

NORTH HERTFORDSHIRE DISTRICT COUNCIL



30 October 2026

Our Ref Finance, Audit and Risk Committee 11
November 2026
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To: Members of the Committee Councillors: Vijaiya Poopalasingham (Chair), Stewart Willoughby (Vice-Chair), Ruth Brown, Elizabeth Dennis, Chris Lucas, Steven Patmore and Paul Ward

Substitute Councillors: Ralph Muncer, Matt Barnes, Dominic Griffiths, David Barnard, Clare Billing and Nigel Mason

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, 11TH NOVEMBER, 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
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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 - 9 SEPTEMBER 2026 To take as read and approve as a true record the minutes of the meeting of the Committee held on the 9 September 2026.	(Pages 5 - 16)
3.	NOTIFICATION OF OTHER BUSINESS Members should notify the Chair of other business which they wish to be discussed at the end of either Part I or Part II business set out in the agenda. They must state the circumstances which they consider justify the business being considered as a matter of urgency. The Chair will decide whether any item(s) raised will be considered.	
4.	CHAIR'S ANNOUNCEMENTS Members are reminded that any declarations of interest in respect of any business set out in the agenda, should be declared as either a Disclosable Pecuniary Interest or Declarable Interest and are required to notify the Chair of the nature of any interest declared at the commencement of the relevant item on the agenda. Members declaring a Disclosable Pecuniary Interest must withdraw from the meeting for the duration of the item. Members declaring a Declarable Interest, wishing to exercise a 'Councillor Speaking Right', must declare this at the same time as the interest, move to the public area before speaking to the item and then must leave the room before the debate and vote.	
5.	PUBLIC PARTICIPATION To receive petitions, comments and questions from the public.	
6.	SIAS PROGRESS REPORT 2026/27 REPORT OF THE SHARED INTERNAL AUDIT SERVICE To receive the Internal Audit Service progress report 206/27 of the SIAS.	(Pages 17 - 34)

7. MEDIUM TERM FINANCIAL STRATEGY 2027-30
REPORT OF THE DIRECTOR – RESOURCES

(Pages
35 - 50)

This report recommends the Medium-Term Financial Strategy (MTFS) for 2027/28 to 2029/30 to guide and inform the Council's Business Planning Process. The three year period of the MTFS reflects the probable timelines related to Local Government Reorganisation.

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

8. POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

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

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Public Document Pack Agenda Item 2

NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE COUNCIL CHAMBER - DISTRICT COUNCIL OFFICES, GERON ROAD, LETCHWORTH, SG6 3JF
ON WEDNESDAY, 9TH SEPTEMBER, 2026 AT 7.30 PM

MINUTES

Present: *Councillors: Stewart Willoughby (Chair) Clare Billing, Ruth Brown, Elizabeth Dennis and Paul Ward.*

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

In Attendance: *Ian Couper (Director - Resources), Robert Filby (Committee, Member and Scrutiny Officer) and Jamie Graham (Trainee Electoral Services Officer).*

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

Also Present: *At the commencement of the meeting, there were no members of the public.*

Councillor Ian Albert, as Executive Member for Resources.

15 APOLOGIES FOR ABSENCE

Audio recording – 03 minutes 34 seconds

Councillor Elizabeth Dennis proposed and Councillor Clare Billing seconded and, it was:

RESOLVED: That Councillor Stewart Willoughby be elected as Chair for this meeting of the Finance, Audit and Risk Committee.

Apologies for absence were received from Councillors Chris Lucas, Sarah Lucas and Vijaiya Poopalasingham.

Having given due notice, Councillor Elizabeth Dennis substituted for Councillor Sarah Lucas, and Councillor Clare Billing substituted for Councillor Poopalasingham.

16 MINUTES - 10 JUNE 2026

Audio Recording – 04 minutes 12 seconds

Councillor Stewart Willoughby, as Chair, proposed and Councillor Elizabeth Dennis seconded the motion to approve the Minutes as a true record.

Independent Member John Cannon noted that under Minute 6, the reference to the 'Finance Statement audit' should be to the 'Financial Statement Audit Plan', as the Audit had not yet been conducted.

Councillor Elizabeth Dennis noted that although she was present at the meeting and was listed as substituting under the 'Apologies for Absence' item, she had not been included in the list of Members present.

The proposer and seconder confirmed that these amendments should be accepted into the substantive motion and, following a vote, it was:

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

17 NOTIFICATION OF OTHER BUSINESS

Audio recording – 07 minutes 07 seconds

There was no other business notified.

18 CHAIR'S ANNOUNCEMENTS

Audio recording – 07 minutes 17 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.

19 PUBLIC PARTICIPATION

Audio recording – 08 minutes 04 seconds

There was no public participation at this meeting.

20 EXTERNAL AUDIT - 2025/26 VFM RISK ASSESSMENT

Audio recording – 08 minutes 13 seconds

The Director (KPMG) presented the report entitled 'External Audit – 2025/26 VFM Risk Assessment' and advised that:

- This assessment looked at three areas as detailed on page 2 of the report.
- A summary of the assessment could be found on page 4.
- Additional work was carried out to confirm whether an identified risk would lead to a significant weakness, and this would be reported on as part of the final report of the auditors at the next Committee meeting.
- There was only significant area of weakness, which was related to Improving Economy, Efficiency and Effectiveness.
- The £22M deficit referred to on page 6 of the report with regards to the four unitary model for Local Government Reorganisation (LGR) was based on a high-level model with various assumptions.
- A watching brief would be kept on how LGR would progress since the pause and commentary would be provided in the Annual Report of the Auditors.
- There was no significant risk in Governance as detailed on pages 7-8 of the report.
- The publication of the unaudited Statement of Accounts was no longer a risk of weakness as the Council had only missed this by 1 day in 2025/26 compared to the

previous year, rather than 2 days compared to the previous year as mentioned in the report.

- Noticeable staffing shortages across the Council had been identified, and this had been raised as a weakness as it could impact the ability of the Council to deliver projects on-time, and key services would have to be prioritised over others.
- Additional follow up inquiries for this were set out on page 10 of the report, and an update would be reported at the next Committee meeting.
- The Annual Report of the Auditors would also be presented at the next Committee meeting.

In response to a question from Councillor Paul Ward, the Director (KPMG) advised that their work focused on how engaged the Council had been with LGR and its responsiveness to stakeholders on this, rather than the value for money of LGR considering the pause to this by the Government, as that was a national decision rather than one taken by the Council.

Councillor Elizabeth Dennis proposed and Councillor Sadie Billing seconded and, following a vote, it was:

RESOLVED: That the Committee noted the External Audit 2025/26 VFM Risk Assessment.

21 EXTERNAL AUDIT - REBUILDING ASSURANCE UPDATE

Audio recording – 17 minutes 36 seconds

The Director (KPMG) presented the report entitled 'External Audit – Rebuilding Assurance Update' and advised that:

- The approach to rebuilding assurance had been set out in the Audit Plan presented at the last Committee meeting, and since then, the risk assessment had been complete.
- Risk assessment procedures were set out on page 3 of the report and after the risk assessment had taken place, testing on specific balances would be performed.
- The MHCLG Capacity Assessment was also detailed on page 3, with the authority being assessed as Category A, which was the best categorisation.
- Areas where a potential material risk or misstatement had been identified, and procedures for rebuilding assurance were set out on page 4.
- Undertaking this work along the 2025/26 audit would put the Council in a good position for the year end as the disclaimed audit opinion might be upgraded into a qualified audit report.
- A clean opinion of the Council might be achievable by the end of 2026/27.
- Updates on testing would be provided at future Committee meetings.

Councillor Ruth Brown proposed and Councillor Paul Ward seconded and, following a vote, it was:

RESOLVED: That the Committee noted the External Audit Rebuilding Assurance Update.

22 SAFS ANNUAL REPORT 2025/26

Audio recording – 22 minutes 14 seconds

The Counter-Fraud Manager presented the report entitled 'SAFS Annual Report 2025/26' and advised that:

- The report opened with background information explaining the general fraud landscape.
- The Anti-Fraud Plan 2025/26 had been approved by the Committee in March, and all Key Performance Indicators within this had been met.

- Officers across the Council, including the Senior Managers Group had been offered training sessions throughout the year on several topics such as identity fraud.
- SAFS had supported the HR Team to develop an e-module on anti-fraud, anti-bribery and anti-money laundering.
- A Fraud Risk Assessment had been developed for the Council.
- Fraud alerts highlighting trends and threats were issued to all partners including the Council to strengthen fraud controls.
- There had been a rise in referrals to SAFS relating to the National Fraud Initiative.
- Staff referrals had been lower than usual and this would be monitored.
- 40 cases of low-risk fraud allegation had been resolved, which had identified £24K in Housing Benefit and Council Tax fraud, as described on pages 45-46 of the Agenda Reports Pack.
- Two case studies for disposal options from investigations were detailed on pages 45-48.
- SAFS had worked with social housing providers to assist with the recovery of 8 properties, leading to savings and potential housing provision for those on waiting lists.
- SAFS supported the Council to meet the National Fraud Initiative requirements.
- 15 fraud errors had been identified from 767 reviews, which had saved £56K in fraud prevention costs, as illustrated by the case study on page 50.
- £26K of savings had also been identified through the Fraud Hub, which was a quarterly, light version of the National Fraud Initiative.
- £319K of Council Tax irregularities had been discovered in Hertfordshire.

The following Members asked questions:

- Councillor Clare Billing
- Councillor Paul Ward

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

- SAFS also worked on behalf of social housing providers in the district and would investigate fraud and irregularities on their behalf as well as the Council when an issue arose.
- They could not investigate general benefit fraud but could conduct joint investigations with the Department for Work and Pensions on Housing Benefit fraud as this was also linked to Council Tax.
- Fraud investigations closed per year had decreased since 2020/21 due to an increase in staff, which had led to the closure of several legacy cases from previous years. The decrease was also due to the COVID-19 pandemic, and a change in how low-level fraud allegations were no longer classed as cases.
- A peak had occurred in 2020/21 due to clearing the back log and additional work.
- Cases were most associated with Council Tax.

Councillor Elizabeth Dennis proposed and Councillor Paul Ward seconded and, following a vote, it was:

RESOLVED: That the Committee noted:

- (1) The activity undertaken by the Shared Anti-Fraud Services to deliver the 2025/26 Anti-Fraud Plan for the Council.
- (2) All Anti-fraud activity undertaken by Officers and SAFS to protect the Council against fraud in 2025/26.
- (3) The additional Shared Anti-Fraud Service Annual Report (Appendix 1).

REASON FOR DECISIONS: 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.

23 SAFS PROGRESS REPORT 2026/27

Audio recording – 34 minutes 44 seconds

The Counter-Fraud Manager presented the report entitled 'SAFS Progress Report 2026/27' and advised that:

- Progress made against the delivery of the Anti-Fraud Action Plan 2026/27 from April to June 2026 was detailed in the report.
- All Key Performance Indicators (KPIs) were on target, and explanations on how the Action Plan related to fraud nationally, SAFS resources, and agreed KPIs were provided.
- Anti-Fraud activity including alerts, emerging trends and an updated delivery of the training plan was described in the report.
- 23 fraud allegation cases had been received, with 20 of those still live and 3 closed, which had resulted in £18K of identified fraud and £10K of future savings.
- Council Tax compliance reviews had identified another £20K of fraud.
- 11 tenancy fraud cases relating to social housing providers were live.
- SAFS would suspend the Fraud Hub to ensure that the Council complied with the National Fraud Initiative upload.

The following Members asked questions:

- Independent Member John Cannon
- Councillor Paul Ward

In response to questions, the advised that:

- Estimates for fraud costs were based on empirical measurements and the costings from the National Fraud Initiative and were used to allocate resources into different areas.
- Estimates were not necessarily projected losses.
- Use of AI within their work was being investigated, such as for a case management system.
- AI was used for lower-level fraud activities such as counterfeit document creation for bank statements and proof of residence, and they were working to detect these when received.

In response to questions, the Head of Assurance Services (HCC) & Client Audit Manager (NHDC) advised that AI was also used by the public to make fraud complaints, which created extra work for officers in organisations like SAFS due to their length and varying content.

Councillor Elizabeth Dennis proposed and Councillor Paul Ward seconded and, following a vote, it was:

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

REASON FOR DECISION: 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.

24 SIAS ANNUAL REPORT 2025/26

Audio recording – 45 minutes 47 seconds

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

- This report was on SIAS rather than the Council itself.
- Global Internal Audit Standards did not require them to provide an annual report, but it was provided to give Members information regarding their services and activities.

Councillor Ruth Brown proposed and Councillor Elizabeth Dennis seconded and, following a vote, it was:

RESOLVED: That the Committee noted the SIAS Annual Report 2025/26.

25 SIAS PROGRESS REPORT 2026/27

Audio recording – 48 minutes 22 seconds

The Head of Assurance Services (HCC) and Client Audit Manager (NHDC) presented the report entitled 'SIAS Progress Report 2026/27' and advised that:

- Four new final reports had been issued, and one new high priority recommendation had arisen in the Health and Safety Audit, which was to reinstate the annual fire drill into Council buildings that had warranted it.
- No amendments had been made to the Audit Plan, but Members should be mindful of the time allocated to Local Government Reorganisation, which may not be required.
- Key Performance Indicators were on track, and only one audit for EV charging was behind schedule.
- A clarification on the responsibilities of Committee Members was detailed in the report, and the proposed amendment to the Audit Charter relating to this would be implemented if Members approved the recommendations.
- The External Quality Assessment was due in December, and the assessors for this may choose the Council as part of this, which would likely require the Chair of the Committee to talk to them.

In response to a question from Councillor Paul Ward, the Director – Resources advised that he needed to clarify which department was responsible for signing off the high priority actions relating to Business Continuity Planning.

Councillor Paul Ward proposed and Councillor Ruth Brown seconded and, following a vote, it was:

RESOLVED: That the Committee:

- (1) Noted the SIAS Progress Report for the period to 25 August 2026.
- (2) Noted the implementation status of the reported high-priority recommendations.
- (3) Noted the Global Internal Audit Standards External Quality Assessment Briefing Paper.
- (4) Approved the amendment to the Audit Charter.

REASON FOR DECISION: To report progress made by the SIAS in delivering the Council's Annual Internal Audit Plan for 2025/26 as 25 August 2026.

26 FRAUD PREVENTION POLICY

Audio recording – 54 minutes 48 seconds

The Director – Resources presented the report entitled 'Fraud Prevention Policy' and advised that:

- Thanks was given to the Shared Anti-Fraud Service (SAFS) for their input on this.
- Two main changes had been made to the policy as shown in Appendix 1 to the report, which were to simplify definitions and look at processes in line with the Economic Crime and Corporate Transparency Act to provide better protection for the Council.
- Fraud risks and their requirements would be updated on Ideagen, which would also put the Council in a stronger position to prevent fraud.

Councillor Ruth Brown proposed the recommendations in the report, and this was seconded by Councillor Clare Billing.

As part of the debate, Councillor Ruth Brown highlighted that it was good to have simplified definitions for ease of reading, and thanks was given for this.

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

RESOLVED: That the Committee commented on the revised Fraud Prevention policy (Appendix 1) before it was adopted.

REASON FOR DECISION: 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.

27 FIRST QUARTER REVENUE BUDGET MONITORING 2026/27

Audio recording – 58 minutes 02 seconds

The Director – Resources presented the report entitled 'First Quarter Revenue Budget Monitoring 2026/27' and advised that:

- This report was in draft form, and an updated version would be presented to Cabinet.
- Recommendation 2.2 in the report should state an £826K decrease in net expenditure to match the figure in Table 3 of the report, rather than a £662K decrease.
- The highlighted figures for Garden Waste Collection Service Subscriptions detailed in Table 4 were correct, and the Garden Waste Collection Service performance figures in Table 5 were detailed as 29,612 in Q1 2026/27 compared with 27,467 in Q1 2025/26.
- A change relating to lease adjustments and their classification as an asset was detailed in paragraph 7.3 of the report, but this could be subject to change for the Cabinet report.
- Overall, the revenue contribution for the capitalisation of the lease would be off-set by future revenue savings, with the 2026/27 saving shown in Table 3.
- A 3.3% staff pay award increase had been accepted by the union and would be paid to staff this month.
- There were some carry forwards proposed in the report and there there would be a review of all carry-forwards to address the comments on the year-end report.

The following Members asked questions:

- Councillor Paul Ward
- Independent Member John Cannon

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

- Bigger contracts such as the waste contract had several mechanisms that would need to be explored throughout the year to assess the impact against the budget for this year and previous projections for future years.
- Inflation assumptions would be reviewed as part of the Medium-Term Financial Strategy update in November.
- The approach of how the Council conducted equality analysis on savings and investment proposals had been in place for a while. However, the sentiment that a proposal could be adopted by Council without considering the equality implications was noted, and it would be considered how this could be done going forward.

Councillor Elizabeth Dennis proposed the recommendations with an amendment to recommendation 2.2 to be an £826K decrease in net expenditure rather than a £662K decrease, and this was seconded by Councillor Brown and, following a vote, it was:

RECOMMENDED TO CABINET:

- (1) That Cabinet note this report.
- (2) That Cabinet approves the changes to the 2026/27 General Fund budget, as identified in table 3 and paragraph 8.2, an £826k decrease in net expenditure.
- (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.
- (4) That Cabinet approve the debt write-off as detailed in paragraph 8.19.3.

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

28 FIRST QUARTER CAPITAL BUDGET MONITORING REVIEW 2026/27

Audio recording – 01 hours 10 minutes 27 seconds

The Director Resources presented the report entitled 'First Quarter Capital Budget Monitoring 2026/27' and advised that:

- Project timetable changes and the reason for these were outlined in Table 2 of the report.
- Changes to capital spending on S106 related projects were shown in Table 3.
- The forecast capital receipts totalling £3M would be delayed due to reasons as detailed in Table 4, such as ensuring best value for money when disposing of those assets.
- The delay would mean an increase in internal borrowing and the minimum revenue provision in future years until those capital receipts were realised and could be applied as capital funding.

The following Members asked questions:

- Councillor Elizabeth Dennis
- Councillor Paul Ward

- Councillor Ruth Brown
- Independent Member John Cannon

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

- Walsworth Common Pavilion was linked to S106 funding, and they were awaiting enough of this to cover the majority of its cost.
- There was a need to review the timescale and value of the Walsworth Common Pavilion as this had not been done for several years, but this could be done while setting the Capital Programme for next year.
- Other projects detailed in Table 2 would have been reviewed recently.
- The £140K of forecast spending on S106 projects was just for the first quarter.
- The increase in the capital asset figure at paragraph 8.1 since the last report in June may be due to indexation and re-evaluation since then, but this would be checked and an explanation for the increase would be provided.
- Asset values were not based on their sale value as many of them were specialised.
- The increase of £4.438M on the forecast capital expenditure was capital slippage from the previous financial year.

Councillor Paul Ward proposed the recommendations in the report, and this was seconded by Councillor Clare Billing.

As part of the debate, Councillor Elizabeth Dennis highlighted that:

- Projects which had been on the capital programme for a long time such as the Walsworth Common Pavilion should be reprofiled, index linked, marked up for inflation and evaluated in terms of their risks and viability before coming up with plans for them.
- Executive Members and Directors were urged to undertake the above to determine a suitable course of action for each project.

In response to points raised by Councillor Elizabeth Dennis in the debate, Councillor Ian Albert, as Executive Member for Resources, advised that:

- It was agreed that there was a need to review schemes on the capital programme as part of the budget.
- They were keen to proceed with projects that had been on the capital programme for several years, but this would be subject to a viable scheme to deliver them.

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

RECOMMENDED TO CABINET:

- (1) That Cabinet notes the forecast expenditure of £13.570M in 2026/27 on the capital programme, paragraph 8.3 refers.
- (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.
- (3) That Cabinet notes the position of the availability of capital resources, as detailed in table 4 paragraph 8.6 and the requirement to keep the capital programme under review for affordability.

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

29 FIRST QUARTER TREASURY MANAGEMENT REVIEW 2026/27

Audio recording – 01 hours 23 minutes 52 seconds

N.B. Councillor Paul Ward declared an interest in this item due to his employment and left the Council Chamber for the duration of the item.

The Director – Resources presented the report entitled 'First Quarter Treasury Management Review 2026/27' and advised that:

- More interest on investments had been generated than forecast due to higher than forecast balances and interest rates.
- All investment had taken place in accordance with the Investment Strategy, which allowed the use of call account investments with the bank that the Council used.
- Most of the treasury was split between Government (DMO) and local authority investments, with the full range detailed in the table at paragraph 8.5 of the report.

In response to a question from Councillor Ruth Brown, the Director – Resources advised that there were several DMOs listed as there was one for each individual investment and the rates for those varied depending on when they were invested and the period they were invested for.

Councillor Elizabeth Dennis proposed and Councillor Ruth Brown seconded and, following a vote, it was:

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

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

N.B. Following the conclusion of the item, Councillor Paul Ward returned to the Chamber at 20:59.

30 CHANGES TO THE CONTRACT PROCUREMENT RULES

Audio recording – 01 hours 27 minutes 03 seconds

The Director – Resources presented the report entitled 'Changes to the Contract Procurement Rules' and advised that:

- The final decision on this would be taken by Council, but the Committee had been given the chance to review and comment on this beforehand.
- New contract procurement rules had been adopted by the Council in 2025 following the Procurement Act 2023, and minor changes had been made to these under delegated authority since.
- Major changes to the rules were proposed within the report.
- One of those changes was to increase the threshold for procurement that needed more than one quote from £10K to £25K, with the reason for this level of increase described in paragraph 8 of the report.
- Officers were encouraged to obtain multiple quotes where it was likely to provide better value for money as the need for one quote was a minimum requirement.
- Another major change was to allow below threshold procurement to be restricted to the local area and to Small Medium Enterprises (SMEs) and Voluntary, Community and Social Enterprises (VCSEs), which would align with the Go Local Policy and Contract Procurement Strategy.

Councillor Elizabeth Dennis proposed the recommendations in the report, and this was seconded by Councillor Ruth Brown.

The following Members took part in the debate:

- Councillor Ruth Brown
- Councillor Elizabeth Dennis

The following points were made as part of the debate:

- Changes to restrict below threshold procurement to SMEs and VCSEs were welcomed as this would support local suppliers and make procurement more ethical.
- Officer time would be used more appropriately on procurement from these changes.
- The proposed threshold increase was to a safe, sensible amount.

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

RECOMMENDED TO COUNCIL: That the changes to the Council's Procurement Rules detailed in this report are adopted.

REASONS FOR RECOMMENDATION:

- (1) The increase in the threshold for single quotes reflects the impact of inflation and that not changing them creates additional work for Officers.
- (2) The introduction of geographical and supplier type restrictions gives the opportunity for procurements to be better aligned with policy objectives.

31 EXCLUSION OF PRESS AND PUBLIC

Audio recording – 01 hours 33 minutes 44 seconds

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

RESOLVED: 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).

32 PART 2 MINUTES - 19 JUNE 2024

N.B. This item was considered in restricted session and therefore no recording was available.

Councillor Stewart Willoughby, as Chair, proposed and Councillor Paul Ward seconded and, it was:

RESOLVED: That the Part 2 Minutes of the meeting of the Committee held on 19 June 2024 be approved as a true record of the proceedings and be signed by the Chair.

33 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio recording – 01 hours 38 minutes 28 seconds

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

In response to a question from Independent Member John Cannon, the Chair advised that it had been suggested for Committee Members to attend Risk and Performance Management Group meetings for deeper discussions on major projects and their risk profiles, and he had attended one since.

In response to a question from Independent Member John Cannon, the Director – Resources advised that:

- There had been a follow-up meeting to discuss the recommendations from a meeting with Internal Audit on how the Committee could get assurance on major projects, including Churchgate and Local Government Reorganisation (LGR).
- One option had been suggested for Members to attend Risk and Performance Management Group meetings as this was a good opportunity for open discussion.
- It had also been suggested that some reports could be presented to the Committee as well as the Overview and Scrutiny Committee, but it would need to be clear what role they would have.
- LGR had been discussed in relation to the voluntary joint committees, and how they would operate with the Council and Shadow Authority.
- The Internal Audit Plan and its application to LGR processes had also been discussed, but it was recognised that LGR had been paused, and they would wait to see what this would look like going forward.

There were no items suggested for future meetings.

The meeting closed at 9.15 pm

Chair



INTERNAL AUDIT PROGRESS REPORT

NORTH HERTS COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

11 November 2026

RECOMMENDATIONS

- Note the SIAS Progress Report for the period to 23 October 2026.
- Note the implementation status of the reported high-priority recommendations.

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- 2 Audit Plan Update
 - 2.1 Delivery of Audit Plan and Key Findings
 - 2.3 High-Priority Recommendations
 - 2.8 Proposed Amendments
 - 2.9 Performance Management

Appendices

- A Progress against the 2026/27 Audit Plan
- B 2026/27 Audit Plan Start Dates Agreed with Management
- C Assurance and Finding Definitions 2026/27
- D Implementation Status of High-Priority Recommendations

1. Introduction and Background

Purpose of Report

- 1.1 This report details:
- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Internal Audit Plan for 2026/27 as at 23 October 2026.
 - b) In-Year Audit Plan review and proposed plan amendments.
 - c) An update on performance indicators as at 23 October 2026.
 - d) The implementation status of high-priority internal audit recommendations.

Background

- 1.2 The 2026/27 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 second 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 23 October 2026, 35% of the 2026/27 Audit Plan days had been delivered.
- 2.2 There have been two final internal audit reports issued as part of the approved 2026/27 Internal Audit Plan:

Audit Title	Assurance Opinion	Recommendations
NHC Decarbonisation of Council Buildings – 2 nd Interim Report	N/A	1 Advisory Action
Museum Collection Facility – 1 st Interim Report	N/A	1 Medium Priority, 2 Low Priority and 1 Advisory Action

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. Draft rent review procedure notes have been circulated to the Estates team for comment and are expected to be finalised by 31 January 2027. On this basis, the recommendation is anticipated to be fully implemented by 31 January 2027 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. The Cyber Resilience Plan has now been approved and successfully implemented. Together with the actions outlined in previous updates, this completes the implementation of the recommendation.
- 2.6 One high-priority finding and recommendation from the Health and Safety audit, with an original implementation date of 1 October 2026, remains open and partially implemented. The Council has identified all properties under its direct management control, reviewed fire marshal coverage and training records, completed and documented a fire evacuation drill at the DCO, developed a standard fire evacuation template within the CAFM system, and reported findings and improvement actions to Leadership Team. To fully implement the recommendation, the Council must complete the actions arising from the fire evacuation report and ensure that all relevant sites adopt and use the standard CAFM fire evacuation documentation process. The target implementation date has been revised to 1 December 2026.
- 2.7 The original findings, recommendations and agreed management actions, along with an update, are included at 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 23 October 2026
Draft / Final Report Issued	4 (4/22)	18%	27% (6)
In Fieldwork / Quality Review	6 (6/22)	27%	45% (10)
Terms of Reference Issued / In Planning	6 (6/22)	27%	9% (2)
Not Yet Started	6 (6/22)	28%	19% (4)

- 2.10 Annual performance indicators and associated targets were approved by the SIAS Board in March 2026. On 23 October 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 23 October 2026	Actual to 23 October 2026
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excludes unused contingency)	95%	43% (110 / 255 days)	35% (90.5 / 255 days)
2. Planned Projects - Percentage of audit plan projects delivered to draft report stage by 31 March 2027. Percentage of audit plan projects delivered to final report stage as reported within the CAE Annual Assurance and Opinion report.	90%	27% (6 / 22 projects)	18% (4 / 22 projects)
	100%	23% (5 / 22 projects)	14% (3 / 22 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. (6 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	100% / 80%	HoS / CAMs – 100% All Staff – 89%

	Audit Executives) – 100%		(Management 6/6 (fully qualified) All Staff 16/18 (6 qualified and 10 studying for professional qualifications)
	All Staff – 80%		
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 the first three quarters of the year, with this largely being attributable to the EV Charging audit, which was carried forward from the 2025/26 Internal Audit Plan. We have recently had positive engagement with the service, leading to the issue of a Terms of Reference and arrangement of a formal commencement meeting.
- 2.12 We had also anticipated being slightly further advanced on a couple of internal audit projects that have started in quarter two and three, most notably the Asset Disposal audit which we agreed with the service to defer to the start of quarter three following the issue of the Terms of Reference. The timing of the AGS Recommendations Follow Up audit has been changed to a quarter 4 start, to accommodate the implementation dates of the original recommendations and to support the work of the Policy and Community Team.
- 2.13 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.
- 2.14 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, although as reported in the paragraphs above, we have identified some early concerns which 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, especially prior to the pause in LGR activity. This is a known risk talking to Heads of Internal Audit who have already been through this process.
- 2.15 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.
- 2.16 Four customer satisfaction surveys have been received from those issued since 1 April 2026. Although all six 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.
- 2.17 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.

APPENDIX A – PROGRESS AGAINST THE 2026/27 AUDIT PLAN AS AT 23 OCTOBER 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	0.5	In Planning
Asset Disposal						10	SIAS	2.5	In Fieldwork
Careline						15	SIAS	1.5	In Planning
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	10	In Fieldwork
Health and Safety	Reasonable	0	1	3	0	10	SIAS	10	Final Report Issued
Leisure Centre Decarbonisation						11	SIAS	4.5	In Fieldwork – one final interim audit report issued.
Decarbonisation of Council Buildings					9	12	SIAS	5.5	In Fieldwork – two final interim audit reports issued.
Local Government Reorganisation						10	SIAS	0	Allocated
Museum Collection Facility				1	3	12	SIAS	6.5	In Fieldwork – one final and one draft interim audit reports issued.
Pay On Exit Parking						10	SIAS	0.5	In Planning

APPENDIX A – PROGRESS AGAINST THE 2026/27 AUDIT PLAN AS AT 23 OCTOBER 2026

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L/A				
Renters Rights Act						11	SIAS	0	Allocated
IT Audits (24 days)									
Cyber Resilience						12	BDO	0.5	In Planning
Cyber Risk						12	BDO	0.5	In Planning
Follow-up (12 days)									
AGS and External Audit Recommendations Follow Up						12	SIAS	3	In Fieldwork
Consultancy and Advisory (5 days)									
Assurance Mapping						5	SIAS	4.5	Draft Report Issued
Grant Claims / Charity Certification (8 days)									
King George V Playing Fields						2	SIAS	0	In Planning
Workmans Hall						2	SIAS	0	Allocated
Miscellaneous Grants						4	SIAS	0	
Contingency (5 days)									
Contingency						5			
Client Management - Strategic Support (38 days)									
CAE Annual Opinion report						3	SIAS	3	Through Year
FAR Committee						8	SIAS	4	Through Year
Plan Monitoring						8	SIAS	4	Through Year
Client Liaison						6	SIAS	3	Through Year
Audit Planning 2027/28						8	SIAS	0	Quarter 3/4

APPENDIX A – PROGRESS AGAINST THE 2026/27 AUDIT PLAN AS AT 23 OCTOBER 2026

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L/A				
SIAS Development						5	SIAS	3	Through Year
2025/26 Carry Forward (20 days)									
Anderson House	Substantial				3	10	SIAS	10	Final Report Issued
EV Charging						10	BDO	2.5	In Planning
Total - North Herts D.C.		0	1	6	18	260*		90.5	

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				
	Leisure Centre Decarbonisation (through year) (1st interim final report issued)	Leisure Centre Decarbonisation (through year) (In Fieldwork)	Leisure Centre Decarbonisation (through year) (In Fieldwork)	Leisure Centre Decarbonisation (through year) (In Fieldwork)
	Decarbonisation of Council Buildings (through year) (1st Interim Final Report Issued)	Decarbonisation of Council Buildings (through year) (2nd Interim Final Report Issued)	Decarbonisation of Council Buildings (through year) (In Fieldwork)	Decarbonisation of Council Buildings (through year) (In Fieldwork)
	Museum Collection Facility (through year) (1st Interim Final Report Issued)	Museum Collection Facility (through year) (2nd Interim Draft Report Issued)	Museum Collection Facility (through year) (In Fieldwork)	Museum Collection Facility (through year) (In Fieldwork)
	Emergency Homeless Accommodation Payments (Final Report Issued)	Asset Disposal (In Fieldwork) (TOR Issued – Fieldwork moved to Q3)	Applicant Tracking System (TOR Issued)	Churchgate Project Assurance (Allocated)
	Health and Safety (Final Report Issued)	Fly Tipping (In Fieldwork)	Careline (In Planning)	Renters Rights Act (Allocated)
			AGS and External Audit Recommendations Follow-Up (TOR Issued – Fieldwork moved to Q4)	
			Local Government Reorganisation (Allocated)	
			Pay on Exit Parking (In Planning)	
			Cyber Risk NH (In Planning)	Cyber Resilience (In Planning)
IT				
C		Assurance Mapping (Draft Report Issued)		
G/C			King George V Playing Fields (In Planning)	Miscellaneous Grants (Allocated)
			Workman's Hall (In Planning)	
C/F	Anderson House (Final Report Issued)			
	EV Charging (TOR Issued)			
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.
	Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
	Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
	No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
	Not Assessed	This opinion is used in relation to consultancy or embedded assurance activities, where the nature of the work is to provide support and advice to management and is not of a sufficient depth to provide an opinion on the adequacy of governance or internal control arrangements. Recommendations will however be made where required to support system or process improvements.
Grant Certification	Unqualified	No material matters have been identified in relation the eligibility, accounting and expenditure associated with the funding received that would cause SIAS to believe that the related funding conditions have not been met.
	Qualified	Except for the matters identified within the audit report, the eligibility, accounting and expenditure associated with the funding received meets the requirements of the funding conditions.
	Disclaimer Opinion	Based on the limitations indicated within the report, SIAS are unable to provide an opinion in relation to the Council's compliance with the eligibility, accounting and expenditure requirements contained within the funding conditions.
	Adverse Opinion	Based on the significance of the matters included within the report, the Council have not complied with the funding conditions associated with the funding received.
Finding Priority Levels		
Priority Level		Definition
Corporate	Critical	Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
	High	Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
Service	Medium	Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low	Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.

APPENDIX D – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

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

APPENDIX D – IMPLEMENTATION STATUS OF HIGH-PRIORITY RECOMMENDATIONS

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

APPENDIX D – IMPLEMENTATION STATUS OF HIGH-PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
			<p>have at present. These are expected to be completed by the end of December 2025. It is on this basis that the action remains open with a new date for full implementation.</p> <p>Update from Follow Up of High-Priority Recommendations (December 2025)</p> <p>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.</p> <p>Policy and procedure documentation remains in draft, with an update provided that this should be complete by a revised date of 31 March 2026.</p> <p>March 2026 FAR Committee Update</p> <p>Largely Implemented. No update received by paper deadline in response to request, but not yet at due date.</p>

APPENDIX D – IMPLEMENTATION STATUS OF HIGH-PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
			<p>March 2026 Principal Estates Surveyor Update</p> <p>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.</p> <p>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.</p> <p>August 2026 FAR Committee Update</p> <p>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.</p> <p>October 2026 FAR Committee Update</p> <p>Update from the Estates Surveyor in absence of the Principal Estates Surveyor - 6 October 2026:</p>

APPENDIX D – IMPLEMENTATION STATUS OF HIGH-PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
			<p>For a) The Estates department continues to operate with the existing settled team. An analysis has been undertaken of the capacity and expertise of the team and likely mid-term demands on staffing resources, particularly in the context of LGR. A bid has been made for further funding to allow recruitment for an additional year, so the post remains until the likely date of LGR implementation. When the outcome of the bid is known, a recruitment process will be undertaken to appoint an appropriate person. The appointment will allow appropriate conduct of rent reviews by ensuring staff have capacity to implement and resolve reviews. In the meantime, some rent reviews are being carried out with the use of external advisers.</p> <p>For b) Internal procedure notes have been prepared setting out processes for the conduct of rent reviews. These are in draft form and have been circulated to the Estates team for initial comment prior to wider approval being sought. It is envisaged that the procedure notes will have been finalised by 31 January 2027.</p>
Health & Safety	<p><u>SIAS Recommendation</u></p> <p>The Council should establish and implement an annual fire drill programme for all relevant properties as a minimum, with best practice being twice a year.</p> <p>Fire drills should be fully documented and retained to provide a clear audit trail and demonstrate compliance with the Regulatory Reform (Fire Safety) Order 2005.</p>	01 October 2026	<p>October 2026 FAR Committee Update</p> <p>On 2 October 2026, the Buildings and Facilities Manager confirmed:</p> <ul style="list-style-type: none"> - Met with HCC Health and Safety to discuss fire evacuation at the DCO and other sites. - We have identified all buildings that the Council has direct management control of.

APPENDIX D – IMPLEMENTATION STATUS OF HIGH-PRIORITY RECOMMENDATIONS

Audit Title	Action Description	Original Due Date	Status and Notes
	<p><u>Management Response</u></p> <ul style="list-style-type: none"> - Identify all buildings under the Council's direct management control and implement a process for scheduling and recording fire evacuations. - Consider buildings that are not regularly occupied and assess whether regular fire drills are appropriate. - Conduct a review of fire marshal coverage and training records/history 		<ul style="list-style-type: none"> - We have considered buildings that are not regularly populated and made recommendations for the frequency or requirement for fire drills. - We have reviewed fire marshals and training history. - We have conducted a fire evacuation drill at the DCO and recorded the findings. - We have created a fire evacuation template form in our CAFM system to ensure a consistent approach. - A report highlighting issues with the recent fire evacuation has been sent to the Director - Enterprise for him to take to Leadership Team. <p>Further work still required:</p> <ul style="list-style-type: none"> - Implement actions from the report to Leadership Team. - Engage with responsible individuals at other sites to use standard CAFM form. <p>This recommendation now has a revised target date of 1 December 2026.</p>

FINANCE, AUDIT AND RISK COMMITTEE WEDNESDAY, 11 NOVEMBER 2026
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PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: Medium Term Financial Strategy 2027-30

REPORT OF: Director - Resources

EXECUTIVE MEMBER: Executive Member - Resources

COUNCIL PRIORITY: All Priorities;

1. EXECUTIVE SUMMARY

This report recommends the Medium-Term Financial Strategy (MTFS) for 2027/28 to 2029/30 to guide and inform the Council's Business Planning Process. The three year period of the MTFS reflects the probable timelines related to Local Government Reorganisation.

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

2. RECOMMENDATIONS

- | |
|---|
| 2.1. That Finance, Audit and Risk Committee note and provide comment to Cabinet on the Medium-Term Financial Strategy, as attached at Appendix 1. |
|---|

3. REASONS FOR RECOMMENDATIONS

- | |
|---|
| 3.1. Adoption of a Medium-Term Financial Strategy (MTFS) and communication of its contents will assist in the process of forward planning the use of Council resources and in budget setting for 2027/2028 onwards, culminating in the setting of the Council Tax precept for 2027/28 in February 2027. Alongside the Council Plan, this will support the Council in setting a budget that is affordable and aligned to Council priorities. |
| 3.2. Finance, Audit and Risk Committee support the development of the MTFS through reviewing and commenting on the underlying assumptions and risks. |

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

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1. Consultation will take place as part of the overall budget-setting process. As in previous years, Member workshops will have been held in November to discuss budget proposals and priorities in advance of them being considered by Cabinet.
- 5.2. The Council undertook a budget survey during summer 2025. The results of this were presented alongside setting the 2026/27 budget. The findings from that survey remain relevant in setting the 2027/28 budget.

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. The ultimate decision on adopting the MTFS is taken by Full Council.

7. BACKGROUND

- 7.1. The Council is required to set a balanced budget each year. This can include using reserves if this is affordable over the medium term. The Council therefore sets a MTFS each year to help determine the approach that it will take to setting the detailed budget for the following year.

8. RELEVANT CONSIDERATIONS

- 8.1 The MTFS is attached as Appendix 1. It details the uncertainties and assumptions used to estimate our future finances. The wording of the strategy can be updated if there is more certainty over the Local Government Reorganisation (LGR) process prior to it being adopted.
- 8.2 Reserves can be used in a managed way to support the implementation of savings required. But they cannot be used in the medium term without a plan to achieve a balanced budget. The MTFS details a principle that the Council should be a good LGR ancestor and provide any successor Council with a balanced budget.

9. LEGAL IMPLICATIONS

- 9.1 Finance, Audit and Risk Committee's Terms of Reference include at 10.1.5 (b) "[t]o review and recommend the Medium Term Financial Strategy to Cabinet (including, although not limited to consideration of associated procedures, policies and process)".
- 9.2 Cabinet's terms of reference include at 5.7.38 the power, by recommendation "to advise the Council in the formulation of those policies within the Council's terms of reference". Council's terms of reference include at 4.4.1(b) "approving or adopting the budget". The MTFS is part of the budget setting process. Paragraph 2.7 of the Council's Financial Regulations (Section 20 of the Constitution) details that "[t]he Medium Term Financial Strategy ... require[s] approval by Full Council".
- 9.3 Councillors are reminded of the requirement, under section 30 of the Local Government Finance Act 1992, to set a balanced budget prior to the commencement of the financial year in question; and also that the Local Government Act 2003 requires

the Chief Finance Officer to report on the robustness of estimates and the adequacy of reserves allowed for in the budget.

10. FINANCIAL IMPLICATIONS

10.1 Revenue financial implications are covered in Appendix 1.

10.2 The main purpose of the Medium Term Financial Strategy is to consider the revenue funding, income and expenditure for the Council. This includes considering the revenue implications of capital expenditure.

11. RISK IMPLICATIONS

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

11.2 The key risks within the budget assumptions are referred to in Appendix 1.

11.3 There are financial and reputational risks involved in arriving at a balanced budget. These risks are mitigated through the established corporate business planning process and early involvement of members in the process.

12. EQUALITIES IMPLICATIONS

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

12.2. The MTFS attempts to align resources to the delivery of the Council Plan, which sets the corporate objectives. Through its corporate objectives the Council is seeking to address equality implications in the services it provides. Equalities Impact Assessments will be carried out for relevant efficiency or investment options.

13. SOCIAL VALUE IMPLICATIONS

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

14. ENVIRONMENTAL IMPLICATIONS

14.1. All recommendations/actions of the council, and those identified in this report strive for positive impacts on the environment as per the Council’s Sustainability priority. The MTFS supports the delivery of the Council plan which in turn supports the following aims of the Sustainability Strategy:

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

- 14.2 Positive or negative environmental impacts have not been identified at the time of writing. As specific budget proposals are developed then, where relevant, an Environmental Impact Assessment will be completed.

15. HUMAN RESOURCE IMPLICATIONS

- 15.1 The MTFS makes assumptions in relation to pay inflation. As the actual rate of inflation will be subject to national pay bargaining, the actual costs will depend on the results of those negotiations. The budget also makes assumptions around funding for increments.
- 15.2 The delivery of projects to deliver council objectives depends on having adequate people resources with the requisite skills.
- 15.3 The development of budget proposals will take up staff time. As they are developed these budget proposals will identify the ongoing impact on staff.

16. APPENDICES

- 16.1 Appendix 1- Medium-Term Financial Strategy 2027-30

17. CONTACT OFFICERS

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18. BACKGROUND PAPERS

- 18.1 None

North Herts Council

Medium Term Financial Strategy (MTFS)
2027-30

Purpose of the Strategy

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

Local Government Reorganisation (LGR) and Devolution

At the time of writing this strategy, the Hertfordshire LGR programme is subject to the pause and review by Government. The announcement that elections on current Council footprints would take place in May 2027 (although not relevant to North Herts as next scheduled elections are May 2028), provides a strong indication that LGR will not happen (i.e. vesting day) until April 2029 at the earliest.

When/ if LGR takes place, it would see North Herts Council replaced by one or more Unitary Councils (combining District and County Council services) over a wider geographical area. The initial decision was that North Herts would be split across two Unitary Councils. That decision on geography may change as part of the pause and review process.

Government have made various announcements about decentralisation of power/ devolution. The assumption was that some of this devolution would happen via a strategic authority that would sit above the Hertfordshire Unitary Councils. That strategic authority would also deliver some of the services currently provided by the existing Councils.

This MTFS is prepared on the following basis:

- A medium-term planning horizon of 3 years (up to the end of 2029/30) is used.
- It incorporates the current North Herts Council services and geographic footprint.

If LGR progresses then we have a plan that could cover the first year of the new Unitary Council(s), and provides baseline data to be incorporated with other the other Councils to set a year 1 budget. The new Unitary Council(s) can formulate their own assumptions on how to project that forward to later years.

If the LGR programme does not progress, then it provides time to plan to balance the Council's budget and consider the decisions that will need to be made.

The current Council Plan period is for 2024-28. For the period of overlap between the Council Plan and the MTFS, the intention is that the two documents are aligned.

Delivering Vision and Priorities

The Council's vision and priorities are set out in detail in the Council Plan. This results in a vision that is "working with you for a fairer, greener North Herts.

To support that that, the Council has the following priorities: Thriving Communities, Accessible Services, Responsible Growth and Sustainability.

Most of the money that the Council spends is on delivering statutory services (about two thirds of net spend). The focus will be on delivering those services in line with the priorities. Even as the Council's funding has reduced, the aim has been to maintain the ability to offer discretionary services that are linked to the priorities.

The forecasts include a likely need to reduce costs in the future. This would mean that difficult decisions will need to be taken. If faced with that choice, those decisions will be taken in line with our priorities. That would take into account what residents have said in the budget survey.

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

Future funding

The results of the new fair funding formula were incorporated into the financial settlement for 2026/27. That financial settlement also provided indicative funding levels for a further two years, up to 2028/29. Whilst these amounts are not guaranteed, they are the best basis on which to forecast future funding.

It is assumed that 2029/30 will see an inflationary uplift on the 2028/29 amounts. If the inputs into the fair funding formula change, then that could lead to a bigger shift, either positive or negative. As the formula is allocating an overall pot of funding, even if the North Herts data did not change significantly, data changes from other Councils could still impact North Herts funding.

The fair funding formula outcome, combined with a reduction in pension payments, meant that the Council was in a better position than expected when setting the 2026/27 budget.

Income raised from Council Tax is incorporated in to how fair funding has been calculated. However this is based on assumed Council Tax, and the Council gains if actual income is higher and loses out if it is lower. The cap on increases to the rate of Council Tax is expected to be retained at 3%. Council Tax income is also affected by growth in properties in the district, the impact of Council Tax reduction scheme (CTRS) and collection rate. The following assumptions are made in relation to Council Tax:

- The rate of Council Tax each year will be increased by just below the maximum allowed without the need for a local referendum, expected to be 3% per year. So the annual increase applied is expected to be 2.99%.
- The tax base for 2027/28 is currently based on the annual tax base calculation undertaken in October 2026, which was 52,425 band D equivalent properties (an increase of 0.72% on the 2026/27 budget).
- A tax base growth rate of 0.5% is assumed for subsequent years. This is intended to be a net growth rate, to reflect increases in costs from population/ household growth (e.g. waste collection).
- There will be no changes to the working age CTRS, except inflationary increases to the bands with the intention of maintain a similar level of eligibility.
- The assumed collection rate will be retained at 99%. There is some risk in this as new legislation means that Council Tax should be collected over 12 months by default. This could reduce the number of households paying over 10 months, which gives less scope to catch up if a payment is missed. That may then reduce the collection rate.

Extended Producer Responsibility (EPR) is where producers have to pay for the cost of collection and disposal of packaging material. The funding is then passed on to Councils. This means that the cost of packaging materials should be borne by the end customers of those goods (through slightly higher prices) rather than the general Council taxpayer. In 2025/26, Council's received a guaranteed amount, and North Herts received more than that guaranteed level. The amount that the Council has been told it can expect in 2026/27 is £1.43 million, but this no longer guaranteed. EPR funding is not within the scope of fair funding. The aim of EPR is to encourage reductions in packaging waste so over time the payments the Council receives should slowly decrease. Reductions in packaging waste that needs to be collected will not reduce our costs as collection costs are priced based on number of households, not volumes collected. It is possible that net costs could go up as some of the recyclable material that we collect generate an income, which is linked to volumes. It is assumed that the net impact will be equivalent to a 20% reduction in EPR funding per year.

Our previous funding forecasts

The current year (2026/27) budget includes the following funding forecasts for future years:

Funding by source by year, amounts in £m	2027/28	2028/29
Council Tax	14.71	15.23
Government Grant and retained Business Rates	6.68	6.61
Extended Producer Responsibility	1.43	1.14
Council Tax Support to Parishes	(0.04)	(0.04)
Total	22.78	22.94

Revising our funding forecasts

In addition to the assumptions in previous paragraphs, the following are also assumed:

- Continue to budget for Business Rates at the baseline level, i.e. do not assume any growth or decline. There is some risk in this. The baseline level was reset as part of fair funding which removed any previous growth. For 2026/27 there was a 0% safety net (i.e. Government would protect any losses) but this is changed to 97% in 2027/28 and then back to the previous 92.5% in 2028/29.
- Retained business rates to grow by inflation at 3% for 2029/30. This may be an over-estimate but is consistent with pay inflation forecasts (see later) and reflects the uncertainty over the ongoing impact of fuel and energy price inflation.
- Revenue Support Grant reflects an overall increase of 3% in funding for 2029/30. This (as in previous years) results in a decrease in this specific element due to the impact the tax base growth included in the Council Tax forecasts. This is because the funding formula assumes a baseline level of increase in tax base growth. Exceptional levels of tax base growth would result in net additional funding.
- For now, assume that Council Tax support to parishes continues, although a choice could be taken to provide notice that this will cease.

Funding by source by year, amounts in £m	2027/28	2028/29	2029/30
Council Tax	14.742	15.258	15.793
Retained business rates and general government grant	7.670	7.640	7.571
Extended Producer Responsibility	1.430	1.144	0.915
Council Support to Parishes	(0.039)	(0.039)	(0.039)
Total	23.803	24.003	24.240

Our General Fund reserves

The latest forecast (Quarter 1 Revenue Monitoring report) is that the General Fund balance as at 31st March 2027 will be £17.30 million. That involves using £0.1 million of our General Fund during 2026/27 to support revenue spend, alongside £3.64 million of other reserves (that includes revenue funding for capital). The current expectation is that the use of the surplus business rates reserve will bring that down to the required level to manage future business rate funding payments and risks, so there would be no additional surplus available.

The Council must have a certain level of reserves when setting its budget. This is to provide protection against known and unknown risks. This includes us being able to react to changes in demand and any emergencies that may arise. The allowance for known risks is based on estimating the monetary impact of an event happening and applying a percentage to this, based on the likelihood of it happening (high, medium or low). Our allowance for unknown risks is based on 5% of net expenditure and 3% of budgeted

income (excluding Housing Benefit). For 2026/27 this gave a minimum balance of £3.5m. It is assumed that the required level for the period of this MTFS will be up to £4 million.

There is good headroom between the current and minimum level of reserves.

Revenue and Capital spend

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

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

Most of the Council's funding is revenue and can be used for either revenue or capital spend.

Where the Council sells surplus assets then that results in a capital receipt which can only be used to fund new capital spend. In the Q1 capital monitoring report for 2026/27, the forecast for capital receipts was reduced to zero. This reflects the current priorities for the Estates team and current expectations over land prices for residential development. The Council also sometimes get capital grants, that can only be used for capital spend.

There are revenue costs that are linked to net capital spend (including netting off capital receipts and external capital funding). The Council has moved to a position where there is a need to borrow to fund the capital programme, as all the capital reserves have been used. This is a normal position for Councils to be in, and there are provisions that allow us to borrow to fund capital spend. The Council cannot borrow money to fund revenue spend. When the Treasury Strategy is set as part of the 2027/28 budget it will need to determine whether to use internal or external borrowing. It is likely that it will be possible (and desirable) to continue with the current approach of borrowing internally. This means that the Council uses the cash that it holds to fund capital spend. The costs of capital spend then come from the lost interest that otherwise would have been earned from investing that cash and the need to charge a Minimum Revenue Provision (MRP). In essence, the MRP spreads the cost of a capital asset over its expected useful life. For the purposes of this MTFS, it is assumed that the only change to treasury and MRP costs (compared to those when the 2026/27 budget was set) will be from the reduction in forecast capital receipts. This is based on there being no defined proposals for significant increases in capital spend. This will be reviewed as part of the detailed work in setting the 2027/28 budget. This adjustment is estimated at 5% of the £3 million reduction in capital receipts = £150k.

Revenue budget forecasts for 2027/28 onwards

The revenue budget that was set by Council in February 2026 included the forecasts below for net spend in 2027/28 onwards.

Amounts in £m	2027/28	2028/29
Forecast spend	27.44	23.73

As part of setting the 2027/28 budget, revenue forecasts will be fully reviewed and will be extended to cover 2029/30. But as part of updating this strategy the following assumptions are considered/ updated.

Budget monitoring updates

Since the budget was set in February 2026, there have been budget monitoring reports for Q3 2025/26, end of year 2025/26 and Q1 2026/27. These reports identified the following ongoing budget impacts:

Amounts in £m	Estimated ongoing impact (excluding carry-forwards)
Q3 2025/26 report	(0.267)*
End of year 2025/26 report	0.032*
Q1 2026/27 report	0.034
Total impact	(0.201)

** The values of these can be different to what was included in the relevant revenue monitoring report as they reflected the 2026/27 impact and this is the 2027/28 impact.*

The Q1 2026/27 report also identified £0.30 million of carry-forwards from 2026/27 to 2027/28, so the forecast General Fund position would be reduced by this amount to reflect the additional spend that will now be incurred in 2027/28. However overall this does not substantially affect medium term projections.

Inflation and cost of living impacts

In July the Bank of England Monetary Policy Committee retained the UK interest rate at 3.75%. Three of the members of the Committee voted for an increase, which reflects the pressure from fuel and energy prices on UK inflation. Whilst Consumer Price Index (CPI) inflation had fallen to 2.6%, it is expected to increase again during the remainder of 2026. It is then expected to drop back down towards the 2% target during 2027.

Pay inflation and pay competitiveness

The pay claim for 2026/27 was agreed at 3.3%. The NJC Trade Unions have not yet submitted a pay claim for 2027/28. The current MTFs forecasts are based on 3% pay inflation for 2027/28 and then 2% per year thereafter. It is proposed that this assumption is changed to 3% for each of the 3 years: The reasons for this are:

- The peak in UK inflation in 2027 could be over 4%. Pay awards will need to balance inflation over time, but should also reflect overall cumulative inflation.
- Increases in the National Living Wage are likely to create pressure on the Council's pay levels. This will have the greatest impact on those at the bottom of the pay scales, but there is also a need to maintain pay differentials.
- There have been periods of below inflation pay rises in Local Government, which the Unions will seek to try and address.
- It is consistent with what other Hertfordshire Councils are assuming. This is relevant in the LGR context.

Contracted services inflation

Our contracts have a mix of inflation increases built into them. Some of our larger contracts use a basket of inflation indicators. Others will just be linked to general inflation. It is proposed that 3.7% inflation is assumed for 2027/28 (forecast for 2026 Q4), then 3% for 28/29 and then 2% thereafter. For those contracts that have more specific inflationary measures, it is assumed that over time these will be strongly aligned to general inflation. There is a short-term risk from those contracts that have exposure to fuel and energy prices.

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

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

Garden waste went back to being an annual charge from April 2025 onwards. This was set at £57 for 2026/27. For this purpose of this strategy, it is assumed that it will increase in line with contract inflation (i.e. 3.7% for 2027/28, 3% for 2028/29 and then 2% thereafter). The decision on the charge will be taken by Cabinet. It is assumed that there will continue to be a concessionary discount for those that are less able to pay. It is likely that actual charges would be rounded to the nearest pound, but this does not make much difference over the MTFS period (i.e. rounded to the nearest pound the modelled increases would be £59 in 2027/28, £61 in 2028/29 and then £62 in 2029/30, versus unrounded increases of £59.11, £60.88 and £62.09).

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

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

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

The current assumption is that increases at these levels would not affect demand. For most of our services payment is made in advance of receiving the service, so this would not result in an increase in levels of overdue debt.

Planning income

There are expected to be large new developments in the District. The precise timing of these developments is not known, and may be affected by the impacts of continuing higher interest rates.

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

The 2027/28 detailed budget work (i.e. not part of this MTFS) will include a prudent estimate of additional planning income over the next 3 years. This will reflect that the income is only earned when the application is determined, and not when we initially receive the fee income. If there are over-achievements in early years, these will be put into a central reserve to enable the smoothing of any shortfalls in later years. When prudent, any balance in the reserve will be released back to the General Fund. The reserve will not be used to directly fund additional planning expenditure. There will be a need for additional resource in the medium-term, but this will be covered through the normal budget process.

Capacity to deliver our priorities

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

The projects included in the Council Delivery Plan continue to be subject to prioritisation. However, there are still risks around delivery, particularly in relation to finances and Officer capacity. This is part of the reason why the Council Delivery Plan is reviewed on a quarterly basis.

The table below details those projects that are in the current Council Delivery Plan (as reported to Cabinet in September 2026). The table shows the financial implications of those projects in 2027/28 onwards:

Project	Resources
Churchgate area regeneration	The 2026/27 budget has been adjusted (via a Council decision) to provide resources to progress with the procurement of a delivery partner. The 2027/28 budget will identify the potential spend required to progress through to a deliverable scheme (e.g. design costs, planning costs, project management costs). Some of these costs may be able to be treated as capital but will be shown as revenue expenditure initially. These revenue costs will be one-off can be afforded from General Fund reserves. Where possible any surplus income from lettings will also be used. Ultimately it is expected that a significant capital budget will be required, but not yet at a stage where this can be quantified.
Public Sector Decarbonisation Scheme- Leisure Centres	A capital budget has been agreed and is monitored regularly. The majority of the works have been completed (fully complete at Royston). The remaining works are subject to property agreements related to power supplies running across third party land. There is a risk that delays will lead to a further increased capital budget requirement.
Decarbonisation of Council Buildings Phase 2	Capital budget approved. The impact on ongoing running costs will be refined throughout the project. Project Management from Climate Change and Sustainability Project Manager.
Local Plan Review	Assumed that this will be delivered from existing resources, including use of specific reserves. Project Management from the Strategic Planning Team.
Digital Transformation	Staffing resource is coming from Customer Services and IT. The projects may deliver some net savings, alongside process improvements for customers and staff. As the amount is uncertain these are not budgeted for at this stage.
Pay on exit parking	Expected to be completed in 2026/27.
Oughtonhead Weir	Expected to be completed in 2026/27.
/Residential/ Public EV charging	Expected to be completed in 2026/27.
Museum Collection Facility	There is a capital budget in place. The scope of the works is being reviewed to deliver it within the available budget. Project Management is provided by the Culture and Facilities Service Manager.
Royston Learner Pool	There is a capital budget in place. Project work so far is showing that the works are deliverable within the budget. Project Management is provided by the Leisure and Active Communities Team. The delivery route selected has reduced some of the project management pressure.
Achieving net zero Carbon emissions	Our leisure centres make up around 45% of our scope 1-3 emissions. The Public Sector Decarbonisation Scheme therefore supports significant progress towards net zero. Within the new waste contract, all vehicles under 7.5 tonnes will be electric. There is some budget provision for using HVO fuel in the larger waste vehicles, although this is currently insufficient. The 2027/28 budget will consider whether to increase the budget, and therefore the proportion of HVO use that can be afforded. The phase 2 decarbonisation budget includes the Town Hall and Museum, North Herts Learner Pool and District Council Offices. There are not currently any other specific capital budgets allocated for carbon improvements. There is also no budget allocated for off-setting costs.

Local Government Reorganisation	This has been very resource intensive. The pause by Government means that there is uncertainty as to the future resources required. Funding has been approved (from General Fund reserves) for the County-wide programme, additional posts in IT and HR and additional training. If the LGR process recommences then it is expected that further resource will be required (above the £2 million allocated). This is because the refinement of expected costs (before the pause) was highlighting more resource being needed, and the lengthening of the overall programme (due to the pause). The lengthening of the programme could allow the Councils to be in a better position pre-vesting day, and therefore provide better outcomes for the new Unitary Councils. This will need to be kept under review, and can be met from General Fund reserves (as will be one-off rather than ongoing spend).
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Projects are generally managed by relevant Officers, in addition to their core role. This creates the potential for delays.

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

Future spend forecasts and resultant budget gap

Bringing together the above assumptions gives the following spend forecasts over the next 3 years. This is then compared with the estimated funding for each year to give a forecast funding gap.

Amounts in £m	2027/28	2028/29	2029/30
Forecast spend from 2026/27 budget	27.444	23.732	24.687
Budget monitoring impacts	(0.201)	(0.220)	(0.220)
Changes in inflation and other assumptions	0.152	0.019	0.019
Increased revenue cost of capital	0.150	0.150	0.150
Revised forecast spend	27.545	23.681	24.636
Forecast funding	23.803	24.003	24.240
Forecast budget gap	3.742	(0.322)	0.396

Addressing our funding gap

The table above estimates that the Council will have a funding gap of around £0.4 million by 2029/30. If the Council was continuing in its current form, then it might be possible to use General Fund reserves to balance the budget over a longer period, but with the potential LGR timeline it is recommended that the Council should seek to identify how a balanced budget would be achieved by 2029/30. This would mean that the Council is acting as a good ancestor to the future Unitary Council(s). In the event of LGR happening on the currently assumed timescales this would mean that any savings would need to be identified as part of the 2027/28 or 2028/29 budget process. As this Council would not be setting a budget for 2029/30. It is likely that most of those savings will be identified for 2028/29 (i.e. the budget set in February 2028), as that gives greater certainty over what is happening with LGR and also the other forecasting assumptions. However it is important that the budget agreed for 2027/28 (i.e. the budget set in February 2027) does not make the ongoing budget position worse.

What do we mean by savings?

It is likely that there will be a need to identify savings to balance the budget. Savings could mean any of the following:

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

During Summer 2026, residents were asked to help shape our future budget decision-making by sharing their thoughts on the services they value and their future priorities via our first-ever budget consultation. The aim of the consultation was to gauge residents' views and use the findings to aid our decision-making rather than make any concrete decisions on future services. The consultation focused on those services which are paid for through our general funding rather than those that are fully covered by fees and charges.

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

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