

29 May 2026

Our Ref Finance, Audit and Risk Committee 10
June 2026
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To: Members of the Committee Councillors: Vijaiya Poopalasingham (Chair), Sarah Lucas (Vice-Chair), Ruth Brown, Chris Lucas, Steven Patmore, Paul Ward, Alistair Willoughby and Stewart Willoughby

Substitute Councillors: Ralph Muncer, Matt Barnes, Dominic Griffiths, Elizabeth Dennis, David Barnard and Clare Billing

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, SG6 3JF**

On

WEDNESDAY, 10TH JUNE, 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 - 25 MARCH 2026 To take as read and approve as a true record the minutes of the meeting of the Committee held on the 25 March 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.	EXTERNAL AUDIT PLAN AND STRATEGY 2025-26 REPORT OF KPMG To receive the Audit Plan and Strategy for the year ending 31 March 2026.	(Pages 17 - 42)

7. **SIAS ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT ANNUAL REPORT 2025-26** (Pages 43 - 78)
REPORT OF THE SHARED INTERNAL AUDIT SERVICE (SIAS)
- To receive the Annual Assurance Statement and Internal Audit Annual Report for 2025/26.
8. **DRAFT ANNUAL GOVERNANCE STATEMENT 2025/26 AND ACTION PLAN FOR 2026/27** (Pages 79 - 106)
REPORT OF THE POLICY AND COMMUNITIES MANAGER
- For the Finance, Audit & Risk Committee to review the draft Annual Governance Statement (AGS) for the year 2025/26. The Statement reviews the Council's governance arrangements for the 2025/26 period. It also includes a proposed Action Plan to update/improve those arrangements for the next financial year (2026/27).
9. **REVENUE BUDGET OUTTURN 2025/26 (FINAL)** (Pages 107 - 130)
REPORT OF THE DIRECTOR – RESOURCES
- The purpose of this report is to inform Cabinet of the summary position on revenue income and expenditure at the end of the financial year 2025/26.
10. **2025-26 YEAR END REPORT ON RISK MANAGEMENT GOVERNANCE** (Pages 131 - 150)
REPORT OF THE DIRECTOR – RESOURCES
- This report provides an update on the effectiveness of the Risk Management governance arrangements at the Council.
11. **CAPITAL END OF YEAR REVIEW 2025/26** (Pages 151 - 164)
REPORT OF THE DIRECTOR – RESOURCES
- To consider the Capital End of Year Outturn Review.
12. **TREASURY MANAGEMENT END OF YEAR REVIEW 2025/26** (Pages 165 - 188)
REPORT OF THE DIRECTOR – RESOURCES
- To consider the Treasury Management End of Year Review.
13. **FINANCE, AUDIT AND RISK COMMITTEE ANNUAL REPORT** (Pages 189 - 200)
REPORT OF THE DIRECTOR – RESOURCES
- The Annual Report details the work undertaken by the Finance, Audit and Risk Committee over the last year (2025/26) and describes the planned work for the coming year (2026/27).
14. **POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS**
The Chair to lead a discussion regarding possible agenda items for future meetings.

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Public Document Pack Agenda Item 2

NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE COUNCIL CHAMBER - DISTRICT COUNCIL OFFICES, GERONON ROAD, LETCHWORTH, SG6 3JF
ON WEDNESDAY, 25TH MARCH, 2026 AT 7.30 PM

MINUTES

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

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

In Attendance: *Reuben Ayavoo (Policy & Community Manager), Amy Cantrill (Trainee Committee, Member and Scrutiny Officer), Jamie Graham (Democratic Services Apprentice), Ellie Hollingsworth (Policy & Strategy Officer) and Susan Le Dain (Committee, Member and Scrutiny Officer).*

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

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

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

60 APOLOGIES FOR ABSENCE

Audio recording – 1 minute 22 seconds

Apologies for absence were received from Councillor Dominic Griffiths.

Councillor Steven Patmore was absent.

61 MINUTES - 10 FEBRUARY 2026

Audio Recording – 1 minute 46 seconds

Councillor Vijaiya Poopalasingham, as Chair, proposed and Councillor Daniel Wright-Mason seconded and, following a vote, it was:

RESOLVED: That the Minutes of the Meeting of the Committee held on 10 February 2026 be approved as a true record of the proceedings and be signed by the Chair.

62 NOTIFICATION OF OTHER BUSINESS

Audio recording – 2 minutes 40 seconds

There was no other business notified.

63 CHAIR'S ANNOUNCEMENTS

Audio recording – 2 minutes 44 seconds

- (1) The Chair advised that, in accordance with Council Policy, the meeting would be recorded.
- (2) The Chair drew attention to the item on the agenda front pages regarding Declarations of Interest and reminded Members that, in line with the Code of Conduct, any Declarations of Interest needed to be declared immediately prior to the item in question.
- (3) The Chair advised that section 4.8.23(a) of the Constitution did not apply to this meeting.
- (4) The Chair announced that the Trainee Committee, Member and Scrutiny Officer was leaving, this would be her last meeting and thanked her for her work.

64 PUBLIC PARTICIPATION

Audio recording – 4 minutes 14 seconds

There was no public participation at this meeting.

65 SAFS ANTI-FRAUD PLAN PROGRESS UPDATE 2025/26

Audio recording – 4 minutes 17 seconds

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

- The progress report covered the period until December 2025 and the reference within the report should be to 'Q3' not 'Q1' as referenced in page 4 of the document.
- There was a review of fraud policies on going which should have been completed in quarter four.
- SAFS had circulated 4 fraud threat alerts in this quarter taking the total to 20
- Training sessions had been set and five training sessions were complete in Q3 including one at the staff briefing to all officers.
- An update on Economic Crime and Corporate Transparency Act 2023 (ECCTA) was given to the Senior Managers Group.
- ECCTA affected all Local Authorities from September 2025 in respect to the offence failure to prevent fraud. The way in which the legislation created this new offence meant that Local Authorities and similar organisations had been vicariously captured.
- The benefits of the Council complying with ECCTA were the help large corporations operating internationally, help drive international governance and improve internal controls, and will discourage economic crime.
- A total of 116 referrals had now been received, which was an increase, but in line with awareness campaigns SAFS was running.
- 39 cases were currently live for investigation and 31 were at referral stage, with the estimated loss on all these cases being approximately £150,000
- There had been 31 reviews of council tax discounts which had identified savings of £17,000 and eight social houses had been recovered and given to appropriate families.
- The National Fraud Initiative (NFI) data matching exercise had formally closed with 15 potential fraud errors and savings of £55,000.
- Following the closure of the NFI, work had started on the Hertfordshire Fraud Hub and since quarter three there had been 439 matches which had been processed, with 6 frauds identifying £26,000 worth of savings.

- Key Performance Indicators were either met, on target or part met and this was shown in the table on pages 4 and 5.

The following Members asked questions:

- Councillor Daniel Wright-Mason
- Councillor Ruth Brown
- Councillor Stewart Willoughby

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

- The 116 allegations of fraud had been received affecting service areas such as housing – which was mainly housing application fraud, council tax – was usually related to single person discount, 1 incident of procurement, and Blue Badge misuse – including 25 referrals were made by Council officers. These levels of allegations were what was expected for a District Council.
- Formally there were no favourable partners, a fair comparison with North Herts would be East Herts but it was difficult because different areas have different resident demographics so have different types and levels of fraud. North Herts District Council was definitely not an outlier when it came to levels of fraud.
- Allegations were received from different sources, 50% from the public 45% from staff reports, and 5% other organisations such as the police. More details will be available within the end of year report.

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

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

REASON FOR DECISION: A final report covering all anti-fraud work in 2025/26 will be provided to this Committee in the summer of 2026.

66 SAFS PROPOSED ANTI-FRAUD PLAN 2026/27

Audio recording – 18 minutes

The Counter Fraud Manager presented the report entitled 'SAFS Proposed Anti-Fraud Plan 2026/27' and highlighted that:

- The plan for the following year 2026/27 was similar to the plan for the current year 2025/26.
- The report detailed how the plan sat in regard to the national context of fraud, the provisions of SAFS resources and the Key Performance Indicators.
- The report detailed a number of external papers that provided reference for the plan and these should be reviewed by all Members.
- It also contained all relevant legislation including the new ECCAT.

In response to a question from Councillor Paul Ward, the Counter Fraud Manager stated that:

- In the national context Artificial Intelligence (AI) was a threat, SAFS were aware of several aspects of AI fraud for example where AI can fake attendance of meetings.
- Where SAFS see Local Authorities affected, lots of documents such as Identity Card, which were currently made at home using copy and paste could be made quicker using AI.
- The way spam emails can be detected had also changed due to AI, where previously spam would have spelling mistakes, AI now makes emails longer with advanced English.

Councillor Daniel Wright-Mason proposed and Councillor Stewart Willoughby seconded and, following a vote, it was:

RESOLVED: That the Committee reviewed and approved the Anti-Fraud Plan 2026/27.

REASON FOR DECISION: This report provided members with an introduction to the Councils Anti-Fraud Plan for the next 12 months.

67 SIAS PROGRESS REPORT 2025/26

Audio recording – 26 Minutes 14 seconds

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

- There had been significant progress in delivering the Plan since the concerns raised about the delivery profile at both the September and January meetings of the Committee.
- The percentage of the plan delivered (days) had moved on to 87% and the percentage of projects delivered (draft reports) had increased to 71% since the Progress report had been published two weeks ago.
- The number of final reports issued had risen to 10, and there were three further reports in quality review, with the result that there was an increased confidence in meeting delivery targets by year end on 31 March 2026.
- There were no plan changes to report and the updates on the two high priority recommendations were highlighted, as was the one made in the recently issued Purchasing Cards audit.

The following Members asked questions:

- Councillor Paul Ward
- Councillor Stewart Willoughby
- Councillor Vijaiya Poopalasingham

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

- A draft Cyber Resilience Plan for the Council had been in place for a while, but it was constantly being changed as the risks changed and it was tested and exercised. SIAS need it to move out of draft form and be agreed by the Cyber Security Board and Leadership team.
- Despite the Client satisfaction questionnaire only having 3 returned out of 20, SIAS has received informal feedback which had all been good. Response rates were usually between 15-30% so 3 was a bit low but this might be due to people having other priorities.
- SIAS was anticipating challenges regarding Local Government Reorganisation (LGR) and had spoken to those Local Authorities that had gone through LGR, their equivalent of what year 2027/28 for would be for us seemed to be the year where issues arose the most in terms of plan content and delivery.
- There would be an impact on all partner plans going forward due to LGR but the delivery for this plan is part of business as usual.

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

- The cyber resilience testing conducted in March 2026 was a lessons learned exercise for what would be done in the event of a cyber-attack. The Council was assured that there were good measures in place to prevent attack and how to prioritise which areas should be restored.

- It was his responsibility to chase feedback forms, but this was a low priority for most people, however there had been no negative feedback either formally or informally for SIAS.

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

RESOLVED: That the Committee noted:

- (1) The SIAS Progress Report for the period to 13 March 2026.
- (2) The implementation status of the reported high priority recommendations.
- (3) The plan amendments to the 2025/26 Annual Audit Plan.

REASON FOR DECISION: This report details progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Internal Audit Plan for 2025/26 as of 13 March 2026.

68 SIAS PROPOSED PLAN 2026/27

Audio recording – 44 Minutes 23 seconds

The SIAS Head of Assurance presented the report entitled 'SIAS Proposed Plan 2026/27' and highlighted that:

- The global internal audit standards requirements, as well as the planning approach and principles, were set out with the report.
- The key was the meetings that had been held with all the Directors, following which the Plan had been circulated to the Leadership Team and was agreed by senior officers.

In response to a question from Independent Member John Cannon, the SIAS Head of Assurance advised that:

- The reserves list replicated two reserve items from last year which was provision of time for LGR and the Service Desk audit. The reserve list was only the starting point if an audit needed to come out and the Plan was dynamic and flexible to risks and audit topics that emerge during the year.
- In terms of the spread of days between embedded or project assurance, the embedded assurance still looked at controls but instead of a traditional audit that looked at controls at a moment in time, it looked at controls audit controls along the way in a more continuous manner.
- An example of embedded assurance was where SIAS had sat on the leisure decarbonisation board and provided ongoing assurance controls throughout the process.

Councillor Daniel Wright-Mason proposed and Councillor Paul Ward seconded and, following a vote, it was:

RESOLVED: That the Committee

- (1) Approved the proposed North Herts Council Internal Audit Plan for 2026/27
- (2) Noted the SIAS Internal Audit Strategy & Service Plan and invited to provide any comments

REASON FOR DECISION: To strengthen the Council's ability to create, protect, and sustain value by providing Members and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

69 LOCAL CODE OF CORPORATE GOVERNANCE 2026

Audio recording – 51 minutes 9 seconds

The Policy and Community Manager presented the report entitled 'Local Code of Corporate Governance 2026' and highlighted that:

- This report was provided to seek approval for the governance review 2026; this code was to be approved annual.
- The governance framework was based on the 2016 principles of the framework of Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLICE).
- The code at appendix A followed a different format from previous years and was adjusted following training by CIPFA.

The Policy and Strategy Officer presented the report entitled 'Appendix A - Local Code of Corporate Governance March 2026' and highlighted that:

- The framework covered principles A to G. Principles A and B provided overarching requirements for acting in the public interest and principles C to G focused on the implementation of governance and achievement of outcomes.
- The principles covered themes such as ethical values, stake holder engagement, the capability of the authority, managing risks and accountability.
- CIPFA and SOLACE published an addendum for the framework in May 2025, which addressed changes in Local Government governance since 2016, and it encouraged a more robust review of governance.
- In line with the guidance the addendum was considered partially for the Annual Governance Statement (AGS) 2024/25 and the advice in the addendum would be fully implemented in the AGS 2025/26 as set out in the code for 2026 (Appendix A)
- The code now includes more North Hertfordshire specific government arrangements, policies and procedures making it more organisationally specific.
- The code outlined the governance structures and the responsibilities of each of those at the Council, followed by a list of sources of assurance, for evidence of effectiveness.
- Feedback from the leadership team has been incorporated into the new local code.
- One of the titles of the principles was missing from the Local Code but the full content of the principle was in that section, and this would be rectified before publication.
- Media relations training was mentioned, this had changed and now was available to Cabinet Members only with all other Members directed to LGA training.
- Following approval, the Code would be published on corporate governance internet page and shared internally on the Hub and Members Information Bulletin.
- The code would be used to draft the AGS 2025/26 which would be bought back to the Committee in Summer 2026.

The following Members asked questions:

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

In response to questions, the Policy and Community Manager advised that:

- The code was imbedded in the Councils culture and had been signed off by the Leadership team so the Council should be compliant day to day, this would be checked regularly throughout the year.
- The different policies were reviewed at the end of its time, it was service specific how long a policy lasts, this information could be added to the AGS.

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

- By way of clarification he prepared and co-authored the equivalent documents at HCC and this document was a description of how the Council meets the principles set out in the SOLACE guidelines, where as the AGS was the review of effectiveness of those governance arrangements.
- The various sources of assurance of how the Council stays compliant were in the table in Appendix A. SIAS and SAFS are amongst the annual assurance providers mentioned.
- Adding the policy end dates to the AGS might make it harder to read and therefore risks taking away from the purpose of the AGS in which it was accessible and understandable to everyone.
- When SIAS came across policies that were out of date this would be picked up at audit and they would be reviewed.

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

- The risk strategy set out that he was the Councils Risk Manager Champion Officer and Councillor Ian Albert was the Councils Risk Manager Champion Member.
- The Council had expiry dates on policies, but it was deemed more appropriate to review them when something changed rather than just because a certain amount of time had passed. The onus for this would be on the policy owner.
- The Asset Management Plan could come to this Committee in the future; he would take this away as an action to check with the service area.

In response to questions, the Policy and Strategy Officer advised that:

- At the CIPFA training other Local Authorities bought their local code of governance equivalents, different documents did vary in length, which was Council specific.
- The Council have tried to reduce the length of the document to help with accessibility while still covering the principles, however as this document was a lot more Council specific it was longer than usual. This would hopefully make the AGS a bit shorter.

Councillor Vijaiya Poopalasingham proposed and Councillor Daniel Wright-Mason second and, following a vote, it was:

RESOLVED: That the Committee approved the Local Code of Corporate Governance 2026 (Appendix A).

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

70 THIRD QUARTER REVENUE BUDGET MONITORING 2025/26

Audio recording – 1 hour 10 minutes 07 seconds

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

- The reasons for variances on the Revenue Budget were shown in table 3.
- There Council did not have a borrowing requirement at the end of 2024/25 as not all the capital reserves had been spent. The original for 2025/26 budget included a charge for Minimum Revenue Provision, so at that was not required there was an underspend of £400,000.
- The budget for 2026/27, set in February, reflected the updated estimates on the need for internal borrowing.
- Carry forwards were usually more common toward the end of the financial year and these were also detailed in table 3.
- There were two red Corporate Health Indicators, the Leisure Centres Management Fee for paying Everyone Active during the decarbonisation works and the Commercial Refuse & Recycling Service.
- Table 5 indicates current activity levels, where these drive financial performance, and how these compare to the prior year to indicate the direction of current trends. The Council was still above the trend for Leisure Centre usage despite the decarbonisation works.
- Commercial Refuse & Recycling Service customer numbers were declining, but the income had decreased at much slower rate due to a smaller group of customers buying more services, including recycling services.
- There was a slight increase in car parking income, although average ticket prices had reduced, meaning the volume of purchases had increased, which showed faster turnover in car parks.
- The funding summary showed in terms of funding the Council was in line with the budget forecast.
- The increase in the general fund balance should be mitigated by the carry forwards which would create budgets for next year so they money would be spent.

The following Members asked questions:

- Councillor Daniel Wright-Mason
- Councillor Ruth Brown
- Councillor Vijaiya Poopalasingham
- Independent Member John Cannon

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

- Towards the end of the financial year, it was common for there to be more underspends and overspends being declared.
- Churchgate was a financial risk. It was highlighted in the report that funding was provided for the current stages of the regeneration project development. There were always issues with letting a shopping centre, but it was still generating income. Looking forward there would likely come a stage where the Council would need a large capital budget for Churchgate regeneration.
- Commercial refuse and recycling did have some increased competition, and businesses were minimising their waste, which created an increased drop in income, but this was better for sustainability. Work was being done to encourage recycling collection rather than residual (non-recyclable) waste.

- Due to a backdate in audits relating to housing benefits audits it had not been possible to finalise the positions and identify issues with amounts that could be reclaimed from the DWP. Once these had been brought up to date there would be further costs for the 22/23 and 23/24 periods, likely to be around £200,000 per year. It was hoped that these audits could be resolved during 2026/27. These costs could be absorbed within the General Fund balance. There was no way to appeal the audit outcomes.

Councillor Vijaiya Poopalasingham proposed and Daniel Wright-Mason Councillor seconded and, following a vote, it was:

RECOMMENDED TO CABINET: That the Finance, Audit and Risk Committee provided comments and recommend to Cabinet:

- (1) That Cabinet note this report.
- (2) That Cabinet approves the changes to the 2025/26 General Fund budget, as identified in table 3 and paragraph 8.2, a £902k decrease in net expenditure.
- (3) That Cabinet approves the changes to the 2026/27 General Fund budget, as identified in table 3 and paragraph 8.2, a total £201k increase in net expenditure.

REASON FOR RECOMMENDATION: Members were 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.

71 THIRD QUARTER CAPITAL BUDGET MONITORING REVIEW 2025/26

Audio recording – 1 hour 29 minutes 4 seconds

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

- The capital report showed slippage into the following year with the explanations for each slippage in table 2.
- There were changes to the overall costs of schemes in 2025/26, these changes totalled a net decrease of £0.81million as detailed in Table 3.
- Two underspends were reported relating to Fibre Waste Bin purchases and EV charging at the Letchworth depot.
- There was an underlying need to borrow, with revenue contributions of £3.2 million, set out in table 4.

In response to a question from Independent Member John Cannon, the Director – Resources stated that the discrepancy between the two papers of the Council asset worth would be rectified in future papers and Members would be made aware of the correct value.

Councillor Vijaiya Poopalasingham proposed and Councillor Ruth Brown seconded. As part of the debate Councillor Ruth Brown commented that it was positive to see that the Priory Gardens Bandstand was going to be rebuilt rather than renovated.

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

RECOMMENDED TO CABINET: That the Finance, Audit and Risk Committee provided comments and recommend to Cabinet:

- (1) That Cabinet notes the forecast expenditure of £23.350M 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 £3.011M.
- (3) That Cabinet approves a change of scope to the Priory Gardens Bandstand project from renovation to rebuild and an increase of the budget in 2026/27 by £0.025M.
- (4) 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.

72 THIRD QUARTER TREASURY MANAGEMENT REVIEW 2025/26

Audio recording – 1 hour 34 minutes 9 seconds

N.B. Cllr Paul Ward declared an interest in this item due to his employment and left the chamber and did not return.

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

- The Council had complied with the treasury strategy throughout quarter three.
- The split of investments was as shown in paragraph 8.4
- There had been an increase in interest rates in recent weeks as Local Authorities were generally borrowing money to support their cashflows, and the Council was able to take advantage of this.
- The global situation was impacting inflation and meant that interest rates might stay higher than previously forecast. This was positive for investment income, but there was a bigger concern for Council budgets if that resulted in ongoing inflation pressures.

The following Members asked questions:

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

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

- 82% of the Council investments were in Local Authorities and the risk of this in Local Government Reorganisation (LGR) was split into two; the borrowing made by the authority going through LGR would follow into the new authority and the higher risk would be down to potential demand and capacity for lending of this type.
- The counterparty limits for all Councils would generally be set based on a proportion of total funds. Where Councils have larger amounts of available funds then they would have higher counterparty limits.
- The funds that matured in January 2026 would have been reinvested on a short-term basis. The issue the Council has had this year was due to the large capital spend there was uncertainty over when payment would be required. So cash had been kept invested on a short-term basis so money could be paid when it became due.

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

RECOMMENDED TO CABINET: That the Finance, Audit and Risk Committee provided comments and recommend to Cabinet that it notes the position of Treasury Management activity as at the end of December 2025.

REASON FOR RECOMMENDATION: To ensure the Council's continued compliance with CIPFA's code of practice on Treasury Management and the Local Government Act 2003 and that the Council manages its exposure to interest and capital risk.

73 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio recording – 1 hour 42 minutes 46 seconds

The Chair led a discussion regarding possible agenda items for future meetings and noted the item suggested by the Independent Member John Cannon during the meeting, and advised that Members could make suggestions directly to him outside of the meeting.

The SIAS Head of Assurance advised that he would email three potential dates in July for a meeting with Members. In response to a request from Councillor Ruth Brown, he advised the dates suggested would be outside of the school summer holidays.

The meeting closed at 9.15 pm

Chair

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North Hertfordshire District Council

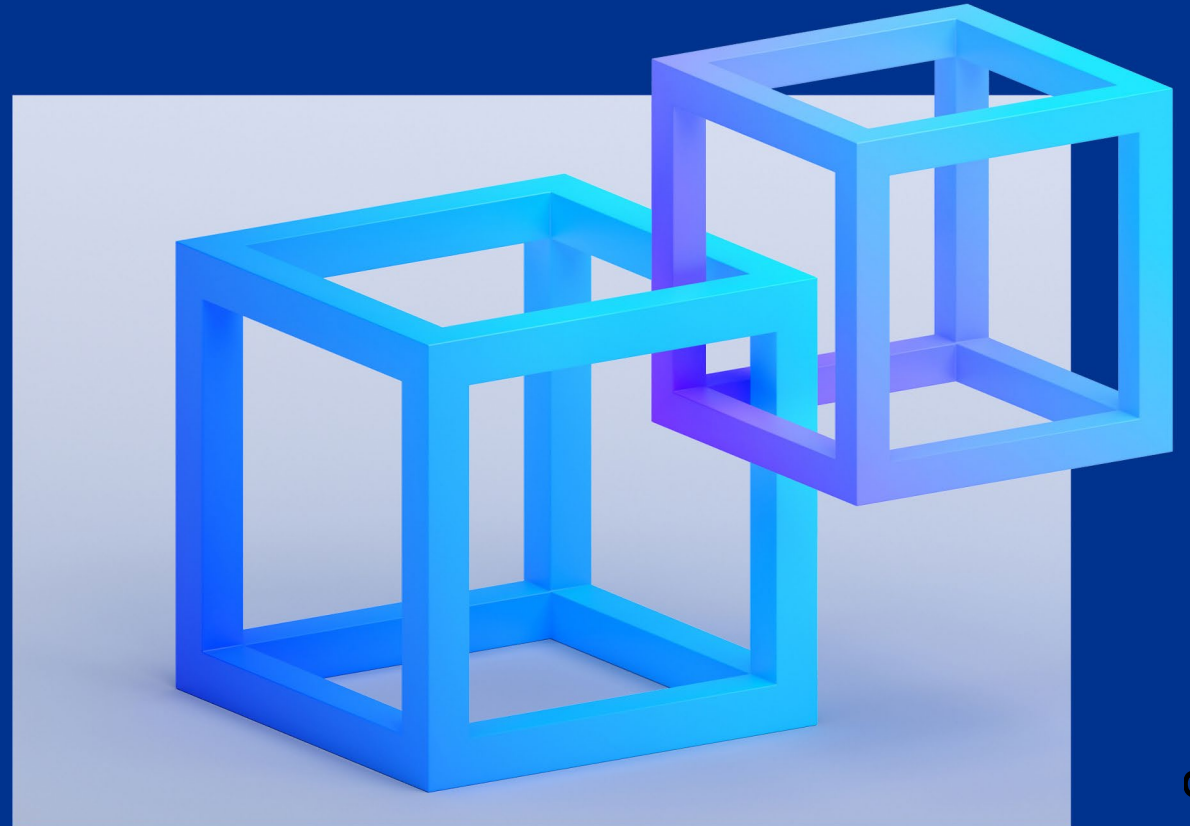
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Report to Finance, Audit and Risk Committee

External Audit plan and strategy for the year ending

31 March 2026

30 April 2026



Agenda Item 6

Introduction

To the Audit and Risk Committee of North Hertfordshire

We are pleased to have the opportunity to meet with you on 10 June 2026 to discuss our audit of the financial statements of North Hertfordshire District Council, as at and for the year ending 31 March 2026.

This report provides the Finance Audit & Risk Committee with an opportunity to review our planned audit approach and scope for the 2025/26 audit. The audit is governed by the provisions of the Local Audit and Accountability Act 2014 and is carried out in compliance with the NAO's 2024 Code of Audit Practice, auditing standards and other professional requirements.

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

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

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The engagement team

Salma Younis (FCA) is the engagement director on the audit. She has over 20 years of public sector experience. She shall lead the engagement and is responsible for the audit opinion.

Other key members of the engagement team include Anna Lord (Manager) and Stanley Croall (Assistant Manager) with 7 years and 5 years of experience respectively.

Yours sincerely,

Salma Younis

30 April 2026

Restrictions on distribution

This report is intended solely for the information of those charged with governance of North Hertfordshire District Council and the report is provided on the basis that it should not be distributed to other parties; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

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 :

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

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

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

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

Rebuilding assurance

Background

The Government introduced measures to resolve the legacy local government financial reporting and audit backlog. In 2024, amendments were made to the Accounts and Audit Regulations and NAO's Code of Audit Practice 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 and 27 February 2026 for the 2023/24 and 2024/25 audits, respectively.

Guidance has been developed 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.

For the Authority this had the impact of a disclaimer of opinion issued by your predecessor auditor for financial year 2022/23. We then issued a disclaimer of opinion for 2023/24 on 20 February 2025 to comply with the statutory backstop date as reported to you previously. For the 2024/25 audit we issued a disclaimer of opinion on 27 February 2026.

The 2025/26 audit

As part of the 2025/26 audit we are in the process of completing by 31 July 2026 our rebuilding assurance risk assessment which includes :

- Inquiries, with regards to changes to the Authority during the disclaimed period.
- Considering the disclaimed period and associated reporting including the statement of accounts, Annual Government Statements, findings from the disclaimed period audits and any findings from the section 151 officer in their assessment that the financial statements present a true and fair view.

- Reconciling the planned movement in reserves from budget setting, in year monitoring and outrun reports and documenting our understanding of planned usage and changes in reserves over the disclaimed period.
- Considering the processes over capital additions/disposals.
- A balance sheet financial statement assessment, of the movement over the disclaimed period by account balance will be performed. This will be overlaid with findings from other risk assessment procedures to determine the appropriate testing strategy to remove the risk of material misstatement in line with the LARRIGs.

Following completion of the risk assessment, we will design an appropriate response to address the risks. We are in the process of completing this risk assessment and will report separately once we complete this.

Fees

Our fees for this work are to be confirmed, as the work is ongoing. We note our fees are subject to fee assumptions on page 22. The fees will also be subject to the PSAA fee variation process and PSAA approval. MHCLG has announced grant funding for this work.

Overview of planned scope including materiality

Our materiality levels

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

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

To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of materiality (£1.35m / 75% of materiality) driven by our expectations of increased level of undetected or uncorrected misstatements in the period. We also adjust this level further downwards for items that may be of specific interest to users for qualitative reasons

We will report misstatements to the audit committee including:

- Corrected and uncorrected audit misstatements above £90k.
- Errors and omissions in disclosure (Corrected and uncorrected) and the effect that they, individually and in aggregate, may have on our opinion.
- Other misstatements we include due to the nature of the item.

Materiality

Materiality for the financial statements as a whole	£1.8m 2.6% of total expenditure. (24/25: £1.7m, 2.5% of total expenditure)
Performance Materiality	£1.35m 75% of materiality (24/25: £1.1m)
Misstatements reported to the audit committee	£90k (24/25: £85k)

Materiality

£1.8m

2.7% of council's total 24/25 expenditure £70m

Overview of planned scope including materiality (cont.)

Timing of our audit and communications

We will maintain communication led by the engagement partner and manager throughout the audit. We set out below the form, timing and general content of our planned communications:

- Kick-off meeting with management in April 2026 where we discuss management's progress in key areas
- Finance, Audit and Risk committee meeting in June 26 where we present our final audit plan
- Status meetings with management throughout the audit where we communicate progress on the audit plan, any misstatements, control deficiencies and significant issues
- Closing meeting with management in November 2026* where we discuss the auditor's report and any outstanding deliverables
- Finance, Audit and Risk committee meeting in January 2027* where we communicate audit misstatements and significant control deficiencies
- Biannual private meetings will also be arranged with the Committee Chair.

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

Using the work of others and areas requiring specialised skill

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

Others	Extent of planned involvement or use of work
Internal Audit	We will review the reporting prepared by Internal Audit, however we do not plan to place any reliance on their work.
KPMG Pensions Centre of Excellence	We involve KPMG Pensions Centre of Excellence and KPMG Actuaries to assist the audit team in assessing the valuation of the Local Government Pension Scheme's gross liability. They will undertake all relevant procedures as outlined on page 10 and liaise directly with management.

Significant risks, Higher assessed risks and Other audit risks

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

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

Significant risks

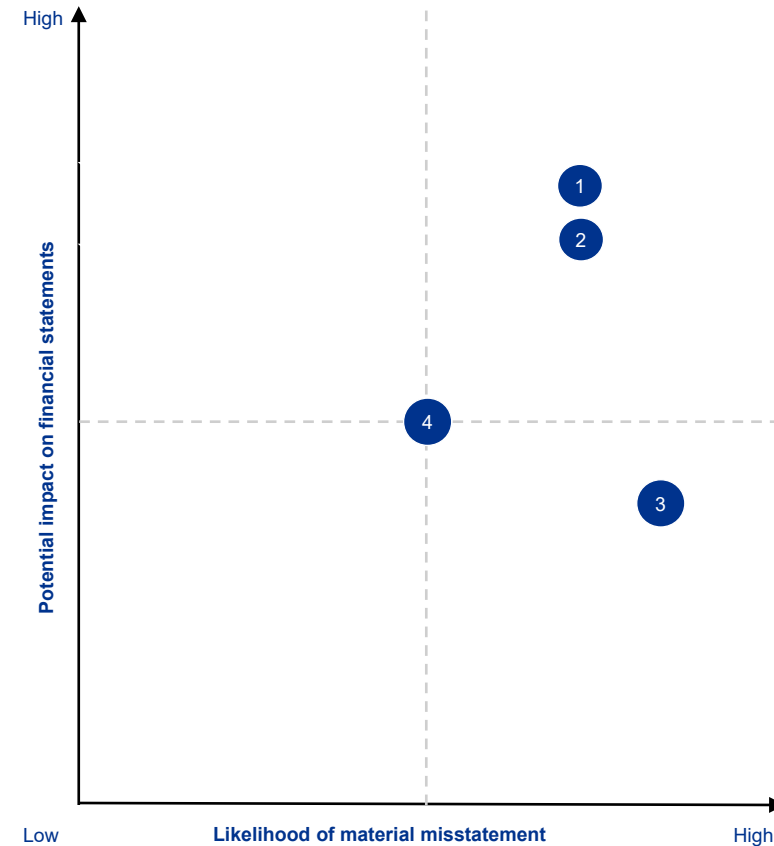
1. Valuation of land and buildings
2. Valuation of investment property
3. Valuation of post retirement benefit obligation
4. Management override of Controls

Key: # Significant financial statement audit risks

Value for money

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

Our risk assessment procedures are ongoing, and we will report our findings at a later committee meeting.



Audit risks and our audit approach

1a Valuation of land and buildings – rolling programme of valuation

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



Significant audit risk

The Code of Practice on Local Authority Accounting in the UK 2025/26 ('the Code') has introduced changes to asset revaluation. The Code requires revaluations for each class of PPE are undertaken using one of the following:

- A quinquennial revaluation, supplemented by annual indexation in intervening years.
- A rolling programme of revaluations over a five-year cycle, with annual indexation applied to assets during the intervening four years.

The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle and indexation in the intervening years.

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

A further risk is presented for those assets that are revalued in year as valuations are inherently judgmental and there is a risk of error that the assumptions are not appropriate or correctly applied.



Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the assets revalued in year:

- 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 2026;
- 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

1b Valuation of land and buildings – annual indexation

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



Significant audit risk

The Code of Practice on Local Authority Accounting in the UK 2025/26 ('the Code') has introduced changes to asset revaluation. The Code requires revaluations for each class of PPE are undertaken using one of the following:

- A quinquennial revaluation, supplemented by annual indexation in intervening years.
- A rolling programme of revaluations over a five-year cycle, with annual indexation applied to assets during the intervening four years.

The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle and indexation in the intervening years.

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

A further risk is presented for those assets that are revalued in year as valuations are inherently judgmental and there is a risk of error that the assumptions are not appropriate or correctly applied.



Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the assets subject to annual indexation in the intervening four years to the rolling revaluation:

- 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; and
- We will challenge the appropriateness of the indices used and agree the indexations applied

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.



Planned response

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

- We will critically assess the independence, objectivity and expertise of the valuers used in developing the valuation of the Council's investment property at 31 March 2026;
- 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.)

3

Valuation of post retirement benefit obligations

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



**Significant
audit risk**

The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council. We therefore determine post retirement benefits obligation to have a high degree of estimation uncertainty.

The results of the new Triennial Valuation as at 31 March 2025 will also be considered for accounting at 31 March 2026. This means re-basing their estimate models to allow for actual experience since 2022, which could result in corrections to the defined benefit obligation and asset valuations. Contributions payable are also updated, which could have an impact on the assessment of the asset ceiling applicable to the Council.

Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.



**Planned
response**

We will perform the following procedures:

- Understand the processes the Councils have 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 light of the updated information and change of contributions following the completion of the funding valuation, and assess the sensitivity of the deficit or surplus to the assumptions made;
- Where applicable, assess the level of surplus that should be recognised by the entity; and
- Assess the impact of a new triennial valuation model and/or any special events.

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.



Planned response

Our audit methodology incorporates the risk of management override as a default significant risk. Specific procedures include:

- 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 course of business, or are otherwise unusual.
- Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.
- Identified journal entries and other adjustments with characteristics that indicate that they may be inappropriate or unauthorised and therefore may have been used to manipulate the financial statements (which we refer to as 'high-risk journals and other adjustments') and perform procedures to test the appropriateness of these entries and adjustments.

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

Audit risks and our audit approach

Revenue – Rebuttal of Significant Risk

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

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

Expenditure – rebuttal of Significant Risk

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

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

Mandatory communications - additional reporting

Going concern






We will assess the risk relating to management’s judgement on the use (or otherwise) of the going concern basis and the adequacy of related disclosures, including any possible material uncertainty. Under NAO guidance, including Practice Note 10 - A local authority’s financial statements shall be prepared on a going concern basis; this is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganization) do not negate the presumption of going concern. However, financial sustainability is a core area of focus for our Value for Money responsibilities.

Additional reporting

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

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

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

Mandatory communications

Type	Statements
Management’s responsibilities (and, where appropriate, those charged with governance)	<p>Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error.</p> <p>Provide the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.</p>
Auditor’s responsibilities	<p>Our responsibilities set out through the NAO Code (communicated to you by the PSAA) and can be also found on their website, which include our responsibilities to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>
Auditor’s responsibilities – Fraud	<p>This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.</p>
Auditor’s responsibilities – Other information	<p>Our responsibilities are communicated to you by the PSAA and can be also found on their website, which communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information.</p>
Independence	<p>Our independence confirmation at page 22 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm’s independence and the integrity and objectivity of the audit engagement partner and audit staff.</p>

Value for money

Our approach

Value for money

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

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

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

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

Risk assessment processes

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

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

Reporting

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

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

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

Financial sustainability

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

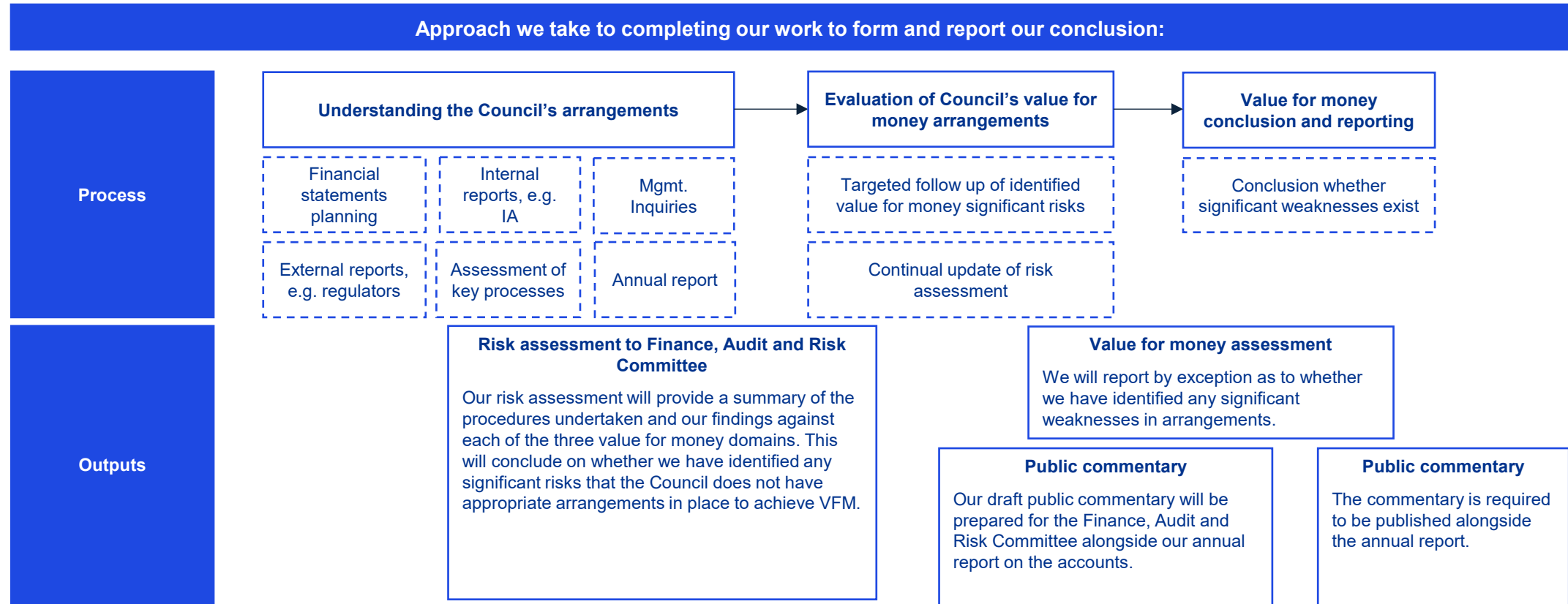
Governance

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

Improving economy, efficiency and effectiveness

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

Value for money



Value for money – risk assessment




Our risk assessment work is ongoing and we will report the output of this work to a future meeting of the Committee.

Appendix

A	Audit team and rotation	19
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Audit team and rotation

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

	Salma Younis is the director responsible for our audit. She will lead our audit work, attend the Finance, Audit and Risk Committee and be responsible for the opinions that we issue.		Anna Lord is the manager responsible for our audit. She will co-ordinate our audit work, attend the Finance, Audit and Risk Committee and ensure we are co-ordinated across our accounts and VFM work.		Stanley Croall is the in-charge responsible for our audit. He will be responsible for our on-site fieldwork. He will complete work on more complex sections of the audit.
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To comply with professional standard we need to ensure that you appropriately rotate your external audit director. There are no other members of your team which we will need to consider this requirement for:



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

Audit timeline

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

	2026											
Activity	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
Risk assessment and planning*				█								
VFM risk assessment*							█					
Audit plan discussed and approved*				█								
Year-end audit testing*									█			
Audit report issued*												█

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

Fees

Audit fee

The audit fees for the year ended 31 March 2026 are set out below:

	2025/26 (£)	2024/25 (£)
Scale fees as set by PSAA	168,930	164,329
Agreed PY fee variations*	-	26,648
Agreed current year fee variations	TBC	-
Build back fee variation (page 3) *	TBC	-
TOTAL	TBC	190,977

We note we are expecting fee variations for the following areas in 2025/26 and will advise of the level as work progresses:

- LGPS Triennial valuation - we will be in a position to provide an estimate once this has been considered further.

*Fee variations are subject to PSAA approval.

Billing arrangements

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

Basis of fee information

Our fees are subject to the following assumptions:

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

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

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

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

Confirmation of Independence

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

To the Finance, Audit and Risk Committee members

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

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

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

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

General procedures to safeguard independence and objectivity

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

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

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

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

Summary of non-audit services

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

Confirmation of Independence

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 2026 £m	Value of Services Committed but not yet delivered £m
1	Housing benefit grant certification	Management responsibility Self review Self interest	<ul style="list-style-type: none"> Standard language on non-assumption of management responsibilities is included in our engagement letter. The engagement contract makes clear that we will not perform any management functions. The work is performed after the audit is completed and the work is not relied on within the audit file. Our work does not involve judgement and are statements of fact based on agreed upon procedures. 	Fixed	TBC	TBC

Confirmation of Independence (cont.)

Summary of fees

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

Fee ratio

The ratio of non-audit fees to audit fees for the year is to be confirmed, however based on the 2024/25 non-audit fees of £32.3k, we do not anticipate that the ratio would exceed 0.3: 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.

	2025/26
	£'000
Scale fees	168.9
Other Assurance Services	32.3
Total Fees	201.2

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 Finance, 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

KPMG's Audit quality framework

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.

To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

■ Commitment to continuous improvement

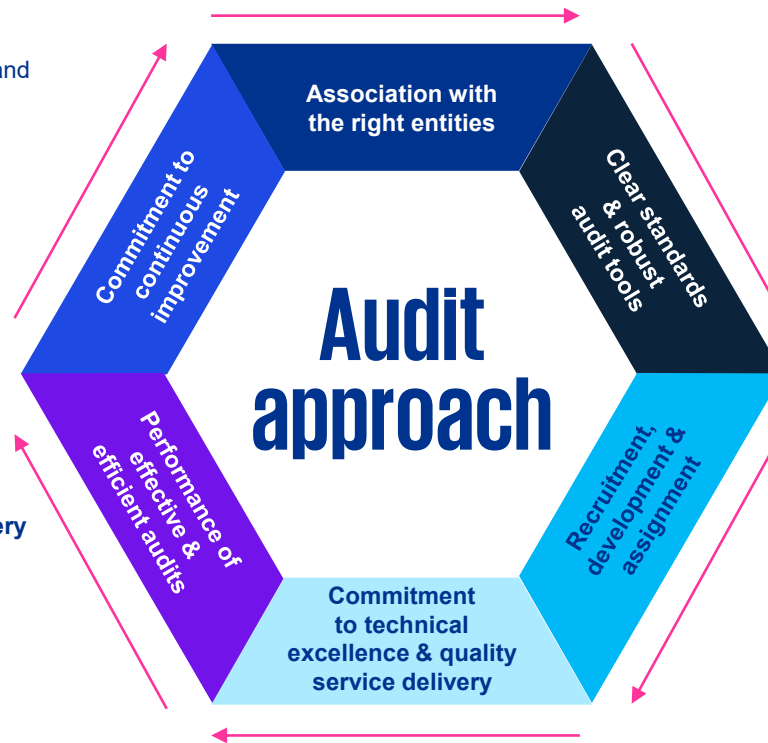
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

■ Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

■ Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



■ Association with the right entities

- Select entities within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

■ Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

■ Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members and specialists



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ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT ANNUAL REPORT 2025/26

**NORTH HERTS COUNCIL
FINANCE, AUDIT AND RISK COMMITTEE
JUNE 2026**

RECOMMENDATIONS

Members are recommended to:

- Note the Annual Assurance Statement and Internal Audit Annual Report
- Note the results of the self-assessment required by the Global Internal Audit Standards (GIAS) and the Quality Assurance and Improvement Programme (QAIP)
- Approve the Internal Audit Charter for 2026/27
- Seek management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2025/26

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- E Internal Audit Charter 2026/27

1. Purpose and Background

Purpose of Report

- 1.1 This report:
- a) Details the Shared Internal Audit Service's (SIAS) overall opinion on the adequacy and effectiveness of North Herts Council's (the Council) framework of governance, risk management and control. Reference is made to significant matters and key themes.
 - b) Shows the outcomes of the self-assessment against the Global Internal Audit Standards (GIAS) incorporating the requirements of the Quality Assurance and Improvement Programme (QAIP).
 - c) Summarises the audit work that informs this opinion.
 - d) Shows SIAS performance in respect of delivering the Council's audit plan.
 - e) Presents the 2026/27 Internal Audit Charter for approval.

Background

- 1.2 The purpose of internal audit is to strengthen the Council's ability to create, protect, and sustain value by providing Members and management with independent, risk-based, and objective assurance, advice, insight, and foresight.
- 1.3 A key duty of the Chief Audit Executive (CAE - the Council's Client Audit Manager) is to provide an annual internal audit opinion, concluding on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. This opinion informs the conclusions of the Council's Annual Governance Statement.
- 1.4 The assurance opinion in this report is based on the 2025/26 internal audit work which was planned and amended to give sufficient assurance on the Council's management of its key risks. Also considered is any relevant work undertaken in 2026/27 before the Audit Committee report deadline.
- 1.5 The audit plan remained dynamic during the year, with plan changes made to reflect the changing risks of the Council, or pace of transformation or change that would impact on the value of audits originally included in the plan. All plan changes during 2025/26 were communicated to, and approved by, the Finance, Audit and Risk Committee within the SIAS progress reports.
- 1.6 The International Professional Practices Framework (IPPF) organises the authoritative body of knowledge for the professional practice of internal auditing. The IPPF includes Global Internal Audit Standards (GIAS), Topical Requirements (designed to enhance the consistency and quality of internal audit services related to specific audit subjects) and Global Guidance. The Public Sector Internal Audit Standards, which

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

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

- 1.7 Taken together, the GIAS and the Application Note form the basis of UK public sector internal audit effective from 1 April 2025. The Note states that a professional, independent, and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector.
- 1.8 When the Global Institute of Internal Auditors published the GIAS, it recognised that in the public sector, governance structures or other laws or regulations may impact on how the essential conditions can be applied. This is the case in UK local government. The GIAS itself provides for the chief audit executive to reach agreement with those in governance roles and senior management on alternative conditions that still allow for conformance with the GIAS. The CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government provides the route to satisfying the essential conditions in the GIAS in the UK public sector, tailored for UK local government. The Application Note GIAS in the UK public sector directs the local government sector bodies to apply this Code.
- 1.9 The GIAS (UK Public Sector) sets out matters that SIAS must report to the Audit Committee. SIAS conform with these requirements through inclusion in the Annual Assurance Statement and Internal Audit Annual Report 2025/26. The summarised requirements that SIAS must adhere to are set out below:

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

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

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

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

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

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

1.11 SIAS is grateful for the co-operation and support it has received from client officers during 2025/26.

2. Annual Assurance Statement 2025/26

Context

Scope of responsibility

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

Control environment

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

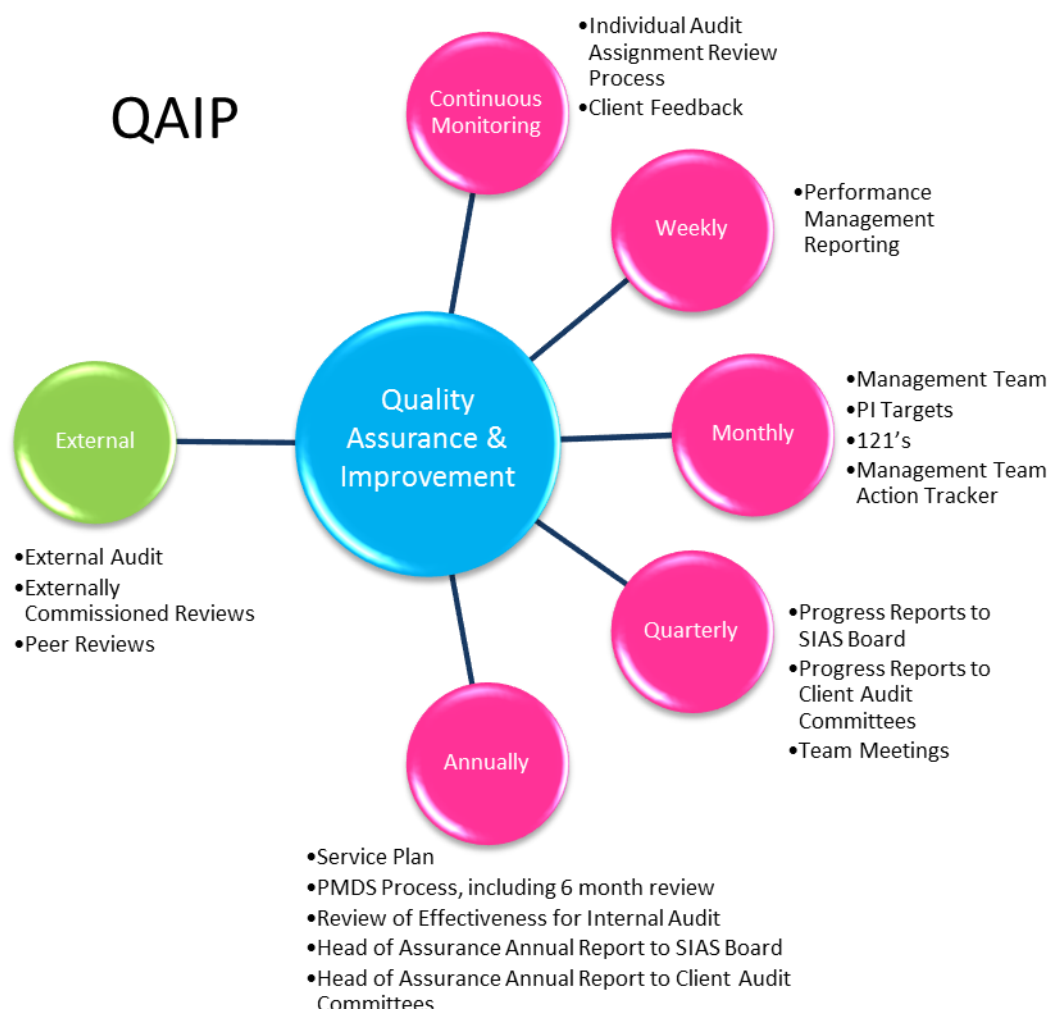
Review of effectiveness

- 2.3 The CAE must confirm annually that the internal audit function is suitably qualified to carry out the work that informs the assurance opinion. This includes that the CAE maintains and enhance their own qualifications and competences. SIAS can confirm that the service is suitably resourced and qualified to undertake its work, including the qualifications and competences of the CAE.
- 2.4 As part of our Quality Assurance and Improvement Programme, an internal quality self-assessment was conducted to review our conformance with the Global Internal Audit Standards (GIAS).
- 2.5 The GIAS also requires that the SIAS be subject to an external quality assessment (EQA) at least once every five years. This should be conducted by a qualified, independent assessor or assessment team from outside the organisation. This review was completed in June 2021 (the previous review being undertaken in 2015/16), with the result of the assessment reported to the Audit Committee in November 2021. The next EQA is due in 2026/27 and SIAS have appointed the Chartered Institute of Internal Auditors as the assessing organisation to perform the review in quarter four of 2026/27.
- 2.6 Based on the results of the 2025/26 GIAS self-assessment, the CAE has concluded that SIAS 'generally conforms' with the GIAS (UK Public Sector).
- 2.7 The self-assessment identified seven areas where, whilst we assessed our current processes followed the principles of the GIAS, improvements

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

could be made to the documentary evidence available to support independent verification of compliance.

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



Confirmation of independence of internal audit and assurance on limitations

- 2.10 The Head of Assurance confirms that during the year:
- a) No matters threatened SIAS's independence; and

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

- b) SIAS was not subject to any inappropriate scope or resource limitations.

Annual Assurance Statement for 2025/26

Assurance opinion on internal control

- 2.11 Based on the internal audit work undertaken at the Council in 2025/26, SIAS can provide the following opinion on the adequacy and effectiveness of the Council's control environment.



Assurance opinion on Corporate Governance and Risk Management

- 2.12 SIAS has concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice guidance on corporate governance. This conclusion is based on the work undertaken by the Council and reported in its draft Annual Governance Statement for 2025/26. Although no specific reviews of corporate governance or risk management were carried out by SIAS during the year, risk management arrangements are considered during annual audit planning and delivery of individual assignments.

Chris Wood
Chief Audit Executive (HCC Head of Assurance)
May 2026

3. Overview of Internal Audit Activity at the Council in 2025/26

- 3.1 This section summarises work undertaken at the Council by SIAS in 2025/26. It highlights any significant internal control matters and opportunities for improvement.
- 3.2 Appendix A shows the final position against the audit plan, assurance levels and the number of recommendations made. A summary of assurance levels and recommendation priorities is shown in the tables below (2024/25 data in brackets).

Assurance Level	Number of reports 2025/26 (2024/25 data in brackets)	Percentage of reports 2025/26 (2024/25 data in brackets)
Substantial	6 (0)	29% (0%)
Reasonable	8 (9)	37% (42%)
Limited	0 (2)	0% (10%)
No	0 (0)	0% (0%)
Not Assessed	3 (6)	14% (28%)
Unqualified	2 (2)	10% (10%)
Not Complete	2 (2)	10% (10%)
Total	21 (21)	100% (100%)

Recommendation Priority Level	Number of recommendations 2025/26 (2024/25 data in brackets)	Percentage of recommendations made 2025/26 (2024/25 data in brackets)
Critical	0 (0)	0 (0%)
High	1 (7)	1% (12%)
Medium	10 (28)	15% (47%)
Low / Advisory	56 (25)	84% (41%)
Total	67 (60)	100% (100%)

- 3.3 **The Reasonable overall assurance opinion** has been concluded from fourteen audits where assurance opinions were provided, of which six received Substantial Assurance, and eight received a Reasonable Assurance opinion. One of the reasonable assurance opinions relates to the Environmental Protection Audit, which is currently at draft report stage. This is not expected to change, and we have consequently included it within our overall assurance opinion. No audits resulted in a Limited Assurance opinion, which generally indicates that the Council has satisfactory systems of internal control operating across a wide range of areas. Across these audits, one high priority recommendation and ten

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

medium priority recommendations were raised. Whilst the issue identified through the high priority recommendation (see paragraphs 3.7 to 3.9) is significant, this matter in isolation is not sufficient to impact the overall annual assurance opinion for the Council.

- 3.4 There were three consultancy / advisory projects that provided consultancy advice on the planned control environment and had an assurance level of 'Not Assessed'. From these, there was one medium priority recommendation and nineteen advisory actions raised. Although these projects were not provided with an assurance opinion, the outcomes of the work nonetheless informed the overall assurance opinion for the Council.
- 3.5 Two further projects received Unqualified opinions and contributed to the overall assurance opinion. These were audits of charitable trust accounts run through the Council's bank accounts, both of which certified that the accompanying final accounts presented an accurate picture of the activities and transactions undertaken through the account and of the financial position at the end of the year.
- 3.6 Two audits (New Finance System - Accounts Payable and Homelessness and Temporary Accommodation) from 2024/25 which were not included in the overall assurance opinion for that year, have been included within the overall assurance opinion for 2025/26.

Critical and High Priority Recommendations

- 3.7 Members will be aware that a final audit report is issued when it has been agreed by management; this includes an agreement to implement the recommendations made. It is Internal Audit's responsibility to advise Members of progress on the implementation of critical and high priority recommendations; it is the responsibility of Officers to implement the recommendations by the agreed date.
- 3.8 One high priority recommendation was made within work carried out during 2025/26, arising from the Purchasing Cards audit. This was reported as implemented. Finance, Audit and Risk Committee Members have received copies of this final audit report and will continue to receive updates on the implementation progress of critical and high priority recommendations through the SIAS quarterly progress reports to the Committee.
- 3.9 The implementation status of the high priority recommendation against its original due date was reported as part of the SIAS Progress Update reports to the Finance, Audit and Risk (FAR) Committee during 2025/26. Management assurance to FAR Committee on implementation of the recommendation has contributed to the overall assurance opinion contained in this report.
- 3.10 The table below provides a summary of high priority recommendations not yet implemented at 31 March 2026:

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

Audit Title	Recommendation Description	Implementation status
Estates	Backlog of Rent Reviews	Largely Implemented
Business Continuity Planning	Limited evidence of IT disaster recovery procedures and outdated policies	Largely Implemented

- 3.11 A follow-up of high priority recommendations audit was conducted during 2025/26, providing an evidence-based review of the implementation status of these recommendations. The outcome was reported to the FAR Committee.

Assurance Mapping

- 3.12 Assurance mapping was completed in year based on the registered projects and risks in the Council Delivery Plan. It did not encompass all potential controls surrounding the projects and risks, rather the sources and levels of assurance and therefore should not be used as a comprehensive evaluation of all the Council's risk management activities. Assurance mapping entailed meetings with relevant directors listed as the owner for each project and risk, senior management working on the listed projects or managing the risks and the Council's Performance and Risk Officer who provided support and knowledge in each of the meetings.
- 3.13 Review of the assurance map for each project or risk within the scope of our work indicated that there is a largely sound framework of assurance activities with several sources of good assurance across the three lines model. This reflects Internal Audits professional judgement and should not relieve management of responsibility for ensuring effective controls exist and risk management processes exist. This map should therefore be viewed as a part of the wider risk management framework rather than as a standalone evaluation of risk.
- 3.14 One medium priority recommendation was raised as part of our assurance mapping work on projects that should be considered as part of the planning process for the 2026/27 Internal Audit Plan. This was duly implemented.

Root Cause Analysis

- 3.15 Within the Global Internal Audit Standards, standards 11.3 (Communicating results) and standard 14.3 (Evaluation of findings), reference has been made to working with management to identify and report root causes of audit findings and identify organisational themes where these may be present. This is on the basis that without root causes being identified there is a high likelihood that audit recommendations or management actions will be ineffective in addressing the issues identified.

- 3.16 During quarter 3 of 2024/25, SIAS commenced root cause identification into our methodology, and these are now routinely reported where it is possible to identify these. We meet the standards in relation to including root causes within our individual audit reports, which are shared with the FAR Committee. We provided limited analysis in 2024/25 and concluded that no themes were present within the period after root cause analysis had commenced.
- 3.17 In 2025/26, we have analysed all the root causes raised in our individual audit reports, to identify any themes arising, regardless of whether high, medium or low priority recommendations. The analysis highlights clear recurring themes in a small number of areas, primarily Resources, Process and Procedures, and Assurance and Monitoring (see Appendix C for a full list of applicable root causes).
- 3.18 The most consistent theme relates to resource constraints, with multiple audits identifying capacity limitations impacting services' ability to fully complete activities such as budget monitoring, KPI development, training delivery, and operational oversight, as well as contributing to issues such as shared purchasing cards (high priority) and service performance pressures (e.g. missed waste collections).
- 3.19 A second theme relates to Process and Procedures, where established processes are in place but not consistently followed in practice. This includes instances such as failure to verify contractor reports, inconsistent adherence to reporting requirements, and reliance on informal workarounds rather than defined procedures.
- 3.20 A further recurring theme is Assurance and Monitoring, where oversight arrangements were not always sufficiently robust or consistently applied. Examples include gaps in contractor monitoring, incomplete KPI reporting, and limited formal assurance over supplier or system performance.
- 3.21 Other categories, such as Governance, Systems, and Policies, were identified in individual cases but do not present as consistent trends across the body of work. It should be noted that some root causes overlapped categories used in our audit reports, and this will form part of our ongoing review of the methods which we use for root cause analysis.
- 3.22 Further work will be undertaken across the shared service in 2026/27 to further improve the processes for establishing organisational themes.

4. Performance of the Internal Audit Service in 2025/26

Performance indicators

- 4.1 The table below compares SIAS's performance at the Council against the 2025/26 targets set by the SIAS Board.

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

Indicator	Target 2025/26	Actual to 31 March 2026	Actual to 22 May 2026
1 SIAS Planned Days – percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	91% (231 / 255 days)	93% (239.5 / 258 days)
2 SIAS Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects by 31 st March 2026	90%	91% (19 / 21 audit projects)	91% (19 / 21 audit projects)
3 SIAS Planned Projects – percentage of actual completed projects to final report stage against planned completed projects by the production of the Annual Report	100%	52% (11 / 21 audit projects)	86% (18 / 21 audit projects)
4 Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	90%	100% (3 / 3 received from 21 issued)	100% (3 / 3 received from 21 issued)
5 Number of High and Critical Priority Audit Recommendations – agreed as a percentage	95%	100% (1 of 1 made)	100% (1 of 1 made)
6 Annual Plan – prepared in time to present to the March meeting of Audit Committee. If there is no March meeting, then the Plan should be prepared for the first meeting of the financial year.	Achieved	Achieved	Approved in March 2026
7 Head of Assurance's Annual Report – presented at the first Audit Committee meeting of the financial year.	Deadline Met	Achieved	The 2024/25 Annual Report was presented to the June 2025 FAR Committee

Service Developments

4.2 During 2025/26 the main service and development activities for SIAS included:

- a) **Recruitment** – Despite operating in a challenging recruitment market, SIAS have achieved some success in filling our vacancies. Two Trainee Auditors were recruited, one in June 2025 and one in September 2025.
- b) **Training & Development** – As a service, we continue to adopt our ‘grow your own strategy’ to provide the future talent for the Service and improve succession planning, in what remains a challenging recruitment market. We continue to support our team in progressing their professional qualifications, with nine members of the team actively studying towards the Institute of Internal Auditors Certified Internal Auditor qualification and one team member progressing a CIPFA accountancy qualification. In addition to the professional training above, the SIAS management team continued to deliver a programme of lite bite training sessions linked to modern professional practice.
- c) **Commercial Strategy** – In 2023/24 the SIAS Partnership Board agreed to plans for growing the service through new business, this was driven by the need to minimise inflationary pressures for existing partners. During 2025/26 SIAS continued to successfully deliver agreed external business targets, with more than 350 audit days provided to two audit partnerships (Eastern Internal Audit Services and Dartford and Sevenoaks) during 2025/26. A key principle within SIAS’s strategy is to ensure that growth is undertaken on an incremental basis to protect both the capacity and capabilities of SIAS to deliver our core assurance services to SIAS partners. This was achieved during 2025/26 with key performance indicators for SIAS partners being met. In respect of governance, clear delegation structures continue to be in place in relation to decision making for assessing new opportunities and a suite of key performance indicators have been agreed which are reported to the SIAS Partnership Board on a quarterly basis to support oversight and challenge of delivery and rates of return.
- d) **Audit Practice** – as part of our continued work to adopt best practice from across the profession and to implement the new GIAS, our audit plans for 2025/26 included time allocations for work to update key documents or processes to align with the new GIAS. We also progressed other development activities to further enhance our approach, such as the development of a new audit report template and the introduction of root cause analysis into the audit process.

5. Internal Audit Charter 2026/27

- 5.1 The GIAS require a local authority to formally adopt an Audit Charter which covers the authority and responsibility for an internal audit function.
- 5.2 The Internal Audit Charter sets out the framework within which it discharges its internal audit responsibilities to those charged with governance in the partner councils. It details the permanent arrangements for internal audit and key governance roles and responsibilities to ensure the effectiveness of internal audit provision.
- 5.3 The Internal Audit Charter is reviewed annually. Amendments were made in May 2024 to align the Internal Audit Charter with the GIAS (UK Public Sector). The review in May 2026 resulted in amendments and the 2026/27 Charter is attached at Appendix D.

APPENDIX A – FINAL POSITION AGAINST THE 2025/26 INTERNAL AUDIT PLAN

North Herts Council Audit Plan – 2025/26

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT DAYS DELIVERED	STATUS/COMMENT
		C	H	M	LA		
General Audits							
Anderson House		0	0	0	0	3.5	In Fieldwork
Churchgate Project Assurance	Substantial	0	0	0	1	15	Final Report Issued*
Environmental Protection – Statutory Nuisance	Reasonable	0	0	3	1	9.5	Draft Report Issued
EV Charging		0	0	0	0	1.5	In Planning
Leisure Centre Decarbonisation Project (Salix Grant)	Reasonable	0	0	0	7	15	Final Report Issued
LGA Corporate Peer Challenge Action Plan	Reasonable	0	0	1	2	12	Final Report Issued
Local Authorities as Charity Trustees	Reasonable	0	0	1	3	10	Final Report Issued
New Finance System	Reasonable	0	0	0	1	10	Final Report Issued*
Procurement Act 2023	Substantial	0	0	0	2	10	Final Report Issued*
Purchasing Cards	Reasonable	0	1	1	1	8	Final Report Issued
UK Shared Prosperity Fund (UKSPF)	Substantial	0	0	0	7	12	Final Report Issued
Waste and Recycling Service Changes	Reasonable	0	0	3	5	10	Final Report Issued*
Grant Claims / Charity Certifications							

APPENDIX A – FINAL POSITION AGAINST THE 2025/26 INTERNAL AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT DAYS DELIVERED	STATUS/COMMENT
		C	H	M	LA		
King George V Playing Fields	Unqualified	0	0	0	0	2	Final Report Issued
Workman’s Hall	Unqualified	0	0	0	0	2	Final Report Issued
IT Audits							
Multi-Factor Authentication	Substantial	0	0	0	2	12	Final Report Issued*
Website Security and Maintenance	Substantial	0	0	0	2	10	Final Report Issued*
Follow Up							
Follow-up of High Priority Recommendations	Not Assessed	0	0	0	0	12	Final Report Issued
Advisory & Consultancy							
Assurance Mapping Updates and Revisit	Not Assessed	0	0	1	0	9	Final Report Issued
LGR Cyber Risk	Not Assessed	0	0	0	19	15	Final Report Issued*
Client Management – Strategic Support							
Chief Audit Executive Annual Opinion Report	-					3	Complete
Audit Committee	-					8	Complete
Audit Planning 2026/27	-					8	Complete

APPENDIX A – FINAL POSITION AGAINST THE 2025/26 INTERNAL AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT DAYS DELIVERED	STATUS/COMMENT
		C	H	M	LA		
Client Liaison	-					6	Complete
Performance Monitoring	-					8	Complete
SIAS Development	-					5	Complete
2024/25 Carry Forward Projects							
Homelessness & Temporary Accommodation	Substantial	0	0	0	3	16	Final Report Issued
Accounts Payable	Reasonable	0	0	3	1	4	Final Report Issued
Projects Requiring Completion from 2024-25	Not Assessed	0	0	0	0	1	
Contingency							
Contingency		0	0	0	0	2	
Total		0	1	10	56	239.5	

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* At Draft Report stage on 31 March 2026, Final Report issued after year end.

** Draft Report issued after year end










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

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

APPENDIX B – DEFINITIONS OF ASSURANCE AND RECOMMENDATION PRIORITY LEVELS 2025/26

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

APPENDIX C – DEFINITIONS OF ROOT CAUSE ANALYSIS 2025/26

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

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APPENDIX D – POSITION AGAINST GLOBAL INTERNAL AUDIT STANDARDS AT MAY 2026 – ACTION PLAN

During 2025/26 all areas apart from those identified below were conforming.

Domain	Standard	Requirement (Summary or relevant extract)	Self-Assessment Outcome	Commentary	Action Proposed	Target Date
II	Principle 2 – Maintain Objectivity	If objectivity is impaired in fact or appearance, the details of the impairment must be disclosed promptly to the appropriate parties.	Partial Conformance - SIAS does not currently formally record any impairments that may exist for audits being conducted.	Whilst the SIAS Audit Working Paper (AWP) includes evaluations related to conflicts of interest (audit or audit supervisor), this has not been extended to record any potential impairments that may exist in relation to the delivery of the audit and how these have been mitigated.	The SIAS AWP will be updated to include a specific statement on any impairments that may exist in relation to the audit being progressed and how these have been managed.	30 June 2026
Page 64	Standard 11.3 - Communicating Results	The findings and conclusions of multiple engagements, when viewed holistically, may reveal patterns or trends, such as root causes. When the chief audit executive identifies themes related to the organisation's governance, risk management, and control processes, the themes must be communicated timely, along with insights, advice, and/or conclusions, to the board and senior management.	Partial Conformance - root cause analysis has been embedded into audit methodologies and reporting but is currently limited to individual assignment level.	<p>SIAS introduced root cause analysis into the internal audit methodology at the start of 2025/26, with root causes now established for all audit findings where possible and these detailed within engagement reports.</p> <p>Whilst the intention is to use this information to provide insight on common organisational themes, we have identified the need to refine the current root cause definitions and systems to evaluate the relative risks associated with individual issues to allow any wider organisational analysis to be accurate and meaningful.</p>	Having worked with the current definitions for a year, SIAS will now review and refine the current categorisation of root causes and create appropriate systems to support analysis at a global level. In respect of the latter, we are keen to ensure that wider organisation analysis sufficiently recognises the differing levels of risk for issues identified, as opposed to just a numerical representation that may provide mis-leading results.	30 September 2026

APPENDIX D – POSITION AGAINST GLOBAL INTERNAL AUDIT STANDARDS AT MAY 2026 – ACTION PLAN

Domain	Standard	Requirement (Summary or relevant extract)	Self-Assessment Outcome	Commentary	Action Proposed	Target Date
V	Principle 13 Plan Engagements Effectively	UK Public Sector Application note - Auditors must also be aware of the importance of value for money, alongside other key considerations, when determining appropriate evaluation criteria under GIAS 13.4 (Evaluation Criteria).	Partial Conformance - whilst value for money is considered, the approach supporting this requires more formality.	Whilst Auditors and Client Audit Managers will work together during the planning and progression of audits to consider value for money, the current approach is not formally documented as a methodology. This therefore reduces transparency in the approach followed when determining evaluation criteria and coverage.	A formal methodology to demonstrate how SIAS consider value for money within relevant audits will be created for inclusion in the SIAS Audit Manual. An additional section will also be added to the Audit Checklist with the template SIAS Audit Working Paper to indicate any specific value for money considerations relevant to the particular audit.	30 September 2026
65	Principle 5 – Maintain Confidentiality	Internal auditors must understand and abide by the laws, regulations, policies, and procedures related to confidentiality, information privacy, and information security that apply to the organisation and internal audit function.	General Conformance - a more formalised system for managing systems access to client systems would improve evidence of compliance.	In a limited number of instances Auditors may be provided with access to key information systems, or client networks (outside of HCC) where this may allow an audit to be undertaken more efficiently or to protect objectivity and independence of testing. Whilst a request to remove system access will be submitted at the end of the audit assignment, systems could be improved through the introduction of a control record to allow monitoring that this has happened in a timely manner.	SIAS to create a formal log of all access requests granted to client systems, the member of staff holding the access and the date such access has been ended. This will be periodically monitored by the Head of SIAS to ensure access is end-dated promptly upon completion of related audits.	31 July 2026

APPENDIX D – POSITION AGAINST GLOBAL INTERNAL AUDIT STANDARDS AT MAY 2026 – ACTION PLAN

Domain	Standard	Requirement (Summary or relevant extract)	Self-Assessment Outcome	Commentary	Action Proposed	Target Date
II	Principle 3 – Demonstrate Competency	Internal auditors must possess or obtain the competencies to perform their responsibilities successfully. The required competencies include the knowledge, skills, and abilities suitable for one’s job position and responsibilities commensurate with their level of experience.	General Conformance - reviews of audit competencies are currently completed as part of development discussions and plans, as opposed to a formal assessment.	A key element of the SIAS strategy is to follow a grow your own strategy, therefore developing staff is a fundamental part of this objective. Whilst line managers work with each team member to review and develop their skills and knowledge, including through development plans, this is not currently supported by a specific periodic skills and competencies analysis.	As part of future annual performance and development meetings, team members will be asked to self-assess their knowledge, skills and competencies against an evaluation framework (using matrices from professional bodies) to support identification of areas for development or training needs.	30 September 2026 and annually in March from 2028.
Page 66 V	Various	SIAS to maintain an Audit Manual that provides requirements and guidance to staff on the internal audit service and methodologies related to delivering assurance work.	General Conformance - further adjustments are required to add further detail to some elements of the manual.	The GIAS reference key requirements in relation to the structure, approach and documentation of the audit function and process. Whilst we are satisfied that the service has an audit manual which provides a clear structure for staff, we have identified areas where further detail could be provided to further explain how SIAS meets some elements of the GIAS or Public Sector Application notes in practice. This will provide improved clarity to our junior staff who have limited involvement in these areas based on their role and improve business continuity in times of key staff absence.	The SIAS manual is currently being reviewed, with this due to be completed during quarter two.	31 August 2026

APPENDIX D – POSITION AGAINST GLOBAL INTERNAL AUDIT STANDARDS AT MAY 2026 – ACTION PLAN

Domain	Standard	Requirement (Summary or relevant extract)	Self-Assessment Outcome	Commentary	Action Proposed	Target Date
V	Standard 15.1 Final Engagement Communication	<p>If the engagement is not conducted in conformance with the Standards, the final engagement communication must disclose the following details about the non-conformance:</p> <ul style="list-style-type: none"> • Standard(s) with which conformance was not achieved. • Reason(s) for non-conformance. • Impact of nonconformance on the engagement findings and conclusions 	<p>General Conformance - an opportunity exists to include a standing statement within audit reports to confirm that standards have been followed.</p>	<p>No instances have been encountered to date where we have been unable to conform with the standards in relation to the delivery of specific audit engagements. In the event of any such instances occurring our resulting audit report would include required statements.</p> <p>However, consideration could be given to introducing a dedicated section within our report template to specifically state that audits conformed with the GIAS, or specific reasons and potential impacts where this was not the case. This would further strengthen consistency, visibility, and alignment with the Standard's disclosure requirements.</p>	<p>The SIAS report template will be updated to include a specific statement on whether the audit was conducted in line with the GIAS, or any areas of non-conformance and related impacts in the exceptional instances where this may arise.</p>	31 July 2026.



Internal Audit Charter 2026/2027

1. Introduction and Purpose

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

2. Statutory Basis of Internal Audit

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

3. Role

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

- 3.2. SIAS may undertake additional consultancy activity requested by management. The Head of Assurance will determine such activity on a case-by-case basis, assessing the skills and resources available. Significant additional consultancy activity not already included in the Internal Audit Plan will only be accepted and carried out following consultation with the Finance, Audit and Risk Committee.
4. Professionalism
- 4.1. Internal Audit operates in accordance with the Global Internal Audit Standards, the Application Note in the UK Public Sector and the CIPFA Code of Practice for the governance of Internal Audit in UK Local Government and supports the Authority in upholding high standards of governance, including the Seven Principles of Public Life. SIAS commits to adhering to the Global Internal Audit Standards. The GIAS sets out the fundamental requirements for the professional practice of internal auditing and include the Purpose of Internal Auditing, Ethics & Professionalism, Governing the Internal Audit Function, Managing the Internal Audit Function and Performing Internal Audit Services.
- 4.2. SIAS also recognises the Mission of Internal Audit as identified within the IPPF, 'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight' and the Core Principles for the Professional Practice of Internal Auditing, which demonstrate an effective internal audit function, achieving internal audit's mission.
- 4.3. SIAS operations are guided by its operating procedures manual as well as applicable, Chartered Institute of Internal Auditors (CIIA) and Chartered Institute of Public Finance and Accountancy (CIPFA) Position Papers, Practice Advisories and Guides, and relevant council policies and procedures, including compliance with the Bribery Act 2010.
- 4.4. Should non-conformance with the GIAS be identified, the Head of Assurance will investigate and disclose, in advance, if possible, the exact nature of the non-conformance, the reasons for it and, if applicable, its impact on a specific engagement or engagement outcome.
- 4.5. If non-compliance with the GIAS relates to the board or senior management deciding not to meet required conditions, and the Head of Assurance disagrees with the related reasons, the Head of Assurance will assess whether to conclude that the internal audit function cannot comply with the Standards. In such instances the reasons will be documented, shared with the board and senior management for clarity, and made them available to the external quality assessor.
5. Authority and Confidentiality
- 5.1. Internal auditors are authorised full, free, and unrestricted access to all a client's records, physical property, and personnel as necessary to fulfil the internal audit mandate. All client employees are requested to assist SIAS in fulfilling its roles and responsibilities. Information obtained during an engagement is safeguarded and confidentiality respected in accordance with the Council's GDPR and information security policies.

5.2. Internal auditors will only use information obtained to complete an engagement. It will not be used in a manner that would be contrary to the law, for personal gain, or detrimental to the legitimate and ethical objectives of the client organisation(s). Internal auditors will disclose all material facts known, which if not disclosed could distort a report or conceal unlawful practice.

6. Organisation

6.1. The Head of Assurance Services and their representatives have free and unrestricted direct access to the S151 Officer; the Monitoring Officer; Senior Leadership Team, the Chief Executive; the Finance, Assurance and Risk Committee Chair; the Leader of the Council and the Council's External Auditor. The Head of Assurance will communicate with all the above parties at both committee meetings and between meetings as appropriate.

6.2. The Chair of the Finance, Audit and Risk Committee have free and unrestricted direct access to the Head of Assurance.

6.3. The Head of Assurance is line managed by the Director of Law and Governance at the host authority. They approve all decisions regarding the performance evaluation, appointment, or removal of the Chief Audit Executive. This is done in consultation with the Deputy Chief Executive and Section 151 Officer, as well as the SIAS Board. Decisions regarding the performance review, and the appointment/removal of the Head of Assurance will be made following appropriate consultation with Member representatives from each of the relevant partner audit committees.

7. Stakeholders

The following groups are defined as stakeholders of SIAS:

- 7.1. The Head of Assurance, working with the Head of SIAS, are both suitably experienced and qualified (CCAB and / or CMIIA), is responsible for:
- hiring, remunerating, appraising, and developing SIAS staff in accordance with the host authority's HR guidance
 - maintaining up-to-date job descriptions which reflect the roles, responsibilities, skills, qualifications, and attributes required of SIAS staff
 - ensuring that SIAS staff possess or obtain the skills, knowledge, and competencies (including ethical practice) needed to effectively perform SIAS engagements
 - seeking approval from the SIAS Board for the level of human resources and finance required for SIAS to deliver services in accordance with its mandate
- 7.2. The Finance, Audit and Risk Committee is responsible for overseeing the effectiveness of SIAS and holding the Head of Assurance to account for delivery. This is achieved through the approval of the annual audit plan, approval of performance targets set by the SIAS Board and receipt of regular reports. The Committee should champion the internal audit function to enable it to fulfil the purpose of internal auditing and pursue its strategy and objectives.

APPENDIX E – INTERNAL AUDIT CHARTER 2026/27

- 7.3. The Finance, Audit and Risk Committee is also responsible for the effectiveness of the governance, risk, and control environment within the Council, holding operational managers to account for its delivery.
- 7.4. Where stated in its Terms of Reference, the Finance, Audit and Risk Committee provide an annual report to the Council detailing the Committee's activities through the year. In addition, and as required, the Committee ensures that there is appropriate communication of, and involvement in, internal audit matters from the wider publicly elected Member body.
- 7.5. The Head of Assurance is responsible for ensuring that the outcome of all final Internal Audit reports is reported to all members of the Finance, Audit and Risk Committee in a format agreed with these relevant parties.
- 7.6. Senior Management, defined as the Head of Paid Service, Chief Officers, and their direct reports, are responsible for helping shape the programme of assurance work. This is achieved through analysis and review of key risks to achieving the Council's objectives and priorities. Senior Management should also support recognition of the internal audit function throughout the organisation, and in providing full, free, and unrestricted access to all a client's records, physical property, and personnel as necessary to fulfil the internal audit mandate.
- 7.7. The SIAS Board is the governance group charged with monitoring and reviewing the overall operation of SIAS, with SIAS reporting key information to the Finance, Audit and Risk Committee within progress and annual reports, including:
- resourcing and financial performance
 - operational effectiveness through the monitoring performance indicators
 - any restrictions on internal audit scope, access, authority, or resources limiting the ability to carry out its responsibilities effectively.
 - the overall strategic direction of the shared service.
8. Independence and Objectivity
- 8.1. No element in the organisation should interfere with audit selection, scope, procedures, frequency, timing, or report content. This is necessary to ensure that internal audit maintains the necessary level of independence and objectivity.
- 8.2. As well as being impartial and unbiased, internal auditors will have no direct operational responsibility or authority over any activity audited. They will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that might impair their judgment.
- 8.3. When asked to undertake any additional roles/responsibilities outside internal auditing, the Head of Assurance will highlight to the Finance, Audit and Risk Committee any potential or perceived impairment to independence and objectivity having regard to the principles contained within the GIAS Code of Ethics as well as any relevant requirements set out in other professional bodies to which the Head of Assurance may belong. The Finance, Audit and Risk Committee will approve and periodically review any safeguards put in place to limit any impairments to independence and objectivity.
- 8.4. Where SIAS has been required to provide assurance to other partnership organisations, or arm's length bodies such as trading companies, the Head of

Assurance will ensure that the risks of doing so are managed effectively, having regard to the Head of SIAS's primary responsibility to the management of the partners for which they are engaged to provide internal audit services.

- 8.5. The Head of Assurance will confirm to the Finance, Audit and Risk Committee, at least annually, the organisational independence of SIAS.

9. Conflicts of Interest

- 9.1. Internal auditors will exhibit clear professional objectivity when gathering, evaluating, and communicating engagement information. When forming judgments, they will make a balanced assessment of all relevant circumstances and not be influenced by their own interests or the views and interests of others.

- 9.2. Each auditor will comply with the ethical requirements of his/her professional body and proactively declare any potential conflict of interest, whether actual or apparent, prior to the start of an engagement.

- 9.3. All auditors sign an annual declaration of interest to ensure that the allocation of work avoids conflict of interest. Auditors who undertake consultancy work or are new to the team will be prohibited from auditing in those areas where they have worked in the past year. Audits are rotated within the team to avoid over-familiarity and complacency.

- 9.4. SIAS procures an arrangement with an external delivery partner to provide service resilience, i.e., additional internal audit days on request. The external delivery partner will be used to deliver engagements as directed by the Head of Assurance in particular providing advice and assistance where SIAS staff lack the required skills or knowledge. The external delivery partner will also be used to assist with management of potential and actual conflicts of interest in internal audit engagements, providing appropriate independence and objectivity as required.

- 9.5. In the event of a real or apparent impairment of independence or objectivity, (acceptance of gifts, hospitality, inducements, or other benefits) the Head of Assurance will investigate and report on the matter to appropriate parties.

- 9.6. Hertfordshire County Council's Head of Assurance not only leads and has overall management responsibility for SIAS, but also the similarly constituted Shared Anti-Fraud Service (SAFS), Risk Management, Insurance and Health and Safety.

- 9.7. Given that SIAS will potentially undertake internal audit activity in relation to SAFS and Health and Safety in a North Herts Council context, this relationship is formally disclosed, and appropriate safeguards will be put in place against any potential impairment to independence. In respect of primary safeguards, SIAS may allocate any audits of these functions to the SIAS co-sourced internal audit partner to perform, with the Head of SIAS reviewing terms of references and draft reports in line with normal practice. Outcomes and reports related to such reviews will be issued directly to the relevant Director, and Director - Resources in their capacity as S151 Officer and Audit Champion for the Council.

10. Responsibility and Scope

- 10.1. The scope of SIAS encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes (as they relate to the organisation's priorities and objectives) and the promotion of appropriate ethics and values.
- 10.2. Internal control and risk management objectives considered by internal audit extend to the organisation's entire control and risk management environment and include:
 - consistency of operations or programs with established objectives and goals, and effective performance
 - effectiveness and efficiency of governance, operations, and employment of resources
 - compliance with significant policies, plans, procedures, laws, and regulations
 - design, reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information
 - safeguarding of assets
- 10.3. SIAS is well placed to provide advice and support on emerging risks and controls and will, if requested, deliver consulting and advisory services, or evaluate specific operations.
- 10.4. SIAS is responsible for reporting to the Finance, Audit and Risk Committee and senior management, significant risk exposures (including those to fraud addressed in conjunction with the SAFS), control and governance issues and other matters that emerge from an engagement.
- 10.5. Engagements are allocated to (an) internal auditor(s) with the appropriate skills, experience, and competence. The auditor is then responsible for carrying out the work in accordance with the SIAS Operating Procedures Manual, and must consider the relevant elements of internal control, the needs and expectations of clients, the extent of work required to meet the engagement's objectives, its cost effectiveness, and the probability of significant error or non-compliance.
11. Role in Anti-Fraud
 - 11.1. The SIAS work programme, designed in consultation with Senior Management, the Finance, Audit and Risk Committee and seeks to provide assurance on how the council manages the fraud risks to which it is exposed.
 - 11.2. SIAS must have sufficient knowledge to evaluate the risk of fraud and the way it is managed by the Council but are not expected to have the expertise of a person or team whose primary responsibility is detecting and investigating fraud.
 - 11.3. SIAS will exercise due professional care by considering the probability of significant errors, fraud, or non-compliance when developing audit scopes and objectives.
 - 11.4. North Herts Council is a partner of both SIAS and SAFS and benefits from collaboration and intelligence sharing between the teams. This informs both horizon scanning as part of the internal audit planning process and individual audit engagements.

- 11.5. The Head of Assurance should be notified of all suspected or detected fraud, corruption, or impropriety so that the impact upon control arrangements can be evaluated.
12. Internal Audit Plan
- 12.1. Following discussion with appropriate senior management, the Head of Assurance will submit a risk-based plan to the Finance, Audit and Risk Committee for review and approval. This will occur at least annually. The plan sets out the engagements agreed by Directors and subsequently the Section 151 Officer, and Senior Leadership Team collectively led by the Chief Executive and demonstrates the priorities of both SIAS (the need to produce an annual internal audit opinion) and those of the organisation. Also included will be any relevant declarations of interest.
- 12.2. The plan will be accompanied by details of the risk assessment approach used and other assurance considered during the planning process. Also shown will be the timing of an engagement, its budget in days, details of any contingency for new or changed risks, time for planning and reporting and a contribution to the development of SIAS.
- 12.3. The plan will be subject to regular review in year and may be modified in response to changes in the organisation's business, risks, operations, programmes, systems, and controls. All significant changes to the approved internal audit plan will be communicated in the quarterly update reports.
13. Reporting and Monitoring
- 13.1. A draft written Terms of Reference will be prepared and issued to appropriate personnel at the start of an engagement. It will cover the intended objectives, scope and reporting mechanism and will be agreed with the client. Changes to the terms of reference during the engagement may occur and will be agreed following consultation with the client.
- 13.2. A report will be issued to management on completion of an engagement. It will include a reasoned opinion, details of the time and scope within which it was prepared, management's responses to specific risk prioritised findings and recommendations made and a timescale within which corrective action will be / has been taken. If recommended action is not to be taken, an explanation for this will also be included.
- 13.3. In the event of material objectivity, potential impairments or scope limitations being identified during the audit planning, scoping or audit fieldwork stages, these will be formally reported within the related terms of reference or audit report, and where relevant communicated to the Board within the next available progress report.
- 13.4. SIAS will follow-up the implementation of agreed recommendations in line with the protocol at each client. As appropriate, the outcomes of this work will be reported to the audit committee and may be used to inform the risk-based planning of future audit work. Should follow-up activity identify any significant error or omission, this will be communicated by the Head of Assurance to all relevant parties.
- 13.5. In consultation with senior management, the Head of Assurance will consider, on a risk-basis, any request made by external stakeholders for sight of an internal audit report.

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

14. Periodic Assessment

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

14.2. Hertfordshire County Council’s Head of Assurance will ensure that continuous efforts are made to improve the efficiency, effectiveness, and quality of SIAS. These will include the Quality Assurance and Improvement Programme, client feedback, appraisals, and shared learning with the external audit partner as well as coaching, supervision, and documented review.

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

15. Review of the Audit Charter

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

15.2. The Head of Assurance reviewed this Internal Audit Charter in May 2026. It will next be reviewed in April 2027.

Glossary of Terms

<p>Audit Committee</p>	<p>The GIAS defines the Audit Committee as “The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.”</p> <p>The Finance, Audit and Risk Committee operate in accordance with its terms of reference contained in North Herts Council’s Constitution.</p>
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	<p>CIPFA's <i>Audit Committees Practical Guidance for Local Authorities and Police 2022 Edition</i> indicates that for a local authority, it is best practice for the audit committee to report directly to full council rather than to another committee, as the council itself most closely matches the body of 'those charged with governance'. This is the case at NHC.</p>
Audit Plan	<p>The programme of risk-based work carried out by the Shared Internal Audit Service (SIAS) on behalf of its clients.</p>
Board	<p>The GIAS defines the 'Board' as "The highest-level governing body (e.g., a board of directors, a supervisory board, or a board of governors or trustees) charged with the responsibility to direct and/or oversee the organisation's activities and hold senior management accountable. Although governance arrangements vary among jurisdictions and sectors, typically the board includes members who are not part of management. If a board does not exist, the word "board" in the Standards refers to a group or person charged with governance of the organisation. Furthermore, "board" in the Standards may refer to a committee or another body to which the governing body has delegated certain functions (e.g., an Audit Committee).</p> <p>For the purposes of the SIAS Audit Charter, the Board as referred to in the GIAS shall be North Herts Council's Finance, Audit and Risk Committee. All references to the Audit Committee in the Internal Audit Charter should be read in this context.</p>
Chief Audit Executive (CAE)	<p>The GIAS describes the role of CAE as "a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the mandatory elements of the International Professional Practices Framework. The CAE or others reporting to the CAE will have appropriate professional certifications and qualifications. The specific job title and/or responsibilities of the CAE may vary across organisations."</p> <p>The CAE is fundamental to the success of the service and to the extent to which it complies with the Standards. Regular reference is made to this role throughout the GIAS, including some specific</p>

APPENDIX E – INTERNAL AUDIT CHARTER 2026/27

	<p>requirements relating to whoever is designated the role.</p> <p>For the purposes of the SIAS Audit Charter, the CAE as referred to in the GIAS shall be NHC's-Client Audit Manager. All references to the Client Audit Manager in the Internal Audit Charter should be read in this context.</p>
Global Internal Audit Standards	<p>The Standards guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function. At the heart of the Standards are 15 guiding principles that enable effective internal auditing.</p>
Management	<p>Operational officers of the Council responsible for creating corporate policy and organising, planning, controlling, and directing resources to achieve the objectives of that policy. Senior management is defined as the Head of Paid Service, Chief Officers, and their direct reports.</p>
Shared Internal Audit Service (SIAS)	<p>SIAS is a local authority partnership comprising Hertfordshire County Council (HCC) and seven Hertfordshire district and borough councils. SIAS also provides internal audit services to a limited number of external clients. HCC is the host authority for the partnership and provides support services such as HR, technology, and accommodation.</p>
SIAS Board	<p>The Board that comprises officer representatives from the partner authorities and is responsible for the governance of the SIAS partnership.</p>

Note:

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

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**FINANCE, AUDIT AND RISK COMMITTEE
WEDNESDAY, 10 JUNE 2026**

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: DRAFT ANNUAL GOVERNANCE STATEMENT 2025/26 AND ACTION PLAN FOR 2026/27

REPORT OF: POLICY & COMMUNITY MANAGER

EXECUTIVE MEMBER: [NON-EXECUTIVE FUNCTION]

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

1. EXECUTIVE SUMMARY
1.1 For the Finance, Audit & Risk Committee to review the draft Annual Governance Statement (AGS) for the year 2025/26. The Statement reviews the Council's governance arrangements for the 2025/26 period. It also includes a proposed Action Plan to update/improve those arrangements for the next financial year (2026/27).
2. RECOMMENDATIONS
2.1. That the Committee is recommended to review and comment on the draft Annual Governance Statement and Action Plan at Appendix A.
3. REASONS FOR RECOMMENDATIONS
3.1 The Annual Governance Statement (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. The Council is required to publish a draft AGS alongside publishing its draft Statement of Accounts, which it needs to do by the end of June.
3.2 The Committee is the legal body with responsibility for approval of the AGS.
3.3 Reporting the draft AGS and Action Plan at this stage provides an opportunity for the Committee to assess and comment on the draft, before it is finalised and brought back for approval.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1. There are no alternative options to be considered.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. A copy of the draft AGS has been sent to the Shared Internal Audit Service (SIAS), the Shared Anti-Fraud Service (SAFS), and the external auditors, KPMG. Comments have been received by all three and suggestions incorporated.
- 5.2. The draft version of the AGS is attached as Appendix A.

6. FORWARD PLAN

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

7. BACKGROUND

- 7.1 The Local Audit and Accountability Act 2014 ('LAAA 2014') and the Accounts and Audit Regulations 2015/234 ('AAR 2015' made under the LAAA 2014) place a requirement on NHDC, as a relevant authority, to conduct an annual review of the effectiveness of the system of internal controls and prepare an AGS.
- 7.2 This must be considered by Members of this Committee and the AGS approved under Regulation 6(4)(a) AAR 2015 in advance of the relevant authority approving the Statement of Accounts (in accordance with Regulation 9(2)(b)). The review should be undertaken as against the relevant CIPFA/ SOLACE Framework, which is the *Delivering good governance in Local Government Framework 2016 Edition* and any CIPFA/ SOLACE guidance¹.
- 7.3 CIPFA and SOLACE published an Addendum on the guidance for the framework in May 2025. The aims of the Addendum are to support good governance in the sector, reflect the changes affecting governance in local government bodies since 2016, encourage robust reviews of governance arrangements and improve accountability to stakeholders, including local communities. In line with this guidance, the addendum was considered and fully embedded when compiling the AGS for 2025/26 as set out in the Local Code of Corporate Governance for 2026, which was agreed at this committee in March 2026.
- 7.4 The draft AGS has been prepared following an in-depth review and scoring of arrangements, overseen by the Leadership Team against the Framework 2016 Principles (in accordance with the guidance²) and addendum. The review identifies details of systems and examples that meet the 2016 Principles and demonstrate how the council's governance arrangements work in practice. It scores 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.

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

² As above (*ibid*)

- No: Control is weak, leaving the system open to material error or abuse.

7.5 In terms of format of the AGS, CIPFA indicate that the AGS should be a '*meaningful but brief communication*'; there is no requirement to repeat all the arrangements that have been comprehensively assessed. Nevertheless, the AGS should draw out a few key areas with reference to the 2016 Principles, identify any actions and include an overall conclusion on the arrangements. The Council's core governance arrangements are laid out in the Local Code.

7.6 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 2025/26 AGS with the Statement of Accounts (as it has in previous years).

7.7 Our most recent [update on the 2025/26 AGS Action Plan](#) was presented to FAR committee in February 2026. This highlights the actions we have taken to improve our governance arrangements in this period.

7.8 The proposed Action Plan for 2026/27 is included at the end of the AGS document to update/improve those arrangements for the next financial year (2026/27).

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 review, external bodies review and presentation at the Finance and Audit committee, both at draft stage and then final approval stage. It highlights areas where governance can be further improved or further reinforced.

8.2. The AGS for 2025/26 is attached at Appendix A for review and comment by the committee.

8.3. The Council will publish the approved 2025/26 AGS alongside the Statement of Accounts as it has in previous years. The draft AGS will also be published alongside the draft Statement of Accounts. 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 publication of unaudited accounts is 30th June 2026 whilst the statutory audit backstop date for the publication of the 2025/26 Statement of Accounts is 31st January 2027. The 2025/26 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.

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

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

10. FINANCIAL IMPLICATIONS

- 10.1 The final 2025-26 AGS will ultimately accompany the final 2025-26 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 publishes it on the website.

13. SOCIAL VALUE IMPLICATIONS

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

14. ENVIRONMENTAL IMPLICATIONS

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

15. HUMAN RESOURCE IMPLICATIONS

15.1 The Organisational Values and Behaviours, Employee Handbook and policies provide further guidance on the standards we expect from our staff. The Human Resources team will support the relevant actions within the Action Plan for 2026/27.

16. APPENDICES

16.1 Appendix A – Annual Governance Statement for 2025/26.

17. CONTACT OFFICERS

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Ellie Hollingsworth	Policy & Strategy Officer	ellie.hollingsworth@north-herts.gov.uk

18. Contributors

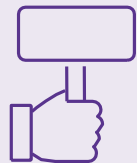
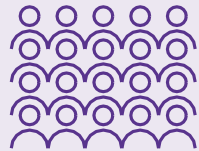
Georgina Chapman, Policy & Strategy Team Leader, Georgina.chapman@north-herts.gov.uk

19. BACKGROUND PAPERS

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

19.2 [Local Code of Corporate Governance 2026](#)

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**North
Herts**
Council

Annual Governance Statement

2025/26

www.north-herts.gov.uk

Executive Summary

North Hertfordshire District Council (NHC) 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.

NHC 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, NHC should have proper arrangements for the governance of its affairs in place. It is legally required to review arrangements and prepare an Annual Governance Statement ('AGS'). It should prepare this Statement in accordance with proper practices set out in the Chartered Institute of Public Finance and Accountancy (CIPFA)/the Society of Local Authority Chief Executives and Senior Managers (SOLACE) Delivering Good Governance in Local Government: Framework 2016. This year's Statement has also been prepared with reference to the Addendum approved by CIPFA in May 2025 for application to Annual Governance Statements from 2025/26 onwards.

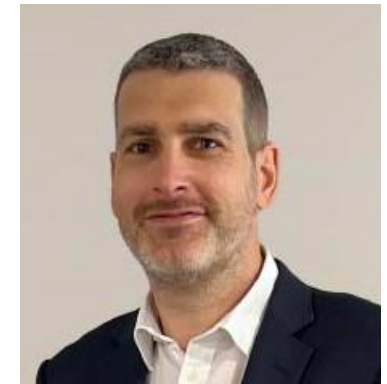
This AGS explains how NHC has complied with these requirements. The Finance, Audit & Risk (FAR) Committee Members have been informed of progress on producing this AGS and will review it and evaluate the robustness of the underlying assurance statements and evidence. FAR Committee approves the final AGS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

Drawing on the sources of assurance available, our review of effectiveness indicates that the council's core governance arrangements were fit for purpose during the 2025/26 period and are generally operating effectively and aiding the achievement of intended outcomes. The council remains committed to further strengthening its governance arrangements. Key areas identified which form part of our action plan for 2026/27 include ensuring reporting on the council's companies and on civil parking enforcement; completion of Regular Performance Reviews; ensuring effective 1:1s; cyber preparedness; and updating the fraud prevention policy.



V. A. Bryant

Cllr Val Bryant,
Leader of the Council



A J Roche

Anthony Roche,
Chief Executive

Delivering good governance

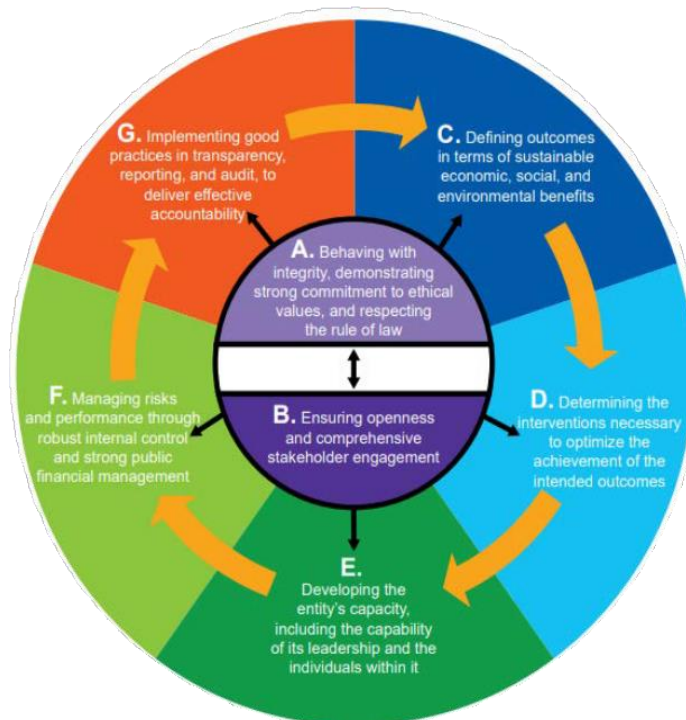
The Governance Framework comprises of systems, processes, culture and values, by which the authority is directed and controlled. It enables NHC to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for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

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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 NHC website.
- An established Shared Internal Audit Service (SIAS) that undertakes detailed reviews.
- An established Shared Anti-Fraud Service (SAFS) that is responsible for any proactive or reactive counter-fraud activity at the council.
- 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 Finance, Audit, and Risk (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 Directors (which includes all statutory officers).
- The Statutory Officers also meet quarterly.

How NHC complies with the 2016 Governance Framework:

NHC has approved and adopted:

- a [Local Code of Corporate Governance](#) in March 2026 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 NHC 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

2025/26 examples:

- In March 2026, the Overview and Scrutiny Committee endorsed the updated Councillor Learning and Development Protocol and resolved that the Committee would schedule an Annual Report on Councillor Training for future years. This is to ensure the Protocol is current, relevant, and includes clear reporting on the completion rate of compulsory Member Training, given recent concern about this. The Overview and Scrutiny Committee will be responsible for monitoring.
- The [Standards Matters Report of March 2026](#) highlighted how the council has strengthened its own arrangements in this area, including adoption of the Monitoring Officer Protocol in January 2026; Standards Committee approval of and recommendation to Full Council the adoption of Guidance to Councillors on Outside Bodies to ensure Councillors are equipped with knowledge regarding their liabilities based on the type of organisation to which they are appointed and the risks associated with these appointments; and keeping the complaints procedure under review to ensure consistency with the LGA Model Code and encourage proportional and informal resolution where appropriate.
- During the 2025 calendar year, 20 complaints against Members were received. This reflects a slight increase in complaints against Members compared to 2024 when there were 19

complaints received. This stands in comparison to 11 complaints in 2023, 30 in 2022, and 52 in 2021.

- A new Reserve Independent Person was recruited and trained in January 2026.
- In 2025/26, a new electronic mechanism was introduced for the annual declaration letter. It now forms a mandatory e-learning module. This has allowed for more efficient automatic reminders and made monitoring easier. In 2025/26 98% of staff completed their annual declaration letter, compared with 86% in 2024/25.
- The new anti-bribery module is planned for release in 2026/27 and completion rates will be reported following that.
- In 2023, A Corporate Peer Challenge focused on the role and performance of the scrutiny panels, Overview & Scrutiny (O&S) and Finance, Audit, and Risk, was conducted. An action plan was developed with each committee responsible for taking forward their action plan. O&S were advised at their September 2025 meeting that the action plan was complete and would therefore no longer be updated on as part of the meeting. The FAR Committee were advised in June 2025 that all the recommendations (except consideration of the role of the Committee in relation to finance reports) had been completed and in place on an ongoing basis where relevant. It was decided that the outstanding action would not be actioned.
- The 2025 [Gender Pay Gap Report](#) highlighted that the mean and median gender pay gap has reduced compared to previous years. The mean gender pay gap in 2025 was 12.2% compared to 14.6% in 2024 and 15.5% in 2023, while the median gender

pay gap in 2025 was 8% in 2025, compared to 13.1% in 2024 and 14% in 2023.

- The Gender Pay Gap Action Plan was reviewed and updated following analysis of the 2025 Gender Pay Gap data. 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. The Gender Pay Gap Subgroup (subgroup of the Inclusion Group) continues to meet to progress the action plan.
- The [North Herts Community Safety Action Plan](#) for 2025-26 was developed to address the strategic priorities in this area. The Strategic Priorities for 2025-26 were: Anti-social behaviour (including in open spaces, criminal damage, and environmental crime); Violence against women and girls (including stalking and harassment, and night-time economy safety); and Protecting vulnerable people (including scams and frauds, online safety, drug crime, and child safeguarding).
- The annual review of the Building Control company did not occur in 2025 due to resourcing issues. The latest review went to the Cabinet Subcommittee in November 2024. The next review will take place by the end of 2026, to enable the Subcommittee to fulfil its role as shareholder.
- No Section 5 Local Government & Housing Act 1998 reports have been issued by the Monitoring Officer during 2025/26 and no Section 114 Local Government Finance Act 1988 reports have been issued by the Chief Finance Officer (Section 151 officer) during 2025/26.

- The Financial Regulations underwent a full review by Full Council in January 2026. A [document](#) outlining all the proposed changes and the reasons for these was reviewed, and Full Council approved the adoption of the updated regulations.
- The [Shared Anti Fraud Service \(SAFS\) Anti-Fraud Report 2024/25](#) was presented to FAR Committee in September 2025. The report stated that during 2024/25 there had been 113 'referrals' (allegations) of fraud affecting council services. It was reported that this was very similar to the previous year where there were 117 referrals, but higher compared to pre-pandemic levels. The main type of fraud being reported in the 2024/25 period was related to housing benefit and council tax, with this accounting for 78 referrals.

- At the March 2026 FAR meeting SAFS presented the proposed [Anti-Fraud Plan for 2026/27](#). The Committee approved this.

Annual Assurance Statement for 2025/26

- Assurance opinion on internal control: Based on the internal audit work undertaken at the Council in 2025/26, SIAS can provide the following opinion on the adequacy and effectiveness of the Council's control environment.

OVERALL
ASSURANCE
OPINION

Our overall opinion is Reasonable Assurance; meaning there is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

- Assurance opinion on Corporate Governance and Risk Management: SIAS has concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice guidance on corporate governance. This conclusion is based on the work

undertaken by the Council and reported in its draft Annual Governance Statement for 2025/26. Although no specific reviews of corporate governance or risk management were carried out by SIAS during the year, risk management arrangements are considered during annual audit planning and delivery of individual assignments.

- In providing the above annual assurance opinion, it is important to recognise that this is based on the evidence and explanations provided by management for the areas selected for review during 2025/26 and is limited to the systems in place at the time of completing the respective audit reviews. As such the opinion is not intended to be a comprehensive statement of all weaknesses that may exist, or of all the improvements that may be required across all Council systems and processes. It is the responsibility of management and officers to maintain and apply robust and effective governance, risk management and control frameworks in practice, and in instances where such arrangements are not maintained the likelihood and risk of the non-achievement of core objectives would increase accordingly.
- In respect of the progress of management in implementing high priority internal audit recommendations, two remained outstanding at the end of 2025/26, with revised implementation dates provided by management. These will continue to be monitored and reported to senior management and the Council's FAR Committee through our quarterly progress reports during 2026/27.
- The outcomes from our annual self-assessment of conformance with the Global Internal Audit Standards confirmed that the Council operate in accordance with the

standards. Required actions arising from the concluded assessment will be reported to the Council's FAR Committee in June 2026 within our Chief Audit Executive's Annual Assurance Opinion report for 2025/26. Our last External Quality Assessment (EQA) was conducted in 2021, providing an opinion of 'generally conforms' following the implementation of revisions to our Audit Charter, with our next EQA due to take place in quarter four of 2026.

- SIAS confirm that during 2025/26, there had been no matters that threatened the independence of the Internal Audit function or inappropriate scope or resource limitations that would have impacted on the delivery of the agreed audit plan.

Principle B: Ensuring openness and comprehensive stakeholder engagement

2025/26 examples:

- The annual request figure for Freedom of Information was 820 in 2025.
- The [Air Quality Annual Status report for 2025](#) is available on the website.
- Staff and councillor workshops were held in October 2024 and March 2025 to discuss plans for the Design Code in March 2025. Feedback from these workshops has been referenced and taken forward, as well as being further incorporated through a Consultation that closed on the 3rd April - [Design Code Supplementary Planning Document](#).
- A Waste Collection Change Consultation took place in 2022 with changes implemented in August 2025 following feedback from residents.
- The Council engaged with other Hertfordshire authorities to share a consultation on the proposals for Local Government Reorganisation in March 2026.
- The full list of consultations that took place in 2025/26 are available on the [Consultations webpage](#).
- The Local Plan Consultation list was most recently used for consultation on North Herts Design Code in March 2026, Call for Sites for the Local Plan in September 2025, and Developer Contributions SPD and Town Centre Strategies in December 2025. The Local interest groups continue to be engaged with on relevant topics and networks on a regular basis, often 6 weekly.
- The latest Leader's [Annual Report on Cases of Special Urgency](#) was taken to full council in May 2025.
- The Council's digital community Hub, accessed via the consultations page of our website, 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 1000 subscribers. The 'Communities' Hub page is also being updated and plans to be used to engage residents on more topics. The Budget Page is no longer utilised due to improved financial outlook and upcoming Local Government Reorganisation. The Churchgate Regeneration page will be utilised further as the project progresses.
- The Council participated in National Customer Service Week in October 2025.
- There have been no alleged offences by Councillors referred to Hertfordshire Constabulary for this period.
- The latest version of [Outlook](#) was distributed in December 2025.

- The Hertfordshire Growth Board's six missions remain the same and are progressing, a lot of the work will pass onto the new authorities when Local Government Reorganisation begins and the Strategic Authority is created
- North Herts continues to be part of the Hertfordshire Climate Change and Sustainability Partnership. Work in 2025/26 focused on pushing forward the retrofit agenda.
- North Herts is part of Hertfordshire Futures, with an updated vision accompanied by the new Hertfordshire Economic Strategy 2026-2036.
- The Shared Anti-Fraud Service (SAFS) presented the [Anti-Fraud Progress Report 2025/2026](#) to FAR committee in March 2026.
- Hertfordshire County Council continue to host a Joint Strategic Needs Assessment (JSNA) central website with the latest assessments being completed on Attention Deficit Hyperactivity Disorder (ADHD), Adults Experiencing Multiple Disadvantages, and Adverse and Extreme Weather JSNA.
- The last community survey ran until February 2025. There are no plans to run these type of surveys again due to LGR but we will continue to consult residents on specific topics.
- Community Grants were awarded to numerous groups during 2025/26, with the full list available on the [website](#).
- The Council passed a [Digital Inclusion motion](#) at Full Council in November 2024. This resolved that reports brought to Council that propose any element of public consultation must explicitly

consider non-digital access provision for both communicating the consultation and obtaining feedback. It also resolved that the relevant Executive Member is instructed to develop a Digital Inclusion Strategy. The Digital Strategy was reviewed and updated in February 2026, and digital inclusion incorporated.

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

2025/26 examples:

- The staff RPR process and form is currently being updated to ensure further engagement and effectiveness for employees which includes the implementation of a completion window.
- Regular staff surveys are undertaken. There was a staff Commuting Survey conducted in September 2025 which was intended to better understand our travel-related emissions. 160 officers answered the survey which represents 44% of staff. There was also a staff survey held in March 2026 focused on how staff are feeling around LGR and how HR can best support people as a result. The response rate was just below 50%.
- The Council has a new [Sustainability Strategy 2025-2030](#) and an [Action Plan](#) which replaces the previous Climate Change Strategy. The Strategy was approved at Cabinet in June 2025. Progress on the strategy is monitored at quarterly Sustainability and Climate Change officer meetings and thereafter reported to the Political Liaison Board.
- The latest Annual Cumulative Equalities Assessment can be found on the [website](#).
- The latest Annual Cumulative Environmental Assessment can be found on the [website](#).

- There is a Risk Management Framework, incorporating a Policy Statement, Policy, and Strategy, which ensures that the Council identifies, assesses, manages, reviews and reports its risks. This was last updated in January 2026 after approval at [Cabinet](#).
- The Customer Service team track whether phone calls are answered within 45 seconds. For the 2025-2026 period, the performance was 54% with a target of 80%.
- The Council procured an app called the [North Herts Council App](#) in October 2025. The app is intended to support the move to 3-weekly bin collections with features such as: customisable bin day alerts for each bin type, push notifications, service disruption updates and a comprehensive recycling guide. The app currently has over 18000 downloads across the Apple App Store and Google Play App Store.
- The Council produced Outlook Magazine which was delivered to residents in [June 2025](#) (Summer edition) and [December 2025](#) (Winter edition).

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

2025/26 examples:

- This year's [calendar of council meetings](#) was approved at Annual Council on 22nd May 2025.
- In the [2024/25 Annual Assurance Statement and Internal Audit Report](#) presented to FAR in June 2025, SIAS concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice guidance on corporate governance.
- The 2025 review of the Risk Management Framework was reported on at FAR on [7th January 2026](#) and agreed by Cabinet on [20th January 2026](#). The agreed changes can be found in section 8.1.2 of the linked reports. The updated framework and policy are available for staff on the internal Staff Hub.
- In June 2025, Cabinet received the [year-end update on risk management governance](#) for 2024/5. In January 2026, Cabinet received the [mid-year update on risk management governance](#) for 2025/26. The most recent new and archived risks can be found in section 8.4 of the mid-year update on risk management governance for 2025/26.
- The latest update to council key performance indicators can be found in the [Q3 update](#) of the Council Delivery Plan 2025-

26, reported on at O&S committee on 24th March 2026. The Q1 update went to O&S in September 2025, and the Q2 update went to O&S in January 2026.

- The [Investment Strategy](#) (Capital Programme and Treasury Strategy) was considered by FAR committee in June 2025, and approved by Council in July 2025.
- Budget workshops took place in November 2025 to plan for the 2025/26 budget. The [2025 Budget Survey](#) ran from 6th June to 1st August 2025.
- In January 2026, Cabinet agreed an expansion of the Council Tax reduction scheme to include support provided to residents with a terminal illness. This was presented as part of a report reviewing the effectiveness of the scheme - [The Council Tax Reduction Scheme \(Effectiveness And Proposals For 2026/27\)](#). This is an example of where the Council is balancing priorities, resource constraints, and resident and community feedback.
- The [Council Delivery Plan](#) highlights the effective board structures and groups for key projects and the role of these in progressing and optimising projects such as Churchgate; Leisure Centre Decarbonisation; and Decarbonisation of Council Buildings during 2025-26. Boards have member representation for good practice governance.

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

2025/26 examples:

- During the 2025/26 period, the council agreed a shared service arrangement with Hertfordshire County Council for health and safety, with HCC now providing NHC with professional health and safety advice.
- In 2025 the council administered the Sustainable Communities Grant. It gave £78,777 to local sustainability organisations and projects to help deliver the council's sustainability goals.
- Progress and an [update](#) on the Digital Transformation Strategy was brought to O&S committee in February 2026.
- Some staff have copilot licences, and the free version has been highlighted to those without a license. Guidance is available on the Hub around how to use co-pilot productively, responsibly, and to increase efficiency. Co-pilot drop-in sessions were also available for staff to attend in March 2026 for further support. A Copilot Acceptable Use Policy has also been developed and shared among staff, and can be found on the internal hub page.
- The 2026 Gender Pay Gap Action Plan was developed in reference to the 2025 Gender Pay Gap Report and actions

include unconscious bias training and increasing the confidence of female employees.

- In February 2026, a Neurodiversity Network was hosted for staff as a space where staff could share their experiences and perspectives. The theme was the impact of change on neurodiverse colleagues, in order to find out how to best support them through the Local Government Reorganisation process.
- New starter briefings for 2025/26 occurred in May, September and December 2025.
- A new Sustainability e-learning module was launched for staff in November 2025. The completion rate is 81%. 14 officers also undertook Carbon Literacy training during 2025/26, facilitated by Hertfordshire County Council.
- The guidance for the May and November 2025 Personal Development mornings was for staff to complete their mandatory e-learning. Other themes of Personal Development Days in 2025/26 have been feeling safe at work; switching off over the holidays; meeting skills; productivity and time management; and stress management and resilience.
- An update to the Corporate Peer Challenge Action Plan was reported to Cabinet in September 2025, and a follow-up report was taken to O&S committee in February 2026 after the peer team conducted a one-day follow-up visit in December 2025. The peer team's subsequent report can be found at [Appendix A](#).

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

2025/26 examples:

- Corporate Risks have most recently been reviewed in the [Risk Management Governance \(Mid-year update\)](#) presented to the Finance, Audit and Risk (FAR) Committee and Cabinet in January 2026 and the [Council Delivery Plan 2025-26 \(Quarter 3 Update\)](#) presented to the Overview & Scrutiny Committee (March 2026) and Cabinet (April 2026). Both reports highlighted the most significant risks.
- The Risk Management Framework is reviewed regularly and most recently in January 2026 at the Finance Audit and Risk Committee. This was approved by Cabinet in January 2026. [Risk Management Governance \(Mid-year update\)](#).
- Progress on the [Corporate Peer Challenge Action Plan](#) was presented to Overview & Scrutiny Committee and Cabinet in February 2026.
- SIAS' [Annual Assurance Statement and Internal Report](#) were presented to the June 2025 FAR meeting. 21 audits were completed in 2024/25, 0 had substantial assurance, 9 had reasonable assurance, 2 had limited assurance, 6 were not assessed, 2 unqualified, and 2 not complete. This generally indicates that the Council has satisfactory systems of internal control for a wide range of areas. 7 high priority recommendations and twenty-eight medium priority

recommendation and 25 low/advisory recommendations were made across these audits. Whilst the issues raised in the High priority recommendations and Limited assurance reports are significant, the audit conclusions on their own are insufficient to reduce the overall annual assurance opinion for the Council.

- SIAS provided an [interim update](#) on their progress of internal audits to FAR in March 2026. At the time of the report, 82% of the 2025/26 audit days had been delivered, including 6 final internal audit reports issued.
- The [Internal Audit Plan for 2025/26](#) was presented by SIAS to the meeting of the FAR committee on 12th March 2025. The plan complies with the UK PSIAS, including the assessment of the risk maturity of the Council. SIAS then determines the extent to which information contained in the Council's risk registers informs the identification of potential audit areas, with regular updates provided. Recommendations are detailed in the June 2025 SIAS report to FAR committee.
- The [Procurement Strategy 2025-28](#) was approved by Cabinet in November 2025, and reflects updates to the Procurement Rules from September 2024.
- The [Authority Monitoring Report for 2024-25](#) is available on the website. The 2025/26 report will be ready in the autumn 2026.
- A grants database to enable easier administration and monitoring of grant applications was launched in November 2025 with Community Partnerships Team officers and authorising managers trained.

- An O&S Task and Finish Group completed a [review](#) of North Herts' application of the Section 106 mechanism for securing developer contributions from new development and identified recommendations. O&S resolved to recommend 8 of the report's recommendations to Cabinet at their March 2026 meeting.
- The SAFS North Hertfordshire District Council [Anti-Fraud Plan 2025/26](#) was approved by FAR on the 12th March 2025. This plan was designed to meet the recommendations of the Fighting Fraud and Corruption Locally Strategy (FFCL) with the five 'pillars of Protect, Govern, Acknowledge, Prevent and Pursue'. SAFS have adopted the FFCL checklist as a 'To-do' list and will use this to track responsibility for each action/objective to review the Council's performance.
- SAFS shared a generic Executive Report for all SAFS Partners around the risk of fraud associated with 'Public Facing Bank Accounts', making a number of best practice recommendations for review by senior management. The council therefore contacted its bank and implemented all the practical recommendations.
- FAR Committee considered and approved an improved [Local Code of Corporate Governance](#) at their March 2026 meeting. The new code reflects best practice as outlined in CIPFA training and guidance and includes the specific core governance arrangements of North Herts Council. The code is based on the (2016) CIPFA/ SOLACE Framework Delivering Good Governance in Local Government Framework 2016 Edition principles. The Code acts as the basis for this assessment of governance arrangements and for the Annual Governance Statement for the 2025/26 period.
- The Council's retention schedules for the Customers and Governance directorates were updated in 2025. Retention schedules for other directorates were last updated in 2023. [Retention Schedule | North Herts Council](#)
- The Council implemented a new Information Case Management System in January 2026 to deal with FOI requests. All activity occurs within the new system which allows officers to see case progress through a dashboard and to see previous cases they have responded to. Officers are also able to reallocate tasks to other officers, and automatic reminders are sent while cases are open to help ensure responses within the required timeframes. Training on using the new system was provided to officers by the Information and Data team in January 2026.
- In the 2025 calendar year, there were 820 FOI/EIRs. 496 were granted and the information released. 53 were partially released (some data exempted). 30 were withheld due to exemption or exception. 12 were on hold, awaiting clarification from the requestor. 52 were requesting information that was available elsewhere (e.g the website), and in 177 cases the information was not held. 97.23% were dealt with within the legislative timeframe.
- The most recent budget monitoring reports were presented to the FAR committee in March 2026: [Third Quarter Revenue Budget Monitoring 2025/26](#) [Third Quarter Capital Budget Monitoring 2025/26](#)

- There were no Section 114 reports in 2025/26.

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

2025/26 examples:

- Documents on the [website](#) are records of Delegated Executive and certain Non-Executive Decisions made by council officers in 2025.
- Decisions for the 2025/26 period can be found using the search function on the [website](#).
- At the February 2026 meeting of FAR committee, the following documents were approved: Annual Governance Statement 2024/25 and Action plan 2025/26; Statement of Accounts, including the KPMG Annual Report; Year End Report; and Management Representation Letter.
- The year end report on [Risk Management Governance](#) was brought to FAR Committee in June 2025. The report noted the highest strategic risks as the four over-arching risks of Financial Sustainability, Resourcing, Cyber, and Local Government Reorganisation and Devolution, as well as the project risks for Churchgate, Engaging the Community on our Finances, Waste and Street Cleansing Contract, and Leisure Centre Decarbonisation.

- Council Delivery Plan 2025-26 Monitoring Reports went to O&S Committee in September 2025, January 2026, and March 2026
- Following the 2024 Corporate Peer Challenge, a follow-up visit took place in December 2025 to assess progress. The [peers' progress report](#), the council's own [Progress Review Statement](#), and an [action plan update](#) were reported to the February 2026 Cabinet. This helped to ensure that the Council was responding to the matters identified within the Corporate Peer Challenge process and that the benefits of the process were realised. Overall, the peers feedback on the council's progress was positive.
- The Council undertook a public consultation exercise during development of its Sustainability Strategy in the summer of 2025. A [Consultation Response](#) document was subsequently published alongside the finalised Strategy to provide transparency regarding responses received and the council's approach to feeding these into the Strategy.

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 21 areas of which 0 received a Substantial assurance, 93 a Reasonable assurance, 2 a limited assurance, 6 not assessed, 2 unqualified, and 2 not complete. The limited assurance opinions related to Estates and Houses in Multiple Occupation. Seven high priority recommendations were made within work carried out during 2024/25.
- The [Assurance Statement and Internal Audit Annual Report 2024/25](#) presented at the June 2025 FAR meeting highlighted an overall assurance opinion of Reasonable Assurance, meaning a generally sound system of governance, risk management, and control was in place. It stated that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice guidance on corporate governance.
- As per the [Internal Audit Plan Report 2025/26](#) (which was presented to FAR in March 2025), SIAS audit plans included the following for 2025/26:
Corporate audits: LGA Corporate Peer Challenge Action

Plan; Local Authorities as Charity Trustees; Purchase cards
Operational audits: New Finance System; and Environmental Protection – Statutory Nuisance
Project Audits: Leisure Centre Decarbonisation; Churchgate – Project Assurance; and UK Shared Prosperity Fund
IT Audits: Digital Transformation Programme

- The Council's external auditors provide assurance on the accuracy of the year-end [Statement of Accounts](#), the consistency of the Annual Governance Statement and the adequacy of value for money (VFM) arrangements. In February 2026, KPMG provided an [Annual Report for 2024-25](#). A full Value for Money review was carried out which found no significant weaknesses. 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. It should be noted that delays in the statement of accounts work and disclaimed opinion are not the fault of the council and are instead the result of the national issues around local audit backlog. This is outside of the Council's control.

Assurance from self-assessment

- The review of effectiveness is informed by the work of the Senior Managers within the authority who have responsibility for the development and maintenance of the governance environment. Each Service Director is

responsible for producing their own assurance statements and where relevant for mitigating identified risks and governance weaknesses as part of the Service Planning process. The areas of governance reviews include but is not limited to: legislative compliance, project management, risk management, conduct, and conflicts of interest. Key points identified in this year's assurance statements included managing the ongoing risks around cyber security, the importance of effective 1:1s and Regular Performance Reviews to deal with any emerging conduct issues early on, and risk assessment completion across directorates . The Action Plan for 2026/27 reflects these areas.

- 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 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 will be available on the Corporate Governance page
- The [Council Delivery Plan 2025-26 Monitoring Reports](#) provide assurance that projects which advance the council's vision and priorities are progressing as planned.

Assurance from the Shared Anti-Fraud Service (SAFS)

- The Shared Anti-Fraud Service (SAFS) are responsible for all proactive and reactive counter-fraud activity at North Herts

Council (NHC), and keep the Council informed of any actual, suspected or alleged fraud affecting the Authority. Where there is an impact on internal audit work, there is a mutual exchange of information to ensure that the control environment is strengthened. The knowledge of actual, suspected or alleged fraud is summarised in the regular progress reports from SAFS to the Council's Finance Audit & Risk Committee.

- The [SAFS Anti-Fraud Plan for 2025/26](#) was approved by the FAR committee in March 2025, while the [Plan for 2026/27](#) was approved at the March 2026 meeting. The anti-fraud plan is designed to meet the recommendations of the Fighting Fraud and Corruption Locally Strategy (FFCL) including activities associated with the five pillars of Governance, Acknowledge, Prevent, Pursue, and Protect. The plan includes objectives, activities, and key performance indicators that support the strategy and meet the best practice guidance / directives from Department for Levelling Up, Housing and Communities (DLUHC), the National Audit Office (NAO), the Local Government Association (LGA) and the Chartered Institute for Public Finance and Accountancy (CIPFA).
- SAFS presented the [Anti-Fraud Report 2024/25](#) to the September 2025 meeting of FAR committee. The report stated that during 2024/25 there had been 113 'referrals' (allegations) of fraud affecting council services. It was reported that this was very similar to the previous year where there were 117 referrals, but higher compared to pre-pandemic levels. The main type of fraud being reported in the 2024/25 period was related to housing benefit and council tax, with this accounting for 78 referrals. Fraud

related to housing was second most frequent type of fraud with 19 cases.

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 2026, the top risks (scoring a 9 on the risk matrix) for the Council were Financial Sustainability, Local Government Reorganisation, 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. 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 risk around Local Government Reorganisation reflects the scale of the related project and the significant changes that will be required. This includes the current uncertainty around what the new structure will be, the demands on officer time to prepare for and implement the new structure, achieving the right balance between short-term and long-

term decision making leading up to implementation, related impacts on staff wellbeing throughout the project, and ensuring stakeholders' views continue to be heard during and after the transition process.

- 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 includes a financial risk around loss of revenue due to full or partial closure of the Council's leisure centres while the decarbonisation and gym extension (Royston) works take place.

Assurance from Scrutiny

- During 2025/2026 the O&S Committee considered and recommended action on a range of issues, including the 3 Cs Full Year Update; Council Delivery Plan Monitoring Reports; Draft Town Centre Strategy; Leisure and Active Communities Contract One Year Review; Solar for Business Scheme; Effectiveness of Council Tax Reduction Scheme and Proposals for 2026/27; LGA Corporate Peer Challenge Follow-Up; Local Plan Review; Lease on Letchworth Multi-

Storey Car Park; Councillor Learning and Development Protocol; and S106 Task and Finish Group Report.

- The [Annual Overview and Scrutiny Report](#) presented to Council in July 2025 noted that throughout 2024/25, the O&S Committee considered a total of 40 items at its scheduled meetings and made 44 recommendations on 21 topics to Cabinet. At every meeting, the Committee also considered the resolutions previously made and the work programme. No written questions were submitted during 2024/25. The report also provides details and outcomes of call-ins, and details of task and finish group work. The Annual Report for 2025/26 will be due at Council in 2026.
- The Decisions and Monitoring Tracker (previously called the Resolutions) of the Overview and Scrutiny Committee highlights the committee's recommendations to Cabinet and the outcome from Cabinet: [June 2025](#); [November 2025](#); [January 2026](#); [February 2026](#).

Assurance from Finance, Audit, and Risk

- The [Finance, Audit and Risk Committee's Annual report for 2024-25](#) was presented to Council in July 2025. This helps to highlight the governance work undertaken and the effectiveness of the Committee. The report notes the committee's consideration of its own effectiveness through gathering feedback from members and officers on what worked well and where improvements were needed. The overall conclusion was that the committee was operating effectively with strong engagement and governance oversight, but that areas to strengthen include member training, taking a more strategic approach, and making more

use of opportunities to meet with internal and external auditors.

Assurance from Peer Review

- The Council participated in a 2024 Corporate Peer Challenge, with a follow-up visit taking place in December 2025 to assess progress. The peers' progress report, the council's own Progress Review Statement, and an action plan update were reported to the [February 2026 Cabinet](#) and provide assurance that progress is being made in the areas identified for improvement.

Assurance from Complaints Outcomes

Local Government Ombudsman

- The updated [Comments, Compliments, and Complaints \(3Cs\) Policy 2025-2028](#) reflects a recommendation made as part of a previous LGO complaint.
- The Comments, Compliments, and Complaints (3Cs) summary for the full period of 2024/2025, was presented to Overview and Scrutiny Committee in June 2025. The number of complaints received by both the Council and our contractors increased from 384 in 23/24 to 591 in 24/25 (a 54% increase). Of the total 591 complaints, 391 (66%) relate to services delivered by our key contractors including our waste and recycling contract (21) and the leisure centres (370). This is in comparison to 53.4% of complaints relating to key contractors during 23/24, with 77 complaints around waste and recycling and 128 around leisure centres in that period. This increase in complaint volume for the leisure

centres may relate to the change in leisure contract which commenced in April 2024, and which saw the new contractor make changes to some of the ways in which the centres operated.

- The [3Cs summary](#) noted that the percentage of stage 1 complaints resolved within 10 days had risen from 86% in 23/24 to 91% in 24/25, which is comfortably above the target of 80%.
- The 3 Cs summary noted that the LGO received 5 complaints in the full 2024/25 period. 3 were closed with no further action after initial enquiries. 2 were upheld. In these cases, the council implemented the recommendations of the LGO and the LGO recorded a compliance outcome of ‘remedy complete and satisfied’ for both.

Standards Complaints involving Councillors

- The [Standards Matters Report of March 2026 highlighted](#) that during the 2025 calendar year, 20 complaints against Members were received. This reflects a slight increase in complaints against Members compared to 2024 when there were 19 complaints received. This stands in comparison to 11 complaints in 2023, 30 in 2022, and 52 in 2021. The report also notes the complaint outcomes. At the point of the report, one complaint had so far been received in 2026.

Whistleblowing Complaints

- In line with the published Whistleblowing Policy, we received no complaints / concerns during the 2025-26 period.

Information Commissioner’s Office (ICO)

- The legislative time frame to respond to FOI/ EIR requests is 20 working days and during the 2025 calendar year the Council completed handling of 97.23% of the 820 requests within that timeframe. There were 7 reviews, 5 of which were successful and the information released, and 2 of which were unsuccessful.
- In respect to requests for information under the Data Protection Act – 295 requests were received (including 42 Data Subject Access Requests) in 2025, of which 92.5% were responded to within the required deadlines. Deadlines vary depending on the type of request e.g one calendar month for data subject access requests, but for others there is a deadline of 24 hrs.
- During the 2025 calendar year, there were 0 ICO complaints. We were informed that a case had been logged with the ICO in 2025, however the ICO are yet to formally engage us on this matter.

How we have improved our governance arrangements

- Our most recent [update on the 2025/26 AGS Action Plan](#) was presented to FAR committee in February 2026. This highlights the actions we have taken to improve our governance arrangements in this period. By way of further update, the cyber table-top exercise was held with Leadership Team; IT; Communications; and Resilience officers. It served to test the council’s Cyber Incident Business Continuity Plan. For ongoing cyber preparedness, similar exercises will be run with individual services to test

Business Continuity Plans. Most actions from the 2025/26 Action Plan are complete. The 2026/27 Action Plan picks up those areas where actions were not yet complete from the previous plan.

Forward look on governance

- The action plan for 2026/27 aims to address the key areas for improvement and the governance challenges identified. As such we have proposed actions around cyber security, fraud prevention, performance reviews, and ensuring reporting on civil parking enforcement, the council's companies, and the Sustainability Strategy. We are continuing to work towards devolution and local government reorganisation, and are engaging with partners to ensure that appropriate governance arrangements are in place for any new authorities created so that they are safe and legal when they launch.

Conclusion

- The review of effectiveness was conducted through identifying key examples of our core governance arrangements in operation as they relate to the seven principles, and compiling these into a self-assessment document with each sub-principle scored. This was then reviewed by the Leadership Team. The information provided through our various sources of assurance was also evaluated to help reach a conclusion as to effectiveness of our arrangements. No significant governance issues have been identified as a result of the review of effectiveness for the 2025/26 financial year. Arrangements, including those identified in the council's Local Code, are in place and operating effectively to support each of the principles of good governance, as well as the delivery of planned outcomes and our responsibilities around ensuring value for money. The Council is satisfied that overall it has appropriate arrangements in place. Where gaps or risks were identified, the Council proposes over the coming year to take action as set out in the Action Plan 2026/27 to strengthen its arrangements. Implementation will be monitored through the Finance Audit and Risk Committee.

Action Plan 2026/27

- 1) Agree and oversee a process to ensure outstanding Civil Parking Enforcement Annual Reports are completed and approved. (Director – Place)
- 2) Update the Fraud Prevention Policy following SAFS draft [last updated 2022]. (Director – Resources)
- 3) Implement the Green Procurement Checklist for procurements over £100,000 and a process for tracking outcomes; evaluate the effectiveness of the checklist 6-12 months after launch (Policy & Strategy; Climate Change Project Manager)
- 4) Develop public reporting on the Sustainability Strategy progress (Policy & Strategy; Climate Change Project Manager).
- 5) Review the Equality Strategy Objectives and provide progress updates on an annual basis alongside the service plan update (Policy and Community Manager)
- 6) Provide updated guidance on completing Environmental and Equality Impact Assessments and a process training session for staff (Policy & Strategy Team)
- 7) Produce a short Project Management Guide (especially for those overseeing small projects) and use that to promote awareness of requirements (Director- Resources)
- 8) Monitor completion of Regular Performance Reviews (RPR) to ensure all staff have an RPR (Leadership Team & HR)
- 9) Ensure all staff are receiving regular 1:1s and provide manager training on effective 1:1s (Leadership Team & HR)
- 10) Develop further plans for engagement of residents via the online Churchgate Hub (Enterprise)
- 11) Develop annual reporting to Cabinet Sub-committee on all of the council's companies (Director – Enterprise; Director – Place; Director – Resources)
- 12) Continue to provide training and guidance to staff and councillors on cyber security, and run cyber exercises with key individual services to test business continuity plans as part of cyber preparedness (Cyber Board; IT)
- 13) Run financial training session for Service Managers ahead of LGR as part of efforts to upskill (Director – Resources)
- 14) Review the Protocol for Recordings of Council meetings. Make updates if needed. (Committee Services and Legal)
- 15) Complete the SIAS Health and Safety audit and implement resulting recommendations, including those relating to training and risk assessment completion where identified (Director – Enterprise)

**FINANCE, AUDIT AND RISK COMMITTEE
WEDNESDAY, 10 JUNE 2026**

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: REVENUE BUDGET OUTTURN 2025/26 (FINAL)

REPORT OF: Director - Resources

EXECUTIVE MEMBER: Executive Member - Resources

COUNCIL PRIORITY: Sustainability;

1. EXECUTIVE SUMMARY

The purpose of this report is to inform Cabinet of the summary position on revenue income and expenditure at the end of the financial year 2025/26. The net outturn of £21.247million represents a £1.538million decrease from the net working budget of £22.785million, of which £618k is requested to be carried forward to fund specific activities in the next financial year, with an ongoing impact in future years of a £33k increase. Explanations for all the significant variances identified at Outturn are provided in table 4, while Appendix A provides a summary of the major changes to planned expenditure and income occurring over the financial year.

2. RECOMMENDATIONS

2.1 That Cabinet note this report.

2.2 That Cabinet approves a decrease of £1.538million in the 2025/26 net General Fund expenditure, as identified in section 8, to a total of £21.247million.

2.3 That Cabinet approves the changes to the 2026/27 General Fund budget, as identified in table 4 and paragraph 8.3, a total £651k increase in net expenditure

That Cabinet recommends to Council

2.4 That Council approves the net transfer from earmarked reserves, as identified in table 9, of £1.798million.

3. REASONS FOR RECOMMENDATIONS

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

3.2. Changes to the Council's balances are monitored and approved.

4. ALTERNATIVE OPTIONS CONSIDERED

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

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

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

6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key Executive decision that was first notified to the public in the Forward Plan on the 15 May 2026.

7. BACKGROUND

- 7.1 Council approved the revenue budget for 2025/26 of £22.914million in February 2025. As at the end of the financial year, the working budget has reduced to £22.785million. Table 1 below details the approved changes to this budget to get to the current working budget:

Table 1 - Current Working Budget

	£k
Original Revenue Budget for 2025/26 approved by Full Council	22,914
Quarter 3 2024/25 Revenue Budget Monitoring report – 2025/26 budget changes approved by Cabinet (March 2025)	807
2024/25 Revenue Budget Outturn report – 2025/26 budget changes approved by Cabinet (June 2025)	202
Churchgate Viability and Next Steps report – additional funding for a specialist Project Manager approved by Council (July 2025)	120
First Quarter Revenue Budget Monitoring 2025/26 – working budget changes approved by Cabinet (September 2025)	453
Second Quarter Revenue Budget Monitoring 2025/26 – working budget changes approved by Cabinet (January 2026)	(846)
Decarbonisation of Leisure Centres Contract Award – working budget changes resulting from the extended opening of the lidos (May 2025)	37
Third Quarter Revenue Budget Monitoring 2025/26 – working budget changes approved by Cabinet (April 2026)	(902)
Current Working Budget	22,785

- 7.2 The Council was managed under Service Directorates during 2025/26. Table 2 below confirms the current net direct resource allocation of each Service Directorate and how this has changed from the original net direct budget allocations for 2025/26.

Table 2 – 2025/26 Service Directorate Budget Allocations

	Chief Executive	Customers	Enterprise	Environment	Governance	Place	Regulatory	Resources	Total
	£k	£k	£k	£k	£k	£k	£k	£k	£k
Original Budget	1,030	3,899	1,168	8,053	2,391	751	2,706	2,916	22,914
Q3 2024/25	53	79	73	8	25	530	0	39	807
Outturn 2024/25	154	(14)	41	(253)	1	212	14	47	202
Budget at April 2025	1,237	3,964	1,282	7,808	2,417	1,493	2,720	3,002	23,923
Q1 2025/26	(369)	(8)	(73)	892	43	(140)	(74)	182	453
Q2 2025/26	(119)	25	(7)	(97)	65	(559)	(18)	(136)	(846)
Q3 2025/26	(389)	(83)	(77)	(184)	2	(297)	(58)	184	(902)
Other Changes	(552)	187	(9)	(49)	71	292	65	152	157
Current Budget	(192)	4,085	1,116	8,370	2,598	789	2,635	3,384	22,785

8. RELEVANT CONSIDERATIONS

8.1 Cabinet are asked to approve the net expenditure on the General Fund in 2025/26 of £21.277million (recommendation 2.2). This is a net decrease of £1.508million on the working budget of £22.785million. Table 3 below confirms the net expenditure for each Service Directorate and the variance with the current working budget. The major changes reported during the year are recorded at Appendix A.

Table 3 - 2025/26 Revenue Outturn by Service Directorate

Directorate	Net Direct Working Budget	Net Direct Outturn	(Under) / Overspend
Chief Executive	(192)	(334)	(142)
Customers	4,085	3,889	(196)
Enterprise	1,116	1,091	(25)
Environment	8,370	7,870	(500)
Governance	2,598	2,578	(20)
Place	789	676	(113)
Regulatory	2,635	2,163	(472)
Resources	3,384	3,344	(40)
TOTAL	22,785	21,277	(1,508)

8.2 Service Managers are responsible for monitoring their expenditure and income against their working budget. Table 4 below highlights and explains the most significant variances, which are generally more than £25k, identified at the end of the year. The final columns detail if there is expected to be an impact on next year's (2026/27) budget:

Table 4 - Summary of significant variances

Budget Area	Working Budget	Outturn	Variance	Reason for difference	Carry Forward Request	Estimated Impact on 2026/27
	£k	£k	£k		£k	£k
Chief Executive Apprenticeship Scheme	283	252	(31)	Two apprentices left their apprentice roles early after being appointed to permanent positions. It is requested that the resulting underspend be carried forward to support the recruitment of additional apprentices in the first quarter of the 2026/27 financial year.	31	0
Chief Executive Treasury Investments Interest Income	(2,000)	(2,080)	(80)	Higher levels of cash balances available, due to the timing of capital expenditure occurring later than anticipated, was combined with a spike in interest rate returns accessible from lending to other Local Authorities during the final quarter.	0	0
Chief Executive Strategic Priorities Fund (SPF)	34	(10)	(44)	This fund was created to enable short-term investments in Council priorities. The requested carry forward will be used in 2026/27 for emerging opportunities and requirements, likely to include work to support Local Government Reorganisation, including back-fill requirements and our contribution towards joint work/ consultancy support.	34	0
Customers IT Support and Maintenance Expenditure	933	823	(110)	Underspend relates to several planned projects to enhance business resilience and cyber security that were not completed within the financial year. Vacancies held during the year, as previously highlighted at Quarters One and Two, and the technical resource required to support the LGR programme, limited capacity to deliver the projects as planned. In addition, driven by huge global AI infrastructure demand, there has been a significant surge in hardware prices, which is challenging supply and delivery of the hardware required. With the staffing issues now addressed and these critical projects in progress, approval is requested for the carry forward of the unspent budget to finance completion in the next financial year.	110	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2026/27 £k
Customers Careline Equipment Expenditure	350	284	(66)	Reduction in expenditure on the SIM cards used within Careline alarms follows the negotiation of new billing terms with the supplier during the year. The new terms offer increased flexibility in managing costs by removing the fixed charges included in the previous contract.	0	(60)
Customers Careline Service Desk Solution	25	0	(25)	Having evaluated the option for a solution to be developed internally, the complexity of the system and the technical resource absorbed with supporting LGR has meant that the service desk solution for Careline call handling will need to be procured externally. It is requested that the allocated resource is carried forward into 2026/27 for the procurement of the new system.	25	0
Enterprise Hitchin Town Hall Events Income	(150)	(109)	+41	Staff vacancies and absence during the year limited capacity for planning and delivering events organised internally, which typically generate a higher level of return. Circumstances meant that the focus was instead on keeping the facility operational and open to external hire.	0	0
Enterprise Hitchin Town Hall Repairs and Maintenance	61	17	(44)	The works identified in the respective investment proposals for 2025/26, primarily the redecoration of the Lucas Room, hallway and Mountford Hall, did not go ahead as planned due to officer capacity and long-term absences within the team. It is expected that the works will now be carried out in the next financial year, with the unspent budget requested to be carried forward.	44	0
Enterprise Brotherhood Hall Repairs and Maintenance	30	5	(25)	With the building currently unused, the lease of the hall is expected to be forfeited by the Council earlier than the lease expiry date. Under the terms of the lease the Council as tenant is required to bring the building back to its original condition and is therefore liable for any dilapidations identified. Negotiations are ongoing with the Letchworth Garden Heritage Foundation. The unspent maintenance budget is therefore requested to be carried forward to mitigate the financial impact of dilapidations agreed in the next financial year.	25	0

Budget Area	Working Budget	Outturn	Variance	Reason for difference	Carry Forward Request	Estimated Impact on 2026/27
	£k	£k	£k		£k	£k
Enterprise Amenity Areas Lighting	17	11	(6)	Structural and electrical testing was undertaken of all lighting in parks and open spaces. This exercise identified a list of remedial works required. With the Surveyor post now filled, there is likely to be additional demand on the budget in the next financial year to meet the backlog of work. As such, the carry forward of the remaining budget is requested.	6	0
Environment Directorate Staffing Costs	1,413	1,381	(32)	Underspend due primarily to vacancies held in the Waste Services Team and the Greenspace Management team. The focus on the delivery of the new Waste contract delayed recruitment to several posts, while a move to flexible retirement within the Greenspace Team reduced expenditure on salaries.	0	0
Environment Green Space management – Historic Landfill Sites	56	0	(56)	Resource was identified in this financial year for the investigations and gas monitoring of two historic landfill sites situated on Council owned green space at Walsworth Common and Cadwell Lane Playing Fields. Historic landfill sites such as these pre-date environmental regulations and therefore we only hold limited information on them. Historic landfill sites either never had, or no longer have, a permit or licence and the position of the Environment Agency, as the regulatory authority in this instance, is that they are the responsibility of the landowner. Limited investigations have previously taken place at the sites, and the Council is now undertaking further monitoring and investigations to ensure it continues to meet its responsibilities as landowner. The carry forward of the budget is requested to meet the costs of these works.	56	0
Environment Green Space Management – Commutated Sums contributions income	(25)	(17)	+8	Commutated sums contributions income has reduced over recent years, with the outturn representing contributions to greenspace maintenance at only two developments in 25/26. Developers have taken the option to set up their own management companies to own and manage the greenspace privately, rather than transfer management responsibility to the Council and incur the cost of a commuted sum contribution.	0	23

Budget Area	Working Budget	Outturn	Variance	Reason for difference	Carry Forward Request	Estimated Impact on 2026/27
	£k	£k	£k		£k	£k
Environment Green Space Management - Repair of the balancing pond at Purwell Meadows, Hitchin	20	6	(14)	Investigation works have been undertaken during the year. It is requested that the unspent revenue investment budget is carried forward to finance the progress of recommendations from the investigations report.	14	0
Environment Income from Burials	(319)	(279)	+40	As previously highlighted and explained at Quarter Three, the trend apparent across the industry away from full body burials to cremations continued in the final quarter of the financial year. The Council only receives income from cremations if the family choose to purchase a grave space or a memorial tree within a North Herts Cemetery.	0	40
Environment Community Wellbeing Projects expenditure	34	23	(11)	During 2025/26, knowing that the external funding for our creative wellbeing, cooking and exercise programmes was coming to an end, delegated decision approval was obtained to introduce low-cost charges for our services, on the basis that these charges would directly support the future continuation of those services in the absence of external grants. This followed requests from service users asking to financially contribute rather than have services removed if they could not be provided free of charge. It is therefore requested that the unspent expenditure budget funded from service user contributions is carried forward to support Wellbeing programmes in the next financial year.	11	0
Environment Leisure Centre Management Contract Income	(196)	(321)	(125)	Two one-week closures at Hitchin and Letchworth Leisure Centres originally anticipated in 2025/26 are now scheduled for 2026/27, following the delay to the delivery of the Leisure Centres Decarbonisation project (as detailed in the Capital End of Year Review 2025/26 report). The impact of the closures will therefore reduce the management fee receivable under the terms of the Leisure and Active Communities contract in the next financial year, with the corresponding budget provision requested to be carried forward accordingly.	125	0

Budget Area	Working Budget	Outturn	Variance	Reason for difference	Carry Forward Request	Estimated Impact on 2026/27
	£k	£k	£k		£k	£k
Environment Leisure Income in advance	0	(30)	(30)	Prior to going in to liquidation Stevenage Leisure did not pass on the income in advance that they had received to Everyone Active. Under the contract, liability to make this payment then fell to the Council. The initial estimate was that the payment would need to include VAT. Ultimately that was not the case so this releases that over-estimate to the General Fund.	0	0
Environment Waste Services – replacement bins income	(56)	(4)	+52	Demand for replacement bins has been lower than anticipated as existing bins are lasting longer, with many residents repairing bins themselves or utilising the Council's free wheel and lid repair service. Alongside the benefit of reducing plastic waste, this trend should also help reduce pressure on the Council's capital expenditure allocations for the purchase of new bins.	0	52
Environment Haulage and processing of dry recyclates	517	363	(154)	Underspend is due to both the inclusion of soft plastics within the new materials processing contract, which has removed the additional spend previously incurred in managing this waste stream separately, and the sale prices achieved for the recyclable materials collected being higher than anticipated.	0	0
Environment Waste, Recycling and Street Cleansing Contract expenditure	7,121	6,923	(198)	Underspend is primarily due to lower levels of contract variation orders undertaken by the contractor than forecast, with demand for these activities not materialising as anticipated. This is typical for the first year of a new contract, where estimates are based on historic data and prudent assumptions. Actual volumes will continue to be monitored with forecasts refined as demand trends emerge.	0	0
Governance Community Forums Grants Expenditure	63	55	(8)	It is requested that the balance of Community Forum grant budget not awarded in 25/26 is carried forward to 2026/27.	8	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2026/27 £k
Place Directorate Staffing Costs	3,526	3,481	(45)	Underspend on Place salaries due to vacancies held within the directorate. The Planning Service relies on temporary staff and contractors to help cover vacant posts and provide additional capacity. These roles are often paid for using salary lag from vacant permanent posts. As contractors typically cost more than permanent staff, the carry forward of the salary budget underspend is therefore requested to help fund the cost of temporary staff in the next financial year.	45	0
Place Parking Lines and Signs Maintenance	51	34	(17)	Spend against the ongoing monitoring programme of lines and signs relating to parking restrictions to ensure compliance for enforcement purposes can vary depending on resources and pro-active review. We are now in a period of active review so the spend in 2026/27 is expected to be higher than the budget provision in next year. The unspent budget in 2025/26 is therefore requested to be carried forward to ensure there is sufficient funding to undertake such reviews and arrange the maintenance or replacement necessary.	17	0
Place Car Parking Cash Collection	32	(17)	(49)	Negative expenditure outturn is due to the over-accrual of the estimated outstanding liability for cash collections at the end of the prior financial year 2024/25. The actual number of collections undertaken was significantly lower than assumed, while the cash processing fee was lower than anticipated as the amount of cash collected reduced with more users paying for their parking via the alternative cashless means available. The lower level of collections and cash collected has continued in the current year, with the annual budget recommended to be adjusted accordingly.	0	(17)
Place Car Parking PCN Income	(573)	(927)	(354)	The higher than anticipated level of PCN activity is attributed to a lower level of turnover of Civil Enforcement Officers in the parking team in 2025/26. This has meant more staff patrolling across the District to ensure motorists are parking safely and in compliance with the relevant highway restrictions.	0	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2026/27 £k
Place Car Parking PCN Income – Contribution to bad debt provision	162	372	+210	Higher levels of PCN activity over the last several years has contributed to the increase in the calculated contribution required to the bad debt provision at the end of this financial year. The suspension of income recovery during the transition to the new financial system also affected the age profile of the outstanding debt, with greater provision required for debts aging over that period to recognise the increased risk of non-collection.	0	0
Place Town Centres Strategy	49	31	(18)	The consultation on the draft Town Centres Strategy was completed in late January 2026. Subsequent turnover in staff has delayed progress on the strategy, with officers currently considering alternative resourcing options. It is therefore requested that the remaining budget is carried forward to fund progress in the next financial year, with the Town Centres Strategy anticipated to be ready for possible adoption in the autumn.	18	0
Place Hitchin Station Eastern Access Project	28	3	(25)	The Council is working in partnership with Hertfordshire County Council and Network Rail on the Hitchin Station Eastern Access project. A feasibility study has been prepared on possible options. Officers are currently waiting on responses from Network Rail to the study. The remaining budget is requested to be carried forward to fund any further work required in the next financial year.	25	0
Place Local Plan Development Expenditure	67	49	(18)	There was a slight delay in the Housing and the Economic studies that meant only the drafts had been prepared by March 2026. The last milestone payments have therefore slipped into 2026/27, with the carry forward of the corresponding budget requested accordingly.	18	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2026/27 £k
Place Local Plan Development – Government Grant Income	0	(108)	(108)	New Local Plan regulations have come into effect that set out a new plan making system. Government grant funding has been successfully applied for, with North Herts committing to bringing forward early a Local Plan through the new system. The grant funding is intended to support North Herts to ensure good progress. The funding will be spent on increasing staff capacity to meet the strict timetables and milestones for preparing a faster plan as required by the funding. It is requested that the grant amount is transferred to reserve to be drawn down in future years as the development of the Local Plan progresses.	0	0
Transfer to Planning Earmarked Reserve	0	108	+108		0	0
Place Development Control – Planning Applications Fees Income	(1,315)	(1,176)	+139	Shortfall in income follows the accounting adjustment posted at the end of the year end to ensure the income outturn captures income receipts from only those planning applications that have been resolved on or before the 31 st March 2026. This adjustment was larger than anticipated as it included some large applications originally received in 2024/25, which were still outstanding due to their complexity.	0	0
Place Development Control – Legal and Consultants expenditure	84	118	+34	Further costs incurred in the final quarter relate to two planning appeals, one of which was a hearing relating to the refusal of planning permission for a Traveller and Gypsy site at Pulmer Water, and the other a Public Inquiry following the refusal, contrary to officer recommendation, of planning permission for 280 dwellings at Barkway Road, Royston. Costs associated with a challenge to a decision of the Council was identified as a financial risk when the budget was approved in February 2025.	0	0
Regulatory Environmental Crime Enforcement – Equipment Purchases	5	0	(5)	Income from Environmental Crime fixed penalty notices in 2025/26 exceeded the budgeted level. The service had planned to reinvest this additional income in the purchase of drones and associated staff training, at an estimated cost of around £5k. This expenditure was delayed due to staffing constraints within the Licensing and Community Safety team. It is therefore requested that the unspent budget be carried forward to cover the cost of the drones and associated training in 2026/27.	5	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2026/27 £k
Regulatory Contribution to the CCTV Partnership	110	78	(32)	The lower level of contribution follows confirmation from Stevenage Borough Council that the Hertfordshire CCTV partnership reported an outturn underspend for 25/26. The underspend variance was primarily the result of additional income that is generated from services provided and charged to the other Councils.	0	0
Regulatory Housing Services Staffing Costs	1,085	548	(537)	The £537k underspend on salaries follows the application of ringfenced homelessness grant to fund salary costs in 2025/26, in place of the original salary base budget provision. This means that the Council has met the MHCLG's conditions for use of the grant funding in the financial year 2025/26, whilst the transfer to earmarked reserve retains the funding for various multi-year schemes to help local people in housing need in future years.	0	0
Contribution to Housing Earmarked Reserve	0	537	+537		0	0
Regulatory Housing Services Government Grant Income	(125)	(520)	(395)	Variance represents the Asylum Dispersal Grant awarded by the Home Office to support the Council with the financial impact arising from asylum seeker accommodation within North Hertfordshire. Home Office guidance states that any Council service affected by asylum accommodation in the district is eligible to benefit from this funding. Accurately assessing the specific financial impact on each service area would require significant officer time, hence the total grant funding received up to 31st March 2026 has been charged under this heading in the General Fund.	0	0
Resources Corporate Training Expenditure	45	29	(16)	Underspend on corporate training comprises several minor variances within Learning and Development budget headings. There has been a rise in departmental requests for training to be funded from this budget. Requests already received for the 2026/27 financial year are equivalent to the full 2026/27 base budget. It is therefore requested that the Learning and Development underspend from 2025/26 be carried forward to ensure sufficient funding is available to meet further requests expected to be submitted during the 2026/27 financial year.	16	0

Budget Area	Working Budget	Outturn	Variance	Reason for difference	Carry Forward Request	Estimated Impact on 2026/27
	£k	£k	£k		£k	£k
Resources Contribution to Sales Ledger Bad Debt Provision	10	60	+50	Increase in contribution at the end of this year is attributed to the suspension of income recovery during the transition to the new financial system in 2024/25. This meant an increase in the level of outstanding debt at the end of 2024/25, with aging debt requiring a greater level of provision as the risk of non-collection increases over time. The level of new (1-3 months old) debt has reduced from the prior year, which shows that recovery is now having an impact, with the debt position expected to improve in 2026/27.	0	0
Resources Summons Fees Income	(135)	(94)	+41	Income shortfall follows the cancellation of the court hearing scheduled to take place in March, due to an issue with the production of the summons template. This issue has since been resolved, with the next court date booked for July.	0	0
Total of explained variances	11,317	9,899	(1,418)		633	38
Other minor balances	11,468	11,348	(120)		(15)	(5)
Overall Total	22,785	21,247	(1,538)		618	33

8.3 Cabinet are asked to approve the estimated impact on the 2026/27 budget, an overall increase in budget of £651k (recommendation 2.3), which comprises:

- £618k of budget carry-forwards from 2025/26 to 2026/27 for projects that were not completed by the end of the financial year. These are shown in the penultimate column of table 4 above. This will take the total budget carried forward to £1.884million, after including those reported and approved at Quarters One, Two and Three.
- £33k increase in budget to reflect the estimated net impact in 2026/27 and beyond of variances identified at Outturn. These are shown in the final column of table 4 above.

8.4 The original approved budget for 2025/26 (and therefore working budget) included efficiencies totalling £1.341million, which were agreed by Council in February 2025. At the end of the year a net total of £1.379million of efficiencies have been achieved in 2025/26, representing a net overachievement of planned efficiencies of £38k and matches the forecast at the end of Quarter Three.

8.5 The working budget for 2025/26 included budgets totalling £1.682million that were carried forward from the previous year. These are generally carried forward so that they can be spent for a particular purpose that had been due to happen in 2024/25 but was

delayed into 2025/26. At Quarter Three, it was forecast that £710k of the budget carried forward would not be spent in this year. At the end of the financial year £801k of the budget carried forward has not been spent. The increase of £91k relates to budgets carried forward for:

- Strategic Priorities Fund. £34k of the £69k budget carried forward was not spent in this year, as highlighted in table four above.
- Supplementary Planning documents. £69k (further reduction of £7k from the original £83k requested to be carried forward at Quarter Two and the reduction of £7k reported at Quarter Three) of the £135k budget carried forward was unspent at the end of the year. The £7k increase in spend in this financial year compared to the forecast at Quarter Three and the corresponding reduction in the carry forward budget is included in the 'other minor variances' totals in table four above.
- Local Plan review. A total of £95k (an increase of £18k from the forecast at Quarter Three) of the £186k carried forward was not spent in this year, as highlighted and explained in table four above.
- Transport policy projects and initiatives. Underspend reported in table four above of £25k on the budget carried forward for the Hitchin Station Eastern Access project means that an total £81k of the £84k budget carried forward for various transport schemes was unspent this year.
- Town Centres Strategy. A total of £88k (an increase of £18k from the forecast of £70k at Quarter Two) of the £119k budget carried forward was not spent, as explained in table four above.
- Parking Lines and Signs. £1k of the £35k budget carried forward was not spent during the year, as highlighted in table four above.
- Letchworth Multistorey Car Park lighting. £2k of the £25 carry forward budget was not spent in this financial year, which is included in the 'other minor variances' total in table four above.

8.6 Six corporate 'financial health' indicators were identified in relation to key sources of income for the Council in 2025/26. Table 5 below shows the performance for the year. A comparison is made to the original budget to give the complete picture for the year. Each indicator is given a status of red, amber, or green. A green indicator means that income recorded matched or exceeded the budgeted level of income. A red indicator means that the outturn has not met the budgeted level of income. An amber indicator is only used during the year to highlight that there is a risk that the budgeted level of income may not be met.






8.7 At the end of the year, two of the indicators are red and four are green. The status of each indicator is unchanged from that reported at the end of Quarter Three.

Table 5 - Corporate financial health indicators

Indicator	Status	Original Budget £k	Outturn £k	Variance £k
Leisure Centres Management Fee Income	Red	(714)	(321)	+393
Garden Waste Collection Service Subscriptions	Green	(1,622)	(1,633)	(11)
Commercial Refuse & Recycling Service Income	Red	(1,267)	(1,258)	+9
Planning Application Fees (including fees for pre-application advice)	Green	(1,188)	(1,353)	(165)
Car Parking Fees	Green	(1,978)	(2,007)	(29)
Parking Penalty Charge Notices (PCNs)	Green	(573)	(927)	(354)

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

Table 6 - Corporate financial health indicators – activity drivers

Indicator	Activity Measure	Performance 2025/26	Performance 2024/25	Percentage Movement	Direction of Trend
Leisure Centres Management Fee	Number of Leisure Centre visits	1,558,505	1,724,052	-9.6%	
Garden Waste Collection Service	Number of bin subscriptions	32,706	34,386	-3.4%	
Commercial Refuse & Recycling Service	Number of customers	992	1,044	-5.0%	
Car Parking Fees	Car park tickets sold / average ticket price sold	914,819 / £1.74	1,151,503 / £1.79	+5.0% / -2.2%	
Parking Penalty Charge Notices	Number of PCNs issued	14,300	16,602	+21.9%	

FUNDING, RISK AND GENERAL FUND BALANCE

- 8.9 The Council's revenue budget is funded primarily from Council Tax and Retained Business Rates income. In November 2024, central government guaranteed an amount of Extended Producer Responsibility (EPR) funding in 2025/26. The Council was subsequently notified by Central Government in February 2025 of the amount of New Homes Bonus, Employer National Insurance Contributions Grant and Funding Guarantee Grant it could expect to receive in 2025/26 and planned accordingly.
- 8.10 Council Tax and Business Rates are accounted for in the Collection Fund rather than directly in our accounts, as we also collect them on behalf of other bodies. Each organisation has a share of the balance on the Collection Fund account. The Council must repay in this year its share of the Council Tax deficit for the prior year and will receive in this year its share of the Business Rates Collection Fund surplus for the prior year, as estimated in January 2025. As reported previously, this means a contribution from the Council Tax Collection Fund to the General Fund of £144k and a contribution to the General Fund of £98k from the Business Rates Collection Fund. While the transfer of the Council Tax surplus amount of £144k is included in the funding total in table 7 below, the business rates surplus has been transferred to reserve and will be used to mitigate the impact of deficits recorded, and/or changes to the rates retention scheme, in future years. It is also reviewed as part of the Medium-Term Financial Strategy (MTFS) and budget process to assess whether it can be used to support the General Fund budget.
- 8.11 The Council's share of the Council Tax Collection Fund is a surplus balance of £252k at the end of the financial year. This represents an increase of £1k on the forecast surplus of £251k estimated in January. The forecast surplus of £251k will be transferred from the Collection Fund to the General Fund in the next financial year and this will therefore increase the amount of Council Tax funding available in 2026/27, as was shown in Appendix E to the Budget 2026/27 report. The £1k improvement in the position in the final quarter will be incorporated in the calculation of the surplus/deficit position for 2026/27 and hence impact slightly the level of Council Tax funding available in 2027/28.
- 8.12 The Council's share of the Business Rates Collection Fund at the end of the year is an overall surplus of £2.623m. This represents a decrease of £203k on the estimated surplus of £2.826million declared in the NNDR1 return submitted to Government in January. The decrease in the surplus is primarily due to the calculated contribution required to the bad debt provision at the end of the year being higher than estimated. This is indicative of the higher level of debt outstanding at the end of the year, with the recovery of NNDR income subject to the same issues as those described in the explanation of the increase in the contribution to the sales ledger bad debt provision in table 4 above. Like the Council Tax Collection Fund, it is the forecast surplus of £2.826million that will be transferred from the Collection Fund to the General Fund in the next financial year.
- 8.13 The Council is also subject to a business rates levy from Central Government where it collects more in business rates than the baseline determined by Central Government. The Council's business rates levy liability for 2025/26 is £1.159million. This amount has been funded from the grant held in reserve and as such has a net zero impact on the General Fund balance at the end of the year.

- 8.14 The Council receives compensation in the form of a grant from Central Government for business rate reliefs introduced, which goes into our funds rather than the Collection Fund. The total amount of grant receivable for reliefs in 2025/26 is £4.562m, which includes an amount of £620k received as compensation for the Government's previous decisions to cap the increases in the business rates multiplier. The multiplier compensation is included in the funding total in table 7 below, with the rest of the grant received transferred to reserve. Some of the amount held in reserve has been used to fund the business rates levy payable for this year, while a further £1.4million has been used to top up the business rates income charged to the General Fund in 2025/26 to the baseline funding amount anticipated when the budget was set. In addition, as shown in table 7 below, £2.861million has been transferred from the reserve to the General Fund in 2025/26 to bridge the funding gap anticipated when the budget was set.
- 8.15 Table 7 below summarises the impact on the General Fund balance of the outturn position detailed in this report. It should be noted however that the accounts for 2025/26 are yet to be audited and changes to the General Fund balance may arise as a result of the final accounts audit.

Table 7 – General Fund impact

	Working Budget	Outturn	Difference
	£k	£k	£k
Brought Forward balance (1st April 2025)	(16,067)	(16,067)	-
Net Expenditure	22,785	21,247	(1,538)
Funding (Council Tax, Business Rates, EPR, NHB, ENIC, Funding Guarantee)	(20,365)	(20,365)	-
Funding from Reserves (including Business Rate Relief Grant)	(2,861)	(2,861)	-
Carried Forward balance (31st March 2026)	(16,508)	(18,046)	(1,538)

- 8.16 The minimum level of General Fund balance is determined based on known and unknown risks. Known risks are those things that we think could happen and we can forecast both a potential cost if they happen, and percentage likelihood. The notional amount is based on multiplying the cost by the potential likelihood. The notional amount for unknown risks is based on 5% of net expenditure. There is not an actual budget set aside for either of these risk types so, when they occur, they are reflected as budget variances (see table 3). We monitor the level of known risks that actually happen, as it highlights whether there might be further variances. This would be likely if a number of risks come to fruition during the early part of the year. We also use this monitoring to inform the assessment of risks in future years. The notional amount calculated at the start of the year for known risks was £1,077k, and at the end of the financial year a total of £1,618k has come to fruition. The identified risk realised in the final quarter related to:
- Costs associated with a challenge to a Planning Committee decision, as highlighted and explained in table 4 above - £34k.

Table 8 – Known financial risks.

	£'000
Original allowance for known financial risks	1,077
Known financial risks realised in Quarter 1	(1,298)
Known financial risks realised in Quarter 2	(67)
Known financial risks realised in Quarter 3	(219)
Known financial risks realised in Quarter 4	(34)
Remaining allowance for known financial risks	(518)

EARMARKED RESERVES

8.17 The Council has a number of earmarked reserves, which have been used to fund revenue expenditure during the year. The purpose of each reserve was detailed in the Budget Report. The value of transfers during the financial year are shown in Table 9 below. A total of £5.113million has been contributed to the reserves in 2025/26 and a total of £6.911million has been transferred out of the reserves to the General Fund.

Table 9 – Earmarked Reserves

	Balance at 1 April 2025	Contributions to reserve	Transfers out from reserve	Balance at 31 March 2026
	£'000	£'000	£'000	£'000
Children's Services Reserve	1	0	(1)	0
Churchgate Development Reserve	11	24	(35)	0
Climate Change Grant Reserve	20	0	(3)	17
Council Tax Hardship Grant Reserve	269	0	(9)	260
Elections Admin Grant Reserve	121	0	(33)	88
Environmental Health Grants Reserve	15	66	(8)	73
Growth Area Fund Reserve	24	0	0	24
Homelessness Grants Reserve	275	586	(115)	746
Housing & Planning Delivery Reserve	832	288	(148)	972
Insurance Reserve	34	0	0	34
Land Charges Reserve	12	21	0	33
Leased Assets Reserve	63	0	0	63
Leisure Management Maintenance Reserve	33	0	0	33
MHCLG Grants Reserve	6,227	3,942	(5,381)	4,788
Museum Exhibits Reserve	14	0	0	14
Neighbourhood Plan Reserve	121	20	(40)	101
Paintings Conservation Reserve	11	0	0	11
Shared Prosperity Fund Grant Reserve	0	19	(13)	6
Street Name Plates	16	0	0	16
Syrian Refugee Project	758	85	(49)	794
Taxi Licences Reserve	11	0	0	11
Town Centre Maintenance	93	8	0	101
Traffic Regulation Orders	367	0	(12)	355
Waste Reserve	836	0	0	836
Waste Vehicles Reserve	3,178	0	(887)	2,291
Welfare Reform Grants Reserve	358	54	(177)	235
Total Revenue Reserves	13,700	5,113	(6,911)	11,902

9. LEGAL IMPLICATIONS

- 9.1 The Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. Specifically, 5.7.8 of Cabinet's terms of reference state that it has remit "to monitor quarterly revenue expenditure and agree adjustments within the overall budgetary framework." By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council. The Council is under a duty to maintain a balanced budget and to maintain a prudent balance of reserves.
- 9.2 The requirement for financial reserves is acknowledged in statute. Sections 31A, 32 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. The Council must ensure sufficient flexibility to avoid going into deficit at any point during the financial year. The Chief Financial Officer is required to report on the robustness of the proposed financial reserves, under Section 25 of the Local Government Act 2003.
- 9.3 Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs. The level of the general reserve is a matter for the Council to determine having had regard to the advice of the S151 Officer. This is a requirement of the Council Procedure Rules as set out in Part 4.4.1 (b) and 4.4.1 (k) of the Council's Constitution.
- 9.4 Council's terms of reference at paragraph 4.4.1 (dd) state that it will "determine those financial matters reserved to Council by the Financial Regulations." The Financial Regulations at paragraph 10.2 include that "[t]he creation and movements in reserves need to be formally approved by Full Council, which is incorporated in to Revenue Budget Outturn report."

10. FINANCIAL IMPLICATIONS

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

11. RISK IMPLICATIONS

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

12. EQUALITIES IMPLICATIONS

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

13. SOCIAL VALUE IMPLICATIONS

- 13.1. The Social Value Act and “go local” 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 Although there are no direct human resource implications at this stage, care is taken to ensure that where efficiency proposals or service reviews may affect staff, appropriate communication and consultation is provided in line with HR policy.

16. APPENDICES

- 16.1 Appendix A - Significant Revenue Budget Variances in 2025/26

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

- 18.1 None

Appendix A - Significant Revenue Budget Variances in 2025/26

Directorate	Significant Service Area Variances	Net Direct Budget at April 2024	Net Direct Outturn	(Under) / Overspend	Summary Explanation	Relevant Report
Chief Executive	Chief Executive Staffing Costs	250	256	6		
	Capital Financing - Minimum Revenue Provision (MRP)	402	0	(402)	as there was no capital expenditure in 2024/25 that required funding through borrowing. MRP charges occur in the year after the Council needs to fund capital expenditure from borrowing.	Q3 2025/26
	Revenue savings from planned capital investments	(616)	0	616	Savings resulting from the delivery of planned capital schemes in 2024/25 were anticipated to materialise in 2025/26 when the original budget estimates for 2024/25 onwards were approved by Council in February 2024. These should have been removed as part of setting 2025/26	Q1 2025/26
	Treasury Investments Interest Income	(825)	(2,080)	(1,255)	Significantly higher cash balances available for investment than anticipated due to the reprofiling of planned capital investments. Plus interest rates remained higher than budgeted.	Q1, Q2 & Outturn 2025/26
	Other budgets with variances under £100k	1,474	1,490	16		
	Directorate Total	685	(334)	(1,019)		
Customers Directorate	Customers Directorate Staffing Costs	5,952	5,916	(36)		
	Other budgets with variances under £100k	(1,800)	(2,027)	(227)		
	Directorate Total	4,152	3,889	(263)		
Enterprise Directorate	Enterprise Directorate Staffing Costs	1,830	1,812	(18)		
	Churchgate Regeneration Project – Consultants Expenditure	36	205	169	To complete the due diligence required to progress with this project, relevant consultants have been appointed to support the work involved. Part of the outturn has been funded from surplus rent income collected and the balance remaining in the Churchgate Regeneration Project earmarked reserve.	Q3 2025/26
	Other budgets with variances under £100k	(712)	(926)	(214)		
	Directorate Total	1,154	1,091	(63)		
Environment Directorate	Environment Directorate Staffing Costs	1,487	1,381	(106)	Underspend on staffing results mainly from turnover in staff in Waste Services, with recruitment to new posts delayed by focus on delivery of new waste contract.	Q2 & Outturn 2025/26
	Leisure Centre Management Contract Income	(1,053)	(321)	732	The leisure centres decarbonisation project required some closures across all three sites during the works, meaning a reduction in the management fee receivable under the terms of the contract.	Q1 2025/26 & Outturn 2025/26
	Waste and Street Cleansing Contract Expenditure	7,146	6,922	(224)	Underspend due to lower levels of contract variation orders undertaken by the contractor than forecast, with demand for these activities not materialising as anticipated. This is typical for the first year of a new contract, where estimates are based on historic data and prudent assumptions.	Outturn 2025/26
	Income from sale of fibre (paper and cardboard) collected for recycling	(85)	(194)	(109)	changes were implemented in August 2025, paper and cardboard have been collected together as a single fibre recycling stream. While the grade of the material collected is lower than a paper-only stream, with this reflected in a lower sale price per ton, the additional tonnage collected has more than offset this.	Q3 2025/26
	Other budgets with variances under £100k	227	52	(175)		
	Directorate Total	7,722	7,840	118		
Governance Directorate	Governance Directorate Staffing Costs	1,658	1,722	64		
	Other budgets with variances under £100k	829	856	27		
	Directorate Total	2,487	2,578	91		

Directorate	Significant Service Area Variances	Net Direct Budget at April 2024	Net Direct Outturn	(Under) / Overspend	Summary Explanation	Relevant Report
Place Directorate	Place Directorate Staffing Costs	3,732	3,481	(251)	Underspend due to various vacancies within the Place Directorate during the year	Q1, Q2 & Outturn 2025/26
	Local Plan Review and Development	343	49	(294)	Several evidence-based projects, including the viability study, employment needs assessment, strategic flood risk and strategic housing market assessment initially planned for completion in this financial year have taken longer to procure than anticipated and will now be completed in 2026/27. The unspent budget has been carried forward.	Q1 & Q2 2025/26
	Local Plan Development - Government Grant Income	0	(108)	(108)	New Local Plan regulations have come into effect that set out a new plan making system. Government grant funding has been successfully applied for, with North Herts committing to bringing forward early a Local Plan through the new system.	Outturn 2025/26
	Supplementary Planning Documents (SPDs)	122	25	(97)	Work has progressed on the Design Code SPD. Additional staffing resource has been provided through a 1-year fixed term contract post that will extend into the new financial year. Unspent budget carried forward to fund the costs of the post falling in the next financial year and the work associated with the finalisation of this project as a web-based resource (anticipated in Summer 2026).	Q2 2025/26
	Transport Policy Projects Expenditure	124	3	(121)	Officers have been working together with Hertfordshire County Council to prioritise projects that can be taken forward as part of the Sustainable Travel Town Programme. Work will continue in the next financial year.	Q3 2025/26 & Outturn 2025/26
	Development Control - Legal and Consultants Expenditure	0	114	114	Barrister and consultants' fees were incurred in defending the Council's decision at public inquiries held in respect of Wandon End Solar Farm, the Land at Rhee Spring, and proposed dwellings at Barkway Road, Royston, following the refusal of planning permission at each site by the Council's Planning Control Committee. In each case the decision was contrary to officer recommendation.	Q1 2025/26 & Outturn 2025/26
	Planning Fees Income	(1,222)	(1,353)	(131)	The government increased statutory planning fees from the 1st April 2025. The majority were increased in line with general inflation (1.7% as measured by the Consumer Price Index at September 2024), however some household application fees were doubled. Changes made to the Planning fees structure also encouraged pre-application engagement	Q2 2025/26
	Transfer to Earmarked Reserve	39	139	100	Planning Applications fees income be transferred to the Planning earmarked reserve to fund further investment in the service, as the letter from the Ministry for Housing, Communities and Local Government stated that the fee increase should be used to both alleviate revenue pressures and invest in the planning service.	Q2 2025/26
	Car Parking PCN Income	(573)	(927)	(354)	Lower level of turnover of Civil Enforcement Officers in the parking team in 2025/26 has meant more staff patrolling across the District to ensure motorists are parking safely and in compliance with the relevant highway	Outturn 2025/26
	Car Parking PCN Income – Contribution to bad debt provision	162	372	210	Higher levels of PCN activity over the last several years has contributed to the increase in the calculated contribution required to the bad debt provision.	Outturn 2025/26
	Other budgets with variances under £100k	(942)	(1,119)	(177)		
	Directorate Total	1,785	676	(1,109)		
	Regulatory Directorate Staffing Costs	3,370	2,705	(665)	£537k of underspend follows the application of ringfenced homelessness grant to fund salary costs, instead of base budget provision. Due to staffing pressures in the first half of the year, the recruitment to the four-year Environmental Health Apprenticeship post will now take place in 2026/27, in time to start the dedicated course from September 2026, with the unspent budget of £100k carried forward.	Q1 & Q2 & Outturn 2025/26

Directorate	Significant Service Area Variances	Net Direct Budget at April 2024	Net Direct Outturn	(Under) / Overspend	Summary Explanation	Relevant Report
Regulatory Directorate	Transfer to Housing Services Earmarked Reserve	(114)	422	536	Transfer to earmarked reserve of unspent salary budget due to grant funding makes resource available for various multi-year schemes to help local people in housing need	Outturn 2025/26
	Housing Services Government Grant Income	(125)	(520)	(395)	Asylum Dispersal Grant awarded by the Home Office to support the Council with the financial impact arising from asylum seeker accommodation within North Hertfordshire.	Outturn 2025/26
	Other budgets with variances under £100k	(346)	(444)	(98)		
	Directorate Total	2,785	2,163	(622)		
Resources Directorate	Resources Directorate Staffing Costs	2,905	2,817	(88)		
	Net Housing Benefit Expenditure	430	676	246	The 2021/22 Housing Benefit audit, only completed in this year, identified that there was insufficient evidence of rent agreements with benefit claimants placed in temporary accommodation for the Council to be eligible for the corresponding Housing Benefit subsidy it received in that year. This must be paid back to the DWP. Housing Services have since made changes to Housing Benefit claim forms.	Q3 2025/26
	Other budgets with variances under £100k	(182)	(149)	33		
	Directorate Total	3,153	3,344	191		
OVERALL TOTAL		23,923	21,247	(2,676)		

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**FINANCE, AUDIT AND RISK COMMITTEE
WEDNESDAY, 10 JUNE 2026**

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: 2025-26 Year End report on Risk Management Governance

REPORT OF: Director - Resources

EXECUTIVE MEMBER: Executive Member - Resources

COUNCIL PRIORITY: Sustainability;

1. EXECUTIVE SUMMARY

1.1. This report provides an update on the effectiveness of the Risk Management governance arrangements at the Council.

1.2. At the time Appendix A was finalised (early May), the Council had seven red corporate risks. The two risks with the highest scores relate to Local Government Reorganisation (LGR) and Devolution, and Resourcing. A significant element of the LGR risk specifically relates to resourcing/ staffing. The remaining five red risks (with scores of 7 or 8) are two over-arching risks (cyber risk and financial sustainability) and three project risks (Churchgate, decarbonisation phase 2 and museum collection facility).

2. RECOMMENDATIONS

2.1. That the Committee comment on the Risk Management Governance update as attached at Appendix A and recommend that Cabinet refer it on the Council.

3. REASONS FOR RECOMMENDATIONS

3.1. To provide assurance that the Council is effectively managing risk. The Council's Risk Management Strategy details that this annual review should be presented to Council. Cabinet have responsibility for the management of risk.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1. None, as alternatives would not adhere to the adopted Risk Management Strategy.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1. Relevant managers provide regular updates on the risks that they are responsible for. The Council's Risk and Performance Management Group (RPMG) regularly review risks, especially those identified as corporate risks. The RPMG is usually attended by the Executive Member for Resources, and has standing invites to members of the Cabinet, Finance, Audit and Risk Committee, and Overview and Scrutiny Committee.

6. FORWARD PLAN

- 6.1. This report does not contain a recommendation on a key Executive decision but was referred to in the Forward Plan on 15th May 2026.

7. BACKGROUND

- 7.1. The Council's key projects, risks and performance indicators are reported to Cabinet on a quarterly basis in the Council Delivery Plan report. When required, this report is also considered by Overview and Scrutiny Committee and can be used to guide their work programme.
- 7.2. The Finance, Audit and Risk (FAR) Committee support good governance, and receive a mid-year and end of year report on Risk Management governance. The mid-year report is referred on the Cabinet. The end of year report (this report) is referred on to Cabinet and Council.
- 7.3. The Council's approach to Risk Management is set out in the framework, which is made up of a Policy Statement, Policy, and Strategy.

8. RELEVANT CONSIDERATIONS

- 8.1. The end of year report on Risk Management governance is attached as Appendix A. The Appendix includes the following:
- The Council's approach to managing and overseeing risk (sections 3-6).
 - The corporate risks and actions taken to manage those risks (section 7)
 - An overview of service risks as those more significant service risks could become corporate risks (section 8).
 - Performance in carrying out risk reviews and training, and detailing new and archived risks (sections 9-12)
 - Activities that are part of or provide significant support to risk management (sections 13-15).
 - Action plans for improving risk management (sections 16 and 17). The FAR Committee are encouraged to consider the effectiveness of these actions.

9. LEGAL IMPLICATIONS

- 9.1. The FAR Committee's Terms of Reference include "to monitor the effective development and operation of risk management and corporate governance, agree actions (where appropriate) and make recommendations to Cabinet" (Constitution 10.1.5 (t)).
- 9.2. Cabinet's Terms of Reference include "To take decisions on resources and priorities, together with other stakeholders and partners in the local community, to deliver and implement the budget and policies decided by the Full Council. To monitor performance and risk in respect of the delivery of those policies and priorities" (Constitution 5.7.3).
- 9.3. The Council's Risk Management Framework Strategy document determines that all Councillors should support and promote an effective risk management culture. It also determines that this end of year report should be referred to Council.

10. FINANCIAL IMPLICATIONS

10.1. There are no direct 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 regular review of the effectiveness of Risk Management helps ensure effective risk management.

12. EQUALITIES IMPLICATIONS

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

12.2. There are no direct equalities implications 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 directly to this report.

15. HUMAN RESOURCE IMPLICATIONS

15.1. There are no direct HR implications arising from this report.

16. APPENDICES

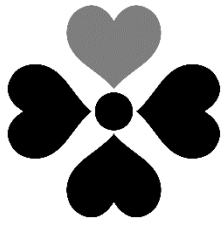
16.1. *Appendix A- RISK MANAGEMENT GOVERNANCE (YEAR-END UPDATE)*

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

18.1. None



**North
Herts**
Council

**RISK MANAGEMENT GOVERNANCE
(YEAR-END UPDATE)**

**Progress of risk management activities since the
mid-year update reported in January 2026.**

1. Introduction

- 1.1 This year-end update provides an overview of risk management governance arrangements at North Herts Council as of the end of March 2026 and summarises associated activities since the mid-year update, which was reported to relevant committees in January 2026. It provides a wider commentary on risk, a broader understanding of risks faced and associated mitigations, and assurance that risk management processes and governance arrangements are in place and working.
- 1.2 Following review by the Risk and Performance Management Group (RPMG), the year-end update will be presented to the Finance, Audit and Risk Committee, Cabinet and Council.

2. Executive Summary

- 2.1 The highest strategic risks are currently Cyber, Financial Sustainability, Local Government Reorganisation and Devolution, and Resourcing, as well as project risks for Churchgate, Decarbonisation of Council Buildings - Phase 2, and Museum Collection Facility.
- 2.2 Since production of the mid-year update, the risk levels of three Corporate Risks have been reduced - Leisure Centre Decarbonisation, Local Plan Review, and Resident/Public EV Charging in our Car Parks. Risk scores were also reduced for three completed Council Delivery Plan projects - Engaging the Community on our Finances, King George V Skate Park, and Waste and Street Cleansing Contract.
- 2.3 The new Museum Collection Facility project risk was introduced in January 2026 and was first reported in the Council Delivery Plan 2025/26 (Quarter 3 Update) presented to Cabinet on 14 April 2026.
- 2.4 All Corporate Risks continue to be reviewed on a quarterly basis, with updates to completed and planned mitigating activities.

3. Background

- 3.1 As set out in the Constitution, the Finance, Audit and Risk Committee focuses on its role of “monitor[ing] the effective development and operation of risk management”. To enable this, the Committee receives a mid-year (in December/January) and year-end (in June) risk management governance update.
- 3.2 The Overview and Scrutiny Committee considers the risks to achieving agreed objectives and priorities, as set out in the Council Plan. Quarterly reports detailing key projects and associated risks, key strategic risks that cut across the delivery of all services, and key performance indicators, form part of established Council Delivery Plan monitoring arrangements.
- 3.3 The above reports are subsequently presented to Cabinet, which has overall responsibility for ensuring the effective management of risk. The Cabinet reports will include any specific recommendations made by the Finance, Audit and Risk Committee and Overview and Scrutiny Committee.

- 3.4 The Risk and Performance Management Group (RPMG) provides Officer and Member oversight of risk management activities and valuable input to risk-related committee reports. The Director – Resources, the Officer Champion for Risk Management, chairs quarterly RPMG meetings and the Executive Member for Resources, in their role as the Risk Management Member Champion, is a regular attendee. The Chairs of Finance, Audit and Risk Committee and Overview and Scrutiny Committee are invited to attend, with optional invitations extended to members of both committees and Cabinet. The Controls, Risk and Performance team deliver the risk management function, and support the RPMG with the provision of meeting papers and expert advice. Hertfordshire County Council (HCC) delivers the Council's insurance services and their Risk and Insurance Manager attended RPMG meetings during the year, enabling the Council to obtain an insight into emerging risks and issues at both HCC and other Hertfordshire local authorities. The Shared Internal Audit Service (SIAS) Head of Assurance also attends, helping to inform a better understanding of wider risk issues. Officers also attend representing the Resilience (NHC Resilience Manager) and Health and Safety (HCC Health and Safety Manager) functions.
- 3.5 Each Director provides the RPMG with an informal overview of key projects and risks within their directorate once a year and will have ongoing discussions about these with the relevant Executive Member(s).
- 3.6 The Controls, Risk and Performance team is responsible for the provision of training and support to Officers and Members.

4. Risk Management Framework

- 4.1 The Council's Risk Management Framework requires us to:
- Identify and document key risks in all areas of our business, understand them and seek to proactively manage them.
 - Assess each risk, identify existing controls, and identify further actions required to reduce the risk.
 - Have Business Continuity Plans in place for each of our service areas, which identify the key functions, what the risks are and how they can be mitigated to allow them to continue operating.
 - Develop capacity and skills in identifying, understanding, and managing the risks facing the Council.
 - Regularly review the Risk Management Framework and update it in line with statutory and best practice requirements.
- 4.2 The Risk Management Framework is reviewed and updated on an annual basis. Officers undertook the last review towards the end of 2025 and details of proposed changes were included in the risk management governance mid-year update. Cabinet approved the changes to the Risk Management Framework on 20 January 2026.

5. Risk Awareness and Appetite

- 5.1 The Council is committed to the proactive identification and management of key external and internal risks that may affect the delivery of objectives. This allows us to be risk aware, understanding that risks may increase as services evolve and more commercial opportunities are developed and undertaken.

- 5.2 The Council's risk appetite is its willingness to accept risks to realise opportunities and achieve objectives. We must take risks and 'be brave' to evolve and to continue to deliver services effectively, deciding what risks we want to take and what ones we want to avoid, whilst acknowledging that we cannot or should not avoid all risks. The Risk Management Framework recognises that risks accompany all new objectives and opportunities, and it provides guidance on managing them appropriately.
- 5.3 The Council will have a range of different appetites for different risks depending on the circumstances and these will vary over time. The Risk Management Framework specifies that we will actively manage and monitor risks scoring 4 or higher on the risk matrix. This includes monitoring the completion of risk management activities and assessing their effectiveness.
- 5.4 As reported in the year-end Council Delivery Plan monitoring report, 11 Corporate Risks have a score of 4 or above (see Section 7.).

6. Risk Identification and Assessment

- 6.1 Leadership Team and Cabinet are responsible for the Corporate Risks, with Cabinet ensuring these risks are managed appropriately and proportionately. They are likely to require a high-level of resources to manage and need to be monitored at a strategic level.
- 6.2 The reporting of Corporate Risks to Cabinet, via quarterly Council Delivery Plan updates, allows details of the top risks facing the Council to be monitored. The half-yearly reports on risk management governance presented to FAR and Cabinet help to provide assurance over the processes that are in place to support risk management.
- 6.3 In June 2025, Cabinet approved the inclusion of 13 projects in the Council Delivery Plan for 2025/26, along with four over-arching Corporate Risks. Each Council Delivery Plan project has a risk assessment in place to determine the major risks to the delivery of the project and the mitigating actions required. The majority of projects and the four Corporate Risks were carried forward from the previous year's Council Delivery Plan. One new project entitled Decarbonisation of Council Buildings - Phase 2 was added in time for the Quarter 1 monitoring report and another new project entitled Museum Collection Facility was added in time for the Q3 2025/26 monitoring report.

6.4 The following diagram sets out how overall risk scores are produced, detailing the associated individual likelihood and impact scores and related Risk Management Framework definitions for each score:

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

7. Corporate Risks

7.1 The Council Delivery Plan contains the following risks, which have been plotted on the Corporate Risk Matrix to show a visual risk profile of the Plan, as reported in the year-end monitoring report:

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

* Associated Council Delivery Plan project completed.

7.2 The risks can also be assessed in the context of mitigating actions, including those that have been completed. When mitigating actions are completed, there is an expectation that the cumulative effect will have a positive impact on the risk score. Detailed below are completed actions and proposed mitigating actions for each of the Council Delivery Plan high-level risks. Actions completed since the previous Risk Management Governance report are in ***bold italics*** to help show how mitigating activity is progressing. The presented information is in line with a previous request from the Finance, Audit and Risk Committee.

Risk Title/ Risk Score	Completed Mitigating Actions	Ongoing Controls and Mitigating Actions
<p>Churchgate Current: 8 Target: 6</p>	<ul style="list-style-type: none"> - Secured both freehold and leasehold ownership. - Project Board appointed (November 2022). - Lead consultant (Lambert Smith Hampton) appointed (June 2023). LSH supported by design and transport consultants. - Appointed communications agency support (PLMR). - Detailed project risk log created. Issues log also created. - SIAS audit of Churchgate - Ongoing Project Assurance (reported May 2024). Recommendations implemented. - Engagement plan developed and approved by Project Board (July 2024). - Formal engagement process commenced September 2024 and ended November 2024. - Further SIAS audit of Churchgate - Project Assurance (reported May 2025) provided a reasonable level of assurance. Recommendations implemented. - LSH undertook preliminary exercise to identify key risks and appropriate ways to manage these. Details presented in Appendix M (Risk Assessment) of the Viability and Strategy Report. - Council decision (10 July 2025) to develop a proposal based on the preferred option, endorse the five 'Development Principles', and approve additional 12-month funding for a specialist regeneration project manager. - Successful 2026/27 growth bid to extend the employment of the regeneration specialist Project Manager. 	<p><u>Controls:</u></p> <ul style="list-style-type: none"> - Communications and consultation plan in place and evolving, which is kept updated. - Decisions explained, including that there will need to be compromises. - Financial and expert consultancy support is in place to provide expert advice and help us to move the project forward. - Cost effectiveness/value for money is a key part of assessing and developing options. - Committee reports to highlight significant risks associated with recommended decisions under Risk Implications. <p><u>Project Management Controls:</u></p> <ul style="list-style-type: none"> - Regular Project Board meetings. - Project risk log and issues log regularly updated and reported to Project Board. - Weekly Project Team meetings with LSH. <p><u>Actions:</u></p> <ul style="list-style-type: none"> - Further work required to explore risks identified in the Viability and Strategy Report in greater detail and to develop appropriate mitigation strategies. - Progressing a number of work packages (e.g., car park survey analysis and future proofing) to support fully informed decision making on options/viability.
<p>Decarbonisation of Council Buildings - Phase 2 Current: 7 Target: 5</p>	<ul style="list-style-type: none"> - Project budget contingency in place. - Allocated internal resource for project management and delivery of project programme. - Allowed for comprehensive planning in year one, with no requirement to drawdown any Salix funding. - Project Risk Log in place. - Informal engagement with Planning prior to funding application, to have confidence that proposed interventions are likely to align with planning guidance. - Project plan allows for a significant period of time to undertake planning process, DNO upgrades and procurement of MEP. - Funding for a Principal Designer and a Quantity Surveyor approved by Cabinet via the Q1 2025/26 Capital Budget Monitoring Review report (23 September 2025). - Reviewed the three audit reports and recommendations relating to 'Leisure Centre Decarbonisation Project (Salix Grant) Embedded Programme Assurance'. - Decision on preferred project delivery route (13 November 2025). - Decarbonisation of the DCO removed from Salix funding, with revised works now due to be undertaken via a different delivery route. 	<p><u>Actions</u></p> <ul style="list-style-type: none"> - Apply for planning permission as early as possible (due April 2026). - Engage with DNO regarding upgrade requirements as early as possible. - Undertake asbestos surveys across identified sites (timings to be confirmed, although likely to be undertaken around date works due to commence). <p><u>Controls</u></p> <ul style="list-style-type: none"> - Regular Project Board meetings. - Regular dialogue with Salix relationship manager. - Monitoring reports submitted to Salix (quarterly for 2025/26 and monthly for 2026/27 and 2027/28). - Monthly Executive Member briefings. - SIAS attendance at Project Board meetings.

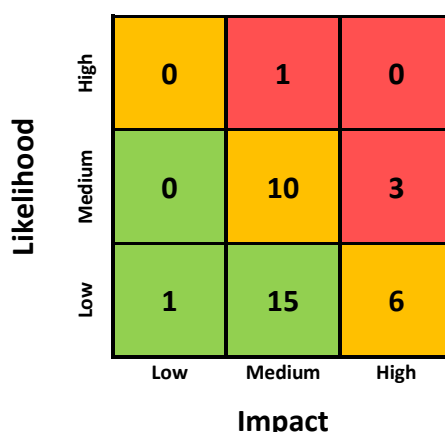
Risk Title/ Risk Score	Completed Mitigating Actions	Ongoing Controls and Mitigating Actions
	<ul style="list-style-type: none"> - Appointment of project management support (Varsity) to support full project, as well as appointment of MEP consultants and architects to support continuity across project. 	
Financial Sustainability Current: 7 Target: 5	<ul style="list-style-type: none"> - MTFS for 2025-30 agreed by Council in September 2024. - Set budget for 2025/26, which identified additional pressures and incorporated revised funding assumptions. - Government confirmation of three-year settlement from 2026/27 onwards. - Responded to consultation on new funding formula. - Budget consultation carried out. - Revised funding projections as a result of formula changes and insight of future direction. - Medium Term Financial Strategy 2026-30 approved on 4 December 2025. MTFS sets out a strategy for addressing funding gaps, including how difficult service funding decisions may have to be made. - Reviewed results from budget consultation and fed this into 2026/27 budget planning. - 2026/27 budget approved at the Full Council meeting held on 26 February 2026. 	<ul style="list-style-type: none"> - Regular budget monitoring to highlight any issues. - Monitor inflation forecasts and impacts.
Museum Collection Facility Current: 7 Target: 3	<ul style="list-style-type: none"> - Detailed Project Risk Log in place, recording relevant mitigations agreed with Project Board and the actions required to implement them. - Approved Capital budget in place, with additional contingency. - Indicative project expenditure based on consultancy costing exercise, which was reviewed by appropriate officers. - Project plan adjusted to account for known delays to Stage 1 design and extension of existing tenancy. 	<ul style="list-style-type: none"> - Project Manager updates to Project Risk Log throughout project lifecycle. - Implementation of agreed mitigating actions to planned timescales. - Regular Project Board meetings provide the opportunity for identified risks to be reported and discussed, and for any additional actions to be agreed. - Project Team and Project Board to scrutinise project expenditure and act diligently when authorising spend. - Tolerances on spend for individual work packages to be agreed with Project Board. - Internal promotion of the project to NHC staff and councillors, including progress made and timescales. - Professional Services Team and any grant funded roles to be brought on board at the earliest opportunity. - Submit grant funding applications at the earliest opportunity.
Resourcing Current: 9 Target: 8	<ul style="list-style-type: none"> - Carry-forward of staffing underspend to help deliver some priorities. - Work on Baldock Fire recovery has subsided. - Council Delivery Plan reviewed for 2024/25 with a reduction in number of projects. - Recruitment website updated to make it more attractive to applicants. - Some success in recruiting to previously hard to fill roles, although still some continuing issues in certain areas. - Pressures identified in the budget setting process for 2025/26 for additional staffing, including training posts. 	<ul style="list-style-type: none"> - Consider getting in additional staffing resource (especially where New Burdens funding available). - Signposting to external resources and support. - Process automation. - Continue HR projects to help make the Council a more attractive place to work and make the recruitment process easier. - Continue to review the Council Delivery Plan to ensure resources are targeted at those projects that are the highest priority and stop/delay work on those that are a low priority.

Risk Title/ Risk Score	Completed Mitigating Actions	Ongoing Controls and Mitigating Actions
	<ul style="list-style-type: none"> - Joined in with the national recruitment campaign for councils led by the LGA. - Launched new job application system to make it easier to apply for jobs, and easier for recruiting managers. - Budget allocated for back-filling/additional work linked to LGR. 	<ul style="list-style-type: none"> - People Strategy being developed with agreed themes, including retention and development of staff. - Tracking the resource impacts of LGR.
<p>Cyber Risks Current: 8 Target: 8</p>	<ul style="list-style-type: none"> - In-house fully functional Disaster Recovery solution. - SLA from broadband provider in place (although loss of broadband service is out of our control). - 2022/23 SIAS audits of IT Hardware (Reasonable assurance), Phishing (Reasonable assurance) and Cyber Risk (Reasonable assurance). - V3 laptop rollout completed for staff. - Implemented IT Hardware audit recommendations. - Test Immutable Cloud Back-up - Phase 1. - Implemented Immutable Cloud Back-up - Phase 2. - IT Information Team Leader and Technical Operations Manager completed the Certified Information Security Manager course. - Implemented Phishing audit recommendations. - Implemented Cyber Risk audit recommendations. - New email monitoring system Mimecast implemented and live. Backup server for mail routing in the event of attack on Microsoft 365 in place. - Windows 11 operating system with Microsoft Defender now deployed. - Mimecast system now used to conduct more sophisticated Phishing Simulations. - Website Access Control and Monitoring upgrade completed. - 2024/25 SIAS audits: Cyber Security Supply Chain Management (Reasonable assurance), Cyber Governance and Culture (Reasonable assurance). - The Council has introduced a Cyber Resilience Board, which includes key officers and elected Members, and meets quarterly. - The Council will not now appoint a Chief Information Security Officer. IT Manager to undertake the role of principal security officer as Cyber Security Lead. - Implemented 2024/25 SIAS audit recommendation management responses. - Cyber Awareness training for all staff, including a requirement for an annual refresh. - Technology in place to cover systems being interrupted or damaged, and data being corrupted or erased: Computer virus (Realtime Virus Protection/Defender updated), Malware (Realtime Monitoring), Computer hacking (Firewalls/Admin restrictions). - Financial Risk identified for 2026/27 to fund services to aid recovery, "Ransomware attack results in the write- 	<p><u>Key Controls/Mitigations</u></p> <ul style="list-style-type: none"> - Continual evaluation and development of cyber policies and threat analysis. <p><u>Response Options</u></p> <ul style="list-style-type: none"> - Successful cyber-attack would be managed by a complete disconnect, with no/limited service available until the breach is fixed. IT would have responsibility for initiating this. - Power failure would be managed by the generator/UPS, with a limited service available. - For Ransomware, go to backup and rebuild all devices. Ransomware policy discussed by February 2025 Cyber Board. In line with Government recommendations, no ransom will be paid.

Risk Title/ Risk Score	Completed Mitigating Actions	Ongoing Controls and Mitigating Actions
	<p>off of some IT hardware and infrastructure" (Low Risk/£200K).</p> <ul style="list-style-type: none"> - Data at Rest Encryption purchased and now in place. - 2026 PSN evaluation undertaken and submitted. - VPN moved from in-house to industry standard. 	
<p>Local Government Reorganisation and Devolution Current: 9 Target: 5</p>	<ul style="list-style-type: none"> - The Council was part of the county-wide White Paper Working Group, which was working on the initial submission in March 2025. - Staff have been provided with regular updates and chances to ask questions, this has included reassurance that services will still need to be delivered under any structure. - Feedback received from central government on the interim proposal for Hertfordshire (May 2025). - Consultants appointed to support Programme Management Office deliver the agreed work programme to November 2025 submission. - Stakeholder consultation exercise carried out, and feedback included in the submission. - County-wide submission deadline met at the end of November 2025. - New structure for the next phase of work is in place. Officers from North Herts are providing input into those arrangements. - Reserve allocation of £2m agreed as part of budget setting. 	<p>Controls and Further Mitigating Activities:</p> <ul style="list-style-type: none"> - Continued support for staff. - Maintain processes for decision making and ensure decisions are taken in the best interests of North Herts (irrespective of future structure). - Input in to work to support transition, both before and after new structures are known.

8. Service Risks

8.1 As of 31 March 2026, the Risk Register contained 36 service risks. A summary of the assessed risk scores is detailed below:



8.2 The four high-risk assessments related to:

- Careline - Field Visits to Service Users' Homes
- Meeting the Needs of Homeless People
- Open Space in Major New Developments
- Renters' Rights Act

9. Review of Risks

- 9.1 Risk reviews are scheduled within Ideagen (our performance and risk software), with automated reminders sent to assigned officers when risks are due to be reviewed. In line with Risk Management Framework (RMF) requirements, high risks should be reviewed every 3 months, medium risks every 6 months and low risks at least once a year. The Performance and Risk Officer assists assigned officers to ensure that information is captured in line with RMF requirements.
- 9.2 As of 31 March 2026, there was a total of 53 risks recorded on the risk register – 17 included in the Council Delivery Plan and 36 service risks. All of these had risk reviews scheduled in accordance with the RMF. During the six-month period 30 September 2025 (when the figures for the mid-year Risk Management Governance update were produced) to 31 March 2026, 79 risk reviews took place. 71 (90%) of these took place in line with strict RMF requirements. Of the eight reviews that were late, two were up to one week late and six were more than one week late, ranging from 9 to 54 days late. For most, the reason for delay was due to lack of officer availability (e.g., due to higher priority commitments or leave) and review meetings having to be scheduled after the Next Review Date. Of the eight late reviews, three related to Corporate Risks, with all of these being reviewed in time to be included in the relevant quarterly Council Delivery Plan monitoring report.

10. New Risks

- 10.1 Between 1 October 2025 and 31 March 2026, two new risks were entered on the Risk Register. These were:
- **Museum Collection Facility:** New Corporate Risk (included in the Council Delivery Plan) describing key risks to successfully delivering the associated project and setting out key activities to control/mitigate these.
 - **Renters' Rights Act:** New Service Risk relating to the risk of NHC not being in a position to effectively implement new Renters' Rights Act legislation from the practical implementation date of 01 May 2026.

Both risks were reviewed by the RPMG on 25 February 2026.

11. Archived Risks

- 11.1 Between 1 October 2025 and 31 March 2026, five risks were archived. These were:
- **Estates Management Information and Reporting:** A new master spreadsheet is now operating adequately to ensure all lease events, such as rent reviews and lease renewals, are actioned and that Estates records align with finance records. As part of a corporate review of Uniform modules across the Council, a decision was taken to cease use of the Estates module, which was signed off by the Director - Enterprise. All data sets have been extracted from Uniform. In view of the significant improvements linked to the new master spreadsheet, implementation of related audit recommendations, and the cessation of the Estates Uniform module, the described risks associated with the Uniform database are no longer relevant. Until LGR, we will continue to use the new master spreadsheet to manage the Estates portfolio, with a further review being undertaken post LGR when portfolios will be merged and other authorities existing property management systems could be potentially utilised. In the interim period, this is assessed as a low risk area for NHC.

- **Land Adjacent to Radburn Way, LGC:** In June 2025, Cabinet approved that the land should no longer be declared surplus and development of the site should not be pursued, and that plans should be progressed to improve management of the land with the intention to provide a habitat bank, or similar, with improved public access as appropriate. Following the Cabinet decision, Green Space are now leading on the new project. As we are no longer looking to dispose of this site, the previously identified risks to disposal are no longer relevant.
- **Museum Storage:** Existing risk entry superseded by the new 'Museum Collection Facility' Council Delivery Plan item, which relates to the adaptation of Unit 1 City Park to meet current and future museum storage requirements. Associated risks to the project and museum collection are now managed/monitored via the Project Risk Log and Council Delivery Plan item.
- **Virgin O2 2G Network Shutdown:** All known Virgin O2 2G Careline clients in affected postcodes were transitioned and Careium (our supplier) successfully removed Virgin O2 2G profiles from their SIM estate in controlled batches. Following the shutdown date (1 October 2025), performance was stable across the network, and at the time of archiving, no service disruptions had been reported. Careium continue to monitor performance and will alert us if any anomalies do occur. All mitigation measures have been completed, the shutdown passed without disruption, and ongoing work has been absorbed into standard operational monitoring.
- **Waste Depots:** This risk entry was originally created for (and was subsequently removed from) the Council Delivery Plan, with described risks specifically relating to the waste depots and the start of the new waste contract. These risks were successfully managed for example, Veolia carried out timely dilapidation repairs, Veolia is now the sole leaseholder (removing risks associated with them having to share the Buntingford depot site), and Veolia replaced the existing depot fuel tank (removing risks associated with it not being fit for purpose). Ongoing risks relating to permitting requirements are managed by Veolia (the permit holder), and we are not aware of any current permitting issues. Broad discussions on waste depots and related infrastructure will need to take place in preparation for LGR and we have a separate risk entry on the Risk Register relating to wider waste transfer infrastructure.

12. Training

- 12.1 A Risk Management e-learning module is available on GROW Zone and is mandatory training for all managers. As of 31 March 2026, 94% of managers had completed the training – 82 out of 87. This has subsequently increased to 97% - 84 out of 87. For the three still outstanding, the system sends automatic reminders to the managers encouraging completion of the module at the earliest opportunity. The module is also available to all other staff and councillors via the general Courses Library on GROW Zone.

13. Insurance Review

- 13.1 Hertfordshire County Council continued to handle the Council's insurance arrangements under a shared service arrangement. The Council's insurance policies were renewed from 1 April 2026. Unfortunately, rates were increased by the motor insurers due to the claims history in 2025/26. The liability insurance arrangements were tendered in 2025/26 and a new insurer appointed from 1 April 2026 with significant savings for the Council.

- 13.2 The Council transfers some financial risks to its insurers. Public liability insurance provides the Council with insurance cover for claims made by the public for personal injury and/or property damage. These types of claims are subject to a £10,000 excess that is charged to the responsible service area. Areas that have been subject to a claim are identified and wherever possible, action is taken to prevent future damage to property or personal injury. As of 31 March 2026, there was only one outstanding public liability claim against the Council.
- 13.3 The Municipal Mutual Insurance (MMI) Scheme of Arrangement was triggered in 2013, and the Council now pays 25% of any new claims dating back to the period that MMI was the Council's insurer (1974 to 1993). The Council's Financial Risks make provision for any new claims and any further levy demands relating to the period that MMI were the Council's insurers. As of 31 March 2026, there were no outstanding claims with MMI.
- 13.4 The Council is uninsured for public liability claims for asbestos exposure, following the introduction of this as an exclusion in policy wordings from around 2003. Following the court case Bolton – v – MMI it is deemed that injury does not occur at the time of exposure but when the tumour begins to develop. This led to injury in mesothelioma claims being deemed to occur 10 years before diagnosis. As it is now 22 years since the exclusion wording was introduced, any new cases will not have cover. In contrast, employers' liability insurance covers the date the exposure happened so the insurer on cover in the 1970/80's will respond (as any claims are likely to be from this period before stricter health and safety controls were introduced). In North Herts Council's case, and as referenced above in 13.3, this is Municipal Mutual Insurance.

14. Resilience Planning

- 14.1 The Resilience Plan, Recovery Plan, Pandemic Disease Plan and Resilience Communications Support Plan have been updated with formal approval and sign-off to be completed by the end of May 2026. Due to limited staff availability and the prioritisation of other resilience work, the majority of business continuity work was put on hold during the year. Expect to be able to start to catch-up on outstanding tasks during 2026/27.
- 14.2 The NHC Flood Plan and Kimpton Groundwater Guidance document are being updated. A Kimpton Multi-Agency Action Plan is in place produced by HCC. A multi-agency debrief was facilitated by HCC Flood Risk Management in July 2025.
- 14.3 The Local Resilience Forum (LRF) has produced a new LRF Training and Exercising Plan which has been distributed to NHC volunteers.
- 14.4 Minor updates were made to the Cyber Incident Business Continuity Response Plan in January 2026 and a Cyber Incident Exercise based on a phishing email scenario was facilitated in March 2026. The learning outcomes from the exercise will be incorporated into a review of the plan and procedures including promotion of the 'TextAnywhere Alert system' to staff.
- 14.5 Ongoing areas of focus include the development of a Widespread Power Outage Business Continuity Plan and an Adverse Weather Business Continuity Plan.

15. Health and Safety

- 15.1 As noted in the mid-year review, the Council entered into a service level agreement with Hertfordshire County Council's (HCC) Health and Safety team from October 2025 to fulfil the statutory requirement to have access to competent health and safety advice, as well as conduct a limited number of H&S services on request.
- 15.2 The Buildings & Facilities team are managing general H&S queries via the health and safety mailbox and administering the DSE system (Cardinus), with assistance from the Management Support Unit. Work is ongoing with the suppliers of this software to further streamline our process. Where required due to the level of risk indicated on the self-assessment, DSE referrals have been passed to HCC, with four such interventions being undertaken to date. A project has also commenced to increase the provision of sit/stand desks within the DCO, further supporting the proactive management of DSE risks and staff wellbeing.
- 15.3 Fire risk assessment reviews across NHC's portfolio have commenced via HCC's Health and Safety team, with 10 undertaken as at the end of March 2026 and any identified actions raised via the Safety Culture system.
- 15.4 To assist service managers, a suite of generic risk assessments has been drafted and reviewed by HCC's Health and Safety team. This will enable service managers to select the risk assessments relevant to job role or task. However, there may still be bespoke or non-generic risk assessments that managers will need to create.
- 15.5 Accident and incident reporting remains low, with one accident and six incidents or threats recorded during the reporting period.
- 15.6 Looking ahead, priorities for 2026/27 include an audit of health and safety management systems, reviewing corporate training requirements, and improving systems for reporting and managing accidents and incidents.

16. Actions for 2025/26

- 16.1 The 2024/25 Risk Management Governance (Year-End Update) report detailed the following key actions for 2025/26 to enhance our risk management processes. An update on the progress made during the year is provided.

Action	Due Date	Progress
Undertake the annual review of Risk Management Framework documentation.	31/12/25	Officers undertook the review, and Cabinet approved the recommended changes to the Risk Management Framework on 20 January 2026.
Training exercise linked to the Cyber Incident Business Continuity Response Plan.	31/12/25	A cyber incident tabletop exercise was held on 9 March 2026 to test the Cyber Incident BCP, which was attended by all of Leadership Team, and officers from Communications, IT, and Resilience.
Senior Managers Group (SMG) review of emerging risks and opportunities.	31/03/26	The revised plan is for this to be undertaken by SMG in Summer 2026.

Action	Due Date	Progress
Updates to Emergency and Business Continuity plans.	31/03/26	The Resilience Plan, Recovery Plan, and Pandemic Disease Plan have been updated. Formal approval and sign-off is ongoing and expected to be completed by the end of May 2026. Due to limited staff availability and the prioritisation of other resilience work, the majority of business continuity work was put on hold during the year. Expect to be able to start to catch-up on outstanding tasks during 2026/27.

17. Actions for 2026/27

17.1 The following key actions for 2026/27 aim to further enhance our risk management processes:

Action	Due Date	Progress
Undertake the annual review of Risk Management Framework documentation.	31/01/27	This is scheduled to take place in September/October 2026. Review outcomes should be reported to the RPMG in November 2026 and to relevant committees in January 2027.
Senior Managers Group (SMG) review of emerging risks and opportunities.	30/09/26	This will be undertaken in Summer 2026.

18. Conclusion

18.1 The Council continued to implement the Risk Management Framework throughout 2025/26, including reviewing and reporting key strategic risks. Related processes and practices aim to ensure a comprehensive understanding of the risks faced. This allows us to be risk aware and to determine the most cost-effective way to manage risks and exploit opportunities.

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CABINET
TUESDAY, 16 JUNE 2026

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: Capital End of Year Review 2025/26

REPORT OF: Director - Resources

EXECUTIVE MEMBER: Executive Member - Resources

COUNCIL PRIORITY: Sustainability;

1. EXECUTIVE SUMMARY

1.1 To consider the Capital End of Year Outturn Review.

1.2 As at the end of financial year 2025/26, there is a reduction in Capital spend compared to quarter 3 of **£1.447 million**. The majority of this change is due to revisions to the profile of planned project spend, with **£1.111million** that will now instead be incurred in 2026/27.

1.3 There is an increase in forecast spend by £839k on the leisure centre decarbonisation project. The main cause (around £600k) is third party delays in completion of legal agreements for cables to go across their land. This leads to increased contractor and temporary boiler costs.

2. RECOMMENDATIONS

2.1 That Cabinet notes expenditure of £22.002million in 2025/26 on the capital programme, paragraph 8.3 refers.

2.2 That Cabinet approves the adjustments to the capital programme for 2026/27 as a result of the revised timetable of schemes and other adjustments detailed in table 2, increasing the estimated spend by £1.950million.

2.3 That Cabinet notes the position of the availability of capital resources, as detailed in table 4 paragraph 8.7 and the requirement to keep the capital programme under review for affordability.

2.4 That Cabinet approves the application of £1.057million of capital receipts/set aside towards the 2025/26 capital programme, paragraph 8.7 refers.

3. REASONS FOR RECOMMENDATIONS

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

4. ALTERNATIVE OPTIONS CONSIDERED

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

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

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

6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key Executive decision that was first notified to the public in the Forward Plan on the 15th May 2026.

7. BACKGROUND

- 7.1 In February 2025, Council approved the Integrated Capital and Treasury Strategy for 2025/26 to 2034/35.

- 7.2 The Council will seek opportunities to utilise capital funding for 'invest to save' schemes. This is one way the Council will allocate resources to support organisational transformation that will reduce revenue expenditure. Capital spend will also be necessary to ensure the continued provision of services and delivery of priorities.

8. RELEVANT CONSIDERATIONS

- 8.1 The Council has £127million of capital assets that it currently owns (as at 31 March 2025). The Investment Strategy set out the reasons for owning assets that are not for service delivery, including an assessment of Security, Liquidity, Yield and Fair Value. There have been no significant changes in relation to these since the Strategy was set.

- 8.2 The full capital programme is detailed in Appendix A and shows the revised costs to date, together with the actual spend from 2025/26 to 2035/36 and the funding source for each capital scheme.

- 8.3 The Outturn Capital expenditure for 2025/26 is **£22.002million**. This is a reduction of **£1.448million** on that reported at the end of the third quarter. The decrease in spend is largely due to re-profiling spend into 2026/27. Table 1 below details the changes from what was reported at Quarter 3.

Table 1- Current Capital Estimates

	2025/26 £M	2026/27 £M	2027/28 to 2035/36 £M
Budget Reported at Q3	23.350	12.143	23.805

	2025/26 £M	2026/27 £M	2027/28 to 2035/36 £M
Executive Member – Finance and I.T. approved additional Expenditure Hitchin Lido Changing Facilities	0.100		
Changes as detailed in this report	-1.448	1.950	
Current Capital Estimates	22.002	14.093	23.805

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

Table 2: Scheme Timetable Revision:

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

Scheme	2025/26 Working Budget £'000	2025/26 Outturn £'000	Difference £'000	Reason for Difference	Estimated impact on 2026/27 £'000
Public Sector Decarbonisation Project	10,453	10,008	-445	<p>The decarbonisation project is in progress and associated budget will be required in 2026/27 to complete the project.</p> <p>The projected final cost has also increased (by £839k), primarily due to delays from third party land owners in approving relevant legal agreements for cables to go across land at Hitchin and Letchworth. Officers are pushing the third parties to resolve the issues as quickly as possible. The additional costs (estimated at £600k, but could be lower if agreements are resolved more quickly) come from contractor costs and the hire of temporary boilers. It has been agreed that the contractor will temporarily vacate both sites to help minimise further additional costs. The remainder of the increase comes from other lower costs, including fixing seized isolation valves (£114k across the 3 sites) and the requirement for additional costs related to substation harmonics filters (£63k).</p>	1,284

Scheme	2025/26 Working Budget £'000	2025/26 Outturn £'000	Difference £'000	Reason for Difference	Estimated impact on 2026/27 £'000
Museum Commercial Storage	1,244	1,144	-100	Ongoing project so unspent budget moved in to 2026/27.	100
Laptop Refresh	339	249	-90	Delays in the procurement has meant that the laptops had not been received by the end of the year.	90
Hitchin Lido Changing Facilities	100	25	-75	This project is fully funded from a donation and was added to the Capital programme in January 2026 (using Resources Executive Member approval). Works commenced in March and will complete early 26/27.	75
Playground Renovations	285	231	-54	Works at Howard Park, Letchworth are set for completion in May	54
Community Centres Flat Roof Safety	43	0	-43	Two community centres were identified as requiring safety rail upgrade works. Since then, it was discovered that the roof at one of the community centres is in poor condition and as a consequence the roof safety rail works have been delayed.	43
Priory Gardens MUGA Fencing	40	0	-40	The MUGA is open for use but waiting for planning approval to progress with works on the floodlights.	40
Property Improvements	128	89	-39	Some planned works have not been completed (e.g. identified by condition surveys but further investigations have determined they are not required) or need to be treated as revenue costs. There is an ongoing pipeline of works to requested to carry-forward.	39
Off Street Car Parking	36	5	-31	The car parks are assessed for future planed works in order to set capital budgets. However, the condition of car parks are regularly inspected and if found to be in reasonable condition capital works are pushed back.	31

Scheme	2025/26 Working Budget £'000	2025/26 Outturn £'000	Difference £'000	Reason for Difference	Estimated impact on 2026/27 £'000
Public Sector Decarbonisation Fund Phase 2	120	92	-28	Underspend of £28k due to timing of surveys at Hitchin Town Hall with some postponed to 2026/27	28
Warm Homes	319	252	-67	Underspend due to a delay in mobilisation for this project which had knock on issues (e.g. gaining landlord permission for Letchworth homes). This meant it was not possible to spend the whole first year allocation for Warm Homes Local Grant. However, there is a strong pipeline for delivery of year 2 funding and therefore expect to deliver the year 2 budget.	25
Total Minor (under £25k) slippage on other projects	1,154	1,005	-149		149
Other changes to 26/27 Budget					-8
Total Revision to Budget Profile			-1,161		1,950

8.5 There are also changes to the overall costs of schemes in 2025/26. These changes total a net decrease of £0.287million and are detailed in Table 3.

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

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

Scheme	2025/26 Working Budget £'000	2025/26 Spend £'000	Difference £'000	Comments
Microsoft Enterprise License	679	768	89	More licenses are required due to more staff requiring IT equipment. This will include temporary staff.
Hitchin Fitness Equipment	0	-360	-360	Budget was allocated for the Council to fund works planned by Everyone Active (EA) in return for an increased management fee. This project was carried out and identified for funding by the Council, but since then EA have decided to fund the project themselves and use the Council funding for different capital works.
Other minor changes			-16	
Total revision to scheme spend			-287	

8.6 The following capital schemes have been completed during 2025/26:

- Renovate Skate Park KGV

- CCTV Control Room upgrade
- Bury Mead Road Transfer Facility
- Waste and Street Cleansing Vehicles
- Fibre Waste Bins
- EV charging at the existing Letchworth depot
- NHLC Lift Replacement
- RLC Members Change Refurbishment
- Hitchin Fitness Member Change and Relaxation Area Refurbishment
- NHLC Pool Flume Replacement
- RLC Dry Side Toilet Refurbishment
- RLC Gym Refurbishment
- RLC Gym Equipment
- RLC Café
- Community Facilities Refurbishments

Capital Programme 2025/26 Funding onwards

8.7 Table 4 below shows how the Council have funded the 2025/26 capital programme.

Table 4: Funding the Capital Programme:

	2025/26 Balance at start of year £M	2025/26 Forecast Additions £M	2025/26 Forecast Funding Used £M	2025/26 Balance at end of year £M
Useable Capital Receipts and Set-aside Receipts	1.057	0.0	(1.057)	0
S106 receipts			(0.485)	
Other third party grants and contributions			(2.066)	
Revenue Contribution			(3.227)	
Borrowing			(15.167)	
Total			(22.002)	

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

8.9 The Council's Capital Financing Requirement (CFR) at 31st March 2026 was positive £15.162 million (negative £0.592 million 31st March 2025). As the CFR is now positive the Council does have a need to borrow to fund capital spend. This will have an impact on the revenue budget by way of a Minimum Revenue Provision (MRP) charge in 26/27. We will look to borrow internally against cash reserves, so as the money is spent it will reduce the income we generate from treasury investments (which is currently around 4%, but is expected to decrease over time).

9. LEGAL IMPLICATIONS

- 9.1 Cabinet's terms of reference under Section 5.7.7 of the Constitution specifically includes "to monitor expenditure on the capital programme and agree adjustments within the overall budgetary framework". The Cabinet also has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. By considering monitoring reports throughout the financial year Cabinet can make informed recommendations on the budget to Council.
- 9.2 The Council is under a duty to maintain a balanced budget. 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." This duty is enhanced further by the Local Government Finance Act 1992, which requires a council to set an annual budget and that budget to be fully balanced or funded. The report will assist the Council in understanding its sources of revenue and assess if the annual budget is balanced, therefore enabling the Council to comply with its statutory obligations.
- 9.3 Asset disposals must be handled in accordance with the Council's Contract Procurement Rules, to ensure the Council obtains best value for its assets.

10. FINANCIAL IMPLICATIONS

- 10.1 The main financial implications are covered in section 8 of the report.
- 10.2 The Authority operates a tolerance limit on capital projects that depends on the value of the scheme and on this basis over the next ten-year programme it should be anticipated that the total spend over the period could be £3.952million higher than the budgeted £37.898million.
- 10.3 The capital programme will need to remain under close review due to the limited availability of capital resources and the affordability in the general fund of the cost of using the Council's capital receipts. When capital receipts are used and not replaced the availability of cash for investment reduces. Consequently, interest income from investments reduces. £1.0million currently earns the Authority approximately £42k per year in interest (4.2%). The general fund estimates are routinely updated to reflect the reduced income from investments. The Capital Financing Requirement (CFR) is now positive so the Council will need to start charging a minimum revenue provision to the general fund for the cost of capital and will need to consider external borrowing for further capital spend. The CFR at the 31 March 2026 was positive £15.162million.
- 10.4 The Council also aims to ensure that the level of planned capital spending in any one year matches the capacity of the organisation to deliver the schemes to ensure that the impact on the revenue budget of loss of cash-flow investment income is minimised.

11. RISK IMPLICATIONS

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

11.2 The inherent risks in undertaking a capital project are managed by the project manager of each individual scheme. These are recorded on a project risk log which will be considered by the Project Board (if applicable). The key risks arising from the project may be recorded on Ideagen (the Council’s Performance & Risk management software).

12. EQUALITIES IMPLICATIONS

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

12.2 There are no direct equalities implications directly arising from the adoption of the Capital Programme for 2025/26 onwards. For any individual new capital investment proposal of £50k or more, or affecting more than two wards, an equality analysis is required to be carried out. This will take place following agreement of the investment proposal.

13. SOCIAL VALUE IMPLICATIONS

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

14. ENVIRONMENTAL IMPLICATIONS

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

15. HUMAN RESOURCE IMPLICATIONS

15.1 There are no direct human resource implications.

16. APPENDICES

16.1 Appendix A, Capital Programme Detail including Funding 2025/26 onwards.

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

18.1 Investment Strategy (Integrated Capital and Treasury Strategy)

<https://srvmodgov01.north-herts.gov.uk/documents/s24164/INVESTMENT%20STRATEGY%20INTEGRATED%20CAPITAL%20AND%20TREASURY.pdf>

<https://srvmodgov01.north-herts.gov.uk/documents/s24165/FAR%20Appendix%20A-%20Integrated%20Capital%20and%20Treasury%20Strategy.docx.pdf>

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Project	Service Directorate								Funding				Balance funded from Capital Receipts/ Set-aside receipts/ Borrowing
		2025/26 Funding £	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	
40 KVA UPS Device or Battery Replacement	Customers	11,800	0	0	0	0	0	0	0	0	0	0	11,800
Air conditioning at Hitchin Town Hall	Enterprise	0	100,000	0	0	0	0	0	0	0	0	0	100,000
Air Handling Humidification	Enterprise	0	15,000	0	0	0	0	0	0	0	0	0	15,000
Alternative to safeword tokens for staff/members working remotely	Customers	0	0	0	0	0	0	0	0	0	0	0	0
An alternative set of 25 machines that are outside of the Windows Environment for Disaster Recovery	Customers	0	15,000	0	15,000	0	0	30,000	0	0	0	0	60,000
Audio Improvements to Mountford Hall	Enterprise	0	15,000	0	0	0	0	0	0	0	0	0	15,000
Avenue Park Splash Park	Environment	0	70,000	0	0	0	0	0	0	0	0	0	70,000
Baldock Road Recreation Ground Letchworth	Environment	0	0	30,000	0	0	0	0	0	0	0	0	30,000
Bancroft Lighting	Environment	0	0	45,000	0	0	0	0	0	0	0	0	45,000
Broadway Gardens Resurfacing	Environment	0	250,000	0	0	0	0	0	0	0	0	0	250,000
Burials New Management System	Environment	0	55,000	0	0	0	0	0	0	0	0	0	55,000
Burymead Road Transfer Facility	Environment	26,600	0	0	0	0	0	0	0	0	26,600	0	0
CCTV at DCO & Hitchin Town Hall	Customers	900	11,800	0	0	0	0	0	0	0	0	0	12,700
CCTV Control Room Upgrade	Resources	38,700	0	0	0	0	45,000	0	0	0	0	0	83,700
Charnwood House	Enterprise	800	370,000	0	0	0	0	0	0	0	0	0	370,800
Community Centres Flat Roof Safety Barriers	Enterprise	0	43,000	0	0	0	0	0	0	0	0	0	43,000
Conference Calling Solutions in Large Meeting Rooms at District Council Offices	Customers	900	5,100	0	0	0	0	0	0	0	0	0	6,000
Courthouse property improvements following condition surveys	Enterprise	88,500	137,800	50,000	50,000	50,000	50,000	250,000	0	0	0	0	676,300
Cyber Attacks - Events Monitoring Software Solution	Customers	0	2,000	0	0	0	0	0	0	0	0	0	2,000
Cycle Strategy implementation (GAF)	Place	0	278,000	0	0	0	0	0	0	278,000	0	0	0
DR Hardware Refresh Inc UPS Battery Pk (unit 3)	Customers	54,600	10,400	0	16,000	0	0	32,000	0	0	0	0	113,000
Digital and other signage for car parks in Hitchin, to promote better use of car parks	Place	0	200,000	0	0	0	0	0	0	0	0	200,000	0
Everyone Active Projects on NH facilities	Environment	212,400	3,600	0	0	0	0	0	0	0	0	0	216,000
Email Encryption Software Solution	Customers	0	17,700	0	0	0	0	0	0	0	0	0	17,700
EV Charging at the existing Letchworth Depot	Environment	45,600	0	0	0	0	0	0	0	0	0	0	45,600
Fibre Waste Bins	Environment	924,400	0	0	0	0	0	0	0	0	0	0	924,400
Green Infrastructure implementation (GAF)	Place	0	185,000	0	0	0	0	0	0	185,000	0	0	0
Hitchin Lairage car park - cosmetic coating to four stairwells and replacement windows and doors	Enterprise	0	69,100	0	0	0	0	0	0	0	0	0	69,100
Hitchin Fitness Equipment	Enterprise	-360,000	0	0	0	0	0	0	0	0	0	0	-360,000
Hitchin Lido Changing Facilities	Environment	25,000	75,000	0	0	0	0	0	100,000	0	0	0	0
Hitchin Swim Centre: Archers Member Change and Relaxation Area Refurbishment	Environment	315,000	0	0	0	0	0	0	0	0	0	0	315,000
Hitchin Swim Centre: Changing Village Refurbishment	Environment	0	0	225,000	0	0	0	0	0	0	0	0	225,000
Hitchin Swim Centre: Pool Cover Replacement	Environment	0	58,000	0	0	0	0	0	0	0	0	0	58,000
Hitchin Swim Centre: Pool Hall Seating Replacement	Environment	0	73,000	0	0	0	0	0	0	0	0	0	73,000
Hitchin Town Hall Kitchen Enhancement	Enterprise	0	25,000	0	0	0	0	0	0	0	0	0	25,000
Howard Park Letchworth Path Resurfacing	Environment	0	23,800	10,000	0	0	0	0	0	0	0	0	33,800
Infrastructure Hardware	Customers	410,800	18,000	18,000	190,000	0	0	0	0	20,000	0	0	616,800

Project	Service Directorate								Funding				Balance funded from Capital Receipts/ Set-aside receipts/ Borrowing
		2025/26 Funding £	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	
RLC Learner Pool	Environment	0	750,000	4,002,000	0	0	0	0	0	0	0	4,752,000	0
RLC Gym Refurbishment	Environment	231,400	0	0	0	0	0	0	0	0	0	0	231,400
Royston Leisure Centre Members Changing Refurbishment	Environment	12,800	0	0	0	0	0	0	0	0	0	0	12,800
S106 Projects	Various	293,100	0	0	0	0	0	0	0	0	293,100	0	0
S016 Funding for additional social housing	Place	192,500	0	0	0	0	0	0	0	0	192,500	0	0
Security - Firewalls	Customers	0	41,600	0	18,000	0	18,000	36,000	0	0	0	0	113,600
SPF Digital Inclusion Scheme	Customers	10,000	0	0	0	0	0	0	0	10,000	0	0	0
SPF Revevation of Estates Buildings	Enterprise	34,100	0	0	0	0	0	0	0	34,100	0	0	0
SPF Sustainable Communities Grants	Governance	64,200	0	0	0	0	0	0	0	64,200	0	0	0
Swinburne Recreation Ground Hitchin	Environment	0	30,000	0	0	0	0	0	0	0	0	0	30,000
Tablets - Android Devices	Customers	3,100	24,900	4,000	4,000	4,000	4,000	4,000	0	0	0	0	48,000
Thomas Bellamy House, Hitchin	Enterprise	500	5,500	0	0	0	0	0	0	0	0	0	6,000
Transport Plans implementation (GAF)	Place	0	250,000	0	0	0	0	0	0	250,000	0	0	0
Walsworth Common Pavilion - contribution to scheme	Environment	0	300,000	0	0	0	0	0	250,000	0	37,000	0	13,000
Warm Homes	Environment	252,300	503,100	478,100	0	0	0	0	0	1,233,500	0	0	0
Waste and Street Cleansing Vehicles	Environment	5,294,200	0	0	0	0	0	5,500,000	0	0	0	3,200,000	7,594,200
WiFi Upgrade	Customers	0	40,000	0	0	0	0	0	0	0	0	0	40,000
Wilbury Hills Cemetery Footpaths	Environment	30,000	0	0	0	0	0	0	0	0	0	0	30,000
Wilbury Hills Cemetery Improvements	Environment	0	120,000	0	0	0	0	0	0	0	0	0	120,000
		22,002,000	14,092,800	5,787,100	4,488,000	3,798,000	502,000	9,230,000	400,000	4,980,100	605,600	8,378,600	45,535,600

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CABINET
TUESDAY, 16 JUNE 2026

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: Treasury Management End of Year Review 2025/26

REPORT OF: Director - Resources

EXECUTIVE MEMBER: Executive Member - Resources

COUNCIL PRIORITY: Sustainability

1. EXECUTIVE SUMMARY
<p>1.1 During the year the Council has generated £2.08million of interest from its investments. This is an increase on the budget reported Quarter 3 (£2.0M), and significantly more than the original budget of £0.8250million.</p> <p>1.2 The Council has repaid £0.02million of borrowing during the year as it has matured. The Council has £0.305million of remaining borrowing. This borrowing is at a fixed rate for a fixed period. The premium incurred from repaying this borrowing early means that it is not worthwhile to do so.</p> <p>1.3 The Council complied with its legislative and regulatory requirements throughout the year.</p>
2. RECOMMENDATIONS
<p>2.1 Cabinet is asked to note the position of Treasury Management activity as at the end of March 2026.</p> <p>2.2 Cabinet is asked to recommend this report to Council and ask Council to:</p> <ul style="list-style-type: none">1) Approve the actual 2025/26 prudential and treasury indicators as detailed in Appendix B.2) Note the annual Treasury Management Review for 2025/26 (Appendix B).
3. REASONS FOR RECOMMENDATIONS
<p>3.1 To ensure the Council's continued compliance with CIPFA's code of practice on Treasury Management and the Local Government Act 2003 and that the Council manages its exposure to interest and capital risk.</p>

4. ALTERNATIVE OPTIONS CONSIDERED

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

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 There are regular meetings with Treasury advisors MUFG (MUFG Pension & Market Services is a member of Mitsubishi UFJ Financial Group, Inc).

6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key Executive decision that was first notified to the public in the Forward Plan on the 15th May 2026.

7. BACKGROUND

- 7.1 In February 2025, Council approved the Integrated Capital and Treasury Strategy for 2025/26 to 2034/35.
- 7.2 MUFG are contracted to provide Treasury advice. The service includes:
- Regular updates on economic and political changes which may impact on the Council's borrowing and investment strategies
 - Information on investment counterparty creditworthiness
 - Technical updates
 - Access to a Technical Advisory Group.

8. RELEVANT CONSIDERATIONS

- 8.1 The Council has operated both within the treasury and prudential indicators set out in the Treasury Management Strategy Statement and in compliance with the Treasury Management Practices. There was a minor breach in August when £4M was invested with Blackpool Council against a limit of £3M. This over-investment was for the period from 22/08/25 to 15/12/25 and was reported in the 2nd Qrt monitoring report. Revised procedures were put in place to prevent this happening again.
- 8.2 The Council generated £2.08M of interest during 2025/26. The average interest rate agreed on new deals during the year was 4.18%. The average interest rate on all outstanding investments at the 31st March was 4.32%.
- 8.3 The Council's activities expose it to a variety of risks (credit, liquidity and market). The Treasury Strategy sets out the Authority's appetite for the level of exposure to these risks.

8.4 **Security Risk** – The possibility that other parties fail to pay amounts due to the Authority.

The Council's counterparty list for 2025/26 comprised UK building societies and UK banks with a Fitch (a credit rating agency) credit rating greater than BBB, non-UK banks with a credit rating greater than AA- with a AAA Country rating, other Local Authorities and Public Corporations. It also includes smaller Building Societies that do not have a credit rating.

8.5 **Liquidity Risk** – the possibility that the Authority may not have funds available to meet its commitments to make payments.

8.6 **Market Risk** - the possibility that financial loss might arise as a result of changes in interest rates.

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

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

8.7 Members have indicated that they are prepared to accept this risk within the limits expressed in the Treasury Strategy, which allows no more than £6M of outstanding investments to be invested for longer than 365 days at any one time. At the end of the year the Council didn't have any investments invested for longer than 365 days.

8.8 **Interest (Yield)** – The Bank of England decreased Bank Rate three times during 2025/26 starting the year at 4.5% and ending at 3.75%. With investments being kept relatively short for cashflow the yield on investments reduced as the year went on. £2.08million of interest was received during the year compared to £2.983million in 2024/25. This reduction is made up of declining interest rates and lower balances available for investment.

8.9 The investments outstanding at the 31 March 2026 were £25.5million. This compares to a balance of £45.0million at 31 March 2025. The reduction of £19.5M is substantially due to spend on capital projects. Investment in capital projects will continue during 2026/27 and the estimated investment interest for 2026/27 was set at £0.491million. This estimate will be revised in the 1st quarter monitoring report to reflect any change in the level of balances available to invest due to capital slippage and any change in the estimated interest rates.

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. By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council.

- 9.2 The Council is under a duty to maintain a balanced budget. 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.” This duty is enhanced further by the Local Government Finance Act 1992, which requires a council to set an annual budget and that budget to be fully balanced or funded. The report will assist the Council in understanding its sources of revenue and assess if the annual budget is balanced, therefore enabling the Council to comply with its statutory obligations.
- 9.3 The Prudential Indicators comply with the Local Government Act 2003, which permits local councils to prudently borrow and invest.
- 9.4 The Council’s Investment Strategy (agreed by Council each year, and agreed in February 2025 for the 2025/26 year) determines that Council will receive reports which include “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”.

10. FINANCIAL IMPLICATIONS

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

11. RISK IMPLICATIONS

- 11.1. Good Risk Management supports and enhances the decision-making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly and effectively to change. When taking decisions, risks and opportunities must be considered.
- 11.2 Risks associated with treasury management and procedures to minimise risk are outlined in the Treasury Management Practices document, TMP1, which was adopted by Cabinet in July 2003 and is revisited annually as part of the Treasury Strategy review. The risk on the General Fund of a fall of investment interest below the budgeted level is dependent on banks and building societies need for borrowing.
- 11.3 The variety of risks that the Council is exposed to by undertaking its treasury management activities are summarised in Section 8.

12. EQUALITIES IMPLICATIONS

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 There are no direct equalities implications directly arising from this report.

13. SOCIAL VALUE IMPLICATIONS

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

14. ENVIRONMENTAL IMPLICATIONS

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

15. HUMAN RESOURCE IMPLICATIONS

15.1 There are no direct human resource implications.

16. APPENDICES

16.1 Appendix A, Annual Treasury Management Review.

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18. BACKGROUND PAPERS

18.1 Investment Strategy 2025/26 <https://democracy.north-herts.gov.uk/documents/s27501/Appendix%20F-%20Investment%20Strategy.pdf>

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Classification: Choose classification

Annual Treasury Management Review 2025/26

North Herts Council

DATE MAY 2026

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ABBREVIATIONS USED IN THIS REPORT

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

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

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

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

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

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

EU: European Union

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

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

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

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

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

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

HRA: housing revenue account.

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

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

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

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

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

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

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

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

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

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

Annual Treasury Management Review 2025/26

Purpose

This Authority is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2025/26. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2025/26 the minimum reporting requirements were that the Full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 29/02/2025)
- a mid-year, (minimum), treasury update report (Council 20/01/2026)
- an annual review following the end of the year describing the activity compared to the strategy, (this report)
- In addition, Cabinet and the Finance, Audit and Risk (FAR) Committee have received quarterly treasury management update reports.

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

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

Executive Summary

During 2025/26, the Authority complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Prudential and treasury indicators	31.3.25 Actual £000	2025/26 Original £000	31.3.26 Actual £000
Capital expenditure	11.348	21.063	21.975
Capital Financing Requirement:	-0.592	20.585	14.951
Gross borrowing	0.325	26.875	0.305
External debt	0.325	0.305	0.305
Investments	45.000	22.290	25.500
Net borrowing	-44.675	--21.985	-25.195

The level of Investments has reduced by £19.5M. This is primarily due to the large level of Capital Expenditure incurred during the year.

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

Introduction and Background

This report summarises the following:-

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

1. The Authority's Capital Expenditure and Financing

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

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

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

£m General Fund	31.3.25 Actual	2025/26 Budget	31.3.26 Actual
Capital expenditure	11.348	21.063	21.975
Financed in year	9.353	4.331	6.437
Unfinanced capital expenditure	1.995	16.732	15.538

2. The Council's Overall Borrowing Need

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Authority's indebtedness. The CFR results from the capital activity of the Authority and resources used to pay for the capital spend. It represents the 2025/26 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

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

The Council's 2025/26 MRP Policy, (as required by MHCLG Guidance), was approved as part of the Investment Strategy (Integrated Capital and Treasury) Report for 2025/26 on 29/02/2025.

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

CFR (£m): General Fund	31.3.25 Actual	2025/26 Budget	31.3.26 Actual
Opening balance	-2.587	3.853	-0.592
Add unfinanced capital expenditure (as above)	1.995	16.732	15.538
Less MRP/VRP*	0	0	0
Less PFI & finance lease repayments	0	0	0
Closing balance	-0.592	20.585	14.946

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

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Authority should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2024/25) plus the estimates of any additional capital financing requirement for the current (2025/26) and next two financial years. This essentially means that the Authority is not borrowing to support revenue expenditure. This indicator allowed the Authority some flexibility to borrow in advance of its immediate capital needs. The table below highlights the Authority's gross borrowing position against the CFR. The Authority has complied with this prudential indicator.

	31.3.25 Actual £'m	2025/26 Budget £'m	31.3.26 Actual £'m
Gross borrowing position	0.325	26.875	0.305
CFR	-0.592	20.585	14.946

The authorised limit - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Authority does not have the power to borrow above this level. The table below demonstrates that during 2025/26 the Authority has maintained gross borrowing within its authorised limit.

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

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

	2025/26
	£'m
Authorised limit	13.0
Maximum gross borrowing position during the year	0.325
Operational boundary	8.0
Average gross borrowing position	0.316

3. Treasury Position as of 31st March 2026

The Authority's treasury management debt and investment position is organised by the treasury management service to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Authority's Treasury Management Practices. At the end of 2025/26 the Authority's treasury position, (excluding borrowing by PFI and leases) was as follows:-

DEBT PORTFOLIO	31.3.25 Principal £'m	Rate/ Return	31.3.26 Principal £'m	Rate/ Return
Fixed rate funding:				
-PWLB	0.325	10.72%	0.305	10.96%
-Market	0.000		0.00	
Variable rate funding:				
-PWLB	0.000		0.000	
-Market	0.000		0.000	
Total debt	0.325	10.72%	0.305	10.96%
CFR	-0.592		14.946	
Over / (under) borrowing	0.917		-14.641	
Total investments	45.0	5.1%	25.5	4.3%
Net debt	(44.675)		(25.195)	

The maturity structure of the debt portfolio was as follows:

	31.3.25 Actual £'000	31.3.26 Actual £'000
Under 12 months	20	15
12 months and within 24 months	15	15
24 months and within 5 years	33	25
5 years and within 10 years	7	0
10 years and above	250	250

INVESTMENT PORTFOLIO	31.3.25 Actual £'m	31.3.25 Actual %	31.3.26 Actual £'m	31.3.26 Actual %
Treasury investments				
Banks	0	0	1	4
Local authorities	36	80	18	71
DMADF (H M Treasury)	9	20	6.5	25
TOTAL TREASURY INVESTMENTS	45	100	25.5	100

The maturity structure of the investment portfolio was as follows:

	31.3.25 Actual £m	31.3.26 Actual £m
Investments Longer than 1 Year	0	0
Investments Up to 1 Year	45.0	25.5

4. The Strategy for 2025/26

The strategy in 2025/26 was to continue lending to UK banks, building societies, money market funds and Local Authorities and allow investments with non-UK banks with a credit rating greater than AA- with a AAA Country rating. Only UK banks that met credit rating criteria (“BBB” or above for longer term deals, and F3 or above for short term deals) were on the Council’s lending list. (These are Fitch definitions of ratings). Not all building societies are credit rated but this did not preclude them from the lending list as lending to a building society was dependant on their asset size. Where a society did have a rating, this was considered at the time of the deal taking into account the amount of investment and the length of the deal.

4.1 Investment strategy and control of interest rate risk

Investment returns remained robust throughout 2025/26 despite Bank Rate reducing steadily through the course of the financial year (three 0.25% rate cuts in total), and at the end of March the yield curve had turned positive, reflecting inflation concerns emanating from the on-going conflict in the Middle East.

Bank Rate reductions of 0.25% occurred in May, August and December, bringing the headline rate down from 4.50% to 3.75%. Two of the Bank Rate cuts occurred in the same month as the Bank of England publishes its Quarterly Monetary Policy Report, therein providing a clarity over the timing of potential future rate cuts.

As of early April 2026, market sentiment has been heavily influenced by the Middle East conflict. Commentators anticipate a growing risk of inflation, meaning interest rates will not be cut for some time, and may increase to counteract inflationary pressures arising from steepening energy costs. Growth will also be impacted in many regions of the world. UK GDP is projected by the Office for Budget Responsibility (3 March 2026) to be 1.1% in 2026 before picking up to 1.6% in 2027 and 2028. But the likelihood is that there is downside risk to this forecast given events in the Middle East through March and still on-going.

Looking back through 2025/26, investors were able to achieve returns generally in a range of 4.5% - 5% for periods ranging from 1 month to 12 months in the spring of 2025. By the end of March 2026 deposit rates were somewhat volatile, regaining some traction as the Middle East conflict suggested energy driven inflation may lead to higher interest rates than would otherwise have been the case. Where liquidity requirements were not a drain on day-to-day investment choices, extending duration through the use of “laddered investments” paid off.

Heading into 2026/27, UK inflation is likely to increase to over 4% in the coming months as oil prices, for example, remain close to \$100 per barrel, over 50% higher than before the Middle East conflict started.

4.2 Borrowing strategy and control of interest rate risk

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

The Authority has sought to minimise the taking on of long-term borrowing at elevated levels and has focused on a policy of internal borrowing.

Interest rate forecasts initially suggested gradual reductions in short, medium and longer-term fixed borrowing rates during 2025/26. Bank Rate did reduce to 3.75% as anticipated, but the initial expectation of significant rate reductions across the whole curve did not transpire, primarily because inflation concerns were very elevated in March 2026. At the start of April 2026, the market expected Bank Rate to increase over the coming months to 4% or 4.25%, from 3.75%, whilst all parts of the curve have also risen substantially through March. A significant fall in inflation will be required to underpin any material movement lower in the longer part of the curve.

MUFG Corporate Markets Interest Rate View 25.03.26												
	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29
BANK RATE	3.75	3.75	3.75	3.75	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	4.00	3.90	3.80	3.80	3.70	3.50	3.50	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	4.20	4.10	4.00	3.90	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.50
12 month ave earnings	4.60	4.50	4.40	4.20	4.20	4.00	4.00	3.80	3.80	3.80	3.80	3.80
5 yr PWLB	5.00	5.00	4.90	4.80	4.60	4.40	4.20	4.20	4.10	4.10	4.10	4.10
10 yr PWLB	5.50	5.50	5.40	5.30	5.10	4.90	4.70	4.70	4.60	4.60	4.60	4.60
25 yr PWLB	6.00	6.00	5.90	5.80	5.60	5.40	5.20	5.20	5.20	5.20	5.10	5.10
50 yr PWLB	5.80	5.80	5.70	5.50	5.40	5.20	5.00	5.00	5.00	5.00	4.90	4.90

Borrowing Outturn

Borrowing

No new borrowing was undertaken during the year

Borrowing in advance of need

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

Rescheduling

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

Repayments

£20K of PWLB loans were repaid during the year, as they became due.

5. Investment Outturn

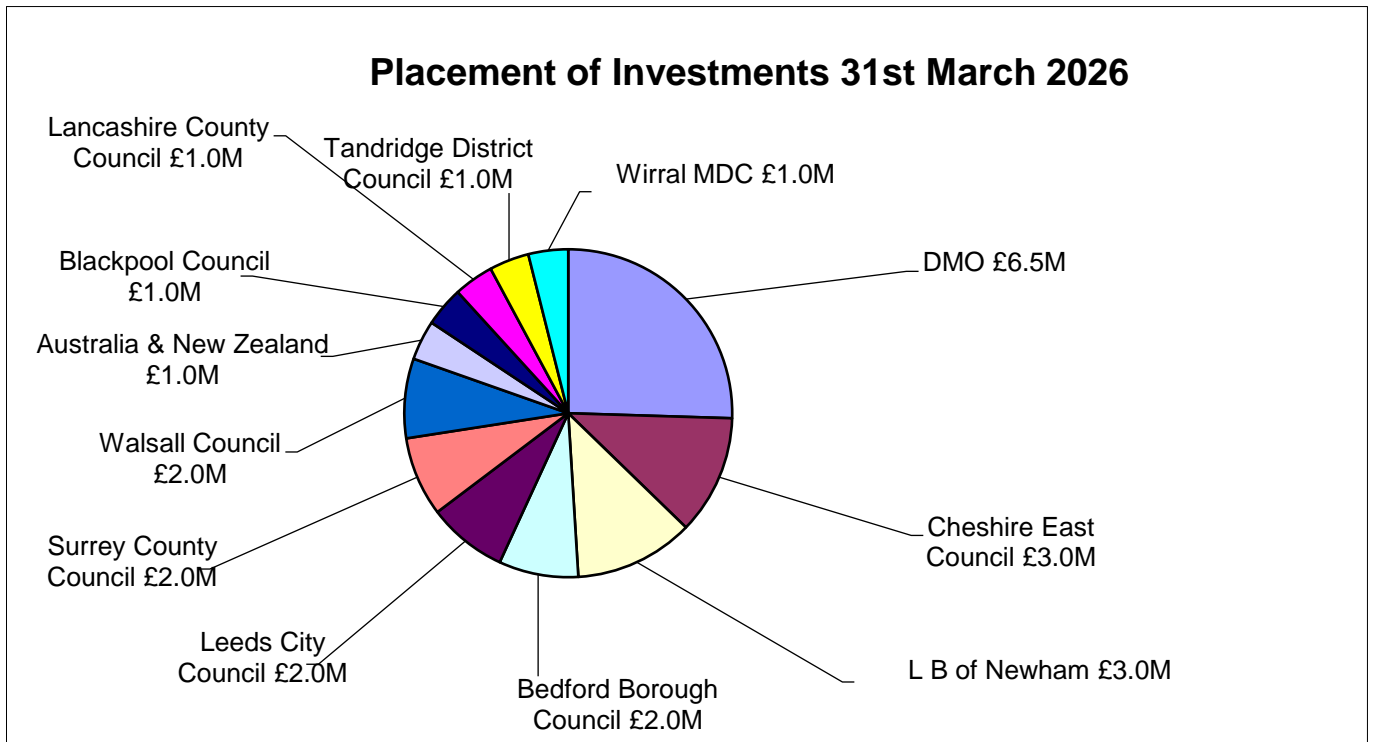
Investment Policy – the Council’s investment policy is governed by MHCLG investment guidance, which has been implemented in the annual investment strategy approved by the Authority on 27/02/25. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Authority had no liquidity difficulties. However, during the period ended 30 September 2025 there was an over investment with one counterparty. £4M was invested with Blackpool Council against a limit of £3M. This over-investment was for the period from 22/08/25 to 15/12/25. This was due to a mistake in recording and checking against previous deals that had already been made. This process can be difficult as there are more instances of other Councils looking for forward dated deals. A further checking process (with another Officer involved) has been put in place to help ensure this does not happen again.

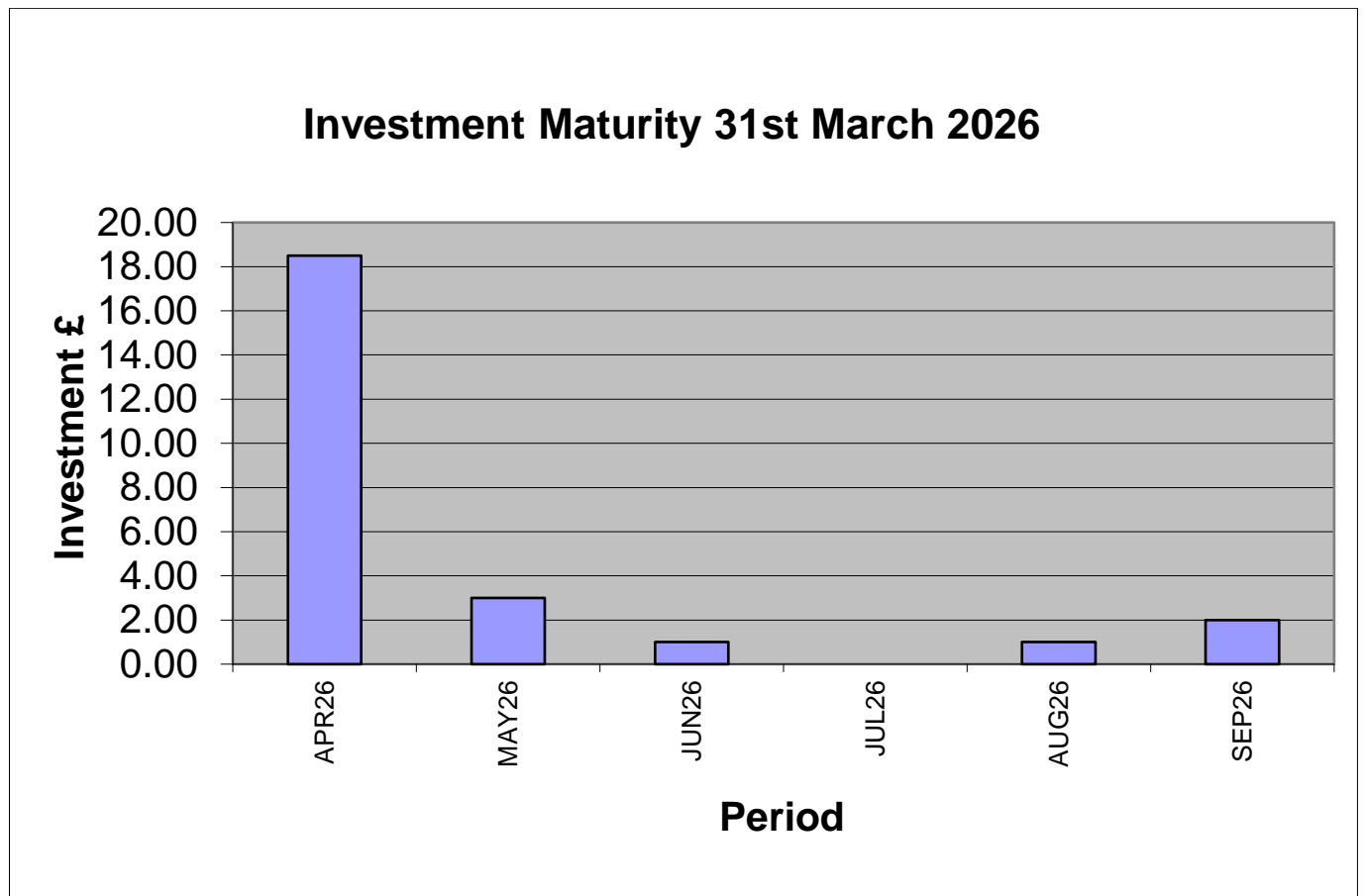
Investments held by the Authority

- The Council maintained an average Investment balance of £48.7M during the year. (£57.3M 24/25)
- Total investment income for the year was £2.080M (£2.983M 24/25)
- Average Interest rate for the year was excluding the Call Account was 4.28% (5.17% 24/25)

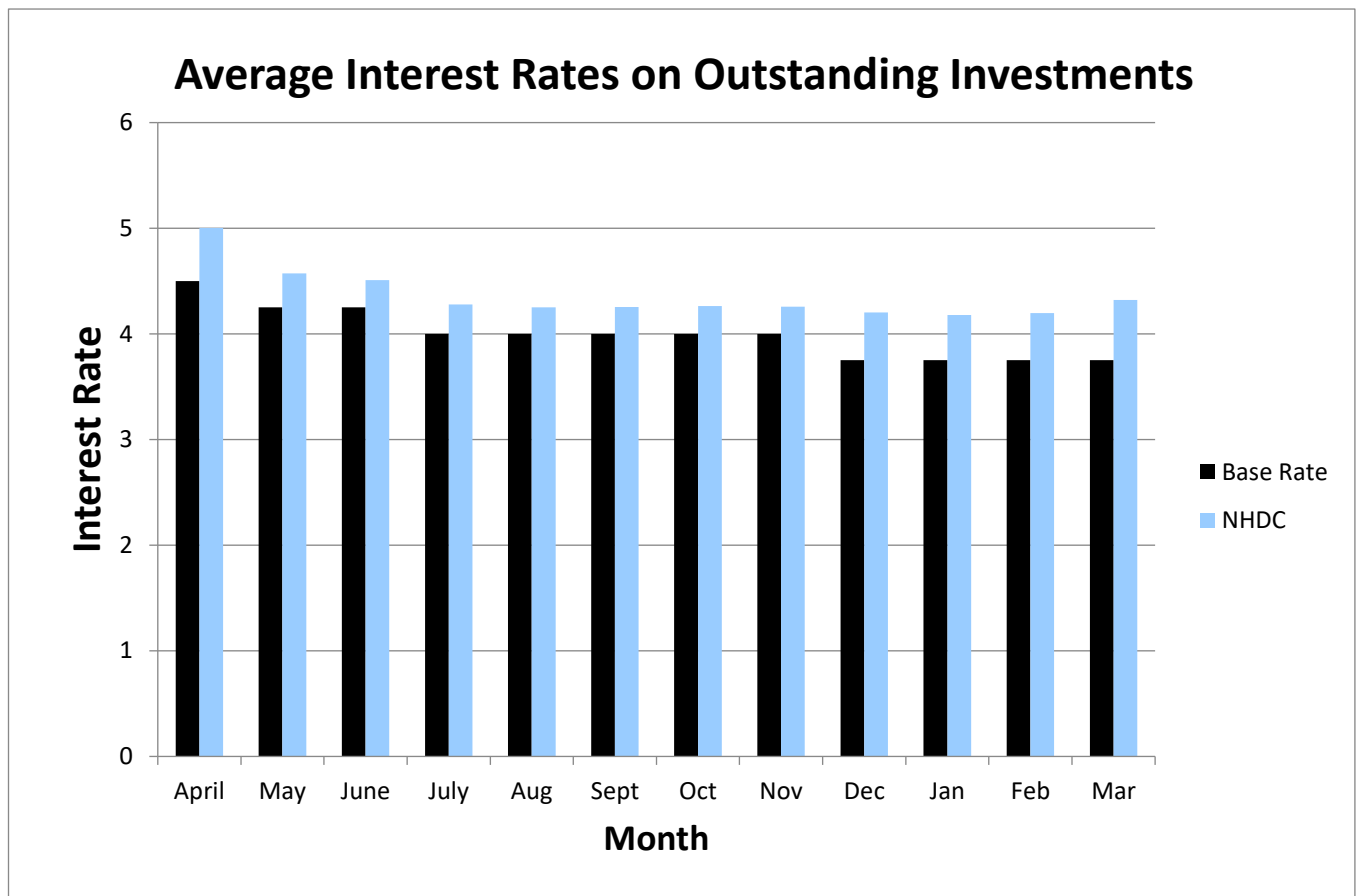
The pie chart below shows the spread of investment balances as at 31 March 2026. This is a snapshot in time that demonstrates the diversification of investments.



The graph below shows the maturity profile of investments at 31st March 2026.



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



The level of risk of any investment will be affected by the riskiness of the institution where it is invested and the period that it is invested for. Where an institution has a credit rating this can be used to measure its riskiness. This can be combined with the period remaining on the investment to give a historic risk of default percentage measure. The table below shows the Historic Risk of Default for outstanding investments at 31 March. The most risky investment still has a risk of default of only around 0.01%. It should also be noted that in general the interest rate received is correlated to the risk, so the interest income received would be less if it took on less risk. All investments have been made in accordance with the Investment Strategy. The risk of default is also affected by the length of the investment.

Borrower	Interest Rate %	Principal	Days to Maturity from 31/03/25	Risk of Default %	Expected Credit Loss £
Tandridge District Council	8.00	1,000,000	2	0.000	0
Bedford Borough Council	6.60	1,000,000	9	0.001	0
DMO	3.72	1,000,000	9	0.001	0
London Borough of Newham	7.00	3,000,000	9	0.001	0
Surrey County Council	7.80	2,000,000	9	0.001	0
Bedford Borough Council	7.10	1,000,000	14	0.001	0
Cheshire east Council	4.20	2,000,000	14	0.001	0

Lancashire County Council	4.30	1,000,000	14	0.001	0
DMO	3.72	2,000,000	16	0.001	0
DMO	3.73	1,500,000	16	0.001	0
Wirral Metropolitan Borough Council	6.10	1,000,000	20	0.001	0
Australia and New Zealan Bank	4.19	1,000,000	30	0.002	18
DMO	3.73	1,000,000	30	0.002	0
Leeds City Council	4.22	2,000,000	44	0.003	0
DMO	3.73	1,000,000	50	0.003	0
Cheshire East Council	4.10	1,000,000	79	0.005	0
Blackpool Borough Council	4.15	1,000,000	148	0.009	0
Walsall Metropolitan Borough Council	4.25	2,000,000	175	0.010	0
Total	5.12	25,500,000			18

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**FINANCE, AUDIT AND RISK COMMITTEE
WEDNESDAY, 10 JUNE 2026**

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: Finance, Audit and Risk Committee Annual Report

REPORT OF: Director - Resources

EXECUTIVE MEMBER: Non-Executive

COUNCIL PRIORITY: All Priorities;

1. EXECUTIVE SUMMARY

The Annual Report (attached at Appendix A) details the work undertaken by the Finance, Audit and Risk (FAR) Committee over the last year (25/26) and describes the planned work for the coming year (26/27).

2. RECOMMENDATIONS

- 2.1. That the Committee comment on the Finance, Audit and Risk Committee Annual Report, attached at Appendix A.
- 2.2. That the Committee delegate to the Director- Resources to make changes to the Annual Report from discussion of this item, in consultation with the Chair of the Committee.
- 2.3. That the Committee recommend to Council that the Finance, Audit and Risk Committee Annual Report, be noted.

3. REASONS FOR RECOMMENDATIONS

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

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1. None, the Constitution requires that an Annual Report is provided to Full Council.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. Members of the Finance, Audit and Risk Committee are consulted on the content of the report, prior to it being presented to Council.

6. FORWARD PLAN

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

7. BACKGROUND

- 7.1. The Chair of the FAR Committee presents this report to Council each year, which describes the work of the FAR Committee from the previous civic year (2025/26) and what is planned for the forthcoming civic year (2026/27).

8. RELEVANT CONSIDERATIONS

- 8.1. The Annual Report is attached at Appendix A. The Annual Report is intended to provide Full Council with assurance as to the effectiveness of the FAR Committee. The role of the FAR Committee is to support and promote good governance.
- 8.2. It is best practice for the FAR Committee to consider its effectiveness, and this is reflected in the Annual Report. Commenting on the report provides a further opportunity for that self-review of effectiveness.

9. LEGAL IMPLICATIONS

- 9.1. The Constitution (paragraph 4.4.1 ee) states that Full Council will receive an Annual Report from FAR.

10. FINANCIAL IMPLICATIONS

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

11. RISK IMPLICATIONS

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

12. EQUALITIES IMPLICATIONS

- 12.1. In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2. There are no equalities implications arising from this report.

13. SOCIAL VALUE IMPLICATIONS

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

14. ENVIRONMENTAL IMPLICATIONS

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

15. HUMAN RESOURCE IMPLICATIONS

15.1 There are no HR impacts arising from this report.

16. APPENDICES

16.1 *Appendix A, FAR Annual Report 2025/26*

17. CONTACT OFFICERS

Ian Couper	Director - Resources,	ian.couper@north-herts.gov.uk,
Natasha Jindal	Legal Team Manager	Natasha.jindal@north-herts.gov.uk
Tim Everitt	Performance and Risk Officer	Tim.everitt@north-herts.gov.uk

18. BACKGROUND PAPERS

18.1 *None*

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Finance, Audit and Risk Committee
Annual Report 2025-26

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Main achievements

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Introduction from the Chair of the Committee

I am pleased to present the Annual Report of the Finance, Audit & Risk (FAR) Committee which describes the Committee's work and achievements over a 12 month period to March 2026.

After a lot of change to the membership of the Committee in May 2024, it was nice to have a fairly consistent membership as we moved from 2024/25 to 2025/26. We just saw Cllr Sarah Lucas replacing Cllr Bhartwas. Then in January, Cllr Nolan becoming Executive Member for Customers, resulted in me moving from Vice-Chair to Chair, and Cllr Wright-Mason joining the Committee. Councillor Lucas also moved in to the Vice-Chair role.

I would like to thank Cllr Nolan for his time chairing the Committee. He had been Chair of the Committee since May 2023 (and a member of the Committee since May 2022). My experience of him as Chair is that he has encouraged the development of the Committee and promoted good discussions on how we support good governance.

We have had less need for training this year. We have still had one specific training session on treasury management. We also continue to use our discussion of the reports presented to us to ask questions and expand our knowledge. I will continue to promote the value of training during 2026/27.

The Committee is a key part of supporting good governance. Good governance supports effective decision making, improved performance, and our response to risks and opportunities. I hope that this Annual Report helps to demonstrate this, and the importance of the role of the Finance Audit & Risk Committee

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

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

Both our External and Internal Auditors have further promoted the opportunity for members of the Committee to meet with them outside of formal committee meetings. I am hoping we will be able to take up more of that opportunity during the coming year.

The Committee have received great support from the Committee Services team throughout the year, particularly Amy Cantrill and Susan Le Dain.

I would like to thank those Members of the Committee from last year and look forward to seeing those that are able to continue with us in 2026/27.

Councillor Vijaiya Poopalasingham

May 2026

Role of the Committee

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

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

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

<https://www.north-herts.gov.uk/sites/default/files/2025-05/Section%2010%20-%20Other%20Committees.pdf>

Effectiveness

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

The last SIAS review of effectiveness was in 2024-25, with the report published in December 2024. The progress against the recommendations made was covered in last year's annual report. The outstanding actions that will be further addressed this year relate to:

- Highlighting the need for self-assessment. See below.
- Encouraging members to shape training and attend the opportunities provided. This was also picked up in last year's self-assessment. Members will continue to be asked for topics that they would like training on. There was an attempt last year to move the training to after the meeting, but that did not work. Discussion will continue on topics and the best timing for any training.
- Members being able to meet with Internal and External Audit outside of the committee meetings. Meeting times are being arranged for these meetings.

Last year, when this report was presented to the FAR Committee in advance of Council, it was used as an opportunity for self-reflection. The points raised mainly duplicated the above but did also pick up having a more strategic outlook and training to support that.

The points raised during this year's discussion were:

To be added following FAR meeting. Prompts for members to consider:

- Training topics?
- Timing of training, how accessed?
- Which topic(s) did you feel best able to contribute to? Why?
- Which topic(s) did you feel least able to contribute to? Why?

Members of the Committee

The following Members were appointed to the Committee for 2025/26:

Councillor Sean Nolan (to January 2026)	Labour and Co-operative	Chair
Councillor Vijaiya Poopalasingham	Labour and Co-operative	Vice-Chair/ Chair from January 2026
Councillor Ruth Brown	Liberal Democrats	
Councillor Dominic Griffiths	Liberal Democrats	
Councillor Sarah Lucas	Labour and Co-operative	Vice- Chair from January 2026
Councillor Steven Patmore	Conservative	
Councillor Paul Ward	Liberal Democrats	
Councillor Stewart Willoughby	Labour and Co-operative	
Councillor Daniel Wright-Mason (from January 2026)	Labour and Co-operative	
John Cannon	Independent (non-voting)	

Substitutes:

Councillor David Barnard (from January 2026)	Conservative
Councillor Matt Barnes	Liberal Democrats
Councillor Cathy Brownjohn	Labour and Co-operative
Councillor Sam Collins	Liberal Democrats
Councillor Ralph Muncer	Conservative
Councillor Daniel Wright-Mason (to January 2026)	Labour and Co-operative

Meetings

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

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

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

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

	Jun 2025	Sep 2025	Nov 2025	Jan 2026	Feb 2026	Mar 2026
Annual Governance Statement	Draft AGS 24/25 and Action Plan 25/26				AGS 24/25 and Action Plan 25/26	Local Code of Governance
Reports from External Auditors (KPMG)	External Audit Plan and Strategy 24/25 (draft)		External Audit Plan and Strategy 24/25 Annual Report 24/25		Reports on the 24/25 Accounts	
Statement of Accounts					Statement of Accounts 24/25	
Internal Audit (SIAS) progress reports	Assurance Statement 24/25	Progress Report 25/26		Progress Report 25/26		26/27 Plan and 25/26 Progress
Anti-Fraud (SAFS) reports		Annual Report 24/25 and progress 25/26	Progress update 25/26			26/27 Plan and 25/26 Progress
Budget monitoring reports	Outturn for 24/25	Q1 25/26		Q2 25/26		Q3 24/25
Risk Management	Annual Report on Risk Governance			Mid-year update		
Budget setting reports			Medium Term Financial Strategy	Draft Budget 26/27	Budget 26/27	
Other reports	FAR Annual Report 24/25		Procurement Strategy 2025-28	Financial Regulations		

Main Achievements

The audit back-stop dates have helped with making sure that the Committee is only looking at one year's accounts at a time. This has helped with developing an understanding of the external audit cycle, from the development of the audit plan through to the audit report on the accounts. Due to limitations of the work that could be carried out on prior year's audits, the Council still has a disclaimed opinion. However KPMG are working through a programme of building back assurance to get back to providing a full opinion. A full Value for Money assessment was carried out (as this is prioritised by legislation) and this did not find any significant risks.

With a focus on governance, the Committee received reports on updates to the Council's Financial Regulations and a new Procurement Strategy.

That was on top of the regular reports that the Committee receive. The reports from SIAS and SAFS have allowed a strong oversight on Internal Audit and Fraud prevention. The Committee agree plans for each year and then monitor performance against those plans.

The regular reports on finance and risk allow the Committee to provide assurance and make recommendations to Cabinet.

Planned work for 2026-27

The cycle of meetings and regular reports will be very similar to 2025/26. The back-stop date for audit completion is the end of January 2027, so the Committee will approve the 2025/26 accounts at the January 2027 meeting.

The current procurement rules were approved in September 2024 and have been in operation since January 2025. They are being reviewed considering how they are working in practice. Most changes are minor, but any more significant changes will be brought to the Committee before a decision by Council.

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

Training will continue to be provided. Training topics will be based on discussions with the Committee throughout the year. The format and timing of the training will continue to be reviewed to try and maximise uptake, as well as reflecting learning preferences.

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

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