Public Document Pack

NORTH HERTFORDSHIRE DISTRICT COUNCIL

28 August 2026

Our Ref Finance, Audit and Risk Committee 9 September 2026
Contact. Committee Services
Direct Dial. (01462) 474655
Email. committee.services@north-herts.gov.uk

To: Members of the Committee Councillors: Vijaiya Poopalasingham (Chair), Sarah Lucas (Vice-Chair), Ruth Brown, Chris Lucas, Steven Patmore, Paul Ward 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, 9TH SEPTEMBER, 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 - 10 JUNE 2026** To take as read and approve as a true record the minutes of the meeting of the Committee held on the 10 June 2026.	(Pages 5 - 18)
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 - 2025/26 VFM RISK ASSESSMENT** REPORT OF KPMG To receive VFM Risk Assessment for the year ending 31 March 2026.	(Pages 19 - 30)
7.	**EXTERNAL AUDIT - REBUILDING ASSURANCE UPDATE** REPORT OF KPMG To receive the Rebuilding Assurance Update.	(Pages 31 - 38)

8. SAFS ANNUAL REPORT 2025/26 (Pages 39 - 60)
REPORT OF THE SHARED ANTI-FRAUD SERVICE (SAFS)

A report providing details of the work undertaken by the Council and the Shared Anti-Fraud Service to protect the Council against the threat of fraud and the delivery of the Council's Anti-Fraud Action Plan for 2025/26.

9. SAFS PROGRESS REPORT 2026/27 (Pages 61 - 66)
REPORT OF THE SHARED ANTI-FRAUD SERVICE (SAFS)

To review the progress and delivery of the Anti-Fraud plan 2026/27.

10. SIAS ANNUAL REPORT 2025/26 (Pages 67 - 80)
REPORT OF THE SHARED INTERNAL AUDIT SERVICE

A report providing details of the work undertaken by the Council and the Shared Internal Audit Service for 2025/26.

11. SIAS PROGRESS REPORT 2026/27 (Pages 81 - 108)
REPORT OF THE SHARED INTERNAL AUDIT SERVICE

To receive the Internal Audit Service progress report 206/27 of the SIAS.

12. FRAUD PREVENTION POLICY (Pages 109 - 130)
REPORT OF THE DIRECTOR – RESOURCES

To update Cabinet on progress with the Anti-fraud policy update.

13. FIRST QUARTER REVENUE BUDGET MONITORING 2026/27 (Pages 131 - 144)
REPORT OF THE DIRECTOR - RESOURCES

To inform Cabinet of the summary position on revenue income and expenditure forecasts for the financial year 2026/27, as at the end of the first quarter.

14. FIRST QUARTER CAPITAL BUDGET MONITORING REVIEW 2026/27 (Pages 145 - 154)
REPORT OF THE DIRECTOR – RESOURCES

To update Cabinet on progress with delivering the Capital Budget Monitoring for 2026/27, as at the end of June 2026.

15. FIRST QUARTER TREASURY MANAGEMENT REVIEW 2026/27 (Pages 155 - 174)
REPORT OF THE DIRECTOR – RESOURCES

To update Cabinet on progress with delivering the Treasury Strategy for 2026/27, as at the end of June 2026.

16. CHANGES TO THE CONTRACT PROCUREMENT RULES (Pages 175 - 182)
REPORT OF THE DIRECTOR – RESOURCES

To update Cabinet on changes to the Contract Procurement Rules.

17. EXCLUSION OF PRESS AND PUBLIC

To consider passing the following: That under Section 100A of the Local Government Act 1972, the Press and Public be excluded from the meeting on the grounds that the following report will involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the said Act (as amended).

18. PART 2 MINUTES - 19 JUNE 2024 183 - 184

To take as read and approve as a true record the Part 2 minutes of the meeting of the Committee held on the 19 June 2024.

19. POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

The Chair to lead a discussion regarding possible agenda items for future meetings.

NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE COUNCIL CHAMBER - DISTRICT COUNCIL OFFICES, GERNON ROAD, LETCHWORTH, SG6 3JF
ON WEDNESDAY, 10TH JUNE, 2026 AT 7.30 PM

MINUTES

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

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

In Attendance: *Reuben Ayavoo (Policy & Community Manager), Luca Benedito (Trainee Committee, Member and Scrutiny Officer), Faith Churchill (PA - Director Governance), Ian Couper (Director - Resources), Ellie Hollingsworth (Policy & Strategy Team Leader) and James Lovegrove (Committee, Member and Scrutiny Manager).*

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

Also Present: *For the duration of the meeting, there were no members of the public present.*

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

1 APOLOGIES FOR ABSENCE

Audio recording – 1 minute 25 seconds

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

Having given due notice, Councillor Elizabeth Dennis substituted for Councillor Willoughby.

2 MINUTES - 25 MARCH 2026

Audio Recording – 1 minute 42 seconds

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

RESOLVED: That the Minutes of the Meeting of the Committee held on 25 March 2026 be approved as a true record of the proceedings and be signed by the Chair.

3 NOTIFICATION OF OTHER BUSINESS

Audio recording – 2 minutes 20 seconds

There was no other business notified.

4 CHAIR'S ANNOUNCEMENTS

Audio recording – 2 minutes 25 seconds

(1) The Chair advised that, in accordance with Council Policy, the meeting would be recorded.

(2) The Chair drew attention to the item on the agenda front pages regarding Declarations of Interest and reminded Members that, in line with the Code of Conduct, any Declarations of Interest needed to be declared immediately prior to the item in question.

(3) The Chair advised that section 4.8.23(a) of the Constitution did not apply to this meeting.

5 PUBLIC PARTICIPATION

Audio recording – 3 minutes 6 seconds

There was no public participation at this meeting.

6 EXTERNAL AUDIT PLAN AND STRATEGY 2025-26

Audio recording – 3 minutes 11 seconds

The Director (KPMG) presented the report entitled 'External Audit Plan and Strategy 2025-26' and highlighted that:

- The report presented was covering two areas, rebuilding assurance and the audit risks identified for the year end 31 March 2026.
- Details on the rebuilding assurance process were outlined at page 19 of the reports pack.
- Due to a backlog of audits in the public sector, the government introduced new measures in 2024 to address this and a cut off was introduced for all audits up to 31 March 2023 to be completed by December 2024 or be disclaimed.
- Due to the backlog, North Herts Council received a disclaimed audit for 2022/23 and 2023/24 and, because of this, also received a disclaimed audit for 2024/25.
- Guidance has now been developed to build back assurance which meant auditors would look at the disclaimed audit period, identify any risks in this period and an audit would be conducted on these areas.
- As part of the North Herts Council 2025/26 audit, the rebuilding assurance work would be conducted alongside the audit process.
- KPMG were required to report on the outcomes of the risk assessment element of the build back assurance to the Council management by 31 July 2026. This would identify the additional audit procedures that needed to be performed as part of the build back work.
- The rebuilding assurance work would include speaking to management about actions during the disclaimed period, auditing specific account balances and reviewing reserve movements identified from the risk assessment work for the disclaimed periods.
- This work was currently ongoing and would be reported back to this Committee at a later meeting.

The following Members asked questions:

- Councillor Ruth Brown
- Councillor Vijaiya Poopalasingham

In response the questions, the Director (KPMG) advised that:

- For some authorities the disclaimed audit had been removed for 2025/26, and it was possible this could be the case for North Herts Council, but that was not known at this stage. This would form part of the risk assessment work looking at the disclaimed period.
- The timeline provided in the report was for the 2025/26 audit, rather than the rebuilding assurance work, which was hoped to be completed sooner and within the timeframe set by MHCLG. Following this, the substantive work on the 2025/26 audit would begin.
- There would be a need to balance management availability to ensure work is completed, but this would be discussed with the Accounts Team at the Council.

The Director (KPMG) further highlighted that:

- This report also provided the Financial Statement audit for 2025/26.
- The materiality thresholds, which were applied when conducting audit work, were outlined at page 20 of the reports pack.
- A summarised view of the work conducted by KPMG was included at page 21 of the reports pack. As part of the external audit, KPMG use their specialist pension team.
- A summary of the significant risks was provided at page 22 of the reports pack, which included the Valuation of Land and Buildings, the Valuation of Investment Property, the Valuation of post-Retirement Benefit Obligation and the Management Override of Controls.
- Due to a change in the Code of Practice, the risk applied to Valuation of Land and Buildings had been split between those assets valued in year and those which are not going to be valued but were subject to indexation.
- Details of the four significant risks were outlined between pages 23 and 27 of the reports pack.
- There was ongoing work to assess Value for Money, so there was no update to report at this meeting, but the process to be followed was outlined within the report. A risk assessment for this area would be provided to a future meeting of the Committee.
- The timeline for audit, the audit fees and the confirmation of independence was included in the appendices to the report.
- Whilst KPMG did provide one non-audit service for the Council, this was a separate team and did not interfere with the audit process.

The following Members asked questions:

- Councillor Chris Lucas
- Councillor Paul Ward

In response the questions, the Director (KPMG) advised that:

- Local Government Reorganisation (LGR) would not impact the 2025/26 or 2026/27 audits, as the Council would still exist in these periods.
- However, for audits after that consideration would be given to the delivery of audits post-LGR. This had been included in the Value for Money risk assessment and would develop as the future plans became clearer and governance processes to manage the change were in place.
- An outline of the other services provided by KPMG to the Council were outlined at page 39 of the reports pack. This was not an unusual practice as this service was normally completed by an external auditor, but this was a separate team from the audit team.
- There were safeguards to ensure the audit and other service provided by KPMG did not interfere with each other and these were outlined within the report.
- The work conducted was completed by the Council, with KPMG providing the service to review and confirm the position presented.

Councillor Sarah Lucas proposed and Councillor Alistair Willoughby seconded and, following a vote, it was:

RESOLVED: That the Committee noted the External Audit Plan and Strategy 2025-26.

7 SIAS ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT ANNUAL REPORT 2025-26

Audio recording – 24 minutes 24 seconds

The Head of Assurance Services (HCC) & Client Audit Manager (NHDC) presented the report entitled 'SIAS Annual Assurance Statement and Internal Audit Annual Report 2025-26' and highlighted that:

- SIAS delivered on a plan of work throughout the year, which included around 20 audits. At the year end, a report was provided giving an overall assurance position for the Council.
- This assurance position then fed into the Annual Governance Statement, to be considered under the next Agenda Item.
- It was a requirement for management to confirm that the work of SIAS has been completed independently and without limitation placed on their work.
- There was a requirement to approve an Internal Audit Charter, which set out the rights, responsibilities and where authority came from, and this was required for SIAS to conduct work on behalf of North Herts Council.
- Every 5 years, an external quality assessment was completed on SIAS and a paper would be presented at a later meeting of this Committee covering this audit work. In the four other years, a self-assessment was conducted by SAIS, which had assessed that it generally conformed to expectations, and provided detail on where improvements could be made.
- Details of the overall assurance position of the Council and of planned work for future audits were included in section 2 of the report.
- There were two outstanding recommendations for implementation at the year end, though these were both largely implemented.
- The processes around assurance mapping and root cause analysis were included in section 3 of the report.
- SIAS performance against targets set were outlined at section 4 of the report.

In response to the Head of Assurance Services (HCC) & Client Audit Manager (NHDC), the Director – Resources confirmed on behalf of management that no limitations had been placed on the work conducted by SIAS throughout the audit period.

The following Members asked questions:

- Councillor Paul Ward
- Councillor Chris Lucas

In response to questions, the Head of Assurance Services (HCC) & Client Audit Manager (NHDC) advised that:

- It was difficult to provide year on year comparison as there were different audit plans in place.
- Whilst some items have been included on multiple plans, such as Churchgate and the Decarbonisation of the Leisure Centres, there was overall good delivery on outcomes.
- There had been a focus on significant projects and delivering on these, and all projects included in the Council Delivery Plan should have assurances around them.
- There had also been work completed on Purchasing Cards and the governance of this process, demonstrating that it was not just the biggest risks which were focussed on.

- The mapping process took place to review key risks and where they got their assurance from to ensure there were good governance processes in place around these areas.
- Substantial and Reasonable assurance were the positive categories, with Limited and No Assurance being the negative categories. There were very few examples nationally of No Assurance.
- The ratings and descriptions were published and the criteria for each was developed from CIPFA guidance.
- To receive a Substantial assurance position, every individual audit completed would need to return a Substantial category and therefore it was unusual to receive this overall level of assurance.
- Even high performing Councils did not reach Substantial assurance due to external factors, such as resourcing and staffing levels. Therefore, Reasonable assurance was a positive level of assurance.

Councillor Vijaiya Poopalasingham, as Chair, proposed and Councillor Alistair Willoughby seconded and, following a vote, it was:

RESOLVED: That the Committee:

(1) Noted the Annual Assurance Statement and Internal Audit Annual Report.

(2) Noted the results of the self-assessment required by the Global Internal Audit Standards (GIAS) and the Quality Assurance and Improvement Programme (QAIP).

(3) Approved the Internal Audit Charter for 2026/27.

(4) Received assurance from management that the scope and resources for internal audit were not subject to inappropriate limitations for 2025/26.

Following the vote, the Head of Assurance Services (HCC) & Client Audit Manager (NHDC) advised that an invitation had been circulated to Members for a meeting on 10 July 2026 to provide details of the work undertaken by SIAS, SIAS in general or to raise any specific concerns in private. This was a requirement of the new standards in place and was in addition to regular meetings with the Chair, Vice Chair and Directors.

In response to a question from Councillor Ruth Brown, it was advised that this was not an official meeting and therefore there was no minimum attendees required.

8 DRAFT ANNUAL GOVERNANCE STATEMENT 2025/26 AND ACTION PLAN FOR 2026/27

Audio recording – 46 minutes 59 seconds

The Policy and Community Manager and the Policy and Strategy Team Leader presented the report entitled ‘Draft Annual Governance Statement 2025/26 and Action Plan for 2026/27’ and highlighted that:

- Members were asked to review the draft Annual Governance Statement (AGS) for 2025/2026 and approve the plan for 2026/2027.
- The AGS was based on the local code considered and approved by this Committee in March 2026.
- This provided a much shorter AGS, as the standardised governance arrangements were covered within the Local Code.
- The AGS then looked at how these arrangements were applied and worked in practice.
- SIAS, SAFS and KPMG had all been provided copies of the AGS and Action Plan and their comments has been incorporated, where received.

- There were no significant governance issues identified through the annual self-assessment process.
- The new AGS format made it easier to view areas for improvement.
- The self-assessment document would be added to the website following this meeting.
- The Action Plan had been presented to and agreed with the Leadership Team and was included at page 106 of the reports pack.
- All actions included were new for this year, except for two actions which remained from the previous year.
- As this year had begun, the Action Plan would be commenced as soon as possible following this meeting.
- The monitoring of actions included sat within each Directorate, with some to specific Directors and some to general teams, and a final update on this will be reported to this Committee alongside the final version of the AGS at a future meeting.

The following Members asked questions:

- Councillor Chris Lucas
- Councillor Paul Ward
- Councillor Elizabeth Dennis
- Independent Member John Cannon

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

- The Council Delivery Plan contain information related to Churchgate timelines, but further information around the actions in the Action Plan would be provided when the update was reported later in the year.
- Of the 13 actions from last year, all but the two referenced had been completed and an update was provided on this to the Committee in February 2026.
- The impact of Local Government Reorganisation (LGR) on staffing and recruitment was an ongoing conversation with the Leadership Team, who were aware of those concerns.
- There was a 3Cs Policy in place, which covered compliments, comments and complaints received, which was monitored by the Overview and Scrutiny Committee. Further links to the relevant meetings could be included to provide full details.
- There were areas, such as the Sustainability Grant, which could sit within multiple areas of the Action Plan, but it had previously been agreed not to duplicate information included.
- The promotion of the new Monitoring Officer from within the Council could be included as an example of developing capacity and leadership potential.

In response to questions, the Director – Resources advised that LGR was a red risk due to resourcing concerns, mostly related to staffing. Whilst currently staffing levels were okay, the Leadership Team were aware of the risks going forward in the process and that prioritisation of work may need to take place should key staff leave their roles.

In response to questions, the Policy and Strategy Team Leader advised that the self-assessment document would be published on the website shortly, which would contain more detailed information, but further detail could be provided on other areas.

Councillor Sarah Lucas proposed and this was seconded by Councillor Ruth Brown.

As part of the debate, Councillor Ruth Brown noted that the format of the report was easier to read and clearer than previous versions. The links within the report to other pages was welcomed and ensured there was no duplication of information. The only thing that was not immediately apparent was the comparison with previous years and the actions included within those.

In response to points in the debate, the Head of Assurance Services (HCC) & Client Audit Manager (NHDC) advised that current CIPFA and Solace guidance was for the AGS to look forward at governance issues, as well as back at those issues from the previous year. This document sought to identify what the governance issues were, but more detailed action plans should exist within the authority to implement these actions.

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

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

REASONS FOR DECISION:

(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.

(2) The Committee is the legal body with responsibility for approval of the AGS.

(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.

9 REVENUE BUDGET OUTTURN 2025/26 (FINAL)

Audio recording – 1 hour 8 minutes 38 seconds

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

- Revenue related to day-to-day spending and capital related to improving and purchasing assets.
- This report was an end of year position, with a slightly updated version being presented to Cabinet on 16 June 2026.
- These changes included a reduction to the underspend which related to the Waste and Street Cleansing Contract. The funding of the waste contract mobilisation costs had not been included in this version. These had been funded from the waste reserve, but there had also been a shortfall so it had impacted on the outturn budget position. The budgeted use of a revenue reserve to fund vehicle purchases had also not been included. Therefore, the result was also an impact on the net transfer from earmarked reserves.
- Table 4 of the report detailed the significant in year variances, and the reasons for these.
- The total budget to be carried forward to 2026/27 was £1.844million, as outlined in paragraph 8.3 of the report.
- The previous carry forward amounts were detailed at paragraph 8.5 of the report, which demonstrated whilst plans were in place to spend this allocation, it could not be delivered due to capacity and other limitations.
- All targeted efficiencies have been achieved, as detailed in paragraph 8.4 of the report.
- The performance against financial health indicators was outlined at paragraphs 8.6-8.8 of the report.
- There had been some updates to these, including the final number of car parking tickets sold, the number of Penalty Charge Notices (PCNs) issued and the final position of the General Fund balance.
- The explanation for total variances across the year was included at Appendix 1 of the report. The budget was reset for each in year quarterly review, but this report provided detail of original budget through to year end.

The following Members asked questions:

- Councillor Paul Ward
- Councillor Chris Lucas
- Councillor Elizabeth Dennis
- Councillor Ruth Brown
- Councillor Sarah Lucas
- Independent Member John Cannon

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

- The highlighted numbers included at Table 6 of the report were draft at time of writing, however the final figures had been included in the Cabinet report.
- The number of Garden Waste Collection subscribers had not changed and represented a 4.9% decrease on 2024/25.
- The Car Parking Fees final figures were 1,204,898 tickets sold, with an average price of £1.76. Whilst the average price was down 1.7% on 2024/25, the number of tickets sold had increased by 4.6%. This reflected more people parking in Council car parks for a shorter period of time.
- The final number of Parking PCNs issued was 18,991, which was a 14.4% increase on 2024/25 and was mainly down to the service being better staffed, therefore more Officers were available to issue PCNs.
- Underspend on projects was often due to staffing, which reflected the difficulty in recruiting to some posts. However, work was ongoing to address this and fill the vacancies, which would add resource to deliver on projects.
- Recovery action on debt was now in place.
- There would not normally be any penalties imposed on late payments for sundry debt.
- The cost of chasing debts to the Council was managed within the relevant teams.
- There had been some progress on the Town Centre Strategy project this year. This project was within the Place directorate who had many projects ongoing, and prioritisation of project delivery was needed.
- There were previously discussions around employing an Officer to specifically look at increasing use of the commercial waste collection service. An update would be sought on this from the relevant service area.
- Some of the delivery around the commercial waste collection service had been delayed due to the major in year changes to the waste contract this year, but this was now complete and work could be done to explore these areas more effectively.
- The Business Continuity team had some absences, but Officers were now back and progressing work around this area, including considering which services would be prioritised in the case of a cyber attack.
- The IT team had been actively engaged in work around Local Government Reorganisation, which had meant some internal work had been delayed.
- Overall, the Council was in a good position relating to cyber resilience, but this was an evolving risk and further work would be required as developments occurred.
- There had been an increase in spend on consultants on the Churchgate project for a number of reasons, but mainly focussed on the need to produce a viable scheme to take to the market. The risk of getting the wrong answer initially would cost the Council more in the long term, so it was important this pre-market work was conducted accurately and properly.
- There was a balance in producing the report to highlight key information without it becoming too long. This is why more detail was also provided within the appendix to the report.
- The first quarter update would provide more detail on how much of the carry forwards from 2025/26 had been achieved to date.

- The Asylum Dispersal Grant was given to the Council based on the number of asylum seekers in the district at the time.
- There were some vague conditions on spending of the Grant, but the Council had delivered core services. Therefore, it was decided this should be moved into the General Fund to reflect this.
- The Grant had ended, but there would likely be other grants linked to new burdens. Sometimes these were well signposted, however often they were on an ad-hoc basis.

In response to questions, the Executive Member - Resources advised that:

- Following discussions at the Overview and Scrutiny Committee on IT resourcing, further posts were referenced in the LGR funding report that would be considered at Cabinet on 16 June 2026.
- The Shared Internal Audit Service considered North Herts Council as one of the lead authorities in terms of cyber security and resilience, but the Council should not be complacent and should always be looking at what more can be done in these areas.
- At the last two budget meetings of Council, it was noted that additional funding would likely be needed from reserves to support the Churchgate project. This was as it was not possible at budget setting stage to predict all the amounts required initially. However, any further decision on spend would be brought to Cabinet and referred onto Full Council, to ensure funding was in place to get the project right.
- The Churchgate project required additional, specific expertise, which did not already exist within the Council.

N.B. Councillor Chris Lucas left the Chamber during this item and returned at 21.19.

Councillor Vijaiya Poopalasingham, as Chair, proposed and Councillor Alistair Willoughby seconded the recommendations.

The following Members took part in the debate:

- Councillor Chris Lucas
- Councillor Vijaiya Poopalasingham
- Councillor Alistair Willoughby
- Councillor Paul Ward

Points raised in the debate included that:

- The explanation around Churchgate spending was noted, including that it was not possible to accurately predict spend at budget setting stage and that it was prudent for changes to be made during the project duration to answer ongoing issues.
- The amount of change, in year, was a large amount at £169k, mainly to fund consultants. Whilst it was important to get the project right, it should be done in a financially prudent way.
- The variance on the Churchgate project was large, given the Council has known that it would be a timely and costly project from commencement.
- The roles of the Overview and Scrutiny Committee and the Finance, Audit and Risk Committee were different, with this Committee having a view of whether the right processes were in place and effectively monitored, rather than consideration of the policy or project.
- Some of the shortfall in funding for the Churchgate project had come from an earmarked reserve for Churchgate and had been part funded by the excess income generated by the asset.
- The initial investment purchase was around £4million and it was important that the project was delivered successfully to ensure public money was protected.

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

RECOMMENDED TO CABINET: That Finance, Audit and Risk Committee comments on the assumptions and information contained within the report, in the context that Cabinet agrees that:

(1) That Cabinet note the report.

(2) That Cabinet approves a decreased of £1.385million in the 2025/26 net General Fund expenditure, as identified in section 8, to a total of £21.400million.

(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 recommend to Full Council:

(4) That Council approves the net transfer from earmarked reserves, as identified in table 9, of £4.925million.

REASONS FOR RECOMMENDATIONS:

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

(2) Changes to the Council's balances are monitored and approved.

10 2025-26 YEAR END REPORT ON RISK MANAGEMENT GOVERNANCE

Audio recording – 1 hour 54 minutes 55 seconds

The Director – Resources presented the report entitled '2025-26 Year End Report on Risk Management Governance' and advised that:

- Appendix A to the report contained the full detail on Risk Management Governance processes.
- The Council Delivery Plan was the primary risk monitoring method, which was presented to Cabinet quarterly and to Overview and Scrutiny Committee as requested.
- A quarterly update on the Council Delivery Plan would be provided to all Members through the Members Information Bulletin (MIB).
- There were no changes to the Risk Management framework.
- Details on how risks were mapped were outlined in paragraph 6.4 of the Appendix, with the current corporate projects and corporate risks outlined at paragraph 7.1 of the Appendix.
- There were currently 2 projects in the top red risk category, with a further 5 projects with a lower red risk rating.
- There had been limited movement of risks in year, but actions had been taken and these were outlined in bold in the table in paragraph 7.2 of the Appendix.
- The report did not just consider corporate risks, but monitoring of service risks was also considered, as outlined in paragraphs 10 and 11 of the report.

The following Members asked questions:

- Councillor Paul Ward
- Councillor Ruth Brown
- Councillor Chris Lucas

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

- This report provided an end of year position, as at 31 March 2026, and there had been further reviews since this date which had resulted in a reduction in some risk scores.
- Regarding Financial Sustainability, this risk would reduce due to the improved financial settlement and decrease in pension contributions. However, there was potential for a new risk of high inflation, owing to ongoing global factors.
- Three projects – the King George V Skate Park, the Waste and Street Cleansing Contract and Engaging the Community on our Finances – had been completed since the end of year position and would be removed in the 2026/27 quarterly updates.
- The Museum Collection Facility project was adopted as a key project by Cabinet and therefore had been included as a corporate risk, but it was expected this risk would reduce as the project progressed.
- The Churchgate project was the biggest conducted by this Council and whilst the project was moving forward with ongoing engagement and work, at this stage it still needed to have a higher level of risk attached.

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

RESOLVED: That the Committee commented on the Risk Management Governance update, as attached at Appendix A.

RECOMMENDED TO CABINET: That Cabinet refer the Risk Management Governance update to Full Council.

REASON FOR RECOMMENDATION: 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.

11 CAPITAL END OF YEAR REVIEW 2025/26

Audio recording – 2 hours 7 minutes 42 seconds

The Director – Resources presented the report entitled 'Capital End of Year Review 2025-26' and advised that:

- Table 1 of the report provided detail of total spend against capital budgets for 2025/26.
- Table 2 of the report provided detail of the slippage occurring within schemes. Within this the Leisure Centre Decarbonisation Project reflected the combined impact of slippage and the need to increase the budget for this project, owing to delays with getting legal agreements caused by the third party legal teams. The delay meant a requirement for further spending on temporary boilers and contractor payments.
- Table 3 of the report provided detail on the in-year variances on capital projects.
- Paragraph 8.6 of the report detailed all the projects completed in the 2025/26 year.
- Table 8.7 of the report detailed how capital projects had been funded. Borrowing was now taking place against reserves and other balances, and it was expected that this could continue, as the largest capital expenditures items had been made in 2025/26.
- The Council could borrow externally, but interest rates remained high.

The following Members asked questions:

- Councillor Vijaiya Poopalasingham
- Councillor Ruth Brown

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

- The issues with cables relating to the Public Sector Decarbonisation Project was partly foreseen, but the exact route of these cables was unknown until after the project commenced, and the length of the legal delays had not been anticipated.
- The estimated Minimum Revenue Position (MRP) charge was included in the budget each year. There was a need to make an MRP charge the year after the Council had a need to borrow. There would be an MRP change in 2026/27, but there was not one required for 2025/26.
- The MRP was likely to be in the low hundreds of thousands of pounds for 2026/27.

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

RECOMMENDED TO CABINET: That Finance, Audit and Risk Committee comments on the assumptions and information within this report, in the context that Cabinet agrees that:

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

(2) 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.

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

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

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

12 TREASURY MANAGEMENT END OF YEAR REVIEW 2025/26

Audio recording – 2 hours 16 minutes 13 seconds

N.B. Councillor 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 ‘Treasury Management End of Year Review 2025-26’ and advised that:

- This report detailed how the Council invested any surplus cash and provided an end of year picture. Overall, the balances were declining due to the planned capital spend and therefore there was less available to invest, but interest rates had stayed higher than expected.
- However, inflation was not coming down as quickly, therefore there were likely to be increased costs in some areas.
- The report detailed how investments were identified, including considering the security, liquidity (linked to cashflow) and yield of the investment.
- The detail of investments was included in the Appendix to the report.

N.B. Councillor Elizabeth Dennis returned to the Chamber at 21.49.

The following Members asked questions:

- Councillor Ruth Brown
- Independent Member John Cannon

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

- The short term, high interest investments from other authorities were offered to the Council as it was the best way for Council to get the funds they needed to balance their cash requirements.
- Investments can still be made in other authorities despite potential changes through Local Government Reorganisation. Any investments would be transferred to the new authority and it would be for the legacy authorities to decide how this repayment should be split.
- The referenced DMO investments were government investments.

Councillor Ruth Brown noted that it was positive to see investments moving away from organisations which did not meet the Environmental, Social and Governance requirements of the Council, following a motion passed at Full Council.

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

RECOMMENDED TO CABINET: That Finance, Audit and Risk Committee comments on the assumptions and information within this report, in the context that Cabinet agrees that:

(1) Cabinet is asked to note the position of Treasury Management activity as at the end of March 2026.

(2) Cabinet is asked to recommend this report to Council and ask Council to:

  a. Approve the actual 2025/26 prudential and treasury indicators as detailed in Appendix B.
  b. Note the annual Treasury Management Review for 2025/26 (Appendix B).

REASONS FOR RECOMMENDATIONS: 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.

13 FINANCE, AUDIT AND RISK COMMITTEE ANNUAL REPORT

Audio recording – 2 hours 25 minutes 59 seconds

The Director – Resources presented the report entitled 'Finance, Audit and Risk Committee Annual Report' and highlighted that:

- The Annual Report provided detail on the work undertaken by this Committee in the previous year and looked ahead at planned work for the upcoming civic year.
- An introduction from Councillor Vijaiya Poopalasingham, as Chair since January 2026, had been included.
- The purpose of the report was to look at the Committee and its effectiveness.
- There were points for Members to consider highlighted in yellow in the draft version of the Annual Report and comments could be added before presenting at Full Council.
- There was a table showing the reports considered by the Committee in 2025/26 on page 198 of the reports pack, and this would be similar for 2026/27. However, there were likely to be additional items including updates to the Anti-Fraud Strategy and a potential review of Procurement Rules.

The following Members provided comments on the Annual Report:

- Councillor Vijaiya Poopalasingham
- Councillor Ruth Brown
- Councillor Elizabeth Dennis

The following comments were made on the Annual Report:

- That training on the following topics would be beneficial: Business Rates Retention, an overview of internal and external audit processes, funding settlements and what these mean for the Council and Treasury and Investment Strategies.
- Bitesize sessions on topics within local government finance would be useful and already existed within the resources provided by the Local Government Association.
- Whilst training should be primarily for Finance, Audit and Risk Committee members, it would be useful to offer more widely to all Members to empower others to make more meaningful contributions to discussions on financial matters.
- Session offered before the committee meeting were useful and these could be recorded and uploaded to GrowZone for Members unable to attend.

Councillor Vijaiya Poopalasingham proposed, as Chair, and Councillor Elizabeth Dennis seconded and, following a vote, it was:

RESOLVED:

(1) That the Committee commented on the Finance, Audit and Risk Committee Annual Report, attached at Appendix A.

(2) That the Committee delegated to the Director – Resources to make changes to the Annual Report from discussion of this item, in consultation with the Chair of the Committee.

RECOMMENDED TO FULL COUNCIL: That the Committee recommend to Council that the Finance, Audit and Risk Committee Annual Report, be noted.

REASONS FOR RECOMMENDATION: 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

14 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio recording – 2 hours 35 minutes 29 seconds

The Chair requested Members notify him outside of the meeting should there be any items suggested for future meetings of the Committee.

The meeting closed at 10.07 pm

Chair

North Hertfordshire District Council

Value for money risk assessment - Draft

Year ended 31 March 2026

September 2026

Value for money

Page 20

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

Page 21

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

Process

Understanding the Council's arrangements → **Evaluation of Council's value for money arrangements** → **Value for money conclusion and reporting**

Understanding the Council's arrangements:

- Financial statements planning
- Internal reports, e.g. IA
- Mgmt. Inquiries
- External reports, e.g. regulators
- Assessment of key processes
- Annual report

Evaluation of Council's value for money arrangements:

- Targeted follow up of identified value for money significant risks
- Continual update of risk assessment

Value for money conclusion and reporting:

- Conclusion whether significant weaknesses exist

Outputs

Risk assessment to FAR Committee

Our risk assessment will provide a summary of the procedures undertaken and our findings against each of the three value for money domains. This will conclude on whether we have identified any significant risks that the Council does not have appropriate arrangements in place to achieve VFM.

Value for money assessment

We will report by exception as to whether we have identified any significant weaknesses in arrangements.

Public commentary

Our draft public commentary will be prepared for the Finance, Audit and Risk Committee alongside our annual report on the accounts.

Public commentary

The commentary is required to be published alongside the annual report.

Summary of risk assessment

Summary of risk assessment

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

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

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

We have provided a summary of the procedures performed and our key findings from these on pages 5 to 10. We have identified a significant risk of weakness associated with Improving Economy, Efficiency and Effectiveness.

Response to significant risk

The table below sets out the details of the risk that has been identified and the procedures we intend to perform in order to respond to the risk. We will report on our conclusion from these procedures as part of our year end report to the Finance, Audit and Risk Committee:

Description of risk	**Improving Economy, Efficiency and Effectiveness -** **Significant risk on the maintenance of appropriate staffing levels within the Council, both through recruitment and retention.**
Procedures to be performed	• We will further assess management's response to tracking and managing the risk in regard to staffing levels. • We will further assess management's response to mitigate and address the risk in regard to staffing levels through alternative staffing sources.

Value for money arrangements

Financial sustainability

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

- The processes for setting the 2025/26 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2025/26 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2025/26 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

Summary of risk assessment

In assessing whether there was a significant risk relating to financial sustainability, we have reviewed the Council's medium-term financial strategy; their budget setting arrangements; budget monitoring processes and the impact of Local Government Reorganisation (LGR).

We have also considered the Council's corporate risk register, budgeting reports, year-end financial performance and we have additionally made enquiries with management.

Required efficiencies to deliver a balanced budget are approved as part of the budget set at the end of February. Efficiency requirements are identified and communicated in advance through the Leadership Team. The quarterly monitoring reports are reported to Cabinet and the Finance, Audit and Risk Committee provides key stakeholders with the latest overall financial position and the performance of specific efficiencies. Where efficiencies are falling behind plan, meetings are held with the relevant Budget Managers to identify actions to be taken to resolve the underperformance.

The original approved budget for 2025/26 (and therefore working budget) included efficiencies totalling £1,341k, which were agreed by Council in February 2025. A net total of £1,379k of efficiencies have been achieved in 2025/26, representing a net overachievement of planned efficiencies of £38k. The Council achieved this through a variety of increases in income such as, interest income from treasury investments, charges from garden waste collection and growth in careline service income.

The Council maintains an approved Medium Term Financial Strategy (MTFS), operates a structured budget setting process involving Cabinet, Council and the Finance, Audit and Risk Committee, and performs regular monitoring of financial performance throughout the year. The Council achieved its planned efficiencies during 2025/26 and continues to maintain reserve balances above its minimum approved level.

The Council Plan is supported by the MTFS which ensures consistency between the Council’s financial plan and the Council’s workforce and operational plans.

The Council’s workforce and operational plans are incorporated with the Council Plan 2024-2028. The Council Plan sets out the Council's four key priorities: Thriving Communities, Accessible services, Responsible growth and Sustainability.

Value for money arrangements

Financial sustainability

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

- The processes for setting the 2025/26 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2025/26 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2025/26 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

The Council's process for assessing risk is underpinned by the Council's Risk Management Framework. There are two key elements to each risk statement: the impact and the likelihood which are each scored on a scale of low, medium and high. Furthermore, risks are categorised into Strategic, Operational, Information, Reputation, Financial, People, Regulatory or Environment.

The Council has a Risk Scoring Matrix to assess whether the level of risk is below the risk appetite of the Council. The matrix uses a "traffic light" approach to show high (red), medium (amber) and low (green) risks. The risk score is calculated as impact x likelihood (between 1 – 9). The Council actively monitors risks scoring 4 or higher on the Risk Scoring Matrix. The top three risks on the risk register relate to: resourcing, local government reorganisation and the Churchgate development.

From a financial sustainability perspective, Local Government Reorganisation creates a significant area of uncertainty for the Council. This is particularly true when considering the impact of the selection of the 4 unitary Council model given that as per the submission document this is considered the least financially viable option - this model would begin with a £22m deficit, without further distribution of funding.

The Council has recognised this risk within its corporate risk register and has set aside appropriate funds to support the local government reorganisation process. While the Council remains financially stable in the short term, the future impact of reorganisation on governance structures, service delivery arrangements and long-term financial planning creates increased uncertainty over the medium term. As the Council approaches the vesting date, we will continue to monitor the arrangements in relation to maintaining financial sustainability.

Risk assessment conclusion

Based on the risk assessment procedures performed to date, we have not identified a significant risk associated with the arrangements in relation to securing financial sustainability.

Value for money arrangements

Governance

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

- Processes for the identification, monitoring and management of risk;
- The design of the governance structures in place at the Council;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2025/26 financial plan by the Council, including how financial risks were communicated;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Council ensures decisions receive appropriate scrutiny.
- How the Council is preparing for Local Government reorganisation

Summary of risk assessment

In assessing whether there was a significant risk relating to governance, we reviewed the Council's risk management framework, governance structure, decision-making arrangements, procurement procedures, fraud prevention arrangements, codes of conduct, whistleblowing processes and committee oversight arrangements. We also considered internal audit reports, committee minutes, the Annual Governance Statement, discussions with management and information from relevant regulators.

Financial regulations provide the framework for managing the Council’s financial affairs. The regulations apply to every Member and Officer of the Council but they place specific requirements on certain individuals including: Cabinet members; Chief Executive (Head of Paid Service); Chief Finance Officer (Section 151 Officer); Monitoring Officer; Directors; Budget Holders; Cabinet; Full Council; Finance, Audit and Risk Committee; Overview and Scrutiny Committee; and Leadership Team.

The Council’s Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent and accountable to local people. The Constitution of the Council defines the governance structures in place at the Council.

The Council measures appropriate oversight primarily through the Council delivery plan, which goes to the Overview and Scrutiny panel (either in full or part) and additionally to Cabinet. The Council delivery plan supports the delivery of the wider Council plan (which spans several years).

We have reviewed the Contract Procurement Rules and we have determined that the Council's procurement processes are developed taking into account the relevant public procurement legislation.

The Council does not have a specific Code of Conduct for Employees. Instead, they have a staff handbook; managing misconduct policy; conflict of interest policy; gifts and hospitality policy; freedom of information policy and an annual declaration that must be made. This is considered sufficient.

Whistleblowing reports are presented to the Finance, Audit and Risk Committee (FARC) and the Cabinet (as part of a confidential report). This will be considered on a case-by-case basis depending on the nature and seriousness of the concerns raised. There were no whistleblowing reports that required investigation in 25/26.

Value for money arrangements

Governance

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

- Processes for the identification, monitoring and management of risk;
- The design of the governance structures in place at the Council;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2025/26 financial plan by the Council, including how financial risks were communicated;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Council ensures decisions receive appropriate scrutiny.

The Council's fraud prevention policy evidences that the Council has effective counter fraud and anti-corruption arrangements in place and are maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption.

In December 2025 there was a vote of no confidence passed against the then leader of the Council. An extraordinary meeting was then held in January to elect a new leader.

Our review found that the Council has established governance arrangements that are appropriate and generally consistent with our sector expectations. The Council maintains a comprehensive risk management framework supported by regular reporting to management and Members. Internal audit reports reviewed during the year provided substantial or reasonable assurance, and no significant findings were identified from reviews of regulators or other external sources. Committee structures, financial regulations and procurement arrangements provide an appropriate framework for challenge and oversight.

Under Regulation 9 of the Accounts and Audit Regulations 2015, the Council is required to publish its unaudited Statement of Accounts by 31 May each year. However, the Government introduced amendments to the Accounts and Audit Regulations which required the Council to publish its unaudited Statement of Accounts and accompanying information on or before 30 June 2026. The Council missed this deadline and published the unaudited 2025/26 Statement of Accounts on 2 July 2026. By not publishing the unaudited Statement of Accounts by the required deadline, the Council has breached its laws and regulations. However, we note that the deadline was missed by two days, and the accounts were published earlier than in the previous year, when the deadline was also missed. We have therefore not identified a significant risk in relation to the arrangements for accounts production as we note there has been an improvement compared to the prior year. We will continue to liaise with management over the arrangements for publishing the accounts for 2026/27 within the submission deadline, as the reporting deadline for audited accounts moves to 30 November 2027 for 2026/27, rather than January 2027 for the 2025/26 accounts.

Risk assessment conclusion

Based on the risk assessment procedures performed, we have not identified a significant risk associated with governance arrangements.

Value for money arrangements

Improving economy, efficiency and effectiveness

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

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

Summary of risk assessment

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness, we reviewed the Council's arrangements for performance management, efficiency delivery, workforce planning, partnership working, service delivery monitoring and use of operational and financial information to support improvement. We also considered information obtained through discussions with management, service line enquiries and the Council's corporate risk register.

Cost improvements are approved as part of the budget set at the end of February. Efficiency requirements are identified and communicated early in the process. The quarterly monitoring reports look at overall financial position and the performance of specific efficiencies.

To monitor the performance of services, budget managers receives a monthly budget report which includes details on spend and projections from finance. Group accountants will meet with budget managers at least quarterly to discussion reasons and mitigation for adverse variances. Budget managers provide explanations for variances which are presented in the Formal Reporting papers which are presented quarterly to the Senior Leadership Team, Cabinet and Finance, Audit and Risk Committee.

We understand there to be a number of staffing shortages at the Council which can impact on the Council’s ability to deliver projects on time and leads to a requirement to prioritise key services. Our risk assessment procedures found this to be a consistent concern across the Senior Management Team and a key risk on the Council’s risk register. The Council has pursued alternative approaches to address the difficulties experienced in recruitment e.g. apprenticeship and training schemes, secondment of staff, buying staff time from other Authorities within the area and use of agency. Two factors have been noted regarding the difficulties in recruitment and retention – a) salaries when compared to the nearby London local government market and b) salaries and prospects in the private sector. Given the pervasive nature of this messaging in our inquiries, the ongoing plans for local government reorganisation and the fact that this concern has been raised in prior years, we have noted a significant risk in this area.

Page 27

Value for money arrangements

Improving economy, efficiency and effectiveness

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

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

Local government reorganisation further complicates the Council’s ability to recruit and retain staff due to the uncertainty for the future of posts and the possibility of redundancy or redistribution.

The impact of cost-of-living pressures are included as part of budget setting for any specific budgets, as well as more general impacts (for example, on interest rates, inflation, impact on income). We have confirmed that this has been included within the revenue budget for 2026/27.

The Council shares services across the Hertfordshire area where practical and appropriate to the needs of the Council. For example, the Internal Audit function and Anti-Fraud Service are both sourced from Hertfordshire County Council shared services.

Risk assessment conclusion

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

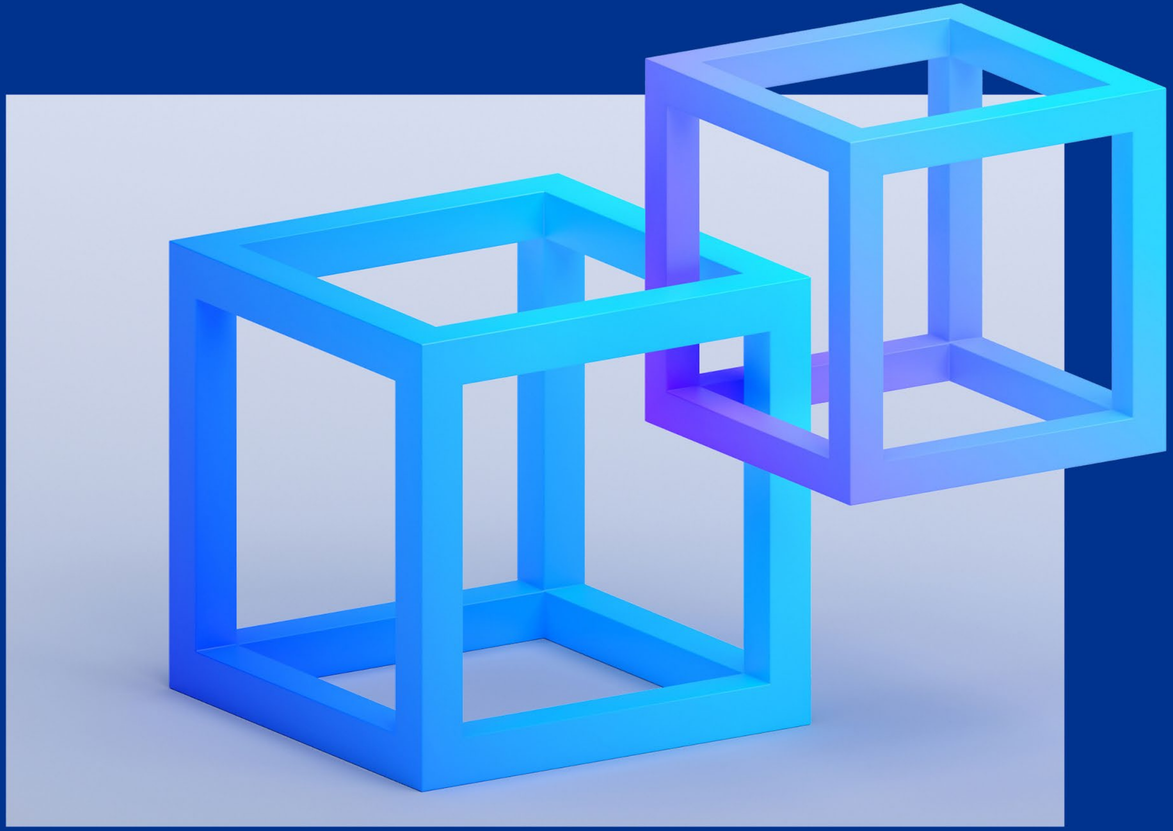
We will further assess management’s response to tracking and managing the risk in regard to staffing levels.

We will further assess management’s response to mitigate and address the risk in regard to staffing levels through alternative staffing sources.

kpmg.com/uk

This page is intentionally left blank

North Hertfordshire District Council



Report to the Finance, Audit & Risk Committee

Rebuilding assurance update

For the year ending 31 March 2026

September 2026

Agenda Item 7

Introduction

Page 32

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

We are pleased to have the opportunity to meet with you on the 9th September 2026 to discuss our audit of the financial statements of North Hertfordshire District Council, as at and for the year ending 31 March 2026 and in particular the results from our Rebuilding Assurance risk assessment

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.

This report should be read in conjunction with our External Audit Plan and Strategy for the year ended 31 March 2026, which was presented to the Finance, Audit and Risk Committee. In that report we referred to our work in completing our Rebuilding Assurance Risk Assessment. This report provides further information in respect of our work.

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 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 for 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.cutler@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.

Restrictions on distribution

This report is intended solely for the information of those charged with governance of the 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.

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 backstop 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 the Local Audit Reset and Recovery Implementation Guidance (LARRIGs) published in 2024 by the NAO, further guidance has also 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 previously been 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 the 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 disclaimed opinion on 27 February 2026.

We note that the Ministry of Housing, Communities and Local Government (MHCLG) has written to all impacted bodies and audit firms (November 2025) to request a brief assessment of each body's capacity to support the build-back audit process once the build-back risk assessment is complete.

The 2025/26 audit

As part of the 2025/26 audit, we have completed our rebuilding assurance risk assessment which included:

- Inquiries regarding changes to the Authority during the disclaimed period.
- Considering the disclaimed period and associated reporting including the statement of accounts, Annual Governance 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 outturn 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 caption by caption assessment of the movement over the disclaimed period 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.

As a result of the risk assessment, we have designed an appropriate response to address the risks identified and the audit year we will complete the work. This is set out on page 4 of this report.

We have also included an appendix (pages 6–7) with key elements of the MHCLG capacity assessment requested by MHCLG. We note this includes a categorisation of your audit as requested by MHCLG. The categories identified by MHCLG are:

- A - audits expected to be relatively straightforward and able to sustain an ISA-compliant approach without significant difficulty.
- B - audits that are in theory capable of supporting an ISA-compliant approach but where significant operational difficulties are likely
- C - the audited entity has adequate systems to provide the necessary evidence in principle, but practical constraints mean that ISA-compliant build-back is unlikely by the end of 2027/28
- D – major systemic problems with financial management, governance or accounting systems.

Fee

We note our fees for the risk assessment phase of work are £26,500 (plus VAT). These have been agreed with the Director-Resources and are now subject to PSAA approval.

The fees for the substantive phase are likely to be in the range of £15,000 to £25,000. This will be confirmed once the work commences later in the year.

We note our fees are subject to fee assumptions set out in our External Audit Plan and Strategy. We also note our fees will be subject to the PSAA fee variation process and PSAA approval.

MHCLG has announced grant funding for audit build-back.

Rebuilding assurance: Risk assessment results

LARRIG 06 sets out guidance to auditors of English local authorities in circumstances where the auditor's opinion on the prior year financial statements has been disclaimed because of backstop arrangements included in the Accounts and Audit (Amendment) Regulations 2024. Specifically, its purpose is to assist auditors in the process of rebuilding assurance for specific classes of transactions, account balances, and disclosures that warrant special consideration beyond the general principles set out in LARRIG 05.

Specifically, we have completed the following risk assessment procedures:

- Entity and process level risk assessment procedures;
- Review of Statements of Accounts from disclaimed years;
- An assessment of the revenue budget setting and monitoring, including reserves, and capital during the disclaimed period; and
- Inquiries regarding changes to the Authority during the disclaimed period.

The risk assessment has identified risks of material misstatement. We need to complete procedures to address these risks. The table below identifies the risks of material misstatement, the procedures to address them and the likely audit year in which we will complete the work.

#	Account Caption	Risk of material misstatement identified	Procedures to address the risk of material misstatement	Audit year we have planned the procedures *
1	Property plant and equipment	Revaluation adjustments regarding assets subject to revaluation in the disclaimed periods are not appropriately identified or classified.	• Agree the Fixed Asset Register to the General ledger and Statement of Accounts for the financial years 2022/23 and 2023/24; and • Agree revalued asset values back to the external valuation report and supporting workings for the financial years 2022/23 and 2023/24.	2025/26
2	Property plant and equipment	Additions to property, plant and equipment are recorded inappropriately when: the expenditure is not eligible for capitalisation, the assets are not accurately recorded, the entity does not have the rights to the assets, or the assets do not exist.	For a sample of additions capitalised in the year ended 31 March 2023 and 31 March 2024, we will: • Confirm the entity has the rights to the assets and that they exist; • Confirm the additions meet the criteria to be capitalised and have been capitalised in the correct period; and • Confirm the useful economic lives applied to the assets are in line with the Council's accounting policy, which drives the depreciation calculation.	2025/26

* This is subject to the Authority providing the required information in a timely manner.

Rebuilding assurance: Risk assessment results

#	Account Caption	Risk of material misstatement identified	Procedures to address the risk of material misstatement	Audit year we have planned the procedures *
3	Unusable Reserves	Transfers to or from unusable reserves are not appropriately identified and classified or are not accurately recorded.	For the years ending 31 March 2023 and 31 March 2024 we will: • Confirm the entries in the Capital Adjustment Account, Revaluation Reserve, Pensions Reserve, and other Unusable Reserves are consistent with the Movement in Reserves Statement (i.e. in and out of General Fund). This involves ensuring that the "accounting entries" in the Comprehensive Income and Expenditure Statement are reversed out and replaced by the funding "entries". This test confirms movements to the General Fund and the unusable reserves, are consistent. • Confirm that Capital Expenditure additions to the Capital Financing Requirement (CFR) agree materially to the capital expenditure outturn. • Confirm whether the Revenue Expenditure Funded from Capital Under Statute (REFCUS) expenditure impacts the Capital Financing Requirement and if the Minimum Revenue Provision (MRP) is in line with Policy, and whether there have been any changes in the disclaimed period. • Confirm whether voluntary MRP has been approved through the Finance, Audit & Risk Committee. • Assess completeness of balances such as MRP, which move usable funds to unusable funds to support the understanding of any understatement of MRP.	2025/26
4	Earmarked Reserves	Transfers to or from earmarked reserves are not appropriately identified and classified or are not accurately recorded.	For the years ending 31 March 2023 and 31 March 2024 we will: • Confirm that movements in Earmarked Reserves are consistent with the Movement in Reserves Statement (i.e. transfers to and from the General Fund). Verify that reserve movements are supported by approved decisions and agree to the underlying reserve schedules.	2025/26

*This is subject to the Authority providing the required information in a timely manner.

MHCLG – Capacity assessment template

We have included below and overleaf key elements of the capacity assessment as requested by MHCLG (Categories as per page 3).

Expected timing of build-back work

Audit area	Audit for the year ending 31 March						Unable to rebuild	
	2025	2026	2027	2028	2029	Later	Cat C	Cat D
Risk assessment		x					N/A	N/A
Statutory reserves		x						
Property assets		x						
Non-property investment assets								
Pension deficit/surplus								
Long-term debtors and creditors								
Working balances								
Pension fund (if applicable)								
Other audit work								

Expected audit opinions

Audit area	Audit for the year ending 31 March						Unable to rebuild	
	2025	2026	2027	2028	2029	Later	Cat C	Cat D
Audit opinion 1 Transfer to qualified opinion		x					N/A	N/A
Transfer to unmodified (clean) opinion			x*					

*subject to outcome of audit work performed in 2025/26 and 2026/27

MHCLG – Capacity assessment template

Overall assessment

The categories below are those MHCLG has described and requested for categorisation.

Audits that **are capable** of supporting an ISA-compliant approach to return to an unmodified opinion within the build-back period (up to and including audit year 2027/28):

A - audits expected to be relatively straightforward and able to sustain an ISA-compliant approach without significant difficulty.

B - audits that are in theory capable of supporting an ISA-compliant approach, but where significant operational difficulties are likely, e.g. inability to obtain some key records or evidence of the operation of some key controls, or where the audited body needs to re-establish the internal mechanisms to support the audit process.

- Difficulty obtaining evidence such as key documents, evidence of operation of key controls, or explanations of historic transactions
- Complex arrangements such as subsidiaries, joint ventures or specialised assets
- Scale of the audit work required, e.g. due to number of years outstanding
- Constraints on auditor's capacity.

Audits that are **not capable** of supporting an ISA-compliant approach by the end of the build-back period (up to and including audit year 2027/28)

C - the audited entity has adequate systems to provide the necessary evidence in principle, but practical constraints mean that ISA-compliant build-back is unlikely by the end of 2027/28. Practical constraints may relate to accessibility of evidence, organisational capacity, or the scale and complexity of the audit.

D – major systemic problems with financial management, governance or accounting systems. There are pervasive weaknesses in systems of financial reporting and internal control such that the auditor judges the conditions do not exist for an ISA-compliant audit to be completed in the foreseeable future.

We have categorised your audit as Category A - audits expected to be relatively straightforward and able to sustain an ISA-compliant approach without significant difficulty.

KPMG

kpmg.com/uk

North Herts Council

Finance Audit & Risk Committee

Anti-Fraud Report 2025/26

Purpose

1. This report provides details of the work undertaken by the Council and the Shared Anti-Fraud Service (SAFS) to protect the Council against the risk of fraud and delivery of the Council's Anti-Fraud Plan for 2025/2026.

Recommendations

2. Members are asked to:

a) **Note the activity undertaken by the Shared Anti-Fraud Service to deliver the 2025/2026 Anti-Fraud Plan for the Council.**
b) **Note all Anti-fraud activity undertaken by Officers and SAFS to protect the Council against fraud in 2025/26.**
c) **Note the additional Shared Anti-Fraud Service Annual Report (Appendix 1)**

Background

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

4. Some of the most significant recent reports include:

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

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

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

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

5. The Public Sector Fraud Authority (Cabinet Office) estimated, in its 2023 ***Cross Government Fraud Landscape Report***, that fraud and error cost the public purse at least £33bn each year. The last time that any effective national fraud measurement took place in local government was in 2017 and at the time fraud loss alone was estimated at £2.4bn annually.

6. The Public Sector Fraud Authority (Cabinet Office), Ministry of Housing Communities and Local Government **(**MHCLG), National Audit Office, and the Chartered Institute of Public Finance and Accountancy (CIPFA) all continue to issue advice and best practice to support local councils in the fight to combat fraud and prevent loss to the public purse.

7. It is essential that the Council has in place a framework to recognise its fraud risks and invests sufficient resources to prevent and deter fraud, including effective strategies and policies, and a response to deal with the investigation of suspected fraud required.

8. North Herts Council is a founding partner of the Shared Anti-Fraud Service (SAFS). Members of this Committee and Senior Management Team have received reports about how the service works closely with the Shared Internal Audit Service (SIAS) and other services at all levels across the Council.

Report - Delivery of the 2025/2026 Anti-Fraud Plan

Delivery of the 2025/26 Anti-Fraud Plan

The Plan

9. In March 2025 this Committee approved the Anti-Fraud Plan for the year which was developed by SAFS with Council officers. https://democracy.north-herts.gov.uk/ieListDocuments.aspx?CId=146&MId=3582

10. The plan was designed to meet the Council's requirements based on known fraud risks and the process for responding to these, and new or emerging risks as they arise. Resources and staffing were based on the Council's financial contribution to SAFS, with an agreed work-plan including proactive and reactive projects. The plan provides assurance that the Council continues to benefit from a positive return on its investment in the SAFS Partnership.

11. The Plan included Key Performance Indicators (KPIs) for SAFS which were agreed with the Director of Resources. All KPIs, and out-turn against these can be found on page 4/ Table 1.

12. **Appendix 1** is an extract of the SAFS Annual Report for 2025/26 to the Partnership Board.

Staffing and SAFS Performance

13. The SAFS Core Team in April 2025 was composed of 23 counter fraud staff based at the Hertfordshire County Council's offices in Stevenage, but who also attend the Council's offices.

14. Each SAFS Partner receives dedicated counter-fraud support from SAFS, for 2025/26 this was achieved by allocating a set number of operational days to deliver all parts of the Anti-Fraud Plan. This included fraud-risk assessments, fraud awareness training, proactive work such as the use of data-analytics or reactive work as part of the Council's fraud response plan.

15. SAFS was contracted to provide 298 operational days to deliver the Council's Anti-Fraud Plan in 2025/26. As well as the programme of work, support is provided by the SAFS management team when required.

16. All SAFS officers are all fully trained and accredited and members of the Government Counter Fraud Profession or working towards this. The Profession is made up of various streams including awareness training, fraud risk assessment, investigations, intelligence, data-analytics, and investigation management.

Table 1. SAFS Performance 2025/2026

Key

Met/ Complete	On Target	Part Met	Not Met

KPI	Measure	Objectives	Performance to March 2026
1	Return on investment from SAFS Partnership.	Demonstrate that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution. **A.** Regular meetings to take place with the Councils **Director: Resources**, at least quarterly or as required by Council officers. **B.** **Director: Resources** will be the SAFS Board representative for the Council and attend its quarterly meetings.	**A.** Meetings take place with the **Director: Resources** and there is a communication channel between SAFS and the Director when required. B. **Director: Resources** is a member of the SAFS Board and is invited to its quarterly meetings. *SAFS meet with other service leads across the Council as and when required with a focus on high risk areas. SAFS Officers are part of the Councils Corporate Enforcement Group.*
2	Provide an investigation service.	A. **Target to deliver at least 95% of the funded 298 Days** of counter fraud activity including proactive and reactive investigations, data-analytics, staff training and fraud risk management. (Supported by SAFS Intel/Management). B. **3 Reports** to Finance Audit and Risk Committee. (Annual Report, Updates, 25/26 AF Plan)	A. To the end of March 2026 SAFS had provided 282.5 days **(94.80%)** of those planned for the year. B. SAFS reports provided to the September /November/ March FARC meetings.
3	Action on reported fraud.	A. All cases to be reviewed within **2 Days** of receipt, on Average.	A. 134 Referrals received were triaged within 0.8 days of receipt on average. Any urgent or high risk cases are managed through SAFS Management incident tracker as well.
4	Allegations of fraud received. &	A. **100%** of all reported fraud (referrals) will be logged by type & source.	A. All referrals, from all sources are logged on SAFS CMS.

	Success rates for cases investigated.	B. **100%** of all cases investigated will be recorded and the financial value, including loss/recovery/ savings of each will be reported to officers.	B. All cases investigated have been recorded and managed on the SAFS CMS. *SAFS Provides detailed reports to the Councils CEG on all reported fraud and outcomes.*
5	Making better use of data to prevent/identify fraud.	A. Ensure output from NFI 2025/26 is resolved as required by legislation. B. Ensure membership of the Herts FraudHub in 2025/26 and that the ROI from this is reported to Council officers.	A. The NFI reports/matches were reviewed with SAFS support. B. The Council made use of the FHub- data was uploaded as planned and output reviewed.
6	Added value of SAFS membership.	A. Membership of NAFN & PNLD for 2025/26. B. **5 fraud awareness/prevention sessions** for staff/Members in year. (To be agreed with Service leads and HR)	A. NHC is a member of both NAFN and PNLD via SAFS licences. Council officers have access and SAFS provide training/awareness. B. 6 training sessions were delivered.

Fraud Awareness and Prevention

17. A key objective for any Council is maintaining its anti-fraud culture. The Council achieves this by ensuring both managers and members consider the risk of fraud when developing policies or processes; helping to prevent fraud and provide provides public confidence

18. The Council's website has links for the public to report fraud by email, telephone or using the SAFS online reporting tool. As well as encouraging the public to report any suspected fraud to the Council or directly to SAFS:

- https://www.north-herts.gov.uk/report-fraud
- www.hertfordshire.gov.uk/fraud

Council staff can use the same methods to report suspicions of fraud, or they can report fraud to SAFS staff working at the Council offices.

19. SAFS delivered six training sessions both face-to-face and via virtual means during 2025/26 including fraud awareness, use of the services provided by National Anti-Fraud Service, identity fraud and sessions for the Senior Managers Group on the new Failure to Prevent Fraud offences.

20. The Council's HR Team is developing an e-training module for anti-fraud, anti-bribery, anti-money laundering for staff and SAFS have been assisting with this.

21. SAFS receives regular and frequent updates on new fraud threats from a variety of sources including NAFN, National Cyber Security Centre, City of London Police and National Fraud Intelligence Bureau (national lead on fraud and cyber-crime for policing), London Fraud Forum, Credit Industry Fraud Avoidance Service, the Chartered Institute of Public Finance and Accountancy CIPFA, Hertfordshire Police and the Home Office.

Executive Reports

22. Executive Reports (ER) analyse specific fraud incidents, providing an insight into how the fraud materialised and make recommendations to strengthen processes and controls to prevent future fraud. These reports evaluate current controls and mitigation measures, pinpointing potential vulnerabilities and limitations that could lead to fraud. SAFS accompanies each ER with a management action plan detailing recommendations and or best practice to be adopted. SAFS did not have to provide any ERs for the Council in 2025/26.

Fraud Risk Assessments

23. Fraud Risk Assessment (FRA) using AI can provide a systematic evaluation of potential fraud risks within a council, designated service area, or particular scheme/ process. As part of its wider Service Plan SAFS developed an FRA programme for 2025/26. This programme encompassed FRA's focused on Warm Homes Grants/ Emergency Grants using the Cabinet Office Fraud Risk Accelerator an AI tool and we expect to see wider use of this technology in 2026/27.

Fraud Alerts

24. SAFS issues regular fraud circulars across all the services provided by the Council. These bimonthly updates equip officers with national and local intelligence to strengthen controls considering emerging and current fraud trends and threats. SAFS published five alerts in 2025/26 including a Guide to Identifying Fraudulent Documents, Mandate Fraud and CEO Impersonation, Email Spoofing, Fraud-Free Christmas and Understanding and Preventing Bribery.

25. Complimenting the bimonthly alerts are SAFS 'real time' fraud risk reports. These reports are circulated as soon as a significant risk is identified. In 2025/26 SAFS circulated 31 real time threat alerts which included internal fraud, welfare assistance fraud, polygamous working alerts, planning fraud and business rates fraud.

***Case Study 1**: Typical Fraud Alert for dissemination across Partners*

SAFS
Shared Anti-Fraud Service
Fighting Fraud Together

FRAUD ALERT

Counterfeit Blue Badge

03 July 2025

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

NOT FOR WIDER DISTRIBUTION WITHOUT CONSENT FROM SAFS

Incident Summary

A Blue Badge issued by the London Borough of Islington, which is flagged as Replaced (Damaged), has been cloned and used several times within Luton. It is believed that there are several counterfeit copies of this badge being used which presents a risk to all SAFS partner authorities.

Badge Reference: LHECNC

The fraud risk is not isolated to only this badge. Be vigilant to other counterfeit badges being used across the SAFS partnership.

Source: *SAFS*

SAFS Recommendations

- Raise Awareness - Circulate this alert to all relevant staff to heighten awareness of forged/counterfeit blue badges
- Detect - Enforcement officers should be vigilant and report any usage of this badge to SAFS immediately
- Report suspected incidents of fraud to SAFS and Action Fraud (following local policy and procedures)

26. SAFS maintains a close working relationship with the Shared Internal Audit Service (SIAS) with both services exchanging knowledge and best practice. The relationship with the Council's Legal Team has been maintained including work on criminal litigation. The Council can also use other sanctions to record that fraud has occurred without the need for criminal prosecution.

Case Study 2: Housing Application Fraud

Housing Officers referred a case concerning a suspected housing application linked to a homelessness claim.
An investigation conducted by SAFS revealed that the applicant had made a false housing application to North Herts Council when she was asked to provide a fuller address history and evidence of local connections to North Hertfordshire Council area.

Documents that detailed the applicant's mother's address proved to be false after enquiries with relevant organisations. The subject of the investigation failed to attend interviews under caution but did attend court hearings and entered guilty pleas after being charged with 5 counts of fraud.

Sentence imposed included 24 weeks imprisonment, lowered to 12 weeks for the early guilty plea, suspended for 12 months.
Ordered to pay £3,000 in prosecution costs to North Hertfordshire Council & £154 in victim surcharge.
Ordered to attend 15 Rehabilitation Activity Requirement sessions with HM Probation service.

Reactive and Proactive Fraud Investigation

27. During 2025/26 SAFS received 134 allegations of fraud affecting council services, this is a significant increase from the 112 in 2025/26. Reporting by staff (28) has declined compared to the previous four years. There was an uplift in referrals resulting from the NFI Reports (17) in-year.

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

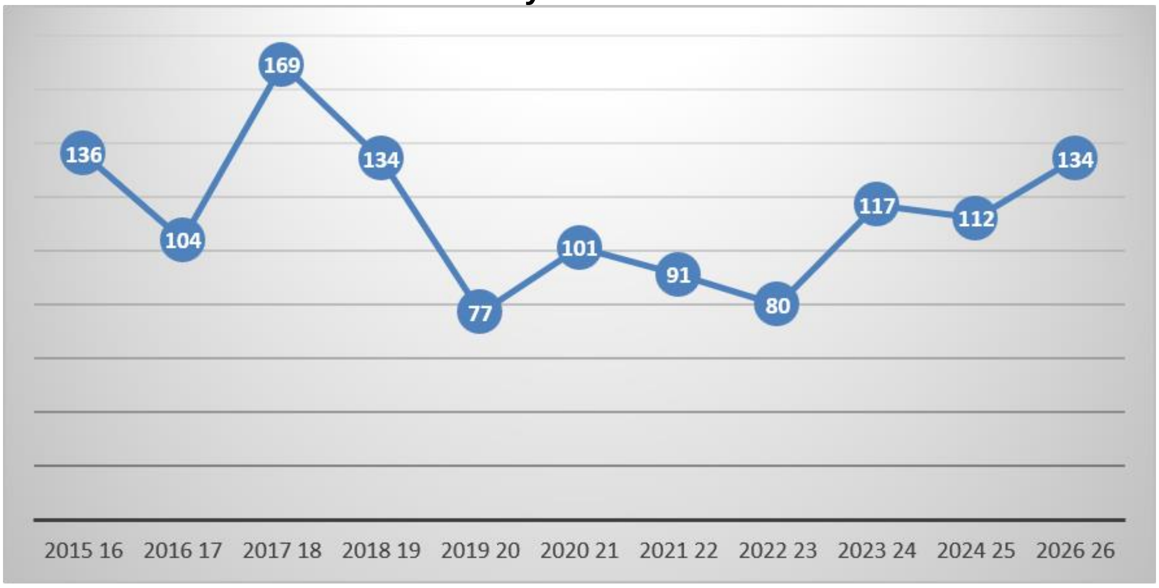
Blue Badge	Housing Benefit/Council Tax Fraud	Housing Fraud	CEO/Mandate emails	Other*	Total
12	97	19	3	3	134

*****Other included: allegations of Forgery (not for NHC) /Bribery (not NHC employee)/ Planning (ref to Planning Team).*

Table 3. Who is reporting fraud:

Fraud Reported by Staff	Reports from Public	Data-Matching/ Proactive	Other Agencies	Total
28	83	20	3	134

Table 4. Historic Fraud Referrals by Year



28. As table 4 shows, the volume of fraud referrals has fluctuated over the last decade, but has shown a year-on-year increase after a decline during the Covid Pandemic. The increases in 2025/26 are attributed to a high number of NFI matches (17) being referred into SAFS for further investigation post review and an upturn in reporting from the public.

29. Not every referral or allegation will need to be investigated as some can be false, misleading, or based on incorrect knowledge/data. Every referral is risk assessed and sifted by the SAFS Intelligence Team. In total, 62 allegations received in 2025/26 were not selected for further investigation.

Table 5. Closed Referrals in year.

Failed Sift	No Action Required	Referred to 3rd Party	SAFS Advice	Warning Letter	Total
24	23	4	7	4	62

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

30. In addition to the referrals that did not require a full investigation, 40 'low risk, low value' cases, including some carried forward from 2025/26 were resolved through compliance activity or review. This 'light touch' approach identified around **£24k** in council tax/housing benefit fraud. SAFS also continues to work jointly with the DWP

Fraud and Error Service (FES) to investigate allegations of fraud affecting local and national benefit schemes.

31. SAFS continue to work with the Council's Communication Team to issue publicity encouraging local residents and businesses to report fraud and help protect public funds. The Council took part in the International Fraud Awareness Week in November 2025 along with other councils across the region.

32. Many cases raised for investigation last year are still live, of the 10 cases investigated and closed in the year, 9 identified fraud. In total losses/savings combined in excess of **£27k** were reported from cases closed and other cases still live at the year end. Council officers have been provided with a detailed breakdown of which services have been affected by fraud and the outcomes from individual investigations.

33. At year end, 33 cases remained under investigation with an estimated fraud loss of £144k. SAFS monitor these figures to identify trends, such as changing working practices, the cost-of-living crisis, and other factors.

Table 6. Fraud Investigations Closed by Year

34. The decline in the number of fraud cases requiring full investigation combined with those requiring compliance or intervention over the last 10 years is positive. This does appear to evidence that action to deter or prevent fraud are being effective.

35. As well as the financial values identified, SAFS works with the Council's Housing Needs and Nominations Teams where allegations of fraud impact on the Council's housing register or homelessness applications. These cases may not deliver an obvious financial value but do assist in preventing fraudulent applications for housing.

Case Study 3: Housing Fraud/ Benefit Fraud

Information was received from Settle Housing in 2025 that a tenant living in the North Hertfordshire Council Area had not been resident in the property for an extended period of time.

The tenant was in receipt of Council Tax reduction (CTR) and Housing Benefit (HB). SAFS Intelligence Team made enquires that supported the allegation that the tenant was spending extended periods of time abroad, but did return periodically.

Contact was made with the tenant who confirmed they were living at the property in North Herts, and although they had been absent for an extended period of time, they always had an intention to return.

As the period of absence exceeded that permitted to claim benefits, and this had not been properly reported to the Council, a review of entitlement by the Councils Benefit Team identified that between 2024 and 2025 the tenant was overpaid £3,900 in HB and £680 CTR, these sums are now being recovered.

36. In April 2023 the Fraud Advisory Panel published its report 'Lost Homes-Lost Hope'. This report calculated the losses of an average housing fraud, per case, to the public purse to be in the region of £42k, of which £36k is attributable to the cost for local authorities through the provision of temporary accommodation. https://www.fraudadvisorypanel.org/wp-content/uploads/2023/10/Lost-Hope-Lost-Homes-Methodology.pdf

37. North Herts Council does not hold stock and relies on registered housing providers within the Council's boundaries to supply properties for residents entitled to social housing. These providers have neither the legislative powers nor the resources to investigate housing fraud or illegal sub-letting.

38. The SAFS works with a number of registered housing providers, including Settle, and this continues to identify fraud such as the illegal sub-letting, fraudulent right-to-buy applications and other misuse of the social housing stock within the Council's boundaries. In 2025/26 SAFS assisted in **the recovery of 8 social properties** that were being sub-let or had been abandoned across the Councils area. This resulted in 8 families being nominated from the Councils housing register for these properties and notional savings of upto **£288k** for the Council in temporary accommodation costs.

Case Study 4: Tenancy Fraud Impact

Category	National Average cost	Explanation
Add: Annual average temporary accommodation cost per family for individual councils	£12,100	Individual councils can establish their own local cost for this element. This can vary considerably, exceeding £20,000 pa in some areas. (The national average figure was derived from the parliamentary briefing paper *Households in temporary accommodation*, as at 31 March 2020.)
Deduct: Individual councils (only) can remove the annual average housing benefit associated with their temporary accommodation costs	Does not apply to the national calculation	Local councils receive housing benefit payments from central government in relation to temporary accommodation costs. These could be deducted from the national figure to reach a net local cost. However, since these benefit payments are from central government they must be part of the calculation of the true cost of tenancy fraud to the national public purse.
Subtotal	£12,100	
Subtotal above multiplied by 3	£36,300	Analysis of tenancy frauds detected by housing providers reveals three years to be a prudent average duration for one of these frauds. (Typical range 3.2 to 3.5 years.)
Add: Average investigation costs	£1,300	Average cost derived from investigations by a housing provider; confirmed as prudent by a sample from other HA's and councils. Individual councils may choose to input their own data here.
Add: Average legal costs	£1,000	Average cost derived from investigations by a housing provider; confirmed as prudent by a sample of other HA's and councils. Individual councils may choose to input their own data here.
Add: Average void costs	£3,140	Average cost derived from investigations by a housing provider; confirmed as prudent by a sample of other HA's and councils. Individual councils may choose to input their own data.
Total costs	£41,740	The average cost of a detected tenancy fraud to the national public purse – **approximated to £42,000.**

HA = Housing Association.

39. As an alternative to prosecution for those committing fraud the Council can apply financial sanctions or penalties, in 2025/26 the Council used financial sanctions on 15 occasions. These sanctions are only used when appropriate and where the offence is minor or is an isolated incident.

Data Matching and Analytics

40. The Council is required to submit data every two years as part of the Cabinet Office mandated [National Fraud Initiative - GOV.UK (www.gov.uk)](). This exercise occurs every second year and for the Council datasets such as payroll, pensions, creditor/payments, housing benefit and council tax are required. The data collected from councils, NHS and other public sector bodies is analysed to identify discrepancies or fraud. The exercise also uses data from sources such as Operation Amberhill, HMRC, DWP and General Register Office.

41. The output, or ‘matches,’ from NFI is released to councils between February and March following the October data upload. These matches are shared in various formats to be actioned. For the Council, the SAFS administer access to and reporting for those service areas that are required to provide a response.

42. The Council received 2,662 matches to review in a number of reports from the 2025/26 exercise, this volume of work was higher than usual due to a high number of matches on creditor data. Many of these matches require administrative review only and will not identify fraud, error, or savings, but it is essential that all are actioned and reported to avoid any fraud being missed and ensure that the Council’s data is correct.

43. Working with SAFS, Council officers have reviewed all of the high priority matches, and a small number of the other matches– in total 767 reviews were conducted identifying 15 fraud/errors with reported savings, through prevention, of just over **£56k.**

Case Study 5: Typical NFI Match   *An allegation was received by NHDC officers reviewing their NFI matches Council Tax to HMRC employee data.*   *The NFI match showed that a resident was receiving Council Tax Support (CTR) and single person discount (SPD) but that HMRC held records of the same address being used by the third party for employment.*   *SAFS Intelligence Team made enquiries that linked the third party to the address for a period of 5 years. Contact was made with the resident to provide an explanation.*   *It was concluded that whilst the third party could evidence living at a different address for some of the 5 year period, they were resident for almost 2 years and no change of circumstances was reported to the Council during that period by the North Herts resident.*   *A new Council Tax bill was issued for a past period in excess of £3,000.*

44. Working with the Cabinet Office, SAFS manage the ‘Hertfordshire FraudHub’ for all SAFS Partners following the same process as the two-yearly NFI exercise, but with data collected and matched more frequently throughout the year. In 2025/26 a further 441 (excluding SPD/Council Tax) matches were reported and of 256 reviews conducted 6 errors were identified with savings of **£26k** reported.

45. The SAFS manages the Hertfordshire Council Tax Framework for all district councils across the County. This Framework is funded by the County Council and provides a fully managed service to review discounts/exemptions claimed by residents against their Council Tax liability. The Council made use of the framework in 2025/26 to review the 782 properties that were recorded as being long-term empty. The review identified 147 properties that were now occupied and as well as the adjustment to Council Tax liability for these properties potential revenue, through the New Homes Bonus scheme, of **£319k** was identified.

Transparency Code – Fraud Data

46. The Ministry of Housing, Communities and Local Government, published a revised Transparency Code in February 2015, which specifies what open data local authorities must publish.

47. The Code also recommends that local authorities follow guidance provided in the following reports/documents:

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

CIPFA Red Book 2 – *Managing the Risk of Fraud – Actions to Counter Fraud and Corruption* https://www.cipfa.org/services/networks/better-governance-forum/counter-fraud-documentation/code-of-practice-on-managing-the-risk-of-fraud-and-corruption

48. The Code requires that Local Authorities publish the following data in relation to Fraud. The response for North Herts Council for 2025/26 is in **bold**:

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

Nil*. (North Herts Council is a Partner to the Hertfordshire Shared Anti-Fraud Service and makes use of the National Anti-Fraud Network (NAFN) to conduct such enquiries on their behalf).*

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

1.5 FTE

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

1.5 FTE

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

£102k (NHC contribution for SAFS) + Fees from Cabinet Office for NFI/FraudHub

- Total number of fraud cases investigated.

10 Fraud cases investigated and closed in year / 40 compliance reviews.

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

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

A. 9 occasions where fraud identified
B. 21 Errors in NFI or FHub/ 147 Council Tax adjustments (EHR)/ 40 Compliance Reviews/.

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

Reactive - £27k total fraud loss/savings reported from cases closed and other cases still live at year end.
Reactive (Tenancy Fraud)- **£288k** in notional savings/ temporary accommodation costs.
Compliance Reviews - £24k council tax revenue**.**
Proactive - £82k fraud/error identified through NFI/FraudHub
Revenue- £319k in New Homes Bonus through the Ctax Review Framework.

Total - £740k of fraud and irregularity identified.

The value of fraud reported/identified can include loss that has actually occurred, prevention where an ongoing loss has been stopped or an actual fraud that was prevented from the outset/ or a notional future value if a fraud had continued.

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

(a) ***Councillors Workbook on Bribery & Fraud Prevention*** *(LGA 2017)*
(b) ***Fighting Fraud and Corruption Locally - A Strategy for the 2020's*** *(CIPFA/CIFPA/LGA 2020)*
(c) ***National Anti-Fraud Network- Local Authority Counter Fraud Report 2025***
(d) ***Code of Practice - Managing the Risk of Fraud and Corruption*** *(CIPFA 2014)*
(e) ***Lost Homes, Lost Hope*** *(Fraud Advisory Panel 2023)*

SAFS ANNUAL REPORT 2025 - 26

SAFS
Shared Anti-Fraud Service
Fighting Fraud Together

Contents

Introduction

2026 marks the start of a new decade for the SAFS Partnership following 10 years of success. SAFS has grown from a concept in 2014 to an award-winning service supporting eight councils, over 20 clients, with a team 27 professional staff. This report highlights key achievements from the past 12 months. It does not capture the scale of daily operational work from training more than 10,000 staff, to reviewing fraud referrals, and maintaining the partnerships and frameworks that underpin SAFS.

During 2025/26, we saw very high volumes of referrals and increased fraud detection from our partnership approach. The continued investment in prevention, data analytics, and collaboration ensures SAFS remains at the forefront of managing fraud risk.

Our six core objectives remain central:
· Ensure effective anti-fraud arrangements
· Deliver financial benefits
· Develop the Hertfordshire FraudHub
· Expand into emerging fraud risks
· Grow third-party services
· Maintain our centre of excellence status

SAFS continues to be recognised as a leader in local government counter fraud, receiving awards in 2025 and 2026. We continue to work closely with the Public Sector Fraud Authority and Government Counter Fraud Profession, supporting professional development and contributing to the Local Authority Collective with our recognised learning environment. Investment in professional development was recognised this year through an award at Counter Fraud 2026.

Following the launch of commissioned services in 2024, income growth continued in 2025/26, exceeding all targets. New contracts have strengthened our reputation and resilience, enabling reinvestment across the team to benefit the SAFS Partners.

I remain incredibly proud of the team and my thanks go to the SAFS Board, our SAFS Partners, officers at Hertfordshire County Council, and our commercial partners for your continued support.

Here's to the next decade of SAFS – building on strong foundations and delivering real impact.

Nick Jennings
Head of Shared Anti-Fraud Service
2026

Level of Delivery 2025/26

The Service achieved or exceeded the majority of its KPI's in 2025/26.

Agree and deliver all partner Anti-Fraud Plans	All plans approved Reports provided to all partners
£7.5M savings across partners	£4.4M Reactive £5.7M Proactive
Ensure that SAFS fraud reporting platforms are available 95% of the time	Reporting into SAFS was available 100% throughout the year
2 days to respond to fraud referrals	Average response was 0.7 days
Deliver 95% of Chargeable days across all SAFS Partners (3534)	99% recorded Chargeable days (3700)
Fraudhub NFI 2024/2025 CTAX Framework	Fraudhub Contracts in place NFI 2024/2025 £5.5m CTAX Framework £2.3m
Generate an additional £225k of revenue	SAFS generated £249K of additional revenue
Promote SAFS as a Centre of Excellence	Attendance at national events Calls for assistance National Awards

Special Projects 2025/26

County -Wide Council Tax Framework

SAFS public-private partnership remains cost effective and benefits all parties, helping to identify fraud and error in all aspects of council tax liability. Achieving £2.3 new revenue.

Warmer Homes Grant Fraud Risk Assessment

SAFS produced the Fraud Risk Assessment for both private and social Warmer Homes Grants for WHBC. This was followed up with a bespoke grant fraud training session.

Cabinet Office Fraud Risk Accelerator

SAFS were the only Local Authority to take part in the private Beta test of the Cabinet Offices's Fraud Risk Accelerator and we've used this AI powered tool to assist with FRA's across the partnership.

National Land and Property Gazeteer

SAFS Intel team have access to NLPG for enhanced analysis and mapping data nationally.

Counter Fraud Profession & Apprenticeship

SAFS is recognised as a Learning Organisation with access to the Government Counter Fraud Profession. SAFS provides an accredited training environment with access to Counter Fraud Apprenticeships.

Outcomes & Added Benefits

1871 allegations of fraud received

290 Right to Buy Applications reviewed to comply with Anti-Money Laundering

£660K caseload for our Financial Investigators

The Herts Advertiser

Couple get jail terms after defrauding Herts County Council

North Herts Council

Woman sentenced for housing fraud in North Herts

£143K Fraudhub Savings £5.5M NFI Savings

232 low risk council tax reviews identified £345K in new council tax revenue

19K National Fraud Initiative matches reviewed

153 Referrals shared to Law enforcement agencies

76 face-to-face or virtual fraud awareness sessions delivered to more than 1000 staff

HERTFORDSHIRE COUNTY COUNCIL

17/03/2026 | Press release | Distributed by Public on 17/03/2026 13:28

Hertfordshire Shared Anti Fraud Service Takes Centre Stage At The Public Sector Counter Fraud Awards

SAFS Shared Anti-Fraud Service Fighting Fraud Together

SAFS Board Members (2025/26)

The SAFS Board provides strategic direction and oversight for the partnership, bringing a wealth of local government and wider experience and insight to our operations.

Steven Pilsworth	Hertfordshire County Council	Director of Finance
Quentin Baker	Hertfordshire County Council	Director of Law and Governance
Matthew Bunyon	Hertsmere Borough Council	Assistant Director of Finance
Ian Couper	North Hertfordshire District Council	Service Director of Resources
Rebecca Keene	Borough of Broxbourne Council	Assistant Director of Resources
Sarah Marsh (Deputy)	Borough of Broxbourne Council	Head of Internal Audit
Brian Moldon	East Hertfordshire District Council	Director for Finance, Risk and Performance
Clare Fletcher	Stevenage Borough Council	Strategic Director
Atif Iqbal	Stevenage Borough Council	Director of Finance
Dev Gopal	Luton Borough Council	Director – Finance, Revenues and Benefits
Kanchan Vasisht (Deputy)	Luton Borough Council	Audit Manager
Richard Baker	Welwyn Hatfield Borough Council	Executive Director (Finance and Transformation)
Helen O'Keeffe (Deputy)	Welwyn Hatfield Borough Council	Assistant Director (Finance)
Georgina Barnard	Non Executive Board Member	

This page is intentionally left blank

North Herts Council

Finance Audit & Risk Committee

September 2026

Anti-Fraud Progress Report 2026/2027

Purpose

1. This progress report provides details of the work undertaken by the Shared Anti-Fraud Service (SAFS) and Council Officers to protect the Council against the threat of fraud and the delivery of the Council's Anti-Fraud Action Plan for 2026/27.

2. A final report covering the whole year will be provided to this Committee in the summer 2027 with detailed activity against the Anti-Fraud Plan.

Recommendations

Members are RECOMMENDED to:

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

The Anti-Fraud Plan

3. The Anti-Fraud Plan for the current financial year was approved by this Committee at its March 2026 meeting https://democracy.north-herts.gov.uk/mgCommitteeDetails.aspx?ID=146. The Plan covers all areas recommended by CIPFA and the *Fighting Fraud and Corruption Locally Strategy for the 2020s*, it also provides assurance that the council continues to benefit from a positive return on its investment in the SAFS Partnership.

2026/2027 Anti-Fraud Activity

4. The Council has in place Anti-Fraud, Bribery & Corruption Policies and these are kept under constant review to ensure compliance with current best practice and the impact of any changes required by legislation. All CF policies were last reviewed in late 2025/ early 2026 and await approval prior to publication.

5. SAFS provides alerts about new and emerging fraud trends through its Board members and directly with officers working in all of our Partners. These alerts come from a variety of sources including the National Anti-Fraud Network (NAFN), Credit Industry Fraud Avoidance Service (CIFAS), National Fraud Intelligence Bureau (NFIB) at the City of London Police, and others.

6. Between April and July this year SAFS issued 15 urgent Fraud Alerts including / Mandate Fraud/ Election Fraud/ Impersonation/ Poly-Workers/ Blue Badge abuse. SAFS also provides quarterly Fraud Circulars that summarise new and emerging risks and provide officers with the latest guidance to assist with identification and prevention, the latest of these circulars was issued to all officers in June 2026.

7. A training plan to build on staff awareness and fraud reporting, along with a publicity campaign to inform the public and encourage fraud reporting has been developed with officers in HR and Comms teams. Three training sessions were delivered in Q1.

8. SAFS officers have been working with the Councils HR Team to develop a new E-learning module will soon be available for all staff and will including guidance on fraud prevention, anti-bribery and anti-money laundering, this will assist the Councils compliance with Economic Crime and Corporate Transparency Act 2023.

9. Across all of our partners SAFS provides Executive Reports (ER) to senior management and internal audit where investigations identify that fraud or attempted fraud occurred due to system/process weaknesses, SAFS also provides recommendations for management to consider the removal/reduction/mitigation of any ongoing fraud risk. No ERs were issued for the Council in Q1.

Reactive Work

10. Between April and June 2026 23 allegations of fraud were received by the Council/SAFS affecting service areas such as housing, council tax, business rates- 10 of these matters were reported by Council staff.

11. SAFS currently have 20 cases under investigation, or at referral stage, with estimated losses of **£117k** recorded in this caseload. SAFS have closed 3 investigations with fraud identified on 3 occasions. Fraud losses of **£18k** have been reported, along with savings of around **£10k**. SAFS have also conducted compliance reviews of 15 low risk council tax frauds, identifying **£20k** in council tax liability for collection.

12. No matters have been referred to the Councils legal team to consider prosecution, however in four financial penalties have been applied in council tax cases as alternatives to prosecution and two people have been excluded from the Councils housing register for suspected fraud.

13. SAFS continues to work with registered housing providers, including Clarion/Settle/Peabody to investigate allegations of ‘tenancy-fraud’ committed against any of the social housing stock within the Councils boundaries. Of particular relevance to the Council are 11 cases of alleged tenancy fraud being investigated on behalf of *Settle-Paradigm*.

Proactive Work

14. SAFS and Council officers are working on training and awareness to ensure that all data required for submission as part of the Cabinet Office ‘National Fraud Initiative’ (NFI) 2026/27 is uploaded on time and meets the correct specification. The output from this two-yearly national exercise produced more than 2,600 matches in 2024/25 so this is a big project for this year.

15. The Council is signed up to the Herts FraudHub for the current year. The FraudHub works in a similar fashion to the main NFI exercise with data being submitted along with the other SAFS partners to help identify fraud through data-analysis/matching. We plan to commence upload of data to the FraudHub shortly but only until Q3 when we will prioritise the main NFI exercise into Q3/Q4.

16. SAFS have been working closely with the Councils Environmental Health Team and the County Councils Trading Standards to provide support for ongoing investigations involving businesses across the District.

17. SAFS and Council officers have been collaborating to design and deliver a new Council Tax Framework for Hertfordshire. We are now in the tender valuation process and hope to have contracts agreed for the Framework by October 2026.

SAFS Performance

18. SAFS KPIs were agreed in the Anti-Fraud Plan, progress is reported below.

Key

Met/ Complete	On Target	Part Met	Not Met

KPI	Measure	Objectives	Performance to June 2026
1	Return on investment from SAFS Partnership.	Demonstrate that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution. **A.** Regular meetings to take place with the Councils **Director Resources**, at least quarterly or as required by Council officers. B. **Director Resources** will be the SAFS Board representative for the Council and attend its quarterly meetings.	A. Meetings are being arranged with the Director Resources and other senior leaders to discuss delivery of the AF Plan and anything else relevant. B. Director Resources is a member of the SAFS Board and is invited to its quarterly meetings. SAFS meets with other service leads across the Council as and when required with a focus on the highest risk areas, and is part of the CGG/CEF.
2	Provide an investigation service.	A. **Target to deliver at least 95% (274) of the funded 288 Days** agreed counter fraud activity including proactive and reactive investigations, data-analytics, staff training and fraud risk management. (Supported by SAFS Intel/Management). B. **3 Reports** to Finance Audit & Risk Committee. (Report/Update/Plan)	A. To the end of June 2026 SAFS had provided 74 days **(26%)** of those planned for the year. B. SAFS reports agreed for September/ January/ March FAR Committee as part of the Fwd Plan.
3	Action on reported fraud.	A. **95%** referrals into SAFS to be reviewed within **2 working days** of receipt, on Average. B. **100%** of urgent/high risk referrals to be triaged through SAFS Management Team and details shared with **Director Resources.**	A. In Q1 100% of referrals within 24 hours on average. B. All urgent/high risk matters are recorded in the SAFS Mgt Tracker for review.
4	Triage of referrals & Outcomes for cases investigated.	A. **100%** of all reported fraud (referrals) will be logged by type & source. B. **100%** of all cases investigated will be recorded and the financial value, including loss/recovery/ savings of each will be reported to officers.	A. All referrals and cases are logged on rhe SAFS CMS B. The management and outcomes of all cases are recorded on the SAFS CMS.
5	Making better use of data to prevent/identify fraud.	A. Ensure Upload of data for **NFI 2026/27** and the output from it is resolved as required by legislation.	A. SAFS are working with officers across the Council to meet this requirement by the October deadline. B. The Council is signed up the FHub for 2026/27

		B. Ensure membership of the Herts **FraudHub** in 2026/27.	Data-upload has commenced and we have matches to review.
6	Added value of SAFS membership.	A. Membership of **NAFN & PNLD** for 2026/27 B. **5 fraud awareness/prevention sessions** for staff/Members in year. C. **To identify an ROI of £102k** (SAFS Fee) based on savings through prevention/detection, or financial values for recovery from reactive and proactive work.	A. The Council is a member of NAFN and has access to PNLD and CIFAS via SAFS/HCC. B. A Plan has been agreed with HR and Council officers for this year, with 3 sessions delivered in Q1. C. Savings through prevention and fraud loss for recovery already exceed **£48k with a further £117k under investigation.**

Further Reading

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

I. ***Councillors Workbook on Bribery & Fraud Prevention*** *(LGA 2017)*
II. ***Fighting Fraud and Corruption Locally - A Strategy for the 2020's*** *(CIPFA/CIFPA/LGA 2020)*
III. ***National Anti-Fraud Network- Local Authority Counter Fraud Report 2025***
IV. ***Code of Practice - Managing the Risk of Fraud and Corruption*** *(CIPFA 2014)*
V. ***Lost Homes, Lost Hope*** *(Fraud Advisory Panel 2023)*

This page is intentionally left blank

SIAS

Shared Internal Audit Service
Hertfordshire in Partnership

Shared Internal Audit Service

Annual Report

2025/26

Annual Report Contents

Introduction

Welcome to the Shared Internal Audit Service (SIAS) Annual Report for 2025/26.

Those familiar with my musings in the introduction to past editions of the annual report will know about my passion for walking, travel and good food. I found myself a marvellous slice of heaven at the mouth of Loch Eriboll in the far north of Scotland, where the peace and seclusion soothed the mind and soul. Despite being blessed with astonishingly good weather that facilitated exploration of scenic treasures near and far, it was the simple pleasures on the doorstep that have lived long in the memory – cuckoos calling long into the evening against a backdrop of pink clouds, lobster and crab BBQs fresh from the loch 100 yards away and football on deserted Ceannabeinne Beach with my son at 22.30.

Quality rest and relaxation, and investing in one's personal wellbeing, is critical when fronting up to the challenges experienced in the workplace during the last year. The team has been preparing for the rigours of our external quality assessment, the first under the new Global Internal Audit Standards for the UK public sector. This has been daunting but ultimately rewarding and a major opportunity to review what we do and improve how we do it. This sits against the backdrop of local government reorganisation (LGR) and shaping and positioning the service in collaboration with colleagues from across Hertfordshire to serve the new unitary authorities when they come into being in 2028. And if that isn't enough, we have been building on the success of the first year of the SIAS Business Plan by securing more work from our highly valued existing external clients and welcoming new client relationships.

None of this happens without the energy, resilience, counsel and motivation that comes from having a wonderful team around you, people who put in the hard yards, have your back, step up to the plate, pick you up, make you laugh and debate tactics and strategy long into the evening. To all the SIAS team and our Board, I thank you profusely.

SIAS said a sad farewell to two team members departing during the year to career opportunities elsewhere. They are thanked for their achievements and contribution to the service and will be greatly missed. Departures offer the opportunity for new beginnings, and we welcome two new team members, who have settled wonderfully well into the service. Congratulations are also extended to team members for their deserved promotions and exam successes. We are proud of you all.

For further highlights and reflections, I invite you to delve into the Annual Report itself. As ever, I enjoy the engagement, dialogue, and feedback the report fosters.

Chris Wood - Head of Assurance

June 2026

SIAS
Shared Internal Audit Service
Hertfordshire in Partnership

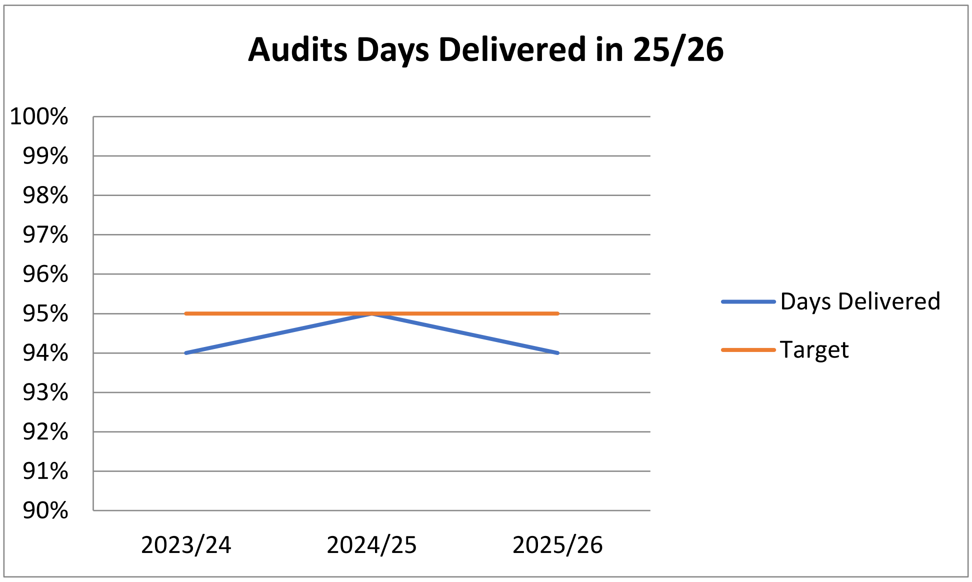
Levels of delivery

In respect of delivery, 2025/26 presented new challenges to SIAS as we sought expand our customer portfolio, whilst still maintaining the expected high levels of delivery to our founding partners and existing customers.

Through the work of our fantastic team, we managed to deliver our core commitments to our SIAS Partners, achieving 94% delivery of planned days and completion of 89% of planned projects to draft report stage, with targets of 95% and 90% respectively. In addition, we also successfully delivered our agreed portfolios of work with our external customers, Eastern Internal Audit Services (EIAS) and Dartford and Sevenoaks Councils, completing over 350 days' work for these clients during 2025/26.

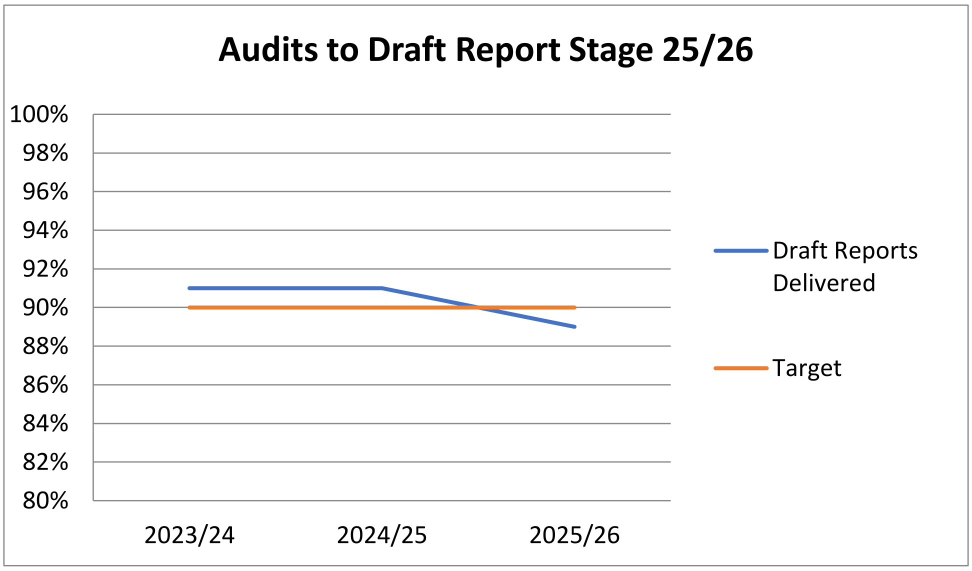
With our key objective being to complete enough work to allow an annual assurance opinion to be provided for each SIAS Partner, we are pleased to report that this was achieved.

Figure 1: Percentage of audits days delivered



We delivered 94% of our audit plan days and 89% of projects to draft report by 31 March 2026.

Figure 2: Percentage of audits to draft report stage



Shared learning - the power of partnership

We continued to use our networks with bodies such as the Chartered Institute of Internal Auditors (CIIA) and the Local Authority Chief Auditors Network (LCAN) to ensure that we remained in touch with the challenges facing the audit profession and those being faced by the organisations we provide assurance to….

A key founding principle of the Shared Internal Audit Service was the opportunity to embed a culture of shared learning within the partnership. A shared learning culture, both formal and informal, is embedded through our team, our sister services within Assurance and across our partners and opportunities abound to promote issues big and small.

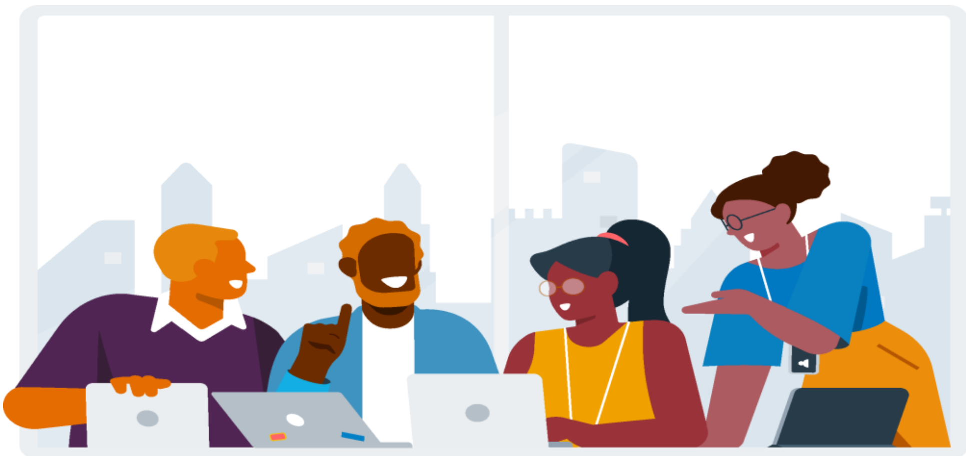
We continued to use our networks with bodies such as the Chartered Institute of Internal Auditors (CIIA) and the Local Authority Chief Auditors Network (LCAN) to ensure that we remained in touch with the challenges facing the audit profession and those being faced by the organisations that they provide assurance to.

The above networks have been valuable in allowing us to gather and share insights and approaches to embedding the Global Internal Audit Standards and preparing for our 2026/27 GIAS External Quality Assessment. In addition, with Hertfordshire currently beginning the journey of Local Government Re-organisation, these networks have provided opportunities to gather insights on how best Internal Audit can support this process and learn from those who have already navigated this complex process.

We have continued to contribute to discussions arranged by the Institute of Internal Auditors on key topics facing the profession such as recruitment and retention.

From a partner perspective, we continue to share good practice and emerging risks identified from our audit work during key Senior Management meetings, such as Corporate Governance Groups. This is deemed important to embrace a continuous learning culture within the partnership.

During 2025/26, our staff, partners and Audit Committee members have continued to work collaboratively to foster a cycle of continuous development and innovation, with these being particularly critical as we look to continue to build an effective internal audit service.



Managing the challenges of auditing in a changing environment

As part of our revised internal audit methodologies, we have implemented a clearer focus on 'root cause analysis', this being successfully used within our audit reports during 2025/26….

The risk landscape of local government has and will continue to be subject to continued and fast paced change. The challenges faced at the point of our previous annual report in 2024/25 remain current, including needing to identify savings to manage funding pressures, rising demand, unstable inflation, and global political unrest. In addition, the significant work associated with delivering Local Government Re-organisation within Hertfordshire brings additional pressures and new risks to each of our SIAS Partners.

In respect of Artificial Intelligence (AI) this continues to evolve at pace, and we look to work to embrace this new technology but equally ensure that we understand the new risks that this introduces into the systems that we audit.

The landscape of cyber-risk continues to remain high on the agenda from both a business and indeed personal perspective, with several high-profile cyber-attacks being reported during 2025/26 that have resulted in material impacts. This highlights the importance of investing in security, business continuity arrangements and educating and training staff. From an internal audit perspective, cyber security is one of the initial 'topical requirements' launched under the Global Internal Audit Standards, these seeking to ensure that internal auditors follow mandatory key lines of enquiry during audits of this area.

The combination of all the above factors means that it continues to be important that our internal audit plans remain agile and can be adapted in line with the fast-paced change of the Local Government and wider environment.

As part of our revised internal audit methodologies, we have implemented a clearer focus on 'root cause analysis', this being successfully used within our audit reports during 2025/26. In the longer term we seek to use the outcomes of root cause analysis to highlight potential wider organisational factors that may contribute to systems weaknesses, such as resourcing or recruitment challenges or ineffective approaches to governance.

As a service we continue to benefit from having a co-sourced internal audit partner, allowing us to have access to specialist skills, or their wider information pool to support other key opportunities such as benchmarking.

Overall, we believe that 2025/26 has provided an opportunity for SIAS to continue to develop our approach to provide an effective and value-added audit service.

Developing our people and processes

At the core of our service are our team members and we are proud to continue embracing our ‘grow your own’ strategy, to both develop the audit talent of the future and support future service resilience.

The Head of SIAS continued to be part of the Internal Audit Apprenticeship trailblazer review group and during 2025/26 has taken on the Chairmanship of the group, supporting the successful launch of the revised Level 4 Apprenticeship.

During 2025/26 we were also pleased to support nine members of our team in commencing or continuing their professional studies, either with the Chartered Institute of Internal Auditors or CIPFA.

Whilst acknowledging the importance of professional studies, our staff also have clear training, development and progression plans to ensure that they have the very best opportunity to reach their career goals. We support this with regular ‘lite bite’ training sessions, where we look to provide in-house training to support their professional studies

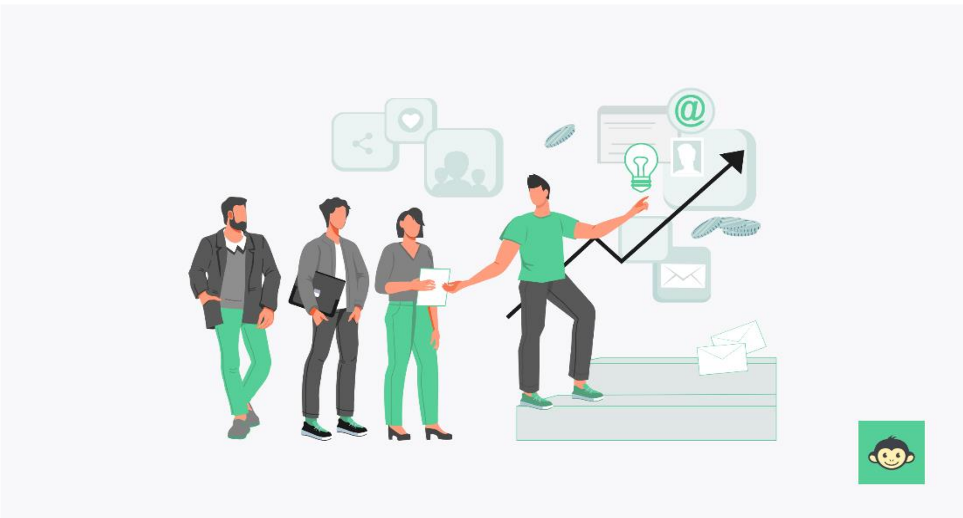
We were pleased to be able to promote two members of our staff to Senior Auditor roles during 2025/26, as well as welcoming two new trainee auditors and a volunteer auditor to the team with this aligning to our grow your own strategy.

We continue to navigate the challenges in maintaining a team culture and collaboration in the days of hybrid working and promote our weekly office day to ensure that team members have regular opportunities to network and share ideas.

In December 2025, we were pleased to celebrate the Inspirational Leadership Award presented to our Head of SIAS during the host authority’s 2025 Resources Awards Event. This acknowledged his efforts during the last 12 years in driving SIAS’s growth, expanded client base, and developing a strong talent pipeline. He was also recognised for his inclusive approach, focus on staff development, and commitment to continuous improvement that have strengthened SIAS as a trusted audit service

In December 2025 we were pleased to celebrate the Inspirational Leadership Award presented to our Head of SIAS during the host authority’s 2025 Resources Awards Event. This acknowledged his efforts during the last 12 years in driving SIAS’s growth, expanded client base, and developing a strong talent pipeline….

From a process perspective, we have been continuing to work during 2025/26 to critically review and update our key strategies, templates and our audit manual to reflect the Global Internal Audit Standards, and equally prepare for our upcoming External Quality Assessment in 2026/27.



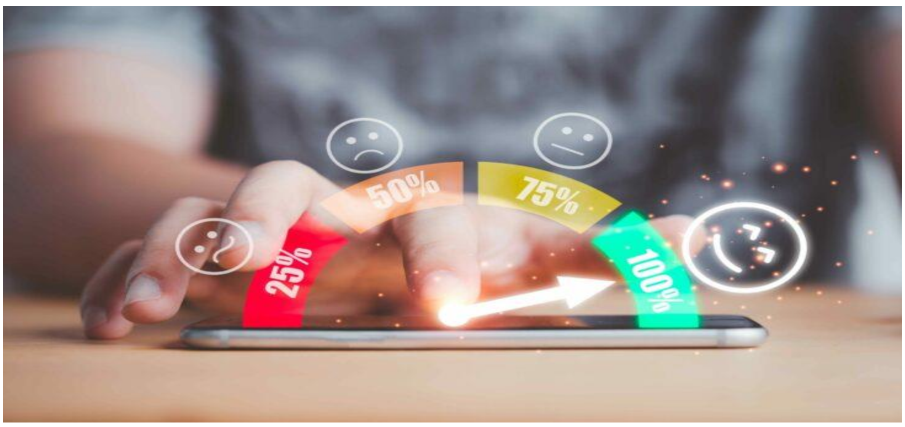
First class customer service

To monitor our effectiveness and improve our service, at the end of each assignment we request the completion of a short satisfaction survey. We have been given and have acted upon invaluable improvement ideas, and we are proud of the fact that in 2025/26 we have received 98% satisfactory or higher feedback rating from our customers, this against our target of 90%.

Some of the comments that accompany the formal scoring document are shown below:

- "The auditors made the process very straightforward and were happy to clarify where I had any queries re the audit and the information required by them."
- "The service has been very welcomed as it both provides feedback that we wouldn't ordinarily obtain and has also provide ways in which we can improve and bolster our services."
- "Very good thank you, concise questioning meant the audit was not too demanding in terms of time pressure. There looks to have been a thorough review of the data supplied to the auditor so feel a good understanding of processes and procedures in place was achieved and reflected in the audit."
- "Well organised and efficient audit, professional and proficient service received from the auditor throughout."
- "It wasn't a straightforward audit because of the circumstances i.e. very new contracts being managed very manually off spreadsheets. The auditor was brilliant though and absorbed a lot of information - with the outcome very much reflective of where we currently are."
- "Auditors were interested in the service and keen to learn about the work we do. Was very useful to undertake the audits for both clients at the same time to eliminate duplicate conversations."
- "The process was well-organised and allowed for meaningful participation. The team conducting the audit was professional, approachable, and responsive to concerns raised throughout the process."
- "The auditor was very friendly and professional whilst conducting the audit. She put us at ease and her responses to any questions was very quick and efficient and she asked relevant questions to the topic."

"The process was well-organised and allowed for meaningful participation. The team conducting the audit was professional, approachable, and responsive to concerns raised throughout the process."



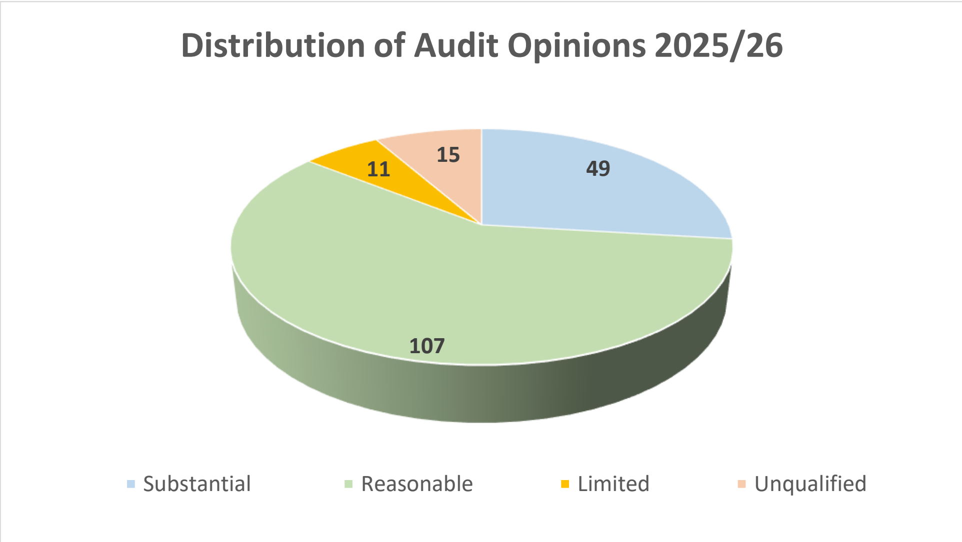
Performance – outcomes

229 assurance and other projects identifying 233 high or medium priority recommendations

SIAS completed 229 assurance and other projects to draft or final report stage as at the end of March 2026, giving the assurance opinions and recommendations detailed in the charts below.

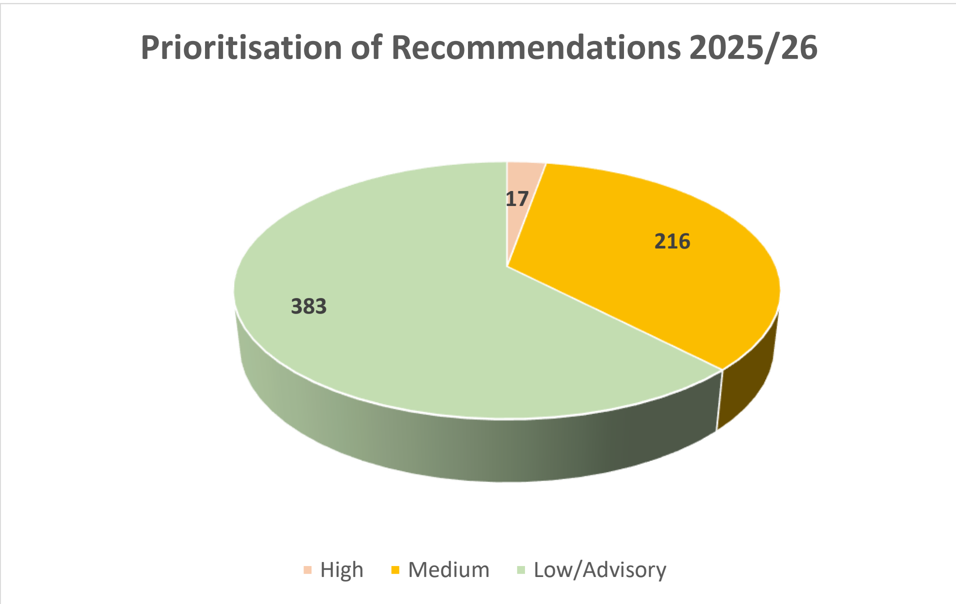
For those pieces which resulted in a formal assurance opinion, the distribution of opinions is set out in figure 3 below:

Figure 3: Distribution of Audit Opinions 2025/26



For those audits where recommendations were required and were graded, the priority ratings are set out in figure 4 below:

Figure 4: Prioritisation of Recommendations 2025/26



Performance indicators

The overall business performance of SIAS is monitored by the SIAS Board by means of a balanced scorecard which provides a range of measures by which progress can be evaluated.

The overall performance of SIAS against our key performance indicators is reported below.

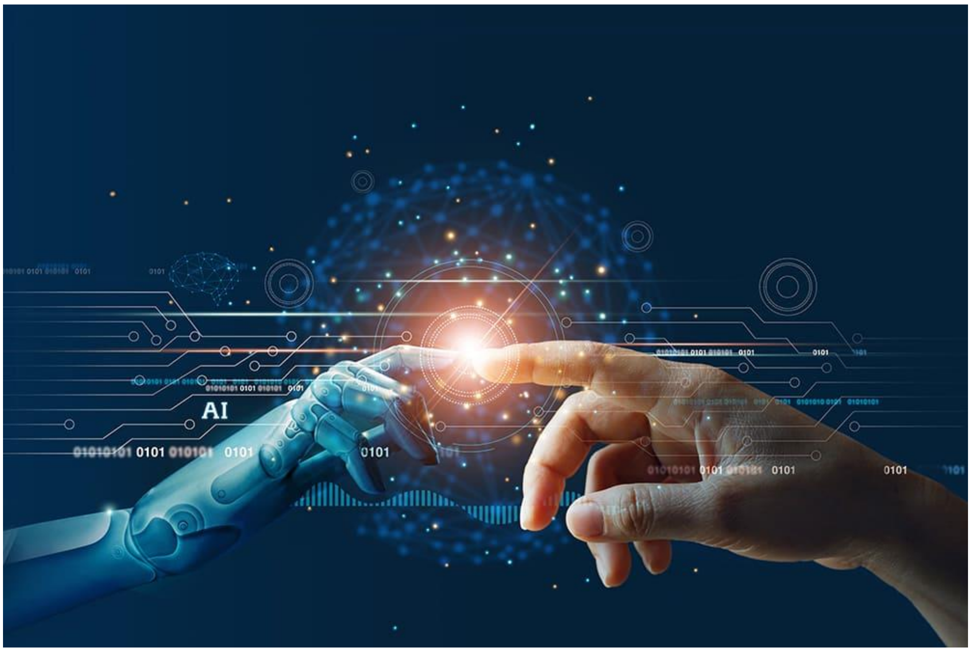
Table 1: SIAS Business Performance

Indicator	Target	Actual as at 31 March 2025	Actual as at 31 March 2026
Progress against plan: actual days delivered as a percentage of planned days.	95%	95%	94%
Progress against plan: audits issued in draft by 31 March	90%	91%	89%
Client satisfaction	100% client satisfaction questionnaires returned at 'satisfactory overall' level or above	96%	98%

Financial performance of SIAS

SIAS operates on a fully traded basis and the service's financial position is overseen by the SIAS Board. Prudent financial management and income generation has allowed the service to build a reasonable reserve over the last few years, with the intention of smoothing the impact of any unforeseen events on trading performance in future years or investing in projects that support the delivery, growth, or development of the service.

Future developments



During 2026/27, we will continue to work with our SIAS partners, using insight and advice from our professional networks, to progress an assurance offering to support the progression of devolution and local government reform in Hertfordshire.

During 2026/27, we will continue to work with our SIAS Partners, using insight and advice from our professional networks, to progress an assurance offering to support the progression of devolution and local government reform in Hertfordshire…

We will also be concluding our preparations for our required five-yearly external quality assessment, with this to be undertaken by the Chartered Institute of Internal Auditors during quarter four of 2026/27.

For our team members and their future training and development, we will continue to support those members of our service that are striving to attain professional qualifications, offer progression opportunities where possible and continue to embed a culture of continuous learning and development.

Finally, we will continue to work with our professional networks to identify and embed best and emerging practice, thereby ensuring that we can continue to develop effective and robust assurance to our core SIAS Partners.

Our board members

The SIAS Board provides strategic direction and oversight for the partnership, bringing a wealth of local government experience and insight to our operation.

During 2025/26, our Board members were as follows:

Name	Title	Partner
Atif Iqbal	Director Finance & Deputy S151 Officer	Stevenage Borough Council
Matthew Bunyon	Assistant Director of Finance (Section 151 Officer)	Hertsmere Borough Council
Steven Pilsworth	Director of Finance	Hertfordshire County Council
Ian Couper	Service Director (Resources)	North Herts Council
Richard Baker	Executive Director (Finance and Transformation)	Welwyn Hatfield Borough Council
Brian Moldon	Director for Finance, Risk and Performance	East Herts Council
Alison Betts	Director of Finance	Three Rivers District Council
Nigel Howcutt	Section 151 Officer and Chief Finance Officer	Watford Borough Council

The SIAS Board is also attended by the following representatives from SIAS and Hertfordshire County Council.

Name	Title	Partner
Chris Wood	Head of Assurance	SIAS
Darren Williams	Head of SIAS	SIAS
Quentin Baker	Director of Law and Governance	Hertfordshire County Council

2025/26 Definitions of Assurance and Recommendation Priority Levels

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.

This page is intentionally left blank

INTERNAL AUDIT PROGRESS REPORT

NORTH HERTS COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE
9 SEPTEMBER 2026

RECOMMENDATIONS

- Note the SIAS Progress Report for the period to 25 August 2026.
- Note the implementation status of the reported high-priority recommendations.
- Note the Global Internal Audit Standards External Quality Assessment Briefing Paper
- Approve the amendment to the Audit Charter

Contents

Appendices

1. Introduction and Background

Purpose of Report

1.1 This report details:

a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Internal Audit Plan for 2026/27 as at 25 August 2026.
b) In-Year Audit Plan review and proposed plan amendments.
c) An update on performance indicators as at 25 August 2026.
d) The implementation status of high-priority internal audit recommendations.
e) Commissioning of SIAS External Quality Assessment
f) Amendment to Internal Audit Charter

Background

1.2 The 2025/26 Internal Audit Plan was approved by the Finance, Audit and Risk Committee (the FAR Committee) on 25 March 2026.

1.3 The Committee receives periodic updates of progress against the Annual Internal Audit Plan. This is the first update report for 2026/27 on the delivery of the Internal Audit Plan.

1.4 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

2.1 As at 25 August 2026, 25% of the 2026/27 Audit Plan days had been delivered.

2.2 There have been four final internal audit reports issued as part of the approved 2026/27 Internal Audit Plan:

Audit Title	Assurance Opinion	Recommendations
Health & Safety	Reasonable	1 High Priority and 3 Medium Priority
Anderson House	Substantial	3 Low Priority

Leisure Centre Decarbonisation Scheme (First Interim Report)	N/A	2 Low Priority and 6 Advisory Actions
Emergency Homeless Accommodation Payments	Reasonable	2 Medium Priority and 3 Low Priority

High-Priority Recommendations

2.3 Members will be aware that a Final Audit Report is issued when it has been agreed by management; this includes an agreement to implement the recommendations that have been made. It is SIAS's responsibility to bring to Members' attention the implementation status of high-priority recommendations; it is the responsibility of officers to implement the recommendations by the agreed date.

2.4 One high-priority finding and recommendation from the Estates audit, with an original implementation date of 31 December 2024, remains open and is currently reported as largely implemented. Concise internal procedure notes are expected to be completed by the end of September 2026. On this basis, the recommendation is anticipated to be fully implemented by 30 September 2026 and can then be closed.

2.5 One high priority finding and recommendation made in the Business Continuity Planning audit with an original implementation date of 30 April 2023, remains open and is reported as largely implemented. It is anticipated that this will be implemented in advance of the FAR meeting, but this is not the case at the time of the deadline for submission of the SIAS Progress Update Report.

2.6 The original findings, recommendations and agreed management actions, along with an update, are included at Appendix D.

2.7 One new high-priority recommendation has been raised in the Health and Safety final internal audit report issued to FAR Committee members in July 2026. The Council needs to establish and implement an annual fire drill programme for all relevant properties, with twice-yearly drills considered best practice. All fire drills should be fully documented and retained to provide an audit trail and demonstrate compliance with fire safety requirements. The recommendation has a target implementation date of 1 October 2026 and has therefore not yet been subject to a follow-up review. Consequently, it is not included within Appendix D.

Proposed Amendments

2.8 The Audit Plan was approved by the FAR Committee in March 2026. There have been no audit plan amendments agreed with management at the time of preparing this report.

Performance Management: Reporting of Audit Plan Delivery Progress

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

Status	No. of Audits at this Stage	% of Total Audits	Profile to 25 August 2026
Draft / Final Report Issued	3 (3/21)	14%	19% (4)
In Fieldwork / Quality Review	4 (4/21)	19%	29% (6)
Terms of Reference Issued / In Planning	3 (3/21)	14%	0% (0)
Not Yet Started	11 (11/21)	53%	0% (0)

2.10 Annual performance indicators and associated targets were approved by the SIAS Board in March 2026. On 25 August 2026, actual performance for North Herts Council against the targets that can be monitored in year was as shown in the table below:

Performance Indicator	Annual Target	Profiled Target to 25 August 2026	Actual to 25 August 2026
1. **Planned Days** – percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	29% (75 / 255 days)	25% (63 / 255 days)
2. **Planned Projects -** Percentage of audit plan projects delivered to draft report stage by 31 March 2027.	90%	19% (4 / 21 projects)	14% (3 / 21 projects)
Percentage of audit plan projects delivered to final report stage as reported within the CAE Annual Assurance and Opinion report.	100%	19% (4 / 21 projects)	14% (3 / 21 projects)
3 **Client Satisfaction –** Percentage of client satisfaction questionnaires returned at 'satisfactory overall' level (minimum of 39/65 overall)	100%	100%	100% for those returned. (4 returned since 1 April 2026)

4. Staff and Training – percentage of our staff that are actively studying towards, or have obtained, a relevant professional qualification	Head of Service and Client Audit Managers (Chief Audit Executives) – 100% All Staff – 80%	100% / 80%	HoS / CAMs – 100% All Staff – 89% (Management 6/6 (fully qualified) All Staff 16/18 (6 qualified and 10 studying for professional qualifications)
5. Number of High Priority Audit Recommendations agreed % Percentage of critical and high priority recommendations accepted by management.	95%	100%	100%

2.11 Current performance for planned days and planned projects remains slightly behind the expected profile for quarters one and two, with this largely being attributable to the EV Charging audit, which is still at planning stage and was carried forward from the 2025/26 Internal Audit Plan. We also anticipated being slightly further advanced on a couple of internal audit projects scheduled to start in quarter two, although scoping meetings have been held and terms of reference have been issued for the work.

2.12 SIAS has allocated specific resource to all agreed projects in the 2026/27 Internal Audit Plan and there are currently no resource impediments within SIAS to the delivery of the internal audit plan, although as reported in previous years, it can lead to capacity and delivery issues towards the end of the year, if there are an increasing number of audits that are pushed back from planned start dates.

2.13 As reported in previous years, there are several interacting risks or factors that can have a varying impact on internal audit delivery at North Herts Council. They are not reported as having a significant impact at this point, and include:

a) Some audits being pushed back at officer request, usually due to capacity challenges, vacancies or ill health, thereby altering the profile of delivery.
b) Some degree of flexibility in scheduling is always anticipated, and every attempt is made to bring another project forward in place of one pushed back, but this does not always happen seamlessly and without time lag and may not be optimal for either the Council or SIAS.

c) Some evidence of senior staff at partners experiencing capacity challenges linked to LGR. This is a known risk talking to Heads of Internal Audit who have already been through this process.

2.14 SIAS appreciate the co-operation and goodwill of Council staff and value the relationships it has fostered over an extended period. These are crucial in ensuring successful delivery of the Plan and delivering sufficient work to support the annual assurance opinion.

2.15 Four customer satisfaction surveys have been received from those issued since 1 April 2026. Although all four were satisfactory or better in their outcomes, any comments or learning points arising from customer satisfaction surveys are shared with the relevant member of internal audit team through their regular appraisal process and personal and professional development plans.

2.16 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2026/27 Head of Assurance's Annual Report:

- **5. Global Internal Audit Standards** – the service conforms with the standards.
- **6. Internal Audit Annual Plan Report** – approved by the March Audit Committee or the first meeting of the financial year should a March committee not meet.
- **7. Chief Audit Executive's Annual Assurance Opinion and Report** – presented at the first Audit Committee meeting of the financial year.

Global Internal Audit Standards – Commissioning of SIAS External Quality Assessment

2.17 The Global Internal Audit Standards (GIASs) place a requirement on internal audit teams and services to have a five-yearly external quality assessment (EQA) performed by a qualified independent assessor, this providing an independent assessment on compliance with the standards. This requirement has been in place since 2013, and previously related to an assessment against the Public Sector Internal Audit Standards.

2.18 As part of commissioning the EQA, the GIAS require that the Chief Audit Executive (CAE) must develop a plan for an EQA and discuss this plan with the SIAS Board and our partner Audit Committees.

2.19 To meet the above requirement, we have included a briefing for the Audit Committee within Appendix E of this report that sets out the process followed to determine the EQA approach and scope, the timing of the assessment and the outcomes of the procurement process to appoint an assessor.

Internal Audit Charter

2.20 In June 2026, we presented the Internal Audit Charter to the Committee for approval, this being an appendix within our Annual Assurance Statement and Internal Audit Annual Report. Following a query raised by another SIAS Audit Partner Audit Committee on the definition of the role of the Audit Committee within the charter, we have noted that the current wording could give a mis-leading view of the responsibilities of the Finance, Audit and Risk (FAR) Committee.

2.21 Within the current description of stakeholders in the Internal Audit Charter (paragraph 7.3), the charter states that '*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*'.

2.22 Given the FAR Committee is not responsible for effectiveness of arrangements, more providing an oversight and challenge role, we propose to update the wording of the paragraph to '*The Finance, Audit and Risk Committee is a key element of the Council's governance framework, providing oversight and challenge on the adequacy and effectiveness of the Council's risk management, internal control, and governance arrangements'.*

2.23 We believe this provides a more accurate representation of the actual role of the Committee. As this is the only change required to the charter, we have not looked to re-present the charter in full to the Committee.

APPENDIX A – PROGRESS AGAINST THE 2026/27 AUDIT PLAN AS AT 25 AUGUST 2026

2026/27 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L/A				
General Audits (148 days)									
Applicant Tracking System						10	SIAS	0	Allocated
Asset Disposal						10	SIAS	1.5	ToR Issued
Careline						15	SIAS	0	Allocated
Churchgate Project Assurance						15	BDO	0	Allocated
Emergency Homeless Accommodation Payments	Reasonable	0	0	2	3	11	SIAS	11	Final Report Issued
Fly Tipping						11	SIAS	1.5	ToR Issued
Health and Safety	Reasonable	0	1	3	0	10	SIAS	10	Final Report Issued
Leisure Centre Decarbonisation						11	SIAS	4	In Fieldwork – one final interim audit report issued.
Decarbonisation of Council Buildings						12	SIAS	3.5	In Fieldwork – one final interim audit report issued.
Local Government Reorganisation						10	SIAS	0	Through Year
Museum Collection Facility						12	SIAS	4.5	In Fieldwork
Pay On Exit Parking						10	SIAS	0	Allocated
Renters Rights Act						11	SIAS	0	Allocated

APPENDIX A – PROGRESS AGAINST THE 2026/27 AUDIT PLAN AS AT 25 AUGUST 2026

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L/A				
IT Audits (24 days)									
Cyber Resilience						12	BDO	0	Allocated
Cyber Risk						12	BDO	0	Allocated
Follow-up (12 days)									
AGS and External Audit Recommendations Follow Up						12	SIAS	0	Allocated
Consultancy and Advisory (5 days)									
Assurance Mapping						5	SIAS	2	In Fieldwork
Grant Claims / Charity Certification (8 days)									
King George V Playing Fields						2	SIAS	0	Allocated
Workmans Hall						2	SIAS	0	Allocated
Miscellaneous Grants						4	SIAS	0	Allocated
Contingency (5 days)									
Contingency						5		0	
Client Management - Strategic Support (38 days)									
CAE Annual Opinion report						3	SIAS	3	Through Year
FAR Committee						8	SIAS	3	Through Year
Plan Monitoring						8	SIAS	3	Through Year
Client Liaison						6	SIAS	2.5	Through Year
Audit Planning 2027/28						8	SIAS	0	Quarter 3/4
SIAS Development						5	SIAS	2	Through Year

APPENDIX A – PROGRESS AGAINST THE 2026/27 AUDIT PLAN AS AT 25 AUGUST 2026

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L/A				
2025/26 Carry Forward (20 days)									
Anderson House	Substantial				3	10	SIAS	10	Final Report Issued
EV Charging						10	BDO	1.5	In Planning
Total - North Herts D.C.		**0**	**1**	**5**	**6**	**260***		**63**	

Key / Notes
Not Assessed = No assurance opinion provided as the project was either consultancy based or validation for compliance
C = Critical Priority, H = High Priority, M = Medium Priority, L = Low Priority
BDO = SIAS Audit Partner
*** -** Audit Plan Days are a guide / estimate only and are not formally allocated. This is as per the approved 2026/27 Internal Audit Plan. **260** audit plan days to be delivered (including 5 days of contingency).

APPENDIX B – 2026/27 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

	Quarter 1	Quarter 2	Quarter 3	Quarter 4
General				
General	Leisure Centre Decarbonisation (through year) **(1st interim final report issued)**	Leisure Centre Decarbonisation (through year) **(In Fieldwork)**	Leisure Centre Decarbonisation (through year) **(Allocated)**	Leisure Centre Decarbonisation (through year) **(Allocated)**
General	Decarbonisation of Council Buildings (through year) **(1st interim final report issued)**	Decarbonisation of Council Buildings (through year) **(In Fieldwork)**	Decarbonisation of Council Buildings (through year) **(Allocated)**	Decarbonisation of Council Buildings (through year) **(Allocated)**
General	Museum Collection Facility (through year) **(Draft Report Issued)**	Museum Collection Facility (through year) **(In Fieldwork)**	Museum Collection Facility (through year) **(Allocated)**	Museum Collection Facility (through year) **(Allocated)**
General	Emergency Homeless Accommodation Payments **(Final Report Issued)**	Asset Disposal **(ToR Issued)**	Applicant Tracking System **(Allocated)**	Churchgate Project Assurance **(Allocated)**
General	Health and Safety **(Final Report Issued)**	Fly Tipping (**ToR Issued)**	Careline **(Allocated)**	Renters Rights Act **(Allocated)**
General			AGS and External Audit Recommendations Follow-Up (**Allocated**)	
General			Local Government Reorganisation **(Allocated)**	
General			Pay on Exit Parking (**Allocated**)	
IT			Cyber Risk NH **(Allocated)**	Cyber Resilience **(Allocated)**
C		Assurance Mapping **(In Fieldwork)**		
G/C			King George V Playing Fields **(Allocated)**	Miscellaneous Grants **(Allocated)**
G/C			Workman's Hall **(Allocated)**	
C/F	Anderson House **(Final Report Issued)**			
C/F	EV Charging **(In Planning)**			

Key		Key	
General	Closely linked to the Council's AGS, Delivery Plan and Risk Register	**G/C**	Grant / charity certification to be completed as part of the audit plan
IT	IT Audits	**C/F**	Carry Forward Audits from 2025/26
C	Consultancy assignments will be delivered as part of the audit plan		

APPENDIX C – ASSURANCE AND FINDINGS DEFINITIONS 2026/27

	Audit Opinions	
	Assurance Level	Definition
Assurance Opinions	**Substantial**	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Assurance Opinions	**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.
Assurance Opinions	**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.
Assurance Opinions	**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.
Assurance Opinions	**Not Assessed**	This opinion is used in relation to consultancy or embedded assurance activities, where the nature of the work is to provide support and advice to management and is not of a sufficient depth to provide an opinion on the adequacy of governance or internal control arrangements. Recommendations will however be made where required to support system or process improvements.
Grant Certification	**Unqualified**	No material matters have been identified in relation the eligibility, accounting and expenditure associated with the funding received that would cause SIAS to believe that the related funding conditions have not been met.
Grant Certification	**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.
Grant Certification	**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.
Grant Certification	**Adverse Opinion**	Based on the significance of the matters included within the report, the Council have not complied with the funding conditions associated with the funding received.

	Finding Priority Levels	
	Priority Level	Definition
Corporate	**Critical**	Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
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.
Service	**Medium**	Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
Service	**Low**	Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.

APPENDIX D – IMPLEMENTATION STATUS OF HIGH-PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
Estates	**Backlog of Rent Reviews** Finding Our sample testing of five properties confirmed that four out of five rent reviews were overdue by between one and three years. As acknowledged, there is a new Estates team in place, and they are still identifying the scale and extent of rent reviews not yet completed. Through discussion, we found all members of the team will be responsible for conducting reviews going forward, unless the reviews are complex and have to be allocated externally. The Principal Estates Surveyor stated that there is not currently a policy in place to establish the principles and approach by which the Council will set rent levels and service charges for its commercial properties. SIAS Recommendation Linked to recommendation one above on the property management database and existing action being taken by the Estates Team, we recommend that the Estates team have a means to ensure that rent reviews and lease renewals are identified, scheduled and prioritised to ensure they are initiated and completed in a timely manner. The process needs to be supported by:	31 December 2024	**February 2025 FAR Committee Update** There has been a delay completing the required actions, which have taken longer to finalise alongside ongoing management work and other priorities. The Estates team have prepared a comprehensive master spreadsheet of lettings and are populating rent review and lease renewal dates to ensure they are identified, scheduled and prioritised to ensure they are initiated and completed in a timely manner. This work is close to completion, and a revised target date of 1 March 2025 should be achievable. The team has been pressing ahead with identifying all outstanding rent reviews, together with rent reviews that will fall due over the next eleven months. As part of this, the team are finalising an estimate of the likely level of increase in rent following the review for each investment property, based on the estimated rent values provided by the valuer as part of last year's asset valuations. The likely level of increase in rent will be of use in selecting which rent reviews from the backlog should be prioritised. We expect to complete this exercise and report with a schedule of the reviews in the next month to share with SLT and Exec Members. Preliminary consideration has been given as to whether external agents should be engaged to conduct some of the more significant outstanding

APPENDIX D – IMPLEMENTATION STATUS OF HIGH-PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
	a) Adequate capacity, skills and experience within the team, and b) Creation of relevant rent charging policies and / or procedures, that have been approved by senior officers and members (as appropriate). Management Response As per recommendation above plus additional procedures for undertaking the reviews.		rent reviews given current constraints on officer time. A conclusion should be reached on the appropriate way forward shortly. Pending finalisation of a programme for dealing with the backlog of rent reviews (and those which will fall due this year), we have been pressing ahead with resolving those rent reviews where the tenant has already engaged with the rent review process. Progress has also been made with rent reviews where the Council is the tenant rather than the landlord. **September 2025 FAR Committee Update** **Largely implemented** (18 August 2025) - Work has been completed to identify all outstanding rent reviews and lease renewals, together with reviews that will fall due over the coming year. We are undertaking the reviews in-house and with the use of external agents. This action is therefore largely in hand and will be reported to Leadership and Executive Members periodically and in finance budget reports. For a) opposite, Estates now has a settled team of the Principal Estates Surveyor (permanent) and an experienced agency surveyor. For b) opposite, procedures and policies for undertaking reviews, lease renewals and rent charges are currently in draft form but are less pressing with the experienced and settled team we

APPENDIX D – IMPLEMENTATION STATUS OF HIGH-PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
			have at present. These are expected to be completed by the end of December 2025. It is on this basis that the action remains open with a new date for full implementation. **Update from Follow Up of High-Priority Recommendations (December 2025)** **Largely Implemented.** Discussion with the Service, including the new Graduate Estates Surveyor, supports that there has been sufficient experience and capacity within the team to reduce the backlog of rent reviews through prioritisation of properties with higher value rent and proactive identification of rent reviews as they fall due. They have collated information from various sources including the Accounts team, original source documents, leases and land registry to identify anomalies in rent reviews. Policy and procedure documentation remains in draft, with an update provided that this should be complete by a revised date of 31 March 2026. **March 2026 FAR Committee Update** **Largely Implemented.** No update received by paper deadline in response to request, but not yet at due date.

APPENDIX D – IMPLEMENTATION STATUS OF HIGH-PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
			March 2026 Principal Estates Surveyor Update Largely Implemented. For a), Estates has a settled team of the Principal Estates Surveyor, a Graduate Surveyor who joined in 2023 and is on track to qualify as a surveyor in Autumn 2026, and an experienced senior agency surveyor who also joined in 2023. Budget has been approved to further add surveying resource from 1 April 2026. For b), procedures and policies for undertaking reviews, lease renewals, and rent charges are in template draft form but are less pressing with the experienced and settled team we have at present, who are undertaking the work to a good standard, liaising well with internal colleagues in legal and finance, and updating records. Procedures are closely managed by the Principal Estates Surveyor. The procedures will further change following implementation of the new authority in April 2028. Expected to complete short form internal procedure notes by the end of September 2026. **August 2026 FAR Committee Update** **Largely Implemented**. Estates are still on track to complete short form internal procedure notes by the end of September 2026. This will complete implementation of the recommendation.
Business Continuity Planning	**Limited evidence of IT disaster recovery procedures and outdated policies** SIAS Recommendation	30 April 2023	**September 2023 FAR Committee Update** **Partially Implemented**

APPENDIX D – IMPLEMENTATION STATUS OF HIGH-PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
(February 2023)	All Business Continuity Plans should be reviewed periodically, with details of when the next review will be undertaken, to remain relevant to the current environment. IT services should have a more detailed IT plan regarding business continuity including all the procedures in place to prevent and recover from an incident and what those procedures depend on. These procedures should be reviewed regularly and made available for all relevant staff to ensure they are aware of their roles. Management Response Business continuity plans are currently being reviewed (January 2023) and will be updated to reflect the changes to the environment when laptop V3 is finalised. (April 2023) IT are currently engaged with external consultants to review, and further develop the detailed IT plan, to include Business Continuity, Cyber Security and communications.		Rollout of V3 laptops is almost complete. Consultation with external suppliers on the detailed IT plan completed. Documents are being accepted and distributed. The revised forecast completion date is now end of August 2023. **November 2023 FAR Committee Update** **Partially Implemented.** We have reviewed the current plans and identified the improvements required. We have implemented a new Back-Up procedure (different technology) and are currently documenting the recovery processes from that back-up. The revised completion date for this recommendation is 15 December 2023. **January 2024 FAR Committee Update** **Partially Implemented.** Good progress towards implementing this recommendation continues to be made. The target date for formalised ICT readiness for business continuity has now been amended to 31 January 2024 to allow us to update relevant controls to reflect lessons learned from the major incident experienced on 11 January 2024.

APPENDIX D – IMPLEMENTATION STATUS OF HIGH-PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
			Follow Up of High-Priority Recommendations (December 2025 and March 2026) **Largely implemented.** A revised version of the Cyber Resilience Plan has been developed as reported to the Cyber Security Board in November 2025, but it will not be finalised until it has been tested. A simulated desktop incident exercise, originally planned for December 2025, took place with the Councils Leadership Team, IT and the Communications team on 9 March 2026. A wider test is planned to involve staff and Councillors. It should also be noted that IT team held an internal tabletop session on 30 January 2026 to walk through the procedures and actions, just from an IT perspective, in the event of a cyber security incident. The Cyber Resilience Plan has not yet been formally ratified and is being subject to further review and update following the respective test exercises and walkthroughs. **August 2026 FAR Committee Update** This should be implemented in advance of the FAR meeting but was not the case at the deadline for deadline of the reports.

APPENDIX E – SIAS EXTERNAL QUALITY ASSESSMENT – BRIEFING PAPER

The FAR Committee is asked to note the Chief Audit Executive's (CAE / Head of Internal Audit) Briefing Paper for the performance of an External Quality Assessment, including:

a) The requirements of the professional standards enshrined in the Accounts and Audit Regulations 2015,
b) Selection of an external assessor,
c) The rationale for electing to have a validated self-assessment rather than an EQA,
d) The scope and timeframe of the assessment, and
e) The competencies and independence of the external assessor or assessment team.

Summary

1. In accordance with Standard 8.4 of the Global Internal Audit Standards (GIAS) and considering the Public Sector Application Note, which outlines a framework for internal audit practices in the UK public sector alongside GIAS, the Chief Audit Executive is required to develop a plan for an External Quality Assessment (EQA). This paper sets out the Head of Assurance's plan for the EQA.

2. An External Quality Assessment (EQA) is an independent evaluation performed by an external party to assess the effectiveness and quality of an organisation's internal audit function. The objective of an EQA is to determine whether the internal audit function adheres to established professional standards, operates efficiently, and contributes value to the organisation. Consequently, the EQA provides assurance to stakeholders, including senior management and the Audit Committee, that the internal audit function is performing effectively and in line with best practices.

3. The Shared Internal Audit Service's (SIAS) last EQA was conducted and reported to SIAS Board in June 2021, with reporting to partner Audit Committees taking place in the Autumn 2021 committee cycle. SIAS are due its next EQA from June 2026, given the requirement in the Global Internal Audit Standards to have one every five years.

Why have an EQA?

4. In all authorities, senior management, audit committees and chief audit executives should seek to obtain high-quality assurance, learning and improvement from the EQA, together with value for money. A statement of conformance against the professional standards is not only a matter of meeting legislative and professional requirements; it provides essential

assurance over the conduct of internal audit and its governance and is an opportunity to seek improvement. It enables audit committees and senior managers to place reliance on the work of internal audit. Recommendations from the assessor could support both internal audit and those providing the governance of internal audit.

Requirements of the Global Internal Audit Standards (GIAS) in the UK Public Sector (see Appendix 1)

5. The GIAS require that the Chief Audit Executive (CAE) must develop a plan for an EQA and discuss this plan with the SIAS Board and our partner Audit Committees. The external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team. The requirement for an EQA may also be met through a self-assessment with independent validation. This requirement has been in place since 2013, with the introduction of the previous Public Sector Internal Audit Standards.

6. The GIAS require receipt of complete results of the EQA or self-assessment with independent validation directly from the external assessor. The SIAS Board and partner Audit Committees must review and approve the CAE's plans to address identified deficiencies and opportunities for improvement, establish a timeline for implementation of actions and monitor progress.

Requirements of CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government (see Appendix 3)

7. The Audit Committee should note senior management's / SIAS Board's role to ensure that:

- Internal audit has an external quality assessment (EQA) at least once every five years of its conformance against GIAS in the UK Public Sector, including the CIPFA Code.
- They discuss the CAE's plan for the EQA and report the options, suggested timing and their recommendation to the Audit Committee.
- Where the authority is the client of an internal audit provider, (shared service, partnership or outsourced functions), then agreement on the approach to the EQA will need to take account of the broader arrangements. To achieve this, the approach is agreed through the SIAS Board before briefing the respective Audit Committees.

8. The Audit Committee should receive the complete results of the EQA and consider the Chief Audit Executive's action plan to address any recommendations. Progress should be monitored.

CIPFA Bulletin 21 (October 2025) – External quality assessments of internal audit in UK local government

9. CIPFA Bulletin 21 indicates that the EQA can be satisfied by an external peer review, if it meets the other requirements (see GIAS Standard 8.4 and the UK Application Note). Deciding on the approach to the EQA is a matter for discussion between the Chief Audit Executive and senior management (SIAS Board). The proposals should be brought to the Audit Committee for information and discussion. This is a little more nuanced and UK local government specific than stated in the GIAS, which emphasises the role of the Board (meaning the Audit Committee).

10. Where the internal audit function has more than one client that is a principal local authority, then the assessor must be able to reach a conclusion on each local government client. This does not mean that a separate EQA is required for each authority, only that the EQA must be able to conclude and report individually for each principal local authority client.

11. Where the audit function applies a common approach to audit working practices for all their clients (e.g. engagement planning and conduct of audits), then the EQA assessor may sample across the client base to verify those aspects of the standards. Where the audit provider has a large client base, this may mean the conduct of audits at an authority may not be selected for sample testing. If the EQA assessor is satisfied that the provider adopts a common approach across the clients, then the authority can still be satisfied with the assessor's conclusion. This is in common with the SIAS's previous 2016 and 2021 EQAs.

Selection of EQA Providers / Provider Selected (Qualifications, Competencies and Independence)

12. The following table sets out the options the CAE considered to conduct the EQA:

Professional Body / Group / Company	Considerations
CIPFA	• Co-standard setter and advocate • Credibility and profile • Independence • Undertaken by Tilia Solutions Corporate Governance Consultancy on behalf of CIPFA, Director is a qualified ex-Head of IA

Professional Body / Group / Company	Considerations
Chartered IIA	• Standard setter and advocate • Credibility and profile • Independence • Primary interest in promoting and developing the profession • Qualified and able (Heads / ex-Heads of IA are on panel of qualified assessors)
Peer Review -Team selected from the Audit Together Group, a strategic alliance of similar shared internal audit services Other options possible from Local Authority Chief Auditors Network (LACAN) possible.	• Professional, experienced and qualified current Heads of IA / Assurance • Experience of similar shared services and their challenges / uniqueness • Engaged, challenging and supportive • Established arrangement for rotation of EQA's to maintain independence
Two SME internal audit training and consultancy companies, and one large accountancy firm	• Professional, experienced and qualified ex-Heads of IA / Assurance with good reputation in the EQA market. • Experience of similar shared services in local government and their challenges / uniqueness.

13. The CAE conducted due diligence to understand the market for EQA assessors and the experience and pressures of undertaking an EQA as follows:

a) Attended presentations at the Local Authority Chief Auditors Network (LACAN), Home Counties Chief Internal Auditors Network (HCCIAG) and Chartered IIA Heads of Internal Audit Forum from CAE's who had recently undertaken EQAs.
b) Met separately with three CAEs to learn about their very recent experience both of an EQA under the new GIAS and their specific EQA provider.
c) Held conversations with SIAS's external delivery partner (BDO), given their knowledge of the EQA market.

d) Attended a session at the Chartered IIA Annual Conference in October 2025 delivered by a panel of EQA assessors and a further session hosted by the Chartered IIA in June 2026.

14. An outline EQA Plan was taken to the SIAS Board in December 2025, with a further update provided in March 2026, setting out the background as outlined in this briefing paper and the results of the due diligence conducted.

15. The SIAS Board approved the commencement of a procurement exercise for an external assessor and established a budget for the procurement. The SIAS Board were also asked to consider the following issues when reaching a decision on the EQA Plan:

No.	Issue / Consideration	Decision
1.	**LGR** • Capacity to support EQA from senior management • Value of an EQA outcome for each of our LA partners given that 2-4 new unitary authorities will be formed in two years' time and existing partners will not exist. • Deferring the EQA by an extended period to post vesting day with self-assessments to continue as normal.	• Proceed as planned for Q3/4 2026. Schedule and conduct EQA as is the case for the Southern Internal Audit Partnership (Best option).
2. .	**Commercial** • Conformance with GIAS and latest EQA results usually required for tender opportunities for new business.	• Proceed as planned for Q3/4 2026, given conformance with the GIAS and a recent EQA outcome are crucial to winning new business and generating income for SIAS.
3.	**Validation of self-assessment or EQA**	• Proceed with validated self-assessment but use procurement

No.	Issue / Consideration	Decision
	EQA (External Quality Assessment) and validated self-assessment are both important processes in internal audit, but they serve different purposes: The full **EQA** is a comprehensive review of an internal audit function's conformance with global standards, typically conducted every five years by an independent assessor. Self-assessment with independent validation (SAIV) allows an internal audit function to conduct a self-assessment and then validate it by an independent assessor, providing a more flexible and less intrusive approach to assessment. Both methods aim to ensure that the internal audit function meets the required standards and provides value to the organisation, but EQA is more structured and comprehensive, while SAIV offers flexibility in the assessment process.	process to achieve a valuable outcome for the service.

16. Procurement followed Hertfordshire County Council’s Contract Regulations (‘Procurement Rules’) and a competitive quotation process was undertaken via the Council’s e-Tendering system. Following formal evaluation of the quotes, the Chartered IIA were awarded the contract as our EQA assessors.

Scope of the contract

17. The EQA assessor, or assessment team, have been asked to carry out an independent, objective, examination of SIAS conformance against the GIAS, the Application Note – GIAS in the UK Public Sector, and the CIPFA Code of practice for the Governance of Internal Audit in UK Local Government, as well as considering the function’s effectiveness and delivery compared with current and emerging good practice(s). Applicable quality assessment frameworks and criteria will be used, including the Purpose of Internal Auditing, the five Domains, the 15 Principles, the 52 Standards, ‘Considerations for Implementation’ and the ‘Examples of Evidence of Conformance’ within the GIAS.

18. Although a validated self-assessment will be undertaken, the Chartered IIA will nonetheless:

a) Assess how well SIAS conforms to the Global Internal Audit Standards (GIAS) and the UK Public Sector Application Note.
b) Evaluate SIAS performance against our internal audit charter and the expectations of the SIAS Board, the Audit Committees and executive management.
c) Identify opportunities to improve performance and increase the value of internal audit to the organisation, based both on stakeholder feedback and our assessment.
d) Provide insight and a view on our internal audit strategy and how to develop approaches and calibration alongside the maturity of the organisation and how it evolves.
e) Benchmark our activities against best practice.

19. Reporting outcomes will include:

a) An established and recognised external quality assessment rating system,
b) A comprehensive draft report including an opinion of conformance with each Domain and Principle, an action plan and an executive summary.
c) Initial discussion with the Head of Assurance and Head of SIAS to confirm factual accuracy of the draft report, permit appropriate challenge of findings and an understanding of conclusions reached
d) A final report for presentation to the SIAS Board and our partner Audit Committees.
e) The assessor presenting the independent report to the SIAS Board. Our Client Audit Managers (who are your Chief Audit Executive) will present the report to their respective Audit Committees.

20. It is envisaged that the assessment will involve:

a) MS Teams meetings, interviews and / or surveys with the internal audit team and co-sourced delivery partners, as well as key internal audit stakeholders such as Audit Committee Chairs / Members and senior management from all, or a sample of, our eight local authority partners.

b) A review of key documentation such as the Internal Audit Strategy, Internal Audit Charter, Internal Audit Plan, Audit Committee reports, Annual Assurance Opinion / Conclusion, internal audit reports and a sample of working paper files for our eight local authority partners.

21. We specified an independent validated self-assessment and a follow-up reassessment of actions and recommendations where required, should it be determined that we are partially or non-conforming with any of the Standards. The follow-up should provide a revised conclusion as an outcome, should this be applicable or necessary.

22. The EQA will not cover SIAS's external clients but will cover our eight local authority partners.

Timescales

23. Commencement has been set for December 2026, and the outcomes will be reported to our March 2027 SIAS Board and Audit Committees if possible.

FINANCE, AUDIT AND RISK COMMITTEE
WEDNESDAY, 9 SEPTEMBER 2026

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: Fraud Prevention Policy

REPORT OF: Director - Resources

EXECUTIVE MEMBER: Executive Member - Resources

COUNCIL PRIORITY: All Priorities;, ,

1. EXECUTIVE SUMMARY

The over-arching fraud prevention policy (attached at Appendix A) has been updated, and the Committee are asked to comment on the revised policy before it is approved. The Shared Anti-Fraud Service have led on producing the revised policy. The changes are mainly to address the implications of the Economic Crime and Corporate Transparency Act. It also makes changes to aid understandability of coverage and requirements.

2. RECOMMENDATIONS

2.1. That the Committee comment on the revised Fraud Prevention policy (Appendix 1) before it is adopted.

3. REASONS FOR RECOMMENDATIONS

3.1. The changes to the policy help the Council manage the risks in relation to the new legislation (Economic Crime and Corporate Transparency Act). Allowing the Committee to comment on the revised strategy supports their governance role and is in line with their terms of reference.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1. None. The proposed changes help to protect the Council.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1. The Shared Anti-Fraud Service (hosted by Hertfordshire County Council) have led on the update to this policy.

6. FORWARD PLAN

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

7. BACKGROUND

7.1. The Council's Fraud Prevention Policy also covers corruption, money-laundering, bribery and tax evasion. It was last updated in 2022.

7.2. The Economic Crime and Corporate Transparency Act 2023 came into force in September 2025. Whilst Council's are not the primary focus of the Act, they are covered by it. The Act means that the Council can be criminally liable for fraud committed by associated persons (including employees, agency staff and employees of contractors) unless it can be shown that there are reasonable fraud prevention measures in place.

8. RELEVANT CONSIDERATIONS

8.1. The purpose of the changes to the policy are to both (1) further strengthen controls to prevent fraud, and (2) demonstrate the fraud prevention measures that are in place.

8.2. The main specific changes made to policy include:

- Updated and simplified definitions in section 1
- Additional detail on practical considerations in section 3

8.3 The proposed revised policy is attached at Appendix 1. Additions are highlighted in blue text and deletions are shown crossed out and in red text.

9. LEGAL IMPLICATIONS

9.1. The terms of reference of the Finance, Audit and Risk Committee include "[t]o review the Shared Anti-Fraud Service ('SAFS') arrangements, including performance, effectiveness, consideration of any associated reports and approve/ make recommendations as appropriate" (Constitution paragraph 10.1.5 (n)). Presenting this report to the Committee enables them to review the effectiveness of the Council's fraud arrangements and make recommendations.

9.2. The Director- Resources will be responsible for approving a revised fraud prevention policy in line with delegations under paragraph 14.6.12 b) vii) which relate to internal audit and anti-fraud.

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 purpose of the proposed policy changes is to reduce the risk to the Council of fraud, and also to reduce the risk of prosecution under the Economic Crime and Corporate Transparency Act 2023.

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 The updated policy will apply to all staff. There is already an ongoing requirement that staff should understand and comply with the policy. The Senior Managers Group and Leadership Team have already received training on the impact of the Economic Crime and Corporate Transparency Act.

16. APPENDICES

16.1 Appendix 1- Revised Fraud Prevention Policy

17. CONTACT OFFICERS

Ian Couper	Director - Resources,	ian.couper@north-herts.gov.uk, Tel: 01462 474 243
Natasha Jindal	Legal Team Manager	Natasha.jindal@north-herts.gov.uk
Amber Smith-Howell	Policy and Strategy Officer	Amber.smith-howell@north-herts.gov.uk

18. BACKGROUND PAPERS

18.1 None

Fraud Prevention Policy (including fraud, corruption, money-laundering, bribery and tax evasion)

This policy applies to:	
Members	Yes
Officers	Yes
Managers	Yes, including some specific additional requirements
Others	Agency staff, temporary staff, volunteers, consultants, contractors and partners

You must:

- ~~Be aware of the definitions in relation to fraudulent and related activity, including the various criminal offences they include~~
- ~~Not commit any of the offences detailed~~

- Read, understand and comply with the policy
- Act with honesty and integrity, and do not commit any of the offences detailed
- Report any suspicions of these offences being committed
- Develop (where applicable to role) and fully comply with policies and processes to reduce the risk of these offences being committed
- Disclose any gifts and hospitality that you receive, in line with other policies

Policy author and further advice from: Ian Couper, Director- Resources

Contents:

1. Definitions

~~**Fraud** encompasses an array of irregularities and illegal acts characterised by intentional deception with intent to make a gain or to cause a loss, or to expose another to a risk of loss. It can be perpetrated for the benefit of or to the detriment of North Hertfordshire District Council and by persons outside as well as inside the Council.~~

Fraud is any deliberate and dishonest act of deception intended to make a gain or cause/expose another to a loss. It can include lying (making a false representation), withholding information or failing to declare a change in circumstances, abuse of position, or misusing Council resources. Fraud may be perpetrated by persons within or outside the Council and can result in benefit to the offender, another party (including the Council), or cause harm to the Council.

Failure to prevent fraud - It is a criminal offence if the Council fails to prevent fraud committed by employees, agents, Councillors, contractors, or subsidiaries (collectively referred to as associated persons), acting on its behalf, where the Council benefits from the fraud.

The Council has a statutory defence if it can demonstrate that reasonable procedures are in place to prevent fraud. This is achieved by everyone understanding and adhering to this policy.

Corruption is the offering, giving, soliciting or acceptance of an inducement or reward that may influence the action of a Member or officer of the Council.

Money laundering refers to a range of criminal offences involving the handling or concealment of the proceeds of crime, known as criminal property. This includes money or assets derived from illegal activity, as well as funds intended for terrorist purposes. Offences also include failing to disclose suspected money laundering, tipping off someone about a money laundering investigation, and destroying or concealing documentation relevant to such an investigation.

~~**Money laundering** is the term used to describe a number of offences involving the proceeds of crime or terrorist funds. It is a criminal offence to:~~

- ~~Conceal, disguise, convert, transfer or remove criminal property from the United Kingdom~~
- ~~Enter into or become concerned in an arrangement which an individual knows, or suspects facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person~~
- ~~Acquire, use, or possess criminal property~~
- ~~Fail to disclose one of the principal offences listed above, where there are reasonable grounds for knowing or suspecting the money was a proceed of crime~~
- ~~Tell someone that you are going to make a report or tell someone that they are being investigated (tipping-off)~~
- ~~Falsify, destroy, dispose of, conceal any document which is relevant to an investigation, or allow this to happen~~

Bribery means giving or receiving something of value to influence someone's actions unfairly. It can involve money, gifts, hospitality, or other benefits offered to gain an advantage in business or official decisions. Bribery is illegal and can occur at any level or in any of the Council services. It is also an offence for the Council to fail to prevent bribery, or to fail to put in place adequate measures to prevent bribery.

~~**Bribery** is an inducement or reward offered, promised, received, or provided to gain personal, commercial, regulatory or contractual advantage and such advantage leads to the improper performance of a relevant function or activity. It is a criminal offence to:~~

- ~~Give, promise to give, or offer payment, gifts or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given~~
- ~~Give, promise to give, or offer payment, gifts or hospitality to a government official, agent or representative to "facilitate" or expedite a routine procedure~~
- ~~Accept payment from a third party that is offered with the expectation that it will obtain business advantage for them, whether known or suspected~~

- ~~Accept a gift or hospitality from a third party if it is offered or provided with an expectation that a business advantage will be provided by the Council in return, whether known or suspected~~
- ~~Retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy.~~

~~It is also an offence for the Council to fail to prevent bribery, or to fail to put in place adequate measures to prevent bribery.~~

Tax evasion is a criminal act where individuals or businesses deliberately avoid paying the correct amount of tax or wrongly claim tax repayments by acting dishonestly. It is an offence to take steps to evade tax or to be knowingly involved in tax evasion, even if the tax is not successfully avoided. Examples include: entering false employment details to underpay income tax, processing invoices to help underpay tax, treating services as outside VAT scope when they should be in scope, or misclassifying payments as expenses to avoid tax
The Council also commits an offence if it fails to take reasonable steps to prevent employees, agents, Councillors, contractors, or subsidiaries from criminally facilitating tax evasion. This applies whether the tax is owed in the UK or overseas.

~~**Tax evasion** is criminal conduct which involves individuals or businesses paying too little tax or wrongly claiming tax repayments by acting dishonestly. It is an offence to dishonestly "take steps with a view to" or "be knowingly concerned in" the evasion of the tax. For these offences to be committed it is not necessary that any tax actually be successfully evaded. It is now also an offence for the Council to fail to take appropriate steps to prevent an associated person (e.g. employees and contractors) criminally facilitating the evasion of a tax, and this will be the case whether the tax evaded is owed in the UK or in a foreign country. Examples include:~~

- ~~Knowingly entering false or misleading information in relation to the employment of an individual to facilitate the underpayment of income tax~~
- ~~Knowingly processing invoice payments or raise debt to facilitate the underpayment of tax~~
- ~~Knowingly processing documents for services supplied to the Council as being outside the scope of VAT, when they should be in scope~~
- ~~Knowingly helping an overseas contractor to avoid overseas tax on payments they make to the Council~~
- ~~Knowingly processing a payment to an employee / contractor as an expense rather than another type of payment which would be subject to tax~~

2. Reporting

The Council will promote an environment where everyone feels able to report any concerns that they have, including anything related to this policy.

With the exception of Money Laundering (see below), any suspicions that you have can initially be reported to:

- Your immediate Manager or Supervisor
- Your Director
- Director - Resources

- The Monitoring Officer (see the Whistleblowing policy)

~~Suspicions of fraud against the Council can also be reported to the Shared Anti-Fraud Service (https://www.hertfordshire.gov.uk/services/Business/Consumer-advice/safs.aspx).~~

Suspicions of fraud against the Council and bribery should be reported to the Shared Anti-Fraud Service (SAFS).

Contact details for SAFS to report fraud or seek advice are:
Phone: **0300 123 4033**
Webpage: https://www.hertfordshire.gov.uk/services/business/consumer-advice/safs.aspx
Email: **fraud.team@hertfordshire.gov.uk**

Suspicions of benefit fraud (including housing benefit fraud) should be reported to the Department for Work and Pensions (online a https://www.gov.uk/report-benefit-fraud, by phone 0800 854 440 or text phone 0800 328 0512).

Suspicions of Money Laundering must be reported directly to the Money Laundering Reporting Officer (MLRO) (Head of Shared Anti-Fraud Service) or the Deputy MLRO (Assistant Manager- Shared Anti-Fraud Service) using the form at Appendix A. The form guides you through the information that you need to provide, and you should provide as much information as possible, including any supporting information. You should avoid talking to anyone else about any suspicions, due to the criminal offence of tipping-off.

The referral should take place before any payment is taken (where applicable) and must not then be taken until clearance is received from the MLRO. The MLRO will consider all reports in a timely manner and follow the process described in Appendix B.

The Council will investigate all suspicions of fraud or related behaviour, and where deemed appropriate the matter raised may be:

- Referred to the Shared Internal Audit Service (SIAS)
- Referred to the Shared Anti-Fraud Service (SAFS)
- Referred to the Police
- Subject to an HR investigation undertaken by management, in line with the Council's Managing Misconduct Policy
- Referred to the Council's External Auditor
- Subject to an Independent Inquiry
- Reported to National Crime Agency (Money Laundering only)

Individuals may be worried about repercussions from failing to engage in what they believe is a criminal activity or reporting that activity. The Council encourages openness and will support anyone who raises genuine concerns under this Policy and/or our Whistleblowing Policy, even if they turn out to be mistaken. This is because reporting such concerns has been identified as one of the most effective tools to counter fraud and related offences.

The Council is committed to ensuring no one suffers any detrimental treatment as a result of acting in good faith. Detrimental treatment includes dismissal, disciplinary action, threats or other unfavourable treatment connected with raising concern. If you believe that you have suffered any such treatment, you should inform the Monitoring

Officer immediately. If the matter is not remedied, and you are an employee, you should raise it formally using our Complaints Resolution Policy.

You should also note that failing to report suspicions of money laundering is, in itself, a criminal offence.

3. Practical considerations

The Council, through the Senior Management Team, is committed to developing a policy that is proportionate to the risks it faces. This section highlights some of the more detailed requirements.

The role of the Finance, Audit and Risk Committee includes reviewing and developing anti-fraud and anti-corruption strategies, as well as reviewing the effectiveness of SAFS.

Risk Assessment and Proportionate Action

Management are responsible for putting in place reasonable processes and controls that help to prevent fraud, corruption and bribery. For higher risk areas (e.g. payments and income) this should limit the responsibility that is placed on one person, involve effective separation of duties and be fully compliant with the Financial Regulations and Contract and Procurement Rules. This should include that full records are maintained. These controls should be kept under review to ensure they are operating effectively and that staff have received appropriate training. SIAS can support in this through operational audits.

~~If a SIAS audit or a fraud incident highlights an opportunity for controls to be improved, then the Council is committed to taking proportionate action to address this. The responsible manager is expected to determine and implement any improvements.~~

~~The Council has an overarching “Fraud, Corruption and Bribery” risk on its risk register. This incorporates a number of sub-risks that are kept under regular review. This includes the risks from both within the Council, and from outside. It also covers financial and other (e.g. reputational) risks.~~

The Council is committed to assessing fraud risk and taking proportionate action to address weaknesses and limitations identified. This work will be supported by The Shared Anti-Fraud Service, which will support the Council in conducting and maintaining fraud risk assessments across all Council services.

All staff are responsible for highlighting, via line management, any identified or potential control weaknesses and limitations which may expose the Council to fraud.

In addition, where a SIAS audit or a SAFS Executive Report identifies opportunities to improve controls, the responsible manager is expected to consider and implement any improvements, documenting rationale and actions within an action management plan.

The Council’s approach to fraud risk assessment, the implementation of proportionate procedures, and the effective monitoring of, and learning from, local and national fraud incidents provides assurance that reasonable measures are in place to deter, prevent, and detect fraud, while remaining flexible to the changing fraud landscape.

In relation to Money Laundering, the Council has determined those activities that are most susceptible to money laundering. From this it has developed some specific requirements that are detailed in Toolkit B. If you are involved in financial transactions, treasury management, Council Tax, NNDR or sale of land and property then you must be fully aware of the requirements in this toolkit.

Linked Policies and Procedures

Everyone is required to adhere to all Council policies, procedures and processes. There are a number of policies/ Codes that specifically relate to this area, i.e.:

- Employee Code of Conduct (Officers)
- Councillor's' Code of Conduct (Members)
- Employee Handbook (Officers)
- Financial Regulations (Officers and Members)
- Contract and Procurement Rules (Officers and Members)
- Conflicts of Interest Policy (Officers)
- Management of Organisational Conflicts in Council roles and duties Guidance (Officers and Members)
- Whistleblowing Policy (Officers and Members)
- Employee Gifts and Hospitality Policy (Officers)
- Members Protocol for Gifts and Hospitality (Members)
- Protocol for Member/ Officer Working Arrangements
- Information Security Policy (Officers and Members)

General management controls

Effective management also helps to ensure that controls are operating effectively. Toolkit A at the end of this policy provides some areas to look out for.

Managers are required to comply with HR checks during the recruitment process. This requires that written references are obtained for all employees (including temporary and agency staff). Also, where appointment requires specific qualifications, ~~HR manages the process for ensuring that stated qualifications are verified, and copies of certificates retained on the individual's personal file~~ or DBS vetting, HR policies must be followed to ensure that these are in place and documented. There is also an ongoing requirement for staff to notify their manager if they are being investigated, charged with or have been convicted of any criminal offence. This process helps ensure the integrity of all staff working for the Council.

The Council's Constitution (including Scheme of Delegation, Financial Regulations and Contract Procurement Rules) contain checks and balances on decision-making and ensure that decisions are taken at the right level with appropriate transparency.

Working with third parties and contractual terms

It is appreciated that the Council has less control when it contracts with others to undertake services or works on its behalf. However, it takes a risk based approach, based on the need to acquire specialist skills, seek economies of scale or obtain additional capacity. There are additional requirements when working with contactors and third parties.

The terms of the Council's contracts require that contractors take all reasonable steps, in accordance with legislation and good industry practice, to prevent any bribery and fraudulent activity by the Staff, the Contractor (including its shareholders, members, directors) and/or any of the Contractor's suppliers, in connection with the receipt of monies from the Council. The Council's procurement processes will also help ensure reasonable protection measures in place, and these must be adhered to. The Contractor must notify the Council immediately if it has reason to suspect that any fraud has occurred, is occurring or is likely to occur. In response to this information, the Council will decide how to respond.

The Council's zero tolerance approach to bribery and corruption must be communicated to all suppliers, contractors and partners at the outset of our business relationship with them and as appropriate thereafter.

The contact manager, or partnership lead, will be responsible for communicating and ensuring adherence to these requirements. Where a Selection Questionnaire is used, the standard version ensures understanding and acceptance of these requirements at an early stage, and therefore this must be used as a template.

A company is automatically and perpetually barred from competing for public contracts where it is convicted of a corruption offence. Although this can be lifted where the company has demonstrated that they have taken sufficient action to change their behaviour (known as self-cleaning). Organisations that are convicted of failing to prevent bribery are not automatically barred. The Council has the discretion to exclude organisations convicted of this offence, and (unless exceptional circumstances apply) will exercise this discretion. The Council will also reserve the right to continue to exclude organisations where it is felt that evidence of 'self-cleaning' is insufficient.

Toolkit A at the end of this policy provides some further areas to look out for.

Communication and Training

The Council is committed to making training available to everyone. This will range from general training (e.g. e-learning) through to specific training for certain roles. Some of this training will be deemed to be mandatory. Managers should identify and arrange any training that their staff require. All officers should also request training in any areas that they are uncertain about.

The Council ensures effective communication of relevant fraud-related information, including known fraud threats and emerging risks, to all staff. This is supported by the Shared Anti-Fraud Service (SAFS) through the issue of fraud alerts, executive reports, and other relevant communications, which are published on the Council's intranet and disseminated directly to relevant services.

4. <u>Implications of non-compliance</u>

In all cases the Council will seek to make use of the strongest available sanctions for engagement in these illegal activities and/ or non-compliance with this policy. Whilst this is primarily focused on behaviour against the Council or where purporting to be acting on behalf of the Council, it is likely that it will also be applied to more general engagement in these activities. As a deterrent and to make public its position with regard to these acts, the Council seeks to publicise its successful sanctions in the local press

For Members, this will include prosecution and civil proceedings. The Council will also utilise its own Standards Committee to the fullest extent to promote high standards and regulate the conduct of Members.

For employees (including agency and temporary staff), this will include disciplinary action, prosecution and civil proceedings. Employees found to have committed guilty of gross misconduct for offences of fraud, theft, serious financial malpractice, using their position for personal gain or for the gain of others, will be subject to immediate dismissal. As with all disciplinary matters, the level of proof required is that of the balance of probability. Disciplinary cases involving allegations of fraud, corruption and financial malpractice will be handled on this basis. The decision to refer the matter on for further action, such as for a Shared Anti-Fraud Service (SAFS) investigation or referral to the police, will be taken by the Director- Resources and the investigating officer, in conjunction with the Council's Monitoring Officer.

It should also be noted that failure to undertake any mandatory training will also result in disciplinary action being taken against employees and Members.

Where others commit, or attempt to commit, fraud (or related acts) against the Council, then the Council will seeks to apply sanctions whenever possible. This will range from official warnings to criminal prosecution. In all cases, the Council will seek to recover any fraudulently obtained amounts, and where necessary and appropriate its costs incurred in doing so, and will utilise all means available to recover these amounts. This will include freezing assets, confiscation orders, civil litigation and general debt recovery.

5. TOOLKIT A- Potential signs of control weaknesses

The following are potential signs of concern in relation to staff and processes.

- Staff not taking annual leave
- Staff only ever taking very short periods of leave
- Due to sickness or vacancies, processes are not being followed in full (e.g. where checks are required, they are not taking place)
- Complaints (or an increase in complaints) from customers or other stakeholders
- Decision making records are missing, or rationale is missing or not sufficiently justified
- Authorisation processes are not followed correctly, and those responsible for monitoring those processes are hindered from doing so
- Staff are secretive about certain matters or relationships
- Staff make trips out at short notice without explanation
- Staff have a more lavish lifestyle than you would expect
- Staff or a contractor/ consultant is accused of engaging in improper business practices

The following are risk factors in relation to suppliers.

- Requests for stage payments that are not in accordance with the contract or seem unusual
- Requests for payment in a different way to usual (e.g. a new bank account)
- Requests for payment in a different currency or via a different country, especially where there is no known connection to the business
- A supplier or potential supplier has a reputation for paying bribes, or requiring that bribes are paid to them, or has a reputation for having a "special relationship" with foreign government officials
- A potential supplier/ supplier requests payment in cash and/or refuses to sign a formal agreement, or to provide an invoice or receipt for a payment made
- A supplier or potential supplier requests an unexpected additional fee or commission to "facilitate" a service
- A supplier or potential supplier demands entertainment or gifts before commencing or continuing contractual negotiations or provision of services
- A supplier or potential supplier requests that you provide employment or some other advantage to a friend or relative
- The Council receives an invoice from a supplier or potential supplier that appears to be non-standard or customised
- A supplier or potential supplier insists on the use of side letters or refuses to put terms agreed in writing
- A supplier or potential supplier requests or requires the use of an agent, intermediary, consultant, distributor or supplier that is not typically used by or known to the Council
- Those who work for the Council or on its behalf are offered an unusually generous gift or lavish hospitality by a supplier or potential supplier
- Requests for charitable support or donations in lieu of, or in additional to, contractual payments

6. TOOLKIT B- Specific requirements in relation to Money Laundering risks

General

The Council will not accept cash payments that are greater than £3,000. Anyone who wishes to make a cash payment in excess of this limit will need to make advance arrangements for acceptance with the ~~Service~~ Director- Resources.
The Council will also not accept £50 notes due to the increased risk of fraudulent notes. For all transactions it is important to think about if anything feels wrong, e.g.:

- Is it plausible that the person can pay the amount they are paying by the means that they are paying it?
- Does the name of the person involved match the source of the funds (e.g. name on cheque book, credit card)?
- Is the payment being broken down in to a number of small transactions?
- Refunds where the money is going to a different place than the original source
- Does the transaction make sense?

Treasury Management

The ~~Service~~ Director- Resources is responsible for detailing the procedures it has in place for establishing the identity / authenticity of lenders, and ensuring that these are followed. The Council does not accept loans from individuals, and loans will only be obtained from the Public Works Loan Board (PWLB), authorised institutions under the Banking Act ~~2009~~ and other Local Authorities.

Council Tax and NNDR

Refunds that exceed £500 for Council Tax or £5,000 for NNDR Tax will be subject to a Money Laundering check. This involves the Senior Officer/Manager checking the validity of the refund and confirming that the refund is being paid to the correct party (i.e. the party responsible for the payment).

Sale of Land and Property

Where the Council is proposing to sell either land or property with a value in excess of £10,000, client identification must be sought before business is conducted. If the client has legal representation, then the responsibility for confirmation of identity rests with their legal representative, otherwise it rests with the Council's Legal Services Team.

Evidence of the identity of the prospective client should be obtained as soon as practicable after instructions are received unless evidence of the client has already been obtained. This requirement applies to both new and existing clients.

Evidence obtained from an individual should confirm proof of identity and proof of their current address. Evidence obtained with regard to an organisation should allow the company to be fully identified in terms of registered office, registration number etc. If satisfactory evidence of identity is not obtained then the transaction must not be progressed.

Evidence should be annotated 'Evidence re Money Laundering', placed on the Council's client file and retained for at least five years from the end of the business relationship or one-off transaction(s). This is to ensure that it could be used in a future investigation into money laundering. Care must be taken to ensure compliance with the General Data

Protection Regulations when storing individuals' personal data.

Records should be maintained in such a way as to provide an audit trail during any subsequent investigation. In practice, records of work carried out for clients in the normal course of Council business should suffice in this regard.

Where evidence of identity is required, the Council officer dealing with the transaction, must require individuals to provide evidence of identity in the form of at least one of the following documents:

- Current passport
- Current full UK photocard driving licence (both sections)
- Current UK provisional photocard driving licence (both sections)
- Birth or Marriage certificate

Additionally, an individual must prove their current address by providing at least one item from the following list:

- Current full UK photocard driving licence (if not already used as evidence of identity)
- Current UK provisional photocard driving licence (if not already used as evidence of identity)
- Bank, building society or credit union statement or passbook (with printed address) (less than 3 months old)
- Recent utility bill (i.e. dated within the last twelve months), i.e. gas, electric, water (not a mobile phone bill)
- Mortgage statement (less than 12 months old)
- Insurance document (less than 12 months old)
- Credit card statement (less than 3 months old)

Original documents should be photocopied and the client requested to sign them thus confirming that the photocopies are an authentic copy of the original documents presented.

If a client is unable to visit in person, the client should be asked to provide documents 'certified as a true copy' by a notary public. Checks should then be made to ensure that the notary is registered with the Law Society. Once this has been confirmed, the notary should be contacted to confirm that they did indeed certify the documents.

Where the client is a company, identity should be established by means of:

- The company's full name and registration number;
- Details of the registered office address; and
- Any separate trading address relevant to the contract concerned

A company search should then be carried out to verify the details given and check the location of any relevant trading address. In the event that one or a few individuals effectively own the company, the personal identity of the key contact should also be checked. This should include obtaining the evidence described above in relation to individuals, as well as evidence of their position within the organisation.

APPENDIX A - Disclosure Report to the Money Laundering Reporting Officer
CONFIDENTIAL

FOR COMPLETION BY THE OFFICER REPORTING THE SUSPECTED OFFENCE
To: Nick Jennings, Head of Shared Anti-Fraud Service

Email: Nick.jennings@hertfordshire.gov.uk

Tel: 01438 844705

Address; Shared Anti-Fraud Service. Hertfordshire County Council. Robertson House, Floor 1, Postal point CHN341, Six Hills Way, Stevenage, SG1 2FQ

From: ....

Service Directorate: ....Tel: ....

DETAILS OF SUSPECTED OFFENCE:

Name(s) and address(es) of person(s) involved:
(Please also include date of birth, nationality, national insurance numbers- if possible)
(If a company please include details of nature of business, type of organisation, registered office address, company registration number, VAT registration number)

Nature, value and timing of activity involved:
(Please include full details e.g. what, when, where, how. Continue on a separate sheet if necessary)

Nature of suspicions regarding such activity:
(Please continue on a separate sheet if necessary) **Has any investigation been undertaken (as far as you are aware)?**

Yes No

If yes, please include details below:

Have you discussed your suspicions with anyone else?

Yes No

If yes, please specify below, explaining why such discussion was necessary:

Have you consulted any supervisory body guidance re money laundering? (e.g. the Law Society)

Yes No

If yes, please specify below:

Do you feel you have reasonable grounds for not disclosing the matter to the FCA? (e.g. are you a lawyer and wish to claim legal professional privilege?)

Yes No

If yes, please set out full details below:

Are you involved in a transaction which might be a prohibited act under the Proceeds of Crime Act and which requires appropriate consent from NCA?

Yes No

If yes, please enclose details below:

Please detail below any other information you feel is relevant:

S i g n e d .___ D a t e d ._

Do not discuss the content of this report with anyone, especially the person you believe to be involved in the suspected money laundering activity described. To do so may constitute a tipping off offence.

FOR COMPLETION BY THE MONEY LAUNDERING REPORTING OFFICER

Date report received: ....

Date receipt of report acknowledged: ....

Consideration of Disclosure

Action plan:

Outcome of Consideration of Disclosure.

Are there reasonable grounds for suspecting money-laundering activity?

If there are reasonable grounds for suspicion, will a report be made to NCA?

Yes No

If yes, please confirm date of report to NCA:

Details of liaison with NCA regarding the report:

Is consent required from the SOCA for any ongoing or imminent transactions that would otherwise be prohibited acts?

Yes No

If yes, please confirm full details:

Date consent received from SOCA: ....

Date consent given by you to employee: ....

If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to the SOCA, please set out below the reason(s) for non-disclosure:

....

Date consent given by you to employee for any prohibited act transactions to proceed:

Other relevant information:

S i g n e d .___ D a t e d ._

THIS REPORT MUST BE RETAINED FOR FIVE YEARS

APPENDIX B - Role of the Money Laundering Reporting Officer (MLRO)

Upon receiving a disclosure report, the MLRO will date it and formally acknowledge its receipt. The acknowledgement will also advise of the timescale within which response should be expected.

The MLRO will consider the disclosure report and any other relevant internal information available to them. This might include:

- Reviewing other transaction patterns and volumes
- The length of any business relationship involved
- The number of any one-off transactions and linked one-off transactions
- Any identification evidence held.

The MLRO may undertake other reasonable inquiries to ensure that all available information is taken into account when deciding whether a report to NCA is required. The MLRO may need to discuss his report with the reporting individual.

Once the MLRO has evaluated the disclosure report and any other relevant information, they must determine in a timely manner whether:

- there is actual or suspected money laundering taking place; or
- there are reasonable grounds to know or suspect that this is the case; and
- there is a need to seek consent from NCA for a particular transaction to proceed.

Where the MLRO concludes that there are no reasonable grounds to suspect or confirm money laundering, the disclosure report is annotated accordingly. All information known to the Council at the time is recorded and the reasons why the information obtained did not give rise to knowledge or suspicion of money laundering detailed. Consent can then be given for any ongoing or imminent transactions to proceed.

In cases where legal professional privilege may apply, the MLRO will liaise with the Service Director- Legal and Community to decide whether there are reasonable grounds for not reporting the matter to the NCA.

Where the MLRO concludes that actual or suspected money laundering is taking place this will be disclosed as soon as practicable to NCA via the SAR Online system,.

Where consent is required from NCA for a transaction to proceed, then the transaction(s) in question must not be undertaken or completed until this consent has been received.

The MLRO will act as the link between NCA and the relevant Council officers to ensure that the appropriate action is taken in these circumstances.

FINANCE, AUDIT AND RISK COMMITTEE
WEDNESDAY, 9 SEPTEMBER 2026

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: First Quarter Revenue Budget Monitoring 2026/27

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 forecasts for the financial year 2026/27, as at the end of the first quarter. The forecast variance is a £826k decrease in the net working budget of £28.375million, with an ongoing impact in future years of a £84k increase. There are also requests to carry forward unspent budget totalling £303k to fund specific activities in the next financial year. Explanations for all the significant variances are provided in table 3.

2. RECOMMENDATIONS

2.1 That Cabinet note this report.

2.2 That Cabinet approves the changes to the 2026/27 General Fund budget, as identified in table 3 and paragraph 8.2, a £662k decrease in net expenditure.

2.3 That Cabinet notes the changes to the 2027/28 General Fund budget, as identified in table 3 and paragraph 8.2, a total £387k increase in net expenditure. These will be incorporated in the draft revenue budget for 2027/28.

2.4 That Cabinet approve the debt write-off as detailed in paragraph 8.19.

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. To comply with the financial regulations in relation to debt write-offs.

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 21 August 2026.

7. BACKGROUND

7.1 Council approved the revenue budget for 2026/27 of £27.524million in February 2026. As at the end of Quarter One, the working budget has increased to £28.375million. 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 2026/27 approved by Full Council	27,524
2025/26 Third Quarter Revenue Budget Monitoring report – 2026/27 budget changes approved by Cabinet (April 2026)	201
2025/26 Revenue Budget Outturn report – 2026/27 budget changes approved by Cabinet (June 2026)	650
Current Working Budget	**28,375**

7.2 The Council is managed under Service Directorates. Table 2 below confirms the current net direct resource allocation of each Service Directorate and how this has changed since the original budget was approved by Council in February 2026.

Table 2 – 2026/27 Service Directorate Budget Allocations

Service Directorate	Original Budget 2026/27	Changes approved at Q3 2025/26	Changes approved at Outturn 2025/26	Other Budget Changes / Transfers	Current Net Direct Working Budget
	£k	£k	£k	£k	£k
Chief Executive	5,099	9	65	(10)	5,163
Customers	4,053	48	75	10	4,186
Enterprise	1,818	186	66	0	2,070
Environment	6,251	(124)	314	0	6,441
Governance	2,540	0	9	0	2,549
Place	977	32	98	0	1,107
Regulatory Services	3,768	42	6	0	3,816
Resources	3,018	8	17	0	3,043
TOTAL	**27,524**	**201**	**650**	**0**	**28,375**

7.3 The Revenue Budget Outturn 2025/26 report recorded net revenue expenditure of £21.247 million for 2025/26 and a balance on the General Fund reserve at the end of 2025/26 of £18.046million. The report was prepared prior to finalising the draft statement of accounts. Prior to the issue of the accounts, further entries in the ledger were required, including the accounting treatment of the Council's assets held under finance leases.

From the review undertaken as part of the process, two additional properties were identified as meeting the criteria for recognition as right-of-use assets and were therefore transferred to the Council's balance sheet. Previously, the associated rental payments had been charged to the General Fund as operating lease expenditure. The capitalisation of the two properties was financed through a revenue contribution to capital. This increased net revenue expenditure to a revised outturn for 2025/26 of £21.892million, with the closing General Fund balance reduced to £17.401million. The revised General Fund balance is reflected in table 6 below. This change in accounting treatment reduces the lease costs of the assets going forward, so there is a saving against the revenue budget (detailed in table 3 below). Over time the impact on the General Fund will be broadly balanced.

8. RELEVANT CONSIDERATIONS

8.1 Service Managers are responsible for monitoring their expenditure and income against their working budget. Table 3 below highlights those areas where there are forecast to be differences. An explanation is provided for each of the most significant variances, which are generally more than £25k. The final columns detail if there is expected to be an impact on next year's (2027/28) budget:

Table 3 - Summary of significant variances

Budget Area	**Working Budget £k**	**Forecast Outturn £k**	**Variance £k**	**Reason for difference**	**Carry Forward Request £k**	**Estimated Impact on 2027/28 £k**
All Directorate	0	(164)	(164)	As detailed in paragraph 7.3 above, the change in accounting treatment of leases results in an initial reduction in the General Fund balance that is then off-set by future savings. The amount varies by year so amounts for 2027/28 onwards will be adjusted as part of the budget setting process.	0	0
All Directorates 2026/27 Staff Pay Award	599	658	+59	The original budget assumed a 3.0% pay award. However, the National Joint Council has since agreed a pay offer of 3.3% with Chief Officers (Directors), and it is therefore expected that the final 2026/27 pay settlements with other Officers will be at least this level. Estimate also includes the impact of the removal of salary point 11 from the North Herts pay scale from 1st April 2026, as explained in the North Herts Council Pay Policy Statement 2026/27 presented to Council in May.	0	59

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2027/28 £k
All Directorates Electricity and Gas Expenditure	420	375	(45)	Forecast outturn is based on updated consumption data and confirmed unit prices for 2026/27. The projected variance is primarily attributable to electricity price inflation this year of 3.1% being much lower than the assumption in the original budget. The budget assumption was based on the supplier forecast of electricity prices received in October 2025, which had predicted a 13.6% increase. The change in gas prices this year has broadly aligned with the budget assumption.	0	(45)
Chief Executive Treasury Investments Interest Income	(491)	(980)	(489)	Increase in estimated interest income receivable relates to significantly higher cash balances available for investment than anticipated when the income budget estimate was prepared at the start of the calendar year. This is due to the reprofiling of planned capital investments. Estimates for future years will be updated when the next Investment Strategy is finalised in January 2027.	0	0
Customers Careline Service Desk Solution	25	0	(25)	Procurement of the service desk management system is expected to be completed in the next financial year. It is therefore requested that the current working budget, carried forward from the prior financial year, is carried forward again into 2027/28 to fund the associated one-off implementation costs. The solution was intended to be developed in-house, with an associated ongoing efficiency of £25k earmarked from 2026/27; however, due to its complexity and the technical resource absorbed with supporting LGR, it must now be procured externally. Budget provision is therefore also required for the ongoing annual support and maintenance costs.	25	25

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2027/28 £k
Customers Careline Call Handling System	34	0	(34)	Procurement of the call handling system is due to be completed in March 2027, with the service contract starting in April. As costs are not expected until the new financial year, approval is requested to carry forward the unspent budget to help fund the one-off implementation costs. Ongoing annual support costs are also expected to be significantly higher than originally estimated, as the market has moved away from locally hosted software towards subscription-based, fully managed cloud platforms.	34	44
Enterprise Directorate Staffing Costs	2,328	2,288	(40)	The Health and Safety Officer post will be kept vacant in this financial year, with specialist health and safety advice provided instead through a service agreement with Hertfordshire County Council. The service period under the current agreement expires at the end of September 2027, with the Council likely to exercise the option to extend it for a further six months to cover the period up to the advent of the new unitary authority from April 2028.	0	(40)
Enterprise Income from the letting of Thomas Bellamy House	(37)	0	+37	The future use of Thomas Bellamy House remains uncertain. An options appraisal is expected to be prepared this year and will consider potential letting arrangements, capital expenditure requirements (including whether prospective tenants could undertake these works on agreed terms), and the potential capital receipt from the sale of the property. Income from letting would not be anticipated prior to Autumn 2027 at the earliest, pending the outcome of the appraisal and subsequent decisions.	0	19 (27/28 only)

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2027/28 £k
Enterprise Royston Town Council Annexe Redevelopment	20	0	(20)	This site requires certainty on the access and collaboration with adjoining owners for a more comprehensive potential re-development, which is taking time to align. Progress has been made in respect of the access alongside renewal of the car park with Hertfordshire County Council. In the meantime, Estates will seek for the site to retain its allocation as a mixed-use redevelopment in the new Local Plan. It is therefore requested that the unspent budget is carried forward again to fund the cost of obtaining appropriate planning and development advice in the next financial year.	20	0
Environment Income from Solar for Business Initiative	(21)	0	+21	This project was closed without any installations being completed, due to difficulties in attracting suitable business interest. As a result, the scheme has not generated any income.	0	21
Place Local Plan Development	460	281	(179)	The Local Plan programme is made up of a number of evidence-based projects, as well as including provision for other costs, such as examination costs. Whilst many of the evidence-based projects are anticipated to be completed in this financial year, a number will span two financial years. The carry forward of the unspent budget is therefore requested to cover the costs of those activities falling in the following financial year.	179	0
Place Development Control – Legal and Consultants expenditure	0	73	+73	Legal and consultants' fees incurred in the first quarter relate to two public planning inquiries. There was a public inquiry into the refusal of planning permission, contrary to officer recommendation, for 280 homes at Barkway Road, Royston. There was also a public enquiry regarding the enforcement notice issued by the Council in relation to the unauthorised conversion into residential flats of The George Hotel in Baldock. The cost associated with a challenge to the decision of the Council was identified as a financial risk when the budget was approved in February 2026.	0	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2027/28 £k
Place Development Control – Software expenditure	45	0	(45)	Investment budget amounts of £20k for the installation of Idox Insights and £25k for the procurement of Agile AI were approved to be carried forward from the prior financial year. Progress with the procurement of Agile AI has however been paused in the new financial year following the Hertfordshire County Council decision not to lead on the procurement and the subsequent collaboration with other Councils not progressing due to LGR. The installation of Idox Insights has also been deferred pending decisions on LGR. It is requested that the allocated budget is carried forward again as these may progress once LGR decisions clarify matters.	45	0
Total of explained variances	**3,382**	**2,531**	**(851)**		**303**	**83**
Other minor balances	24,993	25,018	+25		0	1
Overall Total	**28,375**	**27,549**	**(826)**		**303**	**84**

8.2 Cabinet are asked to approve the differences highlighted in the table above (a £826k decrease in spend), as an adjustment to the working budget (recommendation 2.2). Cabinet are also asked to note the estimated impact on the 2027/28 budget, a £387k increase in budget, which includes the request to carry forward £303k of unspent budget for specific purposes next year, which will be incorporated in to the 2027/28 budget setting process (recommendation 2.3).

8.3 The original approved budget for 2026/27 (and therefore working budget) included efficiencies totalling £2.894million, which were agreed by Council in February 2026. Any under or over delivery of efficiencies will be picked up by any budget variances (table 3 above). However, there can be off-setting variances which mean that it is unclear whether the efficiency has been delivered. Where this is the case, this will be highlighted. The current forecast at the end of Quarter One is a net underachievement of £59k. This relates to:

- Income from Solar for Business scheme, as highlighted in table three above. £21k underachievement.
- Expenditure saving from the Careline service desk system solution being developed in-house. The planned ongoing saving from the service desk being developed in house will not be achieved, as explained in table 3 above. £25k underachievement. As the new system will not be procured externally until the next financial year, and no expenditure on the new solution is anticipated in the current year, this underachievement has no impact on the projected General Fund balance in the current financial year.

8.4 The working budget for 2026/27 includes budgets totalling £1.884million that were carried forward from the previous year. These are generally carried forward so that they can be spent for a specific purpose that had been due to happen in the prior financial year but was delayed into the current year. At Quarter One, it is forecast that £249k of the budget carried forward will not be spent in this year. This relates to the budget carried forward for:

- Careline Service Desk Solution. The £25k budget carried forward will not be spent in this year and is requested to be carried forward again, as highlighted and explained in table three above.
- Local Plan Development. £179k of the £322k budget carried forward is forecast to be unspent this year and is requested to be carried forward again, as explained in table three above.
- Planning Control installation of Idox Insights. The £20k budget carried forward will not be spent in this year and is requested to be carried forward again, as highlighted in table three above.
- Planning Control procurement of Agile AI. The £25k budget carried forward will not be spent in this year and is requested to be carried forward again, as highlighted in table three above.

8.5 Six corporate 'financial health' indicators have been identified in relation to key sources of income for the Council in 2026/27. Table 4 below shows the performance for the year. A comparison is made to the original budget to give the complete picture for the year. Each indicator is given a status of red, amber, or green. A green indicator means that they are forecast to match or exceed the budgeted level of income. An amber indicator means that there is a risk that they will not meet the budgeted level of income. A red indicator means that they will not meet the budgeted level of income.

8.6 At the end of Quarter One, four of the indicators are green and two of the indicators are red.

8.7 The red indicator in respect of Leisure Centres Management Fee income relates to the two one-week closures at Hitchin and Letchworth Leisure Centres originally anticipated in 2025/26 that are now scheduled for 2026/27, following the delay to the delivery of the Leisure Centres Decarbonisation project, as reported at Outturn 2025/26. Corresponding budget provision was approved to be carried forward from 2025/26 to 2026/27 to offset the impact on the General Fund in the current year of the reduction to the management fee income receivable.

8.8 The red indicator relating to the forecast shortfall for Commercial waste and recycling income in comparison to the original budget is indicative of the steady decline in the size of the customer base, with a recommended permanent reduction to the income budget approved by Cabinet at Quarter Three 2025/26. The shortfall reported and explained at Quarter Three has been partially reduced by additional demand for commercial food waste collections as, under UK Simpler Recycling rules introduced last year, businesses with 10 or more full-time equivalent employees are legally obliged to separate and recycle their food waste, with smaller businesses required to comply by 31 March 2027.

8.9 The high actual to date total relative to the annual budget for Planning Application Fees income is due to the reversal in the current year of the accounting adjustments posted at the end of the prior financial year to ensure that the income totals recorded for 2025/26 only related to activity in 2025/26, i.e. planning applications resolved between 1st April 2025 and 31st March 2026, and is therefore not necessarily indicative of the achievement of surplus planning income in this financial year.

Table 4 - Corporate financial health indicators

Indicator	Status	Original Budget £k	Actual to Date £k	Forecast Outturn £k	Forecast Variance £k
Leisure Centres Management Fee Income	Red	(2,163)	(431)	(2,038)	125
Garden Waste Collection Service Subscriptions	Green	(1,680)	(1,734) TBC	(1,680) TBC	0
Commercial Refuse & Recycling Service Income	Red	(1,306)	(445)	(1,294)	12
Planning Application Fees (including fees for pre-application advice)	Green	(1,484)	(1,527)	(1,484)	0
Car Parking Fees	Green	(1,963)	(508)	(2,088)	(125)
Parking Penalty Charge Notices (PCNs)	Green	(573)	(149)	(573)	0

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

Table 5 - Corporate financial health indicators – activity drivers

Indicator	Activity Measure	Quarter One Performance 2026/27	Quarter One Performance 2025/26	Percentage Movement	Direction of Trend
Leisure Centres Management Fee	Number of Leisure Centre visits	490,991	462,992	+6.1%	
Garden Waste Collection Service	Number of active subscriptions	TBC	TBC	-	-
Commercial Refuse & Recycling Service	Number of customers	902	903	-0.1%	
Car Parking Fees	Car park tickets sold / average ticket price sold	299,396 / £1.81	298,891 / £1.68	+0.2% / +7.7%	
Parking Penalty Charge Notices	Number of PCNs issued	4,327	5,780	-25.1%	

FUNDING, RISK AND GENERAL FUND BALANCE

8.11 The Council's revenue budget in 2026/27 is funded primarily from Council Tax, Retained Business Rates income and Revenue Support Grant. In November 2025, central government notified the Council of the anticipated Extended Producer Responsibility (EPR) for packaging payments to the Council in 2026/27. The Council was subsequently notified by Central Government in February 2026 of the amount of Revenue Support Grant and Homelessness, Rough Sleeping and Domestic Abuse Grant it could expect to receive in 2026/27 and planned accordingly.

8.12 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 will receive in this year its share of Council Tax Collection Fund surplus and the Business Rates Collection Fund surplus for the prior year, as estimated in January 2026. As reported previously, this means a contribution from the Council Tax Collection Fund to the General Fund of £251k and a contribution to the General Fund of £2.826m from the Business Rates Collection Fund. The final totals recorded at the end of the last financial year was a surplus of £252k in respect of Council Tax and a business rates collection fund surplus of £2.623million. As explained in the Revenue Budget Outturn 2025/26 report, the difference between the January estimates and the final position will affect the calculation of the surplus / deficit for 2026/27 and hence funding available in 2027/28.

8.13 While the transfer of the Council Tax surplus amount of £251k is included in the funding total in table 6 below, the business rates surplus amount will be transferred to an earmarked reserve. The balance in the reserve is reviewed annually 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. The budget estimates for 2026/27 onwards approved by Council in February included a planned total drawdown of £5.75m from the earmarked reserve to the General Fund over the current financial year (as shown in table 6) and the next financial year to mitigate the estimated shortfall in revenue funding.

8.14 The Council's expected business rates funding for 2026/27, as shown in the original budget estimates presented to Council in February and included in table 6 below, is £3.027m. This is equal to the baseline funding level (BFL) determined by government, which represents the government's assessment of the business rates income the Council needs to retain to fund its services.

8.15 The reset of the business rates retention system on 1st April 2026 updated the Council's business rates baseline (BRB), which is the government's estimate of the total business rates income that North Herts Council can collect locally. The Council currently expects to collect less business rates income in 2026/27 than the BRB. As a result, after paying the business rates tariff to government (the tariff is calculated as the difference between the BRB and the BFL), the amount retained by the Council is forecast to be below its baseline funding level.

8.16 In these circumstances, the retention scheme provides a safety net, under which the government makes top-up payments to ensure authorities receive a minimum level of funding relative to their BFL. In previous years this minimum was 92.5% of a local authority's baseline funding level, but for 2026/27 only the government has set the safety net at 100%. Based on the forecast business rates position declared to Government in January, the Council will receive £432k of safety net funding in 2026/27. The final amount will depend on the actual level of business rates collected; however, the 100% safety net means that business rates funding for 2026/27 will be at least equal to the original budget estimate.

8.17 Table 6 below summarises the impact on the General Fund balance of the position at Quarter One detailed in this report.

Table 6 – General Fund impact

	Working Budget £k	Forecast Outturn £k	Difference £k
Brought Forward balance (1st April 2026)	**(17,401)**	**(17,401)**	**-**
Net Expenditure	28,375	27,713	(662)
Funding (Council Tax, Business Rates, RSG, EPR)	(23,888)	(23,888)	-
Funding from Reserves (including Business Rate Relief Grant)	(3,636)	(3,636)	-
Carried Forward balance (31st March 2027)	**(16,550)**	**(17,212)**	**(662)**

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

- Costs associated with a challenge to a decision of the Council, as highlighted and explained in table 3 above - £73k.

Table 7 – Known financial risks.

	£'000
Original allowance for known financial risks	**1,682**
Known financial risks realised in Quarter 1	(73)
Remaining allowance for known financial risks	**1,609**

DEBT WRITE-OFFS

8.19 The financial regulations require Cabinet approval for most debt write-offs that are over £10k. Cabinet are asked to approve a write-off of a Housing Benefit overpayment debt with a gross value of £16,718. The Council have received subsidy from the Department for Work and Pensions, which makes the net cost £9,336. The original debt relates to overpayments made in 2013 and 2014. £1,738 was recovered via Housing Benefit deductions in 2017 and 2018. It was then not possible to recover through that route. It was also not possible to recover through earnings as they were self-employed. The debt has been referred to bailiffs but there are no assets available to pay the debt. The person also has Council Tax debt, and efforts will focus on that debt due to the additional recovery options available.

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

9.3 The Council's financial regulations (section 20 of the Constitution) require (at paragraph 15.5) require that write-offs above £10k are approved by Cabinet, except where the debtor is declared bankrupt, is in liquidation or subject to an Individual Voluntary Arrangement, and where the debtor is deceased and there are insufficient funds in the estate to repay the debt

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 None

17. CONTACT OFFICERS

Antonio Ciampa, Ian Couper	Accountancy Manager, Director - Resources,	antonio.ciampa@north-herts.gov.uk, ian.couper@north-herts.gov.uk

18. BACKGROUND PAPERS

18.1 None

This page is intentionally left blank

FINANCE, AUDIT AND RISK COMMITTEE
WEDNESDAY, 9 SEPTEMBER 2026

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: FIRST QUARTER CAPITAL BUDGET MONITORING REVIEW 2026/27

REPORT OF: Director - Resources

EXECUTIVE MEMBER: Executive Member - Resources

COUNCIL PRIORITY: Sustainability;

1. EXECUTIVE SUMMARY

REPORT OF THE DIRECTOR – RESOURCES
To update Cabinet on progress with delivering the Capital Programme for 2026/27, as at the end of June 2026.

1.1 To update Cabinet on the impact upon the approved capital programme for 2026/27 – 2035/36. The current estimate is a decrease in spend in 2026/27 of £0.523M and an increase in spend in 2027/28 £0.670M. The most significant individual changes to the forecast spend in 2026/27 for reprofiling into 2027/28 are £0.3M Walsworth Common Pavilion and £0.25M Broadway Gardens Resurfacing.

2. RECOMMENDATIONS

2.1 That Cabinet notes the forecast expenditure of £13.570M in 2026/27 on the capital programme, paragraph 8.3 refers.

2.2 That Cabinet approves the adjustments to the capital programme for 2027/28, as a result of the revised timetable of schemes detailed in table 2 and 3, increasing the estimated spend by £0.67M.

2.3That 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.

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 21st August 2026.

7. BACKGROUND

7.1 In February 2026, Council approved a capital programme (as part of the overall budget setting report) for the period 2026/27 to 2035/36.

8. RELEVANT CONSIDERATIONS

8.1 The Council has £145.0M of capital assets that it currently owns. The Investment Strategy set out the reasons for owning assets that are not for service delivery, including an assessment of Security, Liquidity, Yield and Fair Value. There have been no significant changes in relation to these since the last quarter.

Capital Programme 2026/27

8.2 The full capital programme is detailed in Appendix A and shows the revised costs to date, together with the expected spend from 2026/27 to 2035/36 and the funding source for each capital scheme.

8.3 Capital expenditure for 2026/27 is estimated to be **£13.57M**. This is an increase of **£4.438M** on the forecast in the budget report 2026/27 report (reported to Council 26th February 2026). Table 1 below details changes to capital programme.

Table 1- Current Capital Estimates

	2026/27 £M	**2027/28 £M**	**2028/29 to 2035/36 £M**
Original Estimates approved by Full Council February 2026	**9.132**	**5.787**	**18.018**
Changes approved by Cabinet in 3rd Qrt 2025/26	3.011		
Changes approved by Cabinet in 2025/26 Capital Outturn report	1.950		
Executive Member – Resources Additional Expenditure for Hitchin Swim Centre Entrance	0.011		

	2026/27 £M	2027/28 £M	2028/29 to 2035/36 £M
Changes at Q1	-0.534	0.670	
Current Capital Estimates	**13.570**	**6.457**	**18.018**

8.4 Table 2 lists the schemes in the 2026/27 Capital Programme that will now start or have an impact on the budget in 2027/28 and onwards:

Table 2: Scheme Timetable Revision:
(Key: - = reduction in capital expenditure, + = increase in capital expenditure)

Scheme	2026/27 Working Budget £'000	2026/27 Forecast £'000	Difference £'000	Reason for Difference	Estimated impact on 2027/28 onwards £'000
Walsworth Common Pavilion	300	0	-300	Based on staff capacity, the schemes listed here have been reprofiled into 27/28.	300
Broadway Gardens Resurfacing	250	0	-250		250
Avenue Park Splash Park	70	0	-70		70
Swinburne Rec Hitchin	30	0	-30		30
Other minor changes			-20		20
Total Revision to Budget Profile			**-670**		**670**

8.5 There are also changes to the overall costs of schemes in 2026/27. These changes total a net increase of £0.136million and are detailed in Table 3

Table 3: Changes to Capital Schemes Commencing in 2026/27:
(Key: - = reduction in capital expenditure, + = increase in capital expenditure)

Scheme	2026/27 Working Budget £'000	2026/27 Forecast Spend £'000	Difference £'000	Comments
S106 Projects	0	140	+140	To date a total of £140K of S106 funds have been released for community schemes.
Other minor changes			**-4**	
Total revision to scheme spend			**136**	

8.6 Table 4 below shows how the Council will fund the 2026/27 capital programme.

Table 4: Funding the Capital Programme:

	2026/27 Balance at start of year £M	2026/27 Forecast Additions £M	2026/27 Forecast Funding Used £M	2026/27 Balance at end of year £M
Useable Capital Receipts and Set-aside Receipts	0	0.0	0	0.000
S106 receipts			(0.168)	
Other third party grants and contributions			(2.401)	
Revenue Contribution			(1.150)	
Borrowing			(9.851)	
Total			**(13.570)**	

8.7 The availability of third-party contributions and grants to fund capital investment is continuously sought in order to reduce pressure on the Council's available capital receipts and allow for further investment. Additional capital receipts are dependent on selling surplus land and buildings. Ensuring that the Council gets best value from the disposal of land and buildings can take a long time and therefore the amounts that might be received could be subject to change. The Investment Strategy agreed in February 2026 assumed that the Council would generate £3m of capital receipts in this year. A review by the estates team means that no additional capital receipts are now forecast for this year. For one site this is based on letting the site instead, which generates an income and retains future options for the site. The disposal of two other sites can not be completed this year whilst ensuring that best value is achieved. This will have a revenue impact in 2027/28 as it will increase the relative need to borrow (as at 31st March 2027) and therefore lead to a higher Minimum Revenue Provision charge.

8.8 The Council's Capital Financing Requirement (CFR) at 31st March 2026 was positive £15.16M. It became positive during 2025/26 as the Council did not have sufficient funding (e.g. Capital Receipts) to finance the Capital programme. As our CFR is now positive, MRP (Minimum Revenue Provision) will be charged to the General Fund in 2026/27. The Council will have to borrow again to fund the Capital programme in this financial year, which will increase the MRP charged to the General Fund in 2027/28. The estimated impact of MRP is included in budget forecasts based on the agreed capital programme and funding assumptions. The impact on the 26/27 revenue budget of MRP will be updated as part of the Q2 revenue monitoring.

9. LEGAL IMPLICATIONS

9.1 Cabinet's terms of reference under 5.6.7 specifically includes "to monitor expenditure on the capital programme and agree adjustments within the overall budgetary framework". The Cabinet also has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. Asset disposals must be handled in accordance with the Council's Contract Procurement Rules within the Constitution.

9.2 Paragraph 4.4.1 c) of the constitution details that Council will approve the budget. Therefore any significant additions to the budget should be approved by Council.

9.3 The Council is under a duty to maintain a balanced budget as set out in Section 151 of the Local Government Act 1972 which states:
"every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs."

9.4 Further, Section 28 of the Local Government Act 2003 requires to Council to periodically conduct a budget monitoring exercise of its expenditure and income against the budget calculations during the financial year. There is no statutory requirement of the regularity of such reviews, but quarterly seems to be entirely appropriate. By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such remedial action as it considers necessary to deal with any projected overspends. This report allows for the periodic monitoring of the budget thereby discharging the Council's statutory obligations.

10. FINANCIAL IMPLICATIONS

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

10.2 The Council operates a tolerance limit on capital projects that depends on the value of the scheme and on this basis over the next ten-year programme it should be anticipated that the total spend over the period could be around £3.2M higher than the budgeted £38.045M.

10.3 The capital programme will need to remain under close review due to the limited availability of capital resources and the affordability in the general fund of the cost of using the Council's capital receipts. When capital receipts are used and not replaced the availability of cash for investment reduces. Consequently interest income from investments reduces. £1.0M currently earns the Authority approximately £40k per year in interest. The general fund estimates are routinely updated to reflect changes in income from investments. In the year after the Capital Financing Requirement (CFR) reaching zero (i.e. from 2026/27) 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 current strategy is that the Council will borrow against internal funds for its capital programme. The CFR at the 31 March 2026 was positive £15.162M.

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

11. RISK IMPLICATIONS

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

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

12. EQUALITIES IMPLICATIONS

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

12.2 There are no direct equalities implications directly arising from the adoption of the Capital Programme for 2026/27 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 prior to the 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 2026/27 onwards.

17. CONTACT OFFICERS

Dean Fury	Corporate Support Accountant,	dean.fury@north-herts.gov.uk, Tel: 01462 474 509
Ian Couper	Service Director: Resources	Ian.couper@north-herts.gov.uk, Tel 01462 474 243
Antonio Ciampa	Accountancy Manager	Antonio.ciampa@north-herts.gov.uk, Tel 04162 474 566

18. BACKGROUND PAPERS

18.1 Investment Strategy (Integrated Capital and Treasury Strategy)

https://srvmodgov03.north-herts.gov.uk/documents/s30101/BUDGET%20202627%20REVENUE%20AND%20CAPITAL%20BUDGETS.pdf
https://srvmodgov03.north-herts.gov.uk/documents/s30104/Appendix%20C%20Capital%20Programme%202026-36.pdf

								Funding				
Project	Service Directorate	2026/27 Funding £	2027/28 Funding £	2028/29 Funding £	2029/30 Funding £	2030/31 Funding £	2031/32 - 2035/36 Funding £	Funded from Other Grants	Funded from Government Grant	Funded from s106 contributions	Funded from Revenue / IT Reserve	Balance funded from Capital Receipts/ Set-aside receipts/ Borrowing
Air conditioning at Hitchin Town Hall	Enterprise	100,000	0	0	0	0	0	0	0	0	0	100,000
Air Handling Humidification	Enterprise	15,000	0	0	0	0	0	0	0	0	0	15,000
An alternative set of 25 machines that are outside of the Windows Environment for Disaster Recovery	Customers	15,000	0	15,000	0	0	30,000	0	0	0	0	60,000
Audio Improvements to Mountford Hall	Enterprise	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	70,000
Baldock Road Recreation Ground Letchworth	Environment	0	30,000	0	0	0	0	0	0	0	0	30,000
Bancroft Lighting	Environment	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	250,000
Burials New Management System	Environment	55,000	0	0	0	0	0	0	0	0	0	55,000
CCTV at DCO & Hitchin Town Hall	Customers	11,800	0	0	0	0	0	0	0	0	0	11,800
CCTV Control Room Upgrade	Resources	0	0	0	0	45,000	0	0	0	0	0	45,000
Charnwood House	Enterprise	370,000	0	0	0	0	0	0	0	0	0	370,000
Community Centres Flat Roof Safety Barriers	Enterprise	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	5,100	0	0	0	0	0	0	0	0	0	5,100
Council property improvements following condition surveys	Enterprise	137,800	50,000	50,000	50,000	50,000	250,000	0	0	0	0	587,800
Cyber Attacks - Events Monitoring Software Solution	Customers	2,000	0	0	0	0	0	0	0	0	0	2,000
Cycle Strategy implementation (GAF)	Place	278,000	0	0	0	0	0	0	278,000	0	0	0
DR Hardware Refresh Inc UPS Battery Pk (unit 3)	Customers	10,400	0	16,000	0	0	32,000	0	0	0	0	58,400
Digital and other signage for car parks in Hitchin, to promote better use of car parks	Place	200,000	0	0	0	0	0	0	0	0	200,000	0
Everyone Active Projects on NH facilities	Environment	3,600	0	0	0	0	0	0	0	0	0	3,600
Email Encryption Software Solution	Customers	17,700	0	0	0	0	0	0	0	0	0	17,700
Green Infrastructure implementation (GAF)	Place	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	69,100	0	0	0	0	0	0	0	0	0	69,100
Hitchin Lido Changing Facilities	Environment	75,000	0	0	0	0	0	75,000	0	0	0	0
Hitchin Swim Centre: Changing Village Refurbishment	Environment	0	225,000	0	0	0	0	0	0	0	0	225,000
Hitchin Swim Centre Entrance	Environment	10,600	0	0	0	0	0	0	0	0	0	10,600
Hitchin Swim Centre: Pool Cover Replacement	Environment	58,000	0	0	0	0	0	0	0	0	0	58,000
Hitchin Swim Centre: Pool Hall Seating Replacement	Environment	73,000	0	0	0	0	0	0	0	0	0	73,000
Hitchin Town Hall Kitchen Enhancement	Enterprise	25,000	0	0	0	0	0	0	0	0	0	25,000
Howard Park Letchworth Path Resurfacing	Environment	23,800	10,000	0	0	0	0	0	0	0	0	33,800
Infrastructure Hardware	Customers	18,000	18,000	190,000	0	0	0	0	0	0	0	226,000
Installation of trial on-street charging (GAF)	Place	50,000	0	0	0	0	0	0	50,000	0	0	0
Ivel Springs Footpaths	Environment	25,000	0	0	0	0	0	0	0	0	0	25,000
King George V Muga Hitchin	Environment	0	55,000	0	0	0	0	0	0	55,000	0	0
Laptops - Refresh Programme	Customers	139,300	35,000	40,000	349,000	47,000	234,000	0	0	0	0	844,300
Mel Tax Offices, Royston	Enterprise	25,000	0	0	0	0	0	0	0	0	0	25,000
Members Laptops Refresh Programme	Customers	30,000	0	0	0	0	0	0	0	0	0	30,000
Microsoft Enterprise Software Assurance	Customers	0	0	747,000	0	0	1,494,000	0	0	0	0	2,241,000
Museum Storage Facility	Enterprise	2,855,600	0	0	0	0	0	0	0	0	0	2,855,600

								Funding				
Project	**Service Directorate**	**2026/27 Funding £**	**2027/28 Funding £**	**2028/29 Funding £**	**2029/30 Funding £**	**2030/31 Funding £**	**2031/32 - 2035/36 Funding £**	**Funded from Other Grants**	**Funded from Government Grant**	**Funded from s106 contributions**	**Funded from Revenue / IT Reserve**	**Balance funded from Capital Receipts/ Set-aside receipts/ Borrowing**
NH Museum & Community Facility	Enterprise	48,300	0	0	0	0	0	48,300	0	0	0	0
NH Museum Chiller	Enterprise	80,000	0	0	0	0	0	0	0	0	0	80,000
NHLC Lift Replacement	Environment	54,600	0	0	0	0	0	0	0	0	0	54,600
NHLC Pool Cover Replacement	Environment	58,000	0	0	0	0	0	0	0	0	0	58,000
NHLC Water Play Feature	Environment	200,000	0	0	0	0	0	0	0	0	200,000	0
Northern Transfer Station	Environment	0	0	3,000,000	3,000,000	0	0	0	0	0	0	6,000,000
Norton Common Bowls Pavilion	Environment	55,000	0	0	0	0	0	0	0	28,000	0	27,000
Norton Common Footpaths	Environment	10,000	0	0	0	0	0	0	0	0	0	10,000
Norton Common Letchworth Tennis Courts	Environment	48,700	0	0	0	0	0	0	0	0	0	48,700
Off Street Car Parks resurfacing and enhancement	Enterprise	74,400	77,000	70,000	60,000	0	0	0	0	0	0	281,400
Oughtonhead Common Hitchin Weir	Environment	314,900	0	0	0	0	0	0	0	0	0	314,900
Oughtonhead Common Signage and Interpretation	Environment	10,000	0	0	0	0	0	0	0	0	0	10,000
Parking Charging, Payments & Management	Place	235,000	0	0	0	0	0	0	0	0	0	235,000
Parking Machines Replacement	Place	139,700	0	0	0	0	0	0	0	0	0	139,700
Parking Machines Upgrade - Contactless Payment Facility Installation	Place	38,000	0	0	0	0	0	0	24,200	0	0	13,800
PC's - Refresh Programme	Customers	19,000	5,000	8,000	5,000	8,000	0	0	0	0	0	45,000
Playground Renovation District Wide	Environment	309,000	180,000	180,000	180,000	180,000	900,000	0	0	0	0	1,929,000
Priory Gardens Bandstand	Environment	75,000	0	0	0	0	0	0	0	0	0	75,000
Priory Memorial Gardens MUGA FencingRoyston	Environment	40,000	0	0	0	0	0	0	0	0	0	40,000
Private Sector Grants	Regulatory	279,100	60,000	60,000	60,000	60,000	300,000	0	0	0	0	819,100
Public Sector Decarbonisation Fund	Environment	1,283,400	0	0	0	0	0	0	0	0	0	1,283,400
Public Sector Decarbonisation Fund Phase 2	Environment	2,761,000	423,000	0	0	0	0	0	1,172,000	0	0	2,012,000
Ransoms Rec Footpaths, Gates and Railing	Environment	0	20,000	0	0	0	0	0	0	0	0	20,000
Refuse and Recycling Bins	Environment	167,900	90,000	90,000	90,000	90,000	450,000	0	0	0	0	977,900
Remote testing equipment - Emergency Lights and Water Temperature Monitoring	Enterprise	13,000	0	0	0	0	0	0	0	0	0	13,000
Replacement of Newark Close, Royston	Enterprise	55,900	0	0	0	0	0	0	0	0	0	55,900
Resurface Lairage Car Park	Enterprise	346,300	0	0	0	0	0	0	0	0	0	346,300
Riverside walkway, Biggin Lane	Environment	45,100	0	0	0	0	0	0	0	0	0	45,100
RLC Learner Pool	Environment	750,000	4,002,000	0	0	0	0	0	0	0	4,752,000	0
S106 Projects	Various	140,000	0	0	0	0	0	0	0	140,000	0	0
Security - Firewalls	Customers	41,600	0	18,000	0	18,000	36,000	0	0	0	0	113,600
Swinburne Recration Ground Hitchin	Environment	0	30,000	0	0	0	0	0	0	0	0	30,000
Tablets - Android Devices	Customers	24,900	4,000	4,000	4,000	4,000	4,000	0	0	0	0	44,900
Thomas Bellamy House, Hitchin	Enterprise	5,500	0	0	0	0	0	0	0	0	0	5,500
Transport Plans implementation (GAF)	Place	250,000	0	0	0	0	0	0	250,000	0	0	0
Walsworth Common Pavilion - contribution to scheme	Environment	0	300,000	0	0	0	0	250,000	0	37,000	0	13,000
Warm Homes	Environment	494,400	478,100	0	0	0	0	0	972,500	0	0	0
Waste and Street Cleansing Vehicles	Environment	0	0	0	0	0	5,500,000	0	0	0	0	5,500,000
WiFi Upgrade	Customers	40,000	0	0	0	0	0	0	0	0	0	40,000
Wilbury Hills Cemetery Improvements	Environment	120,000	0	0	0	0	0	0	0	0	0	120,000
		13,569,500	**6,457,100**	**4,488,000**	**3,798,000**	**502,000**	**9,230,000**	**373,300**	**2,931,700**	**260,000**	**5,152,000**	**29,327,600**

FINANCE, AUDIT AND RISK COMMITTEE
WEDNESDAY, 9 SEPTEMBER 2026

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: FIRST QUARTER TREASURY MANAGEMENT REVIEW 2026/27

REPORT OF: Director - Resources

EXECUTIVE MEMBER: Executive Member - Resources

COUNCIL PRIORITY: Sustainability

1. EXECUTIVE SUMMARY

REPORT OF THE DIRECTOR – RESOURCES
To update Cabinet on progress with delivering the Treasury Strategy for 2026/27, as at the end of June 2026.

1.2 To inform Cabinet of the Treasury Management activities in the first three months of 2026/27. The current forecast is that the amount of investment interest expected to be generated during the year is £0.986M. This is an increase of £0.495M on the original budget.

2. RECOMMENDATIONS

2.1. That Cabinet notes the position of Treasury Management activity as at the end of June 2026 and as set out in Appendix 1.

3. REASONS FOR RECOMMENDATIONS

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

4. ALTERNATIVE OPTIONS CONSIDERED

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

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1 There are regular updates and meetings with Treasury advisors MUFG.

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 21st August 2026.

7. BACKGROUND

7.1 In February 2026, Council approved an Investment Strategy for 2026/27 to 2035/36.

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 £145.0M of capital assets that it currently owns. The Investment Strategy set out the reasons for owning assets that are not for service delivery, including an assessment of Security, Liquidity, Yield and Fair Value. There have been no significant changes in relation to these since the last quarter.

8.2 The Council invests its surplus cash in accordance with the Investment Strategy (see paragraph 4.1). This surplus cash is made up of capital funding balances, general fund balance, other revenue reserves and provision balances and variations in cash due to the timing of receipts and payments. During the first three months of 2026/27, the Council had an average investment balance of £35.5M and invested this in accordance with the treasury and prudential indicators as set out in the Integrated Capital and Treasury Management Strategy.

8.3 The Council has generated £0.540M of interest in 2026/27 from investments already made during the first three months of the year (and accrued interest from deals made in 2025/26). This includes the interest that will be earned during the remaining nine months of the year on investments that have already been made. The average interest rate on all outstanding investments at the 30th June was 4.11%. (31st March was 4.32%). Based on current investments and forecasts of interest rates and cash balances for the remainder of the year, it is forecast that the Council will generate £0.986M of interest over the whole of 2026/27. The increase in interest earned compared to budget is due to higher balances (mainly due to delayed capital spend) and interest rates staying higher than had previously been forecast.

8.4 As at 30th June 2026, the split of investments was as shown in the table below.

Banks (call account)	4%
Building Societies	0%
Government	53%
Local Authorities	43%

8.5 The level of risk of any investment will be affected by the riskiness of the institution where it is invested and the period that it is invested for. Where an institution has a credit rating this can be used to measure its riskiness. This can be combined with the period remaining on the investment to give a historic risk of default percentage measure. The table below shows the Historic Risk of Default for outstanding investments at 30th June 2026. The most risky investment has a historic risk of default of 0.010%. It should also be noted that in general the interest rate received is correlated to the risk, so the interest income received would be less if the Council took on less risk.

Borrower	Principal Invested £M	Interest Rate %	Credit Rating	Days to Maturity at 30 June	Historic Risk of Default %
Lloyds Bank (call account)	1.125	3.51	AA-	1	0.000
DMO	1.0	3.753	AA-	2	0.000
DMO	2.0	3.71	AA-	2	0.000
DMO	1.0	3.76	AA-	9	0.001
DMO	1.0	3.745	AA-	14	0.001
DMO	1.0	3.73	AA-	16	0.001
DMO	2.0	3.745	AA-	20	0.001
Cheshire East Council	1.0	4.1	AA-	20	0.001
DMO	2.0	3.745	AA-	23	0.001
DMO	1.0	3.73	AA-	30	0.002
DMO	1.0	3.745	AA-	44	0.003
DMO	1.0	3.745	AA-	45	0.003
DMO	1.0	3.785	AA-	49	0.003
DMO	1.0	3.74	AA-	50	0.003
Blackpool Council	1.0	4.15	AA-	57	0.003
Bedford Borough Council	1.0	4.15	AA-	59	0.003
Eastleigh Borough Council	2.0	4.15	AA-	69	0.004
DMO	1.0	3.825	AA-	79	0.005
Lancashire County Council	1.0	4.3	AA-	79	0.005
Walsall Council	2.0	4.25	AA-	84	0.005
Surrey County Council	1.0	4.25	AA-	106	0.006
West Dunbartonshire	2.0	4.20	AA-	111	0.007
London Borough Bexley	1.0	4.35	AA-	121	0.007
Cheshire East Council	1.0	4.20	AA-	168	0.010
	30.125	4.11			

DMO credit rating is the UK credit rating.

9. LEGAL IMPLICATIONS

9.1 Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council.

By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council. The Council is under a duty to maintain a balanced budget. The Chartered Institute of Public Finance and Accountancy's (CIPFA's) 'Code of Practice on Treasury Management 2021' requires that committee to which some treasury management responsibilities are delegated, will receive regular monitoring reports on treasury management activities and risks. This report discharges the Councils statutory and regulatory responsibilities for both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.
The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003

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 is revisited annually as part of the Treasury Strategy review. The risk on the General Fund of a fall of investment interest below the budgeted level is dependent on banks and building societies need for borrowing.

12. EQUALITIES IMPLICATIONS

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

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

13. SOCIAL VALUE IMPLICATIONS

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

14. ENVIRONMENTAL IMPLICATIONS

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

15. HUMAN RESOURCE IMPLICATIONS

15.1 There are no direct human resource implications.

16. APPENDICES

16.1 Appendix A, Treasury Management Update.

17. CONTACT OFFICERS

Dean Fury	Corporate Support Accountant,	dean.fury@north-herts.gov.uk, Tel: 01462 474 509
Ian Couper	Service Director: Resources	Ian.couper@north-herts.gov.uk, Tel 01462 474 243
Antonio Ciampa	Accountancy Manager	Antonio.ciampa@north-herts.gov.uk, Tel 01462 474 566

18. BACKGROUND PAPERS

18.1 Investment Strategy (Integrated Capital and Treasury Strategy)

https://srvmodgov03.north-herts.gov.uk/documents/s30096/Investment%20Strategy%20202627.pdf
https://srvmodgov03.north-herts.gov.uk/documents/s30097/Appendix%20A-%20Investment%20Strategy.pdf

Classification: Confidential

Treasury Management Update

Quarterly Report

30TH JUNE 2026

MUFG Corporate Markets
A division of MUFG Pension & Market Services

Contents

Treasury Management Update

Quarter Ended 30th June 2026

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

1. Economics update

- The first quarter of 2026/27 (April to June) saw:
  - The first sign that the economy is starting to falter with a 0.1% m/m fall in real GDP in April
  - The 3myy rate of average earnings growth excluding bonuses stagnate at 3.4% in April
  - CPI inflation stuck at 2.8% in May, with a rise in core CPI inflation from 2.5% to 2.6%
  - The Bank of England leave interest rates unchanged at 3.75% as the economy remains weak
  - The 10-year gilt yield fluctuate between 5.18% and 4.69%, ending the quarter at 4.76%
- The economy performed well in the early stages of the energy shock, with GDP rising by a strong 0.6% q/q between January and March. But that will likely be the high point of the year. Indeed, the 0.1% m/m fall in real GDP in April was the first decline since August 2025 and brought the first signs that the economy is starting to crack.
- Services output contracted by 0.2% m/m in April and activity fell in eight of the 14 services sub-sectors, suggesting the sector is bearing the brunt of the Iran war fallout. Consumer-facing services recorded the biggest monthly fall in output since May 2025, causing the %3m/3m growth rate to ease from 0.9% in March to 0.6% in April, as households cut back on non-energy spending.
- Despite a weak headline number, digging deeper there were some signs of strength. Manufacturing output rose by 0.4% m/m but that was probably in part due to a temporary prop from precautionary stock building. Looking ahead, despite the announced ceasefire of the conflict in the Middle East, Capital Economics expect elevated prices to erode the real spending power of households and businesses, leaving growth to stagnate in Q2 and Q3 this year.
- The fall in the composite Purchasing Manager Index (PMI) from 49.7 in May to a 14-month low of 49.4 in June was entirely driven by services activity. Indeed, the services activity PMI fell from 49.3 to a 41-month low of 48.7 due to rising costs and political uncertainty weighing on consumer confidence. That weakness was partly offset by a rise in the manufacturing output for a third consecutive month but that was due to fears of shortages causing businesses to build stocks. Overall, the composite PMI suggests the strong start to the year will be followed by tepid growth at best. Various prices balances have edged lower more recently as falling oil prices feed through to an easing in cost pressures. While these prices remain too high for the Bank of England, it is clear the upward pressure on prices is easing.,
- With most of the 1.2% m/m rise in retail sales volumes in May driven by promotions and unusually warm weather, this surprisingly strong month is unlikely to be the start of a sustained upturn. Admittedly, the recent fall in oil prices should boost fuel sales as drivers become less cost sensitive, but the GfK measure of consumer confidence in June still points to total sales volumes falling by about 2.0% m/m in June. Moreover, while the war could be over, the expected further rises in inflation and unemployment yet to come through seem consistent with the annual growth rate of retail sales volumes easing from +3.2% in May to about -1.0 this year.
- Public sector net borrowing of £23.3bn in May was above the OBR's forecast of £17.7bn and £5.4bn above May's figure last year. The weak performance in May was mainly due to the strength of government spending, as the rise in Retail Prices Index inflation in March meant debt interest payments were £4.1bn higher than in May 2025, £3.3bn higher than the OBR anticipated in March and the highest in any May on record. Tax receipts of £85.5bn were also below OBR predictions.

- The weak performance in May has come before the full impact from the energy price shock hits. The combination of further energy price support, higher inflation and the weakening economy may cause borrowing to rise from 4.2% of GDP in 2025/2026 to 4.4% in 2026/2027, above the OBR's March forecast of 3.6%. If Chancellor Reeves is replaced, there is scope for borrowing to be even higher.
- The first quarter of 2026 saw significant weakening of the labour market. While the latest PAYE employment figure for May saw a 2,000 rise, that barely offset the big 53,000 drop in April and meant employment was still 64,000 (0.2%) lower than before the start of the Iran war and 0.4% lower than a year ago. Moreover, the number of job vacancies on the single-month measure fell for the fourth month in a row in May and the claimant count saw the largest monthly rise since July 2024.
- In addition to some signs of stabilisation in the labour market figures, the recent easing in pay growth appears to have stalled. Despite some further easing in the private sector pay below the 3.25% that the Bank of England considers consistent with CPI inflation falling to target, the 3myy growth rate of average earnings stayed at 4.4% in April. Excluding bonuses, it stayed at 3.4% whilst regular public sector pay growth accelerated from 4.8% 3myy to 5.1% 3myy.
- Like wage growth, CPI inflation held steady in May at 2.8%. There wasn't much support to inflation from energy effects. The 0.3% m/m fall in fuel prices was smaller than the 1.6% m/m drop last May and meant fuel inflation rose only a bit from 23.0% to 24.6%. After rising to 129.6%, heating oil inflation eased to 95.6%. And the 13.5% rise in the Ofgem utility price cap, which will add 0.6 percentage points (ppts) to CPI inflation, doesn't take effect until 1st July. With food & drink inflation easing to its lowest rate since late 2024, higher energy costs do not seem to be boosting other items of the CPI just yet.
- The delayed rise in utility prices and the lagged indirect energy effect will lift CPI inflation over the next nine months, perhaps to around 3.6%. Even so, the weak labour market and soft economic backdrop will prevent second-round effects, allowing inflation to fall to 2.0% next year.
- There were two monetary policy committee (MPC) meetings in Q2 2026 where Bank rate was yet again left unchanged at 3.75%. Even so, the tone in recent meetings has been increasingly hawkish, with two MPC members voting for a rate hike in June compared to just one in April. While energy prices may be falling, the MPC won't want to unwind some of the tightening in financial conditions priced into the markets. And while there is quite a difference between this energy shock and the one following the Russia-Ukraine war in 2022, the Bank of England will want to steer clear of allegations of taking too long to act. Nevertheless, we suspect a weak labour market, and soft activity will keep rates at 3.75% this year, with cuts thereafter leaving Bank rate at 3.5% by the end of next year and 3.25% by the spring of 2028.
- April to June brought more volatility for 10-year Gilt yields. After ending March at 4.92%, the 10-year Gilt shot up to 5.18% in mid-May, its highest level since 2008. While that largely reflects the surge in energy prices, sticky domestic inflation concerns and a rising UK political risk premium also put some upward pressure on the yield at the margin.
- Since, positive developments in the US-Iran conflict has led to a fall in oil and gas prices. The 10-year Gilt yield has generally traced that move, falling back to 4.7% in June. This rally in Gilts has also been supported by the Bank of England keeping rates on hold and some reassurance on the fiscal outlook from the likely replacement of Starmer's leadership with Burnham's. Indeed, while financial markets had been pricing in around four policy rate hikes over the next year or so, they are now pricing in just one rate hike over the coming year. While the full inflationary impact of the war in Iran is yet to be felt, we still think a weaker labour market and subdued growth will prevent second-round effects.
- The FTSE 100 has been slowly gaining back some of the losses of the previous quarter. While the index dropped from an all-time high of around 10,900 in late February to 10,176 by the end of March as the ongoing war weighed on sentiment, the FTSE 100 regained some ground by the end of June. Indeed, the index has increased by around 3.3% over the quarter, rising from 10,176 to 10,516 and volatility has returned to historical norms.
- Nonetheless, with stocks in the energy sector generally providing negative returns amid falling energy prices, the large weighting of the sector in the FTSE 100 has led the index to underperform most peers in common currency terms. But returns from stocks in other sectors, particularly financials, helped to offset some of this weakness. Looking ahead, Capital Economics expect tech sectors to outperform as enthusiasm for AI builds, potentially pushing the FTSE 100 index up above 11,000 before a bursting of the AI bubble causes the index to fall back to 10,500 in 2027.

MPC meetings: 30th April & 18th June 2026

- There were two Monetary Policy Committee (MPC) meetings this quarter. The first, on 30th April, saw Bank Rate stay at 3.75% with an 8-1 split vote in favour of that decision. One member dissented and voted for a 0.25% increase to 4%, citing inflation concerns, something generally noted as a primary concern within the minutes and reflecting heightened caution due to potential energy supply shocks caused by the Middle East conflict.
- By the time the MPC next met on 18th June, the hawkish split widened, with two members voting to raise rates to 4%. However, with headline CPI inflation sticking at 2.8%, the market's sentiment that there may, but only may, be a need for a single rate increase over the next few months seems to be aligned to the way the MPC is thinking and is also similar to our own view of rates staying at 3.75% but with upside risk.

2. Interest rate forecasts

The Council has appointed MUFG Corporate Markets as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012. For Housing Revenue Account authorities, the lower Housing Revenue Account (HRA) PWLB rate has also been available since 15 June 2023 (standard rate minus 60 bps) but is available for HRA borrowing only.

The latest forecast was updated on 25th March 2026:

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

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

The forecast has proved robust over the period since the end of March, setting out a central view that short and long-dated interest rates will start to fall once it is evident that the Bank of England will not have to contend with second-round inflationary effects emanating from the conflict in the Middle East. Nonetheless, the longer dated part of the forecast also reflects the poor state of the public finances and the uncertainty pertaining to the likely Prime Ministership of Andy Burnham from 20th July.

Overall, our central view is that monetary policy is sufficiently tight for the likely uptick in CPI inflation through the remainder of 2026 if growth remains tepid. We forecast the next reduction in Bank Rate to be made in H2 2027, with Bank Rate falling to a low of 3.25% by the start of 2028.

3. Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2026/27, which includes the Annual Investment Strategy, was approved by the Council on 26/02/26. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

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

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

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

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

Investment balances
The average level of funds available for investment purposes during the quarter was **£35.5m**. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme.

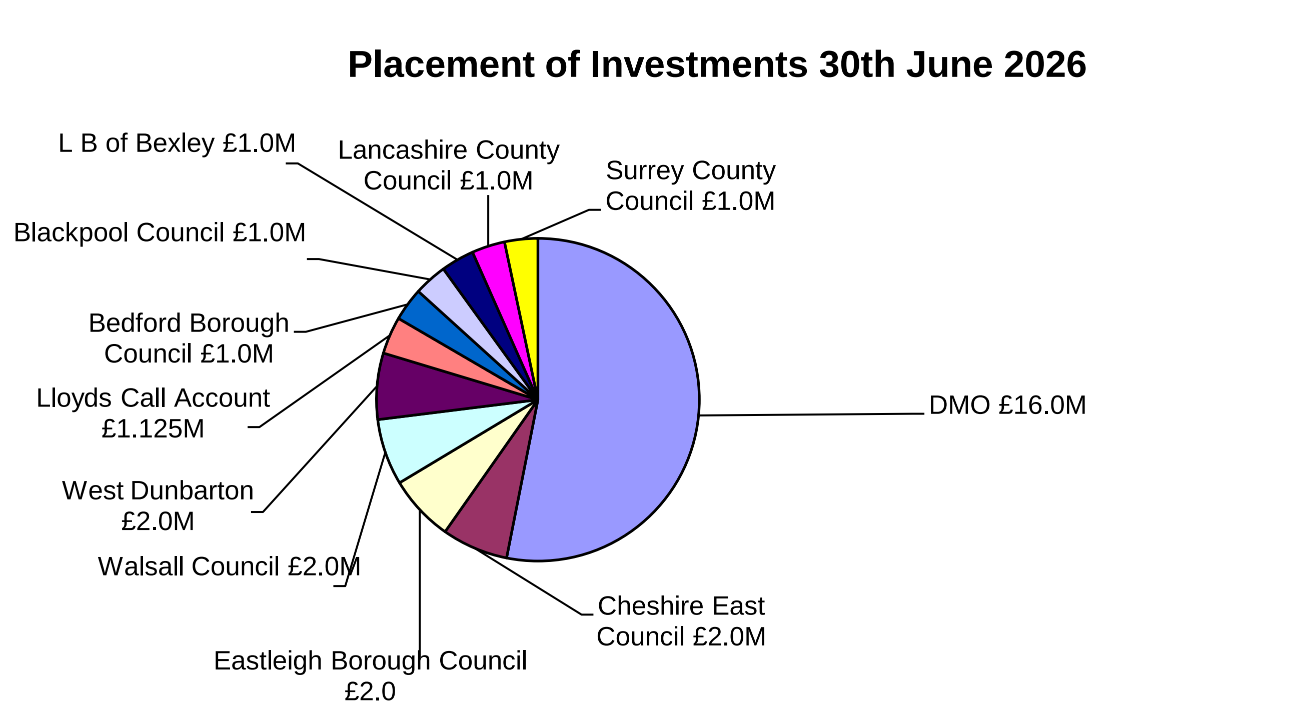
	Amount £	Average Interest Rate %
Managed By NHC		
Banks	1,125,000	3.51
Building Societies	0	0
Local Authorities	13,000,000	4.22
Government	16,000,000	3.76
Total	**30,125,000**	**4.11**

In percentage terms, this equates to:

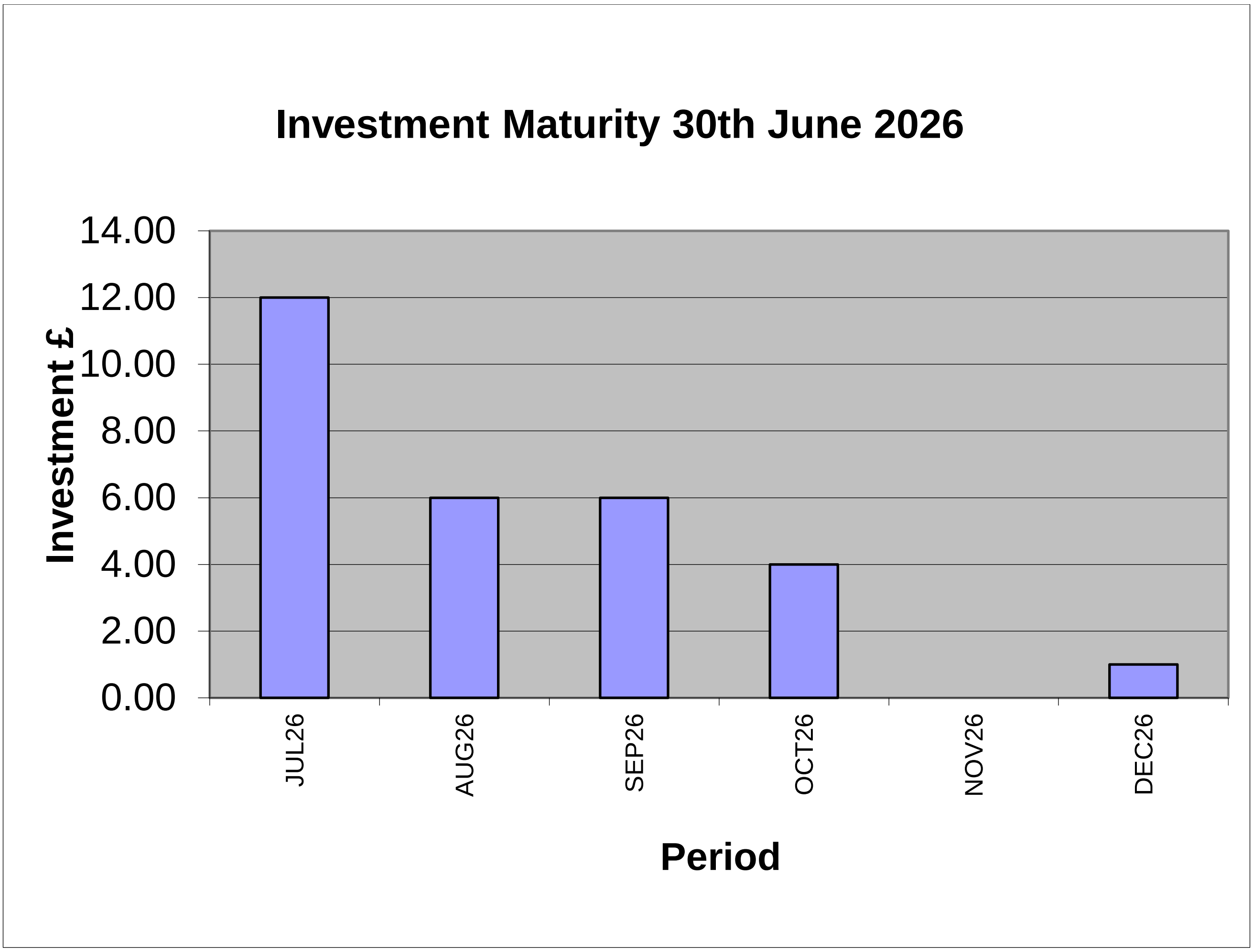
	Percentage
Government	53
Banks	4
Local Authorities	43
Building Societies	0

The approved 26/27 strategy is that no more than 50% of investments should be placed with Building Societies and Property Funds with a maximum value of £11M. The value at 30 June was zero.

The pie chart below shows the spread of investment balances as at 30 June 2026. This is a snapshot in time that demonstrates the diversification of investments.

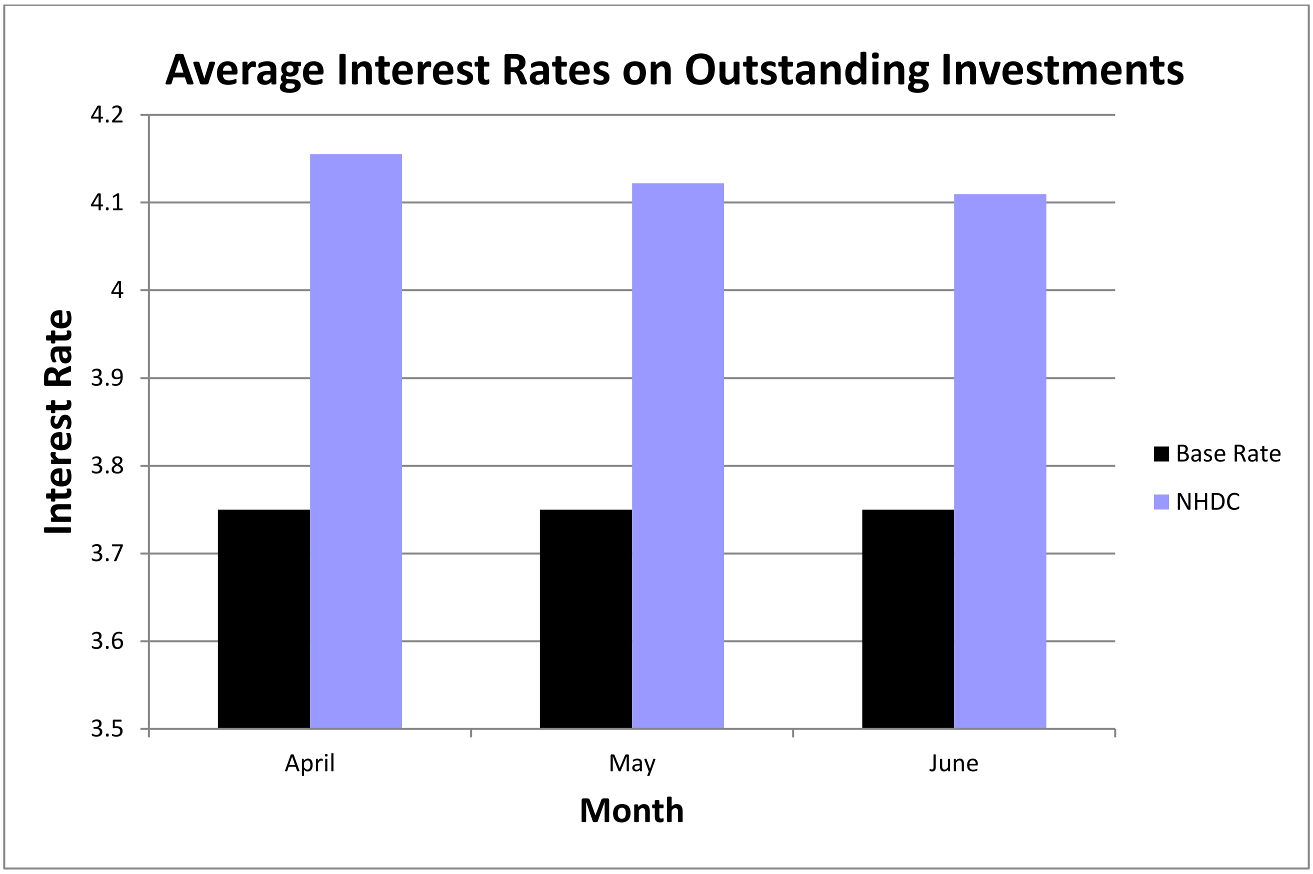


The chart below shows the Council’s investment maturity profile.



£1.125M was held in a Lloyds bank Call Account on 30/06/26.

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



Approved limits
Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30th June 2026.

4. Borrowing

No borrowing was undertaken during the quarter ended 30 June 2026.
It is anticipated that new external borrowing will be undertaken during this financial year but this is dependant on the spend in the Capital Programme.

Loans Outstanding at 30 June 2026:

	Amount	Average Interest Rate
	£	%
Public Works Loans Board	£305k	10.96

Estimated outstanding debt:

Year	Forecast Borrowing £m	Forecast other long-term liabilities £m *	Less: Internal Borrowing £m	Forecast Total External Debt £m	Operational Boundary £m	Authorised Limit £m
31st March 2026 (Forecast)	15.472	0.282	15.167	0.587	26.0	31.0
31st March 2027 (Forecast)	22.675	0.248	22.385	0.538	29.0	34.0
31st March 2028 (Forecast)	23.736	0.213	23.461	0.488	29.0	34.0
31st March 2029 (Forecast)	27.214	0.178	26.949	0.443	32.0	37.0
31st March 2030 (Forecast)	31.004	0.143	30.747	0.400	35.0	40.0

* Comprises the finance lease relating to Letchworth Multi-storey car park

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

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

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

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

Year	Estimated cost of borrowing £m	Forecast net revenue budget £m	Estimated cost of borrowing as a % of net revenue budget
2026/27	1.481	27.713	5.344
2027/28	1.572	26.740	5.879
2028/29	1.458	22.073	6.605
2029/30	1.720	22.377	7.686
2030/31	1.889	22.494	8.398

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

Year	Estimated cost of borrowing £m	Less: Forecast of interest earned £m	Net Financing Costs £m	Forecast net revenue budget £m	Estimated cost of borrowing as a % of net revenue budget
2026/27	1.481	0.986	0.495	27.713	1.786
2027/28	1.572	0.322	1.250	26.740	4.675
2028/29	1.458	0.259	1.199	22.073	5.432
2029/30	1.720	0.144	1.576	22.377	7.043
2030/31	1.889	0.144	1.745	22.494	7.758

5. Debt rescheduling

No debt rescheduling was undertaken during the quarter.

6. Compliance with Treasury and Prudential Limits

The prudential and treasury Indicators are shown in Appendix 1.

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the quarter ended 30th June 2026, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2026/27. The Director of Resources reports that no difficulties are envisaged for the current or future years in complying with these indicators.

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

APPENDIX 1: Prudential and Treasury Indicators for 2026-27 as of 30th June 2026

Treasury Indicators	2025/26 Budget £'000	30.06.25 Actual £'000
Authorised limit for external debt	31,000	305
Operational boundary for external debt	26,000	305
Gross external debt	5,782	305
Investments	14,600 Average for year	30,125
Net borrowing	-8,818	-29,820

Maturity structure of fixed rate borrowing - upper and lower limits		
Under 12 months	15	15
12 months to 2 years	15	15
2 years to 5 years	25	25
5 years to 10 years	0	0
Over 10 years	250	250

Upper limit for principal sums invested over 365 days	5,000	0

Prudential Indicators	2025/26 Budget £'000	30.06.25 Actual £'000
Capital expenditure	14,093	822 (excluding outstanding accruals)
Capital Financing Requirement (CFR)	21,931	15,908
In year borrowing requirement	3,171	746

Ratio of finacing costs to net revenue stream	3.37%	-0.63%

FINANCE, AUDIT AND RISK COMMITTEE
WEDNESDAY, 9 SEPTEMBER 2026

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: Changes to the Contract Procurement Rules

REPORT OF: Director - Resources

EXECUTIVE MEMBER: Executive Member - Resources

COUNCIL PRIORITY: Sustainability;, ,

1. EXECUTIVE SUMMARY

This report proposes two changes to the Council's Contract Procurement Rules. The first is to increase the threshold for procurements that only require a single quote, to reflect inflation. The second change is to allow a restriction on the location and type of supplier that can bid for contracts,

2. RECOMMENDATIONS

2.1. To recommend to Council that the changes to the Council's Contract Procurement Rules detailed in this report are adopted.

3. REASONS FOR RECOMMENDATIONS

3.1. The increase in the threshold for single quotes reflects the impact of inflation and that not changing them creates additional work for Officers.

3.2. The introduction of geographical and supplier type restrictions gives the opportunity for procurements to be better aligned with policy objectives.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1. The Contract Procurement rules could remain unchanged, but then wouldn't get the proposed outcomes.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

No external consultation has taken place. The Council's internal Contract Procurement Group have discussed and support these proposed changes.

6. FORWARD PLAN

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

7. BACKGROUND

7.1. The Council substantially updated its Contract Procurement Rules for the implementation of the Procurement Act 2023 in February 2025. Since then, there have been minor changes to the Contract Procurement Rules. In line with the constitution these have been notified to Members via the Members Information Service/ Bulletin.

7.2. The Contract Procurement Rules form part of the Constitution. The current rules are section 21 (https://www.north-herts.gov.uk/sites/default/files/2026-07/Section%2021%20-%20Contract%20Procurement%20Rules%20%28July%202026%29.pdf). Section 22 is retained for contracts that were let before the introduction of the Procurement Act. The proposed changes are only to section 21.

7.3. In 2013, the requirement was to seek 2 quotes for procurements above £500, and 3 quotes for procurements above £10k (up to £50k). A subsequent change meant that 2 quotes were required for procurements above £5k and 3 quotes above £10k (up to £25k). In 2022 the requirement changed to 1 quote for up to £10k and 2 quotes above £10k (up to £25k). These rules were not changed for the Procurement Act changes.

7.4. There is an increased focus in procurement to ensure that spend is aggregated, which includes considering everything that you might buy from a supplier and also considering spend over time. This means that the value that is being procured can quickly add up, especially when this is combined with the impact of inflation.

7.5. The Council implemented Social Value into its Contract Procurement Rules in 2015, this included a Go Local policy (i.e. a focus on use of local suppliers). The Go Local policy does not restrict procurements to just the local area, but does encourage getting quotes from local suppliers.

8. RELEVANT CONSIDERATIONS

Increase in limits for when more than a single estimate is required

8.1. The recommendation is that the limit for when more than a single estimate is required is increased up to £25k for goods and services (from the current threshold of £10k). Retaining the limit at £10k is dragging more procurements in to the level that requires 2 estimates.

8.2. A lower increase has been considered (e.g. to £15k or £20k). However, retaining the current requirement for goods and services contracts from £25k to £50k (which requires 3 quotes, notice requirements and additional risk and compliance steps) seems reasonable. It would not be desirable to have a narrow value band requiring 2 estimates.

8.3. The rules set out the minimum requirement and Officers should still obtain multiple estimates where they think there is sufficient competition and it will provide value for money.

8.4. The current rule is not clear on the lower threshold for works contracts that require 2 estimates. It is proposed that this is specified as £25k, with the upper threshold retained at £100k.

8.5. To achieve these changes, it is recommended that the current rule 19.2 of the Contract Procurement Rules:

Estimates (above £10,000, and below £25,000 Goods and Services and below £100,000 Works)*: is the direct acquisition of quotes from suppliers against a specification. Officers must:*

Mandatory	***Procurement/ Legal Requirement***	***Minimum Requirement***
√	*Number of quotes required*	*2*
√	*Specification of Requirements*	√
√	*Comply with relevant procurement checklist*	√
√	*Maintain records either in Intend or locally in line with retention periods*	• *the number of estimates or offers invited* • *the method of inviting estimates or offers* • *the basis of selecting suppliers/contractors*
√	*Terms and Conditions*	*Official order must be raised through the Council's electronic ordering system in line with Financial Regulations*

Is changed to:

Estimates (up to £25,000 for Goods and Services and up to for £100,000 Works)*: is the direct acquisition of quotes from suppliers against a specification. Officers must:*

Mandatory	***Procurement/ Legal Requirement***	***Minimum Requirement***
√	*Number of quotes required*	*At least one quote. Two quotes required for Works contracts over £25,000.* *Multiple quotes (above the minimum requirement) should be obtained where it is likely to provide the Council with better value for money (including considering the additional time required to get those quotes).*
√	*Specification of Requirements*	√ *To be used where there is a need to clearly detail what is being purchased, including any minimum requirements.*

		May not be required for lower value purchases.
√	*Comply with relevant procurement checklist*	√
√	*Maintain records either in Intend or locally in line with retention periods*	*Where multiple quotes are obtained then records should be kept which detail:* • *the number of estimates or offers invited* • *the method of inviting estimates or offers* • *the basis of selecting suppliers/contractors*
√	*Terms and Conditions*	*Low value items can be purchased using a purchasing card. Otherwise, an official order must be raised through the Council's electronic ordering system in line with Financial Regulations.*

Restricting tenders based on location and organisation type

8.6 In February 2025, Government issued an updated Procurement Policy Note in relation to "reserving below threshold procurements" (see background papers). This note means that below threshold procurements can be limited to bidders from a specific location. The location of the bidder is based on where they are based, established or have substantive business operations, and not by location of corporate ownership. If the location restriction is applied, then a further restriction can be placed on only allowing small and medium sized enterprises (SMEs) and voluntary, community and social enterprises (VCSEs) to bid.

8.7 This has been updated by guidance on "reserving competitions for below-threshold contracts" from December 2025/ February 2026 that was linked to the Local Government (Exclusion of Non-commercial Considerations) (England) Order 2026 (see background papers). That guidance defines the locations that procurements can be restricted to as being: the Council area (i.e. North Herts), the County area (i.e. Hertfordshire), the County area plus neighbouring Counties and London Boroughs. It also states that the restriction to just SMEs and VCSEs can be applied independently of the location provisions.

8.8 Restricting tenders by local area and/or to SMEs and VCSEs, is aligned with the Council's Procurement Strategy (see background papers). The recommendation is that the Contract Procurement Rules are updated to allow these restrictions. This would be achieved via the following changes:

- To each of the tables in paragraphs 19.2, 19.3, 19.4 and 19.5 (i.e. all those that apply to below threshold procurements) add a line that says: "Location and Organisational restrictions: Consider applying restrictions in line with the detail contained in the paragraphs 12 and 15.
- Extend paragraph 15 as detailed below (additions in red):

15. Go Local Policy and restricting below threshold procurements to the local area

15.1 The 'Go Local' policy requires that, wherever possible, local suppliers should be invited to participate in all procurements, to support local businesses and economic growth.

15.2 Officers must document the process of supplier selection under the Go Local policy, noting why local suppliers were either selected or unavailable based on the procurement requirements.

15.3 For below threshold procurements, Officers can consider whether to restrict procurements to the local area (which can be the District area of North Hertfordshire, the County area of Hertfordshire or the County area of Hertfordshire and the neighbouring Counties and London Boroughs. The location of a bidder is determined by where they are based, established or have substantive business operations.

- Extend paragraph 12 as detailed below (additions in red):

12. Consideration of Small and Medium Sized Enterprises (SMEs) and Voluntary, Community and Social Enterprises (VCSEs)

12.1 Officers must consider the potential barriers faced by SMEs and VCSEs when competing for contracts. Before issuing quotations or tenders, Officers will proactively identify and, if possible, mitigate these barriers.

12.2 This may involve:

- adjusting procurement practices to be more accessible to SMEs and VCSEs;
- dividing the procurement into multiple Lots
- simplifying the tendering process;
- Use the appropriate procurement documents for the level of procurement.
- ensuring that financial status requirements are proportionate to the contract's scope and value.
- Changing evaluation criteria in the tendering process to use Most Advantageous Tender criteria, (MAT) rather than Most Economically Advantageous Tender (MEAT)
- For below threshold procurements, Officers can consider whether to restrict procurements to just be available to SMEs and VCSEs.

9. LEGAL IMPLICATIONS

9.1. The Council has a legal obligation to have Contract Procurement rules in order to comply with Section 135 of the Local Government Act of 1972. The Public Contracts Regulations 2015, the Healthcare Services (Provider Section Regime) Regulations 2023 and the Procurement Act 2023 provide the legal framework for procuring goods, works and services which the Council must comply with.

The Local Government (Exclusion of Non-commercial Considerations) (England) Order 2026 (the Order) updates the longstanding restrictions on the use of non-commercial considerations in local authority procurement and aligns them with the framework introduced by the Procurement Act 2023. The Order amends section 17 of the Local Government Act 1988 (the 1988 Act), which restricts the Council from taking certain non-commercial considerations into account when awarding contracts. Specifically, the Order clarifies circumstances in which the location of a supplier may be considered in relation to below-threshold contracts. Under the amended regime, the Council is permitted, on a discretionary basis, to reserve certain below-threshold procurements to suppliers based in the UK or within a defined local area (which may include neighbouring authorities). In parallel, section 3(8)b of the Order states that: 'Where the relevant authority advertises for the purpose of inviting tenders…. the authority must specify which paragraph applies, and (where paragraph (3) applies) the extent of the local area for the purposes of paragraph (5)—
(a)in respect of a notifiable below-threshold contract, in the below-threshold tender notice, and
(b)in respect of all other relevant contracts, in the advertisement.

9.2. It is expected that amendments to the Procurement Regulations 2024 will require below-threshold tender notices to state whether a contracting authority has exercised the option to reserve a contract to UK or locally based suppliers, in accordance with the Order. The recommendations of this report enable the Council to adopt the flexibility afforded by the changes set down by the Order.

10. FINANCIAL IMPLICATIONS

10.1. There are not expected to be any direct financial implications of these proposals. The reduction in number of estimates obtained (for procurements between £10k and £25k) could lead to higher prices, but Officers are instructed to get multiple quotes where appropriate to ensure they get value for money. Restricting tenders by location and organisation type could also increase tender prices, but even if this occurred it would be expected to be off-set by wider social value benefits.

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. There are some financial risks detailed in section 10 above.

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 impacts arising from these proposals.

13. SOCIAL VALUE IMPLICATIONS

13.1. The aim of the second recommendation in this report is to support the delivery of the Social Value Act and “go local” requirements.

14. ENVIRONMENTAL IMPLICATIONS

14.1. There are no specific Environmental impacts or requirements that apply to this report. Use of local suppliers can reduce transport requirements which could have a positive impact on related emissions.

15. HUMAN RESOURCE IMPLICATIONS

15.1 Increasing the threshold for where 2 estimates are required should help to manage the workload of those Officers involved in procurements.

16. APPENDICES

16.1 None.

17. CONTACT OFFICERS

Ian Couper	Director - Resources,	ian.couper@north-herts.gov.uk, Tel: 01462 474 243

18. BACKGROUND PAPERS

Procurement Note – PPN 005 Reserving below threshold procurements

Reserving competitions for below-threshold contracts - GOV.UK

Procurement Strategy 2025-28.pdf

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank