North Hertfordshire District Council

Value for money risk assessment - Draft

Year ended 31 March 2026

September 2026

Value for money

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

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

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

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

Risk assessment processes

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

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

Reporting

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

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

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

Financial sustainability

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

Governance

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

Improving economy, efficiency and effectiveness

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

Value for money

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

Process

Understanding the Council's arrangements

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

→ **Evaluation of Council's value for money arrangements**

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

→ **Value for money conclusion and reporting**

- Conclusion whether significant weaknesses exist

Outputs

Risk assessment to FAR Committee

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

Value for money assessment

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

Public commentary

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

Public commentary

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

Summary of risk assessment

Summary of risk assessment

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

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

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

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

Response to significant risk

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

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

Value for money arrangements

Financial sustainability

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

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

Summary of risk assessment

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

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

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

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

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

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

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

Value for money arrangements

Financial sustainability

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- How the 2025/26 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2025/26 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

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

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

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

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

Risk assessment conclusion

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

Value for money arrangements

Governance

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

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

Summary of risk assessment

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

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

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

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

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

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

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

Value for money arrangements

Governance

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- The review and approval of the 2025/26 financial plan by the Council, including how financial risks were communicated;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Council ensures decisions receive appropriate scrutiny.

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

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

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

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

Risk assessment conclusion

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

Value for money arrangements

Improving economy, efficiency and effectiveness

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

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

Summary of risk assessment

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

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

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

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

Value for money arrangements

Improving economy, efficiency and effectiveness

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- The development of efficiency plans and how the implementation of these is monitored;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Council has engaged with partners in development of the organisation and system wide plans and arrangements;
- The engagement with wider partnerships and how the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

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

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

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

Risk assessment conclusion

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

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

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

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