**6,262**

Notes to the Core Financial Statements

16. PROPERTY, PLANT AND EQUIPMENT

The movement on property, plant and equipment balances during the year and in the 2023/24 comparable year is detailed in the following tables.

Within each classification heading are the following types of assets:

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

REVALUATIONS

The Authority has a five year rolling revaluation programme for its properties. The Authority's Investment properties are valued annually. Revaluations completed during the year are reflected as at 31 March of the financial year when the valuation takes place. 2024/25 valuations were provided by Reynolds Butler Ltd. The revaluations undertaken in 2024/25 have resulted in a net decrease to the carrying value of property, plant and equipment of £0.636million.

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

2020/21	2021/22	2022/23	2023/24	2024/25
Investment Properties	Investment Properties	Investment Properties	Investment Properties	Investment Properties
Assets Held for Sale	Assets Held for Sale	Assets Held for Sale	Assets Held for Sale	Surplus Assets
Surplus Assets	Surplus Assets	Surplus Assets	Surplus Assets	
Operational Assets:	Operational Assets:	Operational Assets:	Operational Assets:	Operational Assets:
Amenity Land *	Amenity Land *	Car Park *	Retail	Retail
Burial Ground *	Burial Ground *	Offices *		
Car Park *	Car Park *	Public Halls		
Community Centres	Community Centres	Storage *		
Industrial	Industrial	Trust Property*		
Leisure Centres	Leisure Centres	Retail		
Market *	Market *			
Museums	Museums			
Offices *	Offices *			
Pavilions *	Pavilions *			
Play Areas *	Play Areas *			
Public Conveniences	Public Conveniences			
Public Halls	Public Halls			
Public Open Space *	Public Open Space *			
Recreation Ground *	Recreation Ground *			
Storage *	Storage *			
Swimming Pools	Swimming Pools			
Trust Properties *	Trust Properties *			

* Selected assets were valued in this category.

Notes to the Core Financial Statements

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

	Land & Buildings	Vehicles, Plant & Equipment	Infra-structure Assets	Community Assets	Surplus Assets	Assets Under Construction
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Carried at Historical Cost	**136**	**3,567**	**562**	**241**	**0**	**6,857**
Valued at Current Value as at:						
2018/19	**71**			**0**	**0**	
2019/20	**434**			**0**	**0**	
2020/21	**0**			**0**	**0**	
2021/22	**60,685**			**4,609**	**0**	
2022/23	**11,082**			**0**	**1,120**	
2023/24	**0**					
2024/25	**3,420**			**0**	**6,842**	
Total	**75,828**	**3,567**	**562**	**4,850**	**7,962**	**6,857**

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

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

- the market approach - uses prices and other relevant data generated by market transactions involving identical or comparable (i.e. similar) assets or group of assets.

- the cost approach - reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

- the income approach - converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

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

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

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

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

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

Level 3 Unobservable

Notes to the Core Financial Statements

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

An impairment review was completed as at 31 March 2025 to ascertain if the carrying value of the assets had decreased materially since the last revaluation. No impairments were identified.

SURPLUS ASSETS

The authority has non-operational land and buildings with a total carrying value of £7.962m at 31 March 2025. The sites of material value included within the total are:

- Land at The Snipe, Weston
- Land off Yeomanry Drive, Clothall Common, Baldock
- Baldock Road & Radburn Way Land
- Land at Radburn Way, Letchworth (following a Cabinet decision in June 2025 this land is now planned to be used as a habitat bank).
- Land at Meadow Way, Therfield
- Depot at Icknield Way

DISPOSALS

No assets were disposed of during 2024/25

Notes to the Core Financial Statements

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

	Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost of Valuation							
At 1 April 2023	**90,405**	**16,371**	**394**	**7,038**	**8,414**	**426**	**123,048**
Additions	429	671	116	17	0	156	**1,389**
Disposals	0	0	0	0	0	0	**0**
Reclassifications	359	155	0	5	34	(417)	**136**
Write Off to Revenue	0	0	0	0	0	0	**0**
Upward and Downward Revaluations recognised in the Revaluation Reserve	0	0	0	0	205	0	**205**
Upward Revaluations / Impairment reversals recognised in the Surplus/Deficit on Provision of Services	0	0	0	0	0	0	**0**
Impairments / Downward Revaluations recognised in the Surplus/Deficit on the Provision of Services	(1,108)	0	0	0	0	0	**(1,108)**
At 31 March 2024	**90,085**	**17,197**	**510**	**7,060**	**8,653**	**165**	**123,670**
Depreciation & Impairments							
At 1 April 2023	(9,498)	(13,556)	(75)	(1,992)	11	0	**(25,110)**
Depreciation Charge for 2023/24	(2,808)	(640)	(17)	(182)	0	0	**(3,647)**
Disposals	0	0	0	0	0	0	**0**
Reclassifications	0	0	0	0	0	0	**0**
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	**0**
At 31 March 2024	**(12,306)**	**(14,196)**	**(92)**	**(2,174)**	**11**	**0**	**(28,757)**
Balance Sheet amount at 31 March 2024	**77,779**	**3,001**	**418**	**4,886**	**8,664**	**165**	**94,913**
Balance Sheet amount at 1 April 2023	**80,907**	**2,815**	**319**	**5,046**	**8,425**	**426**	**97,938**

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

Notes to the Core Financial Statements

MOVEMENT ON BALANCES OF PROPERTY, PLANT AND EQUIPMENT IN 2024/25

	Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost of Valuation							
At 1 April 2024	**90,085**	**17,197**	**510**	**7,060**	**8,653**	**165**	**123,670**
Additions	920	1,696	164	129	0	6,773	**9,682**
Disposals	0	0	0	0	0	0	**0**
Reclassifications	(7)	42	7	24	0	(82)	**(16)**
Write Off to Revenue	0	0	0	0	0	0	**0**
Upward and Downward Revaluations recognised in the Revaluation Reserve	0	0	0	0	(710)	0	**(710)**
Upward Revaluations / Impairment reversals recognised in the Surplus/Deficit on Provision of Services	66	0	0	0	9	0	**75**
Impairments / Downward Revaluations recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	**0**
At 31 March 2025	**91,064**	**18,935**	**681**	**7,213**	**7,951**	**6,856**	**132,700**
Depreciation & Impairments							
At 1 April 2024	(12,306)	(14,196)	(92)	(2,174)	11	0	**(28,757)**
Depreciation Charge for 2024/25	(3,002)	(1,248)	(27)	(204)	0	0	**(4,408)**
Disposals	0	0	0	0	0	0	**0**
Reclassifications	0	0	0	0	0	0	**0**
Depreciation written out to the Revaluation Reserve	0	0	0	15	0	0	**15**
Depreciation written out to the surplus/ deficit on the provision of services	72	0	0	0	1	0	**73**
At 31 March 2025	**(15,236)**	**(15,444)**	**(119)**	**(2,363)**	**12**	**0**	**(33,150)**
Balance Sheet amount at 31 March 2025	**75,828**	**3,491**	**562**	**4,850**	**7,963**	**6,856**	**99,550**
Balance Sheet amount at 1 April 2024	**77,779**	**3,001**	**418**	**4,886**	**8,664**	**165**	**94,913**

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

17. HERITAGE ASSETS

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

	Museum Collections £'000	Public Sculpture / Artwork £'000	Total Heritage Assets £'000
1 April 2023	883	49	932
31 March 2024	**883**	**49**	**932**
1 April 2024	883	49	932
31 March 2025	**883**	**49**	**932**

Museum Collections

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

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

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

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

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

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

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

The majority of the collections are not recognised in the Authority's Balance Sheet since there is no readily available information on the cost or market value of such items and to obtain such information would involve a disproportionate cost in comparison to the benefits to the users of the Authority's financial statements. The unvalued collections are insured for £2million as at 31 March 2024.

Notes to the Core Financial Statements

Public Sculpture / Artwork

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

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

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

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

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

Heritage Asset Transactions

In financial year 2024/5 the museum purchased 2 x 1980s posters relating to concerts at the Regal in Hitchin, for £150 the pair. The Council gained a grant of £100 from the Hertfordshire Heritage Fund towards the purchase.

There were 18 donations, some of which were of multiple items, including one donation of 19 paintings of local scenes by members of Letchworth's Haggo family, and a separate donation of 6 watercolours by Matthew Haggo showing Jones Cranes around the world. There were 6 donations of photographs, including of the Regal Cinema in Hitchin, and Letchworth's Broadway Cinema, as well as approx. 100 Regal Cinema programmes from the 1950s and 60s. We were given a Mr Twist toy and a Webster toy spider badge by the designer, John Pape. A donation was made of 4 Victorian account books relating to a blacksmith in Lilley, and a roundsman's book from Sandon. Another donation was of two Hitchin Town football programmes, from 1970 and 1977. John Marjoram, previous curator at Letchworth Museum in the 1980s, donated a vase by Abdo Nagi he purchased from an exhibition at Letchworth Museum in 1986.

The Museum were also lent a painting on a long-term loan by Spencer Gore, Landscape Letchworth, 1912, by Gore's grandson, Dr Charles Gore. This was valued at £100,000.

18. INVESTMENT PROPERTIES

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

	2023/24 £'000	2024/25 £'000
Rental Income from Investment Property	(1,116)	(1,016)
Direct Operating Expenses arising from Investment Property	12	4
Net Gain / (Loss)	**(1,104)**	**(1,012)**

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

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

	2023/24 £'000	2024/25 £'000
Balance at Start of the Year	**26,011**	**26,011**
Additions: Construction / Subsequent Expenditure	14	3
Net Gains / (Losses) from Fair Value adjustments	919	889
Transfers: (to) / from Property, Plant and Equipment	(136)	-
Balance at End of Year	**26,808**	**27,699**

19. INTANGIBLE ASSETS

	Purchased Software Licences £'000
Original Cost	3,295
Amortisations to 1 April 2024	(2,939)
Balance at 1 April 2024	**356**
Expenditure in Year	192
Amortisation in Year	(267)
Balance at 1 April 2025	**281**

20. FINANCIAL INSTRUMENTS

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

	Long-term		Current	
	31 March 2024 £'000	31 March 2025 £'000	31 March 2024 £'000	31 March 2025 £'000
Financial Liabilities at amortised cost:				
Creditors payable within one year	0	0	5,492	13,676
Borrowing	325	305	28	26
Total Financial Liabilities:	**325**	**305**	**5,520**	**13,702**
Financial Assets:				
Debtors (loans and receivables)	2,265	127	6,034	14,257
Investments	0	0	42,733	30,817
Cash & Cash Equivalents	0	0	3,310	18,478
Total Financial Assets:	**2,265**	**127**	**52,077**	**63,552**

Notes to the Core Financial Statements

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

	Financial Liabilities At amortised cost £'000		Financial Assets Loans & Receivables £'000		Total £'000	
	2024	**2025**	**2024**	**2025**	**2024**	**2025**
Interest Expense	(300)	(197)	0	0	(300)	(197)
Interest Payable & Similar Charges	**(300)**	**(197)**	**0**	**0**	**(300)**	**(197)**
Interest Income	0	0	2,941	2,983	2,941	2,983
Interest & investment income	**0**	**0**	**2,941**	**2,983**	**2,941**	**2,983**
Net gain/(loss) for year	**(300)**	**(197)**	**2,941**	**2,983**	**2,641**	**2,786**

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

- A 'premature repayment' set of rates, supplied by the Council's financial advisors, in force on the 31 March 2025 has been used to supply the fair value for loans
- Transaction costs on all financial liabilities and financial assets are immaterial (transaction costs do not include internal administrative costs)
- Interest payable and receivable reflects market rates
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

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

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

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

Level 3 Unobservable

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

The fair values are calculated as follows:

	31 March 2024		31 March 2025	
	Carrying Amount £'000	**Fair Value £'000**	**Carrying Amount £'000**	**Fair Value £'000**
Financial Liabilities	5,846	6,041	14,008	14,207

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

Notes to the Core Financial Statements

	31 March 2024 Carrying Amount £'000	31 March 2024 Fair Value £'000	31 March 2025 Carrying Amount £'000	31 March 2025 Fair Value £'000
Loans & Receivables	54,235	54,966	63,553	64,369

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

Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit Risk

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

The Council regards a prime objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, the Investment Strategy (Integrated Capital and Treasury Strategy) ensured that its counterparty lists and limits reflected a prudent attitude towards organisations with whom funds were deposited, and limited its investment activities to the instruments, methods and techniques referred to in the Treasury Management Practices adopted by the Authority. It also maintains a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements. There were no defaults on investments in 2024/25 or 2023/24. The table below details the investment limits for 2024/25.

Investment Category	Maximum amount of investment allowable in category	Investment Type	Maximum Amount of Investment Allowable in any one Institution	Amount Invested as at 31 March 2025* £'000
Banks	£13M	UK Clearing Banks	£3M	0
		UK Clearing Banks (Wholly owned Subsidiaries)	£3M	0
		Non-UK Clearing Banks	£3M	0
UK Building Societies and UK Property Market Funds	£15M	Rated Building Societies	£3M	0
		Building Societies (Assets £1bn and over)	£2M	0
		Building Societies (Assets £0.3bn to £1bn)	£1M	0
		Property Market Funds	£1M	0
Money Market Funds	£6M	Money Market Funds	£3M	0
UK Local Authorities	No limit	Other Local Authorities	£4M	36,000
UK Government	No limit	Debt Management Office	No limit	9,000
		Total Invested		**45,000**

* This column shows the total invested in all counterparties in the group (for example, there was £36.0million invested in sixteen separate Local Authorities).

Notes to the Core Financial Statements

The analysis of the £45.0 million of investments by credit rating at year end is as follows:

AAA or equivalent	AA / AA- or equivalent	A+ / A- or equivalent	BBB+ / BBB or equivalent	AAA money market fund	Other Local Authorities	Other Local Authorities	Not rated*	**Total Investments**
£’000	£’000	£’000	£’000	£’000	£’000	£’000	£’000	**£’000**
0	0	0	0	0	36,000	9,000	0	**45,000**

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

The Authority does not allow credit facilities for customers with relation to payments for the provision of services. £1.676M of the total £3.315M sundry debtor balance at 31 March 2025 has passed its due date for payment. The risk of default is accounted for through the corresponding bad debt provision, which is determined primarily by the age of the sundry debtor outstanding. The sundry debtor balance and corresponding provision is presented in the table below.

Age of Debt	**Sundry Debtors**	**Provision Percentage**	**Provision Required**	**Net Sundry Debtors**
	£'000		£'000	£'000
Within payment terms	1,639	0%	0	1,639
1-3 months over term	796	0%	0	796
3-12 months overdue	560	25%	(140)	420
12-24 months overdue	145	75%	(109)	36
More than 24 months overdue	175	100%	(175)	0
Total at 31 March 2025	**3,315**		**(424)**	**2,891**

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

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

Liquidity Risk

As the Authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority reviews its borrowing requirements as part of its annual Investment Strategy (Integrated Capital and Treasury Strategy) and the standard policy has been to limit the amount of borrowing and reduce the exposure to liquidity risk. The strategy for 2024/25 was to utilise capital receipts and set aside reserves and no new borrowing was taken out.

The total financial liability is made up as follows:

	31 March 2024 £’000	**31 March 2025 £’000**
Public Works Loan Board	347	325
Banks and Other Monetary Sectors	0	0
Total Borrowing	**347**	**325**
Less: Debt Maturing in 12 Months	21	20
Total Long Term Borrowing	**326**	**305**

At 31 March 2025 the average rates of interest on the different varieties of loans were as follows:

	%
Public Works Loan Board	10.72

The consolidated rate of interest, the rate used for internal transactions, was 10.99%.

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

	£'000
Maturing in more than 1 and less than 2 years	15
Maturing in more than 2 and less than 5 years	33
Maturing in more than 5 and less than 10 years	7
Maturing in more than 10 years	250
Total	**305**

Market Risk

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

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

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

The Authority has a number of strategies for managing interest rate risk. The policy is to aim to keep a maximum of 30% of borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is mitigated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.
The Authority has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2025 if interest rates had been 1% higher with all other variables held constant, there would have been no effect seen in the Income and Expenditure Statement as there were no variable investments held during the year. The fair value of the loans outstanding would have been £5k higher (cost of repayment would have increased). This is shown below:

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

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

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

Notes to the Core Financial Statements

21. INVENTORIES

	31 March 2024 £'000	31 March 2025 £'000
Inventory:		
Paper and Stationery	1	1
Postage	3	2
Waste & Recycling equipment	6	12
Museum merchandise	10	11
Careline Telecare equipment	63	38
Hitchin Town Hall Bar/Café Supplies	7	8
Other	1	1
Total	**91**	**73**

22. DEBTORS

	31 March 2024 £'000	31 March 2025 £'000
Central Government Bodies	947	2,999
Impairment	0	0
Net Total Central Government Bodies	**947**	**2,999**
Other Local Authorities	3,573	3,196
Impairment	0	0
Net Total Other Local Authorities	**3,573**	**3,196**
NHS Bodies	1	0
Impairment	0	0
Net Total	**1**	**0**
Ratepayers / Council Tax Payers	2,087	2,630
Impairment	(1,135)	(1,133)
Net Total Ratepayers / Council Tax Payers	**952**	**1,497**
Housing Benefit Overpayments	1,030	954
Impairment	(674)	(782)
Net Total Housing Benefit Overpayments	**356**	**172**
Other Entities and Individuals	2,713	10,885
Impairment	(608)	(813)
Net Total Other Entities and Individuals	**2,105**	**10,072**
Total Net Debtors	**7,934**	**17,935**

23. CASH AND CASH EQUIVALENTS

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

31 March 2024 £000		31 March 2025 £000
114	Cash held by the Authority	52
1,197	Bank current accounts	1,254
0	Short-term Deposits with Banks/Building Societies	0
2,000	Short-term Deposits with Other Local Authorities	6,000
0	Short-term Deposits with Central Government	9,000
3,311	**Total**	**16,306**

24. ASSETS HELD FOR SALE (Non-Current)

	2023/24 £'000	2024/25 £'000
Balance Outstanding at Start of Year	**588**	**0**
Assets newly classified as held for sale:		
Property Plant & Equipment	0	0
Assets Sold	(588)	0
Balance Outstanding at End of Year	**0**	**0**

25. SHORT TERM CREDITORS AND RECEIPTS IN ADVANCE

Short Term Creditors	31 March 2024 £000	31 March 2025 £000
Central government bodies	7,546	7,851
Other local authorities	1,673	1,152
Other entities and individuals	3,820	11,706
Total	**13,039**	**20,709**

Receipts in Advance	31 March 2024 £000	31 March 2025 £000
Central government bodies	1,327	1,086
Other local authorities	111	197
Other entities and individuals	6,834	8,110
Total	**8,272**	**9,393**

26. PROVISIONS

	Provisions <1 Year	Provisions > 1 year		Total
	Leisure Income	Insurance Fund	NNDR Appeals	
	£'000	£'000	£'000	£'000
Balance at 1 April 2024	**0**	**(40)**	**(2,557)**	**(2,597)**
Additional provisions made in 2024/25	(183)	(22)	(68)	(273)
Amounts used in 2024/25	0	34	610	644
Unused amounts reversed in 2024/25	0	0	1,311	1,311
Balance at 31 March 2025	**(183)**	**(28)**	**(704)**	**(915)**

Leisure Income Provision

The Council's previous Leisure Centres operator, Stevenage Leisure Limited (SLL), entered liquidation during 2024/25. With liquidation significantly increasing the risk that any debts outstanding will not be fully recovered, a provision has been charged in the accounts for those amounts' receivable when the Council's contract with SLL expired at the end of the prior financial year, 2023/24. The provision relates to both membership income received in advance by SLL (e.g. where members paid for a full year) that was not transferred to the new provider and leisure centre management contract fee income outstanding (February and March 2024).

Insurance Provision

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

NNDR Appeals Provision

The Authority is required to recognise a provision for NNDR appeals liabilities. The balance includes provision for lodged appeals against 2017 published ratings and unlodged and lodged appeals against 2023 published ratings. The calculation is based on information from the Valuation Office (VOA) and an assumption of the success of the appeals and RV reductions. The total at the end of 2024/25 was £1.7million (£6.4million in 2023/24) and, as this is shared between North Herts Council, Herts County Council and Central Government, the North Herts proportion reflected in the balance sheet was £704k (£2.6million in 2023/24). The reduction in the overall provision primarily relates to the reduction in the provision made for appeals not yet lodged against the 2023 listing, with the number of appeals registered with the Valuation Office, as well as the value of refunds issued following successful appeals, to date being lower than previously estimated with only one year remaining for appeals to be submitted.

Notes to the Core Financial Statements

27. USABLE RESERVES

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

	Balance at 1 April 2024 £'000	Net Movement in Year £'000	Balance at 31 March 2025 £'000
Usable Capital Receipts	2,256	(1,716)	540
Earmarked Reserves	12,689	1,011	13,700
Capital Grants Unapplied	899	(18)	881
General Fund Reserve	14,058	2,009	14,058
Total Usable Reserves	**29,902**	**1,286**	**31,188**

Usable Capital Receipts

	2023/24 £'000	2024/25 £'000
Amounts receivable	675	0
Amounts applied to finance new capital investment	(1,177)	(1,716)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0
Total increase / (decrease) in realised capital resources	**(502)**	**(1,716)**
Balance brought forward at 1 April	2,758	2,256
Balance carried forward at 31 March	**2,256**	**540**

Earmarked Reserves

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

Earmarked Reserve	Balance at 31st March 2023	Transfers out 2023/24	Transfers in 2023/24	Balance at 31st March 2024	Transfers out 2024/25	Transfers in 2024/25	Balance at 31st March 2025
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Childrens Services Reserve	**47**	(37)	0	**10**	(9)	0	**1**
Churchgate Development Reserve	**138**	(15)	0	**123**	(112)	0	**11**
Climate Change Grant Reserve	**19**	(2)	0	**17**	(3)	6	**20**
Council Tax Hardship Grant Reserve	**0**	0	0	**0**	0	269	**269**
Elections Admin Grant	**19**	0	48	**67**	0	54	**121**
Environmental Health Grants Reserve	**84**	(23)	57	**118**	(113)	10	**15**
Growth Area Fund Reserve	**24**	0	0	**24**	0	0	**24**
Homelessness Grants Reserve	**352**	(146)	192	**398**	(203)	80	**275**
Housing & Planning Delivery Reserve	**887**	(196)	0	**691**	(90)	231	**832**
Information Technology Reserve	**23**	(23)	0	**0**	0	0	**0**
Insurance Reserve	**34**	0	0	**34**	0	0	**34**
Land Charges Reserve	**12**	0	0	**12**	0	0	**12**
Leased Assets Reserve	**0**	0	0	**0**	0	63	**63**
Leisure Management Maintenance Reserve	**68**	0	240	**308**	(275)	0	**33**

Notes to the Core Financial Statements

Earmarked Reserve	Balance at 31st March 2023	Transfers out 2023/24	Transfers in 2023/24	Balance at 31st March 2024	Transfers out 2024/25	Transfers in 2024/25	Balance at 31st March 2025
MHCLG Grants Reserve	**4,354**	(3,178)	4,559	**5,735**	(4,862)	5,354	**6,227**
Museum Exhibits Reserve	**14**	0	0	**14**	0	0	**14**
Neighbourhood Plan Reserve	**115**	(23)	40	**132**	(31)	20	**121**
Paintings Conservation Reserve	**11**	0	0	**11**	0	0	**11**
Shared Prosperity Fund Grant Reserve	**17**	(5)	15	**27**	(27)	0	**0**
Street Name Plates	**16**	0	0	**16**	0	0	**16**
Syrian Refugee Project	**619**	(71)	189	**737**	(115)	136	**758**
Taxi Licences Reserve	**11**	0	0	**11**	0	0	**11**
Town Centre Maintenance	**77**	0	8	**85**	0	8	**93**
Traffic Regulation Orders	**376**	(4)	0	**372**	(5)	0	**367**
Waste Reserve	**836**	0	0	**836**	0	0	**836**
Waste Vehicles Reserve	**1,850**	0	606	**2,456**	0	722	**3,178**
Welfare Reform Grants Reserve	**658**	(322)	119	**455**	(147)	50	**358**
Total Earmarked Reserves	**10,661**	**(4,045)**	**6,073**	**12,689**	**(5,992)**	**7,003**	**13,700**

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

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

Additional income over and above that necessary to off-set the treasury income that would have been generated from the capital used to purchase the shopping centre freehold is set aside in the **Churchgate Development Reserve** to support the planning and delivery of the Churchgate regeneration project.

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

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

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

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

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

The **Housing & Planning Delivery Reserve** holds unspent Housing & Planning Delivery grant to fund Cabinet approved spending plans in subsequent years. The Authority has also made a commitment to the Local Development Framework and funds are held in this reserve for this purpose.

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

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

Notes to the Core Financial Statements

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

Following the incorporation of the accounting standard IFRS 16: Leases in the accounting code, effective from April 2024, the Council's cars provided to staff on operations are considered for accounting purposes to have transferred to the Council and hence are now recorded on the Council's balance sheet. The saving on the revenue account from these arrangements is transferred to the **Leased Assets reserve** and will ultimately be used to finance the capital costs of replacement vehicles.

The **Leisure Management Maintenance Reserve** is to help cover the cost of any future significant repairs liabilities on the leisure facilities. The current Leisure Contract requires a contribution from the Council for maintenance items over £15k.

Ministry of Housing, Communities and Local Government Grants Reserve (previously DLUHC) holds unapplied Section 31 business rate relief grants, which will be used to fund NNDR Collection Fund deficit contributions and levy payments in future years. It also provides some protection against potential future reductions in NNDR receipts retained by the Council.

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

The **Neighbourhood Plan Reserve** is where funds received for neighbourhood plans from MHCLG have been transferred. The funding will be needed in future years as neighbourhood plans are developed and public examinations and public referendums are required

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

The **Shared Prosperity Fund grant reserve** held the balance of unspent grant funding received to date to support the Council's delivery of the three year Investment Plan approved by Government in the autumn of 2022. The unused balance was released to the General Fund at the end of the investment period.

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

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

Any surplus from the taxi service is transferred to the **Taxi Licenses Reserve**, where it can be used to offset any future deficit or to fund investment in the taxi service.

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

Traffic Regulation Orders (TROs). An audit was done to identify TRO work to be carried out in the district. Amounts are drawn down as and when the work is done.

Unspent AFM (Alternative Financial Model funding from HCC to encourage increases in recycling) monies have been transferred to the **Waste Reserve** to help mitigate any potential risk to the waste service and support future service developments.

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

Welfare Reform Grants are awarded to the Authority for different initiatives or changes relating to Housing & Council Tax benefit schemes, and more recently the Business Support and self-isolation grant schemes developed in response to the Covid-19 pandemic. The grants held in reserve are used to develop the service and fund revenue expenditure incurred when the initiatives or changes are carried out.

Notes to the Core Financial Statements

28. UNUSABLE RESERVES

	Balance at 1 April 2024	Net Movement in Year	Balance at 31 March 2025
	£'000	£'000	£'000
Revaluation Reserve (note 28A)	**53,048**	(2,610)	**50,438**
Capital Adjustment Account (note 28B)	**72,549**	6,074	**78,623**
Pensions Reserve (note 28C)	**(13,310)**	(924)	**(14,234)**
Collection Fund Adjustment Account (note 28D)	**46**	2,503	**2,549**
Short Term Accumulating Compensated Absences Account (note 28E)	**(537)**	(31)	**(568)**
Total Unusable Reserves	**111,796**	**5,012**	**116,808**

Note 28A – Revaluation Reserve

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

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

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

2023/24 £'000			2024/25 £'000
55,090	**Balance at 1 April**		**53,048**
628	Upward revaluation of assets	55	
(423)	Downward revaluation of assets and Impairment losses not charged to the surplus/deficit on the Provision of Services.	(766)	
205	**Surplus or deficit on revaluation of non-current assets not posted to the surplus or deficit on the provision of services**		**(711)**
(1,759)	Difference between fair value depreciation and historical cost depreciation.	(1,899)	
(488)	Accumulated gains on assets sold or scrapped.	0	
(2,247)	**Amount written off to the capital adjustment account**		**(1,899)**
53,048	**Balance at 31 March**		**50,438**

Notes to the Core Financial Statements

Note 28B – Capital Adjustment Account

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

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

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

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

2023/24 £'000			**2024/25 £'000**
73,654	**Balance at 1 April**		**72,549**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(3,648)	Depreciation and impairment of non-current assets	(4,333)	
(1,108)	Revaluation losses on property, plant and equipment	0	
(251)	Amortisation of Intangible assets	(267)	
(954)	Revenue expenditure funded from capital under statute	(1,471)	
(100)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	0	
(6,061)			(6,071)
1,759	Adjusting amounts written out of the Revaluation Reserve.		1,899
(4,301)	**Net written out amount of the cost of non-current assets consumed in the year**		**(4,172)**
	Capital financing applied in the year:		
1,177	Use of the Capital Receipts Reserve to finance new capital expenditure	1,716	
1,096	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement	7,618	
0	Application of grants to capital financing from the Capital Grants Unapplied Account	18	
5	Statutory provision for the financing of capital investment charged against the General Fund	5	
0	Capital expenditure charged against the General Fund	0	
2,278			9,357
919	Movements in the market value of investment properties		889
72,549	**Balance carried forward at 31 March**		**78,623**

Note 28C – Pension Reserve

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

2023/24 £'000		2024/25 £'000
(2,906)	**Balance at 1st April**	**(13,310)**
(11,034)	Actuarial gains or losses on pension assets and liabilities	(1,763)
(2,578)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement	(2,606)
3,208	Employer's pensions contributions and direct payments to pensioners payable in the year.	3,445
(13,310)	**Balance at 31st March**	**(14,234)**

Note 28D – Collection Fund Adjustment Account

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

2023/24 £'000		2024/25 £'000
1,844	**Balance at 1 April**	**46**
(1,798)	Movement in the Authority's share of the Collection Fund surplus / deficit	2,503
46	**Balance at 31 March**	**2,549**

Note 28E Accumulated Absences Account

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

2023/24 £'000		2024/25 £'000
(410)	**Balance at 1 April**	**(537)**
(127)	Amounts accrued at the end of the current year	(31)
(537)	**Balance at 31 March**	**(568)**

Notes to the Core Financial Statements

29. NOTES RELATING TO THE CASH FLOW STATEMENT

Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2023/24 £'000		2024/25 £'000
1,748	Interest Received	2,088
(301)	Interest Paid	(198)

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

2023/24 £'000		2024/25 £'000
3,647	Depreciation	4,408
1,108	Impairments and downward revaluations	0
251	Amortisation of intangible assets	267
(3,804)	Movement in Creditors	9,118
(1,152)	Movement in Debtors	(11,199)
71	Movement in Inventories	18
(630)	Pension Liability	(839)
588	Carrying amount of non-current assets sold	0
312	Movement in other provisions	(2,645)
391	**Net Adjustment for non-cash movements**	**(872)**

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

2023/24 £'000		2024/25 £'000
(1,096)	Grants applied to the financing of capital expenditure	(7,636)
(675)	Proceeds from the sale of non-current assets and investments	0
(1,771)	**Net Adjustment for investing or financing activities**	**(7,636)**

Cash Flow Statement - Investing Activities

2023/24 £'000		2024/25 £'000
(1,391)	Purchase of property, plant and equipment, investment property and intangible assets	(9,640)
(93,731)	Purchase of short-term and long-term investments	(123,767)
0	Other payments for investing activities	0
675	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0
91,000	Proceeds from short-term and long-term Investments	138,500
1,096	Other receipts from investing activities	7,636
(2,351)	**Net cash flows from investing activities**	**12,729**

Cash Flow Statement - Financing Activities

2023/24 £'000		2024/25 £'000
0	Cash receipts of short and long-term borrowing	0
(2,964)	Council Tax and NNDR adjustments	751
(611)	Cash payments for the reduction of finance leases liabilities	(727)
(20)	Repayments of short and long-term borrowing	(21)
(3,595)	**Net Cash flows from financing activities**	**3**

30. MEMBERS' ALLOWANCES

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

	2023/24 £'000	2024/25 £'000
Allowances	362	398
Expenses	2	3
Total	**364**	**401**

Notes to the Core Financial Statements

31. EMPLOYEES REMUNERATION

Senior Employee Remuneration in 2024/25

The Authority is required to disclose individual remuneration details for senior employees. The first table that follows details the individual remuneration for senior employees in 2024/25. The second table details the equivalent information for the comparative year, 2023/24. The Authority is voluntarily opting to disclose the name of the Managing Director. For senior employees, compensation for loss of office comprises the employer pension contribution amount calculated as part of the redundancy or termination package, as well as any other payments receivable on termination of employment (e.g. redundancy payments and payment in lieu of notice).

Post Title	Note	Salary (including fees & allowances) £	Expense Allowances £	Compensation for loss of office £	Total Remuneration (excluding pension contributions) £	Pension Contributions £	Total Remuneration (including pension contributions) £
Anthony Roche Managing Director		139,606	0	0	139,606	26,431	166,037
Service Director - Legal and Community		90,580	0	0	90,580	16,662	107,242
Service Director - Enterprise		88,711	0	0	88,711	16,616	105,327
Service Director - Regulatory		88,943	0	0	88,943	16,658	105,601
Service Director - Resources		88,571	0	0	88,571	16,589	105,160
Service Director - Customers		86,133	0	0	86,133	16,113	102,246
Service Director - Place	1	67,768	0	0	67,768	12,661	80,429
Service Director - Housing and Environmental Health	2	79,610	0	0	79,610	15,604	95,213

1. The Service Director - Place post is 0.81 FTE.
2. The Service Director - Housing and Environmental Health was employed on a secondment from Hertfordshire County Council.

Senior Employee Remuneration in 2023/24

Post Title	Note	**Salary** (including fees & allowances) £	**Expense Allowances** £	**Compensation for loss of office** £	**Total Remuneration** (excluding pension contributions) £	**Pension Contributions** £	**Total Remuneration** (including pension contributions) £
Anthony Roche Managing Director		136,072	0	0	136,072	25,754	161,827
Service Director - Legal and Community		86,798	0	0	86,798	16,243	103,041
Service Director - Enterprise		86,636	0	0	86,636	16,212	102,847
Service Director - Regulatory		86,572	0	0	86,572	16,199	102,770
Service Director - Resources		86,546	0	0	86,546	16,194	102,740
Service Director - Customers		81,697	0	0	81,697	15,248	96,945
Service Director - Place	1	64,220	0	0	64,220	11,970	76,190
Service Director - Housing and Environmental Health	2	46,976	0	0	46,976	9,207	56,183

1. The Service Director - Place post is 0.81 FTE.
2. The Service Director - Housing and Environmental Health joined the authority on an 18-month secondment from Hertfordshire County Council from 14th August 2023. The annualised salary including fees and allowances was £74,362.

Notes to the Core Financial Statements

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

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

Remuneration Band	**2023/24** Employees	**2024/25** Employees
£50,000-£54,999	4	14
£55,000-£59,999	15	13
£60,000-£64,999	13	17
£65,000-£69,999	2	4
£70,000-£74,999	0	1
£75,000-£79,999	0	0
Total	**34**	**49**

32. TERMINATION BENEFITS AND EXIT PACKAGES

In 2024/25 the Authority incurred a liability of £3,196 when a fixed-term employee, who had served for more than two years, reached the end of their contract without renewal. In 2023/24, the Authority terminated the contracts of two employees, giving rise to liabilities totalling £8,969

The numbers of exit packages with total cost per band and total cost of compulsory redundancies and other departures are set out in the table below. The amounts disclosed in the table include redundancy payments, compensation and payments in lieu of notice.

(a)	(b)		(c)		(d)		(e)	
Exit package cost band (including special payments)	**Number of compulsory redundancies**		**Number of other agreed departures**		**Total number of exit packages by cost band**		**Total cost of exit packages in each band**	
	2023/24	**2024/25**	**2023/24**	**2024/25**	**2023/24**	**2024/25**	**2023/24**	**2024/25**
							£	**£**
£0 - £19,999	1	0	1	1	**2**	**1**	**8,969**	**3,196**
£20,000 - £39,999	0	0	0	0	**0**	**0**	**0**	**0**
£40,000 - £59,999	0	0	0	0	**0**	**0**	**0**	**0**
£60,000 - £79,999	0	0	0	0	**0**	**0**	**0**	**0**
£80,000 - £99,999	0	0	0	0	**0**	**0**	**0**	**0**
£100,000 - £149,999	0	0	0	0	**0**	**0**	**0**	**0**
£150,000 - £199,999	0	0	0	0	**0**	**0**	**0**	**0**
Total Cost included in bandings and in CIES							**8,969**	**3,196**

Notes to the Core Financial Statements

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

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

	2023/24 £000	2024/25 £000
External audit services carried out by the appointed auditor for the year	150	164
External audit services carried out by the appointed auditor for prior years	15	36
Certification of Housing Benefit subsidy grant claims for the year	22	23
Certification of Housing Benefit subsidy grant claims for prior years	0	0
Total	**187**	**223**

The costs incurred for each year, as noted above, are prepared prior to the agreement of any additional fees for variation in services provided by the external auditor. Where anticipated, additional amounts are included in the total for the year, but these amounts may differ to the final fees agreed.

34. GRANT INCOME RECOGNISED IN THE COST OF SERVICES

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

	2023/24 £'000	2024/25 £'000
Developer Contributions	344	1,090
MHCLG Shared Prosperity Fund		266
Total	**344**	**1,356**

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

	2023/24 £'000	2024/25 £'000
Benefits Administration and Fraud Initiative Grants	460	439
Housing and Council Tax Benefit Subsidy	23,771	21,951
Waste minimisation – Herts County Council contribution	278	0
Waste Service Transport Subsidy	10	18
National Non-Domestic Rates Administration Grant	182	182
Sustainable Warmth Fund	50	45
Refugees Syrian Project	84	136
Employee Resilience and Wellbeing Funding HCC	4	0
Homelessness Prevention Grant	938	889
Afghanistan Refugee Project	191	0
Planning Control Grants – DLUHC	2	5
DLUHC Neighbourhood Plans	40	20
Electoral Integrity Programme New Burdens	43	102
Shared Prosperity Funding DLUHC	284	619
HCC Economic Growth Fund	0	68
Hertfordshire Museums – Lottery Fund	7	17
Land Registry New Burdens	17	0
Healthy Hub	35	43
XL Bully Grant	0	2
Council Tax Rebate New Burdens	46	0
DEFRA Smoke Control Areas	12	0
Keep Britain Tidy Street Cleansing Project	10	0
Health and Safeguarding National Lottery Community Fund	5	0
Health Inequalities Project HCC	30	45

Notes to the Core Financial Statements

	2023/24 £'000	2024/25 £'000
HCC Ukrainian Housing Checks	46	10
DEFRA Biodiversity Grant, Green Belt Funding	49	107
Environmental Health Covid Support HCC	125	0
Household Support Funding – HCC	110	108
Audit Fees Support Grant – DLUHC	21	21
Temporary Pavement Licensing – DLUHC	4	0
Winter Grants Schemes – HCC	1	0
Transparency Grant – DLUHC	8	8
Total	**26,863**	**24,835**

35. RELATED PARTY TRANSACTIONS

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

Central Government
Central Government has significant influence over the general operations of the Authority. It is responsible for providing the statutory framework within which the Authority operates, provides a significant proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. housing benefits). Grants received from government departments are detailed in Note 34.

Members

Members have direct control over the Authority's financial and operating policies. The total of members' allowances paid in the year is shown in Note 30.

During 2024/25, the Authority made grant payments totalling £255k under Memorandum of Understanding (MOU) agreements to organisations in which 6 members are Trustees, board members or otherwise involved. The support provided by these grants helps maintain the wellbeing and resilience of the District's communities. The £193k total MOU grant payments were made up of the following payments: £222k to Citizens Advice North Herts, £22k to North Hertfordshire Centre for Voluntary Service and £11k to North Herts Minority Ethnic Forum.

During 2024/25 Grants totalling £80k were awarded to organisations in which eight members have declared an involvement. This includes a £25k payment to one organisation from the Household Support Fund Grant, as well as a total of £64k distributed to the Hitchin, Letchworth, and Royston First Business Improvement Districts from the Shared Prosperity Fund.

During 2024/25, works and services valued at £17k were commissioned from organisations in which seven members have declared an involvement.

One member is also an elected member of Royston Town Council. Payments recorded under a Service Level Agreement between the Authority and Royston Town Council totalled £54k (2023/24: £52k). In addition, payments for other works and services totalled £4k, and Royston Town Council received £12k in respect of Section 106 project funding.

Six members are also members of Hertfordshire County Council.

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

Officers
Officers are obliged under the code of conduct in the Council's constitution to declare any personal interest, financial and/or otherwise, in any business of the Council. They are also required to record any gifts and/or hospitality received in a format prescribed and held by the Monitoring Officer. In addition, senior officers are required to complete an annual return disclosing the details of any interest of themselves or close family members which may have an impact on their activities on behalf of the Council. For 2024/25, there are no disclosures.

Notes to the Core Financial Statements

Hertfordshire Building Control Limited
The Council partnered with six local authorities across Hertfordshire to create a new fully integrated building control service, which was launched in August 2016. An additional local authority joined in 2019, so eight local authorities have equal control. The Council holds 13% of the share capital (£8) and is represented on the board. The company aims to provide a more flexible and efficient response to building control issues across the county. NHDC's share of the profit for the year ending 31 March 2025 is £7k (2023/24: £44.1k deficit). In August 2016 the council made a loan to the company of £107k, which is held in Long Term Debtors (other loans) on the balance sheet.

Hertfordshire CCTV Partnership
The Authority is engaged in a jointly controlled operation for the provision and management of CCTV in the Hertfordshire area. This arrangement is with Stevenage Borough Council, North Hertfordshire Council, East Hertfordshire Council and Hertsmere Borough Council. Each member of the partnership arrangement accounts for their share of the assets, liabilities and cash flows of the CCTV in their accounts. In 2024/25 total payments to the Partnership of £108k (£106k 2023/24) were charged to the Council's Comprehensive Income and Expenditure Statement. In 2024/25 the Partnership reported a surplus of which NHDC share is £14k (2023/24: £1k surplus).

Hertfordshire CCTV Partnership Limited
In 2013/14 all partner authorities within the Hertfordshire CCTV Partnership agreed to incorporate a new company to conduct the commercial trading affairs of the CCTV partnership. The limited company, Hertfordshire CCTV Partnership Ltd, started trading on the 1 April 2015. The Council holds 27% of the share capital (£27) and is represented on the board. NHDC's share of the surplus generated for the year ended 31 March 2025 is £2.3k (2023/24: £13.5k surplus). No payments were made by the Council for services provided by Hertfordshire CCTV Partnership Limited in 2023/24

36. CAPITAL EXPENDITURE AND FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Of the total expenditure of £11.348million, only £9.353million has been financed immediately, resulting in an increase of £1.995million in the Capital Financing Requirement (CFR). This is a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR remains negative (£0.593million at 31 March 2025) because the Authority has set aside capital receipts that exceed the amount of outstanding loans and borrowings.

	2023/24 £'000	2024/25 £'000
Capital Investment:		
Operational Assets		
Land & Buildings	429	920
Infrastructure	116	164
Vehicles, Plant & Equipment	671	1,696
Community Assets	17	129
Investment Properties	13	3
Non-Operational Assets		
Assets Under Construction	156	6,773
Intangible Assets – Software	52	192
Revenue Expenditure Funded from Capital under Statute	955	1,471
Total Capital Investment	**2,409**	**11,348**
Sources of Finance:		
Capital Receipts	1,177	1,717
Government Grants and Other Contributions	1,096	7,636
Sums set aside from Revenue	0	0
Total Finance Sources	**2,273**	**9,353**
Increase / (Decrease) in CFR	**136**	**1,995**

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

37. ASSETS HELD UNDER LEASE AND FOR LEASE

Assets held under lease

Operating Leases

Vehicles, Plant and Equipment
The Authority uses service vans and I.T. equipment financed under terms of an operating lease. The amount paid under these arrangements in 2024/25 was £18,033 (2023/24 £88,658).

Property
The Authority paid £95,948 in rent / leasing charges for properties in 2024/25. The most significant amount of £49,699 was paid for the District Council Offices Ground Rent. The annual rent is £19,664 and the additional amount relates to backdated rent following rent reviews.

Commitments under operating leases
The Authority was committed at 31 March 2025 to making payments of £1.687 million under operating leases over the following periods:

	31 March 2024 £'000	31 March 2025 £'000
Not later than one year	156	67
Later than one year and not later than five years	235	81
Later than five years	923	1,539
	1,314	**1,687**

Operating lease transition to IFRS16

In 2024/25, the authority applied IFRS 16 Leases as required by the Code of Practice for Local Authority Accounting in the United Kingdom. The main impact of the new requirements is that for arrangements previously accounted for as operating leases (i.e. without recognising the leased property as an asset and future rents as a liability), a right-of-use asset and a lease liability are to be brought on to the Balance Sheet at 1 April 2024. Leases for items of low value and leases that expire on or before 31 March 2025 are exempt from the new arrangements.

IFRS 16 has been applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that right-of-use assets and lease liabilities have been calculated as if IFRS 16 had always applied but recognised in 2024/25 and not by adjusting prior year figures. However, some practical expedients have been applied as required or permitted by the Code:
• lease liabilities are measured at the present value of the remaining lease payments at 1 April 2024, discounted by the interest rate implicit in each lease at that date. The weighted average was 6.26%.
• right-of-use assets are measured at the amount of the lease liability, adjusted for any prepaid or accrued lease payments that were in the balance sheet on 31 March 2024 – any initial direct costs have been excluded
• all leases were assessed as to whether they were onerous at 31 March 2024, so right-of-use assets have not been subject to an impairment review – carrying amounts have been reduced by any provisions for onerous contracts that were in the 31 March 2024 Balance Sheet.

This has resulted in the following additions to the Balance Sheet:
• £202k - Property, plant and equipment – land and buildings (right-of-use assets)
• (£63k) - Non-Current creditors (lease liabilities)
• (£147k) - Current creditors (lease liabilities)

The newly recognised lease liabilities of £210k compare with the operating lease commitments of £1,314k at 31 March 2024 disclosed in the notes to the 2023/24 financial statements. The reasons for the difference are itemised in the table below.

Notes to the Core Financial Statements

Operating Lease Transition to IFRS 16

	£' 000
Total Operating lease commitments per 2023/24 accounts	**(1,314)**
District Council Offices Ground Rent	1,022
Exempt leases of low value items	17
Leases expiring on or before 31st March 2025	20
Amendments to lease terms / minimum lease payments	20
Gross lease payments on 1st April 2024	**(235)**
Effects of discounting	25
Liabilities Recognised on 1st April 2024	**(210)**

Finance Leases

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

Leased vehicles which were previously held as operating leases have now been classified as finance leases with the application of IFRS 16.

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

	31 March 2024	31 March 2025
	£'000	**£'000**
Land and Buildings	2,093	1,860
Vehicles, Plant & Equipment	454	132
	2,547	**1,992**

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

	31 March 2024 £'000	31 March 2025 £'000
Finance Lease Liabilities	833	253
Finance costs in future years	214	83
Minimum Lease Payments	**1,047**	**336**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2024	31 March 2025	31 March 2024	31 March 2025
	£'000	**£'000**	**£'000**	**£'000**
Not later than one year	874	96	727	77
Later than one year and not later than five years	58	136	25	102
Later than five years	115	101	74	74
	1,047	**333**	**826**	**253**

Assets held for lease

Operating Leases

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

	2023/24 £'000	2024/25 £'000
Not later than one year	(1,623)	(1,614)
Later than one year and not later than five years	(5,154)	(4,849)
Later than five years	(50,298)	(49,820)

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2024/25 no material contingent rents were receivable by the Council.

38. PENSION SCHEMES

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Authority participates in one pension scheme; the Local Government Pension Scheme (LGPS), administered locally by Hertfordshire County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Further information concerning the scheme can be found in Hertfordshire County Council Pension Fund's Annual Report, which is available upon request from Herts Finance Service, Hertfordshire County Council, County Hall, Hertford, Herts. SG13 8DQ.

The Authority recognises the cost of retirement benefits in the Cost of Services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge the Authority is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

Surplus / Asset Ceilings

As at 31st March 2025, the pension scheme actuaries advised there was an estimated surplus position on the pension fund of £26,869,000. However accounting standards place restrictions on the surplus recorded in the accounts to being only the economic benefit the employer can gain from the surplus, as measured through the calculation of an asset ceiling. The asset ceiling is the present value of any reduction in future contributions to the scheme. The surplus recognized in the accounts must be the lower of the IAS19 estimated surplus or the asset ceiling. However a minimum funding requirement (MFR) restricts the employer's ability to enjoy the benefit of the surplus and may give rise to an additional liability. The MFR is the agreed past service contributions that have been committed to be paid to the fund and are added to the net asset position. The present value of agreed past service contributions is £14,234,000. As the economic benefit available as a reduction in future contributions is lower, there is an additional liability to recognise and an adjustment of £41,103,000 was required for the effect of the asset ceiling, to give a deficit position of £14,234,000 for 2024/25.

Notes to the Core Financial Statements

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

Local Government Pension Scheme	**2023/24**	**2024/25**
Comprehensive Income and Expenditure Account:	**£'000**	**£'000**
Cost of Services:		
Service cost comprising:		
Current Service Cost *	2,462	2,404
Past Service Costs	0	0
(Gains)/Losses from settlements	0	(351)
Financing and Investment Income and Expenditure:		
Net Interest Expense	116	553
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**2,578**	**2,606**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement:		
Re-measurement of the net defined liability comprising:		
Return on Plan Assets	(6,706)	3,523
Actuarial (gains) and losses arising on changes in demographic assumptions	(837)	(2,457)
Actuarial (gains) and losses arising on changes in financial assumptions	(6,243)	(17,972)
Changes in the effect of the asset ceiling	(20,462)	19,638
Other	4,552	(971)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(29,696)**	**1,761**

* The service cost figures include an allowance for administration expenses of 0.5% of payroll.

Movement in Reserves Statement:	**2023/24**	**2024/25**
	£'000	**£'000**
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(2,578)	(2,606)
Actual Amount charged against the General Fund balance for pensions in the year:		
• Employers' contributions payable to the scheme **	3,402	3,443
Net chargeable amount against the General Fund balance	**3,402**	**3,443**

** The figure of £3.443million for employer's contributions were the actual contributions paid for 2024/25.

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows:

Local Government Pension Scheme	**2023/24**	**2024/25**
	£'000	**£'000**
Present value of the defined benefit obligation	(143,487)	(126,683)
Fair Value of plan assets	150,639	153,552
Sub-total	7,152	26,869
Changes in the effect of the asset ceiling	(20,462)	(41,103)
Other movements in the liability (asset)	0	0
Net liability arising from defined benefit obligation	**(13,310)**	**(14,234)**

Notes to the Core Financial Statements

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

Local Government Pension Scheme	**2023/24**	**2024/25**
	£'000	**£'000**
Opening fair value of scheme assets	140,099	150,639
Interest Income	6,590	7,398
Re-measurement gain / (loss):		
The return on plan assets, excluding the amount included in the net interest expense	6,706	(3,523)
Other	0	0
The effect of changes in foreign exchange rates		
Settlement prices received/(paid)	0	1,607
Contributions from employer	3,402	3,443
Contributions from employees into the scheme	769	833
Benefits paid	(6,927)	(6,845)
Closing fair value of scheme assets	**150,639**	**153,552**

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

Local Government Pension Scheme	**2023/24**	**2024/25**
	£'000	**£'000**
Opening balance at 1 April	143,005	143,487
Current service cost	2,462	2,404
Interest cost	6,706	6,948
Contributions from scheme participants	769	833
Re-measurement (gains) and losses:		
Actuarial (gains) / losses arising from changes in demographic assumptions	(837)	(2,457)
Actuarial (gains) / losses arising from changes in financial assumptions	(6,243)	(17,972)
Other	4,552	(971)
Past Service Cost	0	0
Liabilities extinguished on settlements	0	1,256
Benefits paid	(6,927)	(6,845)
Closing balance at 31 March	**143,487**	**126,683**
Opening Impact of Asset Ceiling	0	(20,462)
Interest on the effect of the asset ceiling	0	(1,003)
Actuarial losses/(gains)	(20,462)	(19,638)
Closing Impact of the asset ceiling	**(20,462)**	**(41,103)**

Notes to the Core Financial Statements

Local Government Pension Scheme assets comprised:

	Fair Value of scheme assets (Quoted Prices) 31 March 2024 Active Markets £'000	Not in Active Markets £000	% of total assets	31 March 2025 Active Markets £'000	Not in Active Markets £000	% of total assets
Cash and cash equivalents	10,047.7	0	7%	3,071.0	0	2%
Fixed Interest Government Securities	0	0	0	4,606.6	0	3%
Index Linked Government Securities	15,355.2	0	10%	15,355.2	0	10%
Equity instruments:						
Consumer	1,911.3	0	1%	0	0	0%
Manufacturing	2,354.3	0	2%	0	0	0%
Energy and utilities	0	0	0%	0	0	0%
Financial Institutions	1,761.3	0	1%	0	0	0%
Health and care	1,319.9	0	1%	0	0	0%
Information technology	1,929.5	0	1%	0	0	0%
Other	0	0	0%	0	0	0%
Sub-total equity	9,276.3	0	6%			
Bonds:	6,689.0	3,807.7	7%	12,284.2	0	8%
Private equity:						
All	0	13,237.6	9%		13,819.7	9%
Real Estate:						
UK Property	0	9,956.9	6%		21,497.3	14%
Overseas Property	0	7,000.6	5%			
Sub-total real estate	0	16,957.5	11%			
Investment funds and Unit Trusts:						
Equities	59,525.3	0	39%	41,459.0	0	27%
Bonds	20,953.9	0	14%	0	0	0%
Hedge Funds	0	0	0%	0	7,677.6	5%
Unit Trust	0	0	0%	27,639.4	0	18%
Infrastructure	0	244.5	0%	0	3,071.0	2%
Insurance Linked Strategies	0	0	0%	0	1,535.5	1%
Private Credit	0	0	0%	0	1,535.5	1%
Other	1,157.9	8,832.3	7%	0	0	0%
Sub-total other investment funds	81,637.1	9,076.8	60%			
Derivatives:						
Forward foreign exchange contracts	0	(90.7)	0%	0	0	0%
Total assets	**107,650.1**	**42,988.9**		**104,415.4**	**49,136.6**	**100%**

All scheme assets have fair values based on quoted prices. Some of these assets are in active markets and some are in non-active markets. An active market has a high volume and frequency of transactions which provides better pricing information and means that the asset is more liquid.
The scheme history is as follows:

	31 March 2021 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2024 £'000	31 March 2025 £'000
Present Value of Liabilities	(197,431)	(191,451)	(143,005)	(143,487)	(126,683)
Fair Value of Assets	151,455	151,846	140,099	150,639	153,552
Effect of asset ceiling on net asset/(liability)				(20,462)	(41,103)
Deficit in the scheme	**(45,976)**	**(39,605)**	**(2,906)**	**(13,310)**	**(14,234)**

The liabilities show the underlying commitments that the Authority has in the long run to pay for post employment (retirement) benefits. The total liability of £126.683million has a substantial impact on the net worth of the Authority, as recorded in the Balance Sheet, resulting in a negative overall balance of £14.234million. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The contributions paid by the Authority are set by the Fund following an actuarial valuation. Further details on the approach adopted to set contribution rates for the Authority are available in the latest formal valuation report and Funding Strategy Statement.

The total contributions expected to be made to the Local Government Pension scheme by the Authority in the year to 31 March 2026 is £3,472,000.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The pension fund liabilities have been assessed by Barnett-Waddingham, an independent firm of actuaries (Hymans-Robertson in 2023/24). The significant assumptions used in their calculations are:

	31 March 2024 %	31 March 2025 %
Mortality Assumptions:		
Longevity at 65 for current pensioners*:		
Men	21.7	21.2
Women	24.1	24.1
Longevity at 65 for future pensioners**		
Men	22.7	21.9
Women	25.6	25.2
Rate of increase in salaries	3.30	3.90
Rate of increase in pensions	2.80	2.90
Rate for discounting scheme liabilities	4.80	5.80

-

* Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2023 model with a 15% weighting of 2023 data, a 15% weighting of 2022 data and 0% 2021 (and 2020) data, standard smoothing (sk7), initial adjustment of 0.0% and a long term rate of improvement of 1.25% pa for both males and females. Based on these assumptions the average future life expectancies at age 65 are as shown.

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

Sensitivity Analysis

Adjustment to discount rate	**+0.5%**	**+0.1%**	**-0.1%**	**-0.5%**
Present value of total obligation	118,404	124,950	128,456	135,983
Projected service cost	1,352	1,589	1,719	2,010

Adjustment to long tern salary Increase	**+0.5%**	**+0.1%**	**-0.1%**	**-0.5%**
Present value of total obligation	127,239	126,793	126,573	126,141
Projected service cost	1,653	1,653	1,653	1,653

Adjustment to Pension Increases	**+0.5%**	**+0.1%**	**-0.1%**	**-0.5%**
Present value of total obligation	135,657	128,395	125,010	118,687
Projected service cost	2,024	1,722	1,586	1,340

Adjustments to life expectancy Assumptions	**+1 Year**	**None**	**-1 Year**
Present value of total obligation	130,983	126,683	122,535
Projected service cost	1,715	1,653	1,593

39. CONTINGENT ASSETS

There are no contingent assets for 2024/25.

40. CONTINGENT LIABILITIES

Municipal Mutual Insurance Ltd Scheme of Arrangement
The Council has paid a 25% levy for the claw-back of claims under the MMI Scheme of Arrangement. The Council will still be liable to pay a levy on any future claims and could also be required to pay an increased levy on the claims settled so far. As at 31st March 2025 the council have no outstanding liability claims with MMI.

41. TRUST FUNDS AND THIRD PARTY FUNDS

Trust Funds

The Authority acts as the sole managing trustee for the following trusts:

- Hitchin Town Hall Gymnasium and Workman's Hall Trust
- King George V Playing Fields Trust.
- Smithson Recreation Ground Trust

Without the annual contribution from the Council, the Trusts would not have had adequate resources to manage the facilities during the year. The Trust's accounts reflect the fixed assets and the in-year expenditure and income incurred in running the facilities. The net balance of these transactions, as at the 31 March 2025, is included in the Authority's accounts. A summary of the value of assets held by the trusts and the amounts administered by the authority is provided in the table below;

	Fixed Assets Closing Net Book Value £'000	**Directly Attributable Expenditure £'000**	**Externally Generated Income £'000**
Hitchin Town Hall Gymnasium and Workman's Hall Trust	2,622	110	(48)
King George V Playing Fields Trust	100	51	-
Smithson Recreation Ground Trust	16	3	-

Third Party Funds

The Authority holds income received for S106 legal agreements or unilateral undertakings relating to the submission of planning applications. This income is 'ring-fenced' to different types of capital expenditure/locations within the district. The funds will be used to finance the Council's capital programme, when schemes meet the funding criteria. Until then the funds are treated as a receipt in advance in the Balance Sheet within current liabilities.

The total value of all S106 contributions, as at the 31 March 2025, available to fund capital and revenue activities is £6,252,790 (2023/24 £4,863,666).

Collection Fund Accounts

The Collection Fund is a separate statutory fund under the provisions of the Local Government Act 1988. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates and its distribution to local government bodies and the Government. The Authority's share of the assets and liabilities are included in the Authority's Balance Sheet and its income and expenditure is included within the cash flow statement.

The accounts have been prepared on an accruals basis.

INCOME AND EXPENDITURE ACCOUNT

2023/24 Council Tax £'000	2023/24 Business Rates £'000	2023/24 Total £'000		Note	2024/25 Council Tax £'000	2024/25 Business Rates £'000	2024/25 Total £'000
			Income				
(107,648)		(107,648)	Council Tax Receivable	2	(113,670)		(113,670)
(79)		(79)	Council Tax Hardship Scheme		0		0
	(35,103)	(35,103)	Business Rates Receivable	1		(40,530)	(40,530)
	(5,754)	(5,754)	Transitional Protection Payments Receivable			(1,782)	(1,782)
			Contribution towards previous year deficit:				
0	0	0	Hertfordshire County Council	3	(135)	0	(135)
0		0	Hertfordshire Police Authority	3	(20)		(20)
	0	0	Central Government	3		0	0
0	0	0	North Hertfordshire District Council	3	(24)	0	(24)
(107,727)	**(40,857)**	**(148,584)**	**Total Income**		**(113,849)**	**(42,312)**	**(156,161)**
			Expenditure				
			Precepts, Demands and Shares	4			
81,347	4,035	85,382	Hertfordshire County Council		85,236	3,958	89,194
12,058		12,058	Hertfordshire Police Authority		12,691		12,691
12,791	16,138	28,929	North Hertfordshire District Council		13,147	15,831	28,978
1,388		1,388	Parishes, Town & Community Councils		1,476		1,476
	20,174	20,174	Central Government			19,789	19,789
			Distribution of previous years Surplus				
793	113	906	Hertfordshire County Council		0	104	104
116		116	Hertfordshire Police Authority		0		0
138	453	591	North Hertfordshire District Council		0	416	416
0	566	566	Central Government		0	520	520
			Charges to Collection Fund				
0	182	182	Cost of Collection Allowance	1	0	182	182
	0	0	Transitional relief Payable			0	0
	51	51	Energy Payments			51	51
	21	21	Interest Payments			46	46
6	19	25	Write off uncollectible amounts	1/2	280	171	451
	3,024	3,024	Increase / (decrease) in provision for appeals	1		(4,634)	(4,634)
50	276	326	Increase / (decrease) in bad debt provision	1/2	(86)	(5)	(91)
108,687	**45,052**	**153,739**	**Total Expenditure**		**112,744**	**36,429**	**149,173**
960	**4,195**	**5,155**	**Movement on Fund Balance**		**(1,105)**	**(5,883)**	**(6,988)**
(873)	(4,322)	(5,195)	Balance at beginning of year		87	(127)	(40)
87	**(127)**	**(40)**	**Balance at end of year**		**(1,018)**	**(6,010)**	**(7,028)**
			Share of Balance:				
66	(13)	53	Hertfordshire County Council		(771)	(601)	(1,372)
9		9	Hertfordshire Police Authority		(115)		(115)
12	(51)	(39)	North Hertfordshire District Council		(132)	(2,404)	(2,536)
	(63)	(63)	Central Government			(3,005)	(3,005)
87	**(127)**	**(40)**			**(1,018)**	**(6,010)**	**(7,028)**

Collection Fund Accounts

1. INCOME FROM BUSINESS RATES

The Council collects non-domestic rates (NNDR) from businesses across the District based on local rateable values provided by the Valuation Office Agency (VOA) and multiplied by a uniform rate set nationally by Central Government. The total non-domestic rateable value for North Herts Council is £119.0 million (£117.8 million 2023/24). The NNDR multiplier for 2024/25 was at 54.6p (51.2p in 2023/24) in the pound and the small business non-domestic rating multiplier was unchanged at 49.9p in the pound.

The business rates retention scheme was introduced in 2013/14. The scheme allows the Council to retain a proportion of the total NNDR collected. In 2024/25, North Herts share was 40% with the remainder paid over to Hertfordshire County Council (10%) and Central Government (50%). The main aim of the scheme is to give Councils a greater incentive to grow businesses in the District. It does, however, also increase the financial risk to Councils, due to non-collection and the volatility of the NNDR tax base.

Central Government sets a baseline level for each Authority that identifies the expected total of business rates collected. The baseline total is then subject to a top up or tariff amount to ensure that all authorities retain only, or receive at least, their assessed 'baseline need' amount of income. The Council must then pay a levy of 50% to Central Government for any business rates income recorded above the baseline. A corresponding 'safety net' built into the scheme means that the Council would be reimbursed by Government up to 92.5% of the set baseline for the year should the level of retained rates income fall below this. The business rate shares payable for 2024/25 were estimated before the start of the financial year as £19.789 million to Central Government, £3.958 million to Hertfordshire County Council and £15.831 million to North Hertfordshire District Council. These sums have been paid in 2024/25 and charged to the Collection Fund.

The business rates tariff liability for North Herts for 2024/25, charged to the Council's General Fund, was £15.629milllion. In 2024/25 the authority was a member of the Hertfordshire Business Rates pool with Herts County Council and two other Hertfordshire Local Authorities. The levy payable to the Pool for 2024/25 was £701k, compared to a levy of £2.247million otherwise payable to Central Government if North Herts was outside the Business Rates Pool. The Council therefore benefited from a 'pooling gain' of £1.546 million.

The total net amount of NNDR income collectable in 2024/25, after all reliefs and deductions, was £46.500 million. This was more than the estimated income of £39.577 million declared to Government in January 2024 and resulted in an in-year surplus of £6.923 million. The overall position on the business rates collection fund at the end of the year is a surplus of £6.010 million, of which North Herts share is £2.4million. The in-year surplus recorded includes the cost of certain reliefs that Councils must issue to businesses. The Government pays Local Authorities Section 31 grants to compensate for the lost income. The amount of Section 31 grant receivable for North Herts in the year for reliefs in 2024/25 was £5.943million. Total provision for outstanding amounts not subsequently paid (bad debts) was £1.498 million at 31 March 2025 (£1.502 million at 31 March 2024). A total of £171k of outstanding business rates were written off during 2024/25.

The business rates retention scheme has also meant responsibility has transferred to the Authority, as the agent, for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. As such it is necessary for the Authority to make provision for future successful appeals on behalf of itself, the major preceptor Hertfordshire County Council, and Central Government. The latest revaluation was effective from April 2023. The provision for unlodged appeals against the 2023 listing has reduced by £3.277million from £3.445million to £168k and provision for lodged appeals, based on the details of outstanding check/challenges lodged with the Valuation Office, has increased by £169k to £354k. Provision for appeals lodged against the previous ratings list, effective from April 2017, has reduced by £1.526million to a total of £1.236 million. The movement in the overall provision for appeals is therefore a reduction of £4.634m for 2024/25.

Collection Fund Accounts

2. COUNCIL TAX

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

	2023/24		2024/25	
	£'000	£'000	£'000	£'000
Original Debt	128,192		135,202	
Additional Debt	11,267		12,478	
		139,459		**147,680**
Less:				
Council Tax Reductions		9,043		9,210
Discounts		9,769		10,469
Amounts Written-off, Exemptions & Allowances		12,999		14,331
		107,648		**113,670**

Council tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Hertfordshire County Council, The Police and Crime Commissioner and the Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts). This basic amount of council tax for a Band D property, £2,302.65, (£2,196.76 2023/24) is multiplied by the proportion specified for a particular band to give an individual amount due.

Council tax bills were based on the following proportions for Bands A to H:

Proportion of Band D charge

Band	Property Numbers	Proportion	Basic Amount £
A	3,445	0.67	1,535.10
B	9,442	0.78	1,790.95
C	20,317	0.89	2,046.81
D	10,447	1.00	2,302.65
E	7,487	1.22	2,814.35
F	4,896	1.44	3,326.05
G	3,625	1.67	3,837.75
H	359	2.00	4,605.30
Total	**60,018**		

An increase of £193k has been made for the provision of outstanding amounts that are not subsequently paid (bad debts) bringing the total provision to £2.610million as at 31 March 2025. A total of £280k of outstanding council tax was written off during 2024/25.

3. PAYMENT OF SURPLUS/ DEFICITS FROM THE COLLECTION FUND

The element of the surplus/ deficit on the Collection Fund at 31 March 2025 will be distributed in subsequent financial years to Hertfordshire County Council, The Police and Crime Commissioner and the Council. The apportioned (surplus)/deficit is shown at the bottom of the Income and Expenditure Statement. The total surplus reported in 2024/25 is £1,018million, North Herts share is £132k.

Collection Fund Accounts

4. PRECEPTS

	2023/24 £'000	2024/25 £'000
Hertfordshire County Council	81,347	85,236
Hertfordshire Police	12,058	12,691
North Hertfordshire District Council and Local Town and Parish Councils	14,179	14,623
	107,584	**112,550**

Following the introduction of Council Tax on 1 April 1993, parish precepts are payable from the Council's General Fund and not the Collection Fund.

Glossary of Financial Terms

Term	Definition
Accruals	The concept that Income & Expenditure are recognised as they are earned or incurred, not as money is received or paid.
Actuarial Gains and Losses	For a defined benefit pension scheme the changes in actuarial deficits or surpluses that arise because: • Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses). • The actuarial assumptions have changed.
Accumulated Absences	Holiday entitlements (or any form of leave such as time off in lieu) earned by employees but not taken before the year end which can be carried forward into the following year.
Agency Arrangements	Services which are performed by or for another Council or public body, where the agent is reimbursed for the cost of the work done.
Asset	Anything which somebody owns which can be given a monetary value, for example buildings, land, vehicles, machinery, cash, investments etc. It is always considered in comparison with liabilities in an organisation’s accounts.
Balances	The capital or revenue reserves of the Council made up of the accumulated surplus of income over expenditure on the General Fund, Earmarked Reserves etc.
Capital Expenditure	Expenditure on the acquisition of a fixed asset, or expenditure, that adds to the life, or value, of an existing fixed asset.
Capital Financing Requirement	A measure of the capital expenditure incurred historically by an authority that has yet to be financed by capital receipts, capital grants or revenue financing. The Prudential Code requires that the Council monitors and controls its CFR through its Investment Strategy (Integrated Capital and Treasury Strategy) and Medium Term Financial Strategies.
Capital Receipts	Monies received from the sale of assets, which may be used to finance capital expenditure or to repay outstanding loan debt as prescribed by Central Government, but they cannot be used to finance day-to-day spending.

Glossary of Financial Terms

Term	Definition
Cash Equivalents	Cash investments which are held on deposit and are repayable on demand without financial penalty.
CIPFA	Chartered Institute of Public Finance and Accountancy. The principal accountancy body dealing with local government finance
Collection Fund	A fund administered by charging authorities into which Council Tax income and Business Rates collected locally are paid. Precepts are paid from the fund as is a charge in respect of the Council's own requirements.
Collection Fund Adjustment Account	This account holds the difference between the income (including accruals) held in the Comprehensive Income and Expenditure Statement and the amount required by statutory regulation to be credited to the Collection Fund.
Community Assets	Assets that a local Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.
Consistency	The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.
Contingent Assets	A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the local authority's control.
Contingent Liability	A contingent liability is a possible liability arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the local authority's control.
Council Tax	This is a local tax set by local Councils to help pay for local services.
Creditor	An amount owed by the Council for work done, goods received, or services rendered to the Council within the accounting period and for which payment has not been made at the Balance Sheet date.

Glossary of Financial Terms

Term	Definition
Current Assets	Assets which can be classified as cash or cash equivalents, assets held primarily for the purposes of trading (e.g. inventories), or any asset which is expected to be realised within the next financial year.
Current Service Cost (Pensions)	The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.
Curtailment	For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include: • Termination of employees' services earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business. • Termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees no longer qualifies or only qualifies for a reduced benefit.
Deficit	An excess of expenditure over income (or liabilities over assets
Debtors	Amounts due to the Council before the end of the accounting period but for which payments have not yet been received by the end of that accounting period.
Defined Benefits Scheme	A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).
Depreciation	The measure of the cost or revalued amount of the benefit of the non-current assets that have been consumed during the period. Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time obsolescence through either changes in technology or demand for the goods and services produced by the asset.

Glossary of Financial Terms

Term	Definition
Department for Levelling Up, Housing and Communities (DLUHC)	Department for Levelling Up, Housing and Communities was the successor to the Ministry for Housing, Communities and Local Government, (MHCLG).
Earmarked Reserves	These are reserves set aside for a specific purpose or a particular service or type of expenditure.
Employee Benefits	Entitlements accrued by employees as part of their employment rights, e.g. annual leave (holiday), sick pay and payments as a result of their employment being terminated before normal retirement age.
Exceptional Items	Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.
Expected Rate of Return on Pension Assets	For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.
Extraordinary Items	Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include exceptional items, nor do they include prior period items merely because they relate to a prior period.
Finance and Operating Lease	A finance lease transfers all of the risks and rewards of ownership of a fixed asset to the lessee and such assets have been valued and included within Non-current assets in the Balance Sheet. With an operating lease the ownership of the asset remains with the Leasing Company and the annual rent is charged to the relevant service account.
Financial Instruments	Any document with monetary value. For example, securities such as bonds and stocks which have value and may be traded in exchange for money.
General Fund	The main revenue account of the Council. It contains the excess to date of income over expenditure in the Income and Expenditure Account.

Glossary of Financial Terms

Term	Definition
Government Grants	Assistance by Central Government and inter-government agencies and similar bodies, whether local, national or international, towards either revenue or capital expenditure incurred in providing local Council services.
Heritage Asset	An asset which is held solely for its cultural, environmental or historic associations. This encompasses such things as civic regalia, historical buildings and monuments, museum collections and works of art. Any asset which is used for operational purposes would not be classified as a Heritage Asset.
Housing Benefits	A system of financial assistance to individuals towards certain housing costs, which is administered by Local Authorities. Assistance takes the form of rent rebates, rent allowances, and council tax rebates toward which central government pays a subsidy.
Impairment	A reduction in the value of a non current asset below its carrying amount on the balance sheet.
Infrastructure Assets	Expenditure on works of drainage, construction or improvement to highways, cycle ways, footpaths or other land owned by the Council.
Intangible Assets	An asset that brings benefit for more than one financial year, that does not have physical substance but is identifiable and controlled by the owner (e.g. software licences).
Interest Cost (Pensions)	For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
Inventories	The amount of unused or unconsumed inventories (stock) held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories: • Goods or other assets purchased for resale; • Consumable stores; • Raw materials and components purchased for incorporation into products for sale; • Products and services in intermediate stages of completion • Long term contract balances; and Finished goods.

Glossary of Financial Terms

Term	Definition
Investments (Non-Pension Fund)	A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments, other than those in relation to the pension fund, that do not meet the above criteria should be classified as current assets.
Investments (Pension Fund)	The investments of the Pensions Fund will be accounted for in the statements of that fund. However, authorities (other than Town Parish and Community Councils) are required to disclose, as part of the transitional disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.
Investment Property	Property which is held solely to earn rentals and/or for capital appreciation but not used for the purpose of service delivery.
Levy	The Council's Comprehensive Income and Expenditure Statement include a share of any surplus or deficit arising for the year on the collection of business rates. Where, after taking into account any surpluses on collection, the Council's income exceeds a threshold set by Central Government, a levy is payable to Central Government, but the Council may retain a proportion of the surplus.
Liabilities	Money owed to somebody else.
Minimum Revenue Provision	A charge made to the General Fund to repay borrowing taken out for capital expenditure, effectively replacing depreciation (which is reversed out in the MiRS). Authorities determine their own prudent MRP charge.
Net Book Value	The amount at which non-current assets are included in the Balance Sheet, i.e. their historical or current value less the cumulative amounts provided for depreciation.
Net current replacement cost	The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or the nearest equivalent, adjusted to reflect the current condition of the existing asset.

Glossary of Financial Terms

Term	Definition
Net Realisable Value	The open market value of the asset in its existing use (or open market value in the case of non operational assets), less the expenses to be incurred in realising the asset.
NNDR (National Non Domestic Rates)	These are rates charged on properties other than domestic property. The business rate poundage is set annually by Central Government and is a flat rate throughout the country.
Non-current assets	Tangible assets that yield benefits to the Council for a period of more than one year.
Non-operational assets	Non-current assets held by a local Council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are commercial and industrial properties.
Obligating Event	An event which creates a legal or constructive obligation that results in the Council having no realistic alternative to settling that obligation.
Operational assets	Non-current assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.
Past service cost	For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.
Post balance sheet events	Those events, both favourable and unfavourable, which occur between Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible officer.
Precepts	The levy made by one Council on another. Hertfordshire County Council and Police and Crime Commissioner, who do not administer the council tax system, each levy an amount on North Herts, which collects the required income from local taxpayers on their behalf.
Prior year adjustments	Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.
Projected unit method	An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.

Glossary of Financial Terms

Term	Definition
Provisions	An amount set aside to provide for a liability that is likely to be incurred but the exact amount and the date on which it will arise is uncertain.
Prudence	The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty. The overall objective of this principle is not to overstate the net worth shown in the Statement of Accounts.
Related Parties	Two or more parties are related parties when at any time during the financial period: • One party has direct or indirect control of the other party. • The parties are subject to common control from the same source. • One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests. • The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.
Related Party Transaction	A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for a related party irrespective of whether a charge is made. Examples of related party transactions include: • The purchase, sale lease, rental or hire of assets or loans, irrespective of any direct economic benefit to the pension fund. • The provision of a guarantee to a third party in relation to a liability or obligation of a related party. • The provision of services to a related party, including the provision of pension fund administration services. • Transactions with individuals who are related parties of the Council or a pension fund, except those applicable to other members of the community or pension fund, such as council tax, rents and payments of benefits. • The materiality of related party transactions is judged not only in terms of their significance to the Council, but also in relation to its related party.

Glossary of Financial Terms

Term	Definition
Rent Allowances	Subsidies payable by local authorities to tenants in private rented accommodation (either furnished or unfurnished) whose incomes fall below prescribed amounts.
Rent Rebates	Subsidies payable by local authorities to their own housing tenants whose incomes fall below prescribed amounts.
Reserves	A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.
Retirement Benefits	All forms of consideration given by an employer in exchange for services rendered by employees that are payable after completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.
Revaluation Reserve	An account containing any unrecognised gains or losses arising from the revaluation of non current assets held by the Council. When assets are sold, the gain or loss on sale will be recognised in the Comprehensive Income and Expenditure Statement once all previous entries relating to unrecognised gains or losses have been removed from the accounts.
Revenue Expenditure	Day to day expenses, mainly salaries and wages, general running costs and debt charges.
Revenue Expenditure Funded from Capital Under Statute	Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non current asset.
Revenue Support Grant	Central Government Grant towards the cost of Local Council Services.
Scheme Liabilities	The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.
Surplus	An excess of income over expenditure (or assets over liabilities)

Glossary of Financial Terms

Term	Definition
Usable Capital Receipts	This is generally the balance of any capital receipt after deducting the reserved part and any repayment to the Central Government of grants made to the Council on disposal of the asset.
Useful Life	The period over which the authority will derive benefits from the use of a non current asset.

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Auditor's Annual Report for North Hertfordshire District Council DRAFT

Year-ended 31 March 2025

29 January 2026

Contents

Page 156

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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

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. This Auditor's Annual Report supersedes the version dated 27 November 2025, because we have now issued our report in relation to the financial statements.

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	We are expecting to issue a disclaimer of opinion on the Authority's financial statements by 27 February 2026. This is because we have been unable to obtain sufficient appropriate audit evidence over the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the accounts. Further details are set out on page 7. We have provided further details of the key risks we identified and our response on pages 8 to 11.
Other information	Whilst in our opinion the content of the other information is consistent with the financial statements, we are unable to determine whether there are material misstatements in the other information.
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.

Executive Summary

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

Audit of the financial statements

Audit of the financial statements

Our responsibility is to conduct an audit of the financial statements in accordance with the Local Audit and Accountability Act 2014, Code of Audit Practice and ISAs (UK) and to issue an auditor's report.

However, due to the significance of the matters described below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Authority financial statements.

We have fulfilled our ethical responsibilities under, and are independent of the council in accordance with, UK ethical requirements including the FRC Ethical Standard.

Our disclaimer of opinion on the Authority's financial statements

We expecting to issue a disclaimer of opinion on the Authority's financial statements by 27 February 2026. We therefore do not express an opinion on the financial statements. We are in the progress of agreeing the final basis for disclaimer of opinion wording with KPMG's Department of Professional Practice.

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

Audit of the financial statements

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

Valuation of land and buildings

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.

Our procedures

- We critically assessed the independence, objectivity and expertise of the valuers used in developing the valuation of the Council's investment property as at 31 March 2025;
- We inspected the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code;
- We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We challenged 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 agreed 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 reviewed the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised; and
- We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Our findings

While we are disclaiming our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings:

Based on the testing performed, we did not identify any material misstatements relating to this risk. However, note that testing was performed to gain assurance over the revalued portion of land and buildings only, as we do not have assurance over brought-forward land and buildings balances due to the disclaimers of opinion given for 2022/23 and 2023/24.

Auditing standards require us to report that the design and implementation of the management review control relating to this area is ineffective in line with the ISA definition. Whilst the ISAs acknowledge that it is difficult for management to design controls that address subjectivity and estimation uncertainty in a manner that effectively prevents, or detects and corrects, material misstatements, we have raised a recommendation relating to this risk.

We have reperformed the calculations of the movements in value of land and buildings and identified that the upward revaluation movements of £48k for Churchgate Shopping Centre was credited directly to the Revaluation Reserve without first reversing prior impairment losses previously recognised. We have raised a recommendation relating to this misstatement.

We considered the estimate, for the assets valued in 2024/25, to be balanced based on the procedures performed.

Audit of the financial statements

Valuation of investment property

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.

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.

Our procedures

- We critically assessed the independence, objectivity and expertise of the valuers used in developing the valuation of the Council's investment property as at 31 March 2025;
- We inspected the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code;
- We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We challenged 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 agreed 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 reviewed the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised; and
- We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Our findings

While we are disclaiming our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings:

Based on the testing performed, we did not identify any material misstatements relating to this risk.

Auditing standards require us to report that the design and implementation of the management review control relating to this area is ineffective in line with the ISA definition. Whilst the ISAs acknowledge that it is difficult for management to design controls that address subjectivity and estimation uncertainty in a manner that effectively prevents, or detects and corrects, material misstatements, we have raised a recommendation relating to this risk.

We considered the estimate, for the assets valued in 2024/25, to be balanced based on the procedures performed.

Audit of the financial statements

Valuation of post retirement benefit obligations

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.

Our procedures

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

Our findings

While we are disclaiming our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings:

Based on the testing performed, we have identified one unadjusted audit misstatement. Management included an estimated value for the return on planned assets within their draft financial statements, based on the report provided by the actuary. However, upon reviewing the audited financial statements of the Hertfordshire Pension Fund, we noted that the actual rate of return for 2023/24 was misstated. As a result, plan assets as at 31 March 2025 are overstated by £867k.

Auditing standards require us to report that the design and implementation of the management review control relating to this area is ineffective in line with the ISA definition. Whilst the ISAs acknowledge that it is difficult for management to design controls that address subjectivity and estimation uncertainty in a manner that effectively prevents, or detects and corrects, material misstatements, we have raised a recommendation relating to this risk.

We considered the estimate, for the post retirement benefit obligations in 2024/25, to be balanced based on the procedures performed.

Audit of the financial statements

Management override of controls

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.

Our procedures

- We assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias;
- We evaluated the selection and application of accounting policies;
- In line with our methodology, we evaluated the design and implementation of controls over journal entries and post closing adjustments;
- We assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates;
- We assessed 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 analysed all journals through the year and focus our testing on those with a higher risk, such as journals impacting revenue, cash or borrowings.

Our findings

While we are disclaiming our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings:

Based on the testing performed, we did not identify any material misstatements relating to this risk.

Auditing standards require us to report that the design and implementation of the journals review process in place within the Council's general ledger system is ineffective in line with the ISA definition. Whilst the ISAs acknowledge that it is difficult for management to design controls that address subjectivity and estimation uncertainty in a manner that effectively prevents, or detects and corrects, material misstatements, we have raised a recommendation relating to this risk.

03

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.

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	15	17	21
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

Value for Money

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

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 hold 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.

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

Conclusion

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

Governance

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 compromises 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

- 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

- 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 20.

Significant Value for Money Risk: Governance

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

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

- 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 23.

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

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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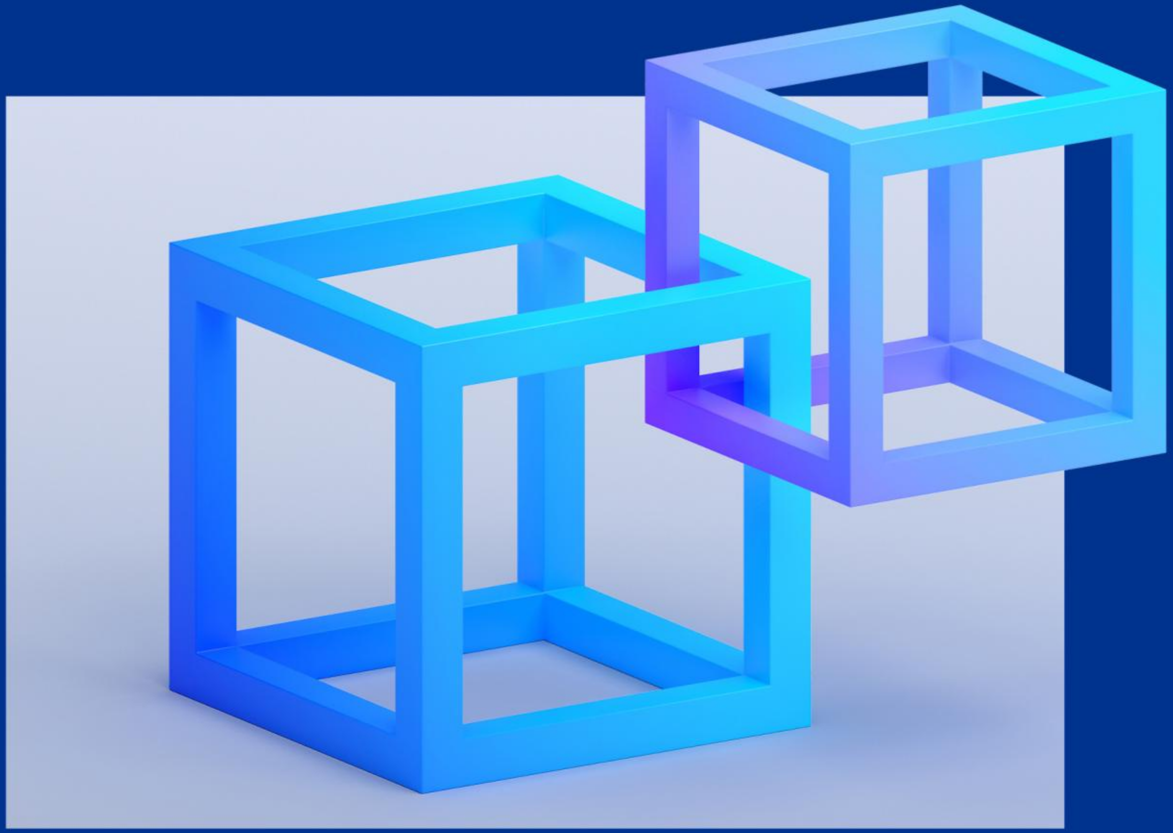


Year End Report to the Finance, Audit and Risk Committee

Year end report for the year ended 31 March 2025

DRAFT

29 January 2026

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 10 February 2026 to discuss the findings and key issues arising from our audit of the financial statements of North Hertfordshire District Council (the 'Authority'), as at and for the year ended 31 March 2025.

We are providing this report in advance of our meeting to enable you to consider our findings and hence enhance the quality of our discussions. This report should be read in conjunction with our final audit plan and strategy report, presented on 12 November 2025. We will be pleased to elaborate on the matters covered in this report when we meet.

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when:

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

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 access KPMG's complaints process here: Complaints.

The engagement team

Subject to the approval of the statement of accounts, we expect to be in a position to sign our disclaimed audit report on the approval of those statement of accounts and auditor's representation letter by 27 February 2026, provided that the outstanding matters noted on page 6 of this report are satisfactorily resolved.

There have been no significant changes to our audit plan and strategy.

We draw your attention to the important notice on page 3 of this report, which explains:

- The purpose of this report
- Limitations on work performed
- Status of our audit and the implications of the statutory backstop.

Yours sincerely,

[Personal signature]

Salma Younis

[Date]

Contents | **Page**

Important notice

This report is presented under the terms of our audit under Public Sector Audit Appointments (PSAA) contract.

The content of this report is based solely on the procedures necessary for our audit.

Purpose of this report

This Report has been prepared in connection with our audit of the financial statements of North Hertfordshire District Council (the 'Authority') for the year ended 31 March 2025.

This Report has been prepared for the Authority's Finance, Audit and Risk Committee, a sub-group of those charged with governance, in order to communicate matters that are significant to the responsibility of those charged with oversight of the financial reporting process as required by ISAs (UK), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone (beyond that which we may have as auditors) for this Report, or for the opinions we have formed in respect of this Report.

This report summarises the key issues identified during our audit but does not repeat matters we have previously communicated to you.

Limitations on work performed

This Report is separate from our audit report and does not provide an additional opinion on the Authority's financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this Report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit (to the extent it has been possible in the context of our disclaimer of opinion - see page 4).

Status of our audit and the implications of the statutory backstop

Page 4 'The statutory backstop and rebuilding assurance' explains the impact of the statutory backstop and our resulting conclusion to issue a disclaimer opinion on the financial statements

While we are disclaiming our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed. We have identified findings as reported in our report.

Our audit is not yet complete and matters communicated in this Report may change pending signature of our audit report. We will provide an oral update on the status. Page 6 'Our Audit Findings' outlines the outstanding matters in relation to the audit. Our conclusions will be discussed with you before our audit report is signed.

The statutory backstop and rebuilding assurance

Background

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

Amendments were made to the Accounts and Audit Regulations and NAO's Code of Audit Practice in 2024 which introduced the requirement for audit reports in respect of any open, incomplete audits up to the period ending 31 March 2023 to be published by 13 December 2024. It also introduced a statutory back stop date of 28 February 2025 for the 2023/24 audit. For the Authority this had the impact of a disclaimer of opinion issued by your predecessor auditor for the 2022/23 financial year. We then issued a disclaimer of opinion for 2023/24 on 20 February 2025 to comply with the statutory backstop date for the reasons set out in our Basis of Disclaimer Opinion below.

Work has been ongoing in the sector to develop guidance to help support appropriate audit procedures for audits where further work is required to build back assurance. In addition to Local Audit Rest and Recovery Implementation Guidance (LARRIGs) that were published in 2024 by the NAO, further guidance has now been published by the NAO LARRIG 06 - Special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions (e.g reserves balances where a disclaimer has been previously issued). We note the LARRIGs are prepared and published with the endorsement of the Financial Reporting Council (FRC) and are intended to support the reset and recovery of local audit in England.

The 2023/24 audit

In our *Basis of Disclaimer Opinion s*ection of our audit report in 2023/24 we reported*:*

We have been unable to obtain sufficient appropriate audit evidence over a number of areas of the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the financial statements ahead of the Backstop Date. These areas include, but were not limited to, Collection Fund; property, plant and equipment; investment property; investments; debtors; creditors; housing benefit payments and subsidies; income from council tax and business taxes; capital charges; changes in fair value of investment properties and disclosure of income and expenditure by directorate in the Comprehensive Income and Expenditure Statement and the balance of, and movements in, usable and unusable reserves for the year ended 31 March 2024.

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

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

The 2024/25 audit

On Page 5, we set out what work we have been able and not been able to complete in respect of the 2024/25 financial statements, as being able to audit the closing balance sheet is an essential element of rebuilding assurance.

We are yet to start our rebuilding assurance risk assessment, this is planned for the 2025/26 audit. Once this is complete, we will report separately the findings. The reasons we have not started our rebuilding assurance risk assessment are as follows:

- the impending backstop date;
- we have not been able to complete the audit work over the opening balances and movements in usable and unusable reserves related to 2024/25; and
- Audit team and Council officer capacity. The focus has been on supporting the 2024/25 audit.

Impact on our audit report on the financial statements

Given our work to rebuild assurance is not complete and due to the statutory backstop date of 27 February 2026, we have determined that there is insufficient time to obtain sufficient appropriate audit evidence over the split of useable and unusable reserves as at 31 March 2025 or 31 March 2024 ahead of the backstop, and, in our view, this is pervasive to the Authority's financial position as at 31 March 2025.

Further to this there are a number of areas of the financial statements where we have determined we will be unable to obtain sufficient appropriate audit evidence, as we will be unable to perform the procedures that we consider necessary to form our opinion on the financial statements ahead of the Backstop Date. As a result of the pervasiveness of the above, we intend to issue a disclaimer of opinion on the financial statements as a whole.

The statutory backstop and rebuilding assurance

Other matters

As required by the ISAs (UK) when we are disclaiming our audit opinion on the financial statements as a whole, our audit report will not report on other matters that we would usually report on, most notably the use of the going concern assumption in the preparation of the financial statements; the extent to which our audit was considered capable of detecting irregularities, including fraud; and whether there are material misstatements in the other information presented within the Statement of Accounts.

Although we are disclaiming our audit opinion we have, in this report, reported matters that have come to our attention and, where appropriate, we intend to include in our audit report.

Value for Money

The amendments to the Accounts and Audit Regulations do not impact on our responsibilities in relation to the Authority's Value for Money arrangements, specifically we are responsible for reporting 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 also provide a summary of our findings in the commentary in this report.

Page 21 provides a summary of our findings. Further details are also available in our Auditor's Annual Report for 2024/25.

Work completed in 2024/25

Our final audit plan, presented to you on 12 November 2025, set out our audit approach including our significant risks and other audit risks. We have updated our response to those significant risks in the pages overleaf, identifying the work we have and have not been able to complete.

Although we expect to issue a disclaimer of opinion, we have reported matters that have come to our attention during the audit and, where appropriate, we intend to include in our audit report. Our audit is not yet complete. The status below sets out the current status of our work. We will provide an oral update on the status. Our conclusions will be discussed with you before our audit report is signed.

Specifically in relation to 2024/25 we have completed our work on the following areas in addition to our planning and risk assessment work:

Significant risks

- Valuation of land and buildings (see pages 8 - 9)
- Valuation of investment property (see pages 10 - 11)
- Valuation of post retirement benefit obligations (see pages 12 – 13)
- Management override of controls (see pages 14 – 15)

Other areas

- General ledger migration

We have been unable to complete our work in the following areas:

- Split of usable and unusable reserves for the year ended 31 March 2025;
- The disclosed comparative figures for the Authority's balance sheet as at 31 March 2024 and the income and expenditure for the year then ended.

Our audit findings

While we are disclaiming our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed.

Significant audit risks	Page 8 - 15
Significant audit risks	**Our findings**
Valuation of land and buildings	We completed our planned procedures and we did not identify any material misstatements relating to this area.
Valuation of investment properties	We completed our planned procedures and we did not identify any material misstatements relating to this area.
Valuation of post retirement benefit obligations	We completed our planned procedures and we did not identify any material misstatements relating to this area.
Management override of controls	We completed our planned procedures and we did not identify any material misstatements relating to this area.

Page 184

Uncorrected Audit Misstatements		Page 29
Understatement/ (overstatement)	**£m**	**%**
Revenues	0	0
(Deficit) for the Year	(0.87)	(13.8)
Net assets	(0.87)	(0.6)

Misstatements in respect of Disclosures	Page 30
Misstatement in respect of Disclosures	**Our findings**
Accounting policies	Misstatement due to missing disclosures which are required per the CIPFA Code.

Number of Control deficiencies	Page 31-36
Significant control deficiencies	0
Other control deficiencies	12
Prior year control deficiencies remediated	4

Outstanding matters

There are a number of outstanding matters prior to us signing our audit report, including

- Resolving minor audit queries
- Subsequent event inquiries
- Ongoing senior team file review
- Receipt of the signed management representation letter
- Finalising audit report and signing

Significant risks and Other audit risks

We discussed the significant risks which had the greatest impact on our audit with you when we were planning our audit.

Our risk assessment draws upon our historic knowledge of the business, the industry and the wider economic environment in which North Hertfordshire District Council operates.

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

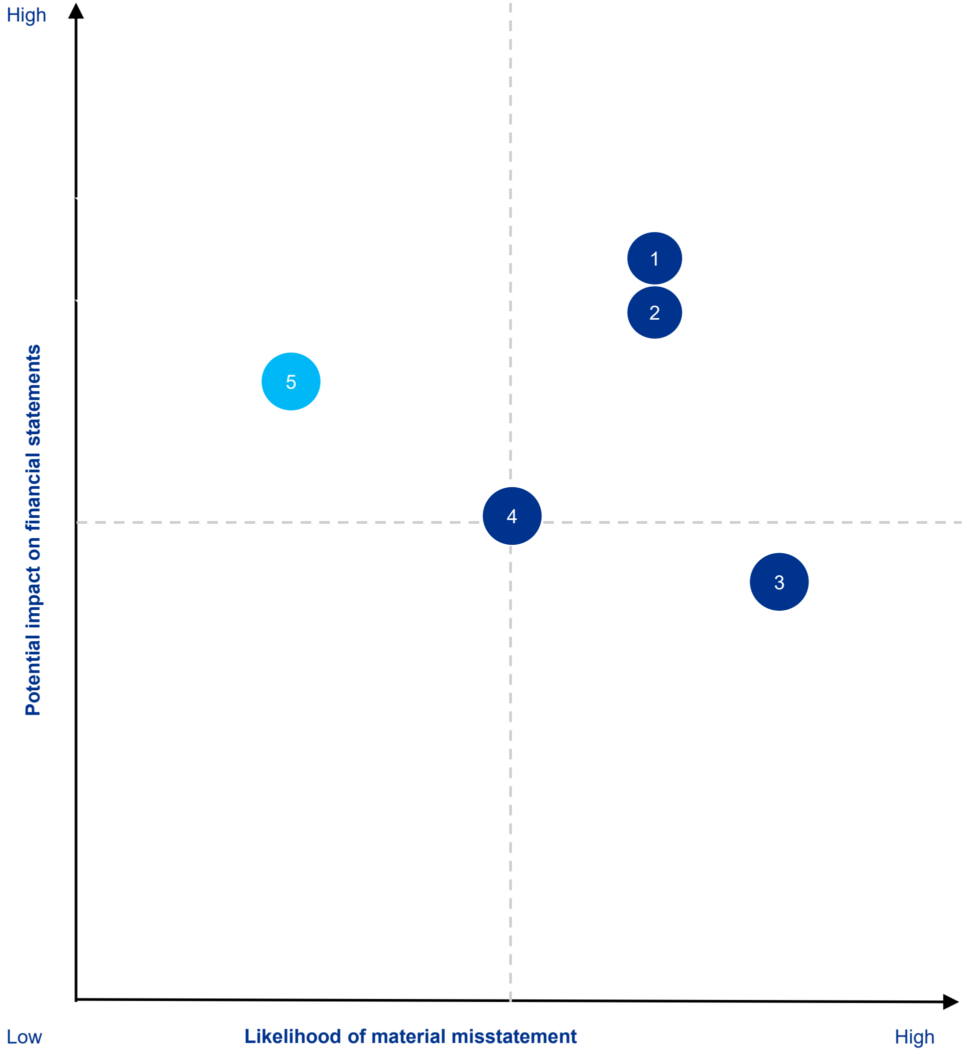
In the pages overleaf we have reported the work we have completed on significant risks and other audit risks.

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 (Building Cost Information Service) indices and location factor for the Depreciated Replacement Cost (DRC) valuations, and the rental income and yield assumptions used for the Existing Use Value (EUV) valuations.

Our 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 used in developing the valuation of the Council's properties as 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
- 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.)

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 Depreciated Replacement Cost valuations, and the rental income and yield assumptions used for the Existing Use Value valuations.

Our findings

While we are disclaiming our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings:

- We found no issues to note with the independence, objectivity and the expertise of the valuers.
- We verified that the instructions to the valuer were appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We have agreed the accuracy of the data used for development of the valuation to underlying information and concluded that the data was reliable.
- Auditing standards require us to report that the design and implementation of the management review control relating to this area is ineffective in line with the ISA definition. Whilst the ISAs acknowledge that it is difficult for management to design controls that address subjectivity and estimation uncertainty in a manner that effectively prevents, or detects and corrects, material misstatements, we have raised a recommendation relating to this risk. See recommendation 1 on page 31.
- We have challenged the appropriateness of the valuation of the land and buildings including the key assumptions, BCIS indices and location factor for the DRC valuations, and the rental income & yield assumptions used for the EUV valuations and found no issues to note.
- We have reperformed the calculations of the movements in value of land and buildings and identified that the upward revaluation movements of £48k for Churchgate Shopping Centre was credited directly to the Revaluation Reserve without first reversing prior impairment losses previously recognised. We have raised a recommendation relating to this misstatement. See recommendation 12 on page 35.
- Our inquiries to the valuer verified that the methodology was consistent with the requirements of the RICS Red Book and the CIPFA Code.
- We have determined that the disclosures concerning the key judgements and degree of estimation uncertainty involved in arriving at the valuation to be appropriate.

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.

Our 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 used in developing the valuation of the Council's investment property as at 31 March 2025;
- We will inspect the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We will review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised; and
- 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.

Our findings

While we are disclaiming our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings:

- We found no issues to note with the independence, objectivity and the expertise of the valuer.
- We verified that the instructions to the valuer were appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We have agreed the accuracy of the data used for development of the valuation to underlying information and concluded that the data was reliable.
- Auditing standards require us to report that the design and implementation of the management review control relating to this area is ineffective in line with the ISA definition. Whilst the ISAs acknowledge that it is difficult for management to design controls that address subjectivity and estimation uncertainty in a manner that effectively prevents, or detects and corrects, material misstatements, we have raised a recommendation relating to this risk. See recommendation 1 on page 31.
- We have challenged the appropriateness of the valuation of investment properties including the key assumptions, rental income approach methodology and the yield assumptions. We have reperformed the calculations of the movements in value of investment properties and verified that these have been accurately accounted for in line with the requirements of the CIPFA Code.
- Our inquiries to the valuer verified that the methodology was consistent with the requirements of the RICS Red Book and the CIPFA Code.
- We have determined that the disclosures concerning the key judgements and degree of estimation uncertainty involved in arriving at the valuation to be appropriate.

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

Cautious | Neutral | Optimistic

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.

Our 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.

Key:
Prior year   Current year

DRAFT

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

Cautious Neutral Optimistic

Page 191

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.

Key:
Prior year Current year

Our findings

- We have confirmed that the Fund's appointed actuaries, both individual and firm, hold appropriate professional qualifications, being Fellows of the Institute of Actuaries (UK), and are therefore suitably qualified to perform actuarial valuations and prepare IAS19 disclosure reports.
- The actuarial methodology applied in the current year is consistent with the prior year and aligns with the Council's reporting framework. We have reviewed the key actuarial assumptions adopted by Council and compared them to KPMG Central Rates. Overall, the assumptions are considered balanced. While the CPI inflation assumption is cautious than KPMG Central Rates, however it remains within KPMG's reasonable range.
- Auditing standards require us to report that the design and implementation of the management review control relating to this area is ineffective in line with the ISA definition. Whilst the ISAs acknowledge that it is difficult for management to design controls that address subjectivity and estimation uncertainty in a manner that effectively prevents, or detects and corrects, material misstatements, we have raised a recommendation relating to this risk. See recommendation 2 on page 31.
- We have performed testing over key input data used in the Defined Benefit Obligation (DBO) valuation, including benefits paid and contributions. No material exceptions were noted, and the data was found to be materially accurate.
- The scheme reports a net surplus of £26.8 million as at 2025 (2024: £7.1 million). We have assessed the appropriateness of the accounting treatment of this surplus under IFRIC 14. This included evaluating management's rationale and the supporting assessment by KPMG actuaries. We concur with the conclusion reached, which is consistent with the prior year's treatment.
- We have performed testing over Defined benefits assets. A material variance of £867k was noted and an uncorrected misstatement has been raised. See adjustment 1 on page 29 for details.

DRAFT

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.

Our 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.)

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.

Our findings

While we are disclaiming our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings:

- We evaluated the estimates over valuation of land and building, investment properties and pension liabilities and did not identify any indicators of management bias. See page 18 for further detail.
- We confirmed that the selection and application of accounting policies are consistent with the CIPFA Code.
- Auditing standards require us to report that the design and implementation of the journals review process in place within the Council's general ledger system is ineffective in line with the ISA definition. Whilst the ISAs acknowledge that it is difficult for management to design controls that address subjectivity and estimation uncertainty in a manner that effectively prevents, or detects and corrects, material misstatements, we have raised a recommendation relating to this risk. See recommendation 3 on page 32.
- We confirmed that the methods and underlying assumptions used to prepare accounting estimates, compared to the prior year, are appropriate.
- We did not identify any new significant unusual transactions.
- We searched for fraudulent journal entries using specific high risk criteria identified from our risk assessment work. We identified 5 journal entries and other adjustments meeting the high-risk criteria – our examination did not identify any inappropriate entries. No post close journals were directly tested as none were material in value or considered unusual.

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.

Our 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 (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.

Our findings

While we are disclaiming our audit opinion on the financial statements, we are still required to identify our audit findings based on the work performed. We have identified the following audit findings:

- We assessed the design and implementation of the controls around the data migration to be effective.
- We have performed additional walkthroughs and risk assessment procedures which had a change in process due to the ledger migration. No issues were identified.
- We involved KPMG IT audit specialists to understand and document the changes in the IT environment.
- We did not identify any issues over the completeness and accuracy of the transferred data.
- We did not identify any issues over the accuracy of the opening trial balance of the new general ledger system which fully reconciled to the closing trial balance of the old general ledger system.

DRAFT

Key accounting estimates and management judgements– Overview

Our view of management judgement

Our views on management judgments with respect to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.

Key: Prior year | Current year

Asset/liability class	Our view of management judgement (Cautious – Neutral – Optimistic)	Balance (£m)	YoY change (£m)	Our view of disclosure of judgements & estimates (Needs improvement – Neutral – Best practice)	Further comments
PPE – Land and Buildings		75.8	(2.0)		We have considered the Council's valuation exercise over land and buildings undertaken in year. The method, data assumptions and their application are in line with sector norms and our understanding of the Council.
Investment Property		27.7	0.9		We have considered the Council's valuation exercise over investment properties undertaken in year. The method, data assumptions and their application are in line with sector norms and our understanding of the Council.
Post retirement benefit obligation		(143.5)	(16.8)		We have assessed the accounting results, including the individual balance sheet, comprehensive income and expenditure statement and the sensitivity of the defined benefit obligation (DBO) to changes in key assumptions. Overall, the DBO estimate has been found to be balanced
Pension assets		150.6	(2.9)		We have assessed the accounting results, including the individual balance sheet, comprehensive income and expenditure statement and the sensitivity of the fair value of plan assets to changes in key assumptions. Overall, the pension assets estimate has been found to be balanced.

Page 196

Other matters

Narrative report

As Finance, Audit and Risk Committee members you confirm that you consider that the Narrative Report, and financial statements taken as a whole are fair, balanced and understandable and provides the information necessary for regulators and other stakeholders to assess the Council's performance, model and strategy.

Our responsibility is to read the other information, which comprises the information included in the Statement of Accounts other than the financial statements and our auditor's report thereon and, in doing so, consider whether, based on our financial statements audit work, the other information is materially misstated or inconsistent with the financial statements or our audit knowledge.

Due to the significance of the matters leading to our expected disclaimer of opinion, and the possible consequential effect on the related disclosures in the other information, whilst in our opinion the other information included in the Statement of Accounts is consistent with the financial statements, we expect to be unable to determine whether there are material misstatements in the other information.

Whole of Government Accounts

As required by the National Audit Office (NAO) we carry out specified procedures on the Whole of Government Accounts (WGA) consolidation pack.

We are yet to receive instructions from NAO regarding WGA.

Independence and Objectivity

ISA 260 also requires us to make an annual declaration that we are in a position of sufficient independence and objectivity to act as your auditors, which we completed at planning and no further work or matters have arisen since then.

Audit Fees

We have set out audit fees, as set by PSAA and fee variations on page 25.

We have also completed non audit work at the Authority during the year on the Housing benefit grant certification and have included in the appendix on page 27 confirmation of safeguards that have been put in place to preserve our independence.

Value for money

Value for Money

We are required under the Audit Code of Practice to confirm whether we have identified any significant weaknesses in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

In discharging these responsibilities, we include a statement within our audit report on your accounts to confirm whether we have identified any significant weaknesses. We also prepare a commentary on your arrangements that is included within our Auditor's Annual Report, which is required to be published on your website alongside your annual report and accounts.

Commentary on arrangements

We have prepared our Auditor's Annual Report and a copy of the report is included within the papers for the Committee alongside this report.

Response to risks of significant weaknesses in arrangements to secure value for money

As noted on the right, our VFM risk assessment procedures identified two potential risks of a significant weakness in the Authority's arrangements to secure value for money. Within our Auditor's Annual Report we have set out our response to those risks.

We have no recommendations to report.

Summary of findings

We have set out in the table below the outcomes from our procedures against each of the domains of value for money:

Domain	Risk assessment	Summary of arrangements
Financial sustainability	No significant risks identified	No significant weaknesses identified
Governance	One risk of significant weakness identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness	One risk of significant weakness identified	No significant weaknesses identified

Further detail is set out in our Auditor's Annual Report.

Performance improvement observations

As part of our work we have identified one Performance Improvement Observation, which are suggestions for improvement but not responses to identified significant weaknesses – see page 22.

Value for Money: Performance improvement observations

The performance improvement observations raised as a result of our work in respect of identified or potential significant value for money risks in the current year are as follows:

Priority rating for observations		
❶ **Priority one:** Observations linked to issues where, if not rectified, these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	② **Priority two:** Observations linked to 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:** Observations linked to 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	**Partnership arrangements** 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. **Recommendation** Management are taking a report to Cabinet in November 2025 on this matter. We recommend that any learning identified is taken on board to avoid similar issues in the future.	**Management Response:** We are taking a report to Cabinet in November to provide full details and seek a decision on next steps. **Responsible Officer:** Directors for Resources and Regulatory **Due Date:** November 2025 **UPDATE**: The Cabinet report was considered and a decision was taken. Progress has been made by the provider, but their ongoing status has not yet been resolved by the Regulator. We are keeping this under review and having regular meetings with the provider.

Appendices

Contents

Required communications

Type		Response
Our draft management representation letter	OK	We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2025.
Adjusted audit differences	OK	There was one adjusted audit differences with a surplus impact of nil. See page 30.
Unadjusted audit differences	OK	The aggregated surplus impact of unadjusted audit differences would be £867k. In line with ISA 450 we request that you adjust for these items. However, they will have no effect on the opinion in the auditor's report, individually or in aggregate. See page 29.
Related parties	OK	There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by the Audit Committee	OK	There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	OK	We communicated to management in writing all deficiencies in internal control over financial reporting of a lesser magnitude than significant deficiencies identified during the audit that had not previously been communicate.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	OK	No actual or suspected fraud involving Authority management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements identified during the audit.
Issue a report in the public interest	OK	We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters..

Page 202

Type		Response
Significant difficulties	OK	No significant difficulties were encountered during the audit.
Modifications to auditor's report	X	Our audit opinion will be disclaimed. See pages 4 -5 for further details.
Disagreements with management or scope limitations	OK	The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
Other information	OK	No material inconsistencies were identified related to other information in the statement of accounts.
Breaches of independence	OK	No matters to report. The engagement team and others in the firm have complied with relevant ethical requirements regarding independence.
Accounting practices	OK	Over the course of our audit, we have evaluated the appropriateness of the Authority's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspondence with management	OK	No significant matters arising from the audit were discussed, or subject to correspondence, with management.
Certify the audit as complete	X	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. We will issue our certificate once we have received confirmation from the National Audit Office that their audit of the Whole of Government Accounts is complete and therefore all our work in respect of the Authority's Whole of Government Accounts consolidation pack is complete.
Whole of government accounts	X	As required by the National Audit Office (NAO) we carry out specified procedures on the Whole of Government Accounts (WGA) consolidation pack. We are yet to receive instructions from NAO regarding WGA.

Fees

Audit fee

Our fees for the year ending 31 March 2025 are set out in the table below (note all fees are exclusive of VAT).

Entity	**2024/25 (£'000)**	*2023/24 (£'000)*
Scale fee as set by PSAA	£164.3	*£149.5*
Amount of scale fee to be charged for the work completed	£164.3	*£149.5*
VFM additional risk fee variation approved by PSAA / subject to be PSAA approval	TBC	*£15.7*
Technical accounting issues fee variation approved by PSAA / subject to be PSAA approval	TBC	*£3.2*
Building back assurance fee variation approved by PSAA / subject to be PSAA approval	TBC	*£0.8*
ISA 315R fee variation approved by PSAA / subject to be PSAA approval	TBC	*£11.5*
Disclaimer fee variation approved by PSAA / subject to be PSAA approval	TBC	*£5.0*
TOTAL FEE PAYABLE	TBC	*£185.7*

Billing arrangements

- Fees have been billed in accordance with the milestone completion phasing that has been communicated by the PSAA.
- Note some fees are subject to PSSA determination and will therefore be confirmed on that determination

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.

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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 £000	Value of Services Committed but not yet delivered £000
1	Housing benefit grant certification	Management Self review Self interest	• Standard language on non-assumption of management responsibilities is included in our engagement letter. • The engagement contract makes clear that we will not perform any management functions. • The work is performed after the audit is completed and the work is not relied on within the audit file. • Our work does not involve judgement and are statements of fact based on agreed upon procedures. • Work performed by a different team.	Fixed	£32,300	£0

Page 205

DRAFT

Confirmation of Independence (cont.)

Summary of fees

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

Fee ratio

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

	2024/25
	£'000
Scale fee	£164.3
Fee variation subject to be PSAA approval	TBC
Other Assurance Services	£32.3
Total Fees	TBC

Application of the FRC Ethical Standard 2019

Your previous auditors will have communicated to you the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Finance, 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

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Uncorrected audit misstatements

Given we are disclaiming our audit opinion as described on page 4 there may be other audit misstatements our audit procedures would have identified if we completed our audit procedures as initially planned. In this section, we have reported uncorrected audit misstatements that we have identified.

Under UK auditing standards (ISA (UK) 260) we are required to provide the Finance, Audit and Risk Committee with a summary of uncorrected audit differences (including disclosure misstatements) identified during the course of our audit, other than those which are 'clearly trivial', which are not reflected in the financial statements. In line with ISA (UK) 450 we request that you correct uncorrected misstatements. However, they will have no effect on the opinion in our auditor's report, individually or in aggregate. As communicated previously with the Finance, Audit and Risk Committee, details of all adjustments greater than £85k are shown below:

Uncorrected audit misstatements (£'000s)				
No.	**Detail**	**CIES Dr/(Cr)**	**Balance Sheet Dr/(Cr)**	**Comments**
1	Dr Remeasurements of the net defined benefit liability Cr Fair value of plan assets	867 -	- (867)	Management included an estimated value for the return on planned assets within their draft financial statements, based on the report provided by the actuary. However, upon reviewing the audited financial statements of the Hertfordshire Pension Fund, we noted that the actual rate of return for 2023/24 was misstated. As a result, plan assets as at 31 March 2025 are overstated by £867k.
Total		**£867**	**(£867)**	

Page 207

DRAFT

Corrected audit misstatements

Given we are disclaiming our audit opinion as described on page 4 there may be other audit misstatements our audit procedures would have identified if we completed our audit procedures as initially planned. In this section, we have reported corrected audit misstatements that we have identified.

Under UK auditing standards (ISA (UK) 260) we are required to provide the Finance Audit and Risk Committee with a summary of corrected audit differences (including disclosures) identified during the course of our audit. The adjustments below have been included in the financial statements.

Corrected audit misstatements (£'000s)				
No.	**Detail**	**CIES Dr/(Cr)**	**Balance Sheet Dr/(Cr)**	**Comments**
1	Dr Short term creditors	-	818	Our testing over debtors identified an interest debtor accrual of £818k which had been incorrectly classified. This resulted in an overstatement of debtors and an understatement of creditors.
	Cr Short term debtors	-	(818)	
Total		**£0**	**£0**	

Corrected misstatements in respect of disclosures		
No.	**Detail**	**Comments**
1	Accounting Policies	Paragraph 3.3.1.1 of the Code requires that authorities follow the requirements of IAS 8 Accounting Policies. The draft statement of accounts omitted the required accounting policies for changes to revenue for non-current assets.

Control Deficiencies

Although we are disclaiming our audit opinion we have reported recommendations as a result of our work in the current year are as follows:

Priority rating for recommendations

❶ **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.

❷ **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.

❸ **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	❷	**Management review of valuation assumptions for land and buildings and investment properties** Auditing standards require us to report that the design and implementation of the management review control relating to this area is ineffective in line with the ISA definition. The ISAs acknowledge that it is difficult for management to design controls that address subjectivity and estimation uncertainty in a manner that effectively prevents, or detects and corrects, material misstatements. We note that although the Council has processes in place to help ensure that the valuation of land and buildings is based on best estimate, supported by reasonable assumptions, these processes do not meet the required threshold of an MRC. We recommend that should management wish to meet this requirement they will need to carry out a predictive review of the methodology and assumptions that are being proposed to calculate the valuation held by the Council.	**Management Response:** The control level determined by the ISA definition is noted. However, it is not good value for money for the Council to achieve that standard. The Council employs valuers with expertise and ensures that they have the required skills and qualifications. To meet this ISA threshold would mean that the Council would (either through Officers or commissioned externally) have to duplicate a large proportion of this work. **Officer:** Director: Resources **Due Date:** N/A
2	❷	**Management review of actuarial assumptions** Auditing standards require us to report that the design and implementation of the management review control relating to this area is ineffective in line with the ISA definition. The ISAs acknowledge that it is difficult for management to design controls that address subjectivity and estimation uncertainty in a manner that effectively prevents, or detects and corrects, material misstatements. We acknowledge Management reviews the actuarial assumptions following advice from an external actuarial specialist however the control does not meet the stringent requirements as defined by the FRC in its auditing standards; the review control lacks precision and is not documented and therefore the design is not considered to be an effective control. We recommend that should management wish to meet this requirement they will need to carry out a predictive review of the methodology and assumptions that are being proposed to calculate the pension liabilities held by the Council.	**Management Response:** The control level determined by the ISA definition is noted. However, it is not good value for money for the Council to achieve that standard. The Council does not have the expertise in this area. To meet this ISA threshold would mean that the Council would need to commission an actuary to duplicate a large proportion of this work. **Officer:** Director: Resources **Due Date:** N/A

Control Deficiencies

Although we are disclaiming our audit opinion we have reported recommendations as a result of our work in the current year are as follows:

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
3	2	**Management review of journals** Auditing standards require us to report that the design and implementation of the journals review process in place within the Council's general ledger system is ineffective in line with the ISA definition. The auditing standards requires the Council to consider as part of the journals review process, the documentation requirements for the objective being tested, consideration of the data and its reliability, the expected precision and allowable deviations present in the control, the consistency of application and the predictability of inputs, the criteria for investigation and follow up and the outcome of such follow ups. The Council has no overarching policy or procedures or SFI which explains the reviewers' role and whilst there should be supporting documentation attached to help support review, it is not an enforced process and as a result we do not have assurance that all journals posted are reviewed in a way which would meet ISA315 requirements. We recommend that should management wish to meet this requirement they will need to carry out and document a detailed review of all journals posted to the general ledger system in line with ISA315 requirements.	**Management Response:** To investigate whether we can implement guidance for approvers that would meet the ISA315 requirements. Approvers are already clear that their role is to check that journals are documented and reasonable. All approvers are staff in the Accounts team and have professional accounting qualifications. There are also subsequent controls e.g. spend outturns compared to budget and providing explanations for variances. **Officer:** Accountancy Manager **Due Date:** 30 September 2026
4	3	**Bank reconciliation – preparation and review** During the walkthrough of the bank reconciliation process, we identified that there is no signature of preparer and reviewer for the bank reconciliation reports to evidence appropriate segregation of duties. During our bank reconciliation testing at year-end, we identified that there were no monthly bank reconciliations for Lloyds bank account between August 2024 to February 2025 due to the system migration and the cashiering function did not go live until 31 October 2025. Furthermore, we identified that Council did not prepare bank reconciliations for the Santander bank accounts throughout the year. However, we acknowledge that there are very limited number of low value transactions within the Santander bank accounts. Without regular reviewed bank reconciliations, there is a risk that the Council's cash position is misreported resulting in cashflow implications. We would recommend that the Council should complete bank reconciliation monthly and the reports should be signed by both preparers and reviewers appropriately to confirm the cash recorded correctly with bank statements. We also recommend to set a proper and formal bank reconciliation process for all the bank accounts to ensure all the cash amount are recorded appropriately in the ledger.	**Management Response:** Bank reconciliations will be fully up to date by the end of February. By then reconciliations will then take place on a daily basis. The finance system requires separation of duties between carrying out the reconciliation and the checking role, and this is recorded on the system. The Santander account is already reconciled at the point when the balance is automatically moved across to the main account, but we have added in an extra check to the account as well **Officer:** Responsibility Controls, Risk and Performance Manager **Due Date:** 1 March 2026

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Control Deficiencies

Although we are disclaiming our audit opinion we have reported recommendations as a result of our work in the current year are as follows:

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
5	3	**Housing Benefit Subsidy Reconciliation** We identified that monthly housing benefit subsidy reconciliations were not reviewed and signed in a timely manner after each month end. This could result in the Council not receiving the expected subsidy for that month. There is a risk that there is a reduction in the Council's ability to provide financial support to Housing Benefit claimants if the subsidy received is less than expected. We would recommend that the Council should complete housing benefit subsidy reconciliations monthly and the reports should be signed by both preparers and reviewers appropriately to monitor the housing benefit subsidy position.	**Management Response:** Agreed to completing in a timely manner and ensuring that it is documented who had carried out the preparing and reviewing. **Officer:** Director: Resources **Due Date:** 30 June 2026
6	3	**Payroll contracts accuracy** Through our review of an employment amendment letter, it was identified that the annual salary amount on the letter did not match the payroll system or payslips. The amendment letter had been signed by the HR team and by the employee. Although the HR team confirmed that the amount in amendment letter was an error and the actual paid amount in payslip was correct, there is still a risk that employees are not paid accurately. We would recommend that the Council implements a formal review process to ensure the employment contracts are promptly updated following any amendments. This process could include documented evidence of review and approval by an authorised individual prior to the updated contracts being reflected in the payslip system. Additionally, regular reconciliations between employment contracts and payroll data should be performed to confirm consistency and accuracy with any inconsistencies being rectified immediately.	**Management Response: TBC** **Officer: TBC** **Due Date: TBC**
7	3	**Payroll contract retention** While performing the walkthrough for payroll amendments, it was noticed that the employment contracts were not signed and retained appropriately for previous financial periods (2023/24). The missing signed contract may lead to insufficient evidence to match the contract with the payroll system and payslip calculation as well as potential legislation issues. We would recommend that the Authority should review and confirm that the contracts are signed by employees before they are fully onboarded. Also, the contracts should be stored in the system appropriately.	**Management Response: TBC** **Officer: TBC** **Due Date: TBC**

Control Deficiencies

Although we are disclaiming our audit opinion we have reported recommendations as a result of our work in the current year are as follows:

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
8	3	**Expenditure cut-off** During the audit, we identified two expenditure transactions totalling £13.2k that had not been accounted for in the correct accounting period. The expenditure related to services provided which span across two financial years, but the expenditure was not split to only recognise the portion which relates to 2024/25. Instead, the expenditure was wholly recognised in 2024/25. One of these invoices relates to an annual subscription and for a few years management have taken the decision to recognise the full costs in the year the invoice is received as opposed to the year it relates to. There is a risk that without a formal manual control carried out at the year-end to identify such transactions, expenditure could be materially misstated. We recommend as part of strong financial hygiene that management perform an annual control to identify any expenditure that bridges year-end, accounting for them as accruals or prepayments where appropriate.	**Management Response:** To ensure budget managers are aware of the requirements in relation to transactions that straddle between years. Although plan to continue with the current approach (where relevant) for annual transactions where there is insignificant variability in the amount. To investigate the workload in reviewing larger value transactions (over £10k) near to year end. Applying a threshold as accruals are subject to materiality limits. **Officer:** Accountancy Manager **Due Date:** 30 June 2026
9	3	**Impairment Review** Through our inquiries of the Council's processes for revaluation of land and buildings, we identified that management did not perform an annual formal impairment review of the assets which hadn't been revalued in that financial year. We do note that the Council had an informal impairment review process in place. Without a formal impairment review for non-revalued assets, there is an increased risk that the carrying value of property, plant and equipment could be materially misstated. We recommend that management implements formal impairment review for assets which aren't included in the current year's revaluation cycle to ensure that the net book value at which general fund property, plant and equipment is reflective of its current condition and value.	**Management Response:** This is now discussed at the Asset Management Officer Group, for regular updates on any issues that could impair asset values. **Officer:** N/A **Due Date:** N/A
10	3	**Overstatement of Debtors and Creditors** During our creditors testing, we identified a group of transactions which was posted to creditors to defer revenue recognised from the billing of income in 2024/25 but relates to 2025/26. Although there is no impact on the net asset position, this accounting treatment results in an overstatement of debtors and creditors. We recommend that in future periods, management should post a reversal of the initial journal rather than a creditor transactions which inflates the gross assets and gross liabilities.	**Management Response:** Further discussions on treatment to take place as part of closing the 2025/26 Accounts, and we will implement agreed approach. **Officer:** Accountancy Manager **Due Date:** 30 June 2026

Control Deficiencies

Although we are disclaiming our audit opinion we have reported recommendations as a result of our work in the current year are as follows:

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date
11	3	**Late submission of draft accounts** 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. The 2024/25 draft accounts were published on the Council's website for public inspection on the 10 July 2025. We acknowledge that the Authority has been affected by the mid-year general ledger migration and audit backlog. We recommend that the finance team should develop a work plan to produce the 2025/26 financial statement audits which allows publication in line with the regulatory requirements. Progress against this work plan should be monitored and reported on to senior leadership. This is more prevalent for the 2025/26 audit as the reporting deadline will be 31 January 2027 rather than the end of February.	**Management Response:** As we have not been implementing a new finance system in 2025/26 we fully expect to meet the 30 June draft accounts date. Without that additional workload we can use previous plans to meet that date **Officer:** Director: Resources **Due Date:** 30 June 2026
12	3	**Accounting of upwards revaluation of assets** We identified that the upward revaluation movements of £48k for Churchgate Shopping Centre was credited directly to the Revaluation Reserve without first reversing prior impairment losses previously recognised. This treatment is non-compliant with the Code's requirement that impairment reversals must be recognised through the I&E reserve before any remaining gain is taken to the Revaluation Reserve. There is a risk of misstated reserves and non-compliant asset valuation entries. Management should implement a control to ensure prior impairments are identified and fully reversed before allocating any residual increase to the Revaluation Reserve.	**Management Response: TBC** **Officer: TBC** **Due Date: TBC**

Page 213

Control Deficiencies (cont.)

We have also follow up the recommendations from the previous years audit, in summary:

Total number of recommendations	Number of recommendations implemented	Number outstanding (repeated below):
4	4	1

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (January 2026)
Financial Statements Audit				
1	3	**Late submission of draft accounts** The 2023/24 draft accounts were published on the Council's website for public inspection on the 18 September 2024. This was 3 months after the statutory deadline of 31 May 2024. We understand this was due to competing pressures for the finance team due to multiple ongoing audits. Following resolution of the historical outstanding financial statement audits, the finance team should develop a work plan for the production of the 2024/25 financial statement audits which allows publication in line with the regulatory requirements. Progress against this work plan should be monitored and reported on to senior leadership. We are raising a control deficiency over this for best practice recommendation for regulatory compliance.	We have had plans for completion of the Draft Statement of Accounts in place for a number of years, but these were affected by the unique set of events for the 23/24 Accounts. For the 24/25 Accounts we will revert to the established plans (to be updated for our new finance system and any other required changes) which will support completion by the end of June deadline. Any risks to completing the deadline will be reported to the Service Director: Resources and Leadership Team.	Partially implemented. The Council 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. This was after the 30 June 2025 deadline. We acknowledge that the Authority has been affected by the mid-year general ledger migration and audit backlog. However, we note that this is a marked improvement on the 2023/24 unaudited accounts publication date of 18 September 2024.
2	3	**IT policies** We inquired with management to understand the use of IT policies, we noted that key policies supporting IT operations such as privileged access policy, information security policy, and phishing incident response plan were in the process of being developed. A change management policy had not been drafted. These policies have not been previously approved. As the council did not have approved final policies in place at the time of our review our during the majority of the 23/24 financial year we have identified this as a control deficiency. The Council should ensure these policies are finalised as a priority and publicised to ensure ongoing compliance with their requirements.	All the policies are being finalised with a target date of the end of March 2025.	Implemented.

Control Deficiencies (cont.)

We have also follow up the recommendations from the previous years audit, in summary:

#	Risk	Issue, Impact and Recommendation	Management Response/Officer/Due Date	Current Status (January 2026)
Value for Money Audit				
3	3	**Contract compliance review** From inquiry and review of internal audit as part of our VFM procedures, it was identified that the delivery on the Churchgate lease management contract was not being effectively monitored (e.g. late payments, contract not signed, and compliance queries not being responded to in a timely manner). We recommend the Council perform a review of its contract management arrangements to identify the cause of these issues and to revise its processes to avoid similar deficiencies arising in the future.	The agreed actions from the SIAS report have been implanted as part of the new contract that has been awarded. We have also highlighted more generally the importance of effective contract management.	Implemented.
4	3	**Member completion of training** As part of our VFM procedures, we noted that Member uptake on training was below the expected completion targets. We recommend a formal plan is developed to assist members in understanding what training is available and when it is expected to be completed by. Completion of this training should then be monitored and reported on. The Council should consider factors which are driving lower uptake, whether they be messaging, reminders or as a content on the training itself. Messaging around potential consequences for non-compliance should be strengthened.	We will emphasise the need to complete training and use our Councillor Member Training Champions. We will also make use of our new Learning Management System to better report (and then act) on training gaps. We are seeing improvements in take-up of training.	Implemented.
5	3	**Fully depreciated assets** Following our review of the accounts, we have noted that there are a lot of assets which are already fully depreciated. We recommend that Council should perform a detailed review of their assets with nil net book value to assess whether these assets are still in use.	We will review this for FY2025.	Implemented.

DRAFT

FRC's areas of focus

Page 216

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 thematics 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 Council/Authority-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 Council/Authority'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.

DRAFT

FRC's areas of focus (cont.)

Page 217

Impairment of assets

Impairment remains a key topic of concern, exacerbated in the current year by an increase in restatements of parent Council/Authority 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 it's 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 Council/Authority is also applying the CIPFA 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 Council/Authority 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.

Council/Authority should ensure sufficient explanation is provided of material financial instruments, including Council/Authority -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 Council/Authority. 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.

DRAFT

FRC's areas of focus (cont.)

Page 218

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 Council/Authority - 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

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 Council/Authority.

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
- Construction and materials
- Food producers
- Retail
- Gas, water and multi-utilities
- Financial Services

kpmg.com/uk

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(Letterhead of the Entity we audit)

KPMG LLP
1 Sovereign Square
Leeds
LS1 4DA

[Date]

Dear Salma

This representation letter is provided in connection with your audit of the financial statements of North Hertfordshire District Council ("the Authority"), for the year ended 31 March 2025, for the purpose of expressing an opinion:

i. as to whether these give a true and fair view of the financial position of the Authority as at 31 March 2025 and of the income and expenditure for the year then ended;
ii. whether the Authority's financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 ("CIPFA/LASAAC Code").

These financial statements comprise the following: the Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement, Statement of Cash Flows, Collection Fund, and the notes, comprising material accounting policies and other explanatory information and the Expenditure and Funding Analysis.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015 and the Accounts and Audit (Amendment) Regulations 2024, for the preparation of financial statements that:

   i. give a true and fair view of the financial position of the Authority as at 31 March 2025 and of the Authority's income and expenditure for the year then ended;
   ii. have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

   The financial statements have been prepared on a going concern basis.

2. The methods, the data and the significant assumptions used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

Information provided

5. The Authority has provided you with:

   - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
   - additional information that you have requested from the Authority for the purpose of the audit; and
   - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. The Authority confirms the following:

   The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

   Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

9. The Authority has disclosed to you all information in relation to:

   a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
      - management;
      - members;
      - employees who have significant roles in internal control; or
      - others where the fraud could have a material effect on the financial statements; and

   b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, members, analysts, regulators or others.

   In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error, and we believe we have appropriately fulfilled those responsibilities.

10. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

11. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

12. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures.*

    Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

13. The Authority confirms that:

    a) The financial statements disclose all of the matters that are relevant to the Authority's ability to continue as a going concern, including the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view and to comply with IAS 1 *Presentation of Financial Statements*.
    b) No material uncertainties related to events or conditions exist that may cast significant doubt upon the ability of the Authority to continue as a going concern.

14. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 Employee Benefits.

    The Authority further confirms that:

    a) all significant retirement benefits, including any arrangements that are:
       - statutory, contractual or implicit in the employer's actions;
       - arise in the UK and the Republic of Ireland or overseas;
       - funded or unfunded; and
       - approved or unapproved,

       have been identified and properly accounted for; and
    b) all plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Finance, Audit and Risk Committee on 10 February 2026.

Yours faithfully,

[Section 151 Officer]

Appendix to the Authority Representation Letter of North Hertfordshire District Council: Definitions

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information and the Expenditure and Funding Analysis.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

A housing authority must present a Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income.

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;

b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
c) dissimilar items, transactions or other events are inappropriately aggregated;
d) similar items, transactions or other events are inappropriately disaggregated; and
e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity's general purpose financial statements requires an entity to consider the characteristics of those users while also considering the entity's own circumstances.

Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena."

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

a) was available when financial statements for those periods were authorised for issue; and
b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- A person or a close member of that person's family is related to a reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity; or
  - is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- An entity is related to a reporting entity if any of the following conditions applies:
  - The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - Both entities are joint ventures of the same third party.
  - One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - The entity is controlled, or jointly controlled by a person identified in (a).
  - A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a government that has control or joint control of, or significant influence over the reporting entity; and
- another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Appendix to the Authority Representation Letter of North Hertfordshire District Council: Summary of unadjusted audit differences

No.	Detail	CIES Dr/(Cr) £'000s	SOFP Dr/(Cr) £'000s	Comments
1	Dr Remeasurements of the net defined benefit liability Cr Fair value of plan assets	867 -	- (867)	Management included an estimated value for the return on planned assets within their draft financial statements, based on the report provided by the actuary. However, upon reviewing the audited financial statements of the Hertfordshire Pension Fund, we noted that the actual rate of return for 2023/24 was misstated. As a result, plan assets as at 31 March 2025 are overstated by £867k.
		£867	(£867)	

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FINANCE, AUDIT AND RISK COMMITTEE
10 February 2026

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: BUDGET 2026/27 (REVENUE AND CAPITAL BUDGETS)

REPORT OF: THE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: EXECUTIVE MEMBER FOR RESOURCES

COUNCIL PRIORITY: SUSTAINABILITY

1. EXECUTIVE SUMMARY

1.1. Cabinet recommends a budget for 2026/27 to Council for their consideration and approval. The budget considers the following:

- The funding that the Council should expect to receive in 2026/27 and an estimate of future years funding.
- The forecast net spend required to enable the continued delivery of the Council services in 2026/27 and beyond.
- Choices on spend that are aligned to the Council Plan.
- Capital budget proposals and the revenue costs of capital of those proposals.
- The risks in relation to the budget (e.g. higher spend or lower income) and providing reasonable financial protection against those risks.
- The implications of all the above on future years and ensuring that actions are in place to deliver a balanced budget in the medium term.
- The availability of General Fund reserves and the opportunities that provides.

2. RECOMMENDATIONS

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

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

2.2. Notes the position relating to the General Fund balance and that due to the risks identified a minimum balance of £3.5 million is recommended.

2.3. Notes the Chief Finance Officer’s section 25 report (Appendix D) which provides a commentary on the risks and reliability of estimates contained in the budget.

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

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

2.6. Approves a net expenditure budget of £27.321m, as detailed in Appendix E.

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

2.8. Approves bringing forward the capital budget for pool covers at the outdoor pools to 2025/26.

3. REASONS FOR RECOMMENDATIONS

3.1. To ensure that all relevant factors are considered in arriving at a budget (revenue and capital) and Council Tax level for 2026/27. To ensure that the budget is aligned to Council priorities for 2024-28 as set out in the Council Plan.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1. The proposed budget includes some use of revenue reserves to fund one-off revenue spend and capital projects. This reflects that revenue reserves are significantly above the recommended minimum level and is an option to invest in the district. The Council could choose to retain those reserves.

4.2. The proposed budget includes setting aside a specific reserve for the cost of Local Government Reorganisation (LGR). The Council could look to capitalise some of the spend on LGR, which would be any spend that is directly related to the design of new operating models and the transition towards them being implemented. This capitalisation option is discounted due to the available General Fund reserve and helping to put a new Unitary Council in a better financial position. The Council could also choose to not incur costs to help create capacity to support LGR and/or not support training and development of staff. This is discounted as LGR is a massive period of change and people are our most important asset.

4.3. Cabinet and Council can recommend changes to the revenue savings, revenue investments (both Appendix B) and capital proposals (Appendix C) as long as any changes consider the overall affordability.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1. All Councillors were given an opportunity to review the revenue savings, revenue investment and capital proposals (as they were at the time) at the informal budget workshops in early November.

5.2. Over the summer, when the position in relation to future funding was much less certain, residents were consulted on their service and spend priorities. They were also asked to set out their preferred approach to achieving a balanced budget. The detail of this consultation is included at Appendix F.

5.3. Business Ratepayers will be consulted on the proposals within this report before the budget is discussed at Full Council on 26 February. Any feedback will be made available at the Council meeting. This is the only statutory consultation that is required. This consultation will be via the website/ e-mail, which is the method that has now been established.

5.4. If any saving proposal is anticipated to have a particular impact on a specific area (or areas) then it would be referred to the relevant Community Forum(s).

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

6. FORWARD PLAN

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

7. BACKGROUND

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

8. RELEVANT CONSIDERATIONS

Decisions made to deliver Council services and priorities

8.1 The Council's Medium Term Financial Strategy (MTFS) set a general approach to achieving a balanced budget that reflected the high uncertainty over future funding and costs. This reflected that there would not be sufficient time between the provisional Local Government settlement (mid-December) and setting the 2026/27 budget (end of February) to have a full set of savings proposals (if they were required). Therefore, there was no specific savings target for 2026/27, and the focus was on having an implementable plan for the 2027/28 budget, and to use General Fund reserves to address the expected 2026/27 funding shortfall.

8.2 At its meeting in January, Cabinet considered the outcomes of the provisional Local Government settlement and reviewed the revenue and capital budget proposals. In that meeting the following additions to the revenue and capital budgets were proposed. These have been incorporated into the relevant appendices for revenue (Appendix B) and capital (Appendix C) proposals, and into the overall forecasts.

- Learner Pool in Royston. Capital funded from a revenue contribution.
- Digital and other signage for car parks in Hitchin, to promote better use of car parks. Capital funded from a revenue contribution.
- Additional water play features at North Herts Leisure Centre. Capital funded from a revenue contribution.
- If required, Churchgate project consultancy costs to get to the point of setting a capital budget. Some costs will be funded from existing specific reserves and surplus lettings income. Revenue cost.
- Planting at Broadway Gardens, Letchworth. Revenue cost.
- Feasibility work on remodelling of Grange Recreation Ground in Letchworth. Revenue cost.
- Work to determine feasibility for additional allotment provision in Great Ashby. Initially a revenue cost to determine the scope of the work required.
- One-off additional funding for Community Forums.
- Consider additional funding for organisations receiving funding via Memoranda of Understanding.
- Outreach work in relation to the museum storage project. Revenue funding to carry out some work on this if a grant bid is unsuccessful.
- Marketing support for Hitchin Town Hall and District Museum.

8.3. Additional costs have also been added in for an early estimate of the Business Rates amounts that the Council will need to pay. This is due to the new ratings list, but is subject to change depending on eligibility for any reliefs or if the Council decides to appeal any ratings valuations. As detailed in table 3 there is also likely to be an additional allocation for Herts Futures to support county-wide economic development.

General Funding

8.4. Government published their funding policy statement on 20 November 2025. This included several updates on how Fair Funding 2 would be calculated. This started to narrow the expected Government funding that the Council would receive.

8.5. On 4 November 2025, the estimated amount of Extended Producer Responsibility (EPR) payments that the Council would receive in 2026/27 was provided. This was £1.787m, which is higher than the 2025/26 amount of £1.435m. In the MTFS the assumption was that the income from EPR would drop by 20% per year to try and reflect the impact of producers reducing the amount and costs of collection and disposal of packaging. It still seems prudent to assume a drop-off in future years, which will be retained at 20%. For 2025/26 the EPR payments were guaranteed, but this is not the case for 2026/27 onwards.

8.6. On 17 December, Government released the Local Government provisional settlement. The relevant factors from this were:

- As expected, the Fair Funding 2 formula has been used to set how much funding Councils need. This covers the period from 2026/27 through to 2028/29, although the amounts for 2027/28 and 2028/29 are indicative.
- The Fair Funding formula calculates total funding need and then deducts an assumed amount that will be received from Council Tax. The Council Tax amount assumes that rates will be increased in line with referendum principles and sets an assumed increase for growth in tax base. Councils retain Council Tax income above the assumed level and equally have to make up any shortfall.
- The funding from Government is split between Government Grant (around 55%) and retained Business Rates (around 45%) and overall is referred to as baseline funding. The Government Grant element will increase by inflation each year. The retained Business Rates element gives the potential for higher growth, but also has some risk.
- The potential for Business Rate growth is still constrained by a levy being applied to growth, but this is now more generous at higher levels of growth. Growth will also be less likely as Councils will have just gone through a reset. Councils can retain 10% of any growth in baseline funding that is up to 10%. For growth up to an extra 100% of baseline funding, then 30% can be retained. For growth above an extra 100%, then 45% can be retained. Based on previous experience, North Herts is unlikely to see the higher rates of growth.
- The potential for Business Rates losses is still constrained by a safety net. In 2026/27 this safety net is set at 100%, so there will be no losses below the baseline funding level. In 2027/28 it will move to 97%, so losses of up to 3% are possible. From 2028/29 it will move to 92.5% and then stay at that level. This means losses of up to 7.5% are possible, and this is the amount that it has previously been set at. We will continue to set our budget based on the baseline level.
- District Councils will be able to increase Council Tax by up to 2.99% without the requirement for a local referendum.
- New burdens (e.g. costs of weekly food waste collections) are included within Fair Funding 2, and there will not be any additional allocations.

- Homelessness, rough sleeping and domestic abuse grants now form part of Core Spending Power (the headline funding for Councils) although it still subject to restrictions on how it is spent. The funding available has increased. This is shown as part of our general funding, with an off-setting pressure for the matching spend.

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

8.8. The position on our general funding is detailed in the tables below. Homelessness and rough sleeping prevention funding has previously been provided as a ring-fenced specific grant. It now forms part of core spending power and is notionally within general funding. However, it still has funding conditions, so to enable fair comparisons it has been excluded from the table below. It has been included in the detailed funding table in Appendix E, and is off-set by a spending pressure within the revenue budget proposals in Appendix B.

Table 1 – Estimated General Funding comparison (2026/27 with 2025/26)

£000 Funding	2025/26 Budget £'000	2026/27 Latest Forecast £'000	Comments
Council Tax	13,613	14,211	Increase in rate (2.99%) and increase in base of 1.36% (number of properties)
Council Tax Collection Fund Surplus/ (Deficit)	144	251	
Business Rates and General Grant funding	4,900	6,728	Based on Fair Funding allocation, including New Burdens and inflationary growth
Extended Producer Responsibility funding	1,435	1,787	Based on notification of estimated amount.
Less: Council Tax support to Parishes	(39)	(39)	Maintained at previous levels.
	20,053	**22,938**	

Table 2 –General Funding forecasts for 2027/28 and 2028/29

£000 Funding	2027/28	2028/29	Comments
Council Tax	14,709	15,225	Assumed 2.99% increase in rate. Net 0.5% increase in tax base
Other funding	6,680	6,613	Based on Fair Funding totals. Whilst this is a multi-year settlement, the amounts in years 2 and 3 are not guaranteed.
Extended Producer Responsibility funding	1,430	1,144	Assumes a reduction of 20% per year based on producers being incentivised to reduce packaging
Less: Council Tax support to Parishes	(39)	(39)	Retained at same amount.
	22,780	**22,943**	

Specific Funding

8.8 The Council also receives grants and contributions for specific purposes. Generally, these are built into service budgets and have therefore already been taken into account when determining spend forecasts, so cannot be used towards funding the base budget. These amounts can be uncertain, and reductions in the amount can result in spending pressures that would need to be met from the General Fund. Those grants that are ongoing (or have previously been ongoing) have been reviewed and the main risks and opportunities are detailed in table 3 below. This is not intended to be an exhaustive list, and does not include any short-term grants or grants in their first year:

Table 3 – Forecasts in relation to grants and other contributions

Grant/ Contribution	Amount expected in 2026/27 (£000)	Risk/ Opportunity
UK Shared Prosperity Fund (SPF)	0	Expecting that the 2025/26 allocation will be the last year of UK SPF funding. It has been mostly been used for one-off/ time limited projects as known that it would come to an end. It has also been used to fund Herts Futures to provide county-wide economic development. This is identified as an investment proposal for 2026/27 (amount TBC).
Homelessness Prevention and Rough Sleeping Grant	0	As detailed in paragraph 8.5, now within general funding. Paragraph 8.7 details how it is reflected in the budget. Allocated each year to meeting priorities. Does not create any spend pressures.
Domestic Abuse Safe Accommodation Grant	0	Was included in general funding last year. A budget pressure was created last year to reflect the spend on an ongoing basis. Does not create any further spend pressures.
Housing Benefit Administration Grant	253	In line with current year allocations, so no budget pressure created.

Business Rates and Council Tax Collection Funds

8.9 The Council is required to maintain a Collection Fund to account for the income received and costs of collection for Council Tax and Business Rates. Estimates of the net income are made at the start of the year and based on this money is transferred out of the Collection Fund to our General Fund and other precepting bodies. The Fund is required to break even over time and any surplus or deficit is transferred to our General Fund and to the other precepting bodies. For Council Tax an accumulated surplus of £251k can be transferred in to the General Fund and is included in table 1 above. For Business Rates, most of the deficits relate to reliefs introduced by Government. The Council receives funding for these which it holds in a specific reserve. This reserve is then released back to the General Fund as required. The available balances in this reserve are detailed in table 4 below.

Review of balances and reserves

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

8.11 The table below (table 4) shows the reasons why reserves are being held, as well as forecasts of future balances (where they can be estimated). Apart from the Business Rates Grants reserve, all the balances are held for a specific purpose. The result of this analysis is that there is more likely to be additional funding available, rather than any shortfalls that need to be addressed.

Table 4 – Specific Reserves

Name of Reserve	Purpose of Reserve	Balance at 1 April 2025	Estimated Balance at 31 March 2026	Estimated Balance at 31 March 2027
Children's Services Reserve	Had been used to help fund Active Communities projects in the district funded from grant income and/or external contributions. Remaining services are now funded from base budget.	1	0	0
Churchgate Development Reserve	Additional income above the treasury income that would have been generated from the capital used to purchase the shopping centre freehold. Intention was that those funds will be set aside in to support the planning and delivery of Churchgate regeneration project. The money will contribute towards necessary professional advice via consultants, until we get to the stage of setting a capital budget. Expected now to be used in the year that the income is received and may require additional revenue funding.	11	0	0
Climate Change Grant Reserve	Grants awarded to help combat the effect of climate change. Being used for the additional costs (above available establishment) of employing a Trainee Policy Officer working on Climate Strategy.	20	15	10
Council Tax Hardship Grant Reserve	Money received from Government to fund the costs of a localised Council Tax support scheme to help low-income and vulnerable households. Our Council Tax Reduction Scheme has not required use of this funding. There is no condition on the grant received that requires unspent funding to be returned but should be used for the intended purpose. To look at fair ways to use this but maybe over a few years. May be called upon to support what we have put in place to support the Marie Curie initiative to avoid dying in poverty/	269	269	TBC
Elections Admin Grant	Holds funding provided from government to support the delivery of the policies of the Elections Act 2022, which focused on the introduction of voter ID and improvements to accessibility for disabled voters. The reserve will be used to fund anticipated additional expenditure associated with the Act in administering future elections. May be added to by additional awards of New Burdens funding.	121	93	Unknown
Environmental Health Grants Reserve	Holds funding amounts received for specific initiatives relating to the Council's Environmental Health service, such as air quality and housing checks. The reserve is used to finance the undertaking of the relevant initiatives and to help manage staffing and workload pressures within the service. The increase is due to additional New Burdens funding for Renters Reform Act, which will not all be spent in this year.	15	24	Unknown
Growth Area Fund Reserve	Holds the revenue grant awarded. With the Local Plan now in place, this reserve is anticipated to be drawn down to fund relevant projects and activities.	24	24	Unknown
Homelessness Grants Reserve	To help prevent homelessness in the district. The grant is earmarked for different homelessness projects or resources. The Fair Funding review provided some greater certainty over homelessness funding, which should help with planning how grants are spent.	275	148	Unknown
Housing & Planning Delivery	Hold unspent Housing & Planning Delivery grant to fund Cabinet approved spending plans in subsequent years. The Authority has also made a commitment to the Local Development Framework and funds are held in this reserve for this purpose. This has also been previously added to by additional income from 20% increase in statutory planning fees.	832	784	595
Insurance Reserve	Used to finance potential claims for risks that are not covered by external policies together with higher excesses currently being borne by the Authority. It is good financial management practice to have an insurance reserve. The future balances will depend on the claims received and the level of relevant insurance.	34	Unknown	Unknown
Land Charges Reserve	Reserve originally established to help meet the potential cost should the financial risk of the repayment of personal search fees occur. In recent years some of this has been used for additional administration costs and software upgrades.	12	12	Unknown

Name of Reserve	Purpose of Reserve	Balance at 1 April 2025	Estimated Balance at 31 March 2026	Estimated Balance at 31 March 2027
Leased Assets Reserve	Changes to accounting rules in 2024, affected how the Council treated lease vehicles. They are now treated as assets. The saving on the revenue account from these arrangements will be transferred to this reserve and ultimately used to finance the capital costs of replacement vehicles.	63	55	Unknown
Leisure Management Maintenance Reserve	To help cover the cost of any future significant repair liabilities on the leisure facilities. The Leisure Contract requires a contribution from the Council for maintenance items over £15k, so therefore if funds are not available in the reserve then this would impact on the general fund. Use of the reserve depends on what arises and is therefore unknown.	33	33	Unknown
MHCLG Grants Reserve	Balance of unapplied Section 31 business rate relief grants and pooling gains. Used to fund NNDR Collection Fund deficit contributions and levy payments in future years. £3.5m will be released into the General Fund in 2026/27 as part of investing in the District. In 2026/27 the Council will receive the funding from previous Business Rate surpluses of £2.2m. This will be released in to General Fund (as part of investing in the District) in 2027/28. This is included in Appendix E. The remaining balances reflect the expected amounts needed for deficit contributions, levy payments and a risk allowance.	6,227	4,893	3,200
Museum Exhibits Reserve	Funds the purchase of museum exhibits and is funded from donations. Use of reserve will depend on donations and opportunities for acquisitions.	14	14	Unknown
Neighbourhood Plan Reserve	Funds received from Government to support neighbourhood planning have been transferred to reserve. The funding will be needed in future years as neighbourhood plans are developed and public examinations and public referendums are required.	121	115	Unknown
Paintings Conservation Reserve	Used to help restore paintings. This is funded through donations and publication income. To be used against a list of items that require conservation.	11	11	Unknown
Street Name Plates	To fund Street Name Plates as and when required.	16	16	Unknown
Syrian Refugee Project	The Council has agreed to house Syrian Refugees under the government's resettlement scheme. The scheme is fully funded by the government based on expected costs and by using Registered Provider housing, the costs incurred are less than the grants awarded. The Council will look to use some of this funding to support linked housing pressures (around £100k per year). To also try and identify other uses for the funding that are compliant with the grant conditions.	758	782	Unknown
Taxi Reserve	Any surplus from the taxi service will be transferred to the earmarked reserve where it can be used to offset any future deficit or to fund investment in the taxi service.	11	11	Unknown
Town Centre Maintenance	For the implementation of the Town Wide Reviews and ad hoc town centre maintenance.	93	101	Unknown
Traffic Regulation Orders	An audit was done to identify TRO work to be carried out in the district. Amounts will be drawn down as and when the work is done.	367	359	349
Waste Reserve	Alternative Financial Model (AFM, funding from HCC to encourage increases in recycling) were previously transferred to help mitigate any potential risk to the waste service and support future service developments. Has been being spent on various projects, including the waste contract procurement. Future spend may be required for options around a new waste depot.	836	836	Unknown
Waste Vehicles Reserve	As repayment of the finance lease principal embedded within the waste contract is funded from the Council's cash reserves, the saving on the revenue account is transferred to this reserve to fund the purchase of new vehicles. The Council capital funded new vehicles in 2025/26 in line with the new contract.	3,178	0	0

Name of Reserve	Purpose of Reserve	Balance at 1 April 2025	Estimated Balance at 31 March 2026	Estimated Balance at 31 March 2027
Welfare Reform Grants Reserve	Awarded to the Authority for different initiatives or changes relating to Housing & Council Tax benefit scheme, and more recently the Business Support and self-isolation grant schemes developed in response to the Covid-19 pandemic. The balance in reserve will be used to develop the service and drawn down when the initiatives or changes are carried out, and therefore the exact timing of usage is unknown.	358	245	214

8.12 As at the 31 March 2025 there was a total of £732k held as long-term provisions. These are comprised of:

- Business Rates appeals - £704k - the Council's estimated share of outstanding business rates appeals. This has reduced significantly as fewer appeals were received than expected.
- Insurance - £28k - covers the uninsured aspect of outstanding insurance claims.

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

8.14 North Herts Council operates with a reserve balance for General Fund activities in order to provide a cushion against unexpected increases in costs, reductions in revenues and expenditure requirements. Guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) suggests that the revenue balances should be set at no less than 5% of net revenue expenditure, having taken account of the risks faced by the Authority in any particular year. As net expenditure is anticipated to be around £27.3 million, this means a minimum balance of about £1.37million. The Council's budget is also reliant on generating income to set a balanced budget, so an additional 3% of budgeted income (excluding Housing Benefit, grants and other contributions) is included in determining the minimum level. Income from fees, charges, interest and rentals is forecast to be around £14.3m and therefore an additional allowance of around £430k is added.

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

Table 5- Budget Risks in 2026/27

Category	Number of Risks	Forecast Value of Impact (£000)	Risk Allowance (£000)
Low	15	2,184	0
Medium	13	1,178	295
High	14	2,775	1,387
Total	**42**	**6,137**	**1,682**

8.16 Combining the risk allowance for specific risks and unknown risks means that a General Fund balance of at least £3.5 million should be maintained. This is what is recommended by the s151 Officer (Chief Finance Officer).

Expenditure Forecasts

8.17 The starting point for forecasting net expenditure for future years is the previous year's budget, as set in February 2025. This is then adjusted (where necessary) through the Quarterly budget monitoring reports, which highlight both in-year and ongoing impacts. An additional budget review is carried out during December for any additional significant ongoing variances. As the Quarter 2 monitoring report were considered by Cabinet in January (and included information known about after the end of Quarter 2), no further ongoing variances have been identified.

8.18 Budget proposals were put forward for discussion at Group workshops in November. These have been subject to amendment as better estimates or information has become available. The budget report considered by Cabinet in January highlighted the improved pension fund position, which has allowed large decreases in the amounts the Council needs to contribute each year. This combined with the positive outcome from Fair Funding has allowed a balanced budget to be forecast without a significant savings requirement. This gives the Council the opportunity to invest some of the reserves in the district. The proposals in relation to this are detailed in paragraph 8.2.

8.19 The draft budget report considered by Cabinet in January forecast a medium-term (in 2028/29) small budget surplus of £88k. This is now forecast to be a surplus of £242k. One of the main reasons for the increase in the surplus is a reduction in estimated revenue costs of capital, and it is still expected that those costs will increase in the longer term.

Capital Programme and the revenue effects of capital

8.20 Due to capital spend in 2025/26, the Council now has a Capital Financing Requirement (CFR). This means that we will incur greater revenue costs in relation to funding our capital programme, through a Minimum Revenue Provision (MRP) charge. This is why the greater linkage between capital expenditure and revenue costs; means it is sensible to consider the two together.

8.21 The proposed capital programme is attached at Appendix C. This mainly reflects the items considered by the budget workshops. It has been updated for the changes referenced in paragraph 8.2. These additional capital items are being funded from a revenue contribution. As with any capital expenditure that is immediately funded (e.g. funded from grants, capital receipts or s106 contributions), these items do not increase the Capital Financing Requirement and therefore do not add to the MRP charge.

8.22 When capital budgets are set (same also applies to new revenue budgets) then they can only be spent in the year that they are allocated. For new proposals the allocation is for the following year (i.e. 2026/27) or later. Two of the new proposals relate to new pool covers for the outdoor pools. It is requested (see recommendation 2.8) that Council approve this spend being brought forward into the current year (2025/26) as this then allows the covers to be replaced in advance of the outdoor pool season starting.

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

8.24 Capital spend can be funded from sources which include grants, capital receipts and revenue. It can also be funded from borrowing. This borrowing can be external (e.g. from government or banks) or internal (i.e. against available cash reserves). In line with the Prudential Code (and as set out in the Investment Strategy), the Council plan to borrow internally against revenue balances first, and only when those balances are insufficient would we borrow externally. Borrowing internally is generally cheaper as the interest cost is the lost interest that would have been earned, rather than the external borrowing cost. Where the Council has a need to borrow (either internally or externally, as measured by its Capital Financing Requirement) then it must make a charge to the revenue budget called Minimum Revenue Provision (MRP).

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

8.26 The changes to the revenue costs of capital are included in Appendix B.

Reliability of estimates

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

Cumulative impact

8.28 The cumulative impact of all the estimates described in the previous sections is provided at Appendix E. This shows a forecast of funding and net expenditure for the next three years, including the impact on the General Fund balance. A three-year medium-term period is used as this covers the period of the multi-year settlement. On current Local Government Reorganisation (LGR) timescales, it also covers the first year of the new Unitary Councils. This is deemed a more realistic planning horizon than the usual five-year period.

8.29 There are no additional unidentified savings that need to be delivered to achieve a medium-term balanced budget. There are risks (as identified in the section 25 report) to this, and there is a need for ongoing budget monitoring and re-forecasting. To enable investment in LGR work there is a budget shortfall in 2026/27 and 2027/28. This will require a use of reserves, but this is affordable with the level of reserves that the Council has. There is an ongoing assumption that the Council will continue to increase Council Tax at the maximum level permitted without the need for a referendum. Any increase in Council Tax below this level has an ongoing (and increasing) impact on this Council and any successor Unitary Council. For example, a Council tax freeze for just one year would affect funding by just over £410k in the first year, and that would increase to over £470k after 5 years. Future Government funding is linked to the assumption that Council's will increase Council Tax by the maximum allowed (without a referendum).

9 LEGAL IMPLICATIONS

9.1 The Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council.

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

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

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

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

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

10 FINANCIAL IMPLICATIONS

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

10.2 We need to differentiate between revenue and capital spend, as they generally have different sources of funding. Revenue relates to ongoing costs, and any physical item that is purchased would have an expected life of less than one year. Low value items are also treated as revenue spend. Capital relates to the purchase or improvement of assets, which have a useful life of more than one year. Capital funding (including borrowing) **cannot** be used for revenue expenditure. Revenue funding can be used for capital.

11 RISK IMPLICATIONS

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

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

11.3 The risks in relation to future funding have significantly reduced with the Fair Funding outcome and three-year settlement. There is an over-arching financial risk in the Council Delivery Plan, which will be reduced as part of the next update.

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

12 EQUALITIES IMPLICATIONS

12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

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

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

13 SOCIAL VALUE IMPLICATIONS

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

14 ENVIRONMENTAL IMPLICATIONS

14.1 Some of the budget proposals identified in Appendix B and Appendix C are put forward to have a positive influence on the Council’s environmental impact (e.g. additional climate change resource, new pool covers). There will also be the continuation of previous proposals that will have a positive environmental impact (e.g. decarbonisation projects, use of HVO fuel). For other proposals there may be a low level of indirect negative implications (e.g. recruiting additional staff could require increased travel), and for these the impacts will be managed as much as possible. Overall, the Council still plans to deliver the commitments contained within its Climate Change Strategy. Some of the specific actions contained within the Climate Strategy will be dependent on opportunities and funding being available. They may not therefore be in this budget but could be incorporated in future years.

15 HUMAN RESOURCE IMPLICATIONS

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

15.2 The funding set aside for LGR is intended to help manage the impact of the additional work it creates. However, as highlighted in the Council Delivery Plan, there is still expected to be a negative impact on overall resources and will increase pressure on staff.

16 APPENDICES

16.1 Appendix A – Financial Risks 2026/27

16.2 Appendix B – Revenue Budget Savings and Investments

16.3 Appendix C – Capital Programme 2026-36

16.4 Appendix D - Section 25 report

16.5 Appendix E - Budget Summary 2026/27– 2028/29

16.6 Appendix F- Budget consultation results

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18 **BACKGROUND PAPERS**

18.1 Medium Term Financial Strategy https://democracy.north-herts.gov.uk/documents/s29462/Appendix%20A-%20Medium%20Term%20Financial%20Strategy%202026-30.pdf

Financial Risks 2026/27

Risk	High/ Medium/ Low	Risk Value £	%	Total Risk Assessment £
Fines for breaches of the EU General Data Protection Regulation by the Council or by NHDC outsourced providers when handling and storing data originally collected by NHDC	L	500,000	0%	0
Ransomware attack results in the write-off of some IT hardware and infrastructure.	L	200,000	0%	0
Failure to meet projected Careline sales income as a result of the loss of a corporate client or fall in the number of private clients.	M	50,000	25%	12,500
Adverse possession of land/buildings (litigation costs). Protection of "Village Greens". Signs/fences need to be constructed to avoid residents claiming ownership rights.	L	35,000	0%	0
Increases in construction inflation increase the cost of property repairs and maintenance required.	H	20,000	50%	10,000
Reduction in income from Churchgate means that funds are not available for the external spend required to progress the regeneration project. Project spend is funded from excess income (above the cost of capital) being achieved since the purchase of the head leasehold interest.	M	100,000	25%	25,000
Leisure centre running cost increases due to exposure to movement in electricity prices and uncertainty of impact of decarbonisation measures e.g. air source heat pumps.	M	70,000	25%	17,500
Fuel costs increase for waste vehicles as a result of fluctuating prices for diesel and / or hydro-treated vegetable oil.	M	60,000	25%	15,000
Increase in the net cost of recycling services due to either or all of ; adverse changes in the market prices for commodities; a reduction in the volume of recyclates collected; a change in the material composition of the recyclates collected	H	500,000	50%	250,000
Reduction in funding from third party agency agreements for contracted grounds and/or tree maintenance works.	L	50,000	0%	0
Costs resulting from a localised flooding event that is associated with water courses within the responsibility of NHDC to maintain.	L	50,000	0%	0
Cost of felling and destroying trees as a result of pests and tree disease.	L	50,000	0%	0

Risk	High/ Medium/ Low	Risk Value £	%	Total Risk Assessment £
Income from Trade Refuse is adversely affected by economic downturn.	M	300,000	25%	75,000
District by-election	M	8,000	25%	2,000
Legal team resources - requirement due to recruitment/retention issues to use temp. staff or outsource work. Additional external expertise for assistance with the delivery of key Corporate projects or Governance issues	H	150,000	50%	75,000
Legal expertise related to employment cases	H	50,000	50%	25,000
The Council is required to meet the cost of any award from new or ongoing judicial reviews.	M	100,000	25%	25,000
Possible procurement challenge. Legal costs and costs of re-tendering if necessary.	L	100,000	0%	0
Costs incurred from an increased number of prosecutions pursued in court, for example due to persistent flytipping.	M	50,000	25%	12,500
Domestic Homicide Review – requirement for additional resources to respond	H	15,000	50%	7,500
Dangerous structures - where the Council is unable to recover either or both of; the costs incurred in making the structures safe because, for example, the owner of the property is not known or the land/building is unregistered; the costs involved in seeking to recover the expenditure incurred.	L	50,000	0%	0
Specialist advice required with regard to planning applications, both submitted to the local authority and to the planning inspectorate, e.g. town centre schemes, specialist areas such as solar farms, other energy infrastructure and speculative applications and where the Council cannot reasonably recover the costs (e.g. through a Planning Performance Agreement)	M	100,000	25%	25,000
Costs associated with a challenge to a forthcoming decision of the Council or one that has been made and any associated outcome costs, for example: legal challenges, tribunals, contracts, grant schemes, purchase notices, an appeal against a planning decision, judicial review or threat in advance of a planning decision, Secretary of State call in or holding direction etc..	H	1,000,000	50%	500,000
New duties and obligations associated with government policy, projects etc.. leads to requiring additional training or additional and/or specialist staff or consultancy support etc.. to deliver.	L	50,000	0%	0

Risk	High/ Medium/ Low	Risk Value £	%	Total Risk Assessment £
Theft of, or damage to, parking pay & display equipment	M	20,000	25%	5,000
Lack of resilience in delivering key statutory services when staff absence occurs (other than normal leave) e.g. medium/long term sickness, staff resignations, redeployment to other duties and projects etc, increases expenditure on agency staff and / or consultancy advice or other method to maintain service provision.	H	150,000	50%	75,000
Increase in net cost of measures to address homelessness/rough sleeping and meeting obligations/projects as a result of for example: absence of government funding / reduced government funding, national and local situations etc.	M	150,000	25%	37,500
Enforcement – costs in relation to enforcement for example: investigations to enable consideration of enforcement action, specialist legal or other advice, direct action / appeal processes, recovery of illegal earnings.	M	100,000	25%	25,000
Cost of unexpected Unauthorised Encampments including the cost of baliffs to remove the encampment and grounds maintenance to repair and clean-up damage/litter etc	H	30,000	50%	15,000
Disabled Adaptations: Hertfordshire Home Improvement Agency fail to recover sufficient fees, based upon application throughput, resulting in additional payment requested by HCC to cover costs. Increased level of fee exempt Building Control applications for which the Council must reimburse the fee to Hertfordshire Building Control.	H	15,000	50%	7,500
Assumed vacancy saving within staffing payroll budgets does not materialise as a slim staffing structure, and / or an increase in the level of demand for services, reduces the capacity to hold posts vacant for any significant period of time.	L	470,000	0%	0
Breach of partial-exemption calculation for VAT	L	300,000	0%	0
Increases in construction inflation increase the cost of property repairs and maintenance required.	H	20,000	50%	10,000
Localisation of Business Rates – The council is directly exposed to a range of risks including; business rates levy, safety net.	L	0 in 2026/27 only	0%	
Member/Officer Indemnity Agreement is called upon	L	100,000	0%	0
Further payments are required under MMI scheme of arrangement	L	20,000	0%	0

Risk	High/ Medium/ Low	Risk Value £	%	Total Risk Assessment £
Reduced staffing capacity means that the delivery of Council projects is delayed and / or additional staffing resource must be hired externally at a cost premium to the Council.	H	250,000	50%	125,000
Relates to an environmental warranty that was provided to North Herts Homes on the transfer of the Housing stock.	L	209,000	0%	0
Increase to the annual external audit fee negotiated between the Council's External Auditor and Public Sector Audit Appointments exceeds the amount of additional related grant funding received from government.	H	50,000	50%	25,000
Contribution to housing benefit overpayments bad debt provision may need to increase as the migration of working age housing benefit clients to Universal Credit has made the recovery of outstanding overpayments debt from those clients more difficult to achieve.	M	70,000	25%	17,500
Loss of housing benefit subsidy where there is a lack of evidence to support housing benefit rates applied. The current Housing Benefit audit backlog has increased the risk value in this year.	H	500,000	50%	250,000
Cost of annual Housing Benefit Subsidy Certification is higher than budgeted due to additional audit fieldwork required.	H	25,000	50%	12,500
		6,137,000		**1,682,000**

REVENUE BUDGET SAVINGS AND INVESTMENTS

New Revenue Efficiency Proposals and Savings Identified

Reference	Service Directorate	Description of Proposal	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000
E1	Customers	Careline service income. Estimated additional income associated with proposals (below) to increase spend on Careline marketing activity, with the appointment of an additional Marketing Officer and use of Google advertising. Efficiency estimate based on an average of 300 new clients per year.	(79)	(151)	(223)	(295)	(367)
E2	Place	Place Directorate staffing costs. Deletion of permanent PA to Director: Place post. Previous postholder retired in August 2025 and some responsibilities have transferred to the Regulatory directorate. A revenue investment bid for an additional full-time post to provide service-wide administrative support was approved by Council in setting the 2024/25 budget. This post is currently out to advert and will absorb the residual duties of the PA post.	(20)	(20)	(20)	(20)	(20)
E3	Place	Planning applications income. Householder Planning Fee increases. Fees are presently set nationally and householder application fees were increased by Government in April 2025. Estimated permanent increase in income based upon activity in preceding years.	(200)	(200)	(200)	(200)	(200)
E4	Place	Planning Pre-applications income. Pre-application charges were reviewed in 2025. This, alongside a revision to the Council's pre-application protocol and changes to Government rules around resubmissions of applications, have led to an increase in income which is expected to be sustained in future years.	(60)	(60)	(60)	(60)	(60)
E7	Enterprise	Additional Estates income. Forecast that the capacity created by the additional Surveyor post below will generate annual income at least equal to the cost of the post. This will be kept under review and it is expected that income achieved will be greater.	(70)	(70)	(70)	(70)	(70)
E8	All	Annual contribution to the Pension Fund. The provisional results of the latest triennial revaluation of the Pension Fund, as at 31 March 2025, has indicated an improvement in the position of the Pension Fund since the previous revaluation. As such, the scheme's Actuary has recommended a minimum marginal contribution rate for the next three financial years from 2026/27 at 16.9% of pensionable pay. This compares to the current level of contribution for 2025/26 of both a marginal contribution rate of 19.5% and a lump sum contribution of £1.028million.	(1,410)	(1,410)	(1,410)	(1,410)	(1,410)
E9	Customers	District Wide Survey Expenditure. The successful adoption of the free Microsoft Forms web-based software tool to conduct online surveys has removed the need to separately procure a digital survey platform from which to run the biannual district wide survey.	-	(18)	-	(18)	-
		Total Net Budget Reduction from new efficiency proposals	**(1,839)**	**(1,929)**	**(1,983)**	**(2,073)**	**(2,127)**

New Revenue Pressures and Investment Proposals

Ref No	Service Directorate	Description of Proposal	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000
R1	Chief Executive	Transfer to a specific earmarked reserve to support the process and impacts of Local Government Reorganisation.	1,000	1,000	-	-	-
R3	Customers	Careline Service marketing. Creation of a permanent Marketing Assistant post. Increase in marketing capacity will help to sustain current growth in customers and revenue (as indicated by efficiency proposal above) through enhanced marketing output. Investment value is an estimate as new role would be subject to job evaluation.	43	43	43	43	43
R4	Customers	Careline Service marketing. Permanent budget provision for spend on Google advertising. Families seeking support for vulnerable loved ones, and professionals looking to make referrals, increasingly begin their search online. At present, Careline's visibility on Google is limited, with larger national providers dominating results through higher advertising spend. Increase in budget will allow Careline to maintain consistent daily visibility on Google, strengthening Careline's ability to reach families at the exact point of need, while improving financial sustainability through higher customer acquisition. Estimated corresponding increase in revenue income is included in the efficiency above.	5	5	5	5	5
R5	Customers	Careline Service staffing costs. Increase in management capacity through the creation of two Team Leader positions. The new posts would replace existing Senior Administrative Support Officer roles. The investment will increase service resilience and reduce operational risk, while increasing strategic capacity.	6	6	6	6	6
R7	Customers	Careline Service staffing costs. Temporary additional administrative staffing support (65 weekly hours of bank staff) to manage spike in demand for installations while clients transition to new digital assistive technology equipment. This will involve more than 5,500 installer installation bookings over the next 18-24 months, with current administrative capacity unable to absorb the associated additional workload.	70	70	-	-	-

Reference	Service Directorate	Description of Proposal	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000
R8	Customers	Communications staffing. Budget is requested to offer the current Communications Apprentice a two-year fixed-term full-time contract as a Communications Assistant from when their apprenticeship ends in June 2026 until June 2028. Role is required with the increased workload associated with Local Government Reorganisation (LGR), increased filming requests, our Newsflash redevelopment project and the Museum Storage Project.	29	36	8	-	-
R9	Customers	Process mapping tool. A process mapping tool is required for the Digital Business Analyst and wider team to use to map processes, and to enhance efficiencies across the Council. The tool will be used to create a library of process maps ahead of LGR. The tool will go towards identifying time saving across the organisation.	13	13	-	-	-
R10	Customers	IT Services staffing costs. Due to the significant increase in workload, rapid technology advancements, heightened importance of cybersecurity, and the transition from a virtual environment to laptop end user devices, it is essential to make the current temporary Developer role a permanent position within the IT department. This change will ensure continuity, maintain service quality, and support the department’s ability to meet ongoing and future operational demands as well as effective preparedness for the transition to a new unitary authority.	61	61	61	61	61
R11	Enterprise	Recruitment of an additional Estates Surveyor on a fixed term two year contract. There remains a backlog of case work (rent reviews and lease renewals) which require actioning and will deliver back rent and increased revenue going forwards. The proposed role will assist with this and free up existing team members to progress a number of capital projects which require increased resource to progress (including Riverside Walk, Charnwood House, Thomas Bellamy House, former WC building at Royston and bringing forward development sites). This is in addition to overseeing the day to day management of Churchgate Shopping Centre to ensure it is appropriately managed and delivering net income pending the planned re-development, and supporting the Local Government Reorganisation estates workstream across the Hertfordshire authorities.	67	67	-	-	-
R12	Enterprise	Churchgate Project Manager Role. The extension of the dedicated Project Manager to focus on the preparation and delivery of the next phases of the Churchgate Shopping Centre regeneration beyond that approved by Full Council in July 2025.	130	-	-	-	-
R13	Enterprise	Shared Economic Development Officer role. This role is a shared agreement with East Herts to deliver economic development activity across the two Districts. In the next financial year this role will be focusing on both the monitoring of continuing Shared Prosperity Fund projects and delivering elements of the newly adopted Economic Development Strategy such as business partnerships and growth, which is critical to establishing economic development in North Herts.	30	-	-	-	-
R14	Enterprise	Enterprise Team staffing expenditure. The new Economic Development Strategy was approved at Cabinet in September 2025. The strategy sets out the need for a much greater economic footprint within North Herts - more than the current 0.5 ED Officer currently delivers. Cabinet recognised the importance of having a strong Economic Development presence across the Council, and are committed to delivering a large portfolio of projects that will address the following: 1) business and enterprise; 2) people and skills; 3) innovation and economic change; 4) site and premises and 5) investment, position and promotion. Therefore, the Enterprise Team (supported by the Executive Member) will be proposing a team restructure in the coming months to deliver the strategy and its action plan. The team have worked with a consultant to map out the 'most effective' way to structure the team - utilising the current staffing budget (which has been significantly underspent for the past three years) and requesting some financial growth (50K) ongoing. This will ensure the team are experienced and strong, and are set up correctly to deliver on both the Enterprise and Economic Development Strategies. The full restructure proposal will be taken to SLT, Executive Members, Cabinet and Full Council.	50	50	50	50	50
R15	Environment	Creation of fixed term Climate Project Officer post to support the delivery of Sustainability Strategy actions and outcomes related to the Climate Emergency. There are 29 actions in the strategy related to reducing emissions for both the council's own operations and the wider district. The officer would help with delivery of these actions, which could have wider benefits for residents around health related to warmer homes, reduced air pollution related to transition to cleaner vehicles / machinery, and potentially saved costs from energy efficiency measures in council buildings. Investment value is an estimate with the new role subject to job evaluation.	49	49	49	-	-
R16	Environment	Tree maintenance expenditure. Increase to cemetery tree budget to ensure adequate provision for essential tree works. In recent years the budget has either been exceeded or important works deferred.	12	12	12	12	12
R17	Environment	Planting borders at Bancroft, Hitchin and Priory Memorial Gardens, Royston. This will enhance biodiversity, seasonal interest visitor enjoyment, and a sense of care, while directly supporting our Green Space Management Strategy for town parks. We will look to use these borders for plants that are sustainable, interesting, colourful, wildlife friendly, drought tolerant and low maintenance. They will be a great example to our residents of sustainable planting and will boost the presentation of the park hugely.	57	-	-	-	-
R18	Environment	Renovations and repairs of paths at Walsworth Common, as outlined in the Greenspace Action Plan for the site.	10	-	-	-	-

Reference	Service Directorate	Description of Proposal	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000
R19	Environment	Ash Dieback removal. An increase in the incidence of Ash Die back has occurred over the last few years in the District. In particular, Weston Hills and Norton Common are both sites where a programmed schedule of works over the next 3 years has been planned. Working with Hertfordshire County Council / Countryside Management Service in following the Greenspace Action Plan.	15	15	15	-	-
R20	Environment	Permanent budget provision for the Community Wellbeing Officer at 32 hours a week. This post has been funded for the past two years through external grants to develop and deliver community wellbeing interventions across the district. From April 2026, the external grants are reduced and are sufficient to fund the service delivery but not the coordinating officer role, without which the services will not be delivered. The post will ensure the delivery of; social isolation projects & falls prevention, creative wellbeing for mental health and food poverty interventions district wide. They will also maintain the Community Wellbeing website, social channels and monthly newsletter. The Community Wellbeing team also have funding from Herts County Council to deliver the North Herts Healthy Hub (alongside none other district and borough hubs) with a funded Healthy Hub Coordinator. This post needs a wellbeing colleague to support safe working practices when working with vulnerable individuals, as well as holiday and other absence cover. This post, alongside the Community Wellbeing Team Leader, will ensure continuity of cover for the Healthy Hub. They will also support the Community Wellbeing Team Leader to identify and apply for sources of external funding to tackle health inequalities in North Herts.	42	42	42	42	42
R21	Governance	Recruitment to a fixed-term Policy and Strategy Officer post until March 2028. The team, currently comprising a Team Leader, officer, and apprentice (contract ending early 2026), supports the Policy & Strategy Service Action Plan and various Council and service priorities across multiple directorates. This new role will expand the team's capacity to deliver good governance, transparent decision-making, equality and environmental impact assessments, and administration of Assets of Community Value, while also absorbing increased workload from Local Government Reorganisation. Additionally, the officer will be responsible for leading external grants identification, application, monitoring, and impact reporting in support of Council objectives. The post is career graded, with the investment value representing the maximum cost of the appointment.	46	46	-	-	-
R22	Governance	Increase of hours for the Safeguarding Team Leader from 30 hours to 37 hours per week. The increase in hours is crucial given the growing complexity of safeguarding demands across the Council. The expanded role will provide ongoing support and expertise to officers and councillors, ensuring that safeguarding is fully embedded into Council culture and practice. Key responsibilities will now include delivering bespoke inhouse safeguarding training, hence reducing reliance on external trainers and reducing pressure on corporate training budgets, while ensuring staff are confident and prepared to address safeguarding concerns. The Team Leader must also ensure compliance with new legislation, county-wide protocols, and recommendations from County Boards and Domestic Homicide Reviews (DHRs).	12	12	12	12	12
R23	Place	Planning Control staffing. Permanent budget to increase two part-time posts, including the Team Leader role, to full-time positions to meet both flexible working requests from employees and capacity requirements in this area of the service.	17	17	17	17	17
R24	Place	Creation of a new Conservation Assistant permanent post within Planning Control. North Herts has more than 1,700 Listed Buildings and 400 Conservation Areas. There are presently only two professional Conservation Officers to provide advice on relevant schemes & enforcement activities affecting these historic assets. This post would support professional officers with research required for individual schemes or applications, provide additional capacity to support project work (e.g. undesignated heritage assets, new listings, listed buildings at risk, reviews of conservation area boundaries etc.) and resilience / future-proofing of the service by potentially providing a gateway to the professional posts. The investment value is estimated with the new role subject to job evaluation.	49	49	49	49	49
R25	Place	Planning Technical Support staffing. Improvement of service resilience with the enhancement of the existing Technical Support Officer (TSO) post and the recruitment to a new, dedicated permanent TSO post for planning appeals. Increasing capacity at the start of the process and providing dedicated TSO support for planning appeals should enable quicker processing of applications, facilitating the timely consideration of applications in line with Government targets.	36	36	36	36	36
R26	Place	Planning Services management. Additional budget is requested to finance additional management capacity and alleviate pressure on service managers through the uplifting of one existing post to a supervisory role. The proposed investment budget will be used in conjunction with the previous ongoing investment of £9k approved by Council for 2025/26 to review management and team arrangements across the Planning Service.	13	13	13	13	13
R29	Place	Planning IT software expenditure. Software to assist with the statutory assessment of Biodiversity Net Gain (BNG) and reporting requirements of the Biodiversity Duty. Consideration to be given to compatibility with potential IT setups leading into and following Local Government Reorganisation. Anticipated introduction from January 2026 with first years' costs funded by residual Government grant for BNG activities.	3	10	10	10	10
R30	Place	Digital Traffic Regulation Orders. Budget to support new statutory requirement for existing and new Traffic Regulation Orders to be produced and made available digitally. Hertfordshire County Council are currently leading an exercise to investigate IT-based solutions and funding on behalf of all authorities. Further information on potential costs anticipated October / November and will be added once known.	8	8	8	-	-

Reference	Service Directorate	Description of Proposal	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000
R32	Regulatory	Expenditure on Community Safety projects and initiatives. Increase ongoing Community Safety budget from £10k to £20k. The budget for the current year will be fully spent, while there are so many more initiatives we can deliver to reduce crime and tackle fly-tipping.	10	10	10	10	10
R33	Environment	Radburn Way Habitat Bank. Improve management of the land and provide a habitat bank with improved public access as appropriate. The site to be a potential source of income as a BNG habitat bank. Long term management likely by CMS.	15	-	-	-	-
R34	Environment	Annual software costs for new burial management system.	21	21	21	21	21
R35	Customers	Extend the trial of Co-pilot (AI) to around 50 users (currently 20 licenses). By increasing to 50 users we get the benefit of additional analytics. The licenses will be targeted based on what has been learnt from the initial trial.	8	-	-	-	-
R36	Customers	Business rates expenditure for Council properties. Increase in business rates liability following the 2026 revaluation. At this stage the investment value represents the maximum additional cost to the Council, before the impact of any mitigating eligible relief or business rates appeals (if applicable).	130	130	130	130	130
R37	Regulatory	Expenditure on homelessness and rough sleeping prevention. Funded from government grant as announced in the provisional Local Government Finance Settlement. Amount matches grant funding.	835	870	901	919	937
R38	Enterprise	Additional marketing support for Town Hall and Museum.	34	34	13	13	13
R39	Enterprise	Churchgate project consultancy costs. To progress to being able to set a capital budget.	100	-	-	-	-
R40	Enterprise	Outreach work in relation to museum storage project. Grant bid has been submitted for this initiative, investment value is in lieu of grant income funding this expenditure.	82	43	-	-	-
R41	Enterprise	Riverside walk in Hitchin, additional decoartive features.	10	-	-	-	-
R42	Enterprise	Support for Herts Futures (26/27 only) to provide county-wide Econmic Development activities.	TBC	-	-	-	-
R43	Environment	Feasibility work on remodelling of Grange Recreation Ground in Letchworth.	150	-	-	-	-
R44	Environment	Planting at Broadway Gardens.	18	-	-	-	-
R45	Governance	Additional ongoing funding for Community Groups with MOU arrangements.	TBC	TBC	TBC	TBC	TBC
R46	Governance	Additional one-off support for Community Forums (26/27 only).	30	-	-	-	-
R47	Chief Executive	Other strategic priorities: initial funding for early work and feasibility reviews for other existing and emerging priorities, including Great Ashby allotments.	20	-	-	-	-
R48	Chief Executive	Direct revenue financing of three capital projects: - Provision of learner pool in Royston (total £4.750million) - Digital and other signage for car parks in Hitchin (£0.2million) - Water play feature at North Herts Leisure Centre (£0.2million)	2,420	2,730	-	-	-
R49	Chief Executive	Update to estimated interest income return from treasury investments, based on proposed Capital Programme and Treasury Investment Strategy 2026-2036.	(198)	(58)	22	37	131

Reference	Service Directorate	Description of Proposal	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000
R50	Chief Executive	Revenue cost of internal borrowing required to finance the capital programme. Update to existing budget estimates based on the financing of the proposed capital programme for 2026-2036. Value only reflects estimated Minimum Revenue Provision, as additional impact of lost interest income is included in the interest income projection.	(393)	(294)	(208)	272	442

Total Net Budget Increase from new pressures and investment proposals	**5,165**	**5,146**	**1,325**	**1,758**	**2,040**

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								Funding				
Project	Service Directorate	2026/27 Funding £	2027/28 Funding £	2028/29 Funding £	2029/30 Funding £	2030/31 Funding £	2031/32 - 2035/36 Funding £	Funded from Other Grants	Funded from Government Grant	Funded from s106 contributions	Funded from Revenue / IT Reserve	Balance funded from Capital Receipts/ Set-aside receipts/ Borrowing
An alternative set of 25 machines that are outside of the Windows Environment for Disaster Recovery	Customers	0	0	15,000	0	0	30,000	0	0	0	0	45,000
Baldock Road Recreation Ground Letchworth	Environment	0	30,000	0	0		0	0	0	0	0	30,000
Bancroft Lighting	Environment	0	45,000	0	0		0	0	0	0	0	45,000
Broadway Gardens Resurfacing	Environment	250,000	0	0	0		0	0	0	0	0	250,000
CCTV at DCO & Hitchin Town Hall	Customers	11,800	0	0	0		0	0	0	0	0	11,800
CCTV Control Room Upgrade	Resources	0	0	0	0	45,000	0	0	0	0	0	45,000
Charnwood House	Enterprise	300,000	0	0	0		0	0	0	0	0	300,000
Council property improvements following condition surveys	Enterprise	50,000	50,000	50,000	50,000	50,000	250,000	0	0	0	0	500,000
Digital and other signage for car parks in Hitchin, to promote better use of car parks	Growth	200,000	0	0	0	0	0	0	0	0	200,000	0
DR Hardware Refresh Inc UPS Battery Pk (unit 3)	Customers	0	0	16,000	0	0	32,000	0	0	0	0	48,000
Hitchin Lairage car park - cosmetic coating to four stairwells and replacement windows and doors	Enterprise	69,100	0	0	0		0	0	0	0	0	69,100
Hitchin Swim Centre: Changing Village Refurbishment	Environment	0	225,000	0	0		0	0	0	0	0	225,000
Hitchin Swim Centre: Pool Cover Replacement	Environment	58,000	0	0	0	0	0	0	0	0	0	58,000
Hitchin Swim Centre: Pool Seating Replacement	Environment	73,000	0	0	0	0	0	0	0	0	0	73,000
Hitchin Town Hall Kitchen Enhancement	Enterprise	25,000	0	0	0		0	0	0	0	0	25,000
Howard Park Letchworth Path Resurfacing	Environment	10,000	10,000	0	0		0	0	0	0	0	20,000
Infrastructure Hardware	Customers	18,000	18,000	190,000	0		0	0	0	0	0	226,000
Installation of trial on-street charging (GAF)	Growth	50,000	0	0	0		0	0	50,000	0	0	0
Ivel Springs Footpaths	Environment	25,000	0	0	0	0	0	0	0	0	0	25,000
King George V Muga Hitchin	Environment	0	55,000	0	0		0	0	0	55,000	0	0
Laptops - Refresh Programme	Customers	49,000	35,000	40,000	349,000	47,000	234,000	0	0	0	0	754,000
Members Laptops Refresh Programme	Customers	30,000	0	0	0		0	0	0	0	0	30,000
Microsoft Enterprise Software Assurance	Customers	0	0	747,000	0		1,494,000	0	0	0	0	2,241,000
Museum Storage Facility	Enterprise	2,600,000	0	0	0		0	0	0	0	0	2,600,000
New Burials Management System	Environment	55,000	0	0	0	0	0	0	0	0	0	55,000
NHLC Pool Cover Replacement	Environment	58,000	0	0	0		0	0	0	0	0	58,000
NHLC Water Play Feature	Environment	200,000	0	0	0		0	0	0	0	200,000	0
Northern Transfer Station	Environment	0	0	3,000,000	3,000,000		0	0	0	0	0	6,000,000
Off Street Car Parks resurfacing and enhancement	Enterprise	43,000	77,000	70,000	60,000		0	0	0	0	0	250,000
Oughtonhead Common Signage and Interpretation	Environment	10,000	0	0	0		0	0	0	0	0	10,000
Parking Charging, Payments & Management	Growth	235,000	0	0	0		0	0	0	0	0	235,000
PC's - Refresh Programme	Customers	8,000	5,000	8,000	5,000	8,000	0	0	0	0	0	34,000
Playground Renovation District Wide	Environment	180,000	180,000	180,000	180,000	180,000	900,000	0	0	0	0	1,800,000
Private Sector Grants	Regulatory	260,600	60,000	60,000	60,000	60,000	300,000	0	0	0	0	800,600
Public Sector Decarbonisation Fund Phase 2	Environment	2,001,000	423,000	0	0		0	0	1,172,000	0	0	1,252,000
Ransoms Rec Footpaths, Gates and Railing	Environment	20,000	0	0	0		0	0	0	0	0	20,000
Refuse and Recycling Bins	Environment	150,000	90,000	90,000	90,000	90,000	450,000	0	0	0	0	960,000
Resurface Lairage Car Park	Enterprise	346,300	0	0	0		0	0	0	0	0	346,300
Royston Leisure Centre Learner Pool	Environment	750,000	4,002,000	0	0		0	0	0	0	4,752,000	0
Security - Firewalls	Customers	18,000	0	18,000	0	18,000	36,000	0	0	0	0	90,000

								Funding				
Project	Service Directorate	2026/27 Funding £	2027/28 Funding £	2028/29 Funding £	2029/30 Funding £	2030/31 Funding £	2031/32 - 2035/36 Funding £	Funded from Other Grants	Funded from Government Grant	Funded from s106 contributions	Funded from Revenue / IT Reserve	Balance funded from Capital Receipts/ Set-aside receipts/ Borrowing
Swinburne Recration Ground Hitchin	Environment	30,000	0	0	0		0	0	0	0	0	30,000
Tablets - Android Devices	Customers	10,000	4,000	4,000	4,000	4,000	4,000	0	0	0	0	30,000
Walsworth Common Pavilion - contribution to scheme	Environment	300,000	0	0	0		0	250,000	0	37,000	0	13,000
Warm Homes	Environment	478,100	478,100	0	0		0	0	956,200	0	0	0
Waste and Street Cleansing Vehicles	Environment	0	0	0	0	0	5,500,000	0	0	0	0	5,500,000
WiFi Upgrade	Customers	40,000	0	0	0		0	0	0	0	0	40,000
Wilbury Hills Cemetery Improvements	Environment	120,000	0	0	0		0	0	0	0	0	120,000
		9,131,900	**5,787,100**	**4,488,000**	**3,798,000**	**502,000**	**9,230,000**	**250,000**	**2,178,200**	**92,000**	**5,152,000**	**25,264,800**

Appendix D- Chief Finance Officer's section 25 report

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

Future funding

Previously, future funding has been the biggest uncertainty facing the Council. That seems to have been resolved by now having a three-year settlement, although noting that the allocations in years 2 and 3 are not guaranteed. It is even more positive that the Fair Funding formula provides the Council with more funding that had been estimated might be the case.

The funding estimates treat Extended Producer Responsibility (EPR) monies as part of base funding. This is a reasonable position to take as the money is to fund the collection and disposal of packaging. These costs are already part of the Council's base budget and saw a significant increase between the previous and current contract, even with a competitive tendering process and decisions to help mitigate the increases in costs. However, this funding is not guaranteed, and the aim is that it will reduce packaging volumes. The current assumption is that the funding will reduce by 20% each year. This will need to be kept under review, as collection costs are linked to number of properties rather than volumes.

The Council was already incurring the costs associated with Simpler Recycling., e.g. separate weekly food waste collection. The New Burdens funding for this, now that it is a mandated, has been incorporated into the total pot that is allocated via Fair Funding.

As part of funding reforms, the Business Rates system has been reset. The Council has been used to being above the baseline funding level, which meant that there was minimal risk in relation to Business Rate income, and the opportunity for some gains. The reset will create some risk, depending on the level of Business Rate income that is collected compared to the baseline. As there is a 0% safety net in 2026/27 there is no risk next year. But the risk increases as the system moves back towards a 7.5% safety net. The risk could be around £240k.

Impact of inflation

Each year, budgets are increased to reflect forecasts of contract inflation and pay inflation. Contract inflation is usually linked to specific indicators and published economic forecasts are used to predict what these will be.

Overall inflation is remaining above the Bank of England target of 2%. Forecasts from the Monetary Policy Committee are that it will remain above target until 2027. This may put further pressure on contract budgets as the medium-term inflation assumptions may prove to be insufficient.

As part of the Medium-Term Financial Strategy update, pay inflation forecasts were increased to 3% for 2026/27 and 2027/28. Even with this increase, this may not be sufficient, particularly for 2026/27. Economic data is showing that pay inflation in other parts of the public sector are higher than these levels. The outcome will be subject to the ongoing pay negotiations between the Joint Negotiating Committee employers and the Unions.

There is still some uncertainty on the waste and street cleansing contract for 2025/26 (and therefore future years) as waiting for confirmation of the effect of the pay award to be applied from April 2025.

Capital budgets are set over a 10-year time horizon, and therefore estimates are susceptible to inflation between when they are added to the programme and when the expenditure is ultimately incurred. For more discretionary capital spend, this can have an impact on viability when estimates are updated. The estimates will need to be reviewed as we get closer to the need and opportunity to deliver affected projects.

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

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

The inflation that is applied to fees and charges budgets is done in accordance with the assumptions agreed in the MTFS. In some areas this acts as a clear plan for how the level of fees and charges will be adjusted, although there is still uncertainty over the level of demand for those services. For car parking charges there is an additional level of risk over the total income that will be received. The MTFS assumption acts as a budget forecasting estimate only, and there is a subsequent report to Cabinet to consider the actual changes to parking tariffs. That report will need to consider the wider implications and justification for any tariff changes. Whilst the percentage increase is moderate (2%), the total impact equates to around £50k. Garden waste charging increases come with some risk due to the overall income generated, although the increase agreed for 2026/27 is a relatively small percentage increase. The risk is partly mitigated by a reduction in the amounts paid to Veolia for collection costs. Also other Councils have higher charges, and have not reported a drop-off in demand.

Demand pressures and grant funding

Housing is the main service area where we see demand pressures, which usually result in an increase in the need to use hotel and B&B placements. The excess cost of these placements is currently being covered through specific housing grants, and there has been an increase in specific grants. There is also an increase in the availability of accommodation for those that require greater support. But it remains an area to keep a focus on through quarterly monitoring, including the impact of subsidy loss (where the Housing Benefit that can be reclaimed from the Department of Work and Pensions is less than what has been paid to the provider).

As detailed in the main budget report, the risks in relation to other specific grant funding have also been considered. These risks are declining as there are now fewer specific grants.

Spend estimates

The reduction in pension costs is a significant contributing factor towards the improved financial position of the Council. The actuary has based this on the usual long-term funding time horizon. It also reflects the high levels of past-service contributions the Council has made and improved investment performance over a sustained period. However, it is worth noting that there is some risk that the next triennial valuation could see an increase in contribution rates. However that would not apply until 2029/30.

Capital spend, capital funding and debt

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

The impact of inflation on capital spend forecasts is considered above. The need to fund capital spend from borrowing comes with an increased revenue cost, compared with being able to fund it from capital receipts. It is therefore necessary to consider the assumptions made in relation to generating new capital receipts. These have been updated as part of this update. They are more focused on smaller disposals (rather than larger site disposals) which helps to reduce the risk.

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

Savings requirement

Based on current forecasts there are no unidentified savings required. There was also not a savings target in place when the proposals were put forward. The proposals are based on genuine estimates of what is achievable and have been supported by the Finance team. It is noted that the income from increased Careline marketing is projected to grow by a large amount (£367k by 2030/31). However this is based on a relatively modest growth in customer numbers each year, and reflects the structure that is already in place. Achievement against the targets will be kept under review to see if the forecasts need amending.

Council Reserves and the CIPFA Resilience Index

At the start of 2026/27 we expect our General Fund reserves to be £14.4m and we also have £6.5m of previous Business Rate gains and grants held in reserve that will be transferred in to the General Fund. As detailed in the budget report this is substantially above the recommended Minimum General Fund reserve levels. This gap helps to provide further comfort against the risks and concerns that are highlighted in this section 25 report.

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

The index is published on the CIPFA website (https://www.cipfa.org/services/financial-resilience-index).

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

The Index is based on comparisons, both with others and over time. This can help with highlighting with where the Council may be different to other Councils and not just rely on the fact that it is difficult for everyone.

When compared with our nearest neighbours the two measures which are showing as higher risk are: level of reserves and fees and charges to service expenditure ratio. In both cases they are only slightly below the mid-point risk level when compared with the Council's (statistical) Nearest Neighbours. When compared with all non-metropolitan districts, only the fees and charges indicator is above average in terms of risk.

The reserves indicator shows that the Council has usable reserves that are 170% of net expenditure. Whilst this lower than a high proportion of the comparators, it is not too low in general terms. Indeed, as stated in the main report, there is scope to use some of our usable reserves for investment in the district.

The Council's fees and charges as a proportion of service revenue expenditure are just under 23%. That is against a Nearest Neighbour comparator range of around 15% to 55%. CIPFA take the view that having a higher proportion of costs covered by fees and charges, makes a Council less dependent on other funding sources. There was an exception to this during the Covid pandemic where fees and charges were badly affected, and increased risk. Although some losses were covered through Government compensation. Having lower fees and charges may also give scope to increase them, and a way to generate more income.

Conclusion

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

Appendix E - Budget Summary 2026/27 to 2030/31

All amounts £000	2026/27	2027/28	2028/29
Net expenditure brought forward	21,063	27,321	27,294
Planned delivery of savings previously identified	-734	-212	-357
Planned Investments previously approved	1,638	53	-86
Other previously identified adjustments in future years	-19	17	-19
Savings and Cost Reductions reported in year	-761	0	28
Investments and Pressures reported in year	936	0	0
New savings proposals	-1,839	-90	-54
New investment proposals	5,165	-19	-3,821
Net pay increments	98	100	50
Pay inflation	597	600	400
Pension contribution inflation	0	0	0
Forecast Contractual Inflation	832	488	325
Forecast Income Inflation	-439	-180	-123
2025/26 Budgets Carried Forward	783	-783	0
Further savings tbc	0	0	0
Total Net Expenditure	**27,321**	**27,294**	**23,638**
Council Tax Income	-14,211	-14,709	-15,225
Council Tax Collection Fund (Surplus) / Deficit	-251	0	0
Business Rates	-3,027	-3,088	-3,150
General Funding	-3,701	-3,592	-3,463
Homelessness, Rough Sleeping and Domestic Abuse Grant	-871	-906	-937
Extended Producer Responsibility funding	-1,787	-1,430	-1,144
Council Tax Support to Parishes	39	39	39
Total Funding	**-23,809**	**-23,686**	**-23,880**
Net funding position (use of reserves)	**3,512**	**3,608**	**-242**

General Fund b/f	15,643	15,643	14,273
MHCLG Grants Transfer	-3,512	-2,239	0
General Fund c/f	15,643	14,273	14,516

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Appendix A: Results from budget consultation survey

Who responded?

Age

16-24	1
25-34	54
35-44	83
45-54	81
55-64	115
65-74	122
75+	85
Prefer not to say	18

Sex

Male	248
Female	271
Prefer not to say	36
Prefer to self-describe	4

Town

Hitchin and surrounding villages	252
Letchworth and surrounding villages	167
Baldock and surrounding villages	60
Royston and surrounding villages	80

Ethnicity

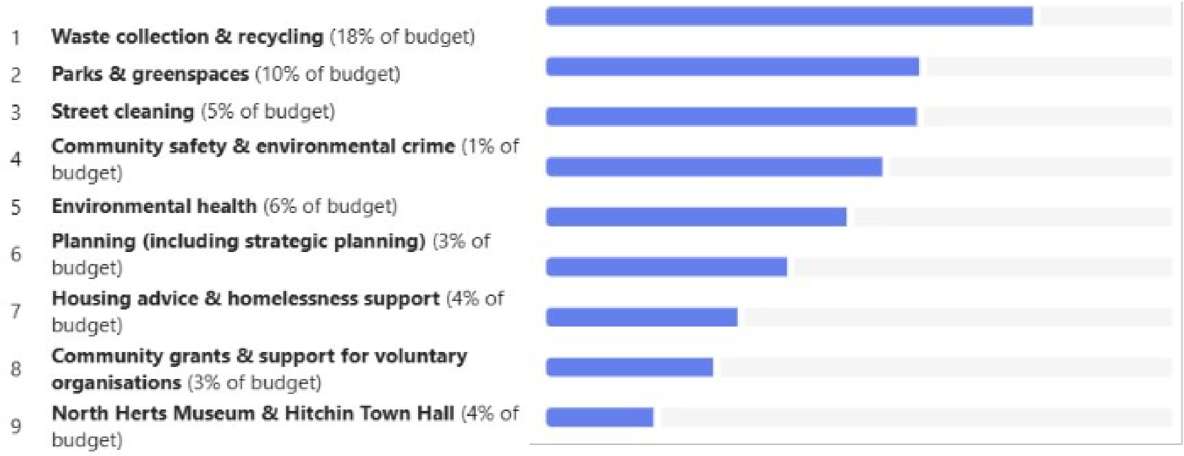
White	480
Mixed or multiple ethnic groups	10
Asian / Asian British	7
Black / African / Caribbean / Black British	3
Other ethnic group	6
Prefer not to say	53

Disability

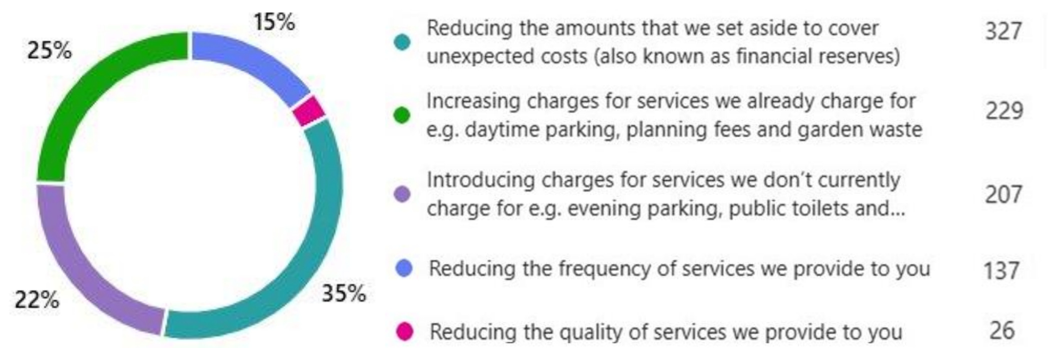
Yes	88
No	433
Prefer not to say	38

Which services you are aware of and which services you and your household have used in the past year?

Rank the services we support you with in terms of their importance to you. 1 = most important and 9 = least important



Which approach would you take to balance our budget?



FINANCE, AUDIT AND RISK COMMITTEE
10 February 2026

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: INVESTMENT STRATEGY 2026/27

REPORT OF: SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: RESOURCES

COUNCIL PRIORITY: SUSTAINABILTY

1. EXECUTIVE SUMMARY

The Investment Strategy provides the following key information:

- Recommendations on the Prudential and other Treasury indicators that will be monitored and reported on during the year (2026/27)
- As the Council has identified a need to borrow for capital purposes, a borrowing and Minimum Revenue Provision (MRP) policy.
- The scope of treasury investments where the Council will invest any surplus cash.

2. RECOMMENDATIONS

That Finance, Audit and Risk Committee make recommendations to Cabinet on this Strategy, and in relation to Cabinet's recommendations which are:

That Cabinet recommends to Council that they:

2.1. Approve the adoption of the Investment Strategy (as attached at Appendix A).

2.2. That Council approve the adoption of the four clauses in relation to the Code of Practice on Treasury Management (as detailed in paragraphs 8.10 to 8.16).

3. REASONS FOR RECOMMENDATIONS

3.1 To ensure the Council's compliance with CIPFA's code of practice on Treasury Management, the Local Government Act 2003, statutory guidance from Government, and the CIPFA Prudential Code. As well as determining and managing the Councils risk appetite in respect of investments.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1 The primary principle governing the Council's investment criteria is the security and liquidity of its investments. After this the return (or yield) is then considered, which provides an income source for the Council. In general, greater returns can be achieved by taking on greater risk.

4.2 The Investment Strategy makes recommendations to reflect the Council Motion passed in December in relation to responsible investment. As the motion was not proscriptive, there could be other ways of reflecting it.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1 There is ongoing dialogue with the Authority's Treasury advisors (MUFG). Their specific advice was sought on ways the Council could reflect the Council motion on responsible investment.

6. FORWARD PLAN

6.1 This report does not contain a recommendation on a key Executive decision, as the decision is made by Full Council.

7. BACKGROUND

7.1 The Investment Strategy for 2025/26 was approved by Council in February 2025. A mid year review of the Treasury Strategy is provided to Council in January 2026. There have been no changes made to the Strategy during the course of 2025/26.

7.2 In December 2025, Council passed a motion in relation to responsible investment. It mainly related to pension fund investments. The relevant parts to this Investment Strategy are that:

- Concern about investments that benefit from shareholdings or funds that have underlying shareholdings, in companies that profit from conflict through the manufacturing of weaponry, and military technology and are alleged to be used in atrocities internationally today.
- Concern about investments in corporate entities which according to an International Court of Justice (ICJ) ruling and subsequent United Nations opinion, are associated with human rights violations and international crimes.
- Residents expect councils to invest public funds in ways that are ethical, responsible and transparent.

- Withdrawal of any links - through investments - to supporting war, weapons manufacturing, military technology, or any other business activities that breach international law.
- At the next scheduled review of North Hertfordshire District Council's own Investment Strategy; the review specifically considers how to align with the above investment principles.'

8. RELEVANT CONSIDERATIONS

8.1 The proposed Investment Strategy is attached at Appendix A. Council is asked to approve this strategy, which covers borrowing and investment forecasts and limits, including prudential indicators. The Strategy includes details of the Council's capital programme and forecast revenue position. These will be subject to approval by Council in a separate report.

8.2 The format of the Investment Strategy is described in the introduction section (pages 2 and 3). The following sections highlight the significant considerations in relation to this version of the Strategy.

8.5 Table 10 (on page 15) provides a forecast of the capital receipts that the Council will generate over the next few years. Capital receipts are received from the sale of surplus assets that the Council owns. The preceding paragraph provides a description of the factors that will affect the timing and amount of expected capital receipts. Any significant changes would require a change to the Investment Strategy and would also affect the revenue budget in the medium-term.

8.6 As detailed in table 11 (on page 15) the Council has a need to borrow to fund the capital programme. As at the end of 2025/26 the borrowing requirement is forecast to be £18.76m. Estimates are that a further £3.17m of borrowing will be required in 2026/27, an additional £1.08m in 2027/28, and a further £17.02m between 2028-2036. As detailed on page 16, the Council can consider whether to borrow internally or externally. However as detailed on page 17, the Prudential Code requires Councils to initially consider internal borrowing as it is considered to be cheaper and lower risk. Therefore, it is assumed that the Council will continue to borrow internally. Internal borrowing means that we use our cash reserves, rather than getting money in by borrowing from third parties. This is different to using our reserves to directly fund capital. The implication of internal borrowing (versus external borrowing) is that the cost is in lost interest income, rather than incurring external interest charges. This should be lower cost and lower risk.

8.7 Where the Council has a need to borrow then it incurs a revenue charge known as a Minimum Revenue Provision (MRP). On page 23 it is detailed that the Council will charge MRP on an equal instalment basis. This reflects that the majority of capital spend is related to service provision and therefore the assets are expected to provide consistent benefits over their life. MRP is calculated by dividing capital spend (on those schemes that the Council needs to fund from a borrowing requirement) and dividing that by the expected useful life of the asset. There is not a MRP charge until the year after the spend is incurred.

8.8 Table 17 on page 27 details where the Council can invest its surplus cash. This sets limits to ensure appropriate diversification. There have been changes to this (from last year) to reflect the Council motion on responsible investment as detailed in paragraph 7.2. There have also been changes for other reasons, as detailed in the table below. The table does not include changes where the same percentage (as last year) has been applied to the overall average investment balance to determine the appropriate limits.

Investment Type	**Change**	**Reason for change**
Banks	Remove reference to part-nationalised banks	The UK Government has now sold off its bank investments
Banks	To only invest in Environmental, Social and Governance (ESG) investments	To reflect the Council motion, as there is uncertainty in how banks will use their general investment balances.
Local Authorities	To increase the individual counter-party limit to £5m	An increasing number of Local Authorities are only interested in investments at £5m. With the limit on bank investments, the Council should make sure that it can maximise the availability of other investments.
Unrated Building Societies	Combined the categories of assets over £300m and over £1bn.	With all limits subject to a £1m minimum, they both ended up having the same limits.
Money Market Funds	To only invest in funds with an ESG policy	To reflect the Council motion and seeking to invest in funds that have a responsible approach to investment.
Property Fund	Removed from the strategy	These are a long term investment and looking to limit long-term investments due to LGR timelines.
Ultra-Short Dated Bond Fund	Removed from the strategy	Not been used so no value in having in the strategy
Multi-asset funds	Removed from the strategy	Not been used so no value in having in the strategy. Also could include investments that went against the Council motion.
Investments of more than 2 years	Removed from the strategy, previously allowed if specifically approved by the Chief Finance Officer.	These are a long term investment and looking to limit long-term investments due to LGR timelines

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

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

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

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

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

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

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

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

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

9. LEGAL IMPLICATIONS

9.1 Paragraph 4.4.1 (cc) of the Constitution provides that Full Council will approve the treasury management strategy statement (Constitution 4.4.1 (cc)).

9.2 Cabinet will recommend to Full Council the treasury management strategy statement (Constitution 5.7.40).

9.3 The Finance, Audit and Risk Committee will consider the Council's policy in relation to Treasury Management and make recommendations on the Annual Treasury Management and Investment Strategy, and Treasury Management Code of Practice (Constitution 10.1.5 (c)).

9.4 Section 151 of the Local Government Act 1972 states that: "every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs." That officer is the Director- Resources.

9.5 The proposed Prudential Indicators contained within the Investment Strategy comply with the Local Government Act 2003. The Investment Strategy has been developed to comply with the statutory guidance from the Ministry of Housing, Communities and Local Government and the CIPFA Prudential Code.

10. FINANCIAL IMPLICATIONS

10.1 The financial implications of capital spend and treasury investment returns are included in the budget report (also on the agenda of this meeting).

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 Investment risks in relation to treasury management are covered in this report and the Investment Strategy. The TMPs (see 8.13) and Financial Regulations provide controls to manage other risks

12. EQUALITIES IMPLICATIONS

12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

12.2 The changes made to the investment strategy in relation to the Council motion on responsible investment may also have a positive impact in promoting equalities.

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. The changes made to the investment strategy in relation to the Council motion on responsible investment may also promote investments which have a positive environmental impact.

15. HUMAN RESOURCE IMPLICATIONS

15.1 There are no direct human resources implications arising from this report.

16. APPENDICES

16.1 Appendix A- Investment Strategy

17. CONTACT OFFICERS

17.1 Ian Couper, Service Director- Resources, Ext: 4243, E-mail: ian.couper@north-herts.gov.uk

17.2 Dean Fury, Corporate Support Accountant, Ext 4509, dean.fury@north-herts.gov.uk

18. BACKGROUND PAPERS

18.1 None

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Appendix F

Investment Strategy
(Integrated Capital and Treasury Strategy)

<u>Part 1- Overview</u>

<u>Introduction</u>

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

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

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

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

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

The format of this strategy is as follows:

Part 2- Capital Spend

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

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

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

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

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

Part 5- Investment Strategy

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

Part 6- Overall Risk considerations

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

Part 7- Glossary of terms

- To explain the various terms used in this strategy.

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

Reporting requirements

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

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

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

Basis of Estimates

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

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

Treasury Management Policy and Treasury Management Practices

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

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

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

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

Treasury Consultant

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

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

Skills and culture

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

Table 1

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

Part 2- Capital Spend

Current Capital Assets
As at 31st March 2025, a summary of the capital assets owned by the Council is shown in table 2 below.

Table 2

Asset Type	Asset	Reason for ownership	Value (£000)
Investment Properties	Various	Retained to generate income	31,313
Surplus Land and buildings	Various	Held for future sale or development	7,904
Offices and Storage	Offices	Staff offices, customer service centre and democratic facilities	3,711
Offices and Storage	Unit 3 / Depots	Off-site storage, back-up IT and emergency planning	573
Leisure Facilities	Hitchin Swim Centre / Archers	Service use	8,727
Leisure Facilities	Letchworth Outdoor Pool	Service use	3,205
Leisure Facilities	North Herts Leisure Centre	Service use	13,388
Leisure Facilities	Royston Leisure Centre	Service use	8,350
Leisure Facilities	Pavilions / Bandstands	Service use	2,015
Leisure Facilities	Recreation Grounds / Play Areas / Outdoor Gym Equipment / Gardens/Allotments	Service use	5,876
Leisure Facilities	Decarbonisation Project	Service Use	6,458
Community Centres and Halls	Various	Community facilities, generally operated by third parties	12,260
Markets	Hitchin Market	To provide a market	149
Museums and Arts	Hitchin Town Hall and District Museum	District-wide museum and community facility	6,844
Museums and Arts	Letchworth and Hitchin museums, Burymead store	Museum storage	1,681
Cemeteries	Various	Service use	1,545
Community Safety	Various CCTV cameras	Service use	183
IT	Various computer equipment and software	To enable the delivery of other services	177
Parking	Various car parks	Service use	11,198
Waste Collection	Bins	Service use	361
Public Conveniences	Various	Subject to leases/ management arrangements	544
Other	Various	Various	787
Total			**127,249**

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

Table 3

Asset Type	Asset	Reason for purchase/ expenditure	Value (£000)
CCTV	Various	CCTV Replacement	41
Cemeteries	Wilbury Hills	Path Enhancement	30
Council Buildings	Various	Decarbonisation Project	852
Grants	Various	Private Sector Housing Grants	26
Grants	Various	S106 Grants (REFCUS)	333
Grants	Various	Various	56
Grants	Various	Warmer Homes Scheme	319
Hitchin Town Hall	Hitchin Town Hall	Air conditioning	100
IT	Various computer equipment and software	To maintain IT service and provision of equipment	1,624
Leisure Facilities	Hitchin Swim Centre / Fitness	Enhancements	300
Leisure Facilities	North Herts Leisure Centre	Enhancements	390
Leisure Facilities	Recreation Grounds / Play Areas / Gardens / Allotments	Refurbishment of play areas.	1,293
Leisure Facilities	Royston Leisure Centre	Enhancements	1,014
Leisure Facilities	Various	Decarbonisation Project	9,829
Leisure Facilities	Various	Remote testing equipment - Emergency Lights and Water Temperature Monitoring	13
Museums	Museums	Museum and Commercial Storage	1,528
Parking	Off Street	Match Funding for Electric Vehicle Charging	100
Parking	Off Street	Upgrade pay and display machines and resurfacing	225
REFCUS	Cycle Strategy / Transport Plans / Green Infrastructure	Cycle Strategy / Transport Plans / Green Infrastructure	713
Various	Various	Capital maintenance of Council buildings/land	446
Waste	Bins	Service Use	1,260
Waste	Bury Mead Road Transfer Facility	Service Use	130
Waste	Vehicle Purchases	Service Use	5,270
Total			**25,892**

Capitalisation Policy:

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

Expenditure, above the de-minimis level, on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) or is below the de-minimis level, is charged as an expense when it is incurred.

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

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

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

Definitions:

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

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

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

Table 4

Asset (or type of asset)	Security	Liquidity	Yield
Ground leases- mainly of commercial premises in Royston, Letchworth and Hitchin (£25.7m by value)	Generally subject to long leases where the land has been built on. The building would become owned by the Council if there was a default on the lease agreement. Therefore, high security.	It is possible that the Council could try and sell to the leaseholder. Otherwise low liquidity in common with commercial premises.	The assets have been owned for a number of years. Valuations are based on the yield generated.
Letchworth Town Hall (value £0.8m)	25 year lease (from 2012) where the tenant has provided significant investment.	Very low liquidity as would require someone to be interested in this type of building. Listed so would limit redevelopment.	Valuations are based on the yield generated.
Beverley Close Store, Royston (value £0.2m)	15 year lease from 2017	Low liquidity in common with commercial premises.	Valuations are based on the yield generated. Previously used as a Council store and a decision was made to retain for rental income.
Residential housing (Harkness Court) (value £0.6m)	The property is on a long lease to Broadwater Hundred. The property would ultimately revert to the Council if the company did not pay the rent due. The demand for housing is high (shown by how quickly the properties were let) and so the security is considered to be high.	High demand should mean the property has high liquidity if the Council and company agreed to sell the property. The liquidity is lowered as currently leased to the company.	Generating a yield from the lease to Broadwater Hundred.
Other assets valued at less than £0.1m (£0.5m in total)	Not fully assessed	Not fully assessed	Not fully assessed

Definitions:

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

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

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

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

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

Table 5

Asset (or type of asset)	Fair value assessment	Assessment of the risk of loss
Ground leases- mainly of commercial premises in Royston, Letchworth and Hitchin (£25.7m by value)	Valued on a fair value basis. The valuation is based on rental yields.	Subject to competition from other sites within the same industrial areas and other locations. Difficult (uneconomic) for current lessees to exit due to lease terms and investment in the site. Any maintenance is the responsibility of the leaseholder.
Letchworth Town Hall (value £0.8m)	Valued on a fair value basis. The valuation is based on rental yields.	The building has some unique features in relation to its prominence and location. However, overall, there currently is an over-supply of office accommodation in Letchworth. Difficult (uneconomic) for current lessees to exit due to lease terms and investment in the building. Any maintenance during the lease term is the responsibility of the leaseholder.
Beverley Close Store, Royston (value £0.2m)	Valued on a fair value basis. The valuation is based on rental yields.	Subject to competition from other sites within the same industrial areas and other locations. Currently let to a company with significant property interest nearby. Might be difficult to re-let.
Residential housing (Harkness Court) (value £0.6m)	Valued on market value	Due to national (and local) housing shortage, there is high demand. The risk of loss is low, and will generally only be due to short-term voids.
Other assets valued at less than £0.1m (£0.5m in total)	Not fully assessed	Not fully assessed

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

Use of Capital Receipts Direction:

The Capital Receipts direction was last used to fund the decommissioning of pavilions and play areas in 2018/19. There are no plans to make further use of the Direction in the period 2026/27– 2030/31. This is because the Council has high revenue reserves and low available capital receipts.

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

Table 6

Asset	Description of future capital expenditure	Forecast Capital Expenditure (£000)					
		2026/27	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32 to 2035/36**
Existing Capital Programme-schemes 2026/27 onwards							
Various	Capital maintenance based on condition surveys	50	50	50	50	50	250
CCTV	CCTV	12	0	0	0	0	0
Computer Software & Equipment	To maintain IT services	173	62	1,023	358	77	1,800
Hitchin Swim Centre*	Refurbishment of the Changing Village	0	225	0	0	0	0
North Herts Museum & Community Facility	Town Hall Kitchen Enhancement	25	0	0	0	0	0
Various	Private sector housing grants (REFCUS)	261	60	60	60	60	300
Various Off-Street Car Parks	Resurfacing / Enhancements	458	77	70	60	0	0
Various Parks and Playgrounds	Enhancements	250	320	180	180	180	900
Waste and Recycling	Bin replacements	150	90	90	90	90	450
New Capital Programme							
Cemeteries	Wilbury Hills cemetery improvements	120	0	0	0	0	0
Royston Leisure Centre	Learner Pool	750	4,002	0	0	0	0
Parking	Digital and other signage for car parks in Hitchin, to promote better use of car parks	200	0	0	0	0	0
North Herts Leisure Centre	Water play feature	200	0	0	0	0	0
Various Parks and Playgrounds	Ivel Springs footpaths	25	0	0	0	0	0
Total		**2,674**	**4,886**	**1,473**	**798**	**457**	**3,700**

The totals for 2031/32 to 2035/36 are estimates only and could be subject change. These should be treated as early indications only, and formal approval of these amounts is not required.

The revenue maintenance of these assets has also been considered. The Council has chosen to allocate a central budget of £323k in 26/27 and £273k in subsequent years for this purpose.

<u>New Capital Assets</u>

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

Table 7

Asset	Reason for capital expenditure	Forecast Capital Expenditure (£000)					
		2026/27	2027/28	2028/29	2029/30	2030/31	2031/32 to 2035/36
Existing Capital Programme-schemes 2026/27 onwards							
CCTV Control Room	Upgrade Control Room	0	0	0	0	45	0
Charnwood House	Refurbish and update the building for community use.	300	0	0	0	0	0
Computer Software & Equipment	An alternative set of 25 machines that are outside of the Windows Environment for Disaster Recovery	0	0	15	0	0	30
NH Museum and Community Facility	Museum Storage Solution / Replace Chiller	2,600	0	0	0	0	0
Public Sector Decarbonisation Project phase 2	Public Sector Decarbonisation Project	2,001	423	0	0	0	0
Various off-street parking	Charging, Payments & Management System	235	0	0	0	0	0
Various on-street parking	Installation of trial on-street charging	50	0	0	0	0	0
Various Parks and Playgrounds	Broadway Gardens Resurfacing	250	0	0	0	0	0
Walsworth Common Pavilion	New pavilion	300	0	0	0	0	0
Warm Homes		478	478	0	0	0	0
Waste and Recycling	Vehicles and Northern Transfer Station	0	0	3,000	3,000	0	5,500
New Capital Programme							
Cemeteries	New Burials Management System	55	0	0	0	0	0
Hitchin Swim Centre	Pool Hall Seating Replacement / Pool Cover	131	0	0	0	0	0
NH Lesiure Centre	Pool Cover	58	0	0	0	0	0
Total		**6,458**	**901**	**3,015**	**3,000**	**45**	**5,530**

Below is an estimate of the total capital expenditure to be incurred in the years 2026/27 to 2030/31. This is based on tables 6 and 7. This is a Prudential Indicator and the Council is required to set a target for it and monitor against it during the year.

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

Year	£m
2026/27	9.132
2027/28	5.787
2028/29	4.488
2029/30	3.798
2030/31	0.502

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

Table 8

Asset (or type of asset)	Security	Liquidity	Yield
Other investments	The primary reason for any other investment would be to enable regeneration and/ or to support the delivery of Council priorities. But given overall Council finances, the security of investments will be given a high weighting in determining whether to take any forward. However there will always be some risk relating to both general market conditions and specific factors relevant to individual properties.	Property is a medium to long-term asset due to the costs of buying and selling, and that property markets can be cyclical in nature.	To reflect the risk of property investment a net surplus of 1% (above revenue costs of capital, administration and acquisition costs) should be targeted as a minimum. Any target surplus will be commensurate with the level of risk.

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

Table 9

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

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

Capital Funding

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

Table 10

	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Balance B/Fwd	1,273	0	0	0	0	0
Used in Year	1,273	3,000	0	1,000	0	0
Forecast Receipts (£000)	0	3,000	0	1,000	Tbc (0)	Tbc (0)
Balance C/Fwd	0	0	0	0	0	0

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

As a result of planned expenditure in 2026/27 and future years, the Council forecasts the following use of funding for capital (table 11).

Table 11

Funding Source	**Brought forward (at 31/3/25)**	**Forecast expenditure and funding sources (£000)**						
		2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**	**2031/32 to 2035/36**
Capital Expenditure		26,416	9,132	5,787	4,488	3,798	502	9,230
Less: Set-aside receipts used	587	587	0	0	0	0	0	0
Less: Capital receipts used	685	685	3,000	0	1,000	0	0	0
Less: Grant funding used		2,745	1,524	654	0	0	0	0
Less: IT Reserve used		0	0	0	0	0	0	0
Less: S106 receipts used		361	37	55	0	0	0	0
Less: Funding from revenue		3,230	1,150	4,002	0	0	0	0
Less: Other Capital Contributions		48	250	0	0	0	0	0
Borrowing requirement		**18,760**	**3,171**	**1,076**	**3,488**	**3,798**	**502**	**9,230**

Cumulative borrowing requirement		18,760	21,931	23,007	26,495	30,293	30,795	40,025

Definitions:

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

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

Revenue funding- Capital can be funded from revenue (but capital funding can not be used for revenue). The availability of reserves has provided scope for some revenue funding of capital.

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

Prudential Indicator 2: Capital Financing Requirement

Year	£m
As at 31st March 2025 (actual)	-0.6
As at 31st March 2026 (forecast)	18.8
As at 31st March 2027 (forecast)	21.9
As at 31st March 2028 (forecast)	23.0
As at 31st March 2029 (forecast)	26.5
As at 31st March 2030 (forecast)	30.3

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

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

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

Borrowing strategy

Definitions:

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

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

Based on Prudential Indicator 2 above the Council has a Capital Financing Requirement from 2025/26 onwards and therefore does have a need to borrow.

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

Table 12

Revenue balance	Brought forward (at 31/3/25)	Forecast balance at year end					
		2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
General Fund[1]	16,081	15,643	15,643	14,273	14,516	14,051	13,007
Add back MRP	0	0	1,448	1,540	1,427	1,690	1,860
Revenue Reserves[2]	13,700	10,188	8,449	8,949	9,449	9,949	10,449
S106 balances	5,139	4,779	4,742	4,687	4,687	4,687	4,687
Provisions	915	915	915	915	915	915	915
Outstanding Debt	325	305	290	275	265	257	250
Total	**36,160**	**31,830**	**31,487**	**30,639**	**31,259**	**31,549**	**31,168**

1 Based on General Fund forecasts from Appendix E.
2 Revenue Reserve balance as at 31/3/25. Incorporates use of Business Rate reserve and waste vehicle reserve. For simplicity this ignores some of the fluctuations in reserve balances, as these do not have a material impact.

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

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

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

Table 13

	Brought forward (at 31/3/25)	Forecast amount of borrowing in year (£000)							Carried forward (at 31/3/36)
		2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32 to 2035/36	
Total borrowing requirement	325	18,760	3,171	1,076	3,488	3,798	502	9,230	
Made up of:									
Internal borrowing	0	18,760	3,171	1,076	3,488	3,798	502	9,230	40,025
External borrowing	325	(20)	(15)	(15)	(10)	(8)	(7)		250

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

Definitions:

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

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

Prudential Indicator 3: External Debt

Year	Forecast Borrowing £m	Forecast other long-term liabilities[1] £m	Less: Internal Borrowing £m	Forecast Total External Debt £m	Operational Boundary £m	Authorised Limit £m
As at 31st March 2025 (actual)	0.325	0.210	0	0.535	2.0	7.0
As at 31st March 2026 (forecast)	19.065	5.782	(18.760)	6.087	26.0	31.0
As at 31st March 2027 (forecast)	22.221	4.962	(21.931)	5.252	29.0	34.0
As at 31st March 2028 (forecast)	23.282	4.142	(23.007)	4.417	29.0	34.0
As at 31st March 2029 (forecast)	26.760	3.321	(26.495)	3.586	32.0	37.0
As at 31st March 2030 (forecast)	30.550	2.500	(30.293)	2.757	35.0	40.0
As at 31st March 2031 (forecast)	31.045	1.637	(30.795)	1.887	34.0	39.0

1 Comprises the finance lease relating to Letchworth Multi-storey car park and Leased Vehicles.

The external borrowing forecast can be used to give an indication of the borrowing that may be required, which is combined with outstanding existing borrowing (table 14). The Council will also borrow for short-term cash-flow needs if required. The actual borrowing that is taken out will depend on the latest forecasts and the offers that are available at the time that it is required. There will also be a consideration of when any other borrowing becomes due, with the aim of achieving a spread of these dates. This is to try and avoid refinancing risk. The Council is required to set indicators for the maturity structure of its borrowing. Given the low level of borrowing that the Council currently has and is forecast to have, it is considered appropriate to maintain full flexibility as to the exact duration of any borrowing undertaken. This is reflected in the indicators set out as Treasury Indicator 4 below.

Table 14

Loan Type	Start date	Duration (years)	Maturity date	Amount Borrowed (£)	Balance Outstanding 31/03/26 (£)	Interest Rate (actual or forecast) (%)	Current Annual interest cost (£)
	16/09/49	80	Jul 2029	380	17	3.0	1
	12/11/48	80	Jul 2028	13,885	1,097	3.0	42
	02/08/66	60	Jul 2026	50,000	1,499	6.0	220
	18/03/68	60	Jan 2028	40,000	5,464	7.375	539
	03/01/69	60	Jul 2028	53,027	9,654	8.125	990
	06/03/70	60	Jan 2030	20,100	5,863	8.75	591
	24/11/70	60	Jul 2030	18,714	6,413	9.5	688
	26/01/71	60	Jan 2031	25,000	9,497	9.75	1,030
	05/03/71	60	Jan 2031	12,500	4,564	9.25	470
	05/03/71	60	Jan 2031	25,000	9,132	9.25	941
	28/02/47	80	Jan 2027	5,832	166	2.5	7
	18/10/46	80	Jul 2026	1,527	22	2.5	1
	20/02/48	80	Jan 2028	14,952	952	3.0	39
	22/09/50	80	Jul 2030	654	90	3.0	3
	27/08/82	60	Jul 2042	250,000	250,000	11.5	28,750
	16/09/49	80	Sep 2029	640	70	3.0	3
	20/03/53	80	Mar 2033	1,020	266	4.125	12
	23/10/53	80	Sep 2033	750	199	4.0	9
	20/11/53	80	Sep 2033	420	112	4.0	5
	25/04/52	80	Mar 2032	480	110	4.25	5
	30/01/48	80	Sep 2027	1,560	75	3.0	3
Total					**305,262**		

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

To manage refinancing risk, the Council sets limits on the maturity structure of its borrowing. However, these indicators are set at a high level to provide sufficient flexibility to respond to opportunities to repay or take out new debt (if it was required), while remaining within the parameters set by the indicators. Due to the low level of existing borrowing, all the limits have a broad range. This is particularly necessary for the 'under 12 months' limit, to allow for cash-flow borrowing (if it was required).

Treasury Indicator 4: Maturity Structure of Fixed Interest Rate Borrowing

Maturity period	Lower %	Upper %
Under 12 months	0	100
12 months to 2 years	0	100
2 years to 5 years	0	100
5 years to 10 years	0	100
10 years to 20 years	0	100

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

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

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

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

Treasury Indicator 5: Fixed and Variable Borrowing Rate Exposure

Year	Operational Boundary relating to borrowing excluding long term liabilities £m	Limit on Fixed Rate borrowing £m	Limit on Variable Rate borrowing £m
2025/26	20.2	20.2	6.1
2026/27	24.0	24.0	7.2
2027/28	24.9	24.9	7.5
2028/29	28.7	28.7	8.6
2029/30	32.5	32.5	9.8
2030/31	32.4	32.4	9.7

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

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

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

Year	Capital value of investment assets £m	Expected annual income from investment assets £m	Total borrowing linked to investment assets £m	Expected annual borrowing costs for loans linked to investment assets £m
2026/27	31.700	1.544	0	0
2027/28	31.700	1.544	0	0
2028/29	31.700	1.547	0	0
2029/30	31.700	1.549	0	0
2030/31	31.700	1.549	0	0

Borrowing in advance of need

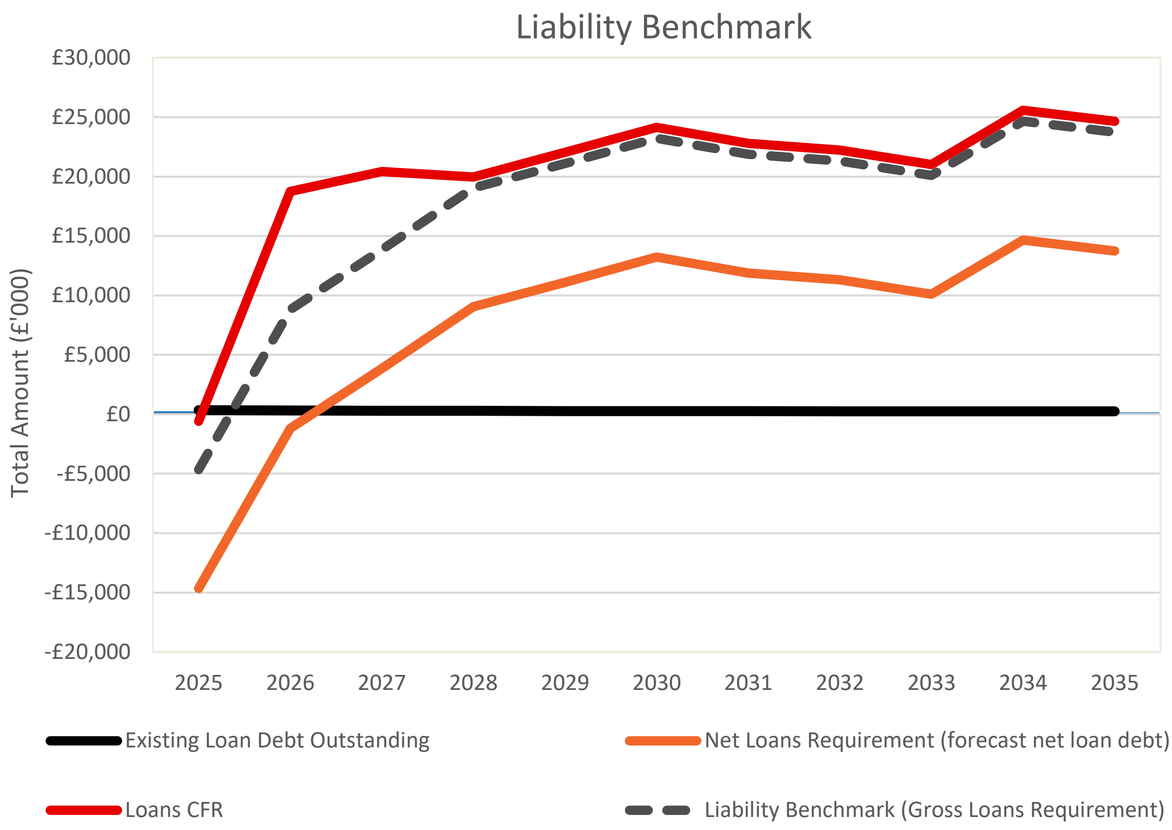
The Council would not borrow money in advance of need or at a low rate to try and reinvest that money to earn a higher interest rate, and profit from the margin between the two rates.

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

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

There are four components to the LB: -

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



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

The purpose of this indicator is to compare the authority's existing loans outstanding (the black line) against its future need for loan debt, or liability benchmark (the doted line). If the black line is below the orange line (as above), the existing portfolio outstanding is less than the loan debt required, and the authority will need to borrow to meet the shortfall. If the black line is above the orange line, the authority will (based on current plans) have more debt than it needs, and the excess will have to be invested. The chart therefore tells an authority how much it needs to borrow and when. It therefore shows that the Council does need to take out further borrowing.

<u>Minimum Revenue Provision</u>

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

Minimum Revenue Provision:

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

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

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

Or

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

The Council has a need to borrow in 2025/26 if the Capital programme is fully spent (as at Q2 forecast there will be a borrowing need) and will therefore need to apply a Minimum Revenue Provision (MRP). The current capital programme is mainly spent on service provision. Therefore, it is considered appropriate to adopt an equal instalment MRP policy.

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

Treasury Indicator 7: Cost of borrowing (interest and MRP) as a % of the net revenue budget 2025/26 to 2030/31

Year	Estimated cost of borrowing (£m)	Forecast net revenue budget (£m)	Estimated cost of borrowing as a % of net revenue budget (%)
2025/26	0.034	23.650	0.1
2026/27	1.481	27.321	5.4
2027/28	1.572	26.287	6.0
2028/29	1.458	21.978	6.6
2029/30	1.720	22.260	7.7
2030/31	1.889	22.470	8.4

Part 5- Investment Strategy

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

Table 15

Balances	Brought forward (at 31/3/25)	Forecast balance at year end (£000)					
		2025/26	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**
Revenue balances (including MRP added back)	36,160	31,830	31,486	30,639	31,258	31,549	31,168
Capital Receipts	685	0	0	0	0	0	0
Capital Grants Unapplied	881	168	168	168	168	168	168
Add: Long-term liabilities[1]	316	5,782	4,962	4,142	3,321	2,500	1,637
Less: Capital Financing Requirement	-588	18,760	21,931	23,007	26,495	30,293	30,795
Less: Borrowing repayments	21	20	15	15	10	8	7
Total forecast of available for investment	**38,609**	**19,000**	**14,670**	**11,927**	**8,242**	**3,916**	**2,171**

1 The net position of money owed by the Council or to the Council can lead to increased or decreased cash available for investment.

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

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

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

Table 16

Loan	Amount	Reason for Loan	Proportionality of value	Expected Credit Loss model and credit control
Building Control	Currently £107k, provision for it to increase up to £172k	To support the formation of the company. The Council is also a shareholder in the company, owning 1/8th of the shares.	Insignificant in the context of overall cash balances.	Regular monitoring of financial forecasts and business plans. The continuation of the company to provide Building Control services is more significant than the value of the loan.
Wholly owned Property Company	Up to £50k, current loan £20k	The loan is used for cashflow purposes to enable the company to become established.	As above.	As the loan is just for cashflow purposes it is unsecured. The Council receives regular reports on lettings performance which is the key indicator of company performance.
Stevenage Leisure Ltd	£308K	Was to purchase Technogym Equipment, which enables the provision of fitness activities at the Leisure Centres.	As above.	The Covid-19 pandemic affected the financial performance of SLL, and a repayment holiday was agreed. Whilst SLL returned to paying a full management fee during 2023/24, they have not been able to make loan repayments. As at the end of the contract in March 2024 the loan remained unpaid and SLL went in to liquidation in July 2024. The liquidation is still in progress. As at 31st March 2025 there was a full bad debt provision in place. There are other transactions and accrued amounts (both positive and negative) that need to be resolved through the liquidation process, which is still ongoing.

When the Council invests its surplus cash, it seeks to find reliable counterparties to ensure that the amount invested (and the interest earned) is returned. The Council has decided that it is prepared to take on a higher level of risk than recommended by its treasury advisers in relation to unrated Building Societies and the duration of its investments. This risk is mitigated by reviewing published information in relation to unrated Building Societies (i.e. “Pillar 3” reports).

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

- UK Local Authorities- as they are able to raise additional funds from taxation
- UK Government- Debt Management Office provides highly liquid investments at the lowest risk as backed by the UK Government
- ESG (Environmental, Social and Governance) investments from UK Banks with a Fitch Credit rating of BBB (long-term)/ F3 (short-term) or greater- as they have been subject to UK ‘stress tests’ and also have a high credit rating
- Rated Building Societies with a Fitch Credit rating of BBB (long-term)/ F3 (short-term) or greater- as they have been subject to UK ‘stress tests’ and also have a high credit rating

- The Council’s own banker (Lloyds) that it uses for transactional purposes. Although if its credit rating falls below BBB then any balances will be kept to a minimum (i.e. for cashflow purposes only). Includes a linked call account, as that maximises liquidity whilst also paying a higher level of interest.
- ESG (Environmental, Social and Governance) investments from non-UK banks with a UK subsidiary that have a Fitch Credit rating of BBB (long-term)/ F3 (short-term) or greater and are subject to the same stress tests as UK banks.
- ESG (Environmental, Social and Governance) investments from non-UK banks where the Country has a AA- rating and the institution has an A+ and above rating.
- Unrated UK Building Societies- as organisations have to pay to obtain a rating; most Building Societies do not get one. They do produce annual reports known as Pillar 3 reports, and these will be used to assess their credit worthiness. Furthermore, the Council will only invest in Building Societies that have assets of at least £300m, which limits the potential exposure.
- Money Market funds that are AAA rated and have an ESG policy.

All investments will be denominated in Sterling. There may not be ESG investments currently available in all the categories detailed above but included in the strategy in case they become available.

The Council will seek to appropriately diversify its investments across a range of types and counterparties. This means that if there were any security or liquidity issues with a particular type of investment or counterparty, the Council would still have access to the majority of its funds. The limits are initially based on a percentage of total funds but are converted to actual values to make the administration of investments more efficient. The values are calculated by applying the percentages to the expected average balance during the year (2026/27)* and then rounded up to the nearest £1m. If these limits are set too low then it limits the investment opportunities available and also increases the administration as there is then a need to find more places to invest available funds.

The limit to be placed with each Local Authority counter-party has been increased to £5m (25%). This reflects that (1) an increasing number of Local Authorities borrowers are only interested in deals at £5m or above, and (2) the limiting of bank investments to ESG only means that the Council will need to maximise other investment options. Other Local Authorities are the best option to achieve increased options whilst also managing risk.

Previously there have been separate categories for investments with Building Societies based on their asset level (above £300m and above £1bn). These have now been combined due to the policy of having a £1m minimum investment value.

All other percentage limits have been kept the same as last year. The limits are shown in table 17 below.

* This is the balance taken from table 15 above, of the average closing balance for 25/26 and 26/27, which is £16.6m.

Table 17

Investment Type	Max. amount in type of investment (£m)	Maximum amount in group (£m)	Maximum amount with any individual counterparty (£m)	Rationale and details
Debt Management Office (UK Government)	No limit			Short-term investment with UK Government that is therefore the lowest possible risk
UK Local Authorities	No limit	n/a	5	£5m limit with any one counterparty, no limit on total with Local Authorities due to tax raising powers
UK Banks and UK subsidiaries of foreign banks that are subject to the same stress tests as UK banks (excluding Lloyds current account)- includes Deposits and Certificates of Deposit (ESG investments only)	9	3	2	Rating F3 or above (short-term) or BBB or above (long-term) and part nationalised banks. 10% with any one counterparty, 15% with institutions in the same banking group, 50% with banks in total
Non-UK banks- includes deposits and Certificates of deposit (ESG investments only)		3	2	AA- or above Country rating and A+ or above institution rating. Maximum of 10% with any one counterparty. Maximum of 15% in non-UK banks.
Combined Lloyds Current Account and Call Account	n/a	n/a	5	Used for cashflow purposes
UK Building Societies (unrated)- with assets over £300m only	9	n/a	1	Review of Pillar 3 reports and KPMG report on comparative profits. Up to £1m with any one counterparty. Maximum of 50% with UK Building Societies.
Rated UK Building Societies			2	Rating F3 or above (short-term) or BBB or above (long-term). 10% with any one counterparty.
Money Market Funds with an ESG policy	2	n/a	1	AAA rated. Maximum of 10% in MMFs and 5% with any one fund.

The Council will primarily limit its liquidity risk by only investing money until it thinks it will next need it. On top of this it will also have a general limit on investments that are greater than 1 year (365 days). This limit is based on 25% of total investments but is again reflected as an absolute value of **£5m**, which is based on 25% of the expected average level of balances during the year (rounded up to nearest £1m). Due to Local Government Reorganisation timelines, there will be no investments with a set term of greater than 2 years

Money market funds do not have a set term and funds can be requested to be withdrawn at any time. Investment balances will be kept under review to ensure that they do not exceed the maximum amount set by this or subsequent treasury strategies. However, there is no time limit on the period that funds can be held invested for.

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

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

Table 18

Year	Forecast of Bank of England Base Rate as at end of the year (%)	Forecast of average interest earned on investments (%)
2026/27	3.25	3.375
2027/28	3.25	3.25
2028/29	3.25	3.25

The 2028/29 rate is then used for investments in subsequent years.

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

Table 19

	2026/27	2027/28	2028/29	2029/30	2030/31
Forecast of average balance available for investment (£m)- short to medium term	16.8	13.3	10.1	6.1	3.0
Forecast of interest earned (£m)	0.567	0.432	0.328	0.198	0.098
Current interest assumed in the revenue budget.	0.362	0.322	0.259	0.144	0.144

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

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

Year	Cost of borrowing £m	Less: Forecast of interest earned £m	Net Financing costs £m	Net Revenue Budget £m	Financing Costs as a % of Net Revenue Budget £m
2025/26	0.034	1.980	-1.946	23.650	-8.2
2026/27	1.481	0.560	0.921	27.321	3.4
2027/28	1.572	0.380	1.192	26.287	4.5
2028/29	1.458	0.237	1.221	21.978	5.6
2029/30	1.720	0.107	1.613	22.260	7.2
2030/31	1.889	0.013	1.876	22.470	8.3

Part 6- Overall Risk Considerations

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

Part 7- Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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